Influence of Strategic Planning on Banking Performance via Differentiation Strategy

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ABSTRACT

Effective strategic planning plays a crucial role in enhancing the performance of banking businesses. This research aims to analyze the impact of strategic planning on banking business performance through the implementation of differentiation strategy. Utilizing a quantitative approach, primary data was collected through surveys distributed to senior managers from several banks operating in various markets. Multiple linear regression analysis was employed to evaluate the relationship between strategic planning, strategic differentiation, and business performance. The research findings indicate that strategic planning significantly influences strategic differentiation in the context of the banking industry. Additionally, strategic differentiation also positively contributes to banking business performance. The implications of these findings are that banks implementing effective strategic planning tend to adopt better differentiation strategies, thereby enhancing their performance in facing intense market competition. This study provides valuable contributions to understanding the relationship between strategic planning, strategic differentiation, and business performance in the banking context. The results offer guidance for banks to improve their strategic planning practices and implement effective differentiation strategies to strengthen their competitive position in the market. Future research could explore additional factors influencing this relationship and broaden the industry scope to validate these findings more comprehensively.

Keywords*: Banking, Business Performance, Strategy Difference, Strategic Planning*

INTRODUCTION

The banking industry in Indonesia plays a crucial role in maintaining financial stability by accessing information that could pose threats and implementing macroprudential supervision strategies. This enables Bank Indonesia (BI) to monitor financial sector vulnerabilities and detect potential shocks that could affect the non-financial system (Mazzarolo et al., 2021). Through research, the industry develops macroprudential instruments and indicators to identify these vulnerabilities. Acting as a safety net, the banking industry, guided by the central bank, manages crises to prevent financial instability (Nahar et al., 2021). This strategy is essential, especially during liquidity difficulties that could lead to systemic crises, underscoring the banking industry's significant role in the national economy.

This research takes the title Impact of Strategic Planning on Banking Business Performance Through a Differentiation Strategy (M. A. & O. U., 2020). This research is important because of the interesting developments in the last five years, where the role of the banking industry in Indonesia has become wider, especially in improving the functions of the national economy. In addition, this research is an original study by researchers to find out the latest developments in strategic planning, differentiation strategy, and the performance of the banking industry in Indonesia (Ali & Anwar, 2021a).

Banking in Indonesia plays a pivotal role in propelling the national economy by collecting public funds and channeling them into financing production and consumption activities, thereby stimulating economic growth (Al-Qudah et al., 2020). This strategic role necessitates a robust, competitive, and contributive national banking system to successfully support economic progress. To achieve this, the Government of Indonesia has crafted the 2020-2025 Indonesian Banking Development Road Map, which serves as a guideline for all stakeholders (Thomas, 2020). This roadmap ensures that future banking development efforts and initiatives are aligned and cohesive, providing a clear direction for fostering a resilient and dynamic banking sector that underpins national economic growth.

This research is crucial as it addresses the various challenges faced by the banking industry in Indonesia. It highlights the need for a strategic direction, outlined in a roadmap, to ensure the development of the banking sector is more focused, structured, and effective (Kornelius et al., 2020). The Indonesian government, responsible for regulating and supervising the banking industry and protecting its consumers, is keen on fostering banks that perform well. The careful development of the Indonesian banking system is essential to avoid disruptions, ensuring that banks grow healthily and sustainably, thereby providing significant benefits to national economic development and the welfare of the people (Taghipour et al., 2020). This study, therefore, explores the topic of strategic management analysis to enhance the performance of the banking industry through the mediating variable of good governance.

The expected outcome of this research is to contribute to the realization of Indonesia's economic performance and financial services sector, making it a formidable player on the international stage. This is not just because of its large market share, but also due to its robust, competitive, and contributive banking institutions that significantly support economic growth. This research began in early 2022 and involved extensive stages, starting with a literature study and discussions on the methodology to be employed. By doing so, it aims to provide valuable insights and practical solutions for the continuous improvement of the Indonesian banking industry, aligning it with global standards and ensuring its stability and growth.

