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Saving Behavior of Clove Farmer Households in the Form of Commodities (Case Study in Negeri Ullath Maluku Indonesia)

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ABSTRACT

This interdisciplinary study aims to understand the saving behavior of farmer households in the form of commodities done in a qualitative manner. The results of exploration, identification and analysis found that (i) economic, psychological and socio-cultural factors influenced the household behavior, and they were interconnected with one another; (ii) there was a maximum utility of households when they were being tolerant of risks supported by self-efficacy; (iii) the clove-saving behavior was related to prestige and social status; and (iv) saving decisions were dominated by psychological factors

INTRODUCTION

The *Negeri* (village) Ullath community relies on agricultural or plantation products in the *dusung* (garden) as their main livelihood source. Their life has been vulnerable. They often must face uncertain harvest season, pest attacks, climatic influences and fluctuations of price in the market for the commodities they plant. To overcome this problem, the households in *Negeri* Ullath must apply certain strategies, including savings strategy.

Savings is one of the strategies used to maintain their household's financial security (Yao et al. , 2011; Steinhart & Jiang, 2019) and it is also done in relation to maintaining their livelihood (Chambers & Leach, 1989; Lont & Hospes, 2004). Various interpretations and definitions on livelihood are solely related to kinds of efforts to achieve sustainability. Previous researchers referred it to household activities done by managing the facilities and opportunities based on purposes of protecting or improving their financial condition through ownership of assets to reduce their vulnerability (Lont & Hospes, 2004).

The savings activities done by the households are very interesting that experts from various backgrounds had conducted studies on the topic. In 1936, Keynes – an economist – proposed motives for savings such as to secure themselves financially just in case any worst-case scenario happened in their life, for a life-cycle purpose, improve living standard, collect business capital, down payment, inheritance, addition to their consumption / lifestyle, gain profit and as investment for future (Browning & Lusardi 1996). Keynes emphasized on the relationship between savings and income. Meanwhile, Katona (1975) highlighted the psychological saving behavior where saving willingness is based on the idea of saving by paying attention to the households' ability and willingness. The households' ability and willingness are highly related to intention which made it as the driving factor for certain behaviors (Ajzen, 1991). On the other hand, a sociology theory assumes that saving is influenced by changes in tastes and preferences, and by the effects of certain stimuli and conditions

(Gutter et al., 2012). Different from other previous studies, Copur and Gutter, (2019) and Steinert et al., (2018) applied an interdisciplinary approach in studying the saving behavior. They used economic, sociological, and psychological perspectives to understand the households' saving behavior. Their study focused on the households that had bank accounts. The savings studies with an interdisciplinary approach are limited or there are less qualitative research results obtained through in-depth interviews to explore saving decisions (Copur & Gutter, 2019; Gutter, Garrison, & Copur, 2010; Steinert et al., 2018).

Based on the explanation above, this study aims to understand the economic, psychological and socio-cultural factors in relation to the saving behavior aimed to maintain livelihood. Different from the study by Copur and Gutter, (2019) and Steinert et al., (2018), this study specifically examines the saving behavior in the form of commodities in economic, psychological and socio-cultural perspectives with a qualitative approach by understanding a case in the *Negeri* Ullath community in Indonesia.

The saving behavior of *Negeri* Ullath community is different from the modern households where instead of saving some cash, they prefer to save cloves as the commodity. Although the number of clove plants is decreasing as there are many households which begin to switch to other sources of livelihood, the clove plants still have an important position as a savings for those who have clove plants.

Several previous studies mostly explain that the farmer households' saving mechanism are informal. For example, saving cash at home, at saving clubs, or saving some jewels, livestock, crops and by owning trees (Goedecke, Guérin, D'Espallier, & Venkatasubramanian, 2018; Karlan, Ratan, & Zinman, 2014; Prina, 2015).

METHODS

This study was done in a qualitative manner to picturize experience-based reality of the clove farmers in *Negeri Ullath*. Therefore, the researchers were directly involved in the field, collecting data through in-depth interviews with 20 key informants to explore the saving behavior. Each interview lasted for 30 minutes and used Ambonese Malay language to make the key informants understand the questions better. The interview was recorded using a tape recorder. Most of the questions were not structured, enabling the researchers to obtain in-depth information. However, this condition made the researchers gained no new information which resulted to data saturation.

The results of interviews with key informants were made into transcripts without adding or subtracting any sentences which then become field data. Triangulation was also done by observing and interviewing other key informants to validate the information. Then, the researchers determined themes based on the data obtained and interpreted them. Data categorization was also done based on theme similarity as the researchers would use thematic analysis which would be synthesized by constructing empirical data and field context.

