

14

The Agrarian Question of Financial Landscapes: The Case of Ambon

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Every agro-ecological situation implies a specific pattern of production and a particular combination of savings, borrowing and insurance behavior of producers. Likewise, the strategies and services of agricultural traders and other financial intermediaries depend very much on the agro-ecological situation. Soil conditions, cropping patterns, water supply and drought might have a strong impact on the nature and number of financial services in rural areas of developing countries. Predictability, periodicity and diversity of agricultural production directly affect decisions of producers related to savings, borrowing and insurance.

Platteau and Abraham (1987) argue that credit has evolved as a hunger insurance mechanism in fishing communities in India as a result of daily fluctuations of fishing incomes: a fisherman with surplus income lends money to his less fortunate fellow fishermen, who are supposed to help him in return when short of money and food. Southwold (1990) describes how coconut evolved as the major form of collateral for credit for securing food in a period of drought, failure of the paddy crop and restricted money circulation in rural Sri Lanka. The regular and relatively predictable income from coconut proved a solid base for copra traders and shopkeepers to supply credit in cash or goods to farmers. Borren (1986) reports the existence of different flows and forms of credit in three ecological zones in the Great Scarcies Area of Sierra Leone, each characterized by a particular cropping pattern. Van Nieuwkoop (1986) finds that in Malaysia, "Paddy farmers who have an income that is generated only once or twice a year use more informal credit than rubber farmers who have a much more regular income" (p.60).

These observations would lead one to expect that the relationship between particular agro-ecological conditions and savings strategies, credit transactions and redistribution of risk, has been the subject of much research and policy debate. However, only a few empirical studies have explored this relationship, and it is questionable whether their findings have influenced policy debate at all. Of course, this question is only one of many issues which arise in the field of rural finance, that is, the complex of decisions of individuals and groups regarding insurance, savings and credit; services of financial intermediaries; and existing relations and conditions that affect these decisions and services (cf. Schmidt and Kropp 1987).

However, even at a time when the role of agricultural credit as a development tool was widely discussed, this "agrarian question" was hardly addressed (AID Spring Review of Small Farmer Credit 1973). Yet the considerable difficulties in defining "the small farmer" would have provided ample reason to do so. Rice (1973) mentions that, "no single satisfactory definition is available to distinguish small farmers from medium and large farmers in all parts of the world" (p.3). However, this conclusion was not followed by a call for a more contextual approach of the credit problematic that takes into account location-specific ecological and agro-economic environments. Instead, Rice reassures us that:

The small farmer syndrome is generally recognized -- families owning or leasing small, often discontinuous plots and trading in a local village market without access to supplies and services essential to modern technologies, without expectations of living much above the subsistence level, and without political influence. The problems are sufficiently similar to justify a common research program and look for transferable lessons (Rice 1973: 3).

Only in a rather casual way he finally adds, "But heterogeneity must be recognized: a 20 acre rainfed maize farmer on a Brazilian hillside is a different economic animal than a half acre Bengali paddy farmer on the flood plain of Bangladesh" (Rice 1973: 3). Yet the notion that specific agro-ecological conditions, and agro-economic changes, explain variation of savings and borrowing patterns among the heterogeneous farm households, has not been worked out. Neither do more recent policy-oriented studies suggest taking a close look at agro-ecological conditions and savings and credit behavior. For instance, Quinones' APRACA paper (1985), called "An Overview of Agricultural Credit Systems in Selected Asian Countries", concentrates on agricultural credit policies and institutional systems for agricultural credit. He does make a very general distinction between cereal production and other sub-sectors of agriculture in Asia, but even this distinction is not part of his further analysis of appropriate credit policies.

This paper addresses the agrarian question of financial landscapes of developing countries from both an

analytical-methodological and descriptive-analytical point of view. My first objective is to explain why this agrarian question has been dealt with so poorly in policy discussions on agricultural credit and rural financial markets. This poor handling has a wider background and is one of the consequences of the institutional and instrumentalist bias of participants of these discussions. My argument is that integrated approaches are needed that look at the impact of location-specific agro-ecological conditions on savings and borrowing behavior in a double sense, that is, strictly speaking and in relation to (changing) legal, institutional, social and economic contexts. The use of the metaphor of “financial landscapes” is meant to stimulate a more environmental approach to borrowing, saving and lending behavior of institutions and individuals¹.

My second objective is to describe and analyze the impact of agro-ecological conditions of rural Ambon, Indonesia, on savings strategies and credit transactions. This island is characterized by a particular combination of food and cash cropping that has strongly affected social life and economic development. Of course, one cannot assume simple and straightforward cause-effect relations. The agro-ecological environment is just one of the many contexts of savings and credit transactions, which in turn are just some of the many types of human interaction. Therefore, my case study of rural Ambon includes descriptive analyses of how political-institutional, economic and socio-legal developments have weakened, reinforced, transformed or differentiated the impact of agro-ecological conditions on savings and borrowing strategies.

Out of the Question: Agrarian Contexts of Savings and Credit

In this section I review the policy discussion on small farmer credit and its follow-up on the construction of sustainable rural financial markets. Both discussions are characterized by more or less similar questions and perspectives, such as the price of credit and its impact on the effectiveness and efficiency of supplying financial services to the poor.

In the early seventies the United States Agency for International Development (AID) collected project information on the history of its investments in agricultural credit since the early fifties. These project files provided the basis for the voluminous Spring Review of Small Farmer Credit (1973). The collection of source material focussed on three principal themes: “(1) the role of institutional credit in small farmer development, (2) the major institutional alternatives for delivering small farmer credit, and (3) certain policy issues, such as interest rates, that appear to be critical to the success of these programs” (Rice 1973: 5). The general idea, with respect to agricultural development, was that credit is supplied in the first place to be used for the purchase of high-yielding inputs, so that small farmers can overcome their poverty themselves. As a result of the strong emphasis on credit as a tool to upgrade the small farmers’ sector in the “general direction of modernization” (Geertz 1962), little attention was paid to the diversity of agro-ecological contexts and its implications for credit programs. Even worse, the debate on the role of credit was based on a specific type of agro-ecological context. The most important features of this context are: the small-farmer population is primarily concerned with the production of food-cum-cash crops (like e.g. rice). The agricultural cycle is characterized by regular, but inadequate and insecure food production, with one annual harvest preceded by a difficult period of shortage of food and/or money. This agro-ecological context has seldom been questioned in the debate on the role of agricultural credit, and has been wrongly assumed to be a kind of constant. For a number of reasons, the rate of interest on loans, rather than different and changing agrarian contexts, became the main variable in this debate.

