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Assessing The Effects of Structure and Conduct on The Performance of Fried Onion SMEs

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Abstrak

This study aims to analyze the form of market structure in the Fried Onion Industry in Kuningan Regency and to analyze the effect of capital intensity as an indicator of market structure, the effect of Capital Labor Ratio (CLR), and advertising intensity as an indicator of industrial behavior, and the effect of internal efficiency (Xeff) on Price Cost Margin (PCM) as an indicator of industrial performance in the Fried Onion Industry in Kuningan Regency. This study uses multiple linear regression as quantitative analysis. Based on the research and data analysis results, the market structure formed in the Fried Onion Industry in Kuningan Regency is monopolistic competition, with the concentration ratio of the four largest companies (CR4) at 28.76 percent. Based on the results of regression analysis: it shows that capital intensity has no positive and significant effect on price-cost margin (PCM), capital-labor ratio (CLR) has a positive and significant impact on price-cost margin (PCM), advertising intensity has no positive and significant effect on price-cost margin (PCM), and internal efficiency (Xeff) have a positive and significant impact on the price-cost margin (PCM) in the Fried Onion Industry in Kuningan Regency. To increase the Price Cost Margin (PCM), the Fried Onion Industry in Kuningan Regency must continue to improve its internal efficiency. It is necessary to increase the use of production machines.

INTRODUCTION

The industrial sector in Indonesia is a sector that is widely developed by the government because this sector helps and contributes a lot to the country's economic growth. The industrial growth that is getting bigger and faster will positively impact the development of other sectors, especially the agricultural sector. For this reason, the agrarian sector always provides raw materials for the needs of the industrial sector (Tulus et al., 2020, 2021). The Small and Medium Industries (SMEs) sector is the sector that has the most crucial role. SMEs are one of the critical sectors in the Indonesian economy. Several indicators show the vital role of SMEs in the economy: many businesses in every economic sector expand employment opportunities. With great potential in absorbing labor, SMEs have become a primary and secondary income source for many households in Indonesia and significantly contribute to national income (Arifin, 2011). The small and Medium Industry in Indonesia is expected to be an essential source of increasing job opportunities and one of the driving forces in expanding the country's economic development (Parasan et al., 2018).

Based on their activities, small and Medium Industries (SMEs) in Indonesia are grouped into four categories: non-agricultural production, agriculture, trade, and service (Kurniati et al., 2019). SMEs as a driver of economic growth that plays a strategic role in national development. The growth of SMEs directly affects national economic growth (Saturwa et al., 2021). Small and Medium Industries are proven to absorb a substantial workforce, accelerate the income distribution, and minimize income disparities between community groups (Prasnowo et al., 2019). According to the Ministry of Industry, in 2020, domestic SMEs will reach 4.4 million business units and could absorb up to 10.3 million workers (Kemenperin, 2021). In West Java Province, the SMEs sector has excellent potential and contributes significantly to the national economy. In 2020, West Java's contribution to national SMEs was 5.00 percent, or 215,031 business units spread across 27 cities/regencies in West Java. In addition, this sector can absorb up to 5.6 million workers in West Java (Disperindag, 2021).

Kuningan Regency is one of the regencies in West Java Province. The SMEs sector in Kuningan Regency can employ the community in Kuningan Regency. In 2020, the SME sector could absorb up to 195,178 thousand workers in Kuningan Regency (Disperindag, 2021). Following the regional potential of Kuningan Regency, SMEs is a business group that can absorb many workers and becomes a source of community income, one of which is the Fried Onion Industry. The fried Onion Industry is an industry that processes shallots into fried onions. The Fried Onion Industry in Kuningan Regency has excellent potential, creating added value, increasing producer income, and rising regional income for Kuningan Regency.

