Nexus Between Transaction Cost and Livelihood Success of *Samurdhi* Beneficiaries in Sri Lanka

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Abstract

The study explores the effect of transaction costs on the livelihood success of Samurdhi beneficiaries in Sri Lanka. Data were collected from 1820 Samurdhi beneficiaries selected from Sabaragamuwa and Uva provinces employing a multi-stage sampling method, while a well-structured questionnaire was equipped for the data collection process. Data analysis was done with the help of Partial Least Square Structural Equation Modeling (PLS-SEM). The current study tested four hypothetical relationships between four dimensions of transaction cost; searching cost, negotiation cost, monitoring cost, enforcement cost, and livelihood success of Samurdhi beneficiaries. The transaction cost of beneficiaries was assessed from both the marketing perspective and the Samurdhi activities perspective. The result revealed that there exists a negative association between transaction costs and the livelihood success of Samurdhi beneficiaries. Results further exhibit that searching costs and monitoring costs are higher on the marketing side. When moving to the Samurdhi activities context, there showed high costs related to negotiation and enforcement. Thus, the research confirmed that transaction costs have a negative impact on the livelihood success of Samurdhi beneficiaries in Sri Lanka. Developing a mechanism to empower Samurdhi beneficiaries to access information relating to the transaction using modern technology to contact reliable transaction partners and integrate them with the market properly and reducing complex administration processes that led to the waste of money and time of Samurdhi beneficiaries would lead to improving livelihoods of Samurdhi beneficiaries by minimising transaction costs.

Keywords: Livelihoods, Samurdhi Beneficiaries, Transaction Costs

INTRODUCTION

Sri Lanka is still facing challenges in achieving economic development, especially in the Asian region. New business opportunities are the better solutions to get stand in front of these economic demands because they accelerate economic growth, create new employment permissions and diminish poverty (Bernard, Teng & Khin, 2017). A better way to alleviate poverty is by empowering people economically and in that context, people could be emboldened to get engaged in new business or entrepreneurial income-generating work through poverty reduction programs (Wei et al., 2021). 'Samurdhi' is one of the poverty reduction programs in Sri Lanka, which is being maintained by the government since the year 1995 (Damayanthi & Champika, 2014). In 1998 Samurdhi program covered one-third of Sri Lanka's entire population and the relief is currently distributed among 1.8 million beneficiaries in the country (Central Bank of Sri Lanka, 2019). Generally, the government spends around 0.35% as a share of GDP on Samurdhi payments annually. In 2021, the government has spent Rs. 52.5 billion on Samurdhi Relief Payments- the single largest welfare program for people in poverty. It is an average of Rs.

2428 per family (Ministry of Finance, 2021). This is the greatest welfare program currently operating in Sri Lanka, covering 21 districts out of 25. More than 27000 officers including nearly 2000 managers have been employed by the government for the well-functioning of the program to attain intended outcomes (Samurdhi Authority of Sri Lanka, 2019). Amidst the functioning of Samurdhi, there had been a 4.1% poverty headcount ratio depicting Sri Lankans whose poverty was below that of the international poverty in the period of 2016s (Bandara, 2016). However, it is said that the $3.20 poverty index is increased to 13% in 2020 (World Bank, 2020) indicating that poverty has not been well reduced in the country. In accordance with the latest statistics of the Department of Census and Statistics in Sri Lanka (Department of Census and Statistics [DCS], 2021), the official poverty line at the national level for August 2021 is Rs.5353 ($ 0.884 per day). This emphasises that the poverty level in Sri Lanka is still at a substantial level, especially in rural regions, even though prior governments had tried to moderate poverty through various programs (Gunasinghe, 2010). According to the key objectives of this Samurdhi

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program, poverty has been planned to reduce by guaranteeing the participation of the public or beneficiaries of the program in the production processes (Gunasinghe, 2010). Thavarasasingam and Balagobei (2020) have mentioned that the Samurdhi program consists of three main aspects; microcredit, livelihood activity, and welfare activity.

The mission of the Samurdhi program includes identifying low-income families in society and implanting relief programs to enable them to maintain at least a sustainable standard of living (Samurdhi Authority of Sri Lanka, 2019). The program is working on the development of the livelihood of people via micro and small-scale industries, agriculture, animal husbandry plus marketing development schemes (Samurdhi Authority of Sri Lanka, 2019). Training, capacity building, marketing, finance, and information networks are the main programs operating under Samurdhi in order to improve peoples' livelihood. The financial concession is provided in three ways by this program; providing microcredit for members of Samurdhi, providing finance by turning funds, and providing distinctive relieving loans for those who need livelihood development (Bandara, 2016). Thibbotuwawa et al. (2012) say that Samurdhi activities have not helped in improving the welfare of overall households, although they have good results in primary education and income related to agriculture. Sri Lanka's poverty ratio has declined in a considerable manner, but the poverty reduction has not happened satisfactorily (Nawaratnam & Mayandi, 2011). However, the typical effect of the Samurdhi program on the livelihoods of beneficiaries is not intelligible and needs more investigation. Providing credit, advice, fund, and loans for entrepreneurs and Samurdhi beneficiaries is a basic task of the program. There, engagers initially get the chance to start their works or new livelihoods on small scales. Small-scale firms most commonly called small enterprises have been identified as a vigorous side in a country's economic development (Bradford et al., 2004).

