

ABSTRACT

In recent years, a number of rural banks (BPR) had been slowly declined in numbers. One of the causes is bank liquidation as an impact of violations and unfair banking practices. Ironically, most of them are relatively classified as sound BPR. In addition to the entry of other competitors with high competitiveness and superior strategy in fragmented industries also threatens BPR's existence. Therefore to ensure their sustainability, BPR need to strengthen their competitiveness by delivering better speed of service and implementing social approach as their advantages.

The purpose of this study is to explore the relationship of competitiveness, social integration and competitive strategy on firm's performance and its impact on sustainable business.

The research adopted survey method, namely the descriptive and verificative, for its methodology and researched 200 respondents i.e. rural banks in West Java and Board of Directors of BPR for unit of analysis and unit of observation respectively. Multivariate analysis is used for hypothetical testing while structural equation model is implemented for proposed model.

Based on our research, First, it showed that the competitiveness and competitive strategy respectively classified as moderate, while the fairly in social integration, eventhough firm performance are classified as sound bank, sustainable business still classified as moderate, Second competitiveness, social integration, and competitive strategy, impact on firm's performance both simultaneously or partially, Third, using all variables i.e. competitiveness, social integration, and competitive strategy, simultaneously affect sustainable business, on the other hand adopting variables partially, only competitiveness and competitive strategies have an impact on sustainable business while no impact applies for social integration. Fourth, the firm performance has positive effect to the sustainable business. Fifth, the magnitude of direct influence of competitiveness on sustainable business is smaller than that of indirect effect of competitiveness or through the firm performance, such as the influence of social integration to sustainable business through firm performance. Sixth, direct effect of competitive strategy to generate business sustainability result in greater path coefficients than that of indirect effect. Lastly, the estimation of structural path is a model of partial mediation due to the firm's performance is mediating variables for social integration variable.

Keywords: *competitiveness, social integration, competitive strategy, firm performance and sustainable business.*