Table 1. Number of Companies and Investment Value of Fried Onion Industry in Kuningan Regency 2016-2020

No.	Year	Number of Units	Investment Amount (Million)	Number of Workers (people)
1.	2016	138	15,751,000.00	1,028
2.	2017	138	15,751,000.00	1,028
3.	2018	143	15,751,000.00	1,189
4.	2019	143	15,751,000.00	1,189
5.	2020	149	25,751,000.00	1,001
TOTAL		711	88,755,000.00	5,435

Source: (BPS, 2021)

The most classic but popular paradigm in industrial analysis is the Structure-Conduct-Performance (SCP) paradigm or approach. SCP is an approach used to analyze the relationship between industrial market structure and industrial market behavior that affects industrial market performance (Nikensari, 2018). The market structure describes a market's characteristics, including the number of buyers and sellers, the state of knowledge of sellers and buyers, the condition of the product, and the state of market obstacles (Teguh, 2013). Furthermore, to survive the increasingly fierce competition, companies

must compete with other companies already in the market and potential companies likely to enter the market (Yuliawati, 2017). The pattern of responses by the company to achieve the company's goals within the scope of business competition is called market behavior (Kuncoro, 2007).

Performance is the result of work influenced by the industry's structure and behavior, with the size of the market share or the amount of profit of a company in an industry (Kuncoro, 2007). In industrial economics, one can be characterized by Price Cost Margin (PCM) to describe the profit level. Price Cost Margin (PCM) is the profit percentage from excess revenue over direct costs. Several things can influence PCM; industrial performance can be affected by industry structure and industry behavior in the SCP paradigm. Many previous studies that analyzed the industry using the SCP approach have been carried out, including Arini & Sugiyanto, (2013), Septiani & Alexandi, (2014), Lee & Yang, (2016), Permana & Hariyanti, (2016), Li et al., (2017), Kumar, (2019), Bin et al., (2019), and Mujic et al., (2019).

In the research of Mujic et al., (2019), it is stated that the capital intensity variable as barriers to entry as an indicator of the industrial market structure has proven to have a positive and significant effect on the Price Cost Margin (PCM) variable as an indicator of industrial performance. Arini & Sugiyanto, (2013), in their research, stated that the Capital Labor Ratio (CLR) and Advertising (Dadv) variables as indicators of industrial behavior had a positive and significant effect on the Price Cost Margin (PCM) variable as an indicator of industrial performance. The results of the research by Kumar, (2019), in his study, show that advertising intensity as an indicator of industrial behavior has a positive and significant effect on Price Cost Margin (PCM) as an indicator of industry performance. In addition, PCM is also influenced by the internal efficiency of an industry. The results of the research by Septiani & Alexandi, (2014) stated that the internal efficiency variable (Xeff) as an indicator of the success of the industry has a positive effect on Price Cost Margin (PCM).

The difference between this research and previous studies was conducted in the small and medium industry sectors to assess how market structure and behavior influence performance in the small and medium industry sectors. In contrast, previous studies in the large industrial sector. This study combines variables of earlier studies to complete research on industrial analysis with the SCP approach. In the fried onion industry in Kuningan Regency, the average product produced is the same. In industries with similar products, it will create competition and concentration. Fried onions are in great demand by the people of Indonesia and have high prospects for increasing income. This phenomenon causes the Fried Onion Industry in Kuningan Regency to have many competitors. In addition, the emergence of new entrepreneurs with more substantial capital makes the competition between fried onion entrepreneurs tougher. With increasingly fierce competition, it will create barriers to market entry such as significant capital, limited access to distribution channels, and concentration of individual entrepreneurs in the industry. Will affect the shape of the market structure in the Fried Onion Industry in Kuningan Regency.

Based on the SCP paradigm, the industry structure will affect the behavior of each company in the industry, which will affect the performance in the industry. In other words, industry structure and behavior will affect industry performance. Based on this description, this study aims to analyze the shape of the market structure in the Fried Onion Industry in Kuningan Regency and to analyze the effect of capital intensity as an indicator of market structure, the effect of Capital Labor Ratio (CLR), and advertising intensity as an indicator of industrial behavior, and the effect of internal efficiency (Xeff) on Price Cost Margin (PCM) as an indicator of industrial performance in the Fried Onion Industry in Kuningan Regency.

RESEARCH METHODS

The method in this study uses the quantitative approach. Data collection techniques in this study are interview and questionnaire techniques. The population used in this study was the entire Fried Onion Industry in Kuningan Regency. The data used in this study is primary data. Based on data from the Industry and Trade Office of Kuningan Regency in 2020, the Fried Onion Industry in Kuningan Regency is 106 business units. The sample used in this study was 55 business units of the Fried Onion Industry in Kuningan Regency. The sampling technique used in this research is Simple Random Sampling.

