The Performance Of Finance And Competitiveness: Study On Banking And Finance Company In Indonesia

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Abstract: This study aims to acknowledge the impact of profitability, liquidity, leverage and company size toward competitiveness. Sampling method used is purposive sampling with certain criterion that are 31 banks and 12 finance companies as sample. The study result shows profitability has significant impact on bank competitiveness, but not significant on finance company competitiveness. Liquidity has negative impact on bank competitiveness, but significant on finance company competitiveness. Leverage has negative impact on bank and finance company competitiveness. Meanwhile, company size has no significant positive impact on bank competitiveness, but significant negative impact on finance companies’ competitiveness.

Key Words: Profitability, Liquidity, Leverage, Company Size, and Competitiveness

1. INTRODUCTION

The role of financial institution becomes more important since the world becomes more global and has no country limit and the economic system of a country is open. Besides, globalization also causes business competition gets tighter. Company must have high competitiveness to survive and able to undergo its business continuously (going concern) (David, 2010). The competition condition among financial institutions in Indonesia becomes tighter since the deregulation enactment by the government with the issue of Deregulation Policy Package (Paket Kebijakan Deregulasi) 27 October 1988 (Pakto 88) that organizes several things which ease banking business activities and provide chances to open new banks. Beside that, government also issues the Decree of President No. 61 year 1988 on finance companies and regulations for law security which are Banking Regulation No. 7 Year 1992 which is changed to Regulation No. 10 Year 1998; Stock Market Regulation Year 1995, Bank of Indonesia Regulation No. 23 Year 1999, which then changed to Regulation UU No. 3 Year 2004 and Deposit Insurance Agency No. 24 Year 2004. Post-deregulation causes the increase numbers and types of financial institutions dan the occurrence of many alternate investment instruments and finance. Investors not only focuses on banking deposit products or other money market instruments but also is able to choose stock market instruments such as shares and obligation. Similarly, the creditor who needs fund focuses not only on banking credits but also on other alterante like doing share emission or issuing debt instrument. These conditions make the finance company competitiveness becomes getting tight. There are many factors that influence company competitiveness. Those factors are company internal factors such as management, marketing, finance, production, research and development aspect and information system activity. Those factors can be determined by measuring company performance. In this study, financial permanence aspects like profitability, liquidity, leverage and company size that might influence company competitiveness will be further analyzed.

A high profitability shows a good company prospect so that investors will respond to the sign positively and the company value will increase. The investors invest the shares in the company to gain returns which are yield and capital gain. The higher the ability to gain profit, the bigger the return expected by the investors. Therefore, it makes the company value become better. Liquidity, generally, can be interpreted as the ability level of a company to be able to pay for its due debts (Kasmir, 2015). Company that has ability to pay for its short-term debts is called liquid company. Leverage is a ratio used to measure how big a company paid by its debt (Fahmi, 2012). Leverage consists of operation leverage and finance leverage. Operation leverage is an indicator of net profit change indicator caused by the high selling volume, while finance leverage shows the company ability in paying for its debts with the equity possessed. Company size describes how big or small a company is. According to (Fidyati, 2003), company size can be related to the amount of wealth the company has. Company size can be known from company total assets. According to Jin and Machfoedz (1998), the bigger assets the company has, the bigger size the company is. This study is held based on things needed to be further studied that related to financial performance factors (profitability, liquidity, leverage and company size) toward banking and finance company competitiveness in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signaling Theory

Signal is an action done by a company management that gives directions to the investors on how a management evaluates company prospect (Brigham & Houston, 2001). It is because a manager has a better information than investors or other parties out of the company. This condition is called asymmetric information. Company manager knows that company prospect will be beneficial and in other situation manager knows that the company’s future is not profitable. Therefore, manager action can be the reference for the investors to evaluate the company prospect in the future. Furthermore according to Hartono (2013), the value on the financial report like company net profit is assumed as a signal that shows company value.
Competitiveness
Competitiveness ability of an organization to give more value on its service than the competitors and the value gives benefits to its customers. Mazyhuzulhak (2009) revealed that competitive advantage is an organization ability to manage company support power and absorption optimally. Competitive advantage must grow from the company ability itself and how it can develop the value or benefit created from the powerand the creation. The value and benefit can be reflected on the quality of the work or its production that is experienced by its users that are consumers or community. In this study, competitiveness is proxied by Tobin’s Q ratio that is the competitive size based on market performance. Tobin’s Q ratio is developed by Tobin (1969). This ratio shows current market estimation on the return value for each additional investment.

