Evaluation of Transaction Cost of Unlawful Business in Southern Thailand

Chinasak Suwan-Achariya

Faculty of Economics and Business Administration
Thaksin University, Thailand
E-mail: Chinasak2000@yahoo.com

Tasanee Leesahad

Faculty of Economics and Business Administration
Thaksin University, Thailand
E-mail:tud-sa-nee@hotmail.com

Abstract *This research aimed to evaluate transaction cost on trade cycle a type of illegal oil between Thailand -Malaysia borders at Sadao Customs Checkpoint, Sadao District, Songkhla Province relating to the trading network of illegal oil, Nathawee District, Songkhla Province and to study certain influence of transaction cost per marginal expenditure for the import of illegal one. Besides, the research found that entrepreneur's the import procedure of illegal oil was the key factor which were occurred special expenditure about customs official and interception point official's benefits as well as transaction cost, finally, caused marginal expenditure increased also.Transaction cost on entrepreneur's the import procedure of illegal oil expended more less approximately 1% of total expenditure, effecting therefore entrepreneurs were able to make a high profitable business in each month. As a result, the research discovered that steps reduced the import of illegal oil, this operation must result to the higher transaction cost and it will be carried out by the information technology systems to manage inventory turnover systems including as open systems that allowed public sectors or association of oil trading business in own province participated to operate with policies administration.*

Keywords: *evaluation; transaction cost; unlawful businesses; trading network; entrepreneur*

1. Introduction

Study on transaction cost on the behalf on accession to the market system which is no decline that is very important because it determines an incentive and returns on investment to entrepreneurs as well as being a measuring equipment for investment movement in manufacturing sectors that comprise how to legal or good regulatory environment, therefore ensures to investors for businesses that allow to operate activities in the market system.

However, driving forces concerning investment stimulation are able yield good outcomes that can occur in outside the business system in which government is not allowed. Even if being able to create a method of collaboration between outside the business networks, for instance, a case study of illegal oil trade between southern borders of Thailand. Although public sector has banned especially the import of oil is without tax payment or it is not authorized to import, nevertheless, if investors can seek pattern and practical criteria for agreement in connection with trading benefits between interception checkpoint officials and oil traders between the borders, this can avoid the law. Even if this has tried to use policies to building preventive justice by an incentive or reward but it can not bar any activities since business of illegal oil trade in the southern borders have been established by public officials and also involvement with income allocation of trading network of illegal oil.

However, Interesting question of this research journal is even if public officials have obtained a

bribe to cause illegal goods transportation between the borders comprising How many is size on transaction cost?, Which is a type of transaction cost?, including How many is collaboration between networks of black business are able arise high transaction cost or less? Because this is meter definition of strong relationships about outside the business system and any party's opportunistic behavior on unpredicted situations in advance.

The mission of this research journal is to present indicator's size on transaction cost and relevant evaluative method in cycle the import of illegal oil trades as well as solution guideline in connection with unlawful businesses and illegal oil trade between the borders.

2. Methodology

Research method is operated by primary data in which classifies indicators with nature of transaction cost, proportion of transaction cost and the increase rate of transaction cost in cycle the import of goods by data using from in-depth interviews in the period of October 2010 - January 2011 and social research method is conducted.

Systematic analysis (study on transaction cost in business of illegal oil trade and network regarding trading smuggling of illegal oil between Thailand-Malaysia borders and research associates with formation conditions of transaction cost on coordination of the network within the unique of environment in market) shows transaction cost about information finding, cost of accession to negotiations, cost of opportunism, cost of qualitative measurement including cost in risk of the specialty assets.

The samples are gathered to research as data collection from number of illegal oil entrepreneurs of 5 samples who import illegal oil of Nathawee District, Songkhla Province

3. Literature Review

Transaction cost is expenditure that are linked with using market mechanism can be divided into expenditure in data collection and interpretation, expenditure in negotiation and make a decision, expenditure in control and protection to practice in accordance with any agreement.

