Analysis of Influencing Factors Social Environment and Generic Strategies toward Performance of The Banking Sector in Indonesia

Syamsul Ridjal & Akhmad Muhammadin
Postgraduate, Makassar Economic College (STIEM-Bongaya), Makassar, Indonesia
muhammadin.akhmad@yahoo.com

Abstract. The social environment is a challenge for the banking industry in Indonesia. The dynamic changes of the social environment influence the strategy and performance in the global competition of the banking sector in Indonesia. The objectives of this study are 1) to analyze the influence of the social environment on generic strategies, 2) to analyze the influence of generic strategies on bank performance, and 3) to analyze the influence of the social environment on the performance of the banking sector. Surveys are conducted on 101 banks through a set of questionnaires, which are given to the bank and collected directly by the researcher as well as by post to the president director and director of the banks in Indonesia. Data that have been collected are analyzed by using descriptive analysis, analysis of variance (ANOVA), and linear structural relationship (LISREL) using structural equation models (SEM). The results of this study show three paths that influence the social environment, generic strategies, and the performance of the banking sector in Indonesia. First, the social environment that consists of public knowledge about banking, lifestyle society and distribution of public income has a significant influence on the generic strategies, which are low cost and focus. Second, low cost generic strategies and focus have a significant influence on the financial and organizational performance, while the social environment that consists of public knowledge about banking, lifestyle society and distribution of public income has a significant influence on the financial and organizational performance. Therefore, it is important for decision makers of the national banking sector to develop a strategy to enhance profitability and competitiveness of banks given the current competition.

1. Introduction
The financial crisis and globalization are happening the external environmental factors. Dynamic development of external environment, increased competition and globalization create greater influence of the environment [1], taking into account the dynamics of the external environment which are changing and complex [2], the company requires a power source or dynamic capability [3,4]. In connection with the external environment, previous studies found that organizations should always make adjustments with the external environment so that sustainability can be maintained [5]. According to Hitt et al. [5], the macro environment and strategy are related to the dynamic partnership. Compatibility of strategy and environment has a positive effect on the performance of the banking [6]. The following data shows the level of student participation in UKM organizations at two universities:

Environment is very important to develop a sustainable competitive advantage and to identify opportunities, threats, and productive opportunity for cooperation with other companies. Other studies
show that different approaches and techniques used for the analysis of the macro environment [7]. Other social powers according to Karlan [8] include tradition, value, social trends, user psychology and communal expectation toward business. Customer decision in selecting bank can be influenced by bank marketing as well as lifestyle and behaviour of customer such as individual factors and customer characters [9]. Customer's personality is one of the external factors in which an individual or a whole which is the nature Karlan [8]. Purchasing decisions can also be influenced by age and stage in the life cycle, occupation, economic situation, personality and self-concept, as well as the value and lifestyle of the buyer [10]. From the above descriptions, this study looks at whether factors affecting the social environment and generic strategies on the performance of the banking sector as well as any stronger more robust indicators.

2. Research Problem
Based on the conditions that have been set forth above, including the banking industry in Indonesia are experiencing the challenges of a dynamic change in the social environment in the last few years. The banking industry is also subject to the provisions frugal amid strategy in competition both from the funding or lending. In this context, the main issue is to be studied are the factors which cause differences banking performance associated with the social environment Pearce and Robinson [9] and Wheelen and Hunger [11], generic strategies Porter [12,13,14,15] and the performance Bank of Indonesia [16,17].

Based on this description, summarized the problems derived from the analysis of influencing factors social environment generic strategies and performance can help identify which affect the banking industry namely, the existence of studies that can be molded to put and merge between the environment and generic strategies and how they affect performance especially for finance companies and organizations in Indonesia as follows,

1. What is influence of the social environment factors on generic strategies in the banking sectors in Indonesia?
2. What is the influence of the generic strategies on performance in the banking sectors in Indonesia?
3. What is the influence of the social environment on the performance in the banking sectors in Indonesia?