Profitability
Profit is one of the indicators on management success in managing a company. Company which can make high profit can be called a successful management. According to Belkaoui (2012), profit is a main important element of a financial report. Profit has several functions according to various contexts. Profit is assumed as tax foundation, policy determiner factor of dividend payment, investment guideline and decision maker also as an element in prediction. Company with high profits has a high profitability. According to Saidi (2004), profitability is an ability of the company to gain profit. Investors invest their shares in a company to gain return that are yield and capital gain. The higher ability in gaining profit, the bigger return expected by the investors. Therefore, it makes the company value is better. To know the company profitability level, it needs profitability ratio analysis. In this study, profitability is proxied by ROE (Return on Equity). According to Kuncoro & Suhardjono (2011), ROE shows management ability in managing available capital to gain net income. The higher the profit gained, the higher ROE will be. The impact of profitability on competitiveness is company ability to gain profit (Saidi, 2004). Investors invest the shares in the company to get return that are yield and capital gain. The higher ability in gaining profit, the bigger return expected by the investors, so the company value will be better. Therefore, the hypothesis is: H1: Profitability has positive impact on competitiveness.

Liquidity
According to Titman et al., (2014), liquidity is the speed with which the asset can be converted into cash without loss of value. While liquidity ratio is measures of the ability of a firm to pay its bills in a timely manner when they come due. According to Riyanto (2013), liquidity represents a company that has power to pay so that it is able to fulfill all of its financial responsibilities. One of the financial ratio used to measure liquidity level is Loan to Deposit Ratio (LDR). LDR is a ratio between all numbers of credits given by the banks with the fund accepted by the bank. Liquidity is the ability level of a company to pay for its due debts (Kasmir, 2015). Therefore, the hypothesis is: H2: Liquidity has positive impact on competitiveness.

Leverage
Debt to equity ratio (DER) reflects the proportion amount between total debt and total shareholder’s equity (total modal sendiri). Total debt is total liabilities (short-term or long-term debt), while total shareholder’s equity is owner’s equity (the total of share equity paid and retained earnings) owned by the company. The higher DER shows the higher composition of total debts compared by owner’s equity so that it makes a bigger company’s burden on the creditors. Leverage is a ratio used to measure how big a company is financed by debts (Fahmi, 2012). Therefore, the hypothesis is: H3: Leverage has negative impact on competitiveness.

Company Size
The higher assets, the bigger equity invested. Meanwhile, the more selling, the more money circulation in a company. Therefore, company size is a measurement of assets owned by a company. According to Sofyaningsih & Pancawati (2011), one of the benchmarks to measure the size of a company is the assets of the company. According to Javaid & Afridi (2015), company with a big assets is considered as a big-sized company that gives competitive excellence compared to the small ones since bigger companies have potential to increase their productivity. Through high productivity, company reaches scale and space savings. Company size shows how big or small a company is. Therefore, the hypothesis is as follow: H4: Company size has a positive impact on competitiveness.

