

The Interplay Between Local Values, Image, Satisfaction and Trust in Cooperatives: Balinese Case

I. Gusti Ngurah Jaya Agung Widagda K., Ubud Salim, Mintarti Rahayu and Ainur Rofiq
Departement of Management, University of Brawijaya, Malang, Indonesia

Abstract: The results of some researchs on the relationship between image and trust has been mixed. Accordingly, the study intends to confirm the relationship in the context of cooperative. Cooperative context and Bali setting lend justification to put traditional values as a moderator and satisfaction as mediator in the relationship. The constructs involved have been proven to have passed model adequacy showing their significant contribution to independent construct value. Following accidental technique and $n \times 10$ indicator number, the study involves 369 respondents. By means of PLS, results reveal that traditional values have moderating role in the relationship between image and trust. Rather surprisingly, satisfaction has only partially mediating role in the relationship.

Key words: Traditional values, image, trust, satisfaction, surprisingly, cooperative

INTRODUCTION

It is among few studies which explores the relationship between image and trust in cooperative sector with traditional values as moderator. In Balinese setting, traditional values are coated by Hindu religion. In the surface, it is obvious that religion in Bali has a great influence in social life. Balinese people is highly expressive in practicing their belief in every day life. Thus, is among the few that brings up the effects of religion-derived local tradition to picture out cooperative dynamics in society upholding religion and traditional values strongly such as in Bali.

Concerning the relationship between religion and local tradition (Geertz, 1983) points to religion as an important part of cultural system religion with all its teachings regulating spiritual life in order to achieve life perfection. While local values provide guiding principles regulating the ways people should behave, act or conduct in relation to other people and environment in order to achieve harmonious, peaceful and prosperous life conditions.

Durkheim held that religion is belief and behavior system based on sacred matters serving particularly to unite a community sustained by a religious entity (Durkheim, 1983). By this way, he has laid a ground for religion sociology. Further Wach (1984) confirmed the effect of religion on culture by holding that relations among people in society much depends on living ideas regarding to God. Social interactions is much formed by

how people think, discern and imagine the God (Wach, 1984). Geertz (1992) argued that religion forms psychological structure in human mind that later affects their world-view which in turn directs their attitude and behavior. Religion not only affects internal life but also material life such as relationship, the social system, legal system and even culture.

In case of Balinese Hindu, the priests have attempted to express the Hindu's teachings in various cultural symbols in the forms of values, norms, views and laws made according to the condition in everyday life and their developments are still based on the initial religion. The respect and worship to the God is expressed in all cultural activities. It is called religion-originated culture. It explains that there is closed and supplementary relationship between the two. Religion teachings are often adapted to local conditions in such a way that supports alignment between religion teachings and local culture. It is also enabled by the fact that Hindu religion in Bali has grown concurrently with Balinese culture. So, discussion regarding culture in Bali can not skip the the role of religion and vice versa. In symbolic words, religion is the head while culture embodies the body reflecting the picture that culture in Bali is energized by religion just like relationship between human's body physic and soul, the fire and its heat or plants and land where they grow (Surpha, 2006). It is the reason why many people call Balinese society as religiously-socially Hindu society.

Historically, though facing some adaptations, this religion-originated culture undergoes slight changes but

its underlying concept remains intact. That is one describing the God's will and its implementation in a worldly life. This concept is the main source for the growth and development of religion-originated culture.

The local values and culture serves to maintain the harmony in a society. In Bali, harmony covers three kinds of relationship. First, there should be harmony existing between individuals and others that between individuals and nature and that between individuals and their God. The success of the harmony maintenance in three areas of relationship might lead to social cohesion.

Harmonious relationship between individuals and others might be buttressed by several local values. One of them is Menyama Braya which is very functional in deterring social conflict from happening due to dynamics in social relationship development. The first word Menyama comes from the basic word nyama whose meaning is brotherhood based on the blood or familial relatedness and Braya referring to society or community as a living place for individual members of the society. By means of Menyama Braya, social cohesion might be reinforced where Balinese indigenous people regard others both in-group and out-group as part of the community where they live in. Menyama Braya is cultural value of interaction and interrelatedness that emphasizes solidarity, cooperation, tolerance and mutual respect. The philosophy behind this is the importance of mingling and socialization in a social life. This is so as consideration of human being as a social being where sustainability is only possible as far as the social nature of human beings is nurtured and sustained vis-a-vis an egoism and individualism.