The Price of Credit

During the AID Spring Review (1973) the growing concern about the need for and policy of providing loans at low rates of interest to small farmers was strongly expressed. The Review triggered a long series of publications that disqualified this cheap credit policy as a “grant theory” that was neither of help to small farmers nor conducive to building sustainable and efficient financial intermediaries. The case against cheap credit shows a high internal consistency and is easy to summarize: low rates of interest on loans from specialized farm credit institutions (SFCIs) create an artificial credit demand among the well-to-do. Bank managers and credit agents are very much inclined to meet this demand and discriminate against small farmers: they face low incomes from low rates of interest and ration their loan portfolio because it is much cheaper to provide one large loan rather than a hundred small ones. The distribution of cheap credit implies great losses to the SFCIs: default is high because cheap credit is easily mistaken for a grant. The demise and resurrection of SFCIs through new financial injections is the result. The limited possibilities of mobilizing rural savings, as a result of low rates of interest on savings, further reinforce financial dependency from above.

1. For a broader assessment of the metaphor of financial landscapes: see Bouman and Hospes, chapter 1.

Although the case against cheap credit has become the basis of a follow-up discussion on the construction of sustainable rural financial markets, the case itself is quite narrow and needs to be critically reviewed from both actor- and environmental perspectives:

First, the case seems to be based on the assumption that rural people behave more or less according to a universal and uniform (high) price-elasticity of the supply and demand of capital. However, the rate of interest is only one of the determinants of savings and borrowing behavior: many rural people associate banks primarily with complex procedures, hard collateral requirements, many photocopies, limited opening hours, bribery and so on. Therefore, one might better speak or calculate -- if quantifiable at all -- in terms of “service elasticity” (cf. Huppi and Feder 1989: 49) and expect the significance of such elasticity to be great for rural poor. Even in economic terms, when we take total borrowing costs into account, it is hard to consider the rate of interest as the major determinant of savings and borrowing behavior. Also, the inverse expectation underlying the case against cheap credit, that rates of interest at market levels would make banks eager to lend to small farmers, is over-optimistic. It expects banks to do the impossible, as McLeod argues elsewhere in this volume (p.87): “banks simply are not good at competing for this kind of business.” Even worse, the differential response to changes in rates of interest and the relative importance of those rates versus other financial services has been very poorly researched and documented from an actor perspective.

Second, the case against cheap credit has long directed the attention of policymakers and researchers away from the different and changing environments of rural financial intermediation (cf. Schmidt and Kropp 1987: 49-55) and how these environments affect people’s decisions on monetary and non-monetary forms of savings, borrowing and repayment. Fortunately, many rural producers seem to have developed comprehensive views and practices with respect to official credit programs, agricultural price policies and monetary instability. Two examples suffice.

The first example concerns agricultural price policies. Although it is recognized that the cheap credit policy is meant to compensate small farmers for low agricultural prices, this insight (Adams 1986) has long been ignored by national governments and has hardly been further developed in research on institutional sustainability of rural financial agencies. Gentil (1991), who briefly describes the background of quasi-groups of borrowers and their default behavior, suggests that peasants have a more comprehensive view in this respect: “In the eyes of the peasants, it is nothing more than a simple form of recovery from the outside of a part of the surplus that has been withheld from them through taxes, the price system and other forms of levying” (p.4, my translation).

The second example is the disregard of one of the main features of many developing economies: high inflation (cf. World Bank 1989). Inflation makes the almost axiomatic recommendation for savings mobilization programs contestable: high inflation implies a sharp reduction of purchasing power of those who save in cash. When inflation soars, conversion of savings in cash into savings in kind might result. However, the background and motives for conversion of money into valuables, grain, house construction material or cattle have been largely ignored, or disqualified as hampering development of the financial infrastructure:

Even the poorer members of the population, surprising as it may seem, have savings which they hold either as real assets or in monetary form. Usually, however, their savings are not placed at the disposal of others for investment purposes and, if the households have no investment opportunities, remain unused, or are even squandered for economically and socially dubious purposes. At the same time, there are individuals with investment opportunities and a desire to invest who, however, lack the financial means because their own resources are insufficient. The lack of capital for investment in the presence of unused capital which could be invested is a sign of an underdeveloped financial infrastructure (Schmidt and Kropp 1987: 7).

For these poorer members of the population, however, savings in kind make sense when facing high inflation. Besides, savings in kind serve as a protection against family claims or as a bank of last resort in case of emergencies. It is misleading to emphasize the need of savings mobilization in cash and to blame people who save in kind for the underdevelopment of a financial infrastructure, when these same people simply adapt their decisions to insecure economic and demanding social environments.

My conclusion is that the debate on agricultural credit and rural financial markets has not only distracted attention away from the significance of agro-ecological conditions, but has also largely failed to assess the differential impact of (changing) political, economic and socio-legal conditions on borrowing and lending behavior. Not surprisingly, the discussions on the role of agricultural credit and financial institutions as instruments of development have constantly fostered the need to “look for generalizations” during the last two decades (cf. Rice 1973; Adams and Fitchett 1992: 355), calling for sound policies or winning formulas of financial intermediation that should preferably be appropriate under any circumstance. Because of this call for generalizations, descriptive case studies that include contextual analyses of financial intermediaries (Platteau and Abraham 1987; Bouman 1989; Southwold 1990) are easily neglected. Maybe even worse -- at least from

the point of view of policymaking -- is that the search for the winning formula erodes abilities and knowledge to develop location-specific approaches to location-specific problems.

The now popular call for “sustainable” or “durable” financial markets among policymakers and policy-oriented researchers might have similar effects. My impression is that sustainability or durability are usually treated as an “internal” affair of a financial institution or market. Such an approach is to close one’s eyes to changing and location-specific conditions of financial intermediaries, at the expense of exploring ways to increase their diversity, flexibility and adaptability.