This study uses capital intensity as an indicator of market structure, Capital Labor Ratio (CLR), advertising intensity as an indicator of industrial behavior, internal efficiency, and Price Cost Margin (PCM) as an indicator of industrial performance Fried Onion Industry in Kuningan Regency. Price Cost Margin (PCM) is an independent variable in this study. The data analysis method used in this research uses the Multiple Linear Regression Analysis model with cross-section data to analyze the dependence of the dependent variable on one or more independent variables (Gujarati & Porter, 2012). The data analysis tools used are SPSS 24 and Microsoft Excel 2013. The multiple regression analysis equation models in this study are as follows:

$$PCM = \alpha + \beta_1 CapIn + \beta_2 CLR + \beta_3 AdsIn + \beta_4 Xeff + e \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where is PCM= Price Cost Margin; CapIn= Capital Intensity; CLR= Capital Labour Ratio; AdvIn= Advertising Intensity; Xeff= Internal Efficiency; α= constant; β_1 β_4= Multiple Linear Coefficient; e= Standard Error

RESULT AND DISCUSSION

Analysis of the Market Structure of the Fried Onion Industry in Kuningan Regency

Analysis of the market structure of the Fried Onion Industry in this study, using the concentration ratio analysis of the four largest companies (concentration ratio) or CR_4. Which is the total market share of the four giant Fried Onion Industries in Kuningan Regency; To calculate the concentration ratio of the four largest companies (CR_4) in the Fried Onion Industry in Kuningan Regency. It is necessary to use market share data from the four most significant companies in or Fried Onion Industry Kuningan Regency. The

following is the market share of the four giant Fried Onion Industries in Kuningan Regency.

Table 2. Market Share (MS) 4 Largest Fried Onion Industries in Kuningan Regency, 2021

No.	Industry Name	Sale (Rp)	Market Share (%)
1.	Sinar Tani	3,000,000,000.00	8.52
2.	Wangi Harum	2,700,000,000.00	7.67
3.	Mekar Wangi	2,310,000,000.00	6.56
4.	Lahan Rezeki	2,116,500,000.00	6.01
	TOTAL		28.76

Based on table 2. above, the market share of the four giant Fried Onion Industries in Kuningan Regency. Then the CR4 in the Fried Onion Industry in Kuningan Regency can be calculated using the following formula:

$CR_4 = \sum_{i=1}^{4} MS$ ..... (2)

$CR_4 = MS_1 + MS_2 + MS_3 + MS_4$

$CR_4 = 8{,}52\% + 7{,}67\% + 6{,}56\% + 6{,}01\%$

$CR_4 = 28.76\%$

Based on these calculations, the CR4 in the Fried Onion Industry in Kuningan Regency is 28.76 percent; the market structure formed in the Fried Onion Industry in Kuningan Regency is Effective Competition or Monopolistic. For this reason, the calculation results of CR4 in the Fried Onion Industry in Kuningan Regency are in a low category, between 0 to 40 percent (0<CR4<40).

Classic Assumption Test

The classical Assumption Test was conducted to see that the data were free from; multicollinearity, heteroscedasticity, autocorrelation, and normally distributed data.

Normality

This study's normality test uses the Jarque Bera Test (JB Test). Calculation of the value of the chi-square ($\chi 2$) table with a significance level of 0.10 (α = 10%) and the value of the degree of freedom (df) = n-k-1 = 49, then the value of the $\chi 2$ table is 62.03754. The calculation results with the statistical significance of skewness are -0.298; the kurtosis is 0.012; the JB test value is 21.2743685. The JB test is smaller than the chi-square table (JB test < 2 tables), and the residual data is typically distributed.

Multicollinearity

This study's multicollinearity test looks at the tolerance value and Variance Inflating Factor (VIF). Based on the regression analysis results in this study, the tolerance and VIF values are known as follows.

Table 3. Collinearity Statistics of Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	VIF
Capital Intensity	0.595	1.682

Capital Labour Ratio	0.856	1.168
Advertising Intensity	0.556	1.800
Internal Efficiency	0.938	1.066

Dependent Variable: Price Cost Margin

Based on table 3. above, the tolerance value of the independent variables, namely capital intensity, Capital Labor Ratio (CLR), advertising intensity, and internal efficiency, is more significant than 0.01. The VIF value is less than 10; the regression model is free from multicollinearity problems.