RESEARCH METHODOLOGY
Operationalization of Variables Definition
According to Riduwan & Kuncoro, (2008), operationalization of variables is a study element that describes how to measure a variable that aims to accommodate other researchers who want to use the same variable. The definition of operational of each variable is: Competitiveness is a company ability to give more value to its service than other competitors and the value is beneficial for its customers. The measurement of competitiveness is based on the investors’ view on the company performance by using Tobin’s Q ratio. The formula used to measure Tobin’s Q (Klapper & Love, 2002), Tobin (1969), is as follow:

\[ Q = \frac{BVA-MVE}{BVA} \]

Tobin’s Q = \frac{BVA-MVE}{BVA}

Remarks:
- BVA = Book Value of Assets
- BVE = Book Value of Equity
- MVE = Market Value of Equity (closing price X number of stocks issued)
- DEBT = Total Debt of the company

Profitability is company ability to make profit. Profitability in this research uses return on equity (ROE) ratio indicator with the formula as follow:

\[ ROE = \frac{\text{Profit after Tax}}{\text{Total Equity}} \]

Liquidity is company ability to fulfill its financial responsibility in the short term or the one needs to be immediately paid. Liquidity in this research uses Loan to Deposit Ratio (LDR) indicator. Loan to Deposit Ratio bank is measured with the formula below:

\[ \text{Credit Amount} \]
LDR = __________ x 100%  
Third Party Fund
While for LDR of finance company that is the modification of bank LDR is calculated by using the formula below (Adriyanto, 2012):
Finance Account Receivable
LDR = __________ x 100%  
Total Debt
Leverage is an image on how far a company is funded by debts of the other party (outsider) with company ability described by equity. Leverage in this research uses debt to equity ratio (DER). DER is calculated by the formula below:
Total Debt
DER = __________  
Total Equity
Company size is a scale in describing how big or small a company size. Company size in this research uses total logarithm indicator (Sudarmadji & Sularto, 2007).

**Population and Research Sample**
Population in this research is bank and finance company registered in Indonesia Stock Exchange (ISE). The sampling technique is purposive sampling, by using certain criteria with research sample selection. The criteria are: (1) Bank and finance company that have been go public in 2015, (2) Publishing their financial report from 2012-2015, and (3) Bank and finance company have complete data on the variables studied. Based on those criteria, the sample number of this research is as follow:

**Table 1 Population and Sample**

<table>
<thead>
<tr>
<th>No</th>
<th>Data</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank and finance companies that have been go public from 2015 to 2017</td>
<td>57</td>
</tr>
<tr>
<td>2</td>
<td>Do not publish the financial report from 2015 to 2017 Incomplete data</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>Do not publish the financial report from 2015 to 2017 Incomplete data</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sample Number</td>
<td>43</td>
</tr>
</tbody>
</table>

Banks that become the sample are 31, while the finance companies are 12 companies. The data of banks and finance companies that become the sample in this research can be seen in Table 1 above. The secondary data used is company financial report data. Meanwhile, the data source is taken from Indonesia Stock Exchange (ISE) and Indonesian Capital Market Directory (ICMD).

**Research Model and Hypothesis Testing**
This research model uses panel data regression equation with the equation as follow:
\[ Q = \alpha + \beta_1 \text{Prof} + \beta_2 \text{Lik} + \beta_3 \text{Lev}^* \text{KI} + \beta_4 \text{UP} + e \]

Notes:
- \( Q \) = Competitiveness
- \( \text{UP} \) = Company Size
- \( M \) = Institution Ownership
- \( \text{Prof} \) = Profitability
- \( \text{Lik} \) = Liquidity
- \( \alpha \) = Constanta

\[ \text{LDR} = \frac{\text{Finance Account Receivable}}{\text{Total Debt}} \times 100\% \]

\[ \text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} \]

\[ \text{Lev} = \text{Leverage} \]
\[ \beta_1 - \beta_4 = \text{Coefficient regression} \]
\[ \text{Lev} = \text{Leverage} \]
\[ E = \text{Error} \]

The determination coefficient value is between 0 and one (1). The value of \( R^2 \) which is small means that the ability of independent variables in explaining dependent variables is really limited. The value reaching one (1) means independent variables give almost all information needed to predict dependent variables (Ghozali, 2013).