RESULTS AND DISCUSSION

History of Clove-Saving

Communities in Maluku, including in *Negeri Ullath*, had been saving cloves for decades. This habit was passed for generations and had become such a tradition. It was started when there was an absence of an easily accessible financial institution. Banks were only available in the city / provincial areas and to access them was not easy. Transportation to the provincial city was very difficult, unlike today. This condition caused them to only be able to save their harvest as savings.

Storage Process and Risks

The clove harvest season only occurred once a year from August / September to October / November. The harvesting process took approximately a month because the farmers

harvested the cloves gradually by selecting yellowish or reddish flowers.

Cloves were the main economic life pillar of farmer households, so they did not sell their produce directly but to save it for later. After the stems were separated from the cloves, they were left in the sun to dry. Plastic tarpaulin of 2x3 meters helped the drying process which took 2-3 days. After the cloves were completely dry, they were put in plastic sacks which were then sewn. A few boards were put on the floor as a buffer, so that the sacks were not damaged by cold temperatures.

In a long term (1-3 years), there would be a depreciation of cloves. This would result to a possibility where the selling price would be lower. Therefore, it was common that the clove prices tended to fluctuate.

Meeting Prestigious Needs

Among the farmer households, cloves were identical to wealth. The more the cloves owned, the richer the family and the higher the social status in the community. This situation encouraged the households to save cloves. Usually, they kept in places which could be seen easily by other people. Similar behavior was also performed by another informant. When it was harvest season, the last year's harvest was sold and the new ones would be kept.

Utilization of Clove-Saving Results

The purpose of saving was to meet the needs they had planned, both for basic needs in the form of children's education and health.

Children's education was a priority in the lives of farmer households in *Negeri Ullath*. When there was a harvest season, they had planned that the harvest would be used for their children's school fee. In addition to school fee, healthcare cost was also crucial for households. When a family member was sick, the cost could be covered from the cloves saved. It was the utmost benefits the household could get from clove-savings. In addition, it was quite difficult to get loans from relatives or other places. The clove-saving was the ultimate solution for any problems required financial support.

Relationship Among Economic, Psychological and Socio-Cultural Factors

Savings in the form of commodities was an important attribute to maximize satisfaction (utility) and ensure the sustainability of meeting household needs. Rationality-based household decisions were faced to 2 alternative options whether to save in cash or commodities. For them, a maximum utility was only possible when they were willing to sacrifice parts of their income that they would receive (risk tolerance). Gustafsson (2018) described a maximum satisfaction as an action producing more pleasure than pain. This theory was different from the clove farmer households' behavior. They implemented the utility principles optimally and preferred to have risky choice as there was a belief (self-efficacy) that the method would succeed based on their personal evaluation. Studies by Canova, Maria, Rattazzi, and Webley (2015) and Lee and Hanna (2015) found that saving was done to get satisfaction in the future. The household saving in the form of commodities was considered the best choice. This was in contrast to what Steinert et al. (2018) explained that saving with informal mechanism was not safe and would result to loss due to theft/robbery, unexpected damage, and requests for help from family and relatives. However, this study proves that the household satisfaction in saving in the form of commodities was risk-tolerant as they believed that they could only use it for what they had planned in advanced which was successful based on their experience.

Financial management was very important for the farmer households to manage and plan their expenses to meet their daily needs. They were in a condition where it had two different sides where they had limited income while at the same time possessed impulsive behavior or consumerism nature where they could easily be tempted to buy unnecessary things. Steinert et al. (2018) mentioned it as a behavior anomaly where they were triggered to unnecessary expenses around them. In this case, the households had to overcome this impulsive behaviour and had a control over themselves to achieve their goals by managing their income sources. Usually, the households did not have

specific savings for current orientation/trend due to limited income. It was in line with findings by Copur and Gutter (2019) which supported that planned family needs required them to manage cash flow to avoid excessive spending.

A study by Porter and Garman (1993) found that the saving behaviour of households did not only determined by objective attributes, but also by experienced attributes such as subjective norms and perception to the attribute for example. It was in line with what this study found that there was a perception of the farmer households on the evaluation of past experience which shaped their logic. For them, the experience was considered as such a valuable lesson that it became a feedback and basis of behavior for the household (Schiffman & Wisenblit, 2015). Thus, the households were being more careful about saving decisions (Cai, Yang, Wyer, & Xu, 2017). Kim and Yuh (2018) also emphasized that perception was found to have a relationship with the households' saving behavior. Rationality also played a role in the farmer households' decisions to meet their needs. Their persistence in achieving their goals was related to the inner characteristics and intentions of the goals themselves (Rabinovich & Webley, 2007). The results of this study address that the subjective norms had a relationship with the household utility which had shaped their behavior.

