

## **ABSTRACT**

*The cigarette industry sector as the largest excise contributor is experiencing several difficulties as a result of the policies set by the Government to maintain public health. These government policies generally affect firm's profitability as a result of the changes in market structure and firm's conduct. In knowing its effect on profitability in more depth, the structure-conduct-performance (SCP) paradigm can be applied in this case. The SCP paradigm emphasizes that changes in market structure and firm's conduct could later affect the firm's financial performance. However, in terms of several previous studies, several cases show different relationship between the results of the study and the SCP's hypothesis and phenomenon, which resulting a research gap in this study. Based on this statement, this study aims to analyze the effect of market structure and firm's conduct on the financial performance of cigarette companies listed on the Indonesian Stock Exchange (IDX) during the 2010-2019 period.*

*The independent variables used in this study are Market Share (MS) and Concentration Ratio (CR4) variables as proxies for market structure; Advertisement to Sales Ratio (ASR) and Capital to Labor Ratio (CLR) variables as proxies for the firm's conduct. The dependent variable used is Return on Assets (ROA) variable as proxies for the firm's financial performance. The research used the estimation technique of fixed effect model (FEM), which was selected based on the result of the Chow test.*

*The results of the regression analysis conducted using a sample of the 4 cigarette companies listed on the IDX during the 2010-2019 period, shows that the market structure proxied by the Market Share (MS) variable has a positive and significant effect on the Return on Assets (ROA) variable, whereas Concentration Ratio (CR4) variable has a negative and significant effect on the Return on Assets (ROA) variable; the firm's conduct which is proxied by the Advertisement to Sales Ratio (ASR) and Capital to Labor Ratio (CLR) variables have an insignificant effect on the Return on Assets (ROA) variable.*

***Keywords: Structure Conduct Performance, Market Share (MS), Concentration Ratio (CR4), Advertisement to Sales Ratio (ASR), Capital to Labor Ratio (CLR), Return on Asset (ROA).***