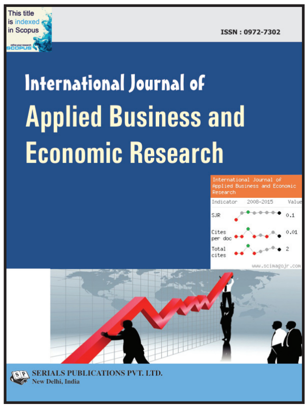

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Financial Capability, Industry Factor and Sustainable Competitive Advantage: Study on Commercial Banking Listed in the Indonesia Stock Exchange

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ABSTRACT

The purpose of this study to analyze the sustainable competitive advantage and the factors that influence it using secondary data in 2008-2014 period, in the form of pooled data. The study population was all banks listed on the Indonesia Stock Exchange during the last 6 years, from 2009 to 2014, with 39 banks in total. The sampling technique used is purposive sampling technique. Sustainable competitive advantage on each bank proxied by the persistence of profit (persistence of abnormal profitability) that reflects the sustainable earnings against the industry average in the future. The result of persistence of abnormal profitability tends to vary. Most banks have a positive profit persistence (lambda) which reflects the competitive advantage in the long term, whereas most other banks had negative profit persistence which reflects long-term competitive weakness. The ability to access capital and funding significantly influence the sustainable competitive advantage, despite the negative impact direction. Other variables, namely the ability to access public funds, industry factors that significantly affect the credit market share, while the ability to maintain asset quality and efficiency does not significantly influence sustainable competitive advantage.

Keywords: Financial capability, industry factor, sustainable competitive advantage, profit persistence.

1. INTRODUCTION

Sustainability has become a global trend as well as a new paradigm, which is able to reconcile the interests of economy, environment, and social (Baumgartner and Ebner, 2010; 76). Sustainable finance is a challenge and a new opportunity for banking to grow and develop more stable in the increasingly fierce competition.

Sustainable compeitive Advantage (SCA) arises when a company is able to penetrate to high entry barriers (Porter, 1985; 11), ownership of strategic resources that can not be imitated by competitors, as well as the achievement of profitability above the industry average, (Barney 1991; 1999; Wernerfelt 1984; 171); Porter, 1985; 11; (Penrose, 1959). SCA also means to reach the growth rate in the long term (Baum et. al., 2001; 292); (Tsuru, 2000; 33).

According to the RBV theory, SCA is the achievement of superior performance that relies on the resources or superior capabilities, (Barney1991; 112); Penrose (1959); (Day and Wensley, 1988). Superior performance can be achieved through the ownership of a resource that could increase the value of the company (Brigham and Houston (2012; 132). SCA also be achieved through the company's ability to protect assets, (Dehning and Stratopoulos, 2003; 705); (Mata, et. al., 1995; 487). The ability of companies to make the process effective and efficient are also considered capable of achieving SCA, (Ojeda et. al., 2007; 289); Gaya et. al., (2013; 1); AZORIN et. al., (2015; 41). SCA can be maintained through the ability to access the capital that supported the information technology (IT), in accordance Fonseka et. al., (2014; 963) for the manufacturing industry; (Vorasubin, 2007; 87) for construction services; (Farland, 1984; 98). In addition, implementation of cash management, as well as effective and efficient investment, believed to be the source of the achievement of SCA, in accordance (Vorasubin, 2007; 87).

Sustainability in the banking industry depens on the aspect of increasing earnings through investment opportunities. Financial sustainability of the banking industry seeks to increase the share of financing, durability, competitiveness, as well as into new opportunities and challenges for superior performance in the long term (Hadad, 2015).

The application of sustainability in China since 2007, Brazil in 2009, Bangladesh in 2011, Colombia and Nigeria in 2012, Indonesia was equivalent to Mongolia, namely in 2014 (The Jakarta Post, 2015), has implemented optimally by foreign banks. The measurement results of financial sustainability of banks in Indonesia are proxied by the persistence of long-term profit and measured by the size of lambda, which is still low, at only 0.025, asthe position of competitive advantage in the Indonesian banking industry, compared to the average in some countries is relatively low, according to the results of research and Eyleerts and Tarjizan (2009). Similarly, when compared to the average banking companies in several countries, according to the results of research Goddard, Liu and Molyneux (2010), as described in Table 48.1, the following:

Positive lambda value reflects the competitive advantage in the long term, negative lambda reflects the weakness to compete in the long term. The small positive lambda value implies a low persistence profit and low competitive advantage. Conversely, large positive lambda persistence implies high profit and high competitive advantage.

This research was conducted in the banking industry, given its important role in the economic system, where the dominance of the sector's total assets amounted to 76.06%, of the total assets of financial institutions. The sector also has the capability in resource allocation through the transfer of funds from those who have a surplus to those in deficit (Mioarastanciu and Leootinstanciu, 2012; 56); (Allen and Qian, 2014; 499); (Berger et. al., 2010; 978). Banking also helps reduce the friction of transaction costs, asymmetric information, and credit portfolio management capabilities (Benston and Smith, 1976); (Abdullah et. al., 2014; 94); Bukhari et. al., (2012; 1037). However the role in economic growth is still not optimal, the ratio of loan to GDP and the ratio of deposits to GDP reached 35.25% and 39.36%, which is still lagging behind

Table 48.1
The Comparison of Sustainable Competitive Advantage between Countries

Country	*Profit Persistency*
Indonesia	$0{,}025^{*}$; $0{,}038^{\#}$
Australia	$0{,}255^{\#}$
Bangladesh	$0{,}284^{\#}$
China	$0{,}570^{\#}$
India	$0{,}477^{\#}$
Japan	$0{,}132^{\#}$
Malaysia	$0{,}122^{\#}$
Pakistan	$0{,}578^{\#}$
Singapore	$0{,}243^{\#}$
Thailand	$0{,}967^{\#}$
Chile	$0{,}32^{\&}$; $0{,}400^{\#}$
Peru	$0{,}29^{\&}$; $0{,}328^{\#}$
Brazil	$0{,}23^{\&}$; $0{,}311^{\#}$
Argentina	$0{,}20^{\&}$; $0{,}164^{\#}$
Colombia	$0{,}33^{\&}$; $0{,}324^{\#}$
Mexico	$0{,}26^{\&}$; $0{,}512^{\#}$
USA	$0{,}27^{\&}$; $0{,}680^{\#}$

Source: Data Processing (*), Tarjizan & Eyleerts, 2009 (&), andGoddard, Liu & Molyneux, 2010 (#)

in the ASEAN region. The shifting of domination number and the share of foreign banks and joint venture banks, which include the market share of assets, loans and deposits in the period 1999-2013 in Indonesia showed an increase compared BUSN Domestic, BPD and SOEs.