**RESULT AND DISCUSSION**

**Descriptive Statistics**
The image on variable is analyzed, then descriptive analysis on bank and finance company on the value of min, max, mean, and deviation standard. Statistics descriptions on research variables can be seen in table 2 and 3 below:

**Table 2 Descriptive Statistics (Bank)**

<table>
<thead>
<tr>
<th>No</th>
<th>Data</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>EProfit</td>
<td>32</td>
<td>.06</td>
<td>662.01</td>
</tr>
<tr>
<td>(3)</td>
<td>ETotal Asset</td>
<td>32</td>
<td>114.5980</td>
<td>203.79557</td>
</tr>
<tr>
<td>(4)</td>
<td>ECredit Amount (Trillion)</td>
<td>32</td>
<td>762.50</td>
<td>222.00549</td>
</tr>
<tr>
<td>(12)</td>
<td>ELDR (X2)</td>
<td>29</td>
<td>246871911</td>
<td>13294459267</td>
</tr>
<tr>
<td>(13)</td>
<td>ETobinsQ (Y)</td>
<td>32</td>
<td>153352712</td>
<td>13544896303</td>
</tr>
<tr>
<td>(14)</td>
<td>EDER (X3)</td>
<td>32</td>
<td>5.3595</td>
<td>3.57254</td>
</tr>
<tr>
<td>(15)</td>
<td>ENLTA (X4)</td>
<td>32</td>
<td>3.7448</td>
<td>4.96261605</td>
</tr>
<tr>
<td>(16)</td>
<td>ELNTA (X4)</td>
<td>32</td>
<td>3.7448</td>
<td>4.96261605</td>
</tr>
<tr>
<td>(17)</td>
<td>EKI (Moderation)</td>
<td>29</td>
<td>3.7448</td>
<td>4.96261605</td>
</tr>
</tbody>
</table>

| Source: Data processed (2019) |

Bank profitability with ROE indicator has the lowest value of 0,00, in Bank MNC International Tbk in 2012 with ROE 0,14% (rounded to 0,00), the highest 0,29 (29%) in Bank Rakayat Indonesia Tbk. Average value of 12% shows that research sample bank has a relatively good profitability, while deviation standard value of 0,06 shows a relatively small data deviation since the value is smaller than the average value of 0,12. Bank liquidity (Lik) with LDR indicator has the lowest value of 0,54 (54%) in Bank Mega Tbk 2012, the highest of 1,13 (113%) in Bank QNB Indonesia Tbk. The average LDR is 0,85 (85%) and deviation standard is 0,10. The LDR value average of 85% shows that research sample bank has quite good liquidity, while deviation standard value of 0,10 shows a relatively small deviation data since the value is smaller than average value of 0,85. Bank Leverage (Lev) with DER indicator has the lowest value of 3,21 in Bank Woori Saudara Indonesia 1906 Tbk 2014, the highest is 13,24, and DER average is 7,76 with deviation standard of 2,21. The value average of DER of 7,76 shows that research sample bank has a relatively high leverage, while deviation standard value of 2,21 shows a relatively small deviation data since the value is smaller than average value of 7,76. Company size on bank with Ln total asset indicator has the lowest value of 7,84, in Bank of India Indonesia Tbk., the highest is 13,72, in Bank...
Finance company profitability with ROE indicator has the lowest value of 0.01 (1%) in Verena Multi Finance Tbk 2015, while the highest is 0.28 (28%) in Adira Dinamika Multi Finance Tbk. 2013. ROE average is 0.12 (12%), and deviation standard is 0.07. ROE average value of 12% shows that the sample company has arately good profitability, while the deviation standard value of 0.07 shows a relatively small deviation data since it is smaller than the average value of 0.12. Finance company liquidity (Liq) with LDR indicator has the lowest value of 0.00 (0%) in Dana Supra Tbk, while the highest is 5.50 (550%) in Trust Finance Indonesia Tbk 2014.

Panel Data Regression Model Approach

Random Effect Model

This model is used and chosen to overcome the weakness of the fixed effect model by considering error of the cross-section and time series. The benefit of using random effect is to leave out heterocedasticity.

