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Cost Analysis Of Banking Transactions In The Digital Age

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ABSTRACT

Banking is an important institution in promoting economic growth. The important role of banking is because of the intermediation it does with those who have funds with those in need, so that the allocation of economic resources becomes spread out and the bank itself benefits from interest and transaction fees made by customers. The purpose of the study is to describe and analyze the analysis of banking customer transaction costs in the digital era. The study method used is a literature study approach. Literature study is a research conducted by researchers by collecting a number of journals, books related to the problem and research objectives. Based on the discussion, it can be concluded that transaction costs in banking are not only transaction costs carried out at banks which include: administrative costs, supervision fees, advertising and promotion costs and depositor trust fees, the amount of which is based on the agreement in the contract agreement. However, there are other transaction costs that must be paid by customers in supporting the process at the bank, which the authors call transaction costs in the supporting sub-systems which include: Implementation costs, monitoring costs, and information and coordination costs, the amount of which varies according to customer needs.

Keywords: Transaction Fee, Customer and Bank

I. INTRODUCTION

1.1 Background

Banking is an important institution in promoting economic growth. The important role of banking is because it is able to become an intermediary between parties who have excess funds and those who need funds, so that the allocation of economic resources becomes more spread out more effectively.

Given the importance of banking in socio-economic life, banking institutions need to be well managed and developed so that their role is effective. Viewed from the point of view of institutional economics, efficiency can be measured by the amount of transaction costs that arise when carrying out transaction activities. The amount of transaction costs reflects the institutional design made by the banking institution. The greater the transaction costs, the more inefficient the institutional design made by a banking institution.

Studies that have been conducted by a number of researchers to assess the efficiency of the banking industry in Indonesia (Hadad et. al ., 2003; Adhikari and Soo-Nam, 1999) show that banks are still inefficient in Indonesia. The implications of the inefficiency of the banking industry can be seen, among others, in the banking industry shaking due to the 1997 economic crisis, because fundamentally the Indonesian banking industry does not yet have a solid institution and is supported by adequate infrastructure, so that it has an impact on inefficiency (Hadad, 2003:1).

Until now, banking inefficiency still occurs. The existence of inefficiency in the banking industry causes transaction costs to be paid by customers to be high. Transaction costs are costs that consist of ex ante and ex post costs . Ex ante costs consist of the costs of drafting, negotiating, and protecting the agreement. While ex post costs include: First , the cost of adaptation failure (maladaptation) when the transaction deviates from the required commitment. Second , the haggling costs that arise when making bilateral efforts to correct deviations after the contract. Third, the costs for designing and carrying out activities related to the governance structure in the event of a dispute; 4) binding costs so that the agreement that has been made can be guaranteed (Williamson, 1985:21; Yustika, 2008:112). In banking credit transactions, ex ante costs are related to the adverse selection phenomenon , while ex post costs are related to moral hazard .

Transaction costs in the banking industry can be measured, both from the demand side and the supply side. From the demand side, transaction costs can be calculated by identifying the variables that are thought to affect the level of customer transaction costs (Supranoto, 2002:34). From the supply side, banking transaction costs can be calculated by tracing additional costs that arise as determinants of credit prices.

In a credit transaction, it is almost impossible for a bank to only want a price of funds equal to the cost of funds . So there are various additional components (read: costs) that are considered by banks in determining credit prices. These additional costs are identified as transaction costs. Overhead costs are a component of transaction costs. A new credit transaction can be said to be complete when the borrower has paid off all the loans, both principal and interest. Consequently, monitoring costs are required to assess and maintain borrower compliance. Administrative costs for the validity of the credit contract in the eyes of the law. Advertising and promotion costs (searching costs) to market credit. In an effort to maintain the trust of lenders and investors, audit fees are required to be carried out by an independent institution. All of these cost components are part of bank overhead costs, so it can be said that overhead costs include variable transaction costs.

Profit margin is also a transaction cost. As an industry, it is natural for banks to also want to earn a profit from their investments. The expected profit of this bank is related to the opportunity costs of the funds owned by the bank. In general, banks will disburse credit if there is an incentive in the form of profit whose value is higher than investment in securities. The risk premium variable includes the transaction cost variable. Credit transactions are usually filled with uncertainty that allows for various risks to arise. The Bank compensates for this risk in the form of a risk premium. The more The limited information that banks have in assessing the loyalty of the borrower (borrower), the greater the risk premium that must be borne by the borrower. Of course this results in higher transaction costs.

However, of all the transaction costs above, there are transaction costs that have escaped the senses of the researchers. These transaction fees are costs incurred by customers before and during the transaction process in banking , the amount of which varies according to customer needs, especially in the current digital era where transaction fees are absolutely necessary for smooth banking transactions .

1.2 Study Formula

The study formulation is how are the transaction costs of banking customers in the digital era?

1.3 Study Objectives

The purpose of the study is to describe and analyze the analysis of banking customer transaction costs in the digital era.