Coase has defined transaction cost that affects expenditure on each part of economic activities, as activities and expenditure occur from agreement process which means expenditure what influences coordination and collaboration of the host economy in market economy. Coase (Coase R.H, 1992) has called that "transaction cost of collaboration between buyers and sellers and market formation" (p. 29) while M. Aleksejev (Aleksejev M.M,1997) agreed that transaction cost is trade agreement which has resulted as expenditure in transaction cost, this means "expenditure that arises from buyers or sellers finding. Behavior of the negotiations relating to the topic in any agreement, payment for advice and other services" (p.127). During Jones and Hughes (Jones G.R, Hill C.W, 1982)agreed that makes an agreement together then the occurred "transaction cost is a part on expenditure of agreement tracking, moreover, which also accesses into an agreement"(p.160). This may be a problem, similarly, the concept support of Alchian (Alchian A.,1977) stated that "transaction cost arises because of the existing implement of communication problems, condition tracking of an agreement, the right definition is unclear and other details"(p.64).

Researcher has brought this concept to expand accordingly with practical way of unlawful business by studying expenditure is above an agreement in the occurring condition of illegal trade through the relationship establishment of outside the network system. Despite paying a bribe which is cost of unlawful goods transportation together, which is a contractual agreement for exchange of unlawful business, Does this results to form transaction cost again? If yes, How many is size? Including How does this effect to marginal revenue?

Goal in this research journal is assessment on transaction cost about unlawful business of illegal oil trade between the borders, which are considered such new research shows size on transaction cost occurring in cycle the illegal oil trade with search for marginal revenue calculating proportion of transaction cost as well as how to measure size on transaction cost

4. Results and Analysis

4.1.Components of Transaction Cost of Illegal Oil Entrepreneurs, Nathawee District, Songkhla Province.

1. Cost of information finding (Yi) arises from activities performance relating to the import of

illegal oil as expenditure which causes from results of information finding, oil sources, colleagues, goods and detection asks public official's cooperation from entrepreneurs occurring in the import process of illegal oil.

For research indicated that information finding is to import illegal oil, there are two types such as information finding about import by method of travel and telephone which these patterns of information finding can be divided into two ranges.

    1.1 Range of information finding before the import process that consists of information finding on oil resource, colleague finding and route finding for goods transportation. Moreover, entrepreneurs who search information about oil sources found that all entrepreneurs select to find information by travel, there is going to expenditure. Colleague finding that the import of illegal oil must have colleague networks which have to work together consisting of oil traders, customs officials, checkpoint officials, drivers and oil loading masters.

    1.2 Range of information finding after the import process that includes information finding about retailers to oil distribution, relating to entrepreneurs who search information about retailers found that all entrepreneurs select to find information by telephone and there is occurring expenditure.

    Pattern and method of accession to information sources which obtain from this research can be used to create the equation of transaction cost for information finding of entrepreneurs in the study area.

$$Y_i = P_t N_t + P_s N_s$$

By that

Yi   is transaction cost of information finding in cycle the import process.   unit: month.

Pt   is the average expenditure of connection by telephone.

Nt   is number of connection by telephone.

Ps   is the average expenditure of connection by themselves.

Ns   is number of connection by themselves.

Table.1. *Shows expenditure for information finding the production in accordance with difference of method of accession to information.*

Number of entrepreneur:person	Pattern on information finding The import process	Average expenditure: Baht/month
0	All telephones	0
5	Telephone and travel	560
0	All travels	0

Source: *Field Work 2010-2011*

Table .1. showed that there is no any entrepreneur to search information by all telephones and travels; all five entrepreneurs search information about the import of illegal oil by telephone and travel will be charged the average expenditure of 560 Baht per month. Obviously, this showed that the import process of illegal oil has information finding, simultaneously. The inquiry found that some information must not travel to find by themselves such as connection with public officials, however, some information does not find by themselves such as search for retailers who distribute oil, it would be a well-known person.

    2. Cost of accession to negotiation (Yn) is expenditure arising from an agreement on cooperation of entrepreneurs and public officials in the process to present being a partner on cooperation to the import process of illegal oil. As a consequence, this research found that entrepreneur's negotiation occurs a pattern such as negotiation by travel.

    2.1 Negotiation with customs officials is to make a decision in benefits of Customs Department which showed that 80% of entrepreneurs have chosen to negotiate by travel and without any expenditure. The inquiry found that entrepreneurs will inform with customs officials in advance, then enter into an agreement about benefits that will be obtained while the import process of illegal oil is conducted altogether but it must have protected by an influential person. Only 20% of entrepreneurs do not negotiate with customs officials

    2.2 Negotiation with interception checkpoint officials found that all entrepreneurs select to travel into self- negotiations which are divided as 20% with expenditure and 80% without expenditure.

