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The Role of Emotion and Rational Self-interest in Trust Perception: case of the Dairy Value Chain

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Abstract

The problem of coordination and cooperation stands as a cornerstone in value chain management. Although formal institutions guarantee the contractual arrangements, it is recognised the role that human capital can play to ensure the sustainability of these arrangements. Trust among actors in the value chain plays an important role in contracting decision and cooperative membership. There is however a concern to understand trust decisions and the determinants of trust perception. In this paper, trust is decomposed into its components; the emotional and the rational self-interest or calculative trust. The aim is to understand the role of emotional component in trust perception.

We assume that non calculative trust and calculative self-interest trust are both present in local rural economies, making this context appropriate to test our hypothesis regarding the importance of emotional trust in networking and therefore contracting in the value chain.

We used a sample of breeders in a local community i) to measure the level of trust amongst breeders and dairy collection centres, ii) to construct the two components of trust, and iii) to investigate how these two trust components contribute to generate trust decisions.

The results provide support that emotional trust fosters trust perception; despite opportunistic behaviour and distrust, breeders are able to build trusty links using close relationships. There is evidence that emotional trust is a strong motivating force to guide trust behaviour, whereas forward looking calculus guide trust perception in the case of weak ties. The results suggest the key role of existing social bonding in managing transactions in the local economy and in initiating network cooperation and more formal arrangements. Smallholder dairy farmers could use existing social networks to foster trust and institute sustainable contract as a way to coordinate transactions and improve overall innovation process in the community.

Keywords: Dairy sector, emotional trust, trust decision, Tunisia