

## ABSTRACT OF RESEARCH

### THE INTERACTION BETWEEN PRODUCTIVITY IMPROVEMENT IN ELECTRONIC TRANSACTION SERVICE AND THE DEGREE OF BANKING COMPETITION

This study aims to provide theoretical framework for the impact of productivity improvement in electronic transaction service on deposit market and credit market. The results show the provision of electronic transaction service to enhances the degree of risk pooling services in the deposit market and allows bank to invest all deposit received in the credit market. In this manner, both agents and banks gain benefits electronic transaction service. Furthermore, productivity improvement in electronic transaction service and higher degree of banking competition results in an increase in the use of electronic transaction service with the lower service fee. Furthermore, the impact of productivity improvement is stronger when the banking sector is more competitive. In this manner, banks should develop new technology system consistently to lower transaction costs and there should be more competition in the financial market.

KEYWORDS: Electronic Transaction Service, Productivity Improvement, The Degree of Banking Competition