

ABSTRACT

This study aims to analyze the relationship between Price Cost Margin (PCM) and Market Share (MS) in the framework of structure-conduct-performance (SCP) paradigm. This research is conducted at firm level in medium and large manufacturing industry with capital-intensive character. The capital-intensive industry has made an important contribution in the process of industrialization in Indonesia, until the manufacturing industry becomes the largest contributor to GDP. One measure of company performance is profitability. In the SCP framework, the profitability level is influenced by either structure or behaviour of industry, whether in linear or reciprocal relationship. In SCP size, the level of profit both by structure and industry behavior, both in the structure of linear or reciprocal relationships.

This study uses simultaneous equation model with two stage least square estimation (TSLS) method and this research also uses the panel data structure in seven capital-intensive industries from 2010 to 2014. In this research there are two equations which make PCM and MS as endogenous variables. The results are appropriate with the hypothesis, except for the relation between PCM and MS, which found to be negative. Other results indicate that MES has a positive effect on PCM. Intensity of capital to output (KO) have positive effect to PCM, and firm growth (GROWTH) have positive effect to PCM. In the second equation, PCM has negative effect on MS, while MES, KO and SIZE have positive and significant effect to MS. MES as barrier to entry variable, while KO and SIZE are performance and structure variables that also influence MS

Keywords: *Structure - Conduct - Performance Paradigm* (SCP), capital intensive industry, two stage least square (TSLS), Fixed-Effect within Group (WG).