    2.3 Negotiation with oil traders indicated that all entrepreneurs select to negotiate by travel and there are 20% with expenditure and 80% without expenditure

    Pattern and method of accession to negotiation has got from this research is able to form the equation of transaction cost in accession to negotiation of entrepreneurs in the study area.

$$Yn = Tn + Pn + Mn$$

By that

Yn   is cost of accession to negotiation.

Tn   is expenditure in negotiation with customs officials.

Pn   is expenditure in negotiation with interception checkpoint officials.

Mn   is expenditure in negotiation with oil traders.

Table 2. *Shows expenditure relating to accession to negotiation.*

Entrepreneur (person)	The occurring expenditure		Total (amount)
	Free of expenditure	Expenditure/Baht 500	
Negotiation	4	1	5

Source: *Field Work 2010-2011*

Regarding table .2., this found that 4 entrepreneurs have no expenditure and the other one with expenditure of 500 Baht. As a result, this study concluded that every agreement will need to be negotiated and pattern of negotiation is not different. However, it will cause expenditure on different production transaction

    3. Opportunism cost (Yh) is expenditure occurring in deviate operation out from norm or labors can not run accordingly standards which are defined by employers. These results showed that opportunism cost occurs in the stages of import process of oil which has opportunists

    1) Oil traders (P) showed that oil traders can not distribute oil, and sold them already, but it is not the initial agreed amount which causes upon entrepreneurs to pay expenditure in the import process. The inquiry on entrepreneurs that would solve such problem with search for oil from alternative sources and crossing to buy oil from Thai border, which is more expensive and representing the average expenditure of 240 Baht

    2) Drivers and oil loading masters (W) found that drivers do not come to drive an oil transportation vehicle; as a result, entrepreneurs have to search other drivers to replace until occurring the average expenditure of 10 Baht.

Damage that occurs from the opportunistic behaviors of co-workers can be calculated from the equation.

$$Yh = P + W + N$$

By that

Yh   is transaction cost occurring from the opportunism of co-workers

P   is the average expenditure from the opportunism of oil traders.

W   is the average expenditure occurring from drivers and oil loading masters

N   is expenditure caused by the imprisonment of entrepreneurs

Table.3. S*hows the amount of entrepreneurs that have to lose from opportunism.*

Entrepreneur (person)	Opportunistic cost	
	Average oil trader (Baht)	Average driver and oil loading masters (Baht)
1	240	10
2	240	-
3	240	-
4	240	-
5	240	10

Source: *Field Work 2010-2011*

Table 3. showed that entrepreneur's cost arises from the opportunism of oil traders on the average of 240 Baht/entrepreneur and the first and fifth entrepreneur have cost occurring the opportunism of drivers and oil loading masters averaging of 10 Baht, which is charged by telephone to call someone else to drive in place.

    4. Cost of goods qualitative measurement is expenditure arising from the acceptance of buyer after price changing and quantitative content, this study found that measurement's cost of entrepreneur is

measured by response after price changing price and purchasing content of customers who found that after price of oil has changed, customers do not change the purchasing content which has agreed and still requires the same, this is no charge in this part

Table 4. *Amount of entrepreneurs have to lose from cost of specialty asset.*

Cost of specialty asset		
Entrepreneur	Venality (%)/month	Calculating (%)
1	500	10.42
2	1,000	20.80
3	1,000	20.80
4	800	16.67
5	1,500	31.25

Source: *Field Work 2010-2011*

Table 4 showed that the first entrepreneur contains cost of specialty asset (venality) approximately amount of 500 Baht per month or representing as 10.42%, which is money is paid and such cost is less than others. The inquiry found that the entrepreneur conveys goods at nighttime and transportation route will take routes what are not main roads, but avoid to other available routes such as a road in the village where there are no interception checkpoint officials or any checkpoints, which can circumvent the impact of public officials. The second and third entrepreneur occur cost of specialty asset (venality) as 1,000 Baht per month, representing as 20.80% since these entrepreneurs process transportation at daytime. Fourthly, such entrepreneur arises cost of specialty asset (venality) as total amount of 800 Baht per month, representing as 16.67% because of transportation at daytime. Lastly, the entrepreneur occurs cost of specialty asset (venality) as 1,500 Baht per month, representing as 31.25% since this entrepreneur processes transportation at daytime.