Table 4. Random Effect Model

Source: Result of processed panel data

Hausman Test

Hausman test is used to compare fixed effect model with random effect model in determining the best model to be used as panel data regression model, accepted and uses random effect model, as follow:

Table 5 Hausman Test Model

Source: Data Processed Result
Based on the test result above, it can be understood that probability chi-square 0.8842 > 0.05, so it can be concluded that H0 is accepted and model used is random effect model compared to fixed effect model.

**Hypothesis Test Result**

Hypothesis test in this study is panel data regression. The result of hypothesis test is as follow:

The Impact of Profitability, Liquidity, Leverage and Company Size on the Institution Ownership as moderation on Banking and Finance Company Competitiveness.

Statistic test t is used to know how big the influence of an independent variable is (current ratio, debt to equity ratio, return on assets and company size) individually to dependent variable (Tobin's Q). The summary of the impact of Profitability, Liquidity, Leverage and Company Size on Banking and Finance Company Competitiveness that can be illustrated in Table 6 below:

**Table 6 Partial Test Result (Test t)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t table</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.49E+11</td>
<td>4.76E+09</td>
<td>1,983</td>
<td>94.46981</td>
<td>0.000</td>
</tr>
<tr>
<td>PROF (X1)</td>
<td>1.62E+10</td>
<td>1.60E+10</td>
<td>1,983</td>
<td>1.013652</td>
<td>0.337</td>
</tr>
<tr>
<td>CREDITAM</td>
<td>0.000146</td>
<td>3.02E-05</td>
<td>4.855291</td>
<td>0.0009</td>
<td></td>
</tr>
<tr>
<td>3PARTYFUND</td>
<td>-0.000112</td>
<td>4.51E-06</td>
<td>-24.81247</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>LDR (X2)</td>
<td>-1.56E+09</td>
<td>3.22E+08</td>
<td>1,983</td>
<td>-4.836509</td>
<td>0.0009</td>
</tr>
<tr>
<td>DER (X3)</td>
<td>-2.24E+08</td>
<td>2.95E+08</td>
<td>1,983</td>
<td>-0.757489</td>
<td>0.4681</td>
</tr>
<tr>
<td>LNTA (X4)</td>
<td>-2.16E+08</td>
<td>1.25E+08</td>
<td>1,983</td>
<td>-1.733507</td>
<td>0.117</td>
</tr>
<tr>
<td>KI*LEVERAGE</td>
<td>2353402.</td>
<td>28302526</td>
<td>1,983</td>
<td>0.083152</td>
<td>0.9356</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.988774</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.984844</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>9.62E+08</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>251.6429</td>
<td></td>
<td></td>
<td>0.0000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Result of processed data

Based on the panel data regression test, bank shows that determination coefficient value showed with R² is 0.988 and adjusted R² is 0.984. This study uses adjusted R² because the sample data is small. It means that 98.4% of bank competitiveness variation can be explained by the variation of 4 variables of Profitability, Liquidity, Leverage and Company Size, while the remaining 1.6% is explained by other factor out of the model. Test result F that shows F-count value is 251.429 with significant value of 0.000. Since the significant value is a lot lower than 0.05, then H0 is denied and H1 is accepted. This means Profitability, Liquidity, Leverage and Company Size with institution ownership moderation significantly influence and has a good model on bank and finance company competitiveness or on the other words, regression model is suitable to predict bank and finance company competitiveness in Indonesia from 2015 to 2017.