However, when analysing the development of small businesses, the relationship between the enterprise and transaction costs (TC) is noticeable (Dorward, 2008). A transaction, the process that emerges when a product is commutated via a technologically separable interface, can generate various costs incurred in the exchange process stages: contact stage, contract stage, and control stage (Nooteboom, 1992). When Samurdhi beneficiaries are funded with microfinance and essential training for initiating microenterprises they are empowered for doing business. Small firms inherit disadvantages regarding costs, although they have behavioral advantages. Generally, they are inexperienced in the processes and businesses, missing gains from economies of experience (Nooteboom, 1993). The inability to have sufficient information as a result of narrow chances for knowledge acquisition generates asymmetrical information for them as lack of experience and uneven knowledge create disadvantages of scale economies (Abdi & Preet, 2014). This situation results in poor decision-making. Therefore, small enterprises face many issues regarding the opportunistic behavior of parties involved in the exchange where opportunism is very costly to bear for small firms (Carmel, 2005). The transaction costs of the entity will go up if cash has been given out for searching for correct information, negotiating to decide transaction agreements, and monitoring dealings (Coff, 2001). The hazards associated with opportunism are sales taking place at low accounts while purchases of materials

taking place at high values (Lyons & Mehta, 1997). This results in low profits for the enterprise. The incomplete information, unreliable details, and limited knowledge may carry more time for small-scale businesses inducing higher TCs (Pitelis & Pseiridis, 1999). Such a condition may cause the malfunctioning of livelihoods of the Samurdhi beneficiaries in Sri Lanka as well.

There could be found only very few studies in Asia related to TC and its perspectives. Although there is plenty of research under TC, the concept has not been applied on the side of Samurdhi programs and its small-scale producers in Sri Lanka. Also in the Sri Lankan context, a little amount of research has been conducted from the TC perspective. When considering the Samurdhi program, the sides such as microfinance (Thibbotuwawa et al., 2014), and poverty (Bandara, 2016) has been paid more attention, but not the TC's point of view. No previous researchers have measured and sanalysed the situation, especially in accordance with the livelihoods of Samurdhi devisees. Therefore, the study attempts to explore the effect of TC on the livelihood success of Samurdhi beneficiaries in Sri Lanka. The finding will certainly assist policymakers and Samurdhi program administrators in taking proper actions regarding the extant matter in order to seize contemplated outcomes. The learning is organised as follows; after the basic introduction first, it reviews the literature on TC and livelihoods. Based on the literature review, the hypotheses are formulated. Then the study describes the materials and related methods followed. Results are presented and discussed in the next section. Finally, the paper is concluded by reviewing its findings, contributions, limitations plus directions for future scholars.

THEORETICAL BACKGROUND

The study focused on two main economic concepts and reviewed the Transaction Cost Economics (TCE) and Sustainable Livelihoods in asset's approach to understand the variables clearly.

Transaction Costs: Transaction costs are generated more generally by transferring the ownership during businesses which are simply called a cost in making any economic trade when related parties are participating in a market (Williamson, 1981). Scholars believed that the market forces determine and coordinate the transaction between exchange partners in a perfect competition market (Wang, 2003). If exchange partners have perfect knowledge about the market (prices, quality, etc.), the transaction will reasonably take place for both partners. However, a perfectly competitive market is far away from reality and exchange partners need to bear costs when using the imperfect market mechanism. TC generates due to imperfect market mechanisms (Coase, 1937). Since asymmetrical information exists in an imperfect market, the customer fails to make rational decisions which are called bounded rationality; on the one hand, exchange partner may encourage to behave opportunistically (opportunism) against the customer on the other hand (Williamson, 1981). TC is the costs incurred by a firm when using market mechanisms due to opportunism in the market and limitations of decision-makers in solving complex problems processing information (bounded rationality) (Zhang, 2009). The cost of transactions could be aroused in several ways. Nooteboom (1993) discusses three aspects; searching cost, negotiation cost, and monitoring cost. Searching costs originated when finding lower material costs as buyers while

higher prices as marketers (Hobbs, 1996; Lu, 2007). The costs arise when searching for proper and comfortable information regarding exchange partners on whom reliability could be kept and future chances or risks related to the current field or business (Lu, 2007; Williamson, 1985). After a successful encounter with the reliable parties, he must be taken into an agreement based on the contract. They are termed negotiation costs which include costs for legal purposes and guarantees where there could be blackouts (Dyer, 1997; Hobbs, 1996). Monitoring costs are the expenses that could be identified in cases of checking deals, quantities, settlements, and prices. Monitoring costs are the costs the partners make to observe the transaction as it unfolds and to verify the compliance with the agreed terms (Hobbs, 1996; Williamson, 1985). Enforcement costs are the expenses of insisting on compliance if monitoring detects divergences from the agreed terms of the transaction. They may be incurred in the form of litigation or administrative proceedings (Hobbs, 1996; Williamson, 1985). The TC of the entity will go up if cash has been given out for searching for correct information, monitoring dealings, and negotiating tasks (Coff, 2003). Dyer (1997) states that each of these costs is brought out by the foremost matter that the party which is suffering from opportunism by having deficient information makes efforts to safeguard the transaction. Most economic-related scholars, such as Dyer (1997) and Williamson (1985) mention that these costs are called TC. These costs make the small enterprise holders' livelihoods more complex and enfeeble they may get collapsed due to the inability of encouraging the ventures (Priyanath & Lakshitha, 2020).