The other is mebat. It is a tradition of cooperation among men in preparing, cooking and providing food for religious ceremony. The philosophy behind this is working together to achieve a certain goal which is not limited in religious activities but also in social life. Beside a shared goal achievement, working together might lead to a more harmonious, closer and intimate relationship which significantly contributes to social cohesion.

Working together also contains the meaning of social empowerment (Pranadji, 2017) as this practice can be social capital to form institutional force in community in achieving welfare. It also relates the fact that working together refers to collective action to struggle, self governing, common goal and sovereignty.

Tabuh rah represents the will to sacrifice in the interest of goodness and blessing for society at large. This values teaches people to put a community interest first and sacrificing personal interest is not a loss instead a way to obtain a larger gain. Without a will to sacrifice

and bravery to do so a cohesive society is hard to build not to mention to maintain. If most members of society shared the spirit all social issues and sustainability threats are easily deterred.

Kasepekang is related justice, fairness and equal treatment to all members. Traditional law is the product of culture and in Bali it is called awig-awig atau pararem. People has leeway to make some changes deemed necessary depending on social dynamics on hand. The enforcement will enhance social cohesion.

Basically, the essence of traditional norms serves to maintain social harmony. Hindu society follows Tri Hita Karana concept that holds together the relation among individuals, relation between people and nature and relation between people and God harmoniously. These three kinds of relation weave together determining social cohesion embedded in society. The workings of their operation should run in a balanced way as otherwise will lead to unhealthy being. At this point, social norms play determining part in setting those three relation kinds motion. Without these social norms, their operations could not be warranted. By means of these social norms, it can be ascertained that three relations might lead to peaceful, secure and prosperous life.

Globalization disrupts economical system from its democratic system where people have the equal right to convey their opinions and equality treatment between workers, directors and institution. Cooperative has ability to democratize capitalistic market structure created by globalization. Cooperative might neutralize negative effects of globalization process that has uprooted national sovereignty and dismantled national borders.

Cooperative is the only institution which has concern for society needs and is controlled by its member's needs (Melnyk, 1985). It is the only means available for population to maintain national and local identity against the the world-wide wave of globalization. It is the only institution that has ability to negotiate in democratic interaction between global, local and national identities. Just as banking sector, cooperative also rely heavily on trust. In the absence of trust, cooperative will lose public support that so far has energized its development and colored its characters. Its trust derives from its main functions of supporting local economy and society and its business pattern that rechannels the income to the public.

Individuals might be attracted to maintain their memberships in cooperatives by either the institution's concern with public interest or its ability to strengthen and continue public's social cohesion. Cooperative empowers local public as all decisions are made democratically based on public interest.

Cooperative has a significant role in the molding of social cohesion in society (Dayton-Johnson, 2001). Social cohesion is the extent to which interrelatedness and solidarity is held in a society. Cooperative is believed to have ability to strengthen social bond that serves to reduce social conflict and support public intactness and sustainability.

Business structure in cooperative upholds social cohesion and thus, democracy, local welfare and the health of local economy. Cooperative has a mechanism that support local growth without engaging protectionist policies that violate international commitment.

While profit-oriented companies got mired in great difficulty in crisis times in most countries, most co-operatives showed higher resilience (Birchall, 2013). It is mostly due to cooperative nature of independence of financial market and of owning bigger social capital. Several studies have confirmed that cooperative social orientation plays role in heightening social cohesion and sustainable growth (Dow, 2003; Birchall, 2013).

Economic literature identifies trust as one pillar of economical growth. Classic and non-classic economists held that the functioning of market, economic rigor and sustainability pivot on trust and mutualism (Smith, 1759; Mill, 1848; Arrow, 1972).