Rabinovich and Webley (2007) considered saving to be difficult as it was directly related to self-control due to impulsive behaviour which required a commitment on the technique/strategy for its success. The farmer household strived to overcome their limited ability and avoid anything inflicted financial loss (consumerism) so that their planned needs could be met. The saving behaviour was highly dependent on the intention and goals they would achieve. In this case, the farmer households' intention would motivate their behavior. This condition was in line with the theory proposed by Ajzen (1991) which highlighted that a behavior existed for certain reasons and based on what was planned in advanced whose success could be predicted.

The farmer household had a belief (self-efficacy) that saving in commodities was the right way and it had always been successful. Gutter et al. (2012) explained that individual beliefs in achieving goals might be successful to the behaviour they had performed previously. This view explained that the farmer household had their own successful past experience-based knowledge, so that they formed beliefs by acting differently and it was a success. Bandura and Schunk (1981) explained that the self-efficacy played a role in obtaining success based on evaluations of one's behavior. This opinion also applied in the clove farmer households. Household success motivated them to continue to have clove-savings to meet their basic needs. In addition, the households also managed to manage risks by accepting them.

Risk tolerance was highly related to saving behavior, especially saving in commodities. Hallahan, Faff and McKenzie (2004) explained that risk tolerance referred to a behaviour of accepting any risk (including loss) in uncertain circumstances. The households were willing to accept risks when they decided to have savings in the form of commodities which obviously implied that they would get less income than they should have had. A study by Jan and Kesari (2020) found that investors were easier to tolerate risks when they were investing. Meanwhile, in the clove farmer context, the households which still had children going to school were the ones who were risk-tolerant.

Vygotsky (1978) claimed that humans developed a systematic, logic and rational concept as a result of socio-culture, through direct social interaction with their surroundings, either it was their family or other social agents. This theory supported the condition happened among the clove farmers. The clove-saving habit passed through generations was a lesson they got directly from their family. The clove farmers who had become one with their environment understood various habits they saw daily which were then imitated by the following generations and became a local cultural heritage. There was a transmission process from parents to the children. Lam (2000) added that the knowledge transfer only

happened through behavior and experienced shared through stories or the ones that could be seen directly which only then could be practiced from time to time for generations. This behavior was similar to a behaviour by immigrants in England in a study by Costa-Font et al. (2018). They found that saving behavior in children could last to the third generation. However, instead of saving cloves, the young immigrants saved some cash.

The households had a good understanding on the socio-cultural values in relation to the prestige and social status which had been the driver of continuous saving behaviour in the form of commodities. This tradition had a relationship with opportunities and desires for changes on social status in the society and also money attitude. Copur and Gutter (2019) explained that people saw money differently, one of them was related to prestige and power. Therefore, clove-saving did not only aim to secure their finance, but also on the considerations of their social stratification and certain position in the society. A research by Goedecke et al. (2018) in India found that the gold-saving behavior was influenced by socio-cultural norms such as social class and caste. Meanwhile in Madura, Indonesia, holding the traditional cow racing event could increase their social status (Juhari, 2016). The social status, class and prestige were a symbolic capital and highly crucial for the households as they determined the certain power/authority and position in the society. To get a legitimation from their social environment, the clove farmer households had to save some cloves as there was a tendency that it was very important to see one's wealth directly. Therefore, the households decided to save or keep their cloves at home.

This study explains the saving behavior of clove farmer households in the form of commodities as one of the livelihood strategies is an entity of their maximum utility even though there is a risk but the goal can be achieved. Therefore, although there has been a bank that is easy to access, clove farmers tend to save in the form of commodities at home.

CONCLUSION

This study has two limitations. First, the researchers did not conduct a focus group discussion (FGD) with the key informants. However, the researchers had done a triangulation method to validate the data from various points of view to make the data not biased and reliable for future researchers' reference. Second, the researchers also did not conduct comparative studies with other locations with similar subjects. Therefore, future studies are suggested to conduct a comparative study to validate the phenomenon of saving behaviour in households in relation to livelihood strategies in meeting daily needs and to enrich literatures on economic, psychological, and socio-cultural studies. The results of this study can be used as an encouragement for the farmer households in deciding the form of their savings.

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