From Institutional to Integrated Approaches

To circumvent the inherent shortcomings in the discussion of the price of agricultural credit and the need for sustainable rural financial markets, the development of more integrated approaches to savings and credit behavior is needed. An integrated approach does not reduce rural actors to interest-led supernumeraries, but recognizes different types and combinations of savings, borrowing and lending preferences. It combines actor and institutional analysis, but leaves open whether and where the demand and supply of different financial services meet. One of the main reasons to study savings and credit transactions from both actor and institutional perspectives is that “not every financial decision of rural households and enterprises leads directly to a demand for the services of financial institutions” (Schmidt and Kropp 1987: 25). An integrated approach to savings, borrowing and lending behavior includes analysis of the background and motives for non-monetary transactions and the conversion of cash to kind and vice versa. An integrated approach does not analyze savings, borrowing and lending decisions of actors and institutions in isolation, but in relation to (changing) legal-institutional, social-economic and agro-ecological environments.

The Significance of the Agro-Ecological Complex of Rural Ambon

Since the sixteenth century the economy of rural Ambon has been characterized by a specific combination of subsistence-oriented and (world)market-oriented production. Sago and fish are the most important subsistence crops; cloves are the main cash crops. This combination has strongly affected processes of monetization and commoditization under different political-economic systems. Somehow, the early exposure of the Ambonese population to merchants and the proceeds of clove sales did not result in a smooth and quick incorporation into capitalist world economies. Although Ambon island has been part of national and international trade networks for centuries, it was not until recently that for many rural people making money has become more important than gathering subsistence goods like sago and fish. Knaap (1981a) argues that the traditional economy, in particular sago and fishing, remained the backbone of economic life in Ambon in spite of the introduction of clove cultivation and linking-up with the world economy in the sixteenth century. One might say that agro-ecological conditions have retarded and filtered processes of monetization and commoditization of rural Ambon and many other parts of the Moluccan archipelago.

To get an insight into the “internal” mechanisms that have affected these long-term and uneven processes, I will describe the main features of the agro-ecological complex of rural Ambon and its general implications for food security, housing, organization of labor, intensification and marketing of produce. This suggests an outline of the basic patterns of non-monetized agrarian relations and forms of cooperation that have regulated the demand and supply of labor for traditional house construction, food collection and harvesting of cloves. One further step is to explain the absence of credit (in monetary form) as a hunger insurance mechanism, credit as a labor-tying device and -- until recently -- credit as an output-securing device (cf. Platteau and Abraham 1987). Admittedly, this descriptive analysis from “within” results in a somewhat static and one-sided explanation of retarded “processes” of commoditization and monetization in rural Ambon. However, it might well complement the more historical description of “external” mechanisms of the same retarded processes in the next section. Both sections together form an excellent starting point for describing the social dynamics related to the recent erosion of non-monetized agrarian relations, and the sudden increase of credit needs and the emergence of savings and credit groups, and production-specific credit transactions as output-securing devices -- all in monetary form.

Soils and Silviculture

In contrast to Java, the soils of the Ambon islands have limited fertility, which reduces technical options for agricultural development. According to Knaap (1981b), Ambonese soil is not appropriate for export-oriented agriculture on a large scale. He concludes that silviculture, that does not affect the soil fertility in a dramatic way, offers the best opportunities given the environmental constraints. Moreover, the planting of trees enables soils to recover from the cultivation of tuberous plants that exhaust the soil rapidly. In the ecological system of

Ambon only clove and nutmeg trees were successfully introduced, primarily because they seemed to fit soil conditions.

The most salient feature of the agro-ecological complex of rural Ambon is the forests that cover nearly the whole area. These forests have a great cultural and economic significance. In fact, rural Ambon might be conceived as a silviculture including different sets of rights on trees and land as main determinants of social and economic life (cf. Benda-Beckmann 1990). The production features of the two main crops, cloves and sago, are a second important element of the agro-ecological complex that has far-reaching socio-cultural and economic consequences. In this article I concentrate on the specific production features of these main crops, together with their contrasting roles as cash or subsistence crops.

Cloves are a perennial crop that takes five years to reach maturity. However, this is not the beginning of a rather constant and predictable pattern of annual or two-monthly yields, such as with coconut production. On the contrary, the production of cloves is irregular and almost unpredictable. Godoy and Bennett (1990) note that, “cloves have a production cycle in which bumper harvests occur every three to four years, with insignificant yields between bumper harvests” (p.63). In addition, large variations in production can occur in a small area, even within village boundaries. The clove buds ripen between August and December, but again there is much variation in dates. Picked clove buds, however, properly dried, are not perishable and can be stored for years without losing much of their aromatic quality.

The production features of sago trees differ sharply from those of other food crops like rice and maize. Sago trees have no annually recurrent growth pattern. After 20 to 30 years sago trees have reached maturity. Mature trees are not harvested annually but simply cut down to collect the pith of the tree. Properly processed sago pith can be kept for many years. Another important feature of sago is that mature trees can be harvested all through the year and the collection of sago is, therefore, considered part of the gathering economy (Taale 1988: 5).

Sago is a subsistence crop involved only in regional barter networks (Taale 1988) and not a commodity -- such as rice or maize -- to be sold at regional or national market places. In contrast to sago, cloves are a pure cash crop initially exclusively produced for the world market. During the last 40 years cloves have been produced mainly for the national Indonesian market as an ingredient of the very popular *kretek* cigarettes. The contrasting roles of cloves and sago together explain the dualistic or “janus-faced” economy of rural Ambon.

Food Security and Housing

The basic food products of the Moluccan archipelago, sago and fish, guarantee a minimal subsistence basis in food and housing. The sago palm in particular is a blessing: its pith is used to make porridge and bread. The long nerves of the palm and its huge leaves are useful for building walls and a roof that need no repair for at least five years. The lack of protein and taste of sago flour are compensated for by fish, copra and chillies. The most important feature of sago production is the absence of a particular harvest season. As a consequence, there is no hunger period nor a shortage of house construction material. This explains the absence of bridging loans or types of credit and credit relations used as food security mechanisms in the sago economy of Ambon. Also, there is no tradition of daily savings among women as there is in rice growing areas in Indonesia where women used to save a spoonful of rice each day for the difficult period preceding the harvest.