II. LITERATURE REVIEW

2.1 Transaction Cost Theory

Transaction costs arise because of bounded rationality and opportunistic behavior. This is in accordance with the statement of Williamson (1985) that the assumptions of two behaviors that underlie transaction cost analysis, and without these assumptions the study of economic organization becomes meaningless, namely bounded rationality and opportunistic behavior. Bounded rationality refers to the level or limit of an individual's ability to receive, store, retrieve and process information without error (Williamson, 1985).

Furthermore, Williamson (1985) states that opportunistic behavior is an individual's attempt to gain profit through a lack of honesty in transactions, the most common of which is the disclosure of asymmetric information for the benefit of certain parties. Thus it can be concluded that because of the limited nature of information and the existence of asymmetric information and hidden information, humans need time and effort to obtain information. It is in this process that transaction costs arise.

As is the case with North (1990) in Yustika (2008) who sees the existence of transaction costs in exchange due to imperfect information and the cost of finding information is the key to transaction costs. Jaya (2003) added that if there is information asymmetry, it will cause hidden information and moral hazard (hidden action). Meanwhile, according to Eisenhauer (2006) moral hazard is the cause of inefficiency in the economy. Thus, it can be concluded that transaction costs will be higher if there is hidden information and moral hazard.

The higher the transaction costs, the more inefficient the institutions designed (Yustika, 2008). Therefore, an institution will be more effective if the required transaction costs are lower. Various efforts will always be made to minimize transaction costs. So minimal transaction costs are a hallmark of good institutions. This statement is supported by Williamson (1985) that the economic approach in studying organizations uses transaction cost analysis that focuses on efficiency.

From the background of the existence of transaction costs, Furubotn and Richter (1998) define transaction costs as costs required in the use of resources for the creation, maintenance, use, change and so on in an institution and organization. Meanwhile, in the application of the transfer of ownership rights and the formation or transfer of contracts between individuals, Furubotn and Richter (1998) state transaction costs as the costs of information, negotiation and enforcement of rules/laws. So the definition of transaction costs depends on the case or problem faced by an institution. From the two definitions above, it is concluded that Furubotn and Richter (1998) view transaction costs as costs that arise in managing an institution or institution in achieving its goals.

In contrast to Yustika (2008) who defines transaction costs as costs to negotiate, measure and enforce exchanges. This definition is almost the same as Wallis and North (1986) that transaction costs are costs used in exchanging ownership rights, costs in making and conducting contracts. This definition is in accordance with Yustika (2008) which classifies transaction costs as costs for preparing contracts (narrowly defined as costs for searching and information), costs for executing contracts (negotiation and decision-making costs), costs of supervision and forcing obligations contained in the contract. .

2.2 Banking Concept

According to Triandaru and Budisantoso (2006:9), "the main function of banks is to collect funds from the public and channel them back to the public for various purposes or as a financial intermediary". More specifically, banks can function as agents of trust, agent of development, and agent of services : First, agent of trust is trust, both in terms of raising funds and distributing funds. People will want to deposit their funds in the bank if it is based on an element of trust. People believe that the money will not be misused by the bank, the money will be managed properly, the bank will not go bankrupt, and at the promised time the deposit can be withdrawn from the bank. Community economic activities in the sector real cannot be separated. The real sector cannot perform well if the monetary sector does not perform well. Bank activities in the form of collecting and distributing funds are indispensable for the smooth running of economic activities in the real sector .

Second, agents of development are bank activities in the form of and channeling funds that are indispensable for the smooth running of economic activities in the real sector. These bank activities enable the public to carry out investment activities, distribution activities, and consumption of goods and services. Given that investment-distribution-consumption activities cannot be separated from the use of money. Smooth investment-distribution-consumption activities are nothing but economic development activities of a society.

Third, agent of service is to collect and distribute bank funds as well as to offer other banking services to the public. The services offered are closely related to the general economic activities of the community. These services may include, among others, money deposit services, safekeeping of valuables, provision of bank guarantees, and settlement of bills.

III. STUDY METHOD

This study was conducted with a literature study approach. According to Danial and Warsiah (2009:80), Literature Study is a research conducted by researchers by collecting a number of journals, books related to the problem and research objectives. The literature study used in this study is to look for theoretical references that are relevant to the cases or problems found. In general, literature study is a way to solve problems by tracing the sources of writings that have been written, especially related to the analysis of transaction costs for banking customers in the digital era.

IV. DISCUSSION

Transaction costs are part of institutional economics (North, 1990) which cannot be avoided in the economic activities of farmers, giving rise to economic impacts for farmers such as the transfer of surplus from farmers to other parties. Directly, farmers' income (benefits) can be reduced due to transaction costs (Saidah, 2018). Although it is unavoidable, transaction costs can be reduced to an efficient level so that the profits obtained are maximized (Zulfiandi et. al., 2017). Transaction costs are a factor that affects customer spending (Martins et. al., 2010), this is due to the uncertainty condition that creates a cost of uncertainty. Uncertainty conditions often occur in businesses in the micro sector such as farming (Sultan and Rachmina, 2017).