Utilization of financial resources needs to be studied in depth given the resources to support the process of value creation, (Harrison, 2009; 1); (Chen et. al., 2014; 563). Financial resources related to funding decisions, investment, and asset management that will maximize shareholder value over the long term (Van Horne and Wachowicz (2008; 3 and 2012; 2); (Brigham and Houston, 2012; 2), can be a resource superior if built or developed well.

Various phenomena pushed to reveal the problem of how to maintain a sustainable competitive advantage, how it impacts the financial capabilities and industry factors to sustainable competitive advantage in the banking sector in Indonesia. This is a development of theoretical models and empirical studies, which is expected to clarify the issue in improving sustainable competitive advantage.

2. LITERATURE REVIEW AND RESEARCH HYPOTHESES

Sustainable Competitive Advantage

The company uses a variety of strategies in developing internal resources possessed to position themselves in the market in order to have a sustainable competitive advantage (SCA). According to experts SCA can be formed through the generic strategies: low cost, differentiation and focus, (Porter, 1985). SCA can be achieved when companies implement simultaneous value creation strategies that are not implemented by the current potential competitors in the long term and when other forms can not be duplicated (Barney 1991: 102; 112), when company obtain profits higher than the industry average (Barney 1991: 102; 112); (Porter, 1985), when a company has the advantage that is not easily copied, it makes the company able to seize and maintain its position as a market leader, Barney, (1991: 102; 112), when companies have the ability to offer stock, issuing non-convertible and convertible bonds and has the ability to access to bank financing, Fonseka et. al., (2014),when companies have the ability to access capital, cash management efficient and effective capital investment.

Based on RBV Theory, SCA relies on the resources within the framework of Vrin, where exploitation of resources is to achieve superior performance, (Barney, 1991; Kraaijenbrink, Spender & Groen, 2010). Resources and abilities, including the area of financial resources, human, physical, organization, can be built through the support area or other area that is complementary (Harrison, 2009; 1). Resources are factors that are owned or controlled by companies (Amit & Schoemaker, 1993; 133). Ability is the ability of companies to deploy, develop, process and utilize resources, through interaction and complex organizational processes, Amit and Schoemaker (1993; 35; 133). Resources and capabilities are all assets, organizational processes, firm attributes, information, knowledge, corporate controlled, (Barney, 1991; 101). Different resource used to gain the competitive financial benefit through the efficient allocation, (Wernerfelt, 1984; 178); (Hill, Hitt and Hoskisson, 1992; 501). The combination of resources and capabilities must have characteristics such as barriers to duplication and appropriability that contribute to creating value, Fahy (2000; 100) and Clucow et. al., (2003; 222). Sustainable competitive advantage is not the final objective, yet it is a means to reach the final objective, which is the long term superior performance. Bank superior profit shows the ability of management to provide returns on investment of funds which maintain the continuity of operations (going concern). Banks' attempt to collect and distribute funds force banks to make decisions about interest rates, the type and amount of funds, total outstanding loans, and the types of securities to be purchased, as well as the conditions of competition and the industry as a whole, (Demirguc-Kunt and Huizinga, 1998; 105); (Athanasoglou et. al., 2005; 25).

Establishing and maintaining superior performance in the long term or have a sustainable competitive advantage (SCA) can be analyzed through several approaches from related theories. Companies should experience growth, because growth is an important thing, without the company's growth is not viable in the long term (Baum et. al., 2001; 292). The main factor that drives the company's growth is a business strategy that is focused on product diversification and expansion capabilities to the stock market (Najib Harabi, 2002). Growth is also associated with desire, tenacity and skills to manage new resources, Baum and Locke (2004; 587). The growth of the banking sector is important given its role in promoting economic growth and external financing constraints, Levin (2005; 866), and to reduce poverty as well as to improve the allocation of resources, Zhuang, et. al., (2009; 29-30).

Agency theory approach related to the conflict between stakeholders, owners and agents can lead to charges. A harmonious relationship between the owners and managers will be difficult to create if there are conflicting interests, which leads to an imbalance of information (asymmetric information). The imbalance can cause agency costs such as monitoring costs, bonding cost, and the cost of residual loss (Jensen & Meckling, 1976; 5).

According Lockett & Thomson (2001; 723), interaction between RBV theory and agency theory happens, because there are institutional economic theory directly related inter-company organization, namely transaction cost economics (TCE) and the positive theory of agency (PTA). Both approaches use the assumption of opportunism that defines institutional efficient set arrangements that minimizes the number of organizations and production costs. Transaction cost economics (TCE) are costs associated with the research costs, metering and monitoring, transfer of resources and products in the market. Meanwhile, through the positive theory of agency (PTA), we can identify the cost of monitoring and breach of contract that leads to economic relations between the private interests, opportunistic agent and principal.

Optimal company funding structure is formed by preference whether using internal funding sources, debt or through stock issues. If internal funds are insufficient, the company may use external financing, (Myers & Majluf, 1984). According to trade off theory (balance theory), the optimal debt ratio weighs the benefits and costs of debt use. Trade off Theory also explains the relationship between the tax, the risk of bankruptcy and the use of debt caused by the company's capital structure decisions (Brealey and Myers, 1991). According to the Pecking Order Theory, the main problem of the capital structure decisions is the asymmetric information between managers and investors, as well as the argument that managers favor of existing shareholders, (Myers, 1984). Those problems led the company to have a hierarchy of funding starting from internally generated cash flow, debt, and stock. This theory states that the stock will never be published, because of the highest asymmetric information. Funding based on the pecking order theory tends to choose the funding that comes from internal rather than external. When used in external funds, the funding sequence suggested is debt, followed by the issuance of new equity, and then retained earnings (Myers, 1984; l2). Ross (1977; 38), stated that the increase in leverage contains positive information related to the capacity of companies in providing loans in larger amounts. The banking institutions capital structure is highly regulated since banks are sensitive to changes in financial leverage. Banks must pay attention to regulatory requirements and conditions of the minimum capital ratio, the level of health, returns to shareholders, as well as the trade-off between risk-return by the regulatory authorities. There is a positive relationship between the optimal capital structure and profitability of the bank (Saeed et. al., 2013; 393). Banks also tend to replace capital with debt to maximize the return on capital and to satisfy investors, as opposed to the irrelevant theorem Modigliani and Miller, (1958).