Strategic planning for the future inevitably involves varying degrees of failure, as different parts of an organization require different planning horizons—some for many years, others for only a short time (Alosani et al., 2020). This process involves setting organizational goals and acquiring resources to achieve them, as well as managing the acquisition, utilization, and disposition of these resources. In banking organizations, an example of strategic planning is business diversification into new areas, where growth rates, sales, and new product offerings need to be meticulously planned (Islami et al., 2020). Strategic planning encompasses all functional business areas and operates within a long-term framework influenced by economic, technological, social, and political factors. It involves analyzing various environmental factors to understand how the banking organization interacts with its surroundings. Typically, for most banking organizations, the strategic planning period spans three to five years (Peprah & Ayaa, 2022).

The strategic planning process is akin to conducting a SWOT analysis for a business or organization, but there are distinct differences. Strategic planning starts with establishing a mission strategy for the banking organization, where the main objectives must be clearly defined (Sivashanker, 2021). This planning focuses on the long-term relationship between the banking organization and its external environment, requiring a detailed business mission that considers the social and external impacts. To identify opportunities and threats, an external environmental analysis of the banking

organization is necessary, highlighting factors that could influence future activities (Ojra et al., 2021).

Following this the organization's strengths and weaknesses are analyzed. This analysis allows the organization to leverage its strengths and mitigate its weaknesses. By focusing on internal capabilities, the organization can capitalize on external opportunities (Oyewo, 2020). Adapting its strengths to seize these opportunities enables the organization to face competition effectively and achieve growth. Thus, strategic planning ensures that the banking organization is well-prepared to navigate its environment, optimize its resources, and sustain its development over the long term. Strategic decisions are made and evaluated to enhance operational performance, with banking organizations selecting options that best match their capabilities. For instance, to grow, a company might enter new market segments or sell new products within existing markets. The choice of strategy depends on factors like the external environment, managerial perceptions, risk attitudes, past strategies, and managerial strengths. Once the strategy is defined, it must be translated into an operational plan with developed programs and budgets for each function, ensuring efficient resource use. Controls are established to evaluate performance, and if actual results fall short, the strategy should be reviewed and adapted to external changes. Additionally, a robust financial or accounting recording system is crucial for the longevity of a banking organization. Researchers can explore trusted accounting software like Accurate Online, a cloud-based application used by many businesses, to ensure effective financial management.

A differentiation strategy aims to provide unique advantages to marketed products, often applied to services. For instance, an e-wallet service might offer an engaging user experience. This strategy also appears in food products, such as healthier, vitamin-rich instant foods compared to typical options. Performance indicators, as defined by (Cavallo et al., 2021), are quantitative and/or qualitative measures that describe the desirability of set targets or objectives. (Rehman et al., 2023) further defines performance indicators as variables that quantitatively display the effectiveness and efficiency of a process or operation based on the targets and objectives of a banking organization. Therefore, performance indicators are criteria used to assess the success of a banking organization's objectives, manifested in specific measures.

Performance indicators are often equated with performance measures. But actually, even though both are performance measurements, there are differences in meaning. Performance indicators refer to performance evaluations indirectly, namely things that are only indications of performance, so that their form tends to be qualitative. Meanwhile, performance measurement is performance that refers to direct performance appraisal, so that its form is more quantitative. Performance indicators and performance measures are needed to assess the level of achievement of goals, objectives and strategies.

Performance indicators can vary among banking organizations, but there are general requirements to create an ideal indicator. According to (Alnoor et al., 2022), these conditions include consistency, where definitions used to formulate performance indicators must be consistent across time periods and organizational units. Indicators should also be comparable, allowing for reasonable comparisons. Clarity is essential, meaning performance indicators should be simple, clearly defined, and easy to understand. Control is another key condition, with performance measurement based on areas that can be controlled by a public manager. Additionally, the possibility of formulating performance indicators must consider the internal and external environment, organizational structure, management style, and external complexities. Completeness requires that performance indicators reflect all aspects significant for

managerial decision-making. Limitations focus on the primary factors constituting organizational success, ensuring relevance to specific conditions and needs. Appropriateness means that targets for performance indicators must be realistic and achievable.

