FINANCE INDIA
© Indian Institute of Finance
Vol. XXXVII No. 3, September 2023
Pages—665 - 678

Trust as a Financial Value

J.D. AGARWAL*
YAMINI AGARWAL**
MANJU AGARWAL ***
AMAN AGARWAL ****

Abstract

Trust is an essential element of every relationship. It has the ability to create value from processes, products, services and relationships. The value is well placed in the financial system where we trust the governments and central banks. The entire financial system is based on trust which creates financial value for all. Similarly all function of the organisation whether marketing, finance, production, human resources are all based on the ability of the trust they generate with the stakeholders through their processes and the reflective learning people gain through their interactions. Trust can be built and can pay rich dividend in the form of higher sales, higher salaries, commitments of employees, partners, children, goodwill and others. One is willing to place a value financially to trust in terms of the premium one pays for the next best alternative. The study in a methodological method builds on Trust and its financial value well recognised but not acknowledged in the literature and teachings of life and management. The study explores how Trust can be build and changes over time. It also explores the mathematical experiments in defining trusts and provides for the means for valuation.

JEL Code : A13, D46, G4, G12, G33
Keywords : Trust; Finance; Asset; Government; Financial System; Valuation

I. Introduction

"TO EARN TRUST, money and power aren't enough; you have to show some concern for others. You can't buy trust in the supermarket." said His Holiness the Dalai Lama (Jaffe, 2018). A currency note (or money) issued by any central bank or king or monetary authority gains it value in the minds of the citizens or even the market traders based on the Trust - Promise it bears and the reputation the said country / central bank endows in it. Trust is a highly valuable asset that can either make or break. Trust is as fragile as

* Distinguished Professor of Finance and Chairman, Indian Institute of Finance, Plot No. 45A, Knowledge Park III, Greater Noida, Uttar Pradesh 201310, INDIA.
** Professor and Director, Bharati Vidyapeeth (Deemed-to-be-University) Institute of Management and Research (BVIMR), A-4, Paschim Vihar, Delhi, 110063, INDIA.
*** Professor and Dean (Academics, MDP & Training), Indian Institute of Finance, Plot No. 45A, Knowledge Park III, Greater Noida, Uttar Pradesh 201310, INDIA.
**** Director and Dean (International Relations), Indian Institute of Finance, Plot No. 45A, Knowledge Park III, Greater Noida, Uttar Pradesh 201310, INDIA.

Submitted January 2022; *Accepted* April 2023

glass, in which it is easy to break and very hard to get back and so is the inherent Financial Value it bears as an Asset like Goodwill.

We find that there are anomalies in the rationality adopted by people in choosing brands, partners, employees, institutions, jobs, countries and many other choices. As consumer one prefers one brand over the other and is ready to pay a premium for the same. A person may choose many friends but select a few to do business or to offer drinks or a single person as a soulmate. Among employees in many corporates' promotions are offered to less educated but consistent or dependable worker. Parents, Children and people are willing to rest their decisions on the reports of certain professionals, institutions and are willing to pay a higher price to afford the information deeming it to be credible. A price that one is willing to pay for the trust he enjoys in the goods or services or person that he interacts with or is ready to consume. Often it is believed that quality is the factor that meets the requirement of the premium that a company can charge on the products or services that it offers for which there are several studies provided to scientifically make them efficient and reliable. Testing of cars before they reach the market for safety requirements. Food meeting hygiene level and safety requirements. Accreditations in institutions or Quality marks to the products and services all lead to trust it generates among the consumers or the stakeholders about the processes adopted and good and services offered. Trust does only come from quality deliveries but a whole process which may refer to after service deliveries, customer support, employee diversity, employer-employee relationship, technology offered, reliability, commitment to serve the cause, dedication and above all the authenticity with which one offers a relative perception and its conversion to reality. Reflective learning from the interaction of the person, good, service or any other event develops or destroys trust. Often this strongest element is undermined in the financial world in creating value for organisations, people, countries and governments.