Sustainable Livelihoods: Li et al. (2020) mention that there exists the need to realise the connection between providing capital and sustainable development where capital is given to improve sustainable livelihoods to take down poverty, especially for smallholder industries. The Sustainable Livelihood Approach was developed by the Department for International Development (DFID) and it is generally used in development aspects for discussing rural development, poverty alleviation, and environmental management (Udayakumara & Shrestha, 2011). Moreover, Masud et al. (2015) express that the concept considers the assets that poor people and small firms need for sustaining a sufficient living income rather than taking poverty as a lack of income. Mushongah and Scoones, (2012) and Avila Foucat and Rodríguez-Robayo, (2018) explained human capital is the major driving factor determining the success of livelihood. They define labor resources have both qualitative and quantitative dimensions such as household size, age, and the number of individuals engaging in earning activities in a household is quantitative dimensions and qualitative dimensions mean the level of education, health care, population growth, urbanization, displacement, and skill of the members of a community. Natural capital can be widely categorized into three main categories; land resources, water resources, forest resources as well as they include environmental resources (Feldman, 2014). Financial capital means financial resources accessible to people. The major determinant of financial capital is total income, credit accumulations, savings, subsidies, remittances, and pensions (Kabir et al., 2012; Serrat, 2017). Physical capital means basic infrastructure like transportation, shelter, water, energy, and communication used to produce tools that enable people to pursue their livelihoods. Moreover, the hand tools and machinery necessary are the variables used to describe physical capital (Canas, Robayo, & Cesin,

2018). Social capital is the most important aspect of all types of aspects in livelihood success (Foucat & Robayo, 2018). Mushongah and Scoones (2012) determine membership within different groups, institutional networks, relationships of trust, norms, and reciprocity.

HYPOTHESES

Having discussed the circumstances of the poor population's small enterprises and the effects of TC on them, it is important to observe to which extent the Samurdhi program in Sri Lanka has taken necessary steps to reduce poverty through its strategies. However, the programs like human resource development, group savings, and credit component have long-term aims on poverty reduction by improving and empowering the asset base of the poor population. The current study considers TC as the independent variable that is consisting four dimensions of the TC, i.e. searching cost, negotiation cost, monitoring cost, and enforcement cost. Livelihood success is the dependent variable that reflects sustainable livelihood in an assets-based approach. Association among each transaction cost dimension with the livelihoods is explored critically in the following section.

Searching costs and livelihoods: As mentioned above, the Samurdhi program is for the poor of the country. On this basis, it encourages the beneficiaries to start livelihood activities by themselves initially as a small business. Nooteboom (1993) specifies that in smaller firms, rationality is less due to the limitations of accessing more information. He further mentions the reasons for this which are low education level and inadequate training of the entrepreneur and firm's other workers which results in costs for searching such as minimum charge suppliers and advice. According to Nooteboom (1993), small producers may have to experience high search costs in the absence of competing suppliers among whom standardisation has not happened. Generally, searching costs include procedures of being aware of needs, possibilities, probable matters, replacements, trials, and assessments (Nooteboom, Coehoorn & Zwaan, 1992). Carmel (2005) mentions that small firms have to bear high searching costs due to the lean support from the staff and high set-up costs they have to incur with the sizes of transactions. His findings reveal that small firms incur search costs as buyers and vendors when searching for reliable transactions, future contingencies, and potential risks in the investment. Johnson and Kuehn (1987) come up with the fact that small business owners have to spend more time for searching details, which is a sacrifice on the side of the firm. According to Dyer and Chu (1997), they explained firms that achieve the lowest searching costs are likely to realise efficiency advantages in the marketplace and hence, towards performance. With the unavailability of sufficient empirical findings on the relationship between searching cost and livelihoods, the current study attempts to explore the connection by hypothesising that;

H1: Searching costs have a negative association with the livelihoods of Samurdhi beneficiaries in Sri Lanka.

Negotiation costs and livelihoods: Negotiation costs are generated in the cases of lack of confidence in the information given by an exchange partner who engages in transactions (Dyer, 1997). Firms have to bear these costs in the instances where the deals are away from the trust (Zaheer, McEvily & Perrone 1998). Chiu et al. (2006) state that negotiation costs could be reduced by avoiding opportunistic activities, and the uncertainty of businesses

and by inspiring business opportunities and resources which lead to deducting the cost of firms. According to Nooteboom (1993), negotiation costs emerge and bring costs to the firms at the contract stage, where there could be costs of legal activities, resolutions, precautions, and safeguards including guarantees. Proper negotiation between exchange partners is required to safeguard the transaction from the opportunistic behaviour of the other partners (Hobbs, 1996; Priyanath, 2017; Priyanath & Buthsala, 2017). TC generates an additional cost for the firm with the negation and reaches transaction agreements, and it directly makes influences the business performance (Brouthers & Brouthers, 2003; Dyre & Chu, 1997). Thus, the study assumes that negotiation cost has a negative impact on the livelihoods of Samurdhi beneficiaries;

H2: Negotiation costs have a negative association with the livelihoods of Samurdhi beneficiaries in Sri Lanka.