In his book theory of moral sentiments (Smith, 1759) held that trust is fundamental for the functioning of market-based economy. He ever cited that trust and mutualism serve as basic foundation to the emergence of market

In his later research principle of political economy (Mill, 1848) believed that trust has played an instrumental part in national economy performance. The same perspective is found in the research of Arrow (1972) and North (1990). In his research Arrow (1972), held that in any trade transaction contains the element of trust. The implication is that any economical backwardness could be partly attributed to the absence of mutual trust (Arrow, 1972).

Trust is an essential factor in social exchange process (Blau, 1964). Trust is conceived when exchange process results as expected. Cooperative members are driven by expectation that cooperative might help fulfill their motivation of social cohesion sustainability. The preservation of social cohesion is of importance as it relates to the preservation of society existence. When cooperative has capability to ensure interdependence, co-operation and exchange, it merits trust from society. Simmel (1950) for instance, argued that that trust was one of most instrumental unifying forces in any society. Luhmann attributed trust to risk-taking and argued that risk taking involving other people always required trust" (Luhmann, 2000).

Exchange is not only found among individuals but also between individuals and institutions. Exchange is a base on which relations between individuals and economic organizations are formed. It is especially the case for cooperative role of which is widely known to be able to uphold social cohesion of society. Individuals might reasonably harbor expectation upon institutions such as cooperatives. Through image formed in the society, individuals expect cooperative to be able to meet their social cohesion motive. As confirmation upon the expectation is obtained, trust will surely follow. This exchange-based trust becomes a ground for relationship between cooperative members and their institution. The higher trust the members have the stronger intention of the members to continue their membership.

With this logic standing as background, the present study put satisfaction as expectation of social cohesion from being cooperative membership. The fulfilment will determine member's trust toward cooperative. The expected social cohesion and traditional values are assumed to have their own effect on the relationship between image and trust.

Literature review

Expectation-confirmation theory: Expectation Confirmation Theory (ECT) was put forward by Oliver (1980) to grasp consumer satisfaction. By this theory he argued that consumers develop early expectation before deciding to enter any transaction or in cooperative case before deciding to be a member and later develop a perception on product or organization performance based on experience during early interaction. At later stage, consumers measure their satisfaction level based on the extent to which their expectation is confirmed by comparing it to actual product or organization performance. The more expectation is fulfilled the more consumers will tend to develop trust or intention to maintain relationship.

Social exchange theory: Social exchange theory holds that any social relationship is formed by well-calculated reward, sacrifice and benefits. It clarifies that any relationship is affected by personal evaluation of balance between what to give into and to get from the relationship. It was developed by Thibaut and Kelley (1959), sociologist Homans (1961), Emerson (1962) and Blau (1964). Sacrifice (cost) and profit continuously determine strength and duration of the relationship.

Heri' study revealed that corporate image has no significant effect on trust. While Lin and Lu (2010) study showed differently that cooperate image has a significant

effect on consumers trust. To settle the issue in this relationship, the researcher put forwards two ways as solution to the issue. Those are putting traditional values as a moderator and satisfaction as mediator on the relationship between image and trust. So, far little research is conducted concerning moderating role of traditional values on the relationship between corporate image and trust. The role of traditional values in affecting consumer behavior is delineated in the research (Kotler and Keller, 2012; Schiffman and Kanuk, 2009) among others. Religion spreads values and at the point of which those values become guiding principles in social life those values become cultural norms that later affect behavior.

Social cohesion: The idea of social cohesion was put forward for the first time by Emile Durkheim. It was driven by the question “What makes society still unite? In his book *De la Division du Travail Social* 1973 (1893), Durkheim argued that in pre-modern society, social cohesion is made of the sameness among individuals that is cohesiveness in a society is affected by the absence of difference that set any individual apart from each others. Solidarity emerged as almost all individuals concerned carried out the same research. While in a modern society characterized by increased differentiation, cohesion is formed from exchange relation (Giddens, 1978). Accordingly, the concept of social cohesion refers to society integrity of which its members attempt to maintain in order to survive and thrive. In his social cohesion concept, Durkheim held that cohesion was formed from inter-dependence, co-operation and exchange.

Trust: According to Tjiptono (2000) trust is derived from brand reliability, determined by expectation fulfilment, quality and satisfaction assurance and brand intentions, determined by sincerity in problem solving. According to Flavian *et al.* (2005), trust is derived from honesty formed from capability of promise keeping and sincerity. Benevolence determined by tendency to put other people interests first. Competence determined by skill in problem solving, knowledgeability and ability to fulfill other people’s needs.

