

Effect of Transaction Cost on Livelihoods of Smallholders: A Review of Empirical Literature

H.R.N.R. Habaragamuwa^{1*} and H.M.S. Priyanath²

¹*Faculty of Graduate Studies, Sabaragamuwa University of Sri Lanka, Belihuloya, Sri Lanka*

²*Department of Economics and Statistics, Sabaragamuwa University of Sri Lanka, Belihuloya, Sri Lanka*

*nipunirashmini@gmail.com

Smallholders can be identified as a crucial group who influenced with the negativities of transaction cost. If it able to identify the particular reasons behind transaction cost among smallholders, it can be able to address the problem more precisely. The objective of this study is to accomplish a review of empirical literature on the analysis of the influence of transaction cost on the livelihood success of smallholders. This study was based on the approach of reviewing past empirical literature on the impact of transaction cost on the livelihood success of smallholders. A research article was the unit of analysis in this study. A sample of 30 research articles published between 2005 and 2021 were selected for the reviewing purpose. Review those articles using content analysis. Results found that many have investigated how the transaction cost among smallholders influence their livelihood success. To measure the transaction cost, majority have used searching cost, negotiating cost, monitoring cost and only few has used enforcement cost. Inadequate information, reliability of available information, lack of infrastructure and presence of uncertainties have influenced on smallholders to generate a several modes of transaction costs. The livelihood success was measured in relation to the business success of smallholders. As per the findings of the reviewed empirical studies, a significant negative relationship between transaction cost and livelihood success can be clearly observed. Smallholders who are lagging behind education, market experience and technology are prone to higher levels of transaction costs. These findings may direct future research for the effective future interventions which should be improved to mitigate the higher levels of transaction costs among smallholders.

Keywords: *Livelihood Success, Smallholders, Transaction Cost*