

## **ABSTRACT**

*Manufacturing sector has a great contribution in the Gross Domestic Product (GDP) of Indonesia in recent years. The cigarette industry is one of the processing industries that have a potency to be developed, especially clove cigarette industry in Central Java. This province, become the second province which have the largest population of cigarette company after East Java. Apart from the state income tax accounts, the role of the cigarette industry can also be seen from the absorption of its laborforce. However, the development potential of the cigarette industry encountered several obstacles. The rise of anti-smoking campaign in various countries around the world causes the decrease of cigarette consumption. It will have an impact on the performance of the clove cigarette industry.*

*The purposes of this study are to identify the structure of the cigarette industry in Central Java in 2005, analyzed the effect of structure on the conduct of cigarette companies, as well as analyzing the relationship between structure, conduct and performance of clove cigarette industry in Central Java in 2005. This study uses a cross section of 2005 is analyzed using the method of Ordinary Least Square (OLS).*

*The analysis in this study indicate that the clove cigarette industry in Central Java in 2005 has a loose oligopoly structure. Industrial structure measured by the output ratio (RO) has no significant influence on behavior as measured by X-efficiency (X-eff). The results of regression analysis showed that the output ratio (RO) has a positive and significant impact on profits (PCM), the capital labor ratio (CLR) has a positive but not significant effect on profits (PCM), and X-efficiency (X-eff) has positive and significant impact on profits (PCM).*

*Key word : clove cigarette industry, Structure-Conduct-Performance (SCP), ratio output (RO), capital labor ratio (CLR), x-efficiency (X-eff), profit (PCM)*