# *ABSTRACT*

*Performance is an indicator that determines wheter a company would survive or exit market. Performancne indicators are generally measured using the level of profitability, growth, efficiency, or profit. regardling the framework of the SCP, there has been a debate over the perspective factors affecting performance; market power hypothesis (MPH) or efficiency structure hypothesis (ESH). MPH believes that the market performance is the result of market power, while ESH believes that the market performance is a result of the ability to perform efficiently.*

*This study aims to test the market power hypothesis (MPH) and efficiency structure hypothesis (ESH) in the pharmaceutical industry in indonesia. The variable used to proxy MPH is market concenctration, while the ESH is proxied using the variable of technical efficiency and scale. Next, the performance variable used is ROA. The type of data used is secondary data from the annual report of 8 pharmaceutical producers listed on Indonesia Stock Exchange (IDX) from 2010 to 2019. The analytical method used is DEA and panel data regression.*

*The results showed that market concentration negatively affected ROA, while technical efficiency and scale had a positive effect on ROA. These results indicate that the performance (ROA) of the pharmaceutical industry in Indonesia is influenced by the level of efficiency rather than market power, so the results of this study support the the efficiency structure hypothesis (ESH) that efficiency is the key to success in the market. These result also support Chicago School SCP framework that performance determine conduct then market structure.*



*Keywords; SCP, DEA, Market Power, Efficiency, Pharmaceutical Industry*