Organization of Labor

The processing of sago does not demand a large labor input. In one week a group of six persons is able to collect a three months sago supply. The construction of sago houses also does not require much labor input. With the help of relatives, neighbors, and friends, a house can be built in one day. Cooperative building of sago houses (*masohi*) takes place on demand and lacks a distinct rotation pattern and regular intervals. The paradise-like availability and durability of sago provides no reason to sustain daily labor groups and to develop highly institutionalized forms of cooperation. There are virtually no “risks of falling short of the required labor” (Platteau and Abraham 1987: 473) and, consequently, no need to develop mechanisms to ensure “ready availability of labor in times of peak operations” (Platteau and Abraham 1987: 473) because peak seasons simply do not occur. The harvest of sago palms is not seen as a question of organizing people at the right time and the right place because -- to speak in abstract terms -- scarcity of time and places is hardly felt. Strangely enough, this also applies to a large extent to traditional low-technology fishing. Although the availability of fish is insecure and subject to fluctuation, it is still considered large enough over time to meet subsistence requirements. Chauvel (1981) speaks of “little efforts that are required to meet daily needs of sago, fish and vegetables” (p.33, my translation). As a consequence, there is no need for intensification of fishing technology and labor relations, and credit which serves to tie labor has not been developed as a necessary device to organize the harvest of sago and fish.

In contrast to sago, cloves cannot be harvested every day of the year. Just before the clove trees begin to

blossom, the many bundles of cloves have to be picked one by one to maintain their aromatic value. Intensive production of cloves suggests the existence of more or less sophisticated mechanisms to commit labor in peak times and/or highly institutionalized forms of cooperation among owners of clove trees. However, production of cloves is subject to large and uneven fluctuation. As a result, there is hardly any possibility to organize and sustain cooperative labor groups, in which participants help each other on a balanced reciprocal basis, to harvest their cloves. In the harvest season the labor of relatives, neighbors and friends is mobilized. The collective harvest does not so much reproduce specific labor relations, but rather more encompassing social relations between these relatives, neighbors and friends. It is exactly this family mode of collection that also characterizes the harvest of subsistence goods, like sago and fish.

Intensification and Marketing of Natural Produce

Sago and clove production do not require capital-intensive inputs pre-financed by agricultural traders. The most important tools for the sago harvest are an axe to cut down the palm and a special hatchet to cut its pith. The cultivation of cloves requires only choppers to cut brushwood between the trees from time to time. The most important tools for the harvest are ladders and baskets. Sago needs no fertilizers because of the large number of sago palms and the absence of seasonal blossoming.

The relative abundance of sago trees or -- to put it differently -- the absence of a particular harvest season, do not necessitate the use of credit to secure its marketing. Quite the opposite applies to the harvest of cloves that should take place at the right moment in the right place. However, the use of credit to secure the output of clove trees is of recent origin. It was simply not necessary during the long colonial period when rulers used force, monopoly and “slash-and-burn” policies to control the production of cloves.

The Uncaptured Paradise Under Different Political-Economic Regimes

In this section the case of rural Ambon is put in a historical perspective to yield insights into how political-institutional and economic developments have constrained or enlarged money circulation. This historical description serves several purposes: it is useful to broadly assess the significance of the agro-ecological complex under different political-economic rule and economic change. Further, it provides a necessary background to reconstruct the impact of money circulation on the evolution of forms of savings and credit. This will enable us to comprehensively deal with the question of the impact of agro-ecological conditions on these forms in the next section.

The political-economic history of Ambon can be roughly divided into four parts: the period preceding the hegemony of the Dutch East Indies Company in the Moluccas, the period of Dutch monopolistic policy for clove cultivation that began in 1656 and remained in effect till 1863, the late colonial period from 1864 till 1950, and independent Indonesian rule.

Small, Short and Insecure

With regard to the first period, Knaap (1981a) mentions that,

The Dutch, through the Dutch East Indies Company (VOC), aimed to control the whole clove trade and for this purpose made contracts with local authorities to stipulate that the entire harvest be sold to the VOC against a price yet to be determined. [...] The price that the VOC wished to pay would turn out to be a constant source of conflict. The VOC was the first in the spice trade to pay their suppliers in cash. However, these suppliers were not prepared to pay for the rice and textile sold by the VOC because of its poor quality. The money in the hands of the Ambonese attracted Javanese and Makassar merchants and their goods to the Ambon Islands (p.27, my translation).

In spite of the contact of the Moluccan population with traders and their money, the traditional economy was not transformed into a cash economy. Knaap assumes that the trade with foreign merchants was subject to sharp fluctuations because of the irregular production of cloves. He therefore believes that the traditional economy and dependence on sago cultivation in most parts of the Ambon islands was not affected. Knaap also notes that the supply of rice to the islands was relatively insignificant in the seventeenth century. Therefore, it is unlikely that the rural population became dependent on imported rice, which might have kick-started monetization, as rice was and is not cultivated on rural Ambon. Finally, the largest share of the money ended up in the hands of local authorities: “The producer did not enjoy the largest share, because the headmen dominated the trade” (Knaap 1981a: 27). Probably, monetization did not take place on a large scale among masses of people but was stifled -- in an abstract sense -- in the exchequer of the local head.

In 1656 the clove monopoly was established by the Dutch VOC. After many years of struggle, this Company with strong military powers had definitively broken the resistance of Makassar and Portuguese traders and their coalitions with local rulers. The VOC forced the population to sell cloves to the Company only. In return, the Company offered to buy all cloves at a fixed price. During the seventeenth century this price was set at 56 rixdollars per bahar (550 pounds): five for the local rulers, one for transport and 50 for the producer (Knaap 1981b). This meant that the producer should be paid about 45 cents per kg of cloves. The farmgate price remained about the same during the whole seventeenth and eighteenth century and was, for instance, 48 cents per kg in 1824 (Knaap 1981b: 18). To get an idea of the exchange value of cloves and rice at that time, the following figures are illustrative: in 1824 50 clove trees, together yielding 500 kg of cloves, would buy more than four tons of rice that, in turn, might feed 20 people for one year². The annual import of rice in Ambon was not more than five to seven hundred tons, to feed not more than 3,500 people for one year.