When institutions like World Bank, IMF, ADB, WTO or some other institution brings research reports on countries, the reports are taken seriously by the world among all specially governments, central banks, investors, financial institutions, banks and others. Similarly, when governments and central banks of countries report their status of economic well being they are also taken equally seriously. The rating agencies like S&P, Moody and others rating countries and companies also are potentially strong in creating a perception about the country, government and companies. Media, executive body, legislature and social media also today define the perception of a country, government, organisations, companies, individuals and communities. And what do they do ultimately is determine the trust one has on these different stakeholders of the world. They then define what credit lines, sovereign risk, financial flows and emerging avenues will be open for the different countries, government, organisation and individuals. It was found that despite the global financial crisis and banks failing in US, the country enjoyed the trust of the public and world at large. It is also true to a large segment that despite the crisis running through the world the credit rating agencies did not reduce their rating on ability to pay. High inflation, possibilities of recession in USA and UK have not declined the trust people continue to repose in their systems and processes. Negative macroeconomic indicators continue to drive best talents to US, UK, Europe and many other places, despite economic odds in the last decade. An argument many would offer is development status, many sceptics would also offer the argument of hegemony after the cold war or even what were the lasting impacts of the second world war which continue to guide the trust in these economies. The argument is not what drives trust but the fact that it has financial value which can be reaped for short and long runs at macro and micro levels. The generation of "Trust" may come from many sources.

In India there is often an old tradition where kings would leave their sons to the Gurus (teachers) in the Gurukuls (natural habitat teaching place) in the trust that the Guru (teacher) would make the person a well versed with the war fare or political policy. The king would not interfere in the working of the Guru and the Shishya (student) would have to listen and go through the tough training and humble belongings of the Gurukul. The aim of the King was to receive a leader that can take care of the country in his absence. A value which cannot be measured in terms of real financial wealth that Student can generate by trusting his Guru. We remember an old story which is popular as an adage in India where a man leaves his son to Teacher who makes "*Lehi*" (a kind of liquid glue). The man continues to teach the child with full dedication but makes him do the same job of mixing the liquid everyday. The father when visiting the child after 6 months learnt that the child is asked to repetitively do the same job becomes dissatisfied with the teacher. After losing patience and in some time approached the teacher and questioned him whether he is really teaching his job or enjoying the benefits of labour alone. The teacher smiled and told the student to throw the liquid glue ("*Lehi*") that he had prepared on the road, where in a running horsewas passing by. The liquid was thrown by the child and the running horse stranded put the moment the horse stepped on the liquid glue ("*Lehi*")and was unable to move. The father and the student were shocked to see it. The teacher then told him that this is what I have taught him enough for make his living. The father apologised to the teacher and asked him to continue teaching his son. The teacher said you have lost trust in me and I have given him the ability to earn his livelihood and I may not be able to teach him anymore. The earning this livelihood for the student was dependent on the trust with which the student obeyed the teacher and pursued his education.

In aerial performances by acrobats or artists or dancers or teams, the essential element is trust on each other and that determines the performance. Also for successful relationships of employee – employer; student – teacher; customer – organisation; wife – husband; child – parents; mentor – mentee; doctor - patient and other, the essence of the relationship lies on trust. Many would call the relationship of trust priceless but does it command a financial value.We ask this question in our curiosity. Yes, in every relationship based on trust we are willing to pay a higher price in terms of money, time, resources and even as part of ourselves. Traditionally it has been recognised that trust cannot be priced but do we pay premiums for well known brands, specialised doctor, premium education institutions, reputed teachers because we believe and trust that they would meet our expectations with their standards. Unfortunately, a quality which is often referred as an intangible is well measurable with the standards we expect from a action or a relationship. One would find trust creation in many leadership summits yet we are not able to recognise that these leaders have the capability to lead organisations with several employee for a better future, greater productivity and higher value not only in terms of profitability, wealth maximisation but brand that lives for generations. We often come across many businesses mentioning the year of their establishment proudly on the logo, does the time span of the survival success inspire trust among its stakeholders and for that it commands a premium. Yet many organisation behaviour studies fail to recognise the contribution of this basic essential element in each function whether it is Finance, Marketing, Human Resource, Production. We ask whether it is possible to even appoint an accountant or a banker whom you cannot trust with money. Does that essentially let us know that we are ready to pay for those whom we can trust. Can any Market / Marketing exist if it fails to inspire trust among its stakeholders. It is often said that children and women are often used in advertisements and publicity campaigns as automatically inspire trust and do organisation pay for seeking such trust creation through brand ambassadors or actors. Hiring the highest paid actor or athlete or known personality to promote your brand is to create an image or trust to standards that the personality stands for. Are we willing to pay for it? Many would say "Yes" then why do we undermine the ability of the basic essence of Trust in Economic activities.