These results showed that transaction cost occur in the import process of illegal oil in the study area can be summarized according to cost of each entrepreneur by the following equation formula.

$$T_{zc} = Y_i + Y_n + Y_h + Y_o$$

Table 5. *Shows the amount of transaction cost occurring in the import process of illegal oil according to the difference of importing quantity of each entrepreneur*

Unit: Baht

Entrepreneur	Transaction cost/month					Total	Calculating (%)
	Period	Y_i	Y_n	Y_h	Y_o		
1	Nighttime	560	500	250	500	1,810	19.42
2	Daytime	560	-	240	1,000	1,800	19.31
3	Daytime	560	-	240	1,000	1,800	19.31
4	Daytime	560	-	240	800	1,600	17.17
5	Daytime	560	-	250	1,500	2,310	24.79

Source: *Field Work 2010-2011*

Table.5 concluded that the import process of illegal oil of the first entrepreneur consists of expenditure as occurring transaction cost about 1,810 Baht/month or representing as 19.42 % of the average transaction cost per month. The second entrepreneur has transaction cost that occurs around 1,800 Baht per month or 19.31% of the average transaction cost per month. The third entrepreneur is to charge transaction cost that occurs about 1,800 Baht per month or 19.31% of the average transactions cost per month. The forth entrepreneur, arising transaction cost is estimated 1,600 Baht/month or representing as 17.17% of the average transactions cost per month. The last entrepreneur, transaction cost occurring expends about 2,310 Baht/month or 24.79% of the average transaction cost per month.

4.2. Profit Analysis on Marginal Profit of the Import Process of Illegal Oil

Profit analysis on marginal profit of the import process of illegal oil in the study area can be calculated from the following equation:

$$R = Url - (Pc + Tzc + Xi)$$

By that

R   is marginal profit.

Url is marginal revenue.

Pc is cost of goods.

Tzc is transaction cost.

Xi is expenditure on the import process.

Table 6. *Shows total expenditure in the import process of illegal oil per month*

Entrepreneur	Cost of goods	Expenditure in the import process	Transaction cost	Total	Calculating (%)
1	1,806,000	84,100	1,810	1,891,910	0.10
2	264,000	22,500	1,800	288,300	0.62
3	378,000	25,900	1,800	405,700	0.44
4	264,000	23,200	1,600	288,800	0.55
5	2,580,000	116,500	2,310	2,698,810	0.09

Source: *Field Work 2010-2011*

Table 6 found that goods cost of the first entrepreneur is 1,806,000 Baht that is to divide as other expenditures about 84,100 Baht and transaction cost of 1,810 Baht, representing as 0.10% of total expenditure of entrepreneur. The second entrepreneur has 264,000 Baht that is to classify as other expenditure about 22,500 Baht and transaction cost of 1,800 Baht, representing as 19.31% of total expenditure of entrepreneur. The third entrepreneur has 378,000 Baht that is to classify as other expenditure about 25,900 Baht and transaction cost of 1,800 Baht, representing as 0.44% of total expenditure of entrepreneur. Fourthly, the entrepreneur has 264,000 Baht that is to classify as other expenditure about 23,200 Baht and transaction cost of 1,600 Baht, representing as 0.55% of total expenditure of entrepreneur. Goods cost of the last entrepreneur is 2,580,000 Baht that consists of other expenditure approximately 116,500 Baht and transaction cost of 2,310 Baht, representing as 0.09% of total expenditure of entrepreneur, respectively.

Table 7. *Shows net profit in the import process of oil: Baht per month*

Entrepreneur	Revenue	Total expenditure	Net profit	Average profit/Liter per month
1	2,310,000	1,891,910	418,090	4.98
2	300,000	288,300	11,700	0.98
3	468,000	405,700	62,300	3.46
4	300,000	288,800	11,200	0.93
5	3,120,000	2,698,810	421,190	3.51

Source: *Field Work 2010-2011*

Table7 found that the first revenue earns from oil distribution 2,310,000 Baht per month with all expenditure 1,891,910 Baht what also showed that net profit is 418,090 Baht per month and the average profit of 4.98 Bath/ liter per month. The second obtains revenue from oil distribution 300,000 Baht per month with all expenditure 288,300 Baht that also indicated that net profit is 11,700 Baht per month and the average profit of 0.98 Bath/ liter per month. The third entrepreneur gets revenue from oil distribution 468,000 Baht per month with all expenditure 405,700 Baht what also showed that net profit is 62,300

Baht per month and the average profit of 3.46 Bath/ liter per month. The fourth obtains revenue from oil distribution 300,000 Baht per month with all expenditure 288,800 Baht that also indicated that net profit is 11,200 Baht per month and the average profit of 0.93 Bath/ liter per month. The last has revenue from oil distribution 3,120,000 Baht per month with all expenditure 2,698,190 Baht that also indicated that net profit is 421,190 Baht per month and the average profit of 3.51 Bath/ liter per month.

