ABSTRACT

Performance is an indicator that determines whether a company would survive or exit the market. Performance indicators are generally measured using the level of profitability, growth, efficiency, or profit. Regarding the framework of the SCP, there is a debate over the perspective factors affecting performance; market power hypothesis (MPH) or another hypothesis. MPH believes that the market performance is the result of market power.

This study aims to test the market power hypothesis (MPH) in the conventional banking industry in Indonesia. The variable used as a proxy of MPH is Herfindahl-Hirschman Index (HHI), while the technical efficiency used as a proxy of Efficiency. This study used ROA as a proxy for performance. This study used secondary data from the quarterly report of conventional bank from 2015 until 2019. The method used is DEA and panel data regression.

The result showed that market concentration negatively significant affected ROA, while technical efficiency had a positive significant effect on ROA. The result indicated that the performance (ROA) of the conventional banking industry in Indonesia is influenced by the level of efficiency not the market power, the result of this study doesn't support MPH. the efficiency is the key to success in the conventional banking industry in Indonesia. This study also found that NIM is significantly positive affect ROA while CAR, LDR, NPL, and BOPO is significantly negative affect ROA.

Keywords: SCP, DEA, Conventional Banking Industry, efficiency.

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