The interaction between the dimensions of strategy and financial management has become a weapon to compete. The potential interactions occur between managers, financial stakeholders which is share and debt holders, with non-financial stakeholders in the capital structure decisions, business activities, and the value creation process which lead to inefficient managerial decisions in achieving competitive advantage, La Rocca (2008; 11)

In many cases, investors' attention to the company is not only at a higher profit, but also at persistent profit which showed more informative profit Otherwise if earnings are less persistent it will be less informative. Profit persistence is profit that is able reflect the sustainable earnings in the future, Penman (2001; 2). Profit persistence is the revision of accounting expected future earnings caused by the innovation of current earnings, (Penman and Zhang, 2002; 1); (Scott, 2009). Persistence profit is the profit that can be used as a measure of the profit itself, profits can be used as an indicator of earnings, Zarowin and Tucker (2006). Profit persistence is the slope coefficient regression current earnings on lagged earnings, so the profit persistence will be seen from current year profit innovation associated with changes in stock prices, Tucker and Zarowin (2006); Ecker, et. al., (2006). Persistence profit measurement model based on current earnings regression slope coefficient on lagged earnings have been widely used, including Lev and Thiagarajan (1983), Sloan (1996), Penman and Zhang (2002), Richardson (2003), and Pagalung (2006). Profit persistence as a proxy for sustainable competitive advantage has been used by Villalonga (2004; 205); Fonseka et. al., (2014; 963). However it is formally derived from the Mueller model (1990a). There are two stages of process modeling persistence profit analysis, is used as an analytical framework.

Stage 1: Estimasi Profit Persistence

$$\Delta\pi_{it} = \theta_i + \sum_{k=0}^{\infty} \beta_{j,k} E_{i,t-k} + u_{i,t} \tag{1}$$

$$E_{it} = \theta_i + \sum_{k=i}^{\infty} \sigma_{j,k} \pi_{i,t-k} + e_{i,t} \tag{2}$$

$$\pi_{it} = \breve{\pi}_i + \sum_{k=1}^{\infty} \lambda_{j,k} \pi_{i,t-k} + v_{i,t} \tag{3}$$

Stage 2: Determinant of Profit Persistence Investigation

Some researchers explained that the determinant of sustainable competitive advantage is a company with the ability to offer the shares to shareholders, issuing non-convertible and convertible bonds, and access to financing will provide sustainable competitive advantage, Fonseka et. al., (2014; 963). Ability to access capital, cash management efficient and effective capital investment, contribute to the company's competitive advantage, Vorasubin (2007; 87). Sustainable competitive advantage depends heavily on the ability of organizations to internalize the benefits of innovative activities, identifying, developing, deploying and protecting the intangible assets as well as the ability to maintain a competitive advantage, Lazo & Woldesenbet (2006: 400). Access to the capital needed to develop and implement IT, whether in the form of debt, equity, or retained earnings proposed as a source of sustainable competitive advantage of the company, Farland (1984: 98). There are four (4) attributes that IT capital requirements, proprietary technology, technical skills, and managerial IT skills, which become the sources of sustainable competitive advantage, Mata, et. al., 1995; 487). Companies with profit above normal is a company that has high barriers to entry and exit, while companies with profits below normal has low barriers to entry and exit, Mc Millan & Wohar (2008). Factors associated with higher earnings and accruals persistence, is the ability to manage better , Demerjian (2013). Fundamental signal is a significant predictor of future profits to short term and long term changes, contextual factors include earnings news, industry membership, macro-economic conditions and the establishment of the company, Zinc & Hancock (2012). Profit persistence is stronger when high entry barriers, and when there is low competition in accordance with the structure and behavior indicators based competition, Goddard, et. al., (2010; 4).

Financial Capability

To expand its business, the company can use the internal and external resources . Internal funding sources come from retained earnings and depreciation while the source of external funding can be obtained from external debt financing and equity. The need for capital can be met through the company's ability to access capital markets to sell shares through an IPO to go public and as the company did an IPO is as a means to promote good governance and corporate performance, Faizul Haque (2006; 1); Singh (2000; 1), increase control and efficiency (Singh (2000; 1), in order to finance the growth of the net assets of those of the internal funds, Singh (2003), to further improve profitability and market valuation, Jackowicz et. al., (2013; 1), in order to finance the growth of total assets, Yartey (2006: 4), to finance its banking operations (Wenying Jiangli et. al., 2007; 2), for financial growth with intensive investment companies that do not generate cash flow sufficient internal (Pagano and Roell, 1998; 43), for increasing the value of the company, the purpose of R & D, capital expenditures, as well as the acquisition of Kim and Weisbach (2005; 3); Sosnowski (2015; 227). Not all developed countries regard the stock market as an important tool in obtaining funds from the capital market (Allen & Qian, 2014; 499). Banks could finance its activities in addition to equity, it can also with debt, credit sales, and through the securitization of assets in the capital markets, (Wenying Jiangli et. al., 2007; 2); (Greenbaum &. Thakor, 1987).

Related to the Initial Public Offering (IPO), according to Albornoz and Pope (2004; 2), the possibility depends positively on the size and stock price, the larger the size of the companies find it easier to obtain greater external capital.

Problems arise with the financing of the stock is how to position its shares on the capital market. Shares that provide high returns will be pursued by investors from time to time. Indonesia Stock Exchange has provided information about the development of the stock exchange, stock price data, both through print and electronic media, in the form of stock price movement indicator which called as the stock price index. For investors, some banking stocks always be excellent, on the Main Board Index (MBX), LQ45, Business-27 index, the index Compass 100, or in a group bluechip stocks. Stock position through the implementation of trading systems can lead to two boards of management companies that go public experiencing financial pressures caused by the decline in the status of the issuer's shares trading on the main board to the development board. Degradation to the development board is not a proud achievement for the issuer's management, because management is acting as the agent has been given the task by the owner of the company (principal) to manage the company.

