ABSTRACT

The cigarette industry is characterized by a concentrated market structure and faces changes in Tobacco Excise (CHT) policies that may affect firm profitability. This study aims to analyze the effect of market structure based on the Traditional Hypothesis and Efficient Structure Hypothesis, represented by the Herfindahl-Hirschman Index (HHI) and Market Share (MS), respectively, as well as the effects of Advertising to Sales Ratio (ASR), BOPO, the percentage adjustment in tobacco excise rates, and the COVID-19 pandemic on the profitability of cigarette companies listed on the Indonesia Stock Exchange during 2020–2025. The study uses quarterly panel data from four companies comprising 96 observations and employs a Fixed Effects Model (FEM) with Driscoll-Kraay standard errors. The results show that HHI is not statistically significant in explaining ROA, indicating no support for the Traditional Hypothesis, while MS has a positive and significant relationship with ROA at the 5% significance level based on a one-tailed test, making the finding more consistent with the Efficient Structure Hypothesis. ASR has a negative and significant relationship with ROA, while BOPO has no significant relationship with ROA. The percentage adjustment in tobacco excise rates has a positive and significant relationship with ROA. Meanwhile, the COVID-19 pandemic dummy does not indicate a statistically significant difference in profitability between the pandemic period and the post-pandemic period. These findings indicate that firm profitability is not solely associated with market concentration, but also with firm-level market share, promotional expenditures, and firms' responses to policy changes.

***Keywords** : Structure-Conduct-Performance, cigarette industry, HHI, Market Share, profitability, tobacco excise.*

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