Lin and Lu (2010) confirmed that corporate image has a significant effect on trust. It is in line to research of Lii (2009) and Wulf *et al.* (2001). Nguyen and LeBlanc (1998) and Ball *et al.* (2004) argued that better corporate image might lead to higher trust. In an identity theory framework, image might turn into trust to other individuals through “Self verification” mechanism (Burke and Stats, 1999). Other research such as Chen (2010), Chinamona (2016), Hsu *et al.* (2010) and Amin *et al.* (2013) confirm

relationship between image and trust. Based on these research, the study puts forwards the following hypothesis:

- H₁: the better cooperative image would be able to uphold member’s trust

Positive corporate image might positively contribute to selling volume through increased satisfaction (Andreassen and Lindestad, 1998) and attract more investors (Fomburn and Shanly, 1990). Andreassen and Lindestad (1998) held that “Corporate image creates a halo effect on customer satisfaction”. The relationship between image and satisfaction is further proved by some research such as Gomez *et al.* (2004) and Eskildsen *et al.* (2004).

Some scholars held that satisfaction is an antecedent of trust (Garbarino and Johnson, 1999; Sanchez-Franco *et al.*, 2009). Forgas *et al.* in airline sector confirmed a strong relationship between satisfaction and trust. In retail sector, Lombart and Louis’s (2014) proved the same case so did (Camareiro and Garrido, 2010). Other studies lent further support such as Kim *et al.* (2011); Spake and Carol (2010), Alrubaiee and Alkaa’ida (2011). Based on aforementioned research as the background, the following hypothesis worth considering:

- H_{2a}: a better cooperative image would lead to increased satisfaction among its members
- H_{2b}: increased satisfaction would lead to heightened trust among its members
- H_{2c}: the cooperative member’s satisfaction would strengthen the relationship between cooperative image and member’s trust

Some scholars have emphasized that consumer’s behavior is affected by socio-culture (Kotler and Keller, 2012; Schiffman and Kanuk, 2009). Traditional value is sub-culture that develops and held strongly by society where an institution is located. The influence of traditional value on how institution operates is thus unavoidable. It is particularly the case in Bali where tradisional values permeate into almost all common practices in everyday life, quite possibly also in economical institutions. Thus, it is reasonable to explore the effect of traditional values, especially as moderator in the relationship between image and trust. Based on these on the perspective, the following hypothesis is:

- H₃: the more strongly held traditional values would strengthen the relationship between cooperative image and member’s trust

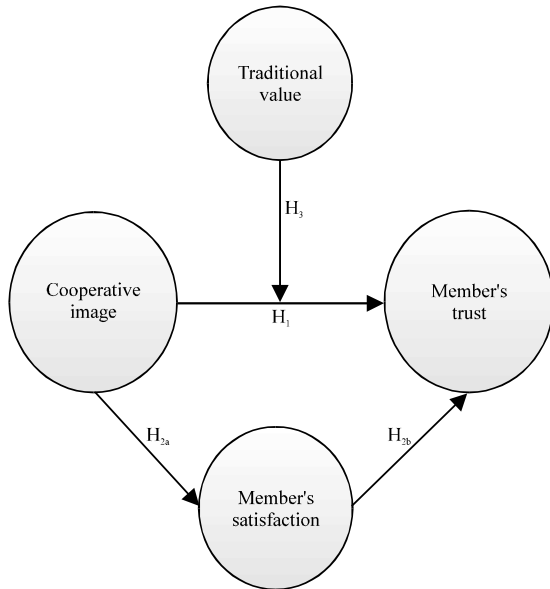


Fig. 1: Conceptual framework

Conceptual framework base on research problem and theoretical review, it can be constructed framework as in Fig. 1.