According to (Muendo & Ogutu, 2020), performance indicators should be specific and clear, minimizing the potential for misinterpretation. They must be measurable objectively, both quantitatively and qualitatively, ensuring that multiple measurements lead to the same conclusion. Indicators should be relevant, addressing pertinent objective aspects, and achievable, demonstrating the success of inputs, outputs, outcomes, benefits, impacts, and processes (Farida & Setiawan, 2022). Flexibility is crucial, allowing sensitivity to changes and adjustments in implementation and results. Effectiveness is also necessary, ensuring data related to performance indicators can be collected, processed, and analyzed within available costs.

The government can employ various comparisons to measure organizational performance. These comparisons include evaluating current performance against the previous year's performance, comparing current performance with standards from the central or regional governments, and comparing performance across units or sections within a department or with similar units in other departments. Additionally, performance can be compared with provisions in the private sector and with similar fields and functions in other regional governments. This comprehensive approach helps ensure that performance indicators provide a robust and meaningful assessment of organizational success (Ali & Anwar, 2021b).

By adhering to these guidelines, banking organizations and government entities can develop effective performance indicators that provide clear, relevant, and actionable insights. These indicators help in making informed decisions, improving operational efficiency, and achieving strategic goals. A well-structured performance measurement system not only aids in internal management but also enhances accountability and transparency, ultimately contributing to the overall success and stability of the organization.

The research gap in studying banking companies transitioning into service-oriented firms, especially with the aim of becoming global entities, is notable in the context of the Industrial Revolution 4.0. This gap is particularly evident in the lack of research on how these companies envision themselves as technology-oriented entities. The study highlights the importance of viewing firms as successful entrepreneurial ventures, where they see themselves as professional organizations committed to their goals and objectives. This perspective is crucial for companies aspiring to integrate technology and innovative practices into their core operations.

Additionally the study explores how these visions are translated into missions, strategies, tactics, and business models in the banking sector, encompassing various dimensions detailed in the research. Strategic management variables are examined for their impact on the banking industry's performance, mediated by corporate governance variables. This includes analyzing how corporate governance influences key performance indicators such as productivity, market share, and profitability. The study identifies significant gaps in understanding the role of corporate governance as an intermediary variable affecting the overall performance of banking companies, emphasizing the need for further research in this area. This study has a problem formulation which is a specific statement regarding the scope of the problem to be studied. The formulation of the problem questions several things related to this research, where later the answers to these questions will become the results of the research.

METHODS

This study employs a survey research design and falls under quantitative research, aiming to understand individual or group behaviors in implementing business strategies rooted in Pancasila values. The descriptive nature of the research is reflected in the structured survey questionnaire. Conducted as a case study in Bekasi City and its surrounding areas, representing Indonesia as a whole, this approach involves an intensive and systematic investigation of individuals, groups, or communities, examining in-depth data on various variables. The case study method addresses the holistic aspects of nursing care and allows the researcher to narrow down broad and complex phenomena into manageable research questions, gathering both qualitative and quantitative data for deeper insights. This research was conducted in the banking industry in West Bekasi, East Bekasi, North Bekasi and South Bekasi districts.

The study surveyed employees in the banking industry within West, East, North, and South Bekasi districts, involving 364 respondents chosen through stratified random sampling from a total population of 392 banking employees. This sample size reflects the growing and resilient banking population in the area, despite economic challenges such as trade wars, geopolitical turmoil, and the COVID-19 pandemic. The banking sector in Bekasi City has shown improvement in intermediation performance and maintained key financial ratios. The synergy between banking policies, government actions, the banking industry, and other authorities has supported the resilience of the national banking system, which continues to bolster the national economy (ojk.go.id, 2022). National banking performance has been positive, with increased assets, credit growth, and third-party funds, along with a controlled risk profile indicated by low non-performing loans and high liquidity ratios. Additionally, national banking capital has remained robust with maintained profitability (ojk.go.id, 2022).

The number of conventional banks and their office networks is decreasing due to consolidation and digital transformation, while Islamic banks and their networks are expanding, reflecting the strengthening of Islamic banking. The research targeted companies around the Metropolitan City of Bekasi, representing Indonesian companies, selected due to limited options during the corona pandemic, which made finding respondents challenging. Respondents included managers and employees at a 1:10 ratio, ensuring both groups were adequately considered, and companies were grouped based on relevance. The cluster sampling technique was employed, focusing on banking employees in Bekasi City and its surroundings, primarily targeting middle and top management who can assess their company's business performance.

