

THE EFFECTS OF BANKING COMPETITION, INFLATION AND TRANSACTION COSTS ON ELECTRONIC TRANSACTIONS SERVICE.

The study aims to provide theoretical framework for the impact of banking competition, inflation and transaction costs on electronic transaction service. Electronic transactions service in this study is referred to the case that depositors can access their accounts from long distance. The examples of electronic transaction service are ATM and debit card. The results show that a higher degree of competition results in a higher aggregate amount of electronic transactions service and lower service fee. Interestingly, the effect of banking competition is stronger when the transaction costs decrease. In addition, when the cost of processing electronic transactions service is lower, banks offer a higher amount of electronic transactions service and charge lower service fee. Furthermore, when inflation rate is higher, banks offer more electronic transactions service. In contrast, there is no effect of inflation on the service fee. In this manner, banks should compete more in the market for electronic transactions service and they should develop new technology system consistently to lower transaction costs. Consequently, depositors will gain more access and use more electronic transactions service.

KEYWORDS: Banking Competition, Inflation, Transaction Costs, Electronic Transactions Service