Monitoring costs and livelihoods: As mentioned by Nooteboom (1993), in a firm's stage of control, small firms are at a stumbling block resulting in more costs as they possess only a limited capacity to monitor performances. His declarations further say that monitoring should be done for both supplier and customer for the protection of the investment in the firm. Nooteboom (1993) further discusses the condition that small businesses may incur considerable monitoring costs when monitoring a firm's members or other related partners, against unethical practices, miscounts, and activities of ignoble quality which can bring problems to the business. However, investigations by Priyanath & Premaratne (2017) and Priyanath et al. (2016) show that monitoring costs could be reduced under the presence of a high level of trust where there are no opportunisms and it will lead the firm to spend little time and fewer resources which lead to improving firm performance. According to Kaufmann and Dant (1992), monitoring costs would be lowered if exchange partners are sure of their transactions in a way that the other party would perform all the dealings correctly as expected; otherwise, it may give rise to more costs. Furthermore, it is demonstrated that the poor supplier performance such as late delivery, delivery unreliability, order incompleteness, poor delivery speed, poor quality of provided goods or services, the infrequency of delivery, faulty deliveries, high prices, failure to match specifications, and unfair conditions can increase the cost. It will directly interact with the business performance (Ntayi, Eyaa, & Ngoma, 2010). Related to these facts, it is assumed and hypothesised that;

H3: Monitoring costs have a negative association with the livelihoods of Samurdhi beneficiaries in Sri Lanka.

Enforcement Costs and Livelihoods: Enforcements cost which is an ex-post cost is connected with the trust between exchange parties (Dyer & Chu, 2003). If the partners are not working confidently and cooperatively with each other, it will generate enforcement costs for the firms while reducing their performance (Kaufmann & Stern, 1992). Tate et al. (2011) state that this is highly related to opportunism risks which can generate more costs for an entity. A firm has to bear enforcement costs in prosecuting and penalising a wrong, unexpected act of the other (Polinsky & Shavell, 2011). The firms may have to incur costs with respect to enforcement when contacting the dealers who made disvalues in the forms of time, money, and labor. However, small firms become unable to bear such costs for enforcement even though large firms can handle them in at anyway as they have sufficient resources to use more

effectively than small firms (Carmel, 2005). Dishonoring contracts, careless work, shirking, and failure to fulfill promises are common characteristics of the opportunistic behaviour of the business partner. It raises more contractual enforcement and monitoring mechanisms to reduce the partner's opportunistic behaviour and is required for business success (Wathne & Heide, 2000). Therefore, enforcement costs lead to increased transaction costs. Hence, the study proposes that;

H4: Enforcement costs have a negative association with the livelihoods of Samurdhi beneficiaries in Sri Lanka.

METHODOLOGY

The study attempts to observe the effect of transaction costs which is consisted of searching costs, negotiation costs, monitoring costs, and enforcement costs on the livelihoods of Samurdhi beneficiaries in Sri Lanka. The reality is costs always cause to deduct profits and earnings. Because of this objective nature, the study follows a positivist flow where the reality is assumed to be measured with reliable and valid tools to obtain the intended outcomes. This is a cross-sectional study that gathers data at a single point in time. It uses a deductive approach with quantified variables having objectives for an exploratory design where it is going to explore new ideas on transaction cost and livelihoods of Samurdhi beneficiaries. The research used primary data to evaluate the hypotheses. Samurdhi beneficiaries in Sri Lanka were the population, while individual Samurdhi beneficiaries who engaged in an income-generating activity are considered as the unit of analysis. Cluster sampling, which is a more accurate sampling method coming under probability sampling was used to obtain the sample as Samurdhi beneficiaries are there all around the country. As the sample was the Samurdhi beneficiaries in two provinces, Sabaragamuwa and Uva provinces were selected randomly at first. Then the list of Samurdhi societies functioning under all Divisional Secretariats (DS Divisions) in each province was obtained by contacting the Department of Samurdhi Development. After that, two villages were randomly selected from each DS Division, and then all the Samurdhi beneficiaries who were engaging in livelihood activity were taken into the sample. Accordingly, 1820 beneficiaries were selected for the sample in the way that 1120, 700 from Sabaragmuwa and Uva provinces, respectively.

The data were collected in the form of a survey that used a structured questionnaire administered by an enumerator to the individual respondents who belonged to the sample. The livelihoods among the Samurdhi beneficiaries were assessed according to the classification of social capital, human capital, physical capital, financial capital, and natural capital which was developed by DFID (2000) sustainable livelihood analysis framework. The measurements of the particular classification of livelihoods were developed according to the theories put forward by Kollmair and Gamper (2002).

The study measures the TC of Samurdhi beneficiaries from two main angles; a) the marketing perspective of Samurdhi beneficiaries and b) Samurdhi activities' perspective. The items such as searching costs, negotiation costs, monitoring costs, and enforcement costs that are believed to critically affect the TC are used to measure both angle of TC. The study used four items to measure each cost items, which are adopt beneficiaries by Dyer and Chu (2003); Nguyen and Crase (2011). Time, labour, traveling, and communication costs for searching information and information related to the credit and Samurdhi activities, costs for handling legal

matters relating to the transaction, and Samurdhi activities, the costs for monitoring the selling and purchasing activities and Samurdhi activities, and costs for monitoring transaction and Samurdhi activities.

The variables were evaluated and measured to investigate the association with the Partial Least Square Structural Equation Modeling (PLS-SEM) which is an extended newer version of regression analysis, the main analysis tool of the study. Based on the questionnaire items, a first-order analysis was performed to check the validity and reliability of the study. Discriminant validity and for testing validity with Cronbach's Alpha, composite reliability, and average variance extracted (AVE) for reliability were computed for testing. The model's efficiency was assessed by R^2, f^2 (effect size), and Q^2 (predictive relevance). Data were analysed by the SmartPLS (version 2) software. Moreover, descriptive statistics were performed for obtaining inferences.