Table 1. Reaserch Respondents

Bank	Population	Respondents
North Bekasi	800	25% x 364 = 91
South Bekasi	800	25% x 364 = 91
West Bekasi	800	25% x 364 = 91
East Bekasi	800	25% x 364 = 91
Total	**4000**	**364**

Source : data processes 2024

The researcher uses the Slovin formula where the number of respondents is the number of populations divided by one plus the population multiplied by the standard

error squared. With a population of 4,000 employees, the sample size can be calculated: 4,000/1 + 4,000 x 0.05 x 0.05 = 364 respondents.

This research is primarily based on a survey using a questionnaire for data collection. The questionnaire includes several components, starting with the demographic profile of the respondents, followed by their assessment of strategic management. The research instruments used encompass interviews and documentary analysis, culminating in evaluating the performance of the banking industry.

The data collection process in this study is guided by the variables outlined in the hypothesis. Data was collected from a predetermined sample and encompasses a wide range of formats, including images, sounds, letters, numbers, languages, symbols, and situations, all of which become meaningful when used in the research context. The data is categorized primarily into quantitative data, represented by numbers on a Likert scale: 1 for strongly disagree, 2 for disagree, 3 for agree, and 4 for strongly agree. The researcher distributed and collected survey questionnaires, then organized and tabulated the data for meaningful presentation. For statistical analysis, multiple linear regression is used to measure the impact of multiple independent variables on a dependent variable. This method assumes that changes in the dependent variable (Y) are proportional to changes in the independent variables (X). The study employs regression equations to test various hypotheses: one hypothesis tests the insignificant contribution of the Strategic Planning (SP) variable to banking industry performance, another examines the Differentiation Strategy (DS) as a mediating variable's insignificant impact on company performance, and a final hypothesis assesses the SP variable's lack of significant contribution to the DS variable as a mediator for business performance.

According to Hair et al. (2018), data analysis is a method used to process research findings and draw conclusions. This study employs quantitative analysis using Structural Equation Modeling (SEM), a set of statistical techniques that allow for the simultaneous testing of complex relationships between one or more dependent (endogenous) and independent (exogenous) variables. These variables are constructs formed from multiple observed indicators. SEM combines factor analysis, structural models, and path analysis, and requires specialized software such as Lisrel 8.8 for analysis. The sample size for SEM should be between 200 to 800 respondents. The study's model is a causal or relationship model, using SEM to test hypotheses by identifying the dimensions of constructs and measuring the relationships between identified factors.

The SEM analysis process involves several steps. First, a strong theoretical model is developed through a literature review. Next, the theoretical model is depicted in a path diagram showing causal relationships. The path diagram is then converted into a series of structural equations expressing the relationships between constructs. The analysis uses covariance matrices for more accurate comparisons, with a minimum sample size of 100 respondents. Issues in the model are identified and addressed by adjusting variables to ensure unique estimates. The model's goodness-of-fit is evaluated using various indices such as Chi-Square, GFI, AGFI, CMIN/DF, RMSEA, TLI, and CFI. Finally, the model is interpreted and modified if necessary, based on the residuals and modification indices to improve model fit.

RESULTS AND DISCUSSION

This research employs SEM-PLS analysis using the SmartPLS 4.0 software. Partial Least Squares (PLS) is a multivariate statistical technique that handles multiple dependent and independent variables, addressing multiple regression issues. The PLS model evaluation includes outer and inner model assessments. Instrument testing for validity and reliability was conducted on 364 respondents from companies in the Bekasi