We have gone through the most troubled time of Covid when we were left to believe our governments, public administration, hospitals and medicine to our lives and our loved ones. We remember our Prime Minister initially made a call and appeal to all for "Janta Curfew" which mean that through self-discipline, people were asked to stay back home for one day. Without police effort, people followed the advise, economic activity stopped, The question that comes to mind is that did we lose in financial terms, probably not for we saved 130 billion people's live through awareness and self-discipline. A trust in your leader could generate the potential of protecting and securing a nation worth billions of dollars much to economist evaluation of GDP numbers.

The trust in leaders or relationships is not new. In 1965 a war with Pakistan of India, there was shortage of food and US had threatened it would cut food supplies, the then Prime Minister Lal Bahadur Shastri told his family that none shall cook a meal for one week. On All India Radio he urged the public to sacrifice one meal in one week. A call that made a difference in lives of millions of people and strengthened their belief in their nation.

Jafee (2018) work projects that Trust in a leader allows organizations and communities to flourish, while the absence of trust can cause fragmentation, conflict and even war. We argue that it is not only a leader but every person and relationship need to resonate trust for which there is a financial value in terms of higher salaries, higher sales, higher market penetration, leadership, profitability, market valuations. This is also evident that one negative news in the market makes its crash in seconds. One positive news can take valuation sky rocketing. Several million are lost or gained in seconds with the trust on the expectations would meet with organisations, governments, stock markets and even world scenario.

Freiand Morriss (2020) work published in Harvard Business Review wrote that "We think of trust as precious, and yet it's the basis for almost everything we do as civilized people. Trust is the reason we're willing to exchange our hard-earned paychecks for goods and services, pledge our lives to another person in marriage, cast a ballot for someone who will represent our interests. We rely on laws and contracts as safety nets, but even they are ultimately built on trust in the institutions that enforce them. We don't know that justice will be served if something goes wrong, but we have enough faith in the system that we're willing to make high-stakes deals with relative strangers".

II. How to create Trust

Frei and Morriss (2020) say that trust has three core drivers: authenticity, logic, and empathy. The good news is that most of us generate a stable pattern of trust signals, which means a small change in behaviour can go a long way. In moments when trust is broken, or fails to get any real traction, it's usually the same driver that has gone wobbly on us—authenticity, empathy, or logic. They call this driver your "trust wobble."Jafee (2018) beautifully puts that trust is easy to break and lose and also can inspire organisation, teams and individual in their engagements, commitments and dedications. Withdrawal are difficult to trace as one does not know what makes a person feel safe in most vulnerable situation and what in most robust situations can still lead to jittery situations. People are not often open about their trust issues in relationships of team, spouses, friends and others but energies just zap out and drift. Loose of commitments can be harmful for organsiations, teams, individuals in relationships or systems that drive themselves to a common cause or goal which may never be met. It is often said one need to invest, re-invest, re-build or develop the same to seek gains. Sometime small appreciations, higher paycheck, public adoration, awards, elevation in position, respectable gestures and even smallest concern of booking a taxi for employee late at night can earn a trust. We do not doubt that many criticisms will follow that we made trust a saleable commodity but it is true that emotion of trust in Hollywood and Bollywood film sells as blockbusters. Commitments are priced in terms of professionalism.

Trust can be built as Jafee (2018) says there are six blocks of building trust namely, reliability and dependability, transparency, competency, sincerity, authenticity and congruency, faireness, open and vulnerability. Frie and Moris (2020) defined Trust as a belief in the abilities, integrity, and character of another person, is often thought of as something that personal relationships are built on, but according to recent research in Harvard Business Review, trust is the foundation of most successful organizations. Paul (2017) study in Harvard Business Review shows that people at high-trust companies report 74% less stress, 106% more energy at work, 50% higher productivity, 13% fewer sick days, 76% more engagement, 29% more satisfaction with their lives, and 40% less burnout than people at low-trust companies. Lewis (2022) indicates that to build trust one needs to be authentic which needs sharing information openly and candidly; provide regular feedback; encourage open communication. It is necessary to be authentic with by being self-awareness, showing vulnerability, embracing the up and downs. She also puts thrust on reliability which she refers to following on commitments, establish expertise, demonstrating integrity and fairness.