Heteroscedasticity

The heteroscedasticity test in this study uses the Park test. Based on the regression analysis results in this study, the significance value of the Park Test results is as follows.

Table 4. Significance of Heteroscedasticity Test Results

Variable	Significance
Capital Intensity	0.442
Capital Labour Ratio (CLR)	0.700
Advertising Intensity	0.411
Internal Efficiency	0.249

Dependent variable: LnRES_2

Based on the results of the heteroscedasticity test from table 4. above, the significance value of the independent variables, namely capital intensity, Capital Labor Ratio (CLR), advertising intensity, and internal efficiency, is more significant than = 0.05 (> = 5%). That the regression model used is free from heteroscedasticity symptoms.

Multiple Linear Regression Analysis

Multiple linear regression analysis analyzes the effect of capital intensity, Capital Labor Ratio (CLR), advertising intensity, and internal efficiency on Price Cost Margin (PCM) in the Fried Onion Industry in Kuningan Regency.

Table 5. Multiple Linear Regression Analysis Results

Variable	Coefficient	t Value	Significance (α = 0.05)	Description
Constant	1.431			
Capital Intensity (CapIn)	-0.969	-1.030	0.308	Not significant
Capital Labour Ratio (CLR)	0.314	4.546	0.000	Significant
Advertising Intensity (AdsIn)	0.319	0.700	0.487	Not significant
Internal Efficiency (Xeff)	0.254	12.568	0.000	Significant

Adjusted R Square : 0.747

Dependent Variable: Price Cost Margin (PCM)

Based on the results of the analysis using SPSS 24 in table 5. above, the following regression equation is obtained:

PCM = 1.431 – 0.969CapIn + 0.314CLR + 0.319AdsIn + 0.254Xeff …… (3)

Where is PCM= Price Cost Margin; CapIn= Capital Intensity; CLR= Capital Labour Ratio; AdvIn = Advertising Intensity; Xeff= Internal Efficiency

Test the Regression Coefficient Together (Uji F)

The calculation of the value of the F table with = 0.10 (α = 10%) and the value of the degree of freedom (df1 = k-1 = 3, df2 = n-k = 50), then the F table value is 2.20. Based on the multiple linear regression analysis results, the calculated F value is 40.860, and the significance level is 0.000, which is smaller than = 0.05 (α = 5%). The calculated F value is greater than the F table (F count > F table). That H0 is rejected or H1 has been accepted means that the independent variables, capital intensity, Capital Labor Ratio (CLR), advertising intensity, and internal efficiency, significantly affect the dependent variable, namely Price Cost Margin (PCM).

Individual Parameter Significance Test (Uji t)

Calculation of the value of the t table with = 0.10 (α = 10%) and the value of the degree of freedom (df) = n-k = 50, then the t table value is 1.67591. Based on the results of multiple linear regression analysis in table 5. It is that the t count value of the capital intensity variable is -1.030, smaller than the t table (1.67591) (t count < t table), and the significance value is 0.308, which is greater than = 0.05 (α = 5%). So that the null hypothesis (H0) is accepted or the alternative hypothesis (H1) is rejected, meaning that the capital intensity variable has no positive and significant effect on the Price Cost Margin (PCM) variable. Based on the regression analysis, the capital intensity regression coefficient is -0.969. If the capital intensity increases by 1 rupiah, the Price Cost Margin (PCM) of the Fried Onion Industry in Kuningan Regency has decreased by 0.969 percent with ceteris paribus.

Based on the results of multiple linear regression analysis in table 5. It that the t count value of the Capital Labor Ratio (CLR) variable is 4.546, which is greater than the t table (1.67591) (t count > t table), and the significance value is 0.000, which is smaller than = 0.05 (α = 5%). So that H0 is rejected or H1 is accepted, meaning that the Capital Labor Ratio (CLR) variable has a positive and significant effect on the Price Cost Margin (PCM) variable. Based on the regression analysis, the regression coefficient of the capital-labor ratio (CLR) is 0.314. If the CLR increases by 1 rupiah, the Price Cost Margin (PCM) of the Fried Onion Industry in Kuningan Regency has increased by 0.314 percent with the assumption of ceteris paribus.