RESULTS AND DISCUSSION

The descriptive results of the study reveal that 47% of the people under Community Based Organization (CBO) in the two provinces are Samurdhi beneficiaries. That means, nearly half of the total CBO are receiving Samurdhi benefits. Of this population of Samurdhi beneficiaries, 69% are females who are engaging in income-generating activities

(livelihoods). Of all the beneficiaries who do income-generating activities, 47% of them have received education up to Grade 10 or Ordinary Level while 5% have not even gone to school. The majority of beneficiaries are housewives. That is 41% and also 23% are jobless but seeking jobs. Their livelihoods have been recorded as 92% doing agriculture, business, or related things, 7% are earning daily wages while only 1% have permanent livelihoods receiving monthly salaries. Most of them (82%) do not have any other income methods. Not only that, 78 % of the beneficiaries have not received any vocational pieces of training.

Centered on the PLS-SEM measurement model, first-order analysis was performed initially. According to Table 01 depicted as follows, all the constructs that are coming under first-order analysis possess indicator reliability as the outer loading values of the items in the questionnaire take values higher than 0.7. The T statistics values too are greater than 1.96, showing that the construct has been developed in a reliable manner. They fulfil the indicator reliability criteria of the construct. The Composite reliability value and Cronbach's alpha value have been obtained for testing internal consistency reliability. All the values being greater than 0.7 say that there exists strong internal consistency reliability in the model.

Table 01: Reliability and Validity of First Order Constructs

Construct	Loading	T Statistic	Composite Reliability	Cronbach's α	AVE
Livelihoods					
Financial Capital			**0.843**	**0.722**	**0.641**
Increase the direct income	0.811	78.73			
Increase the savings	0.776	68.20			
Increase the accessibility to credit	0.814	104.02			
Human Capital			**0.879**	**0.828**	**0.592**
Increase the vocational knowledge	0.843	97.34			
Increase the general knowledge	0.766	55.74			
Increase the vocational skills	0.774	62.68			
Increase the health status	0.717	54.15			
Increase the professional experiences	0.743	58.44			
Natural Capital			**0.890**	**0.815**	**0.730**
Availability of favourable soil	0.887	146.29			
Availability of sufficient water facilities	0.886	127.13			
Having fewer natural disasters	0.787	70.57			
Social Capital			**0.965**	**0.958**	**0.799**
Develop a relationship with many members of the Samurdhi society	0.921	179.68			
Ability to meet many people regularly	0.835	62.61			
Ability to build relationships with many people	0.925	163.40			
Ability to exchange many information/ knowledge	0.932	202.54			
Increase mutual support	0.913	154.73			
Decrease the selfish behaviours	0.835	81.96			
Increase the flexibility among members	0.889	111.46			

Source: Survey data, 2021.

On the other hand, regarding the discriminant validity, table 02 depicts that none of the inter-construct correlation values are above the square root of the AVE and then this satisfies the criterion of the discriminant validity of first-order constructs.

Table 02: Discriminant Validity (Fornell-Larcker Criterion) of the First Order Analysis

	Financial Capital	Human Capital	Natural Capital	Physical Capital	Social Capital
Financial Capital	0.801				
Human Capital	0.500	0.770			
Natural Capital	0.443	0.712	0.855		
Physical Capital	0.479	0.264	0.248	0.791	

Social Capital	0.634	0.565	0.559	0.467	0.894

Source: Survey data, 2021.

When moving to the second-order analysis, the study evaluated four latent variables that consisted of the dependent variable, Livelihoods, while evaluating the four independent variables: Searching costs, negotiation costs, monitoring costs, and enforcement costs. At first, reliability and validity were tested for each and every dependent as well as the independent variable, based on the two main angles of marketing and officers. Four constructs were used to reflect the dependent variable with the four independent variables. They were financial capital, human capital, natural capital, and social capital. The standardised factor loadings are shown in Table 03. From the tables, it is clear that all the factor loadings were statistically significant at a 0.05 significance level as they are higher than 0.7 by loadings and 1.96 by T statistics.

Table 03: Analysis of the Second-Order Constructs

Marketing Perspective			Samurdhi Activity's Perspective		
	Loading	T		Loading	T
Livelihoods					
Financial Capital	0.787	70.874	0.796	83.896	0.796
Human Capital	0.838	90.874	0.824	77.977	0.824
Natural Capital	0.814	72.142	0.804	68.976	0.804
Social Capital	0.851	94.927	0.862	119.44	0.862
Searching Costs					
Time & labour costs for searching for buyers to sell products & suppliers to purchase materials	0.897	121.17	Time is spent for searching information on Samurdhi assistance activities	0.866	195.35
Traveling & communication costs for searching for buyers to sell products & suppliers to purchase materials	0.929	251.37	Spent money for searching information on Samurdhi assistance activities	0.839	110.30
Spend more money for searching buyers to sell products & suppliers to purchase materials	0.893	138.70	Time is spent when attending constant meetings searching for information on Samurdhi assistance activities	0.880	158.62
			Spend money when attending constant meetings for searching information on Samurdhi assistance activities	0.776	56.709
Negotiation Costs					
Time & labor costs for making transaction decisions & reach agreements with negotiations	0.905	153.44	Time is spent on the discussions with officers & members related to Samurdhi assistance activities	0.807	85.05
Traveling & communication costs for making transaction decisions & reach agreements with negotiations	0.932	233.48	Money is spent for the discussions with officers & members related to Samurdhi assistance activities	0.877	196.40
Spend more money for making transaction decisions & reach agreements with negotiations	0.934	266.24	Time is spent when attending constant meetings for the discussions with officers & members related to Samurdhi assistance activities	0.814	83.93
			Money is spent when attending constant meetings for the discussions with officers & members related to Samurdhi assistance activities	0.793	75.71
Monitoring Costs					
Time & labor costs for supervising transaction activities	0.916	174.97	Money is spent for supervising the activities apropos to the agreements formed with the Samurdhi program	0.882	172.20