Craig (2019) developed the model of trust on 12 general principles which is to be true to your word; communicate effectively about commitment; Build trust gradually by taking small steps and not expecting much; making decisions with care to think and honour commitments, also have courage to say no; be consistent to build trust; participate openly in setting teams, listen actively, give feedback respectfully; be honest by telling truth; help people authentically. Vieth and Simpson (2021) work projects Trust as complex, multidimensional construct which makes it difficult to operationalise, measure and interpret in may instances. It also assumes differential importance in different relationships at different stages of their development. Most importantly trust develops and changes in situations that are often challenging strain test situation(Vieth and Simpson 2021; Holmes, 1981).

Vieth and Simpson (2021), Deutsch (1973) and Rotter (1971) indicate that trust is indicated in the personal global attitudes, beliefs and expectations about the extent to which other persons become reliable, cooperative and helpful in social context. The idea from individual attributes shifted to level of partner and his relationship Rempel, Holmes and Zanna (1985) and Holmes and Rempel (1989).

Vieth and Simpson (2021); Deutsch (1973); Rotter (1971), Rempel, Holmes and Zanna (1985); Holmes and Rempel (1989); Dunning, Fetchenhauer, and Schlösser (2019); Simpson(2007); Van Lange(2015) outlined the following essential elements to build trust:

i. trust is dependent on the development and understanding of the social experiences and interpersonal relationships and interactions with the media or external world.
ii. it is possible to adapt, change, monitor and reflect on trust.

iii. trust is often found to be easier in to be placed initially also with strangers only in expressions but often people underestimate people while placing trust.

iv. it is also found that individual trust partners who place other partners over and above their in specific situations of trust diagnostic situations like trust relevant situations, stag-hunt, stress-test situations.

v. trust is often tested and checked before a person fully relies on the person through created and original situations to be able to rely on them or develop full trust.

vi. trust is not constant and can change over time. It can increase or decrease based on trust-diagnostic situations. Factors like self-esteem, security, insecurity can also be affecting variables to trust creation.

vii. trust cannot be completely defined in it projections trajectory of the relationship between individuals or among individual or organisation and other relationship. They are transient and constant evolving for the better or the worse depending on the disposition and actions of the parties in the relationship.

The dyadic model (Simpson, 2007) of trust in relationships contains normative component and individual difference component indicates partner dispositions where in the normative components trust entering or test situations; transition of motives/ joint decisions; attributions, emotions; expectations; perception of trust; perception of felt security play an essential role. In the individual difference'scomponents, the factors that play an important role are the attachment orientations, self-esteem and others. The interactions in trust relevant situation will play a key role in defining the relationship and its trust level. An essential aspect of model is the feedback loop which places a key role in interaction and evolving trust structures. Trust diagnostic situations which are based on trust relevant situations where mutually beneficial decision are important to create trust and strain test situations are essential in trust diagnostic situations where trust is entered, transformed or evolved. People are also defined with positive disposition and negative disposition which affect trust factors in relationships. The organisational goals, relationship goals and personal goals are all affected by this trust disposition which can be positive and negative. Feedbacks in trust diagnostic situations like constructive problem solving, better emotion regulation and positive expectations about future trust diagnostic situation can help evolve trust. Relationship become questionable with important, unexpected and suspicious events which can break trust from entering, transforming or evolving.

Theories on interpersonal trust relationships also indicate that trust is factor of the (a) degree of voluntary relationships (friends, romantic);(b) involuntary relationship (family, coworkers, commuters);(c) expectation from each partner in the relationship;(d) power dynamics involved in the relationship (child-parent, employee-employer).

In any relationship with stranger's trust can be exhibited by expressing care and concern on contentious social issues.Zaltev(2019) laid more stress on conflicting views over the conformed views for trust creation. Also trusting factors are dependent on 5 personality traits of the individual than the stranger that define trust levels (Safe Etal, 2019). Some scholars like Van Lange (2015)indicate gene factor over cognitive skills or personality traits. Trust often develops or evolves through interpersonal relationships remain a well-defined factor. Personality development traits and life circumstances also determine the trust levels at any interactions. Del Giudice,Gangestad and Kaplan(2016); Simpson and Belsky (2016) also talk about the life history theories which define how the life experiences of a person and trade-off made with resources determine trust levels. Income inequality and Life satisfaction inequality is also associated with trust factors (Graaflandand Lous, 2019). Also limited information and disclosures and potentially secure information which is reliable can also be factors for trust creation with strangers.