As a result, analysis showed that the entrepreneur, firstly, obtains average profit per liter per month about 4.98 Baht that is higher than other entrepreneurs. The inquiry found that such entrepreneur has transported at nighttime and working as networks, they will have easier handling transportation and entrepreneur does not convey on the main routes can be avoided by interception checkpoint officials better than transportation is conducted at daytime. Moreover, this found that the entrepreneur shares benefits to officials only a checkpoint customs because they can not avoid it. The other entrepreneurs have transported at daytime and low transaction cost, however, expenditure are high due to they have to pay as benefits to both interception checkpoint officials and customs officials approximately 40% of expenditure in the import process to facilitate easy and pat transportation of oil and must have influential persons as wire-puller the transporting process as well

Thus, we can conclude that each transportation process of oil will have to work as networks and must be transported at nighttime, on the contrary, it will have the higher risk if there is no expertise about the routes that are used to transport, this will reduce expenditure and make profits on marginal revenue, increasingly.

4.3. The Efficient Coefficient Calculation of Transaction Cost (Ket)

The first entrepreneur
Ket = All profit in each month of the import process/the sum of transaction cost.
      = 419,900/1,810
      = 231.99
The second entrepreneur
Ket = All profit in each month of the import process/the sum of transaction cost.
      = 13,500/ 1,800.
      = 7.5
The third entrepreneur
Ket = All profit in each month of the import process/the sum of transaction cost.
      = 64,100/1,800
      = 35.61
The fourth entrepreneur
Ket = profit in each month of the import process/the sum of transaction cost.
      = 12,800/1,600
      = 8.00
The fifth entrepreneur
Ket = profit in each month of the import process/the sum of transaction cost.
      = 423,500/2,310
      = 183.34

Efficient coefficient is calculated from the production of transaction cost to evaluate the chain performance of consumer host in the market what found that the first entrepreneur's Ket matches as 231.99 that is the ratio of profit 231.99 Baht per month which will charge to transaction cost occurring 1 Baht. The second entrepreneur's Ket is 7.5 that is the ratio of profit 7.5 Baht per month then will charge to transaction cost occurring 1 Baht. The third entrepreneur's Ket is 35.61 that is the ratio of profit 35.61 Baht per month then will charge to transaction cost occurring 1 Baht. The forth entrepreneur's Ket is 8.00 that is the ratio of profit 8 Baht per month then will charge to transaction cost occurring 1 Baht. The last entrepreneur's Ket is 183.34 that is the ratio of profit 183.34 Baht per month then will charge to transaction cost occurring 1 Baht. By transaction cost occurring is the assurance of achievement to make goods through the import process completely while transition of the average profit's indicator on the distribution of entrepreneurs which can be calculated from the equation:

$$A = PL / Q + PT / Q$$

By that
A   is transition of the average profit's indicator on the distribution of entrepreneurs

    PL   is remaining profit's part after payment on transaction cost
    PT   is profit's part to pay with transaction cost
    Q is value of disposal (Baht/month).

Result of calculation on transition of average profit's indicator from oil distribution of the first entrepreneur found that equals to 0.36, if the added transaction cost of the import process of entrepreneur can depend on profit which can make the increased importing quantity or reduced them that means the mechanism of divided transaction cost effects to change the import quantity and influence in the performance of import activities. If the growth rate of transaction cost depends on profit faster than the growth rate of import quantity, when making the entrepreneurs have turned to rely on an influential person in local to participate in the import process. But if there is greatly meaning when is used to study the flow of funds in each month of the overview of import process, therefore, is able to compare transaction cost of the growth of indicator that transits through profit from oil distribution and the flow of expenditure, the growth rate of transaction cost on the import process

    The second entrepreneur found that equals to 0.04, if the added transaction cost of the import process of entrepreneur can depend on profit which can make the increased import quantity or reduced them that means the mechanism of divided transaction effects to change the import quantity and influence in the performance of import activities. If the growth rate of transaction cost depends on profit faster than the growth rate of import quantity, when makes the entrepreneurs have turned to rely on an influential person in local to participate in the import process. But if there is greatly meaning when is used to study the flow of funds in each month of the overview of import process, therefore, is able to compare transaction cost of the growth of indicator that transits through profit from oil distribution and the flow of expenditure, the growth rate of transaction cost on the import process