3. Literature
The discovery was made of the findings in this study is the reference, which discusses the theoretical study of the external environment include political, economic, social, technological, legal and environmental Pearce and Robinson [9]. While discussing the strategies of the link with the generic strategy of differentiating, low costs and focus, as well as financial and organizational performance

According to the Bank of Indonesia in Economic Report [10], explains that population growth economically meaningful increases the market of goods and services. Given that, when the market works perfectly the socially connected network of individuals can increase economic efficiency [18]. Other social forces according to Karlan [8] include traditions, values, social trends, consumer psychology, and community expectations of business. Social trends can be seen from the number of population growth [10]. Environment is everything that is outside the organization Robbins et al. (2009). Environment characterized by uncertainty and turbulence in the complexity of the environment. The complexity of the environment (environmental complexity), reflecting the diversity or diversity factor activity, or situation faced by the company Benito et al. [19].

In explaining the strategic planning variables it will first be presented things related to the strategy. Hill and Jones [20] argue that the strategy is believed to be a tool to achieve organizational goals. Without proper strategy, the source of the organization will be scattered its use thereby causing the failure of the organization in realizing its vision Porter [15]. Li et al. [21] said that the company's performance refers to how well the company can achieve market objectives and its financial goals. Good strategy planning will impact the company's competitive advantage which in the end will create a competitive advantage.
In every business of this strategy it is desirable, Arasa and K’Obonyo [22] that current business developments are dynamic often variable, consumer choice of products or service often change as well as competitors in business often change. This is also pointed out by Gao and Tang [23] that the strategy is a pattern in the flow of decisions or actions. Furthermore they emphasize that the strategy involves more than just a set of action plans. The strategy also involved awareness that a successful strategy emerged from within the organization.

For performance measurement is very important there is no agreement yet how to measure the performance of company strategy Berger et al. [24]. Barney [25] argues that there are four approaches to measuring performance are, (i) stakeholder approaches, (ii) simple accounting measures, (iii) adjusted accounting measures. Elsas et al. [26] states strategies are considered empirically capable of improving performance, especially in crisis situations and after the crisis.

Kotler [27] says that quality is the ability of a product to perform its basic function depending on the quality produced. Li et al. [21] says that the company has a competitive advantage when the company can deliver product quality and reliable organizational performance can deliver higher value for customers. Companies with quality products will be able to set premium prices which at the end will increase profit margins or returns from investing Li et al. [21].

Bank of Indonesia [16,17] recommends seven rules of processing in determining performance, Return on Assets (ROA), Return On Equity (ROE), Net Interst Margin (NIM), Operating Costs on Operating Income (BOPO), Non Interst Income (NII), Loan To Deposite Ratio (LDR), Non Performing Loan (NPL).

3.1. Conceptual Framework

3.2. The Influence of Social Environment on Generic Strategies

Korten [28] emphasized that how real corporate action has impacted on the quality of human life against individuals communities and all life on earth. That's what drives banking in Indonesia to implement various programs or related activities with its social environment. With the aim of: (i) enhancing the economic life of the community particularly the medium and small societies, (ii) assisting government programs in the preparation of superior human resources and quality, competitiveness with foreign human resources, (iii) ecosystem through cooperation with all the people [10]. Research Karlan [8] in the headline social relations and banking group the lending process from the bank to the poor in Latin America, categorizes social and cultural structures to individual communities seeking bank assistance in the form of loans. Therefore, this study proposes Hypothesis (H1): social environment has significant positive effects on generic strategies.

3.3. The Influence of Generic Strategies on Performance

Company performance according to Porter [15] is a commonly used form to measure the impact of the company's strategy. However, the problem of performance measurement becomes a problem and the classical debate. The results of the study presented [15,16] said that strategies with performance are closely linked and appropriate to small industries. Their investigations also has implications and correlations are positive between strategies with performance. Therefore, strategic is expected to have
a positive effect on the financial performance among others; ROA, ROE, NIM, BOPO, NII, LDR, and NPL Bank of Indonesia [17]. Therefore, this study proposes hypothesis (H2): generic strategies has significant positive effects on performance.

3.4. The Influence of Social Environment on Performance
With regards to companies in the banking industry Branco and Rodrigues [29] argue putting the community as a partner is a good thing as it is possible to establish cooperation build a continuous relationship in banking, so both can be mutually beneficial. This has led to increased pressure for banks to offer new services and better for their customers thus requiring them to be more focused on the product. Which means, competitive advantage and strategy owned by the company ultimately expected will be able to perform better [21]. So the awareness the fund's needs and the responsibilities of the refund lent by banks can be achieved continuously taking into account social factors [17]. Thus, this study also proposes hypothesis (H3) Social environment has significant positive effects on performance.