Companies need to often make a pitch to strangers through marketing or other means of communication which need to play and essential role in converting this trust into sale figures. Similarly, during recruitments the following factors can play a essential role in developing trust and creating financial value. Also, building teams, hierarchy organisation level these factors can play an important role. Meta Accuracy of how the team member estimate each other will play an important role in productivity and can be clearly defined through trust they repose in each other. Trust created through the organisational citizenship can create value for all stakeholders. Openness and conscientiousness can define intimate relationships with stakeholders for organisations or real-life true relationships in families, friendship, romance and teams. While understanding trust one needs to also consider impulsive (implicit) trust and reflective (explicit) trust associated with self-protection. Vieth and Simpson (2021) work in reverse manner where reflective trust leads to self-protective behaviour and impulsive trust lead to less self-protective behaviour. Conflicts and their resolution defining the closeness among partners or stakeholders can also be defining factor for trust. In progressive relationship behaviours it is also found forgiveness plays an important role, Moulden and Finkel (2010).Also,self-concealment can affect trust badly and self-disclosure improve trust. Often a low trusting environment need more care and concern over a high trusting environment. Similarly, in relationships defined in organisation, firms, teams, individuals a high caring environment is more sought to shape trust over where the trust is high.

III. Trust as Financial Value

Defining trust and its evolution in relationship is a complex task. The dynamic manner in which it changes and streams in the relationship causing inter-personal transaction of physical, emotion, tangible and non-tangible things plays a key role in defining the premium and value we attach to Trust.

Often it is found that we would trust our mother / mother-in-law with the new born and may find it difficult to trust a Nanny or a school to take of our child with the same love and care that we wish for the child. But all women are not blessed with the fact that they may be able find a loving and caring and available mother-in-law/mother to help them raise a child for many reasons. In such case the price they are willing to pay over and above the next best alternative will be the price of the trust they associate with person, team, organisation, brand. If they choose to let go their job and continue to baby care then her lost opportunity of that job and career would be value of the trust that she reposes in her mother in law. If she chooses a popular school with a fee then that shall be price she gives to next best alternative, any premium to which she adds to ensure she gets her mother / mother-in-law to take care of the child will be the financial value of the Trust. Often in most circumstances it is care in return in form of physical presence, money and love that daughter in laws would have to pay to seek the blessing of the mother in law. In relationships other than personal or close, we often attach a price. A price for the best brand we will buy for the trust we have in it and that price minus the price of the next best alternative is premium we pay for the trust. Many may argue it may be the service or quality that may differ in the best choice and next best alternative but we all understand that the assessment of the service and quality is with respect to standards we trust that organisation, team or person will deliver. Though when we place a financial value for trust, many intimate relationships or fiduciary relationships for which we may have no alternatives the price is priceless so the value is infinite. Love of parents, spouses, children, wedding night, birthday gifts and many others are some examples for the same where we do not attach a financial value for the intense and intimacy of the emotion. But for the factors that available in the market like goods and services the trust they command from the stakeholder for which they are willing to choose them over the other and pay a premium is the price of the trust. An experienced long serving drivers, maids, employees, companies, products command a higher price for the factor that stakeholders trust they will meet their expectations. This does not mean trust is marketable but it is a premium or price that one is willing to pay. It is essential for manager to understand that the trust they create with stakeholders will lead to long run profitability and wealth maximisation for this financial value that people attach to the trust of their expectations, standards or comfort is what commands a higher price. Brands are easiest example of what they stand and how people perceive their expectations. Often their alternatives in much cheaper form are available but people choose to pay a price for them. It is this trust in them that creates Financial value for the Trust. So, the value you pay for the next best alternative is price of the trust you associate with something. Prof. J.D. Agarwal often said to his students that either there is"Trust"OR"NOTrust" and where there is "Trust Deficit"there NO solution is possible. Many financial markets where their loss that leads to bankruptcy is often on trust. Businesses do business on trust and that's from where they generate credit for themselves on their idea and potential to make it big. The entire banking system or financial system runs on the trust that they will pay you back your money. The currency note that reads the statement of the Governor of the Central Bank of "I promise to pay so much sum" is the trust that makes it currency of its value otherwise the paper is not worth on which the value on which it is printed. The trust is governments, central banks make people transact and the day that trust is deterred there is financial runs on bank and we hear bankruptcy. I remember a popular story of a bank which had a bank run, the CEO was smart and he did not panic at the news of the bank-run and decided to put transparent almirahs full of currency notes indicating to the client his willingness and ability to pay which averted the situation of bank-run and rebuilt a strong image of the said bank. So, we in this article put forward the most essential aspect that Trust as a Financial Value, the faster it is recognised and addressed the more vibrant it can promise the businesses to handle work and create money for themselves. We also in this article understand that trust can be created and has financial value and resolutions to most difficult situations have been possible through trust only leading to countries, organisations, teams, partners and persons to grow and prosper.