In principle, a lot of money could be earned by owners of clove trees from the sale of their produce. However, it is not clear whether the prescribed price of 50 rixdollars was actually paid to the producers and how much income was extracted as a result of unfair weighing practices (cf. Knaap 1981b). Also, the clove production policy of the VOC was responsible for a fluctuating and uncertain income for producers: the VOC ordered the planting of clove trees when prices were high and their burning when prices were low. Because of a time lag of about five years between the planting and maturity, this drastic policy was an inappropriate response to international price developments. This policy only aggravated the uncertainties of irregular clove production, reinforced the subsistence orientation of the rural population, and confirmed sago instead of rice as the standard staple. The circulation of Dutch guilders, cloves and rice was simply too small, too concentrated with a few people, and too irregular to replace fishing and the collection of sago as the bases of rural life.

In 1863 the VOC was forced to abolish its clove policy because international market prices had sharply decreased, as a result of the expansion of clove areas outside Indonesia. One of the consequences was that the rural population no longer faced the insecurity related to the “slash-and-burn” policy of the VOC but, instead, new insecurity as a result of the strong fluctuation of prices of spices. Spices could not provide a stable economic basis. Basic life needs were easily met in Ambon, and spices were sold only to meet “small money needs” (Chauvel 1981: 35). The basis of the economy remained unchanged. “At the end of the colonial era, no one had found the key to escaping the pattern of sago, fish and coconut” (Chauvel 1981: 35, my translation).

The change of political leadership as a result of independence did not turn the subsistence economy of Ambon upside down. Until 1965 Ambon was rather the stage for political turmoil and guerilla war. Ambonese emigrants, who had enjoyed higher education in the Netherlands, declared the South Moluccan Republic (RMS) shortly after returning to Ambon, causing military intervention by the national government. According to Fraassen (1981: 31) the RMS was “an economic disaster”. The political turmoil did not stimulate the national government to invest in peripheral Ambon, while conflicting views among Ambonese people about a Moluccan republic were a further impediment for regional economic growth. Again, the significance of sago and fish as subsistence crops and their profound effects on rural life were not reduced, but rather reinforced.

The Increase in Money Circulation

During the last 25 years a number of mutually dependent changes occurred that are directly related to the circulation of money, financial needs and access to financial means. These changes strongly affected the subsistence economy of rural Ambon, which for centuries had remained a basically unchanged and uncaptured paradise, in spite of early exposure to international commodity markets. In the first place, money now circulates faster and among many more people than 25 years ago. Possibilities to earn money from farm and off-farm activities have greatly improved, due to both an increase in the area of cash crops and an expansion of government staff and the number of commercial enterprises. Sharply increased prices of cloves have resulted in enormous cash flows into village economies. Up to the 1960s (cf. Fraassen 1972) cloves yielded prices equal to only a few 10-cent pieces per kg. However, in the seventies the price of cloves soared, until 1 kg yielded 30 Dutch guilders in 1976 (Fraassen 1981), or about 100 times the pre-war price. Secondly, the supply of money to villagers by (semi-)government credit institutions has increased enormously. In the seventies the People’s Bank of Indonesia (BRI) launched a credit program for the intensification of clove production (KIC), and in the eighties a program (KUPEDES) of special credit facilities for small entrepreneurs and government employees. Thirdly, the demand for money has increased, too: for daily consumption, housing, school expenditures and the pilgrimage to Mecca. The restrictive codes on consumption behavior that, for instance, once allowed only

2. The table of Taale (1988: 182) with annual prices of rice in the period 1744 to 1863, shows that 100 kg of rice in Ambon cost 5.77 Dutch guilders in 1824. In 1744 the price was 4.05 guilders, whereas in the first half of the eighteenth century the price varied between 3.19 and 10.61 guilders.

village heads to wear shoes, have faded (Fraassen 1981). Access to schools is no longer a privilege of a tiny elite.

One cannot underestimate the significance of changes in the consumption standards of rural Ambon. The use of sago trees for housing and food, in fact, maintained the agrarian relations and forms of cooperation of a subsistence economy, and did not involve money transactions. Now that rice and concrete houses have become the new consumption standards of most Ambonese, the key to escaping the pattern of sago, fish and coconut - to speak in Chauvel's terms -- has been found. It is in the minds of the people themselves who are much more concerned with earning and spending money than was possible in the colonial era. Rice consumption necessitates small daily cash flows. The construction of a concrete house requires a huge amount of money, equal to the proceeds of a good clove harvest.

Large-scale and regular money flows in and through rural communities are part of monetization and commoditization processes that can hardly be compared with the colonial era, when rural money flows were relatively small, short and insecure. Because of the central role of sago for traditional food supply and housing, the change of consumption preferences has had a dramatic impact on rural life. New consumption standards and related money needs have implied the erosion of traditional Ambonese patterns of cooperative food collection and house construction. Parallel to this break-down of traditional agrarian relations, new types of relationships and forms of cooperation between villagers have emerged, that include new and different forms of savings and credit (cf. Hospes 1992a, 1992b).

Changing Positions in the Market of Money and Trees

The general processes of monetization and commoditization did not affect all rural Ambonese in the same way, but went hand in hand with more social-economic differentiation among villages and villagers. The position of a village in regional trade networks proved an important factor in this respect. At intra-village level, the different positions of villagers in terms of rights to land and trees explained and reinforced the differentiating impact of the increase of money circulation.

One of those places in rural Ambon where money circulation has extraordinarily increased and has much affected intra-village relationships is Tulehu. In this section, I will concentrate on changing social and economic relations between Butonese migrants and their Ambonese hosts, and their credit relations in particular. In Tulehu these migrants have become important as traders and credit suppliers in the market of cloves and nutmeg. My purpose is to analyze how the combination of economic change, different rights on land and trees, and location-specific cropping patterns have affected Ambonese-Butonese relations, including their credit arrangements.

A Place Where Money Grows

The village of Tulehu is situated on the Northeastern coast of Ambon island. It has evolved in the last 20 years as a regional transport and trade center, linking the city of Ambon and the hinterland of the Central Moluccas. It attracts many people who want to earn an income or enroll in classes at one of the many schools. Local officials even say that Tulehu now belongs to the urban society. This would have been an unrealistic statement 20 years ago when Tulehu did not differ much from other villages. Students describe the local economy as a cash economy where money has to be paid for school fees, breakfast snacks and transportation. Farmers have their own way to describe complex processes of commoditization and monetization: "*biar daun kasbi, bawa ke pasar, jadi uang*" (even casbee leaves turn into money when you bring them to the market). Adults complain that young boys now demand payment in cash for plucking their coconut trees.