4. Methodology
This study was conducted through the collection of primary and secondary data. Primary data were obtained by distributing questionnaires to respondents who met certain criteria. The questionnaire contains the number of questions with sufficient explanations to facilitate the respondents in their fill. This study was also carried out using a library study approach with secondary data. Secondary data is obtained from the annual report of Indonesian banks, Indonesia's economic reports, books, scientific papers, proceedings, newspapers and magazines related to this study in order to strengthen the basic concepts of analysis.

The sample unit of this study is that all commercial banks in Indonesia totaling 120 banks, consist of 4 government banks, 29 foreign exchange banks, 26 local government banks, 35 non-foreign private banks and 16 mixed banks and 10 banks foreign. This is required because the data analysis model to be used is the Statistical Package for the Social Sciences (SPSS), Linear Structural Relationship (LISREL) and Structural Equation Models (SEM) which require large amounts of data (as a rule of thumb required 5 respondents for each factor of each construct the latent variable being investigated). Analytical units are each bank with the target of bank director respondents comprising of major directors, marketing, human resources, information technology as well as compliance or top leaders one level under directors who are empowered to answer the questionnaire. The director or top leader considered to be in-depth knowledge about the strategy and policy of the commercial bank which they lead.

5. Analysis Result

5.1. Social Enviromental Latent Variables
Social environment variable measured by the observed variables (indicators) measured by five variables namely, SOC1 to SOC5. The SOS2 and SOS4 variables are removed from the model because, the standardized loading factor (SLF) <0.50, which is a good validity criteria, is used.

| Variables | *SLF ≥ 0.5 | Error | *CR ≥ 0.7 | *VE ≥ 0.5 | Conclusion |
|-----------|-----------|-------|-----------|-----------|-----------|
| SOCIAL    | 0.77      | 0.53  |           |           | Good reliability |
| SOC1      | 0.67      | 0.56  |           |           | Good validity      |
| SOC3      | 0.86      | 0.26  |           |           | Good validity      |
| SOC5      | 0.64      | 0.59  |           |           | Good validity      |

*SLF = standardized loading factor
*CR = construct reliability, *VE = variance extracted
5.2. Generic Strategies Latent Variables

Generic strategies latent variables measured by three variables was observed among others differentiation, low cost and focus. Indicators AFF1, FF2, FF3 and LC1, LC4, LC5 and FC5 removed from the model as standardized loading factor (SLF) < 0.50.

Table 2 Validity and reliability of Generic strategies variables

| Variables   | *SLF ≥ 0.5 | Error | *CR ≥ 0.7 | *VE ≥ 0.5 | Conclusion      |
|-------------|------------|-------|-----------|-----------|-----------------|
| DIFFRNTN    |            |       | 0.80      | 0.57      | Good reliability|
| DIFF4       | 0.72       | 0.49  |           |           | Good validity   |
| DIFF5       | 0.91       | 0.17  |           |           | Good validity   |
| DIFF6       | 0.65       | 0.58  |           |           | Good validity   |
| LOW COST    |            |       | 0.71      | 0.51      | Good reliability|
| LC2         | 0.50       | 0.75  |           |           | Good validity   |
| LC3         | 0.82       | 0.32  |           |           | Good validity   |
| FOCUS       |            |       | 0.77      | 0.52      | Good reliability|
| FC1         | 0.62       | 0.62  |           |           | Good validity   |
| FC2         | 0.72       | 0.48  |           |           | Good validity   |
| FC3         | 0.70       | 0.51  |           |           | Good validity   |
| FC4         | 0.69       | 0.52  |           |           | Good validity   |

*SLF = standardized loading factor
*CR = construct reliability, *VE = variance extracted

5.3. Performance Latent Variables

The latent variable of performance measured by three variables was observed among other things two financial and organizational variables. Indicators ORG1,2,3 FIN2,3,6,7 and removed from the model as standardized loading factor (SLF) < 0.50.

