

ABSTRACT

This study aims to analyze the Indonesian Islamic banking industry in 2011-2014 using structure – conduct – performance paradigm. There are three hypothesis underlying this paradigm, traditional hypothesis, differentiation hypothesis, and efficiency hypothesis will be compared to see which hypothesis is acceptable to describe the condition of the industry. In the study we used a panel data analysis with 10 cross section and time series data from 2011 second quarter to the third quarter 2014. The method used in this research is Fixed Effect Model Least Square Dummy Variable (FEM-LSDV).

The estimation results indicate that this study does not support the differentiation hypothesis. Empirical studies provide findings that affect the profitability of market concentration then market concentration and market share as estimated together the result affect profitability, this means that the Indonesian Islamic banking industry supports traditional hypothesis and efficiency hypothesis.

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