Test result t for hypothesis test that stated profitability has positive impact on bank and finance company competitiveness shows that the significance level is 1; 5 and 10 percent, t count value is 1.013652. However, t-table with Degree of Freedom 106 (DF=n-k=43-8=35, n=sample number, k=dependent and independent sample number) is 1.983. Since t-count is smaller than t-table, Ho is not denied, which means profitability has no impact on competitiveness. It can also be seen from the significant value of 0,000 which is bigger than significance level of 0.05. Therefore, hypothesis that stated profitability has positive impact on competitiveness is denied. Test result proved that profitability variable does not significantly influence competitiveness. Test result t for hypothesis test that stated liquidity has impact on bank and finance company competitiveness shows that on significance level 1 percent, t count value is -4.836509. However, t table with Degree of Freedom 106 (DF=n-k=43-8=35, n=sample number, k=dependent and independent sample number) is 1.983. Since t-count is smaller than t-table, Ho is accepted. It means liquidity has no positive impact on competitiveness. It can also be seen from the significancy value of 0.0009 that is smaller than the significancy level determined that is 0.05. Therefore, hypothesis that stated liquidity has positive impact on competitiveness is not denied. Test result proves that liquidity variable has negative impact and significant on competitiveness. Test result t for hypothesis test that stated leverage (DER) has no negative impact on bank and finance company competitiveness shows that on significance level 5 percent, t-count value is -0.757, while t-table with Degree of Freedom 106 (DF=n-k=43-8=35, n=sample number, k=dependent and independent sample number) is 1.983. Since t-count is smaller than t-table, Ho is accepted. It means leverage has no positive impact on competitiveness. It can also be seen from the significancy value of 0.4681 that is lower than significancy level determined that is 0.05. Therefore, hypothesis that stated leverage has positive impact on competitiveness is denied. Test result shows that leverage variable has negative impact and not significant on competitiveness. Hypothesis test on company size has positive impact on bank competitiveness on significance 5 percent, t-count value is -1.7335. t table with Degree of Freedom 106 (DF=n-k=43-8=35, n=sample number, k=variable number) is 1.983. Since t count is smaller than t-table, Ho is accepted. It means company size has no positive impact competitiveness. It can be seen from the significancy level of 0.1170 that is higher than significancy level determined that is 0.05. Therefore, hypothesis that stated company size has positive impact on competitiveness is denied. Test result shows that company size variable has negative impact and not significant on competitiveness. Test result t for hypothesis test that stated institutional ownership as moderation has positive impact on bank and finance
company competitiveness shows that on significance level 5 percent, t-count value is 0.083152, while t-table with Degree of Freedom 106 (DF=n-k=43 \( \Rightarrow 8 = 35 \), n=sample number, k=dependent and independent variable number) is 1.983. Since t-count is smaller than t-table, Ho is accepted. It means leverage has positive impact on competitiveness. It can also be seen from the significance level of 0.9356 that is higher than significance level determined that is 0.05. Therefore, hypothesis that stated leverage has positive impact but not significant on competitiveness is denied. Test result proves that leverage variable has positive impact but not significant on competitiveness.

**DISCUSSION**

This part contains the detailed discussion on the hypothesis test result with panel data regression analysis.

**The Impact of Profitability on Banking Competitiveness**

Statistics result test with t-test shows that profitability variable has positive impact and not significant on banking and finance company competitiveness. It means that higher profitability will increase bank competitiveness; however, profitability does not significantly influence. Banking and finance company profitability with ROE indicator becomes the main foundation for the investors to determine investment policy with market base by looking at stock price as price leader on banking and finance company in Indonesia. Stability is a beneficial thing for banks as it provides more opportunities to become price leader. The first cause of competition decrease is because of the decrease number of banks caused by more merger and acquisition or consolidation among banks, especially the ones that happened in years after API was issued (post-crisis 1997/98). This policy is achieved since it is more elegant compared to hold liquidation directly, and it does not cause community panic especially for banks with bad performance. Empirically, merger and acquisition process that decrease market to monopoly or oligopoly direction and keep off perfect competition (Alhadeff, 1951; Jacob A. Bikker & Haaf, 2002). The second factor that can decrease competition level of commercial banks is the regulations about banking that pushes bank number decrease such as Single Presence Polic (SPP) policy. Likewise, the new bank establishment that must have equity about Rp 3 trillions, also stops the emersion of new banks. In the beginning, the regulation is to prevent fraud or management fault. However, in the reality this regulation series also limit the movement of finance institution. (Manurung & Rahardja, 2004). The change of banking competition level happened because the presence of policy from the government or banking supervisor is also explained in the study (Gutiérrez de Rozas, 2007) on banking in Spain and JA Bikker & Groeneveld (1998) on banking in Europe after the deregulation after Europe Union. Therefore, the competition tends to be hampered in the financial industry that is full with regulation.