Table 3 Validity and reliability of performance variables

| Variables   | *SLF ≥ 0.5 | Error | *CR ≥ 0.7 | *VE ≥ 0.5 | Conclusion      |
|-------------|------------|-------|-----------|-----------|-----------------|
| FINANCIAL   |            |       | 0.85      | 0.66      | Good reliability|
| FIN1ROA     | 0.71       | 0.49  |           |           | Good validity   |
| FIN4BOPO    | 0.89       | 0.20  |           |           | Good validity   |
| FIN5NII     | 0.84       | 0.29  |           |           | Good validity   |
| ORGANSTN    |            |       | 0.73      | 0.51      | Good reliability|
| ORG4        | 0.51       | 0.74  |           |           | Good validity   |
| ORG5        | 0.65       | 0.58  |           |           | Good validity   |
| ORG6        | 0.88       | 0.23  |           |           | Good validity   |

Source: Lisrel Output in Goodness of Fit Statistics from Field Study

5.4. Structural Model and Study Model

Social environment variables generic strategies and performance are measured by observable variables (indicators). Standardized loading factor (SLF) <0.50 as a good validity criterion used. In addition, the research hypothesis is accepted if the absolute value of - t ≥ 1.96 as a sign of the coefficient corresponds to the proposed hypothesis (positive or negative).
From the above structural model of the research it can be concluded that the path coefficient between the social environment variables and the generic strategies is 0.07 with t-value of 0.43 ≥ 1.96. So that social environment is not significant to generic strategies, so that HO: not accepted.

While the path coefficient between the generic strategies variables, with the achievement is 0.60, with the t-value of -3.63 ≥ 1.96 and the coefficient of the path between the social environment variables with achievement is 0.57 with the t-value of 2.56 ≥ 1.96. Thus significant generic strategies to performance and social environment is significant to performance so can be said H1: accepted.

| GOFI   | Calculated Results | Standard Value for Good Match | Conclusion          |
|--------|---------------------|-------------------------------|---------------------|
| RMSEA  | 0,00                | RMSEA ≤ 0,08                  | good match          |
| NFI    | 0,94                | NFI ≥ 0,90                    | good match          |
| NNFI   | 1,01                | NNFI ≥ 0,90                   | good match          |
| CFI    | 1,00                | CFI ≥ 0,90                    | good match          |
| RFI    | 0,88                | RFI ≥ 0,90                    | Match pretty good   |
| Std. RMR | 0,04            | Std. RMR ≤ 0,05               | good match          |
| GFI    | 0,97                | GFI ≥ 0,90                    | good match          |
| AGFI   | 0,93                | AGFI ≥ 0,90                   | good match          |

Source: Lisrel Output in Goodness of Fit Statistics from Field Study

Once obtained the model of validity and reliability verification modelling then a valuation calculation, latent variable square (LVS) was performed from the overall structural restructuring model. The whole table of the research hypothesis, as follows.
Table 4 Test of hypothesis

| Effect Against Latent Variables | t - Value Calculate (>1,96) | Coefficient | Conclusion of Significant Test Result |
|--------------------------------|-----------------------------|-------------|---------------------------------------|
| **H1** : The social environment has a positive effect on the generic strategies | 0.43                         | 0.07        | Data do not support the hypothesis    |
| **H2**: Generic strategies have a positive effect on performance | 3.63                         | 0.60        | Data support the hypothesis           |
| **H3** : Social environment has a positive effect on performance | 2.56                         | 0.57        | Data support the hypothesis           |

*Source:* Lisrel Output in Goodness of Fit Statistics from Field Study

6. Conclusion

In the results of the study there are three significant and insignificant three paths explaining the influence of social environment, generic strategy and performance in the Indonesian banking industry 1) external environment path not significant to generic strategies, 2) generic strategies paths significant and positive to performance, and 3) external environmental paths are significant and positive to performance. The conclusions of this research are explained consisting of specific conclusions and general conclusions among others.

6.1. Special Conclusions

1. The influence of social environment has no positive effect on the generic strategies with the t-value of 0.43 and the coefficient of 0.07 with conclusions the data support the hypothesis.
2. Influence of generic strategies consisted positive to performance with t-value of 3.63 and coefficient 0.60 with data conclusion supporti the hypothesis.
3. Social environment variables has a positive effect on performance with t-value of 2.56 with coefficient of 0.57 with data conclusions support the hypothesis.

6.2. General Conclusion

1. The influence of social environment on generic strategies and company performance is quite high and overall the social environment is uncertain.
2. In formulating strategies the generic strategies of the banking company affecting the strategy and performance decisions.
3. In the face of the circumstances of the banking industry's social environment factors it can anticipate and capitalize on opportunities by changing existing barriers becoming solutions to achieving.
4. The implementation of the overall strategy is quite high but the performance of the generic strategies is less than the set.
5. The alternative strategy alternatives which are the preference of decision makers in the formulation of the banking sector strategies are low cost and focus strategies.

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