Nowadays, even those families who are still primarily involved in sago cultivation and subsistence fishing, spend at least Rp.3,000 (or US\$1.70 in 1989) per day to buy rice, some vegetables, a few cigarettes, pay school fees and -- if necessary -- buy fish. Fortunately, Tulehu offers many opportunities to earn money: street vending, bus driving, fish trading, boat driving, vegetable selling, and loading and unloading busses and boats. The villagers speak of "*cari uang*", which literally means searching money, as if the money is already there but only has to be found, like the many sago and fruit trees that have only to be located and harvested.

Invisible Hands

Kennedy (1950: 25) described Tulehu as "the biggest negeri population in Ambon" of about four thousand people. According to the local government, Tulehu had nearly 12,000 inhabitants in 1990 and is the largest village of Ambon. Villagers agree that Tulehu has become densely populated. The actual number might even be a few thousand higher because it is rather doubtful that all Butonese migrants are included in the official count.

Upon their arrival on Ambon, Butonese migrants settled at the fringes of the villages and became subsistence farmers and fishermen like many of their Ambonese hosts. The paradise-like Ambon islands have been a popular destination of many Butonese, who have migrated from the rocky and barren areas of Southeast Sulawesi since the end of the last century. Today, they form about one third of the rural population. Many of the Butonese migrants are now entrepreneurs who dominate non-mechanized and mechanized sago processing, as well as fishing and the clove trade.

Migrants, such as the Butonese, have no local-traditional land use rights: they are not allowed to cultivate perennial crops, like cloves and nutmeg, or to build concrete houses on land owned by Ambonese clans. According to customary law, such actions would imply more or less irreversible ownership rights on the land. Therefore, many Butonese typically live in simple wooden houses and cultivate annual crops, like tuberous plants and vegetables.

The particular role of Butonese in clove production and trade on rural Ambon is very much dependent on location-specific relationships with the Ambonese. A major determinant of the nature and change of these relationships has been the enormous increase in the circulation of money. In Tulehu this increase has led to disintegration of agrarian relations and of cooperation among the Ambonese. Parallel to this development, the Ambonese and Butonese seem to have become closer in a two-fold sense. First, the economic position of many Butonese has improved vis-a-vis Ambonese in terms of investment capacities, bargaining power and ownership rights. The growing importance of Butonese tenants and traders as moneylenders has reduced the “distance” between the privileged and powerful Ambonese land owners and the landless, submissive Butonese migrants. Butonese and Ambonese have also become closer in a spatial sense. Whereas the early settlers were allowed to build small and simple houses only in the hills, current generations of Butonese migrants encroach on the Ambonese center of the village. Many of them build concrete houses that match Ambonese standards.

The enormous increase of money circulation and money needs on Ambon has affected the social-economic life of the Butonese in many ways. First, the typical subsistence production of the Butonese has obtained an extra dimension. It is no longer a survival strategy only: the Butonese, through frugal living, succeeded in saving much money. My cashflow research among Butonese and Ambonese indicates that average daily expenses of Butonese are structurally lower than those of Ambonese.

Further, social-economic differentiation has taken place among the Butonese themselves. Most of the migrants started on Ambon as subsistence farmers and fishermen; now the Butonese have developed other agro-economic activities as well. Some, especially those who live close to small rivers and large sago forests, have recently specialized in mechanized sago processing. Others have built large wooden fishing rafts (*bagan*) or have become important clove traders. Although there still is a large class of survival-oriented farmers and fishermen, it would be wrong to consider the Butonese as a homogeneous class of people in terms of agro-economic activities. In every *kampong* the Butonese have exploited the particular opportunities of nearby natural resources, roads and rivers.

The role of the Butonese in clove production and marketing has drastically altered. Whereas in earlier times they only helped to process cloves (*bantu petik*) in the gardens, they are now the largest category of itinerant buyers of cloves and credit suppliers of rural Ambon. According to the chairman of the village cooperative of Tulehu that is officially in charge of the purchase of cloves from the farmers since 1980, the need of Ambonese to sell the usufructuary rights of their clove trees, arose in the seventies when periods between bumper harvests increased. The increase of money needs as a result of new housing and food standards only reinforced this need. The Butonese met this demand and quickly became popular tenants-cum-creditors. Their activities soon began to yield financial benefits. In 1974 the Butonese migrants bought the first pieces of land to build concrete houses and so consolidate ownership rights. The Butonese also started at that time to fish with the quite expensive wooden rafts (*bagan*). Both the concrete houses and the wooden rafts can be seen as turning points in the economic position and activities of the Butonese migrants of Tulehu.

Finance and Risk-Minimizing Strategies of Butonese Clove Traders

Butonese traders employ various strategies to buy cloves from Ambonese owners of clove trees. In the Indonesian language they are called *beli cupa*, *panjar uang*, *beli buah* and *sewa pohon*.

Beli cupa literally means “to buy a tin”, and refers to the purchase of fresh cloves using an old tin of condensed milk as the standard unit. After the purchase, the Butonese dry the cloves in the sun: 12 to 14 tins of fresh cloves yield about 6 to 7 tins of dried cloves, or 1 kg. As the drying process only takes one or two days, the buyers hardly bear the risk of a fall of prices. The profit margins are usually small, but keen entrepreneurs can make a handsome profit. In general, Butonese women seem to be the primary buyers of cloves. They live close to the clove gardens and can simply wait for the Ambonese farmers to come down from their gardens to the village. They also move in small groups to those gardens where a harvest takes place. There are distinct advantages in selling the freshly picked cloves right away to the Butonese women. After a hard day’s work it is

very satisfying to cash your cloves immediately and not to worry about the drying. Also, money is easier to hide from greedy relatives than some buckets of cloves.