Based on the results of multiple linear regression analysis in table 5. It is that the t count value of the advertising intensity variable is 0.700, which is smaller than the t table (1.67591) (t count < t table), and the significance value is 0.487, which is greater than = 0.05 (α = 5%). So that H0 is accepted or H1 is rejected, meaning that the advertising intensity variable has no positive and significant effect on the Price Cost Margin (PCM) variable. The regression

analysis shows the regression coefficient of advertising intensity is 0.319. If the advertising intensity increases by 1 percent, the Price Cost Margin (PCM) of the Fried Onion Industry in Kuningan Regency does not increase by 0.319 percent with ceteris paribus.

Based on the results of multiple linear regression analysis in table 5. It is that the t count value of the internal efficiency variable (Xeff) is 12.568, which is greater than the t table (1.67591) (t count > t table), and the significance value is 0.000, which is smaller than = 0.05 (α = 5%). So that H0 is rejected or H1 is accepted, meaning that the internal efficiency variable has a positive and significant effect on the Price Cost Margin (PCM) variable. Based on the regression analysis, the internal efficiency regression coefficient value is 0.254. If the internal efficiency increases by 1 percent, the Price Cost Margin (PCM) of the Fried Onion Industry in Kuningan Regency has increased by 0.254 percent with ceteris paribus.

Coefficient of Determination (R^2)

The value of the coefficient of determination in this study is seen from the value of Adjusted R Square. Based on the results of multiple linear regression analysis in table 5. It that the value of Adjusted R Square is 0.747. For the coefficient of determination (R2), which is 0.747 x 100 = 74.7 percent, it can be concluded that the independent variables, namely capital intensity, Capital Labor Ratio (CLR), advertising intensity, and internal efficiency are jointly able to explain the dependent variable is Price Cost Margin (PCM) of 74.7 percent, while other variables outside the study demonstrate the remaining 25.3 percent.

Discussion

Based on the research results, for the analysis of the market structure of the Fried Onion Industry in Kuningan Regency in 2021, it is stated that the market structure formed in the Fried Onion Industry in Kuningan Regency is monopolistic competition. A monopolistic competition market is between two extreme market types: perfect competition and monopoly. Monopolistic competition markets have characteristics; namely, there are many sellers. Their products have different styles, companies can slightly influence prices, barriers to entry into the market are relatively easy, and there is competition in promoting the products sold (Nikensari, 2018).

According to Kuncoro, (2007), the market structure of monopolistic competition contains perfect competition because there are many sellers, and none of them gets a large enough market share. Jaya, (2001) stated that in a monopolistic competition market, the company's market share is not more than 10 percent. The results show that the market share of each Fried Onion Industry in Kuningan Regency in 2021 is relatively small, less than 10 percent. The average market share is 1.82 percent, with the smallest market share of 0.01 percent, and the largest market share amounted to 8.52 percent; This is due to the tight price competition in the Fried Onion Industry in Kuningan Regency.

According to Jaya, (2001), setting prices is very difficult in a monopolistic competition market agreement between companies in an industry. The results

showed that the cost of fried onions from each Fried Onion Industry in Kuningan Regency went independently; there was no agreement or considering the price of fried onions that fried onion companies applied to each other. The price determination of fried onions to the number of costs incurred by each industry to produce fried onions. Based on the study results, the average price per kilogram of fried onions in Kuningan Regency was Rp69,800.00, with the lowest price per kilogram of fried onions, namely in the Sariwangi Fried Onion Industry. Which was Rp22,000.00, and the highest price per kilogram of fried onions was at Neng Tati's Kitchen Fried Onion Industry is Rp250,000.00. The results also show that the barriers to entry into the Fried Onion Industry market in Kuningan Regency are relatively straightforward. For this reason, the capital intensity value of each Fried Onion Industry in Kuningan Regency is relatively small, with an average value of capital intensity is 0.97 rupiah. The formed market structure also tends to be a monopolistic competition structure.