According Mutairi & Naser (2015; 959), the majority of the assets of the commercial banks financed by debt that represents more than 80 percent of bank capital. As an alternative financing, bonds often become an important source of funding, such as companies with a high probability of survival and beneficial, will tend to use more debt, as their main funding options, Abor & Kofi (2009; 195). Bond ratings are important to investors, because it shows the scale of the risk of failed payment, which is a probability when the issuer is unable to pay its financial obligations on time according to its financial agreement with investors. Bond ratings provide an overview of credibility (credit worthiness) and affect the value of the bonds in the capital market. The higher the rank, the higher the credibility of the bonds. Therefore the company must maintain these ratings for giving effect to management and investors.

While the impact of the announcement of such bond rating downgrades, the bad information to shareholders and the Bondholder (Goh and Ederington, 1993; 2001). Ranked announcement could also impact on the stock price changes (Kliger, and Sarig, 1998; 13; 2000); (Liu, Seyyed and Smith, 1999; 337).

Ability of banks to collect funds from the public in the form of third-party funds (DPK) will affect the number of loans, which will ultimately affect the performance gains. Results of research Bukhari et. al., (2012; 1037); Dawood (2014; 1) and Javaid et. al., (2011; 59), concluded that the deposit is the main profitability indicator which called Return On Assets (ROA), that has a strong influence on profitability. Furthermore, according to Khan (2011; 1484), a variable ratio of deposits to assets, the ratio of deposits to loans, are major determining factors of profitability of banks. But the sources of financing of credit sourced from third party funds and strong deposit growth , can lead to slow credit growth, (Guo and Stepanyan, 2011; 1), thus there should be an attempt to seek other financing sources. Financing decisions on the bank is not the same as other types of companies because of the nature of the operation of the financial institutions. Even though commercial banks are able to raise finance using equity and debt, the fact that they are mobilizing third party funds (DPK) which can act as a source of finance, makes their capital structure unique compared to other business enterprises (Abdabi & Abu-Rub, 2012; 92; Taani, 2013; 41).

Bank productive assets, such as loans are positively related to economic growth, in which financial intermediation as well as financial liberalization would stimulate demand for higher credit (Shijaku & Kalluci, 2013; 5). Although the sources of financing of credit primarily sourced from third party funds and strong deposit growth, it can lead to loan growth slow, (Guo and Stepanyan, 2011; 1). Slowing credit growth indicates the intermediation function of banks that are less effective, thus requiring the development of various additional sources of other funds to boost credit growth. The ability of banks increase credit growth is an achievement of the performance of banks must be maintained and improved.

Result of studies suggest that the ability of banks to channel loans to increase profits such as, Bukhari (2012; 1037); (Javaid, 2012; 59); Khan & Anuar (2011; 1484); (Alpera & Anbarb, 2012; 139), that the interest income, higher loan growth, and the size of the loan portfolio contribute to the profitability of banks. Furthermore, according to Syafri (2012; 236), the loan to total assets ratio, total equity to total assets ratio, loan-loss provision to total loans give a positive effect on profitability. But according to Khan & Anuar (2011; 1484) in the case of smaller banks, loan growth variables do not significantly affect the profitability of banks.

The increase in NPLs tend to hamper economic growth and reduce economic efficiency (Hou, 2007). The economic slowdown, the unemployment rate, t inflation and interest rates have an impact on non-performing loans, Vatansever and Hepşen (2013; 119); Makri et.al (2014; 3); Luzis et. al., (2010, 3). Another factors are the capital adequacy ratio, the level of nonperforming loans the previous year and return on equity, (Louzis et. al., 2010; 3). Non Performing Loan (NPL) used as a proxy of the quality of credit management needs to be maintained since the high level of NPLs is a reflection of the low quality of management and vice versa. Lim paphayom & Polwitoon (2004; 1578), explain that the NPL gives positive effect on ROA. However, these result contradicts to the research Gelos (2006; 23) which shows a significant negative effect on the NPL to ROA. Banks with high NPL tend to exhibit lower levels of competitiveness, whereas banks with lower NPL levels showed high competitiveness.

Credit performance can also be demonstrated by the increased credit growth as shown in growth theory. Credit growth will affect the performance of loans in the balance sheet (Carbo et. al., 2011; 4). Various ways can be done to boost credit growth as a syndicated loan model, which means as a loan or credit granted jointly by more than one bank to the debtor, whether it is the investment loan or working capital loans, that opens a new chapter in the model of the loan. Model loans and other financing require more in-depth study in the future.

Keeping the level of efficiency is important concerning the bank's function as an agent of trust, an agent of development and agents of service. In accordance with these functions, maintain the health of banks is very important for customers interest, investors, government and society at large. In Indonesia, a proxy often used to determine the efficiency is the ratio of operating expenses to operating income (BOPO). The theory explains that the relationship between BOPO and ROA are inversely proportional. The standard number for BOPO ratio is below 90% (PBI). If the ratio of a bank's BOPO generated more than 90%, it can be concluded that the bank is not efficient in carrying out its operations. With the increased income, it can be ascertained that ROA increases. Prabowo (2012) concluded that BOPO gives negatively effect to bank performance which is proxied by NIM. Similar disclosed, Ilusmawati & Nuswantara. (2014; 1148) that BOPO gives significant effect on ROA.

Some researchers who incorporate efficiency as input variables in determining the performance, Abdullah et. al., (2014; 82) use the cost efficiency as input variables in determining the ROA and NIM. Furthermore, Almazari (2013; 285); Amunani (2013; 308); Dawood (2014; 1), include the Cost to Income Ratio (CIR) that affect ROA and ROE. Jabbar (2014; 113); Shipho (2011; 24) use the operating expense/ total expenses to determine their impact on ROA and NIM. Prabowo (2012), Ilusmawati & Nuswantara. (2014; 1148), that BOPO gives significant effect on profit performance.

