ABSTRACT

This study aims to compare three acceptable hypotheses to describe the condition of the banking industry in Indonesia. The first hypothesis is the traditional hypothesis, then the differentiation hypothesis and the last efficiency hypothesis, and know the average level of profitability of the bank with other banks.

This study analyzes the structure, behavior and performance of the banking industry in Indonesia during the period of 2014 to 2017. The data used in this study is panel data from 2014 to 2017 with a research sample of 20 banks. The model used in this analysis is Fixed Effects Model (FEM) using Least Square Dummy Variable (LSDV).

The results of the study show that the structure in the banking industry in Indonesia during the 2014 to 2017 period supports the traditional hypothesis. In this case, the market concentration variable (HHI), the CAR variable, and the GROWTH CREDIT variable have a significant positive effect on the profitability variable (ROA). For the LDR variable it has a significant negative effect on the variable profitability (ROA). Whereas for ASET variables there is no significant negative effect on the variable profitability (ROA).

Keywords: SCP, traditional hypothesis, differentiation hypothesis, efficiency hypothesis, banking industry, FEM-LSDV.