The first hypothesis (H1) states that capital intensity positively and significantly affects Price Cost Margin (PCM) in the Fried Onion Industry in Kuningan Regency. Based on the results of the t-test with = 0.10 (α = 10%), they are indicating that t count < t table, that capital intensity has no positive and significant effect on Price Cost Margin (PCM). So, the first hypothesis is rejected. There is no positive and significant effect between capital intensity and profit margin (PCM). They illustrate that an increase in capital intensity in the Fried Onion Industry in Kuningan Regency will decrease Price Cost Margin (PCM) in the Fried Onion Industry Kuningan Regency. The capital intensity as a barrier to entry from each Fried Onion Industry in Kuningan Regency is relatively tiny. The barriers to entry into the Fried Onion Industry market in Kuningan Regency are reasonably straightforward. Barriers to entry decrease new competitors' opportunities or speed of access.

Small capital intensity can be an opportunity for new companies to enter the Fried Onion Industry market in Kuningan Regency. The smaller the capital intensity, the more attractive it is for newcomer companies to enter the market because the capital required is not too large. The entry of new entrants will have implications for companies already in the market, such as the struggle for raw materials and market share. The more companies enter the market; the more profits will decrease because more people will enjoy these benefits. The results of this study are not in line with the research of Mujic et al., (2019), which shows that capital intensity has a positive and significant effect on Price Cost Margin (PCM). The market structure formed in the Fried Onion Industry in Kuningan Regency is a monopolistic competition structure. The market structure with monopolistic competition has one of the characteristics, namely that competitors are free to enter the market. According to Jaya, (2001), new companies see more profits that can be achieved and enjoy short-term benefits. New companies will be interested in entering the market and will imitate what is done by companies already in the market. As a result, the profits will decrease and become zero in the long term.

The second hypothesis (H2) states that the Capital Labor Ratio (CLR) has a positive and significant effect on Price Cost Margin (PCM) in the Fried

Onion Industry in Kuningan Regency. Based on the results of the t-test with = 0.10 (α = 10%), they were indicating that t count > t table, that the Capital Labor Ratio (CLR) has a positive and significant effect on Price Cost Margin (PCM). So, the second hypothesis is accepted. The positive and significant influence between CLR and Price Cost Margin (PCM) illustrates that the increase in CLR in the Fried Onion Industry in Kuningan Regency will increase the Price Cost Margin (PCM) in the Fried Onion Industry in Kuningan Regency. The Labor Capital Ratio (CLR) shows the production techniques used by the company or industry. The higher the CLR value of a company, it indicates that capital inputs are more than labor inputs and that production techniques are increasingly capital intensive.

The Fried Onion Industry in Kuningan Regency is capital intensive; this is by the relatively large CLR value of each Fried Onion Industry in Kuningan Regency. Most of the fried onion production processes in Kuningan Regency have been carried out modernly using production machines such as spinners, sieves, mixing machines, onion washing machines, and onion slicing machines. Devices and labor-only functions carry out almost every production process to operate the production machines. Using a production machine in the production process will speed up making fried onions in large quantities. It will shorten the time and does not require much labor during the production process, so the costs incurred for work will be reduced and will decrease production costs. A decrease in production costs will increase the profits obtained. Using machines in the production process will also increase the resulting production; the profits will also increase with increased production. Moreover, it will produce products at lower prices, which will increase product demand, which will impact growing profits.

The results of this study are in line with the research of Arini & Sugiyanto, (2013), which showed that the Capital Labor Ratio (CLR) had a positive and significant effect on Price Cost Margin (PCM). The production function shows the nature of the relationship between the factors of production (input) and the output level. In the theory of production with two changing inputs, in this case, labor and capital, these two changeable inputs can be used interchangeably. If the amount of work and money are known, then an analysis of how the company will minimize costs to achieve a certain production level can be shown by an isoquant curve. This curve describes the combination of labor and capital to produce a certain production level (Sukirno, 2013). Theoretically, an increase in the use of capital inputs which causes an increase in production, indicates that the industry is capital-intensive. The more capital intensive, the higher the output level a company can produce. As the level of production increases, the level of profits obtained by a company will increase.

