



Transaction Cost Theory in Contemporary Accounting and Governance Research: A Systematic Literature Review (2020–2025)

Lydia Yuntika^{1*}, Sambas Ade Kesuma², Iskandar Muda³, Firman Syarif⁴

Department of Accounting, Post Graduate, Faculty of Economics and Business,
Universitas Sumatera Utara, Medan, Sumatera Utara^{1,2,3}

Corresponding Author's Email: lydiayuntika@gmail.com

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ABSTRACT

Transaction Cost Theory (TCT) has long served as a foundational lens for explaining organizational coordination, governance mechanisms, and the role of accounting systems in mitigating information asymmetry and opportunistic behavior. This study systematically reviews contemporary research published between 2020 and 2025 that applies TCT within the domains of accounting and governance. Using a structured search and screening procedure based on the Scopus database, 18 peer-reviewed open-access journal articles were identified as directly relevant to TCT applications in accounting and governance. The findings show that recent scholarship continues to rely on TCT to explain governance choices, contractual arrangements, internal control design, cost efficiency, and decision-making under uncertainty. Moreover, digital transformation, inter-organizational collaboration, and institutional pressures have substantially shaped the way transaction costs are conceptualized in modern organizations. This review synthesizes key themes, methodological patterns, and theoretical contributions, while outlining several avenues for future research, particularly in areas related to digital governance, data-driven control systems, platform economies, and hybrid organizational forms. Overall, the review demonstrates that TCT remains theoretically robust and practically relevant for contemporary accounting and governance research.

Keywords: Transaction Cost Theory, Accounting Theory, Corporate Governance, Systematic Literature Review, PRISMA.

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INTRODUCTION

Transaction Cost Theory (TCT), rooted in Coase (1937) and developed extensively by Williamson (1985), focuses on the costs associated with conducting economic exchanges. These costs—search, negotiation, monitoring, enforcement, and coordination—play a central role in shaping governance structures, contractual mechanisms, and organizational accounting practices. In the context of modern organizations, which increasingly operate in dynamic environments characterized by digitalization, regulatory complexity, and inter-organizational networks, transaction costs continue to influence decisions related to outsourcing, integration, risk mitigation, and performance measurement.

Within accounting research, TCT provides an analytical foundation for explaining how accounting systems help reduce information asymmetry, minimize opportunistic behavior, and support efficient coordination. Governance scholars similarly use TCT to explain variations in contractual forms, monitoring mechanisms, and control structures across organizational settings. Because firms must design governance mechanisms to balance transaction risks and economic efficiency, TCT becomes an essential lens to analyze accounting control systems, audit processes, budgeting, internal controls, and reporting structures.

Research Gap

Despite the long tradition of TCT research, recent developments—particularly digital transformation, changing regulatory landscapes, and the emergence of hybrid organizational forms—have introduced new transaction challenges and governance complexities. Although numerous accounting and governance studies published between 2020 and 2025 utilize TCT explicitly or implicitly, there has been no systematic synthesis of this contemporary literature. Existing reviews either focus on earlier periods or address broader domains without specifically centering on accounting and governance relationships.

Purpose of the Review

The purpose of this review is to systematically analyze and synthesize contemporary empirical applications of Transaction Cost Theory in accounting and governance research. By focusing on studies published between 2020 and 2025, this review captures current theoretical directions, methodological approaches, and emerging themes. The goal is to provide an updated understanding of how TCT is being applied, extended, and challenged within modern organizational environments.

THEORETICAL BACKGROUND

Core Concepts of Transaction Cost Theory

Transaction Cost Theory posits that firms structure their governance mechanisms to minimize the sum of production and transaction costs. Key determinants of transaction cost include asset specificity, uncertainty, and transaction frequency. High asset specificity increases vulnerability to opportunism, prompting firms to adopt more hierarchical governance structures. Uncertainty increases monitoring and enforcement costs, while frequent transactions may justify developing long-term governance arrangements.

TCT in Accounting and Governance Literature

Accounting systems—such as budgeting, auditing, cost allocation, internal control mechanisms,

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and financial reporting—are viewed as governance tools that reduce information asymmetry and transaction risk. TCT explains why organizations invest in formal accounting controls when environmental uncertainty or risk of opportunism is high. Governance research applies TCT to contractual design, supply chain governance, inter-organizational coordination, regulatory compliance, and risk management. In contemporary contexts, TCT also intersects with institutional theory, agency theory, and digital governance frameworks.

METHODS OF RESEARCH

Review Protocol

This study follows a structured Systematic Literature Review approach modeled on established guidelines for transparency, replicability, and analytical rigor. Although the methodology draws inspiration from PRISMA principles, the focus remains on descriptive qualitative synthesis rather than meta-analysis.

