

ABSTRACT

This study aims to obtain empirical evidence regarding the effect of market competition on cost structure, with capital regulation as a moderate variable. The sample consists of Rural Banks (Bank Perkreditan Rakyat) and Islamic Rural Banks (BPR Syariah) operating in the Central Java region, which submitted their Annual Public Reports to the Financial Services Authority (OJK) through the OJK website for the 2021–2023 period. The sampling method used was accidental sampling. Data analysis was performed using EViews version 14. The results show that market competition has a significant positive effect on cost structure, with a probability value of 0.0473 (< 0.05), indicating that the first hypothesis (H1) is accepted. Furthermore, capital regulation significantly moderates the relationship between market competition and cost structure, with a probability value of 0.0357 (< 0.05) and a positive coefficient, thereby supporting the second hypothesis (H2). These findings are consistent with previous studies.

Keywords: Market Competition, Cost Structure, Capital Regulation