The Effect of Transaction Cost Determinants on Livelihoods of "Sanasa" Beneficiaries in Badulla District

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INTRODUCTION

"Sanasa" is a prominent rural poor assisting, island-wide disseminated cooperative community-based organization. The *"Sanasa"* beneficiaries are a set of underprivileged communities (Owen, 2007; Herath et al., 2013). Hence, the program assists them in several means such as providing financial support, credit facilities, livelihood assistance, training, social work, etc. The marginalized rural communities do not have the adequate resources, perfect knowledge, and better experience which is needed to succeed in their livelihoods (Pingali et al., 2005). Hence, the *"Sanasa"* program facilitates them with required assistance, especially with credit facilities (Owen, 2007; Dissanayake, 2019).

The livelihood of the rural marginalized communities is disturbed by several factors. Among them, transaction cost can be identified as a prominent factor that creates negative influences on rural poor (Pingali et al., 2005). The term "Transaction cost" refers to the costs that are associated with an economic exchange (Williamson, 1985). High transaction cost impedes the livelihood success of the rural poor (Priyanath & Premarathne, 2016). *"Sanasa"* beneficiaries are a set of rural communities with deprived opportunities and operate on a smaller scale. Hence, the possibility of having a high transaction cost is pretty high for them (Mithrananda & Priyanath, 2020). The *"Sanasa"* beneficiaries lag behind better education, market experiences, and developed technology (Dissanayaka, 2019). Moreover, they have relatively poor infrastructure facilities such as poor road network, poor transportation and poor communication methodologies since they have settled in rural areas. As the *"Sanasa"* beneficiaries operate on a smaller scale, they experience the negative aspects of information asymmetry related to their livelihoods. Further, Mithrananda and Priyanath (2020) stated that lack of education, technology, and experience leads to the creation of opportunism and bounded rationality among the beneficiaries. ncertainty is another disturbing factor among marginalized small-scale producers (Willaimson 1975; Priyanath et al., 2016). They do not have the ability to foresee things. Hence, these beneficiaries' ability to cope with unexpected circumstances which influence their livelihoods was low (Williamson, 1975; 1985). It may incur additional charges when the beneficiaries attempt to handle the negative aspects of opportunism, bounded rationality and uncertainty. Hence, opportunism, rational ability and uncertainty can be identified as the major determinants of the transaction cost among these *"Sanasa"* beneficiaries. These determinants are generated with the influence of numerous root causes, finally, leading to deciding the beneficiaries' livelihood standards.

The study attempts to explore how the transaction cost determinants, Opportunism, Rational ability, and Uncertainty, influence the transaction costs and the livelihoods of *Sanasa* beneficiaries.

METHODOLOGY

The quantitative approach was employed to study the research problem and used a survey method to gather data. The sample was selected from the *"Sanasa"* beneficiaries in Badulla District using the cluster sampling method. One *"Sanasa"* society was selected randomly from each DS Division in Badulla district and all the beneficiaries who are engaged in livelihood activities with the assistance of the *"Sanasa"* program were carefully chosen for the sample. Accordingly, 273 members of *"Sanasa"* beneficiaries were selected for the sample. A structured questionnaire was used to collect relevant data. To satisfy the evaluation and analysis of gathered data and developed hypotheses, the study used Partial Least Square - Structural Equation Modelling (PLS-SEM) with the assistance of Smart PLS software. The measurement model is evaluated using reliability and validity tests and the efficiency of the structural model was evaluated by multi-collinearity issues, R2, effect size (f2) and predictive relevance (Q2).

FINDINGS

The results reported in Table 01 satisfies the hypotheses H1 illustrating that opportunism has a positive relationship with transaction cost ($\beta = 0.250$ *and* $t\text{-}value = 3.049$) while H2 illustrates opportunism maintains a negative relationship with the livelihood of the *"Sanasa"* beneficiaries ($\beta = -0.230$ *and* $t\text{-} value = 6.133$). Since the *"Sanasa"* beneficiaries are a set of marginalized communities, they are influenced by information asymmetry. Further, Mithrananda and Priyanath (2020) have revealed that the small-scale producer has to do several scarifies to cope with rising opportunism. These sacrifices, directly and indirectly, influence negatively on producer's livelihood. According to Table 01, rational ability has a significant negative relationship with transaction cost (*β = -0.419 and t- value = 5.888*) and rational ability has a significant positive relationship with livelihood success (*β = 0.306 and t-value = 6.989*). This proves the hypotheses H3 and H4. Someone who has rationality tends to make the best decisions. The H5 and H6 hypotheses related to the uncertainty are depicted in Table 01, which illustrates that uncertainty has a negative relationship with transaction cost (*β = -0.006 and t-value = 0.084*). However, the study proposes that uncertainty has a positive relationship with transaction cost.

Table 1: Path coefficient and hypotheses

Hypothesis	Relationship	Beta (*β*)	T-Value	Decision
H1	Opportunism -> TC	0.250	3.049	Supported
H2	Opportunism -> Livelihoods	-0.230	6.133	Supported
H3	Rational Ability -> TC	-0.419	5.888	Supported
H4	Rational Ability -> Livelihoods	0.306	6.989	Supported
H5	Uncertainty -> TC	-0.006	0.084	Not Supported
H6	Uncertainty -> Livelihoods	-0.176	4.526	Supported
H7	TC -> Livelihoods	-0.336	9.484	Supported

As per Table 01, hypothesis H5 was rejected depicting that there is no significant positive relationship between uncertainty with transaction cost. H6 hypothesis represented in Table 01 shows that there is a negative relationship between uncertainty and livelihood success (*β = -0.176 and t-value = 4.526*). Table 01 finally shows that overall transaction cost has a negative influence on the livelihood of the *"Sanasa"* beneficiaries in *Badulla* district (*β = -0.336 and t-value = 9.484*). The results illustrate that when the transaction cost increases by one percent, the livelihood success reduces by 33.6 percent. Thus, as a result of these several aspects, there it generates transaction costs that retard one's success in their livelihoods.

CONCLUSIONS

The results provide sufficient empirical evidence to satisfy the research problem and reveal that the determinants of transaction cost strongly influence generating a considerable level of transaction cost to the beneficiaries and also it influences to retard one's success in their livelihoods. Among the determinants, opportunism and uncertainty have positive influences on generating transaction cost while the same determinants have a negative influence on the livelihood success of the beneficiaries. Rational ability, as a determinant, influences negatively transaction costs and influences positively the livelihood success of the beneficiaries. Since the small-scale *"Sanasa"* beneficiaries are lagging behind perfect information, technology, infrastructure, and market experience they undergo higher levels of opportunism, bounded rationality, and uncertainty. Thus, the *"Sanasa"* beneficiaries in *Badulla* district experience transaction costs that retard the success related to their livelihoods. Hence, the study suggests policymakers develop policies to mitigate the roots of creating transaction costs among *sanasa* beneficiaries by developing mechanisms to provide sufficient market information, ICT training to access information, ICT infrastructure facilities, technologies, and sustainable credit facilities.

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