Panjar uang means “to advance money”. According to La Macid, who is reputed to be the largest Butonese clove trader of Tulehu, *panjar uang* is similar to *cengkeh kilo*, which means a kilogram of cloves. It refers to a relatively low fictive price of cloves, used to calculate the amount of cloves needed to repay the advance at a future date. In rather isolated villages on the large island of Ceram, small shopkeepers supply advances based on a similar agreement. However, it is not money that is supplied in advance, but consumer goods.

Beli buah means “to buy the fruit”. It refers to a pre-harvest arrangement in which the right to harvest a tree is bought when or after the very first signs of the inflorescence of a clove tree are visible. These signs, very small and light-green leaves, are visible about seven to eight months before the harvest and show which trees might produce well.

Sewa pohon is also a pre-harvest arrangement, and means “to lease a tree” through buying the usufructuary rights of one or more good seasons. Another main difference with *beli buah* is that *sewa pohon* implies the purchase of one or more good harvest seasons. In fact, the lessee provides a medium- to long-term credit to the owner of the clove trees. The arrangement implies that the creditor does not have to accept a poor harvest as repayment of the loan, only a good season counts. In case of not easily definable harvests, the lessee and owner usually agree to share the yield on an equal basis. Both parties might also agree to define a poor or moderate harvest as repayment of a “half season”. These rules and decisions are ways to deal with the risks related to the fluctuating and unpredictable production of cloves.

There are some other interesting differences between *sewa pohon* and *beli buah*. They all refer to an inverse relation between risk and profit-making in the clove trade. According to La Batini, a very knowledgeable and respected Butonese farmer, the following rule of thumb applies to *beli buah*. A tree that will probably yield about 10 kg of cloves should be bought for the price of 8 to 9 kg; in case of *sewa pohon* one does not pay more than the price of 3 to 4 kg. Other Butonese farmers suggest that the price of a *sewa* contract should not exceed half the expected yield, to cover all the costs (maintenance of the clove garden and hire of harvest laborers) and make a small profit. One explained that “we have already won” at a price of one million rupiah to lease 50 trees with an average yield of 7 kg per tree and a current market price of Rp.7,000 per kg. In comparison to *beli buah*, *sewa pohon* represents a much larger price and yield risk, but also the promise of a larger profit. The risks of *sewa pohon*, however, are differently assessed by Butonese farmers. La Batini, for instance, describes *sewa pohon* as to save in a tree. According to him, one cannot make a loss with *sewa* contracts. It is very striking that La Batini calculates in absolute terms and not on a time basis (cf. Shipton 1992).

Butonese traders seem very aware of the uncertainties and risks in clove production. The location-specific and evolving credit or credit-like arrangements with the Ambonese tree owners, mirror these uncertainties and risks, making them resort to additional adaptations in strategies. The working area of Butonese clove traders is not necessarily restricted to their own neighborhood. Just before and during the harvest period they can be found at places where bumper harvests are expected, and making long term pre-harvest arrangements with owners living in another village or even sub-district. Some Butonese migrants have become much more reluctant to make long term pre-harvest agreements after clove prices started to fall dramatically in the second half of the eighties. Others emphasize that such a development only requires an adjustment of the price in a new agreement.

Lessons and a Look for “Localization”

Agro-ecological conditions and economic change in rural Ambon have not only affected the historical development of Butonese migrants and their lending strategies in particular, but those of other marketing agencies and financial intermediaries as well, like village cooperatives and rural banks. In this final section I will describe quasi-official adjustments and informal practices of bankers and cooperative chairmen, who have realized that the implementation of the official standard programs is not possible. In my view, disregard of the specific agro-ecological conditions explains much of their problems. National planners ignore these specific conditions, and so frustrate the rural bankers and cooperative chairmen, who are supposed to finance the clove production and buy cloves directly from farmer members. I believe that a closer look at agro-ecological conditions might produce useful insights to make location- or region-specific credit programs and so save a lot of money.

However, it should be emphasized that this brief analysis is not another attempt to extract a financial technology that guarantees the success of rural banks or cooperatives as official suppliers of financial services. Their success, defined in terms of either internal sustainability or delivery of financial services to rural poor, depends not only on agro-ecological conditions, but also, for instance, on political-administrative and economic environments. I also do not want to suggest that official suppliers of financial services are the sole agents of change of financial landscapes, and would only need the proper technology to bring prosperity to the

poor. One should have few expectations of the effect and use of “appropriate” financial technologies in official policies and programs. Adams’s 20 years of experience with problems in rural financial markets taught him that the attempts to establish sustainable agricultural credit programs in the past two decades have largely failed “despite the tens of billions of dollars committed to hundreds of these efforts” (Adams 1992: 5). He also found that these generous financial commitments sharply contrast with the piecemeal use of new insights in rural financial markets.

Lessons

Since 1980, village cooperatives (KUDs) have the official mandate to buy cloves directly from the farmers for a fixed price. The province of Ambon belongs to the six provinces officially classified as clove producing areas in 1980. During the last decade this number has grown to 14. Several agencies are supposed to provide supportive services to the KUDs, such as control of the quality and the marketing of cloves at district level, horticultural extension and the supply of working capital. The Bank Rakyat Indonesia (BRI) is responsible for supplying financial services. Just before the harvest season, the BRI lends the so-called Kredit Tata Niaga Cengkeh (TNC) to individual cooperatives, to be repaid at the latest three months after the harvest season that ends in January.

In the first half of the eighties, cooperatives borrowed enormous amounts of money, that is, 90 to 120 million rupiah or US\$50,000 to 70,000 per cooperative. However, many cooperatives were unable to buy the equivalent in cloves and to wield their monopoly powers in the clove market. The first cooperative managers, who were only familiar with village shopkeeping -- if at all -- lacked the management capacities to run a million enterprise. Private traders were much better equipped and/or better informed. In addition, many traders offered credit as part of a pre-harvest arrangement. As a result, cooperatives were unable to increase their market share to more than a few percent (cf. Godoy and Bennett 1990). Last but not least, there were simply not enough cloves to buy in the own village area of the cooperative during the slack seasons between bumper harvests. To sum up, the BRI had overestimated the entrepreneurial capacities of cooperative officials and had been unaware of, or at least had underestimated, risks related to marketing of cloves as a result of its irregular production. In addition, embezzlement of excessive credit took place on a large scale. The result was that many cooperatives got heavily indebted.

