

ABSTRACT

There are some thoughts to analyze the relationship between concentration, market share, and profitability, such as, Structure Conduct Performance (SCP) paradigm and the efficient structure hypothesis. SCP paradigm emphasize on the collusion while efficient structure hypothesis emphasize on the efficiency of firms.

This study aims to analyze which one of the SCP paradigm and the efficient structure hypothesis that can give an overview of the banking industry in Indonesia, to analyze the linear relationship between the factor of the SCP paradigm, to analyze whether state banks proved to be more profitable than non-government bank, and to analyze the correlation between asset ratio, market share and profit margin in the group of banks with capital that has been classified under the provision of the API program. The relationship between concentration, market share, and profitability is investigated by OLS method regression analysis on panel data which consists of 20 commercial banks in 2004-2008.

The results of the analysis is known that (1) the banking industry in Indonesia supports the Structure-Conduct-Performance paradigm (2) the linear relationship between the factor of the SCP paradigm is proven because asset ratio and market share does not independently affect profit margin and asset ratio more potentially affects profit margin, (3) owner is not proven to significantly affect profit margin, (4) there is positive correlation between asset ratio and profit margin, market share and profit margin, and asset ratio and market share of national banks, while on the focus bank, showing positive correlation between asset ratio and market share, the rest shows a negative correlation.

Keyword : Structure-conduct-performance paradigm, efficient structure hypothesis, banking industry.