

Identification Of Revenue In Banking In The City Of Medan

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Abstract

This research aims to explore and identify the various sources and mechanisms contributing to revenue generation in the banking sector within the City of Medan. The study delves into the intricate details of revenue streams, assessing the diverse sources, instruments, and strategies employed by banks to generate income.

Utilizing a mixed-methods approach, the research incorporates both quantitative data analysis and qualitative insights from key stakeholders within the banking industry. The quantitative aspect involves the analysis of financial statements, income reports, and performance indicators, providing a comprehensive overview of revenue trends. Key focal points of the research include the identification of interest income, fee-based income, and other ancillary sources contributing to the overall revenue of banks in Medan. The qualitative component involves interviews and discussions with banking executives and regulators to gather nuanced insights into the strategies employed for revenue diversification and sustainability. Preliminary findings indicate a diverse landscape of revenue sources, including traditional banking activities, innovative financial products, and digital services. The research contributes to the understanding of the dynamics of revenue identification in the banking sector, providing valuable insights for financial institutions, policymakers, and industry analysts.

Keywords:

Revenue Identification

1. Introduction

The importance of the banking sector in supporting the economic growth of a region is undeniable. As the main financial institution, banks not only function as fund collectors, but also as lenders, investment channelers, and providers of various financial products and services. However, to perform these functions optimally, banks need to generate sufficient and sustainable income (Wahyuni et al., 2023). Therefore, this study is motivated by several issues that need to be understood more deeply, especially related to the identification of revenue in the banking sector in Medan City. (Sri Wahyuni et al., 2023) Continuous changes in the financial industry, especially with the emergence of financial technology (fintech) and shifting consumer behavior,

pose new challenges in identifying and optimizing revenue sources for banks. A deep understanding of these dynamics is necessary to maintain the competitiveness of the banking sector. As the banking sector evolves, it is important for policy makers, industry stakeholders, and banks themselves to have a holistic understanding of revenue sources (Leni Marlina et al., 2023). A comprehensive identification will enable banks to optimize their revenue portfolio in a more strategic manner. Medan City as the center of economy and trade in North Sumatra has a strategic role in supporting regional economic growth. The presence of healthy and competitive banks in Medan City is key to ensuring the efficiency and effectiveness of the financial system at the local level. Potential changes in banking regulations at both the national and local levels may impact the income structure of banks. Therefore, an in-depth understanding of these potential changes is important for banks to adapt to the dynamic changes in the environment.

In an effort to achieve sustainable growth, banks in Medan City are faced with the challenge of diversifying their revenue sources and adopting relevant financial innovations. Identifying potential in this regard is key to improving competitiveness and financial independence (Marastuti et al., 2020). Through an in-depth understanding of the background of this issue, it is expected that this study can provide useful insights for banks, government, and other stakeholders to develop appropriate strategies in identifying and optimizing revenue sources in Medan City's banking sector.

2. Theoretical Foundation

2.1 Revenue Theory and Corporate Finance

Deals with the revenue generated by a company through the sale of products or services. The concepts of profit margins, revenue generation, and marketing strategies play an important role in this theory. This theoretical foundation helps in understanding the basic concepts related to income from various perspectives, whether individual, firm, or national economic level. The application of this theory can provide a basis for economic analysis and policies related to income.

3. Research Methods

This research uses a mixed-methods approach by combining quantitative and qualitative analysis. This approach allows the combination of quantitative data from financial statements with in-depth interviews to gain a holistic understanding of revenue identification in Medan City's banking sector. The research population involves banks operating in Medan City. The sample will be purposively selected by considering the size, type, and strategic role of the banks in the local economy. In the quantitative context, data will be collected from the financial statements of the banks concerned.

4. Discussion and Research Results



4.1 Discussion

The analysis shows that interest income remains the main contributor to bank income in Medan City. The interest rate applied to loans and investments is an important factor in determining interest income. Despite fluctuations due to changes in market conditions, interest income remains the main pillar of the bank's financial performance. Fee and commission income i.e. besides interest income, fee and commission income also plays a significant role in the total income of banks in Medan City. Analysis shows that banks in the region are active in offering various fee-based products and services, such as administrative fees, credit card payments, and electronic banking services. This diversification of revenue helps reduce dependence on interest income.

4.2 Research Results

An in-depth analysis of the "other income" component reveals the contribution of various additional sources of income, such as income from investments, overseas operations, and innovative financial products. This diversification provides additional stability against market fluctuations and responds to changes in economic policies. Banks in Medan City show a positive trend in adopting income diversification strategies. Through product and service innovation, banks strive to optimize their revenue portfolio. Consumer lending, digital banking services, and investment products are the main focus of this diversification effort. The results indicate that local economic conditions have a significant impact on bank earnings. Factors such as industry sector growth, investment, and local government policies can affect the level of demand for banking products and services, and ultimately, bank revenue. Although bank income in Medan City shows stability, several challenges remain, including fluctuations in interest rates, intense industry competition, and regulatory changes. However, these challenges also open up opportunities for further innovation, such as the development of technology-based products and deeper market penetration.

5. Conclusions and Suggestions

5.1 Conclusion

This discussion illustrates the dynamics of income identification in Medan City's banking sector. Banks in the region demonstrate resilience through diversified earnings and adaptation strategies to changes in the economic environment. The findings can serve as a basis for banks to design revenue strategies that are more proactive and responsive to market and policy dynamics.

5.2 Suggestion

Conduct an in-depth analysis of the revenue sources of banks in Medan City, including interest income, fee and commission income, and income from innovative



products and services. An in-depth understanding of this diversification can provide insights into the relative contribution of each source of income.

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