**The Impact of Liquidity toward Banking Competitiveness**

Statistics result test with t-test shows that liquidity variable with LDR indicator has negative impact and significant toward banking and finance company competitiveness. Higher LDR does not suddenly decrease the level of bank competitiveness. A high LDR certainly makes a high income. A high LDR decrease bank risk. However, in banking, provision on LDR is more stringent so that banks are more controlled in giving the credits that can increase bank health level that has impact on the banking competitiveness level. Therefore, the negative impact is meaningless. Every bank will always maintain its liquidity condition without being asked by the authority. Why? Because liquidity is like heart disease that when it is not maintained and taken care of, it will make the person dying. Likewise, bank will also experience the same thing if the liquidity is not maintained. Different with NPL credit that is like cancer, if a person has it, it can still survive longer, even the treatments like chemotherapy or others can cure it. Therefore, banks must take care their liquidity to be fit all the time. Bank must be able to see its strengths and weaknesses, characteristics and behavior of the customers, including the desire and needs of the customers so that it can maintain it or increase its source of funds. The role of treasury in managing assets and liability is very important so that banks can maintain its liquidity. Besides, service and proximity to the customers also means important to the banks with certain niche market. Credit growth and DPK are correlated with our economic condition. If the economic growth next year is higher than now, the credit and DPK growth will also higher. However, in contrast, if what happened is different, credit and DPK growth will decrease. Other factor that influences is trade balance (X-M) or current account, capital account, and interest rate as well as inflation.

**The Impact of Leverage toward Banking Competitiveness**

Statistic test result with t-test shows that leverage variable has negative impact and significant to bank competitiveness. The meaning is the increase leverage will decrease bank competitive. It is because bank debt mostly is the saving of the third party like what commonly happens in banking so that the debt becomes investor consideration in evaluating competitiveness based on market performance. The term lever is taken from mechanic lever that makes us able to lift a load more than if we do it alone. The meaning of leverage itself literally is lever. Lever is usually used to help lifting a heavy load. According to Horne & Wachowics (2012) the use of leverage is meant to increase (lever up) profitability. Other definition of leverage according to (Syamsudin, 2001) is: company ability to use assets or funds that has a fixed load to increase income level of company owner. Based on those definition it can be concluded that leverage is a company ability level in using assets and or fund that has fixed debt (debts or special stock) in order to create company goal increasing income level for the company owner. Leverage policy appears if company in paying its operational activity uses loan fund or fund that has fixed load like interest. By increasing leverage level, the certainty level of return gained will be higher. However, at the same time, the higher leverage level, the higher risk faced and the higher return or income level expected. However, institution ownership does not moderate the relation between leverage and competitiveness of banking in Indonesia because institution ownership does not function as external control mechanism, only as external institution investor that has expectation in banking stock return in Indonesia.

**The Impact of Company Size toward Banking Competitiveness**

Statistic test result with t-test shows that company size variable has positive impact and not significant to bank competitiveness. It means every growth in company size will
increase bank competitiveness. However, the increase is really weak so it is quite meaningless.

The Impact of Profitability toward Finance Company Competitiveness
The result of t-test on finance company shows that profitability variable has positive impact and not significant toward competitiveness. It means a higher profitability will not suddenly increase finance company competitiveness. Profitability with ROE indicator does not become the only foundation by investor in determining stock price in finance company. ROE does not consider risk. While finance company is an institution related with risk. Stock holders does not only think about return level but also risk. Therefore, profitability with ROE indicator does not influence significantly on market performance as the size of finance company competitiveness.

The Impact of Liquidity toward Finance Company Competitiveness
In finance company, statistic test result with t-test shows that liquidity variable with LDR indicator has negative impact, significant to competitiveness. It means the higher LDR, the lower competitiveness. A high LDR will increase risk. In finance company, all debt is distributed through finance credit. The high finance credit will influence liquidity and awareness principal in distributing credit that can increase company risk. It is considered negative by the investor so it decreases competitiveness level based on market performance.