Industrial Factors

Industry factors in this study use a proxy of market share where the market share, according to the American Marketing Association in Kotler (2002: 812), is the proportion or percentage of the sale of a company (product specific) on all sales that occur in a particular market. According Assauri (2001: 95), the market share is the total amount of part or the extent of the market that can be controlled by a company which is usually expressed in percentage. Based on the definitions above, it can be concluded the market share is the large part of the market controlled by a company. In other words, it is the mastery of a product on the market or the large number of products demanded and produced by a company than the total demand in the market. Banking liberalization in Indonesia has caused changes in the structure of banking, proven by an increase in the number of banks from 111 banks in 1988 to 240 banks in 1996 (Bank Indonesia, 1997). Increasing number of banks lead to the tougher level of competition. On the other hand, changes in market structure of the banking industry also poses a number of risks in the implementation, such as an increased risk of bad debts, the risk of fraud, moral hazard among the owner banks, investors, managers, and also the borrower, which arise from asymmetric information between the lender and the borrower.

Effects of Financial Capability Against Sustainable Competitive Advantage

Results of the study that includes input s financial capabilities variable with output sustainable competitive advantage variable that the company with the ability to offer stock, issuing non-convertible and convertible bonds, and access to bank financing has a sustainable competitive advantage in the long term (Fonseka and Gao, 2014; 963). Thr three strategic assets: access to capital, cash management efficient and effective capital investment were found to contribute to competitive advantage at a construction company in Thailand. (Vorasubin and Chareonngam, 2007). Whereas access to the capital needed to develop and implement IT can be in the form of debt, equity or from retained earnings, has been proposed as a source of sustainable competitive advantage, Mata, et. al., (1995). The company's high-performance, business exporters, medium and large companies will increase the probability of access to credit, where the company who has access to credit and an increase in loans with a long duration effect on the company's performance, Buyinza1 & Bbaale1 (2013). In the financial services industry a superior resource development is an important element in generating returns above normal. The issuance of shares is positively associated with profitability and liquidity, support bank as a supplier of interest is positively related to bank profitability and capital adequacy, Behery & Eldomiaty, (2010; 120). The better credit information sharing mechanism decrease the low competition damage, Love and Soledad (2014). Results of previous studies related to the input variables of financial capability and its impact on sustainable competitive advantage has not been done, in contrast to previous research using the data of the banking sector the period 2009-2014 which use variables comprising the financial capability of the company's ability to share access, the ability to access bond funds, according to Fonseka et. al., (2014), Vorasubin and Chareonngam, (2007); Mata, et. al., (1995; 487); (Style et. al., 2013); (Behery & Eldomiaty, 2010; 120). In addition, the other financial capabilities used are the ability of third parties to collect funds, the ability to deliver and the credit management in accordance with Love and Soledad (2014), as well as the bank's ability to maintain the level of efficiency. Ojeda et. al., (2007; 289); Style et. al., (2013; 1); Azorin et. al., (2015; 41).

H_1: Ability to Maintain the Stock Quality Affects the Sustainable Competitive Advantage.

H_2: Ability to Gain Stock Funds Affects the Sustainable Competitive Advantage.

H_3: Ability to Maintain the Bond Quality Affects the Sustainable Competitive Advantage.

H_4: Ability to Gain the Stock Funds Affects the Sustainable Competitive Advantage.

H_5: Ability to Access Long Term Funding Affects the Sustainable Competitive Advantage.

H_6: Variable of Ability to Access the Society Funds Affects the Sustainable Competitive Advantage.

H_7: Ability to Maintain Asset Quality Affects the Sustainable Competitive Advantage.

H_8: Ability to Distribute Credit Affects the Sustainable Competitive Advantage.

H_9: Ability to Maintain the Efficiency Affects the Sustainable Competitive Advantage.

Effects of Industrial Factors Against Sustainable Competitive Advantage

The results of research includes the input variable factor which is the market share of the credit industry to reveal the output variable problem of how to maintain sustainable competitive advantage. That specific industry factors including market share and the external impact on the profitability of commercial banks, Muthini (2013). The indicators of the presence in the market is quite competitive in banking environment, particularly the competition between private banks, Amare (2012). The bank's profit is determined by a larger market share, the banking sector is not very competitive, Garza-Garciab (2010). Concentration has a strong impact on the performance of the bank, Jonathan A. Batten, Xuan Vinh Vo (2014). All factors in some particular banks has a statistically significant impact on profitability, but there is no market factor that has a significant impact, Olweny & Shipho (2011). Previous research related to the impact factor of the sustainable competitive advantage in the industry has not been done. This study uses a variable input credit market (credit market share) as the independent variable and variable sustainable competitive advantage that is proxied by the persistence of profit as the dependent variable.

H_{10} : Industrial Factor, which is credit market share, is predicted to be the variable that affect sustainable competitive advantage.

3. RESEARCH METHOD

The object under study is a sustainable competitive advantage and the factors that influence it, such as: financial capacity and industry factors on the bank listed on the Indonesia Stock Exchange (BEI) in the period 2009-2014. This type of data is secondary data, in the form of pooled data. The study population was all banks listed on the Indonesia Stock Exchange that there are 39 banks with purposive sampling technique.

Dependent Variables

Dependent variables or called as sustainable competitive advantage in each bank are proxied by the persistence of abnormal profitability that reflects the sustainable earnings against the industry average in the future. Profit persistence is measured based on the dynamics of corporate profits empirical data and estimated through regression analysis of dynamic panel banking company level, as well as the theory of persistence of profit hypothesis Mueller (1977, 1986).

Independent Variables

Independent variables as determinants of sustainable competitive advantage which named as Financial Capability consist of:

Capability to access capital and funding:

- Quality Stocks/KS (X1), the ability of the company to get a position on the group Main Board for access to the public.
- Stock Funds/DS (X2), the amount of share capital that was successfully obtained through access to the public.
- Quality Bond/KO (X3), the ability of the company to obtain a superior rating (AAA) on agency securities (PEFINDO).
- Bond Funds/DO (X4), is the number of company's bonds sold to investors through the capital market.

The ability to access Community Fund:

- Third Party Funds/DPK (X5), is the number of third-party funds consist of demand deposits, time deposits and savings that have been collected from the public.

Maintaining Capability Asset Quality:

- Loan Disbursements/KYD (X6), the amount of credit that were distributed.
- Credit quality/KK (X7), is the company's ability to maintain credit quality that is proxied by the Non Performing Loan.