Search Strategy

The Scopus database was used as the primary data source due to its extensive coverage of high-quality journals in business, management, and accounting. The search process began with a broad term:

- transaction cost theory → 7,875 documents
 - Exact phrase “Transaction cost theory” → 1,554 documents
- To ensure relevance and currency, several filters were applied:
- Publication years: 2020–2025 → 448 documents
 - Subject area: Business, Management, and Accounting → 278 documents
 - Document type: Article → 242 documents
 - Language: English → 239 documents
 - Access type: Open access → 83 documents

Inclusion and Exclusion Criteria

Inclusion criteria included:

- (1) studies explicitly using Transaction Cost Theory;
- (2) empirical or conceptual research relevant to accounting, governance, or both;
- (3) peer-reviewed open-access journal articles;
- (4) publications from 2020 to 2025.

Exclusion criteria included:

- (1) articles using TCT only as a peripheral reference;
- (2) studies outside business, accounting, or governance scope;
- (3) non-English publications;
- (4) conference papers, reviews, or book chapters.

Screening and Selection Process

From the 83 eligible open-access publications, titles and abstracts were reviewed manually to

assess relevance. Articles that did not engage with TCT in a substantial theoretical or empirical manner were removed. After full-text screening, 18 articles remained and were analyzed in depth.

Data Extraction and Analysis

For each article, key information was extracted: authors, year, journal, research purpose, theoretical integration, variables, methodology, and main findings. A thematic analysis approach was used to synthesize recurring concepts across the studies.

RESULT AND DISCUSSION

Findings

1. Application of TCT in Accounting Mechanisms

The analysis shows that accounting systems are consistently framed as mechanisms for reducing transaction costs. Many studies highlight how budgeting systems, cost accounting, internal controls, and financial reporting mitigate information asymmetry and opportunistic behavior. Accounting is depicted as a governance tool that supports contract enforcement, performance evaluation, and monitoring. In several inter-organizational contexts, accounting information plays a pivotal role in enhancing transparency and trust—thus reducing the need for costly formal controls.

2. TCT and Organizational Governance

Governance structures such as formal contracts, relational agreements, hybrid arrangements, and vertical integration were commonly examined using TCT. Studies reveal that governance choices depend on transaction characteristics such as uncertainty and asset specificity. When transaction risks are high, organizations tend to adopt more hierarchical governance mechanisms and tighter control systems. Conversely, when trust and relationship-specific norms are strong, firms rely more on relational governance. Many articles also show how governance mechanisms evolve in response to institutional pressures, policy changes, and industry dynamics.

3. Digitalization, Technology, and Transaction Costs

Digital transformation emerges as a major theme across recent studies. Technologies such as blockchain, real-time analytics, enterprise systems, and digital supply chain platforms reduce transaction costs by enhancing transparency, accelerating information flows, and automating monitoring functions. However, technology also introduces new transaction risks—such as cybersecurity threats, system complexity, and technology dependence. Thus, several studies argue that digital tools do not automatically reduce transaction costs; instead, they reshape the cost structure and introduce new governance challenges.

4. Integration with Complementary Theories

Contemporary research often integrates TCT with complementary perspectives such as agency theory, resource-based theory, and institutional theory. This integration allows researchers to account for factors beyond transaction cost minimization, including strategic resources, legitimacy pressures, and behavioral incentives. Studies combining TCT and institutional theory highlight how governance choices

reflect not only transaction characteristics but also regulatory, cultural, and social expectations.

Discussion

1. How Contemporary Research Advances TCT

The 18 reviewed studies collectively demonstrate that TCT remains a powerful explanation for governance and accounting decisions in modern organizations. However, they also extend TCT by incorporating factors such as digitalization, data-driven decision-making, and hybrid organizational forms. The theory increasingly addresses networked contexts where governance involves multiple stakeholders beyond bilateral exchanges.

2. Emerging Themes

Three major themes emerge from the review:

- Technology-enabled governance, showing how digital tools reduce monitoring costs but introduce new risks.
- Hybrid governance structures, combining formal contracts with relational norms.
- Expanded roles of accounting, moving beyond reporting to become a strategic coordination mechanism.

3. Implications for Accounting Theory

The findings reinforce the role of accounting as a governance instrument rather than merely a reporting function. Accounting information supports contract enforcement, risk mitigation, and inter-organizational coordination, aligning closely with TCT's emphasis on minimizing opportunistic behavior.

CONCLUSION

This review demonstrates that Transaction Cost Theory continues to significantly shape contemporary accounting and governance research. The 18 articles published between 2020 and 2025 reveal that TCT remains conceptually robust, empirically relevant, and theoretically adaptable to digital-era challenges. Accounting systems are increasingly recognized as central governance tools that support efficient coordination and reduce transaction risk. As organizations navigate disruptive technological and institutional changes, TCT provides a valuable framework for understanding evolving governance mechanisms.

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