The directors of the BRI of Ambon have lost faith in the cooperatives, and have adjusted their lending strategies accordingly. New credit applications from heavily indebted cooperatives are now simply refused. According to cooperative officials, more than one third of the 72 registered cooperatives of the Central Moluccas belonged to this category in 1990. Next, the volume of the Kredit TNC has been reduced to 8 to 12 million rupiah per cooperative. More importantly, the BRI has put more faith and finance in urban shopkeepers and wholesalers involved in clove marketing.

The failure of the direct financing of clove farmers by the BRI has led to a similar response. The program Kredit Intensifikasi Cengkeh (KIC), meant to increase clove production in Indonesia, started in Ambon in 1975. The BRI supplied credit to smallholders³ in cash and kind with the help of the horticultural department. A farmer borrowed a standard amount of money and fertilizer per tree to be repaid after the harvest. However, the use of fertilizer did not lead to an increase in production and, more importantly, did not end the irregular production. As a result, repayment records were embarrassingly poor. The decision in 1980 to make KUDs responsible for the collection of cloves and the repayment of loans also did not work out very well and, in the end, the program was stopped in 1983. The “target group” that has proved most attractive to the BRI are private traders, that is, professional traders and shopkeepers who are typically part of family businesses, or family-like trade networks that combine urban and rural areas.

The village cooperatives, that is, the chairmen and their assistants, have also been much more inclined to develop sound working relations with private traders than with farmer members living in their own village. The opportunities for cooperative officials to develop stable working relations with farmers are very much restricted, due to the irregular production of cloves and its very labor-extensive cultivation outside the harvest season. The working area of private traders is not restricted or bound to a village area. As a result, traders are much more able to secure the supply of cloves than are cooperatives. Wholesalers sell their cloves at the central cooperative (PUSKUD) via the KUDs, at times when market prices are much lower than the standard price offered by the PUSKUD. Some cooperatives even place their Kredit TNC at the disposal of these wholesalers. Other cooperatives imitate the strategies of private traders and have started to operate in a larger area, contacting farmers of other villages and buying their cloves well in advance.

3. According to Godoy and Bennett (1990) in 1983, “The area under cloves was less than one hectare for 96 percent of all Indonesian clove smallholders, and for 95 percent of clove smallholders in Maluku. The average number of trees per household was 62 nationally, and 76 for Maluku” (p. 66).

To Look for “Localization”

A closer look at specific agro-ecological conditions is not to produce generalizations that might be useful to policymakers calling for formulas that cut across countries. Many generalizations do not take into account location-specific variations in the political-administrative, socio-legal, economic and agro-ecological conditions that affect financial decisions of individuals and institutions. Therefore, I expect that the 20-years-old litany on the failures of governments to establish sustainable credit programs to the benefit of rural poor, will be heard for the next 20 years as well. To draw generalizations from case studies of financial intermediaries as a way out of these failures, will at best lead to substitution of formulas, but will not stimulate a better analysis and understanding of location-specific situations and problems. Therefore, I believe that what is needed in policymaking and research is not the pursuit of generalization but the pursuit of “localization”.

With regard to policymaking, “localization” implies that national plans are adjusted to regional or local conditions, including agro-ecological conditions. “Localization” also suggests decentralization of planning, down to lower levels of administration, such as provincial and district levels. If there is to be an interest among researchers in studying agro-ecological conditions, with the specific aim of drawing lessons for policymaking on rural financial intermediation, this study should include the analysis of processes of policymaking and its political-administrative constraints. It is quite embarrassing to find that policy-oriented research has hardly given any attention to these processes of and barriers to policymaking.

From an analytical point of view, I feel that the pursuit of “localization” fits perfectly in the broad concept of rural finance outlined by Schmidt and Kropp (1987). Such a pursuit would question how agro-ecological conditions affect the financial decisions of individuals and institutions in a particular area or “locality”. It also raises the question how (changing) economic, political-administrative and socio-legal conditions affect these decisions, and at the same time weaken, reinforce, transform or differentiate the impact of agro-ecological conditions.

The case of Ambon provides its own and specific answers to this two-fold agrarian question of financial landscapes: the particular combination of sago and clove cultivation has implied labor and loan arrangements that greatly differ from similar arrangements in rice producing areas (cf. Ghate 1992: 43-57) and also, other silvicultures, like rubber and coconut. Cloves are a pure cash crop and have a production cycle in which bumper harvests occur every three to four years, with insignificant yields in between. In addition, large variations in production can occur in a small area. As a result, highly institutionalized forms of cooperation among owners of clove trees, and the use of credit as a labor-tying device, have not been feasible. The processing of sago does not demand a large labor input and provides a minimal basis in terms of food security and housing. Furthermore, there is no particular sago harvest season. As a result, types of credit and credit relations that either guarantee food security or ensure ready availability of labor, have been absent in the sago economy of Ambon. The non-mechanized collection of sago as well as the harvest of cloves by Ambonese required rather ad-hoc forms of cooperation, reproducing broader social relations between relatives, neighbors and friends.

The cultivation and consumption of sago have structured rural life on Ambon for centuries, and have proved very important in times of hardship. Under different colonial regimes, the subsistence role of sago, in combination with fish and coconut, was not weakened, but rather reinforced. Rigid clove-production policies caused relatively small, short and insecure income flows that could not provide a stable economic basis. In the post-colonial period, however, the subsistence-oriented economy was turned upside down. As a result of the dramatic increase in the money circulation and changes of consumption standards during the last two decades, the subsistence role of sago weakened. The sharp increase of clove prices in the seventies provided a major impulse in this connection. Concrete houses and rice became the new consumption standards. Consequently, traditional forms of cooperative food collection and house construction among Ambonese eroded. Parallel to this development, new types of relationships and forms of cooperation emerged, including credit relations between Ambonese and Butonese. Butonese migrants quickly responded to the increase of money needs of Ambonese and supplied credit in exchange for the right to harvest their clove trees. In this connection, these trader-cum-moneylenders have done much better than official cooperatives, who have failed to gain a large share in the marketing of cloves. This is largely due to the diverse financial and risk-minimizing strategies of Butonese, who have developed much better insights into location specific agro-ecological conditions than have cooperative officials.

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