MATERIALS AND METHODS

The study focuses on the members of cooperatives that spreads across 9 regencies covering Jembrana, Karangasem, Tabanan, Badung, Singaraja, Gianyar, Klungkung, Bangli and Denpasar. They should be Hindhuist, as they are more knowledgable and experienced in the contact with local values. By means of purposive method, the sample number is determined by n x indicator number formula which in this case is 10x28, referring to 280. To maintain return rate sample number is set as many as 369. Questionnaire is directly distributed to respondents that are asked to fill out and return the questionnaire to researcher.

To make sure of face validity, indepth interview is made personally with I Gusti Ngurah Oka M., a well known figure in terms of traditional values (at 12 Desember 2015 and 16 February 2016). Indepth interview is also made with an accomplished anthropologist Wayan Geria on February and March 2016 concerning the representativeness of questionnaire's content. The revised instruments are then put in editing process.

Reliability is met as alpha Cronbach coefficients for all constructs concerned is above 0.60. To ensure the relationships between constructs, Smart Partial Least Square (PLS) Ver. 3.0 is deemed appropriate.

Measurement: The measurement of image is adapted from Ball *et al.* (2004), Andreassen and Lindestad (1998),

Nguyen and Le Blanc (1998), Engel *et al.* (1995) whose items for instance being a dissent economic institution, managerial proffessionalisme and others.

The measurement for trust is adapted form the research of Chung and Kwon (2009), Kim *et al.* (2009), Flavian *et al.* (2005). The items cover integrity, benevolence, reliability, competence and honesty.

Satisfaction construct is adapted from Chang and Wang (2011), Kassim and Abdullah (2010), Chreang (2007). The satisfaction measured is concerned with cooperative reputation, available products, available infrastructure and services.

The measurement for tradisional values follows (Kaler, 1983; Wiyana, 2012) and is based on in-dept interview with four dimensions (Kesepakang, Mebat, Tabuh Rah and Menyama Braya).

RESULTS AND DISCUSSION

Convergent validity measuring relationships between indicators and its latent construct in terms of outer loading value of each indicator (Sekaran, 2006; Hair *et al.*, 2011) tracks out only X1.1 indicator which is under 0.5 and requires re-estimation. After-re-estimation process, it is confirmed that outer loading values of all indicators in every construct is well above 0.5 Table 1. It is further

Table 1: Outer loading, AVE and AVE root values

| Laten variable constructs/Indicator | Outer loading | AVE | Akar AVE |
|-------------------------------------|---------------|-------|----------|
| Cooperative image (X1) | | | |
| X1.2 | 0.727 | 0.633 | 0.767 |
| X1.3 | 0.775 | | |
| X1.4 | 0.830 | | |
| X1.5 | 0.728 | | |
| X1.6 | 0.773 | | |
| Member's satisfaction (X2) | | | |
| X2.1 | 0.754 | 0.589 | 0.798 |
| X2.2 | 0.821 | | |
| X2.3 | 0.809 | | |
| X2.4 | 0.804 | | |
| Member's trust (Y1) | | | |
| Y1.1 | 0.779 | 0.607 | 0.779 |
| Y1.2 | 0.783 | | |
| Y1.3 | 0.781 | | |
| Y1.4 | 0.768 | | |
| Y1.5 | 0.784 | | |
| Kasepekang (X3.1) | | | |
| X3.1.1 | 0.813 | 0.641 | 0.800 |
| X3.1.2 | 0.851 | | |
| X3.1.3 | 0.803 | | |
| X3.1.4 | 0.730 | | |
| Mebat (X3.2) | | | |
| X3.2.1 | 0.838 | 0.653 | 0.808 |
| X3.2.2 | 0.846 | | |
| X3.2.3 | 0.843 | | |
| Tabuh Rah (X3.3) | | | |
| X3.3.1 | 0.813 | 0.710 | 0.842 |
| X3.3.2 | 0.851 | | |
| X3.3.3 | 0.803 | | |
| X3.3.4 | 0.730 | | |
| Menyama-Braya (X3.4) | | | |
| X3.4.1 | 0.922 | 0.825 | 0.910 |
| X3.4.2 | 0.859 | | |