Metropolitan City, representing Indonesian companies. These tests ensured the instruments' validity and reliability, providing data for further analysis using SmartPLS 4.0. Hypothesis testing follows the Partial Least Squares (PLS) analysis technique within the proposed PLS model scheme.
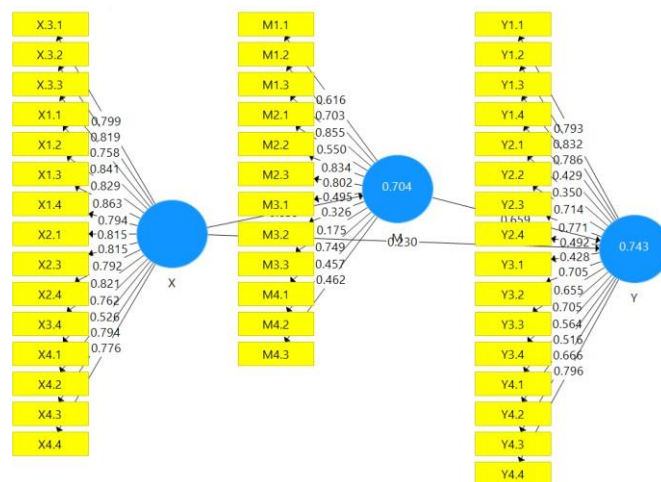

Figure 1. Patrial Least Squares (PLS) Model Scheme
Source: Processed data, 2024

The outer model evaluation or measurement model in this study identifies the marketing strategy variable with 15 indicators, the differentiation strategy with 12 indicators, and bank performance with 16 indicators. The SmartPLS analysis evaluates the reflective outer model using four criteria to test the validity and reliability of variables: Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE). The criteria include: 1) Convergent validity, where indicators are valid if coefficient values are > 0.60, and in this study, all indicators meet this threshold; 2) Discriminant validity, with variables valid if AVE is > 0.50; 3) Composite Reliability, with variables reliable if Composite Reliability is > 0.60; and 4) Cronbach's Alpha, with variables reliable if Cronbach's Alpha is > 0.60. Discriminant validity can be assessed through the Average Variance Extracted (AVE) method, where each indicator should have a criterion > 0.5 to be considered valid.

Based on the data in Table 2 above, it can be observed that the AVE value for each variable is > 0.5. Specifically, for the variable Strategy Differentiation (M), it is 0.685, for Strategy Planning (X) it is 0.625, and for Performance (Y) it is 0.629. This indicates that each variable has good discriminant validity. Composite Reliability is a part used to test the reliability of variable indicators. A variable can be considered to meet composite reliability if the composite reliability value for each variable is > 0.70. Below are the Composite Reliability values for each variable:

Table 3. Composite Reliability

Variable	Composite reliability (rho_c)	Notes
Differentiation Strategic (M)	0.870	Reliable
Strategic Planning (X)	0.961	Reliable
Banking Performance (Y)	0.919	Reliable

Source : data processes 2024

Based on the data in Table 3 above, it can be observed that the Composite Reliability values for each variable exceed 0.7. Specifically, for the Strategy Differentiation (M) variable, it is > 0.7 with a value of 0.870. For the Strategy Planning (X) variable, it exceeds 0.7, specifically 0.961. The variable Interest in Choosing has a value > 0.7, namely 0.904, and the Performance (Y) variable also has a value greater than 0.7, specifically 0.919. This indicates that each variable has Composite Reliability > 0.70, demonstrating the reliability of these variables. The reliability test of Composite Reliability above can be reinforced by using Cronbach's Alpha values. A variable can be considered reliable if it has a Cronbach's Alpha > 0.70. Below are the Cronbach's Alpha values for each variable:

Table 4. Cronbach's Alpha

Variable	Cronbach's alpha	Notes
Differentiation Strategic (M)	0.848	Reliable
Strategic Planning (X)	0.956	Reliable
Banking Performance (Y)	0.907	Reliable

Source : data processes 2024

Based on the data in Table 4 above, it can be observed that the Cronbach's Alpha values for each variable exceed 0.70. Specifically, for the Strategy Differentiation (M) variable, it is > 0.70 with a value of 0.848. For the Strategy Planning (X) variable, it exceeds 0.70, specifically 0.956. The Performance (Y) variable also has a value > 0.70, specifically 0.907. This indicates that each variable has Cronbach's Alpha > 0.70, demonstrating the reliability of these variables. This model evaluation is conducted using Coefficient Determination (R2), Goodness of Fit tests, and Hypothesis Testing (Direct and Indirect Effects). The following is the proposed scheme of the PLS program model:
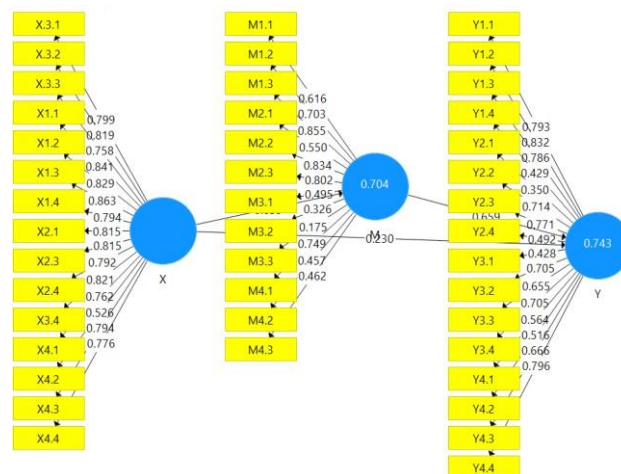

