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**Effect of Inter-personal Trust on Opportunism and Business  
Performance of Gem Dealers in Sri Lanka**

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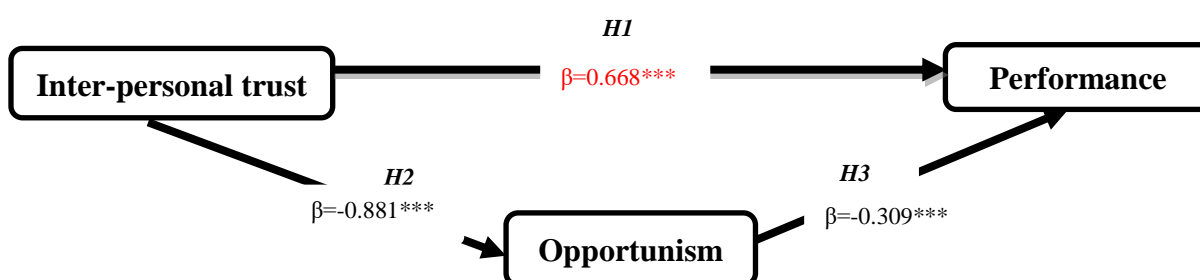




## Research Highlights

This study attempts to explore the effect of interpersonal-trust on opportunism and business performance of gem dealers in Sri Lanka. Therefore, the study suggests three major hypothesis which was tested on primary data gathered from 100 registered gem dealers in the Ratnapura district in Sri Lanka, using structured questionnaires. The results demonstrate that inter-personal trust i.e. credibility, benevolence, ability among gem dealers have a significant negative impact on opportunism and positive significant impact on business improvements. Whereas highlighting the inverse relationship between business opportunism and performance. Furthermore, this study concludes that inter-personal trust has greater impacts on the well-being of this industry highlighting it as the main relational attribute among gem dealers interactions. Thus, inter-personal trust lowers their transaction costs in exchanges and increase the profit levels of gem dealers in Sri Lanka.

## Graphical Abstract



## Research Objectives

Some academic libraries have emphasized that inter-personal trust among business actors has a significant impact on their business performance mitigating business opportunism. Despite, the literature reveals a lack of empirical evidence in relation to the relative efficacy of inter-personal trust to enhance business performance by mitigating opportunism particularly



against gem dealers in Sri Lanka and represents a significant gap in the literature. Consequently, this study aims to narrow this knowledge gap by providing adequate empirical evidence to this study area. Outcomes of the study will be used to offer improved recommendations and insights for gem dealers and policymakers to develop and uphold the business sector in Sri Lanka.

The overall purpose of the study is to examine the effect of interpersonal trust on opportunism and the business performance of gem dealers in Sri Lanka. This is followed by three specific objectives,

1. To find out the effect of interpersonal trust on the business performance of gem dealers in Sri Lanka.
2. To examine the effect of interpersonal trust on business opportunism of gem dealers in Sri Lanka.
3. To find out the effect of business opportunism on the business performance of gem dealers in Sri Lanka.

## **Methodology**

This study encompasses three major research hypotheses with regards to one independent, mediate, and one dependent variable. These hypotheses were tested on primary gathered data from 100 registered gem dealers in Ratnapura district in Sri Lanka. Interviews were conducted with 10 selected registered gem dealers as a pilot survey before making the final questionnaire. Then, the final inspection was carried out using structured questionnaires, conducting face-to-face interviews with each respondent. Inter-personal trust i.e independent variable was assessed using three constructs; ability, benevolence, and credibility. The business performance i.e dependent variable was observed by the respondent's opinion on their financial and non-financial performance as well as their satisfaction on this business career. Opportunism i.e mediate variable was measured through their opinion on the exaggeration of needs, sincerity in dealings, and good faith of their exchange partners. Questionnaire items were created under every construct using related literature and a percentage scale which ranges from 0-100% which marked with a scale of five points intervals were used to measure the respondents' feedbacks. In which '0' represented 'low degree' and '100' or 10th point represented a 'high degree'. Collected data were first evaluated with descriptive statistics and after using Partial Least Square Structural Equation Modelling (PLS-SEM) under two models; measurement model and structural model. Under this validity and reliability of higher and lower order constructs were measured. Collinearity





diagnostics, the significance of path coefficients, evaluation of R<sup>2</sup> value, effect size and predictive relevance were considered in evaluating the structural model.

## Results

Consequences of descriptive statistics exposed that the entire data set is normally distributed. As expected, inferential results revealed that inter-personal trust has a significant positive impact on the business performance of gem dealers ( $\beta = 0.668$  and  $t\text{-value} = 9.06$ ). In literature Johnston et al. (2004) empirically justified that trust correlates positively with business performance, thus it increases the partnership behaviours and rationale in outcomes through cooperative manners. Conversely, inter-personal trust reflects a negative significant relation with opportunism ( $\beta = -0.881$  and  $t\text{-value} = 34.72$ ), that many scholars demonstrate similar findings. Morgan & Hunt (1994) found that opportunism has a negative connection with trust. Priyanath & Premaratne (2017) has empirically proved that trust can reduce transaction cost in exchanges by decreasing opportunism. The results further illustrate a significant negative association between opportunism and business performance ( $\beta = -0.309$  and  $t\text{-value} = 4.09$ ). This affiliation has been further justified through previous scholarly works by Priyanath & Buttsala (2017), Moeller (2010), Priyanath & Premaratne (2017) etc.

Hypothesis	Relationship	Path Coefficient	T-Statistics	Results
<i>H1</i>	Trust -> Business Performance	0.668	9.06***	Supported
<i>H2</i>	Trust -> Opportunism	-0.881	34.72***	Supported
<i>H3</i>	Opportunism->Business Performance	-0.309	4.08***	Supported

\*\*\*  $P > 0.01$

Source: Survey Data, 2018.

## Findings

This study dispute that inter-personal trust among gem dealers in Sri Lanka enhance their business performance by mitigating the business opportunism. Illustrating on relational aspects, the study has provided with enough empirical evidence and explored the effect of





characteristics of a relationship between gem dealers on their performance, and found indications for the mediating role of opportunism factor. Thus, the results of this study have given strong verification that inter-personal trust has a powerful effect in controlling the business opportunism of gem dealers in Sri Lanka while enhancing their business performance.

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