Table 2: Coefficient regression of constructs

| Construct/variables | Original sample (O) | t-statistics (O/STDEV) | p-values | Results |
|---|---------------------|-------------------------|----------|-------------|
| Traditional values×Cooperative image->Member' trust | 0.135 | 2.098 | 0.018 | Significant |
| Cooperative image->Member's satisfaction | 0.606 | 10.746 | 0.000 | Significant |
| Cooperative image->Member's trust | 0.364 | 4.923 | 0.000 | Significant |
| Member's satisfaction->Member's trust | 0.380 | 5.714 | 0.000 | Significant |

Table 3: VAF-based mediation analysis

| Variables | Direct effect | Indirect effect | Total | p-value | VAF | Result |
|--|---------------|-----------------|-------|---------|-------|-------------|
| Cooperative image->Member's satisfaction->member's trust | 0.364 | 0.230 | 0.594 | 0.000 | 0.387 | Significant |

Table 4: Moderation analysis

| Construct/variable | Original sample (O) | t-statistics (O/STDEV) | p-value | Result |
|--|---------------------|-------------------------|---------|-------------|
| Traditional values×Cooperative image->Member's trust | 0.135 | 2.098 | 0.018 | Significant |

confirmed by AVE procedure revealing that AVE value of all constructs are well above 0.5 (Hair *et al.*, 2011).

Discriminant validity is confirmed from evaluation that AVE value's root squares of an construct is larger than correlation between the construct and other constructs in the research model (Chin, 1998) and it should be over 0.5 (Fornell and Larcker, 1981). AVE value's root squares of all constructs in the model are over 0.5.

Composite reliability and Cronbach alpha values is over 0.70. It means that all indicators composing dimensions of Kasepekang, Mebat, Tabuh Rah and Menyama-Braya as well as the constructs of cooperative image, member's satisfaction and member's trust are reliable. The model adequacy is confirmed by means of Q square predictive relevance (Q²) resulting on 0.997 indicating of good level (Stone, 1974; and Geisser, 1975). It reflects the significance roles of independence constructs as predictors of dependent construct's changing value (Hair *et al.*, 2010).

Regression coefficient of cooperative image effect on member's trust is 0.364 with t-statistic value is of 4.923. It is above 1.96, t-normal standard value with 0.000 significance level. Thus, it can be inferred that cooperative image has a positive and significant effect on member's trust.

Regression coefficient of cooperative image effect on member's satisfaction is 0.606 with 10.746 t-statistic value. It is above 1.96 t normal standard value with 0.000 significance level. Thus, it can be said that cooperative image has a positive and significant effect on member's satisfaction (Table 2).

Regression coefficient of member's satisfaction effect on members trust is 0.380 with 5.714 t-statistic value. It is above 1.96 t-normal standard value with 0.000 significance value. Thus, it is clear that member's satisfaction has a positive and significant effect on member's trust.

Mediation role satisfaction to the relationship between image and trust might be assessed by means of VAF value. VAF analysis provides value of

0.387 with 0.000 significance value (Table 3). It is under 50% which is referring to partial mediation (Ringle *et al.*, 2013).

In determining moderation role of traditional values on the relationship between cooperative image and member's trust, the analytical process provides results of t-statistic value of being 2.098. It is above 1.96 t-standard value on 0.05 trust level (Table 4). It is evident that the relationship between cooperative image and members trust will be intensifying when it is moderated by Balinese local values. Figure 2 the final result of this research as follows.

The present study confirms the moderating role of traditional values on the relationship between image and trust. The findings of the present enrich the model theory of relationship marketing (Bigne *et al.*, 2001; Nguyen and LeBlanc, 1998; Flavian *et al.*, 2005) by incorporating local values in the relationship marketing model. Within Balinese context where religion-based traditional values are strongly upheld and colour everyday practices those values might streng then relationship between image and trust.

Rather surprisingly, satisfaction only plays a partial mediating role in the relationship between image and trust. It is revealed that in Balinese context-cooperative, member's trust on cooperatives are not only derived from satisfaction but also from image. It might imply several indications. First, image is instrumental in member's mental calculation. Second, members might have multiple expectations to satisfy. If this holds true thus, their partial fulfilment would not warrant distrust as it might be offset by other such variable as image. Socially important image that an institution has a deep concern for social interest might in the long run transform itself as the thing people expect to come by from membership. The fulfilment will offset dissatisfaction due to partial fulfilment of member's material expectation.