    The third entrepreneur found that equals to 0.27, if the added transaction cost of the import process of entrepreneur can depend on profit which can make the increased import quantity or reduced them that means the mechanism of divided transaction effects to change the import quantity and influence in the performance of import activities. If the growth rate of transaction cost depends on profit faster than the growth rate of import quantity, when makes the entrepreneurs have turned to rely on an influential person in local to participate in the import process. But if there is greatly meaning when is used to study the flow of funds in each month of the overview of import process, therefore, is able to compare transaction cost of the growth of indicator that transits through profit from oil distribution and the flow of expenditure, the growth rate of transaction cost on the import process.

    The fourth entrepreneur found that equals to 0.08, if the added transaction cost of the import process of entrepreneur can depend on profit which can make the increased import quantity or reduced them that means the mechanism of divided transaction effects to change the import quantity and influence in the performance of import activities. If the growth rate of transaction cost depends on profit faster than the growth rate of import quantity, when makes the entrepreneurs have turned to rely on an influential person in local to participate in the import process. But if there is greatly meaning when is used to study the flow of funds in each month of the overview of import process, therefore, is able to compare transaction cost of the growth of indicator that transits through profit from oil distribution and the flow of expenditure, the growth rate of transaction cost on the import process.

    Lastly, the entrepreneur found that equals to 0.27, if the added transaction cost of the import process of entrepreneur can depend on profit which can make the increased import quantity or reduced them that means the mechanism of divided transaction effects to change the import quantity and influence in the performance of import activities. If the growth rate of transaction cost depends on profit faster than the growth rate of import quantity, when makes the entrepreneurs have turned to rely on an influential person in local to participate in the import process. But if there is greatly meaning when is used to study the flow of funds in each month of the overview of import process, therefore, is able to compare transaction cost of the growth of indicator that transits through profit from oil distribution and the flow of expenditure, the growth rate of transaction cost on the import process

    From research indicated that the import process of illegal oil is very high that is expenditure occurring from benefits what are paid to customs officials and interception checkpoint officials in the middle of the transporting routes, representing as expenditure about 40% of total expenditure in the import process. There are 4 entrepreneurs or, representing 80% with such expenditure and there is an entrepreneur or, representing 20% without the expenditure about this part. Since the entrepreneur is running trading networks and oil transportation at nighttime which is able to avoid payment on benefits to officials about 95% but must not use the main routes to conveyance, and is to use a route in the villages with no people and officials at nighttime. In addition, this must be a skilled expertise about a

route as well, it can reduce expenditure approximately 40% if the import of illegal oil must has a well-known influential person in local behind the import process of illegal oil at daytime but it will not be able to reduce expenditure in the import process.

5. Conclusion

As a consequence, this research indicated that the import process of illegal oil of entrepreneur, such expenditure is benefits on customs officials and interception checkpoint officials are the most important indicator in calculation of marginal expenditure of entrepreneur.

Transaction cost is the second important indicator is calculated about marginal expenditure of entrepreneur which this research results occurring expenditure on benefits of customs officials and interception checkpoint officials, besides, transaction cost effects marginal expenditure of entrepreneur, increasingly. That is to result entrepreneur to obtain a profit from oil distribution dropped. Although there is an influential person who is behind, would not be able to reduce expenditure about benefits of customs officials and interception checkpoint officials as well.

However, it can reduce certain transaction cost are some parts of opportunism from being arrested, hence, illegal oil trade must establish as a complete system by officials who have directly benefits for shareholder status in the activities of illegal oil, therefore, it can be reduced transaction cost. If relationship according to the contractual agreement by verbal that is not to reduce transaction cost because this depends on opportunistic behavior of shareholder importantly, however, transaction cost in the import process of illegal oil of entrepreneur is very less about 1% of total expenditure, therefore, it effects entrepreneurs to make such business to earn very high profits per month. In the other hand, if the high transaction cost is about 50%, those can not continue to be. Because there is no value with risk and investment so that the import process of illegal oil is reduced, it must be make transaction cost higher and this will need to use information technology to manage the flow of goods what is able to detect sources of such business process by automating the data report of oil trucks and transporting routes by these are conducted by special agencies and is independent from the political power of the state. Furthermore, this needs to be unclosed system which population section or "Association of Oil Trading Business" in province to participate in policy management.

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