Travelling & communication costs for supervising transaction activities	0.920	240.09	Time is spent when attending constant meetings for supervising the activities apropos to the agreements formed with the Samurdhi program	0.839	91.04
Spend more money on supervising transaction activities	0.909	148.82	Money is spent when attending constant meetings for supervising the activities apropos to the agreements formed with the Samurdhi program	0.876	121.90
Enforcement Costs					
Spend more money on settling transaction disputes, paying commissions for marketing agents/ intermediaries after the transactions, paying license charges & sales taxes	0.906	176.52	Time is spent settling disputes related to the Samurdhi program	0.852	107.58
Spend more time & labour costs for settling transaction disputes, paying commissions for marketing agents/ intermediaries after the transactions, paying license charges & sales taxes	0.900	171.60	Money is spent for settling disputes related to the Samurdhi program	0.808	79.00
Spend more travelling & communication costs for settling transaction disputes, paying commissions for marketing agents/ intermediaries after the transactions, paying license charges & sales taxes	0.904	142.87	Time is spent when attending constant meetings for settling disputes related to the Samurdhi program	0.848	173.86
			Money is spent when attending constant meetings for settling disputes related to the Samurdhi program	0.777	69.23

Source: Survey data, 2021.

Table 04 conveys that the internal consistency exists as all the composite reliability values and Cronbach's alpha values are greater than 0.7 which are the recommended values for the respective measurements. The AVE values are higher than 0.5 confirming that the construct is adequately represented by the items. Table 05 shows the results obtained for testing discriminant validity. As the square root of AVE values, the discriminant values are greater than the correlation values between the constructs, which can be authenticated the construct's discriminant validity.

Table 04: Internal Consistency Reliability and Convergent Validity

| | Internal Consistency Reliability | | | | Convergent Validity | |
	Marketing angle		Officers' angle		Marketing Aspect	Activity Aspect
	Composite Reliability	Cronbach's α	Composite Reliability	Cronbach's α	AVE	AVE
Livelihoods	0.893	0.841	0.893	0.841	0.677	0.675
Searching Cost	0.933	0.891	0.906	0.865	0.822	0.708
Negotiation Cost	0.946	0.914	0.894	0.846	0.853	0.678
Monitoring Cost	0.939	0.903	0.900	0.834	0.837	0.749
Enforcement Cost	0.930	0.887	0.893	0.844	0.816	0.676

Source: Survey data, 2021.

The discriminate validity of the second-order constructs is presented in table 05. It depicts that all the inter-constructed correlation values lie below the square root of the AVE. Thus, it satisfies the criterion of the discriminant validity of the second-order constructs.

Table 05: Discriminate Validity

	Enforcement Cost	Livelihood Success	Monitoring Cost	Negotiation Cost	Searching Cost
Marketing Perspective					
Enforcement Costs	0.903				
Livelihood Success	-0.484	0.823			
Monitoring Costs	0.660	-0.574	0.915		
Negotiation Costs	0.765	-0.552	0.787	0.923	

Searching Costs	0.590	-0.559	0.742	0.690	0.907
Samurdhi Activity's Perspective					
Enforcement Costs	0.892				
livelihood Success	-0.773	0.822			
Monitoring Costs	0.637	-0.629	0.866		
Negotiation Costs	0.811	-0.792	0.750	0.875	
Searching Costs	0.886	-0.762	0.665	0.823	0.891

Source: Survey data, 2021.

Following Hair et al. (2014), the study consists of five basic paces for testing hypotheses as assessing the structural model: for collinearity issues, the significance and relevance of the structural model relationships, the level of R^2, the effect sizes f^2 and the predictive relevance Q^2. The extent to which an indicator's variance is explained by the other indicators of the same construct is indicated by the Variance Inflation Factor (VIF) in order to evaluate multicollinearity. All the VIF values are significantly lower than ten which is the considered cut-off for VIFs. Table 6 shows the absence of multicollinearity issues between the dependent and independent constructs of the model.

Table 6: VIF Values

	(Marketing Perspective) Livelihoods	(Samurdhi Activity's Perspective) Livelihoods
Enforcement Cost	2.480	7.647
Monitoring Cost	3.307	2.392
Negotiation Cost	3.777	8.776
Searching Cost	2.394	5.390

Source: Survey data, 2021.

