

ABSTRACT

This study aims to determine the market structure of the banking industry in Indonesia and the relationship between concentration and bank stability in 2017-2021. In addition, this research was also conducted to find out how the relationship between Market Share (MS), Hirschman-Herfindahl Index (HHI), Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR) and Operational Expenses-Operating Income (BOPO) to conventional banking stability in Indonesia.

The population in this study are Commercial Banks listed on the Indonesia Stock Exchange (IDX) in 2017-2021. Sampling was carried out using a purposive sampling method in order to obtain a sample of 29 conventional banks that fit the criteria. The research method used is multiple linear regression with SPSS 22 as the analysis tool.

The results of the research show that the banking market structure prevailing in Indonesia is a monopolistic market structure. The relationship between concentration and bank stability supports the concentration-fragility paradigm. Market Share (MS) has no effect on bank stability (Z-Score) while the Hirschman-Herfindahl Index (HHI), Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR) and Operational Expenses-Operating Income (BOPO) have a negative effect and significantly to banking stability (Z-Score). In addition, the variable that most influences bank stability is the Operational Cost-Operating Income (BOPO) variable.

Keywords: Market Structure, Concentration, Bank Stability, Bank Characteristics.