According to Martins et. al., (2010) transaction costs become a factor that affects income, this is because there is no concentration of economic activity at one point (agglomeration) resulting in market failure (market failure). Transaction costs appear in the input market and output market (Budiman, 2015) in line with the research of Sultan and Rachmina, (2017) which states that transaction costs are found in activities such as obtaining financing, obtaining production facilities (inputs) and marketing production results (output). Therefore, when exchanging goods or services requires a fee. The costs incurred are not production costs but non-production costs used to obtain goods or services that meet the criteria as transaction costs (Hardt, 2009).

Transaction costs are costs that are not included in the price of an item or service (Saidah, 2018). The emergence of transaction costs occurs because there is imperfect information (Ginting, Kusnadi and Pambudy, 2018) and limited access to information (Nilasari et al., 2019). Therefore, economic actors are faced with incomplete information or information uncertainty (Firmansyah, 2021). Transaction costs are costs incurred other than production costs. The existence of transaction costs can increase the total costs incurred in a business. The high costs incurred by customers can result in smaller funds they can receive (Sultan and Rachmina, 2017).

It is difficult to identify transaction costs by customers, because customers are not aware that they have incurred other costs that were not considered previously, so that low transaction costs indirectly increase the loan obtained. The increase in transaction costs reduces the level of loans received, therefore transaction costs ultimately lead to inefficiency for customers, when it is not known in depth what customers have to spend to get credit. Because transaction costs cannot be eliminated but can be minimized. Minimizing transaction costs has benefits for customers.

Transaction costs when related to credit are resources needed to be paid by customers to banks to obtain loan services, and then return the money at a pre-agreed interest rate (Sharma et. al., 2017). Each bank has different transaction fee components, but in general banking transaction fees consist of the following components.

Table 1 Components of Transaction Fees in Banking

No.	Transaction Fee Type
1.	Administrative costs (Administrative costs)
2.	(Monitoring Costs)
3.	Advertising and Promotional Costs (Searching Costs)
4.	Lender Costs _

Source: Edited by the author in 2022

In table 1 above, it is a common transaction fee and must be paid by customers when using loan service facilities in banking which can be done at the beginning of the transaction or when paying off the loan as part of the overhead costs.

Is the transaction fee that must be paid by the customer only those listed in table 1, apparently not. Table 1 is a component of transaction costs that are official or carried out by banks. There are still other transaction costs that must be paid by customers which the authors call transaction fees for the supporting sub-system or according to Hosen and Arif (2014), transaction costs outside the bank.

subsystem transaction costs are needed by prospective customers and customers, because they support transactions so that they can run effectively. The transaction costs for supporting subsystems can be seen in the table below.

Table 2 Transaction Fees in Supporting Sub-Systems

No.	Transaction Fee Type
1.	Implementation Costs _

2.	(Monitoring Costs)
3.	(Information and Coordination Costs)

Source: Edited by the author in 2022

Transaction costs in the supporting sub-systems are in the form of: First, implementation costs are aimed at managing capital loan documents obtained through communication costs in the form of telephone calls/short messages, consumption costs in the form of eating/drinking and cigarettes, and transportation costs in the form of fuel. Second, Monitoring Costs are the costs that make the second major contribution. Monitoring costs are aimed at disbursing loan funds obtained through communication costs in the form of telephone calls/short messages, consumption costs in the form of eating/drinking and cigarettes, and transportation costs in the form of fuel. Third, Information and Coordination Costs aims to find information on capital loans obtained through communication costs in the form of telephone calls/short messages and transportation costs in the form of fuel.

The increase in transaction costs, especially transaction costs in the supporting sub-systems, reduced the net capital received. Therefore, transaction costs, especially transaction costs in the sub-system, ultimately lead to inefficiency for customers, when it is not known in depth what customers have to spend to get credit. Because transaction costs cannot be eliminated but can be minimized. Minimizing transaction costs, especially transaction costs in the sub-system has benefits for customers.

Based on the discussion about transaction costs, both transaction costs at banks and transaction costs outside the bank or transaction costs in the supporting sub-systems, further analysis can be given that transaction costs at banks are more oriented to the concept of transaction costs or transaction costs because contracts are made between customers and banks. . Meanwhile, transaction costs in the supporting sub-systems are more oriented to imperfect information or not being taken into account or imperfect information .

V. CLOSING

5.1 Conclusion

Based on the discussion, it can be concluded that transaction costs in banking are not only transaction costs carried out at banks which include: administrative costs (administrative costs), monitoring costs (monitoring costs), advertising and promotion costs (searching costs), and trust fees. depositor (lender costs) the amount of which is based on the agreement in the contract agreement. However, there are other transaction costs that must be paid by customers in supporting the process at the bank, which the authors call transaction costs in the supporting sub-systems which include: implementation costs , monitoring costs , and information and coordination costs. and coordination costs) which vary in amount (read: smaller, equal or greater than transaction costs at the bank) according to customer needs.

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