There have been many attempts to mathematically define trust. Some we mention here like the Trust Equation states that trustworthiness is equal to the sum of credibility, reliability and intimacy divided by a person's self-orientation.(Moden Thinkers – Trust Equation) in Sean (2021) in the Calculus of Trust offers the following calculation.

$$\int f\,(Trust) = \Sigma_{n=1}^{now}\,(Perceived\ Competence^{x} * Perceived\ Caring^{y} * Time) \qquad (1)$$

Heald (2019) found the value of basic trust through the frequentist approach posits that in a high number of tests, the relative frequency will converge to the true probability, denoted PX.

$$PX = \text{Lim } N \rightarrow \propto \ (NX(T)\ /\ N) \qquad (2)$$

where, NX(T) is the number of affirmative tests and N is the total number of tests.

A basic trust coefficient, TR, has been advanced that is a belief based upon frequentist probability can be applied to an individual person or thing:

$$TR = \text{Lim } N \rightarrow \propto \ (N(T)\ /\ N) \qquad (3)$$

where, N(T) is the number of test affirmations and N is the number of tests. And conversely,

$$TR = \text{Lim } N \rightarrow \propto \ (1 - (N(\neg T)\ /N)) \qquad (4)$$

where, $N(\neg T)$ is the number of test failures and N is the number of tests.

The outcome derived via equations (3) and equation (4) is that an hypothesis will be trusted if $TR \rightarrow 1.0$, that is, if the trust coefficient tends to certainty. He further provides that a mathematical model of human trust, TR*, can be further refined in terms of an affirmative weighted probability applied to an individual person or thing

$$TR^* = (w0.T0 + w1.T1 + .. wn\text{-}1.Tn\text{-}1) \,/\, \Sigma w$$

$$TR^* = \text{Lim } N \rightarrow \propto \; (i = 0\Sigma\, N\text{-}1\, (wi.N(Ti) \,/\, \Sigma wi)) \qquad (5)$$

where,wi are positive real numbers for individually attributed weights, N(Ti) is the ith affirmation of an hypothesis and N is the number of tests. And a negated probability trust formula,

$$TR^* = 1 - (w0.\neg T0 + w1.\neg T1 + .. wn\text{-}1.\neg Tn\text{-}1) \,/\, \Sigma w$$

$$TR^* = \text{Lim } N \rightarrow \propto \; (1 - (i = 0\Sigma\, N\text{-}1\, (wi.\, N(\neg Ti) \,/\, \Sigma wi))) \qquad (6)$$

where, wi are positive real numbers for individually attributed weights, N(¬ Ti) is the number of test failures and N is the number of tests.

He adds that Personal experience can provide countless instances that would verify the formulations of trust given by equations (5) and equation (6).

We often come across a term called valuation of goodwill in accounting. It is often a value identified in the balance sheet beyond the tangible asset and liabilities of the business. It is what the business over the time has generated through its effort as to build an intangible asset. The real value is not determinable but it for the trust of its goods and services created in the market. Its value is based on the customs and traditions of the business. The methods employed for goodwill valuation include average profit method, weighted average profit method, super profit method, annuity method, capitalisation of future maintainable method, capitalisation of super profit method. Accounting without referring to trust as the potential value creator business values the goodwill of the business for ages. This value is not what we propose but is only an example of how valuation in the past have been based on the trust of the business potential, processes, people and brand.

Valuation of Trust may be done in many ways. One of which is via a Capitalisation Profit Method analysis used for Goodwill valuation or can be done using the functional approach proposed by us for pricing (premium) one is ready to pay of the Next Best Alternative.

$$f\,(Trust) = \alpha + \textit{Premium Above the Next Best Alternative} + u_i \qquad (7)$$

where, α is contant and u_i is error term.

