

ABSTRACT

The dynamics of the telecommunication industry is constantly moving and changing industrial structure along with the increases years, technological developments and regulatory changes. Through SCP (Structure-Conduct-Performance) paradigm approach, this research is aimed to comprehensively analyze both quantitative and qualitative data of the structure, conduct, and performance of telecommunication industry in Indonesia. This research also explains the correlation between them.

The structure of the market would be viewed from the supply, demand, product differentiation, and barrier to entry. Conduct would be seen from corporate strategy which reflected by the amount of industrial CAPEX and OPEX. While the industrial performance was assessed using profitability, leverage, and liquidity ratios. The method used was mixed method research. The study was conducted in a period of 10 years starting from 2005 to 2014.

The results showed that the market structure of the telecommunication industry in Indonesia is a tight oligopoly. Conduct of the industry which reflected by the amount of CAPEX and OPEX was increasing from 2005 to 2014. The investment behaviour mostly allocated on network capacity improvement (backhaul, access, and core network). The industrial performance reflected in the ROA shows the industrial efficiency level in utilizing assets to generate profit was decreasing from 2005 to 2014. Based on quantitative and qualitative test, there is correlation between the variable of structure and performance in the telecommunication industry from 2005 to 2014.

Keywords: *Industrial Organization; SCP; Structure; Conduct; Performance, Telecommunication*