Table 07 discusses the significance and relevance of the path coefficients. The t-values were obtained through the bootstrapping procedure and were used to evaluate the statistical significance of each path coefficient. As all the t-values are greater than 1.96 at 0.05 significance level, the path coefficients are assumed to be statistically significant. Variables' suitability with the model, in accordance with the path coefficients of variables, is also shown here. Transaction cost dimensions, the independent variables have been regressed with the Livelihoods, which is the dependent variable for marketing angle and Samurdhi officer's angle. The β values represent the degree of the extent to which an independent variable can affect the dependent variable when other independent variables are kept constant. The coefficient of determination, R^2 value related to the transaction cost of beneficiaries in marketing angle is 0.385 (38.5%) which shows the percentage of variation in the dependent variable explained by the independent variables. That means livelihoods are explained in 38.5% by the four dimensions of transaction costs in the marketing angle. It is a moderate value. The R^2 is 0.656 (65%) for the case in transaction cost of beneficiaries in Samurdhi officers' angle, indicating that, livelihoods are explained in

66% by the four dimensions of transaction costs. It is a substantial indication. When considering the effect size (f^2), it measures the influence a selected predictor construct has on the R^2 values of an endogenous construct. All the effects of searching, negotiation, monitoring, and enforcement costs are known to be small from both marketing and officers' angles because every f^2 value lies around 0.02 and none is greater than even 0.1. Q^2 value indicates the predictive capability of the model by reproducing the observed values by the model itself and its estimating parameters. The predictive relevance (Q^2) value of the transaction cost of beneficiaries in marketing perspective is 0.250 and at the same time, it is 0.423 for the Samurdhi officers' angle. The effects are large for both aspects showing high predictive capabilities. When paying attention to the associations, all the four hypotheses were accepted at a 95 % significance level because coefficients and t statistics of both marketing and officers' angles were significant, as displayed in Table 06. Therefore, the four hypothetical relationships (negative associations) that searching cost, negotiation cost, monitoring cost, and enforcement cost had with the livelihoods were accepted with sufficient statistical evidence.

Table 07: Path Coefficients and Significance

H	Relationship	**Marketing Perspective**			**Samurdhi Activity's Perspective**		
		β	T Statistic	Results	β	T Statistic	Results
H1	Searching Cost - > Livelihood Success	-0.245	9.241	Accepted	-0.206	7.114	Accepted
H2	Negotiation Cost - > Livelihood Success	-0.141	4.265	Accepted	-0.335	8.764	Accepted
H3	Monitoring Cost - > Livelihood Success	-0.227	7.024	Accepted	-0.100	4.624	Accepted
H4	Enforcement Cost - > Livelihood Success	-0.082	3.382	Accepted	-0.221	6.405	Accepted

Source: Survey data, 2021.

According to Table 07, β coefficients of all the searching cost, negotiation cost, monitoring cost, and enforcement cost in both the marketing perspective and Samurdhi activity's perspective are less than the considered alpha level of 0.05 leading the null hypotheses to get rejected. The t statistics also confirm that null hypotheses are rejected as all the t statistic values are greater than 1.96, the critical value. Therefore, it is proven that there are negative relationships between the transaction costs (searching cost, negotiation cost, monitoring cost, and enforcement cost) and the livelihoods of Samurdhi beneficiaries. Thus, the relationships indicated by the hypotheses H1, H2, H3, and H4 are significant.

The new enterprises initiated through the Samurdhi program are surely small in scale. When these small businesses do a production, they have to search for a buyer to purchase their product. Then they have to spend time effort and money (transportation cost) to find a chance to sell their products, dedicating their other agriculture or related livelihood activities. As these persons are small-scale producers and very often work as self-employers who do not possess much wealth, these searching activity-related costs directly influence their livelihood success on behalf of their sacrifice in time and money. Another fact behind the Samurdhi fund system is that the borrower has to formulate small groups including at least five members in order to be eligible to apply for loans. There, they have to search for other members, and also when they need to obtain a loan, the respective member has to explain to the other members about his need to have a loan with the promise of properly paying it back. Otherwise, the members would not sign the agreements on behalf of that borrower. From the perspective of Samurdhi activity, finding people who need credit facilities, respective guarantees for them, Samurdhi coordinators/ guides, and credible personnel for formulating groups will increase the searching costs. There it may have to bear wastages in both time and money when dealing with the above-mentioned tasks and also when attending relevant meetings, faring to Samurdhi offices and banks, meeting relevant officers, preparing minutes and other necessary documents, and waiting for loan approvals. These facts lead to increase searching costs for Samurdhi beneficiaries, resulting in bad effects on their livelihoods. As well as the path coefficients (β), are indicated as -0.245 (t= 9.241) from the marketing perspective and -0.206 (t= 7.114) from the Samurdhi activity's perspective. Thus, H1 is accepted with the finding that searching costs have a negative association with the livelihoods of Samurdhi beneficiaries.

Negotiation costs are common for small businesses in cases of preparing agreements and lending products to various shops and customers. When the borrowers hesitate to pay money or delay the payments, the small business holders have to chase behind them for acquiring their money. There, they have to sacrifice their valuable time and money as well. Sometimes they have to wait for long times to receive their money for the products at times of trouble made by middlemen. In the perspective of Samurdhi activities, the officers have to make the members aware of the agreements regarding Samurdhi loans, they have to wait until members create their own small groups, to check whether all the group members agree to grant a loan for a certain member in their respective group, to check whether all the agreement related documents are duly filled, check the documents and present for the Council (The general governing body), to obtain approvals, to remake or recheck documents in the presence of mistakes or unacceptable details. All these tasks make burdens on Samurdhi beneficiaries as well as Samurdhi officers, generating negotiation costs, especially with regard to time and money. The above scenarios become causes to rise in negotiation costs for Samurdhi beneficiaries, creating more expenses on their livelihoods. Also, the path coefficients (β), were -0141 (t= 4.265) from the marketing perspective and -0.335 (t= 8.764) from the Samurdhi activity's perspective. With that, H2 is accepted with the finding that negotiation cost has a negative association with the livelihoods of Samurdhi beneficiaries.