IV. Conclusion

Trust is identifiable and may not be measurable in all circumstance and may be valued differently by different people. Like consumer surplus, the person only knows the value he associates with the trust in the relationship and the premium he is willing to pay for the trust. This financial value is what potential businesses exploit even at the time of mergers and acquisition where there is little interaction in business and social perspective but the mirage of business potential is sufficient to create the financial value. We do not wish to confuse the potential with Trust here. The venture capitalist believes in potential of the idea and trust the entrepreneur that he can deliver. The value they pay over and above the asset value to the entrepreneur is the financial value of the trust they understand needs to be reposed to develop the businesses. Similarly, lawyers, negotiators, trade deals are all possibly command a higher premium for the trust they instil in themselves through their previous experiences and potential to deliver.

Carsten (2023) in his speech on the value of trust said that monetary authorities must do everything to repose the trust in money. While handling the crisis and monetary and other policies in Mexico he states we must define the concept of trust in public policies. He further states that trust is essentially the expectation that the authorities will act predictably in the pursuit of predefined objectives and that they will succeed in the task. He further adds that if the public trusts the public authorities' actions, they will incorporate them in determining their own behaviour. He adds further that trust fuels the legitimacy of polices. He further state that the public will be ready to pay the short-term cost in exchange of long-term benefits if trust is created. He adds that social convention of money is based on the trust placed in it by public. And as the money is the basis of the financial system, the system stability depends also on trust. With this trust and autonomous central banks need to preserve the trust with the key mandate of preserving purchasing power of the national currency. It is thus important to understand this financial value of trust that runs the economy, world, organisation and individuals.

Trust is a highly valuable asset that can either make or break our values and beliefs. Trust is as fragile as glass, in which it is easy to break and very hard to get back and so is the inherent Financial Value it bears as an Asset like Goodwill. Hence the need to determine the valuation of the same is critical for not only building reputation of an organization, brand, country or civilization but also the need for survival. Our work in behaviourial finance helps understand the nuances involved and help one build the Financial Valuation of Trust.

References

Abbey, Lewis, (2022),"*Good Leadership? It All Starts With Trust*", Harvard Business Publishing Corporate Learning, Harvard Business School, USA

Agarwal, Aman, (2004b), "Methods of Valuation", *The Smart Manager,* Vol 3, No 2, April-June, 2004

Agarwal, J.D., (1969, 1988a), "*Capital Budgeting Decision under Risk and Uncertainty*", IIF Publications, Delhi, India, 1988; Doctoral Thesis Work done at Delhi School of Economics, The University of Delhi, Delhi 1969.

Agarwal, J.D., (1980), "Ordinal Ranking of Objective : A Conceptual Framework", *The Management and Labour Studies,* Vol 6, No 2, December 1980, pp. 85-96.

Agarwal, J.D.; Manju Agarwal ; Aman Agarwal ; Yamini Agarwal, (2018), "The Theory of Money, Wealth and Efficient Currency Market : Modeling M5 as Money Supply with Crypto-Currency", *Finance India,* Vol 32, No 2, June 2018

Agarwal, Manju and Saurabh Agarwal, (2007) "Economics of Public Utilities in market Driven Economic Systems", *Finance India*, Vol. XXI, No 3, September 2007

Agarwal, Manju, (1988), "*Tax Incentives and Investment Behaviour*", IIF Publication, Delhi, 1988.

Agarwal, Yamini, (2010), "Capital Structure Decisions under Multiple Objectives: A study of Indian Corporates", *Finance India*, Vol. 24 No. 2, June 2010,pp. 515-523

Agarwal, Yamini, (2013a), "*Capital Structure Decisions: Evaluating Risk and Uncertainty*" John Wiley & Sons, USA (Wiley USA, UK & Singapore)

Agarwal, Yamini, K.C. Iyer and Surendra S. Yadav, (2009), "Capital Structure Decision: A Behavioral Study on Multiple objectives framework", *Finance India*, Vol. 23, No. 2, June, 2009, pp 431-468.

Agarwal, Yamini, K.C. Iyer and Surendra S. Yadav, (2012) "Multi-objective Capital Structure Modeling: An Empirical Investigation of Goal Programming Model Using Accounting Proxies", *Journal of Accounting, Auditing and Finance,* Vol. 27, No.3, July 2012, pp. 359-385.

Agarwal, Yamini,(2013b), "*Capital Structure Decisions under Multiple Objectives : A Study of Indian Corporates*", IIF Publication, Delhi, 2013

Brooks, Alison Wood, Karen Huang, Nicole Abi-Esber, Ryan W. Buell, Laura Huang, and Brian Hall, (2019) "*Mitigating Malicious Envy: Why Successful Individuals Should Reveal Their Failures*," American Psychological Association, 2019.