Efficiency Keeping Capability:

- BOPO (X8), is the company's ability to maintain efficiency proxied by the ROA (Operating Expenses divided by Operating Income).

Industry factors: variables used are:

- Credit Market Share/CMS (X9)

Except for the variable quality of Shares/KS (X1) and Quality Bond/KO (X3), all factors measured in each bank with normalization techniques as used in the measurement of bank profitability normalized, which is as a deviation factor of a bank against the average interbank annually averaged throughout the study period (2009-2014)and Credit Market Share/CMS (X9), the normalization process is only calculated as a deviation, whereas the other variables were calculated as a deviation relative to the average in percent.

Analysis Technique

The analysis technique used in the measurement of sustainable competitive advantage among banks and analysis of the factors affecting the banking sustainable competitive advantage is the linear regression analysis. Analysisis performed using a two-step approach referring to the profit persistence analysis techniques of Goddard, Liu, Molyneux, and Wilson (2010), which rests on the theory of persistence of profit hypothesis of Mueller (1977, 1986). In the first stage, sustainable competitive advantage (banks profit persistence) throughout the research period (2009-2014) in each bank estimated through regression analysis of time-series between years based on the model of first-order autoregressive normalized profitability of banks in the formation of a dynamic panel. Profitability of banks is measured by Return on Assets (ROA), while bank profitability normalized ROA is a deviation between a bank with an annual average interbank ROA (abnormal ROA).The normalized profitability of banks of first-order Auto Regressive model AR (1) in the formation of a dynamic panel for the measurement of sustainable competitive advantage throughout the study period (2009-2014), each banks are:

$$\pi_{i,t} = \tilde{\pi_i} + \lambda_i \cdot \pi_{i,t-1} + v_{i,t}$$

where.

$\pi_{i,t}$ = ROA deviation i bank with average ROA interbank t year $(ROA_{i,t} - \tilde{ROA_t})$

$\pi_{i,t-1}$ = ROA deviation i bank with average ROA interbank $t - 1$ $(ROA_{i,t-1} - \tilde{ROA}_{t-1})$

π_i = estimation of model constanta which shows ROA average deviationi bank *ke-i* with long term average interbank ROA

λ_i = estimation reggresion model coeficient which shows profit persistency as competitive advantage proxy of i bank

In the second stage, the regression coefficients estimated first-order autoregressive models of the first stage, which is profit persistence as a proxy for sustainable competitive advantage that is treated as a dependent variable in the regression analysis of cross-sectional interbank and functioned based on factors which allegedly influenced it. Regression model in the second stage regression analysis is a model of the effect of Financial Capability and Industry Factors on Sustainable Competitive Advantage analyzed in relation to the research hypothesis testing. The regression equation is analyzed as follows:

$$\lambda_i = b_0 + \Sigma\, b_j \cdot X_{ji} + e_i$$

$$\lambda_i = b_0 + b_1 \cdot X_{1i} + b_2 \cdot X_{2i} + b_3 \cdot X_{3i} + b_4 \cdot X_{4i} + b_5 \cdot X_{5i} + b_6 \cdot X_{6i} + b_7 \cdot X_{7i} + b_8 \cdot X_{8i} + b_9 \cdot X_{9i} + e_i$$

$$\text{LAMBDA}_i = b_0 + b_1 \cdot \text{KS}_i + b_2 \cdot \text{DS}_i + b_3 \cdot \text{KO}_i + b_4 \cdot \text{DO}_i + b_5 \cdot \text{DPK}_i + b_6 \cdot \text{KYD}_i + b_7 \cdot \text{KK}_i + b_8 \cdot \text{BOPO}_i + b_9 \cdot \text{CMS}_i + e_i$$

where,

λ_i(LAMBDA) = profit persistence as sustainable competitive advantage proxy from *i* bank.

X_{ji} = *j* free variable from *i* bank.

X_{1i} to X_{8i} = The 1st to 8th independent variable as financial capability factors of *i* bank that consists of KS (Stock Quality), DS (Stock Fund), KO (Bond Quality), DO (Bond Fund), DPK (Third Party Fund), KS (Distributed Credit), KK (Quality of Credit), and BOPO (Ratio of Operational Cost to Operational Profit).

X_{9i} = the 14th independent variable as industrial factor of i bank, which is CMS (Credit Market Share).

b_0 = the estimation of constanta model that shows average long term profit persistence.

b_i = the estimation of regression model coeficient that shows the persistency profit sensitivity against the change of j independent variable

Determinant of sustainable competitive advantage model is analyzed through three (3) measurement model, which are: normalization models as reference models, as well as the average model and growth model as a model of exploration. Each model measurements, will be analyzed by two (2) methods, the enter method and backward method. In the enter method, model is analyzed by including all independent variables. Whereas in the backward method, model is gradually by removing variables that do not meet the 10% significance models and incorporate independent variables that meet the 5% significance models. Before analyzed, Financial Capabilities and Industry Factors influence model on Sustainable Competitive Advantage in the enter method model normalization was tested for compliance. The testing requirements is that testing should be done with classical assumptions for linear regression. Test is conducted on the assumption of normality test, multicollinearity, and heteroscedasticity. Autocorrelation test was not included considering the formation of the data are cross-sectional that do not have a specific order.

4. RESULTS AND DISCUSSION

The normalized first-order autoregressive model (AR(1)) of banks profitability in the formation of a dynamic panel for the measurement of competitive advantage (bank profit persistence) throughout the study period (2009-2014) on each bank is that the highest average ROA at bank-bank listed on the Stock Exchange in the period 2008-2014 was obtained in 2012, with ROA of 2.07%; while the lowest was in 2008 with –0.19% ROA. ROA increased from the year 2008-2012, then declined in 2013 and 2014. On the condition ROA reached the highest position in the year 2012, the bank with the highest ROA was Bank Rakyat Indonesia (BBRI) with 5.15% ROA; while the lowest is Bank QNB Kesawan (BKSW) with of –0.81% ROA. When the ROA reached its lowest in 2008, the bank with the highest ROA is Bank Tabungan Pensiun Nasional (BTPN) with 4.48% ROA; whereas the lowest was Bank Mutiara with 52.69% ROA.