Monitoring costs occur when beneficiaries have to monitor or find out whether the borrowers in their group are working accordingly after obtaining Samurdhi services. Also, they have to keep alert on other group members behaving well in Samurdhi activities as faults made by groups will harm future chances for members. The officers have to monitor whether the beneficiary groups maintain minimum balances of deposits, for granting loans, as loans could not be released without that certain level of balances in the savings accounts of groups. Activities should be done on monitoring whether Samurdhi beneficiaries attend meetings and pay membership fees. It is the task of Samurdhi officers to monitor whether the members have requested for loans fair and true reasons. For that, they have to visit members' business places or houses in order to confirm the presented reasons. These activities act as reasons for gathering monitoring costs on Samurdhi beneficiaries, bringing out difficulties in their livelihoods. In this case, the path coefficients (β), were recorded as -0.227 (t= 7.024) from the marketing perspective and -0.100 (t= 4.624) from the Samurdhi activity's perspective. Consequently, H3 is accepted with the finding that monitoring cost has a negative association with the livelihoods of Samurdhi beneficiaries.

After obtaining Samurdhi facilities, the beneficiaries have to prove that they keep the words of prior agreements related to the services they obtained. They have to attend the meeting once a month, they have to pay their monthly membership fees and have to go to the Samurdhi bank or office to pay the instalments or they have to persuade the relevant borrower in their groups to pay the loans as otherwise, the other group members have to face inconveniences one day. There, they may have to incur time, transportation, and communication costs. Along with the Samurdhi activity perspective, costs are incurred when credit bearers do not make the proper instalment payments. They may have to find the relevant people and accompany them to the offices asking for arrears and reasons to neglect. However, there exist low enforcement costs. When considering the path coefficients (β), they were -0.082 (t= 3.382) from the marketing perspective and -0.221 (t= 6.405) from the Samurdhi activity perspective. At all events, H4 is accepted with the finding that enforcement cost has a negative association with the livelihoods of Samurdhi beneficiaries. These costs discourage the small business holders signalling them it is better to move to other options except Samurdhi facilities. They tend to focus on black market activities due to the above costs and losses they have to carry. Sometimes the activities of officers that cause the beneficiaries to loaf on behalf of obtaining Samurdhi services also called bureaucracy, will discourage the beneficiaries to deal with Samurdhi activities.

CONCLUSION

The research aimed to assess the impact of transaction costs on the livelihoods of Samurdhi beneficiaries in Sri Lanka. The study revealed that searching costs, negotiation costs, monitoring costs, and enforcement costs have a negative association between the livelihoods of Samurdhi beneficiaries from both the marketing perspective and Samurdhi activity's perspective. Searching and monitoring costs are strong in the marketing aspect while negotiation and enforcement costs are comparatively higher in the Samurdhi activity perspective. As a whole, transaction costs act as a negative cause on the livelihood success of Samurdhi beneficiaries. Thus, the current study contributes to the field of research by investigating empirically the effect of transaction costs on the livelihood success of Samurdhi beneficiaries, which is very rarely taken into consideration on account of a social beneficiary program. The most important thing here is the effect of transaction costs has been considered from the perspective of the two main sides of the Samurdhi program: the marketing context, and the Samurdhi activities context. Although the Samurdhi program has been subjected to various studies along with various aspects, transaction costs associated with Samurdhi involving parties have not been studied adequately. Therefore, the research creates a dominant contribution to the existing literature by furnishing empirical evidence pertaining to TC and the livelihood success of the Samurdhi beneficiaries. On this wise, the study lengthens the understanding of the comparative effectiveness of theories in a contrasting economic context.

Respective administrators and policymakers have not given sufficient consciousness to the alleviation of transaction costs on Samurdhi beneficiaries along the line of their livelihoods. Hence, the current exploration brings out recommendations to policymakers for being more attentive to the matter highlighted here. The main suggestion is to increase the formation accessibility. As lack of proper information at the right times is the primary cause for the emergence of transaction costs for Samurdhi beneficiaries, it is essential to provide the correct information in a way that can be obtained easily. Technological applications must be introduced for them together with the necessary knowledge, infrastructure, and connections with relevant personnel. It will help people to find what they need when they need it. It will waste neither their time nor money. The people engaged in Samurdhi activities, including beneficiaries, will not need to fill out documents, chase for other people, travel or wait in different places, wait for approvals, and so forth. Thus, they can commit their available resources to prevailing livelihoods. It will not harm their usual activities also about occupations while encouraging people to do more and more in company with the Samurdhi program. Also, the Samurdhi officers must be guided to encourage the beneficiaries to deal with program activities while gaining maximum usage of the government investment/ expenditure on the program. Moreover, officers' activities must not discourage the benefit of Samurdhi.

Related this study, uses only searching cost, negotiation cost, monitoring cost, and enforcement cost to measure and analyse transaction cost. Therefore, future researchers are suggested to measure transaction cost with more types of costs other than the costs discussed here. As the Samurdhi program is operating on a huge population in the country while a considerable amount of funds is granted by the government, studies have to be conducted on this perspective in order to observe its issues or achievements. Future scholars are suggested to use quantified methods or mixed-method to study the relationship between TC and livelihoods since the reality of both variables can be assessed more accurately in the nature qualitative.

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