Carsten, Augustin, (2023), "The Value of Trust" speech by Mr Agustín Carstens, General Manager of the BISat Award ceremony, King of Spain Prize in Economics, Madrid, Spain, 6 March 2023.

Del Giudice, M., S.W. Gangestad, and H.S. Kaplan, (2016),"*Life history theory and evolutionary psychology*"in D. M. Buss (Ed.), "The handbook of evolutionary psychology: Foundations" (pp. 88–114). John Wiley & Sons Inc.

Dennis, Jafee, (2018), "The Essential Importance Of Trust: How To Build It Or Restore It", *Forbes*

Deutsch, M. ,(1973),"*The resolution of conflict*", Yale University Press.

Dunning, D., D. Fetchenhauer and T. Schlösser, (2019),"Why people trust: Solved puzzles and open mysteries. Current Directions in Psychological Science", Vol. 28, No. 4, pp. 366–371

Frie, Frances X. Frei and Anne Morriss, (2020), "Begin with Trust," *Harvard Business Review*, May 2020

Greame, Heald (2019), "*A Mathematical Description of Trust*", Conference paper MACISE 2020,December 2019

Heather, Craig,(2019), "*10 Ways to Build Trust in a Relationship*", PositivePsychology.Com

Holmes, J. G. and J.K. Rempel, (1989),"*Trust in close relationships*", In C. Hendrick (Ed.), Close relationships, Sage, pp. 187–220

Holmes, J.G., (1981),"*The exchange process in close relationships : Micro-behavior and macro-motives*", In M. J. Lerner & S. C. Lerner (Eds.), The justice motive in Social Behavior, pp. 261–284

Jones, G.R. and J.M. George, (1998), "The experienceand evolution of trust: Implications for cooperationand teamwork", Academic Management Review Vol. 23, No. 3, pp. 531, July 1998

Molden, D. C. and E.J. Finkel,(2010),"Motivations for promotion and prevention and the role of trust and commitment in interpersonal forgiveness",*Journal of Experimental Social Psychology,* Vol. 46, No. 2, pp. 255–268

Rempel, J. K., J.G. Holmes, and M.P. Zanna, (1985), "Trust in close relationships", Journal of Personality and Social Psychology, Vol. 49, No. 1, pp. 95–112

Rotter, J. B., (1971),"Generalized expectancies of interpersonal trust",*American Psychologist*,Vol. 26, No. 5, pp. 443-452

Saef, R. M., C.M. Porter, S.E. Woo and C. Wiese, (2019),"Getting off on the right foot: The role of openness to experience in fostering initial trust between culturally dissimilar partners",*Journal of Research in Psychology*, Vol. 79, pp. 176–187

Sean, Flatery, (2021), "*The Calculus of Trust : A Mathematical Exploration of How Trust Works*", Seanflatery Website, November 11, 2021

Simpson, J. A. and J. Belsky, (2016),"*Attachment theory within a modern evolutionary framework*", In J. Cassidy & P. R. Shaver (Eds.), Handbook of attachment: Theory, research, and clinical applications, 3rd ed.,The Guilford Press, pp. 91–116

Simpson, J. A., (2007),"*Foundations of interpersonal trust*" In A. W. Kruglanski& E. T. Higgins (Eds.), "Social psychology: Handbook of basic principles" 2nd ed., The Guilford Press, pp. 587–607

Simpson, Jeffry A. and Grace Veith, (2021), "*Trust and Psychological Theories and Principles Underlying Interpersonal Trust*", Chapter 1, Neurobiology of Trust,

Van Lange PAM, E. De Bruin, W. Otten and J.A. Joireman, (1997), "Development of prosocial, individualistic, and competitive orientations: theory and preliminary evidence", Journal of Personality and Social Psychology, Vol. 73, pp. 733–746

Van Lange, P. A. M, (2015),"Generalized trust: Four lessons from genetics and culture. *Current Directions in Psychological Science,* Vol. 24, No. 1, pp. 71–76

Van Voorhis, Scott, "*People Trust Business, But Expect CEOs to Drive Social Change,*" Harvard Business School Working Knowledge, October 21, 2022

Zak, Paul, "The Neuroscience of Trust," *Harvard Business Review*, January-February 2017

Zlatev, J. J., (2019), "I may not agree with you, but I trust you: Caring about social issues signals integrity",*Psychological Science*, Vol. 30, No. 6, pp. 880–892