When ROA reached the highest position in 2012, by that bank with the highest abnormal ROA is Bank Rakyat Indonesia (BBRI) with abnormal ROA of 3.08%; while the lowest is Bank QNB Kesawan (BKSW) with abnormal ROA of –2.88%. The average ROA between banks in 2012 amounted to 2.07%. As for the conditions of ROA reached its lowest in 2008, the bank with the highest abnormal ROA Bank Tabungan Pensiunan Nasional (BTPN) with abnormal ROA of 4.67%; whereas the lowest was Bank Mutiara with abnormal ROA of –52.50%. The average ROA between banks in 2008 amounted to –0.19%.

The results estimated profit persistence (lambda) based on a simple linear regression analysis on the model of normalized first-order autoregressive (AR (1)) profitability of the bank showed that 15 banks (48.4%) had a positive profit persistence (lambda), while 16 banks other (51.6%) had a negative profit persistence (lambda). Banks with the highest positive profit persistence or have a sustainable competitive advantage in the long run is the highest Bank Ekonomi Raharja (BAEK) with a value of lambda = 0.541. While the bank with the lowest positive profit persistence or have a sustainable competitive advantage is the lowest of Bank Capital Indonesia (BACA) to the value of lambda = 0.009.

As for banks with low or negative profit persistence has the lowest competitive disadvantage in the long run is the Bank Central Asia (BCCA) with a value of lambda = –0.005. While the bank with the highest negative persistence profit or have the highest competitive weakness is the Bank Rakyat Indonesia (BBRI) with a value of lambda = –0.450.

Based on the measurement of sustainable competitive advantage it appears that banks with high ROA is not guaranteed to have high profit persistence, and vice versa. The results showed that banks with high ROA can have a negative profit persistence that show indications of weakness to compete in the long term because it is not able to maintain its achievement abormal ROA ROA relative to the industry average as with Bank Rakyat Indonesia (BBRI) and Bank Central Asia (BCCA). Bank Rakyat Indonesia (BBRI) the period 2009-2014 resulted in an average ROA highest compared to other banks, which amounted to 4.70%; but has the lowest profit persistence. Bank Central Asia (BCCA) in the period 2009-2014 had an average ROA ranked 3rd highest after Bank Rakyat Indonesia (BBRI) and Bank Tabungan Pensiunan Nasional (BTPN), amounting to 3.67%; but has a negative profit persistence.

The results also showed that banks with low ROA can have a positive profit showing the persistence of competitive advantage in the long run because it is able to maintain the achievement abnormal ROA-compared to the industry average ROA. As with Bank Ekonomi Raharja (BAEK) and Bank Capital Indonesia (BACA). Bank Ekonomi Raharja (BAEK) over the period 2009-2014 resulted in an average ROA rated 21st compared to other banks, which amounted to 1.33%; but has the highest profit persistence. Bank Capital Indonesia (BACA) in the period 2009-2014 had an average ROA rank 25th, in the amount of 1.09%; but has positive profit persistence

The Result of Normalization Model of Regression Analysis; The Average and Growth

Below is a recapitulation of the analysis model of the influence of the normalization models as reference models with average model and growth model as a model of exploration.

Table 48.2
Result of Recapitulation Model Analysis

Determinant	*Normalization Model*				*Average model*				*Growth Model*	
	Enter Method (n = 31)		*Backward Method (n = 31)*		*Enter Method (n = 30)*		*Backward Method (n = 29)*		*Backward Method (n = 16)*	
	Koefisien	*p-value*	*Koefisien*	*p-value*	*Koefisien*	*p-value*	*Koefisien*	*p-value*	*Koefisien*	*p-value*
Constant	,151	,259	,052	0,266	−3,899	,262	,054	,351	−5,491	063
KS	−,146	,423			−,128	,475			,379	,024
DS	,001	,367			$1,289 \times 10^{-11}$	,729				
KO	−1,834	,039	−1,675	,019	−2,444	,020	−2,627	,003		
DO	−,002	,010	−,001	,022	$-1,046 \times 10^{-10}$	,042	$-5,268 \times 10^{-11}$	,089	−,003	,052
DPK	−,007	,044	−,006	,047	$6,226 \times 10^{-10}$	,934	$6,700 \times 10^{-9}$	,006		
KYD					$6,452 \times 10^{-8}$	,083			,267	,075
KK	,008	,678			,005	,803				
BOPO	,001	,917			,003	,630				
CMS	,365	,079	,353	,046	−1,477	,154			−,308	,074
$R^2(R^2_{Adjusted})$	0,528 (0,167)		0,378 (0,222)		0,595 (0,218)		0,410 (0,282)		0,635 (0,452)	
F(*p*)	1,462 (0,228)		2,429 (0,056)		1,576 (0,196)		3,199 (0,025)		3,476 (0,044)	

The above table shows that the results of the effect of financial capabilities analysis model, innovation capabilities and industry factors to sustainable competitive advantage in the banking normalization models are robust. Either by the enter method and backward method, factors that significantly influence the sustainable competitive advantage is the quality of bank bonds (KO), Bond Fund (DO), Third Party Fund (DPK), and Credit Market Share (CMS). It can be concluded that the determinants of sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange is the quality bonds (KO), Bond Fund (DO), Third Party Fund (DPK), and Credit Market Share (CMS).

Quality Bonds (KO) consistently give significant effect on banking sustainable competitive advantage on average model, either by the enter method and backward method. Influence directions of quality bonds (KO) against a sustainable competitive advantage in banking is equally negative. Bond Fund (DO) consistently gives significant effect on banking sustainable competitive advantage on average model, either by the enter method and backward method, and a growth model based on the method of backward method. Directions influence of Bond Funds (KO) against a sustainable competitive advantage in banking is equally negative. Third Party Funds (TPF) is a factor that also have significant influence on the average model based on the backward method, but toward the opposite effect than the model of normalization. Directions influence of Third Party Funds (TPF) model normalization is negative, while the direction of the influence of Third Party Fund (DPK) in the average model is based on backward method was positive. Credit Market Share (CMS) is a factor that also have significant influence on the growth model based on the backward method, but toward the opposite effect than the model of normalization. Influence directions of Credit Market Share (CMS) on the model of normalization is positive, while the direction of the influence of Credit Market Share (CMS) on a growth model based on the backward method is negative.

