ABSTRACT

FEMI HADIDJAH ELLY. Impact of Transaction Cost on Economic Behavior of Households Farming Cattle and Plant in North Sulawesi (BONAR M. SINAGA as Chairman, SRI UTAMI KUNTJORO and NUNUNG KUSNADI as Members of the Advisory Committee)

Households allocate their family resources to cattle farming activities. Cattle farming is one of the source of income for the household expenditure. Households are subject to transaction cost when selling their cattle. Higher transaction cost will reduce income of the households. The objective of this research is to analyze the transaction cost structure, to develop economic model of households farming cattle and plants with regard to the transaction cost, to analyze effect of transaction cost on the household economic decision in using input, production and household expenditure, and to analyze impact of change of transaction cost, price of input and output on using input, production, income and expenditure of the households engaged in farming cattle and plants in North Sulawesi. This research applies a survey method. The samples of this research are 194 households in Minahasa District and 233 households in Bolaang Mongondow under a simple random sampling. The model is estimated with 2SLS method and the analysis of impact uses simulation. The results of the analysis show that the model can explain the effect of transaction cost. The transaction cost affects the decision in using input, production and household expenditure. The change of transaction cost, input and output price have impacts on using input, income and expenditure of the households engaged in farming cattle and plants in North Sulawesi.

Keywords : transaction cost, household economics, cattle and plant farming