The third hypothesis (H3) states that advertising intensity positively and significantly affects Price Cost Margin (PCM) in the Fried Onion Industry in Kuningan Regency. Based on the results of the t-test with = 0.10 (α = 10%), it indicates that t count < t table, advertising intensity has no positive and significant effect on Price Cost Margin (PCM). So, the third hypothesis is rejected. There is no positive and significant effect between advertising intensity

and Price Cost Margin (PCM). It illustrates that increasing advertising intensity in the Fried Onion Industry in Kuningan Regency will decrease Price Cost Margin (PCM) in the Fried Onion Industry Kuningan Regency. Advertising intensity is the level of size, strength, and severity of an advertisement on an object to affect consumers. Promoting through advertising will increase production costs, which causes higher production costs. The higher the production cost, the lower the profit.

The results of this study are not in line with Kumar, (2019) research which shows that advertising intensity has a positive and significant effect on Price Cost Margin (PCM). In modern companies, advertising is an essential part of marketing their products. The company's expenditure on advertising is quite large, which causes an increase in production costs. According to Sukirno, (2013), production costs will be higher if the company carries out advertising promotions. At the same time, sales and promotion through advertising cause product demand to increase. Thus the advertisement has caused the number of goods sold to grow, but the ad will increase the price of the product sold; This is done to cover rising production costs due to promotion through advertising. According to the demand theory, the demand goes down when the price increases. This will cause a decrease in the company's income, and the level of profit earned by a company will decrease or decrease.

The fourth hypothesis (H4) states that internal efficiency positively and significantly affects Price Cost Margin (PCM) in the Fried Onion Industry in Kuningan Regency. Based on the results of the t-test with = 0.10 (α = 10%), they indicated that t count > t table, that internal efficiency has a positive and significant effect on Price Cost Margin (PCM). So, the fourth hypothesis is accepted. The positive and significant impact between internal efficiency and Price Cost Margin (PCM) illustrates that increasing internal efficiency in the Fried Onion Industry in Kuningan Regency will increase the Price Cost Margin (PCM) of the Fried Onion Industry in Kuningan Regency. Internal efficiency describes the company's management well. Internal efficiency shows the company's ability to reduce production costs. The fewer costs incurred to produce one additional input, the more efficient a company is. Jaya, (2001) states that the more efficient a company is, the greater its profit.

The results of this study are in line with the research of Septiani & Alexandi, (2014), Siregar & Lubis, (2015), and Permana & Hariyanti, (2016), which show that internal efficiency has a positive and significant effect on Price Cost Margin (PCM). The more efficient a company is, the company's ability to reduce production costs also increases. The more efficient a company is, the greater the level of profit that the company will obtain.

CONCLUSION

Based on the research conducted on the Fried Onion Industry in Kuningan Regency in 2021, the market structure formed in the Fried Onion Industry in Kuningan Regency is monopolistic competition. As an indicator of market structure, capital intensity has no positive and significant effect on Price Cost Margin (PCM) as an indicator of industrial performance in the Fried

Onion Industry in Kuningan Regency. Capital Labor Ratio (CLR) as an indicator of industrial behavior has a positive and significant effect on Price Cost Margin (PCM) as an indicator of industrial performance in the Fried Onion Industry in Kuningan Regency. Advertising intensity as an indicator of industrial behavior has no positive and significant effect on Price Cost Margin (PCM) or industrial performance in the Fried Onion Industry in Kuningan Regency. Internal efficiency has a positive and significant impact on Price Cost Margin (PCM) as an indicator of industrial performance in the Fried Onion Industry in Kuningan Regency.

Forming a monopolistic competition market structure in the Fried Onion Industry in Kuningan Regency is a form of imperfect competition. Requires strict supervision of the Kuningan Regency Government so do not emerge the unhealthy industrial behavior, which can harm some of the Fried Onion Industry in Kuningan Regency. Government support and attention to the Fried Onion Industry can be done by creating a conducive business climate by determining product standardization policies, price standardization, and fried onion production sites in Kuningan Regency. To increase the Price Cost Margin (PCM) or profit margin, the Fried Onion Industry in Kuningan Regency must continue to improve internal efficiency, such as expanding the use of production machines. An increase in the use of capital inputs will lead to increased production.

In this study, the variable used as a market structure indicator is only the capital intensity variable. Therefore, further research to use the Concentration Ratio (CR_4) variable and Minimum Efficiency Scale (MES) variable as an indicator of market structure to complement existing research results. In the Fried Onion Industry in Kuningan Regency, the study results cannot be generalized to industries in other regions because the conditions of each area are different.

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