Effect of Financial Capability Against the Sustainable Competitive Advantage

The research hypotheses about the effects of the ability to access capital and funding for sustainable competitive advantage is tested based on the analysis of the effect of Financial Capabilities, and Industrial Factor to sustainable competitive advantage in the normalization model. It can be concluded that sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange is significantly affected the ability to access capital and funding, in this case is the ability to access funding, namely: Quality bonds (KO) and Bond Funds (DO).

Quality bonds (KO) and Bond Funds (DO) negatively affect the sustainable competitive advantage. These findings indicate that banks with the ability to access financing (bond) better, as indicated on the rating of bonds and bond funds the amount is higher, are less able mendayagunakannya to achieve sustainable competitive advantage.

Increased capital capacity of long-term debt capital (bonds), in addition to the potential to maintain and achieve higher incomes, also have risk in increasing the cost of capital. Under a when additional capital is less or not productive, high capital costs and low return on capital, in the aggregate, will have implications on the low persistence of profit which lowers sustainable competitive advantage. The study's findings match the results of the study Varun Dawar (2014) which shows that the leverage has a negative influence on the financial performance. Serena Garralda (2014) argues that the growing bonds without the investment profile bondholders are positive and financial condition of the borrower is healthy and conducive monetary conditions could potentially trigger losses at various parties and lowered financial stability. To achieve sustainable competitive advantage, Vorasubin and Chareonngam (2007) requires the existence of efficient cash management and effective use of capital, apart from access to capital. Cotei et. al., (2011; 715) states that the use of debt will increase the company's exposure to financial risk. Under conditions of high business risk, the company with more debt have a higher risk of loss.

The research hypotheses about the effects of the ability to access public funds towards a sustainable competitive advantage tested based on the analysis of the influence of Capability Financial Capability Innovation, and Factor Industry on Competitive Advantage in the model of normalization. It can be concluded that sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange is affected significantly by the ability to access public funds, namely: Third Party fund (DPK).

Third Party Fund (DPK) negatively affect the competitive advantage. These findings indicate that banks with the ability to access public funds better, as indicated from TPF higher, are less able to employ their potential to achieve competitive advantage.

Increased capacity of DPK capital, in addition to the potential to maintain and achieve higher incomes, also has risk in increasing the cost of capital. Under conditions of additional capital that are less or not productive, high capital costs and low return on capital, in the aggregate, will have implications on the low persistence of profit which lowers the company's competitive advantage. To achieve competitive advantage, Vorasubin and Chareonngam (2007) requires the existence of efficient cash management and effective use of capital, apart from access to capital. According Demirgüç - Huizinga (2009; 2) increased mobilization of funds from the deposit will reduce the use of debt and equity to finance the banking needs. It can berekses in a lower precautionary savings fund companies to manage effectively and efficiently due to low supervision relative to the company managing the funds of debt and/or equity.

The study hypothesis about the effect of the ability to maintain asset quality to sustainable competitive advantage is tested based on the analysis of the influence of Capability Financial Capability Innovation, and Factor Industry to competitive advantage in the model of normalization can be concluded that sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange are not affected significantly by the ability to maintain asset quality, namely: Loans Disbursed (KYD) and Credit Quality (KK).

The study hypothesis about the effect of the ability to maintain the efficiency of the sustainable competitive advantage based on the analysis examined the effect of Financial Capability and Industry Factors of the Competitive Advantage in the model of normalization. it can be concluded that sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange is not significantly affected by the ability to maintain efficiency, namely: BOPO.

Effect of Industrial Factor Against Terhadap Sustainable Competitive Advantage

The research hypothesis about the influence of industry on the determinant factors of sustainable competitive advantage based on the analysis examined the effect of Financial Capability, and Industry Factors to competitive advantage in the model of normalization. It can be concluded that sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange is significantly affected by industry factors, namely Credit Market Share (CMS). Credit Market Share (CMS) has positive influence on competitive advantage. These findings indicate that banks with positions better industry factors, as indicated on the credit market share higher, also tend to be better able mendayagunakannya to achieve competitive advantage.

Increased market share of loans in the banking industry, in addition to the potential to achieve higher revenues, also risks increasing the cost. Under conditions of lending productive and have lower default risk and the high ability of the company to reduce credit risk through diversification of credit, increasing the market share of credit will increase revenue for a credit. This will have implications on the high persistency of profit which increases competitive advantage of companies. Hughes and Mester (2013) argued that the ability of banks to diversify credit and managing liquidity risk is a factor that determines the bank's competitive advantage in providing financial products and services with different rules. The results of this study are also consistent with the results of research Buyinzal & Bbaale1 (2013) which shows that the company has access to better credit and an increase in loans with a long duration will be able to produce higher corporate performance.

5. CONCLUSION

Based on the formulation of the problem and research objectives and results of research and discussion can be summarized as follows:

1. Sustainable competitive advantage to the banks listed on the Indonesia Stock Exchange as measured by the persistence of bank profits (persistence of abnormal profitability) are likely to vary. Most banks have a profit persistence (lambda) reflecting positive sustainable competitive advantage in the long term, whereas most other banks had negative profit which reflects the persistence of weakness to compete in the long term.
2. Determinant of sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange is the ability to access funding are the quality of bonds and bond funds, the ability to access public funds, third party funds, as well as industry factors such as credit market share.

3. The ability to access capital and funding significantly influence the sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange, even though the influence tends to be negative. Under high business risk conditions, improving quality corporate bonds and bond funds mobilization are not accompanied by an increase in cash management efficient and effective use of capital thus counter-productive in encouraging sustainable competitive advantage in banking.
4. Ability to access public funds significantly influence the sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange. Increased bank deposits counter-productive in encouraging sustainable competitive advantage because of the low banking prudence companies to manage savings funds effectively and efficiently, relative to the fund management of debt and/or equity.
5. The ability to maintain asset quality does not significantly influence sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange. Credit, and the credit quality (NPL) are not the determinants of sustainable competitive advantage.
6. The ability to maintain efficiency does not significantly influence sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange. ROA is not a determinant of sustainable competitive advantage of companies.
7. Industrial factors significantly influence the determinants of sustainable competitive advantage in the bank listed on the Indonesia Stock Exchange. Increased credit market share of the company effective in driving competitive advantage in banking.

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