The results can be generalized to other societies that uphold religion-based traditional values and those with the same characteristics as in Bali. Precautions should be

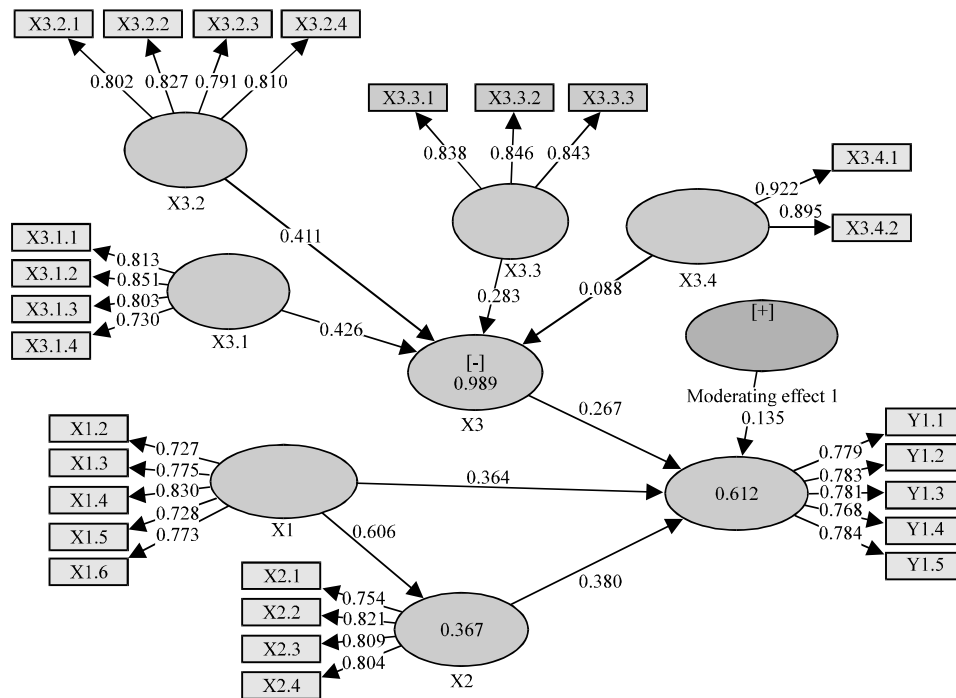


Fig. 2: Final result full model

taken as there are rarely perfect similarities among different societies. Differences, even superficial, might contribute in preventing from generalization. One hand hand, Balinese context offers uniqueness and surely enriches management literature. On another hand, its limited generalization prospect becomes its limitation and open wide chance for further research in comparable societies.

Balinese traditional values represented by Kasepe kang, Mebat, Tabuh Rah and Menyama-Braya dimensions moderate relationship between cooperative image and member’s trust. High lighting kasepe kang activities with such indicators as conflict avoidance with society and organization and the importance of honesty will boost the relationship between image and trust. This practice will enhance the quality of social life both in society and cooperative. Membership in cooperative paves the way for synergical influence of society and cooperative. The stronger effect will result if the room is provided for mebat activities with such indicators as putting common interests first and togetherness. These two traditional values are more influential than to remaining Tabuh rah and Menyama Braya, even though they can not be altogether ignored.

CONCLUSION

In a society where religion-based traditional values are strongly upheld those values affect people attitude

and how to behave. In the relationship between image and trust, traditional values have a capacity to enhance it and managers should make use of it. When cooperative image is not as expected or as originally designed that leads to decreased trust, traditional values might serve to ameliorate the relationship.

In terms of luxury, for example, banks have surely conspicuous advantage compared to cooperative. However, simplicity and easiness reflected in cooperative are seemingly more attractive than luxury, modernity and thus rigid rules featured in bank to part of local people. It might relate to the perception that simplicity and easiness put in the feeling of closeness and intimacy typical of cohesive society.

This simplicity also might partly explain the partially mediating role of satisfaction in the relationship between image and trust. That is satisfaction is not the only route for trust among members to develop. In other words even dissatisfied members might have increased trust. It might be derived from the way rural people live that shun of complexity and unfamiliar risks.

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