The Impact of Leverage toward Finance Company Competitiveness
Statistic test result with t-test shows that leverage variable has negative and significant impact toward finance company competitiveness. It means a higher leverage level will decrease company competitiveness level. It shows the higher leverage, the higher risk achieved by the investor. By the higher leverage, investor will release company stock that has high leverage so the stock price will decrease. While institution ownership does not moderate the relation between leverage and competitiveness on finance company in Indonesia since it has not functioned as external control mechanism yet, only as external institution investor that has expectation on stock return of finance company in Indonesia.

The Impact of Company Size toward Finance Company
Statistic test result with t-test on finance company shows that company size variable has negative impact and is not significant toward competitiveness. It m as company size indicator might not be able to increase income since a high total company assets will also make a high operational expenses.

CONCLUSION AND IMPLICATION OF RESEARCH RESULT
1. Perbankan
Profitability has no significant impact on banking competitiveness that a higher profitability has no impact to increase banking competitiveness. Liquidity has negative and significant impact toward competitiveness, that each increase of liquidity will decrease competitiveness. However, the decrease is weak so it is meaningless. Leverage has negative impact and is not significant toward competitiveness since each increase leverage will decrease competitiveness. While, company size has positive impact and is not significant toward bank competitiveness, it means each increase of company size will increase competitiveness. However, the increase is really weak so it is meaningless. Meanwhile, institution ownership does not moderate the relation between leverage and competitiveness in banking in Indonesia since institution ownership has not functioned as external control mechanism yet, only as external institution investor that has expectation on banking stock return in Indonesia.

2. Finance Company
Profitability has positive and no significant impact on company competitiveness. It means a higher profitability does not suddenly increase competitiveness. Profitability with ROE indicator does not become the only foundation by investor in determining stock price. Liquidity has negative impact and not significant competitiveness. It means every increase liquidity will decrease finance company competitiveness. However, it is very weak so it is not quite meaningful. Leverage has negative and significant impact on finance company competitiveness. It means every increase leverage will decrease finance company competitiveness. Meanwhile, company size has impact and not significant toward finance company competitiveness, but its impact is negative (contrary). It means every increase company size will decrease finance company competitiveness. However, the decrease is weak so it is quite meaningful. While institution ownership does not moderate the relation between leverage and finance company competitiveness in Indonesia because institution ownership has not functioned as external control mechanism, only as external institution investor that has expectation on stock return of finance company in Indonesia.

Implication of Result and Future Research Recommendation
Based on the conclusion above, some suggestions are recommended that can be the consideration by the management in making a policy in the future and for the researchers that are interested in doing a further research as follow:

1. Banking and finance company is to increase profitability more so that it can increase competitiveness. By a high profitability level, market will evaluate company has a good performance and investor or market will assume that company can perform its continuous operational activity so the market will evaluate assets more by buying stock with high price so in the end the company can also have a high competitiveness value.

2. Banking and finance company is to maintain its liquidity well so that it can pay its short-term debt smoothly without disturbing company operational. Besides, company is expected to keep its liquidity in measurable terms with the credits given to the customers so income can be achieved optimally.

3. Banking and finance company does not exaggerate in having loan and more selective and able to manage loan well. Therefore, the loan can increase income and decrease risk so it can increase company competitiveness.
4. Banking is to increase company size by having a big size company so that bank can have opportunity to gain a bigger income. Besides, by having a big company size, it increases customer’s trust to the bank. Meanwhile, finance company is to increase asset use efficiency possessed. By the efficiency, the re will be more profit achieved that can increase company competitiveness.

5. The next researcher for profitability variable is to use other measurement beside ROE, like, ROA, ROI, NPM or GPM and corporate governance.

6. It is suggested for the next research to do a different test between bank and finance company about competitiveness.

REFERENCES