Figure 2. Inner Model Evaluation
Source: Processed data, 2024

The coefficient of determination (R-square) measures the extent to which the dependent variable is influenced by other variables. According to Chin, an R2 value of

0.67 or higher indicates a strong influence of independent variables on dependent variables and is categorized as good. An R2 value between 0.33 and 0.67 is considered moderate, while a value between 0.19 and 0.33 is considered weak. Data processing using SmartPLS 4.0 produced specific R-square values to assess these influences.

Table 5. R-Square Value

	X	Y
M		0.659
X		0.230
Y		

Source : data processes 2024

The R-Square table is used to observe the magnitude of the Impact Of Strategic Planning On Banking Business Performance Through Differentiation Strategy. The adjusted R-square value is used to assess the influence of the strategy planning and differentiation strategy variables on performance, with a value of 0.659, indicating a strong influence. The assessment of goodness of fit is determined by the Q-square value. The Q-Square value has the same meaning as the coefficient determination (R-Square) in regression analysis, where the higher the Q-Square value, the better or more fitting the model is to the data. The calculated result for Q-Square is as follows:

$$Q \text{ Square} = 1 - [(1 - R21) \text{ x } (1 - R22)]$$
$$= 1 - [(1 - 0,659) \text{ x } (1 - 0,230)]$$
$$= 1 - (0,341 \text{ x } 0,77)$$
$$= 1 - 0,26257$$
$$= 0,74$$

Based on the calculated result above, the Q-Square value obtained is 0.74 or 74%. This indicates that the model can explain 74% of the variability in the research data, while the remaining 26% is explained by other factors outside of this study. Therefore, based on these results, it can be concluded that this research model has a good goodness of fit. Based on the data analysis conducted, the results can be used to answer the hypotheses in this study by examining r statistics and p-values. A hypothesis is considered accepted if the p-value is < 0.05. In this study, there are both direct and indirect effects because there are independent variables, dependent variables, and mediating variables. In the smartPLS program, the results of hypothesis testing can be observed through the Path Coefficient Bootstrapping technique as follows:

Table 6. Direct Testing

	Real Sample (O)	Sample's Average (M)	Deviation Standard (STDEV)	T Statistic (|O/STDEV|)	P Values
M -> Y	0.659	0.668	0.098	6.704	0.000
X -> M	0.839	0.839	0.022	38.434	0.000
X -> Y	0.23	0.222	0.103	2.237	0.026

Source : data processes 2024

Hypothesis testing in this study uses the bootstrapping analysis technique to determine the significance of relationships between independent and dependent variables. A t-statistic value greater than the t-table value of 1.652 at a 5% significance level indicates a significant influence, and a P-value less than 0.05 results in rejecting the null hypothesis (H0). The analysis reveals that the t-statistic for Strategy Differentiation on Performance is 6.704, with a P-value of 0.000, indicating a significant positive effect.

Similarly, Strategy Planning's influence on Strategy Differentiation has a t-statistic of 38.434 and a P-value of 0.000, showing a strong positive effect. The direct influence of Strategy Planning on Bank Performance has a t-statistic of 2.237 and a P-value of 0.026, confirming a significant positive effect. These results underscore the important roles of strategy differentiation and planning in improving bank performance.

The Influence Of Diffrentiation Strategy On Performance

The analysis from Table 6 indicates that the t-statistic for the Differentiation Strategy's influence on Performance is 6.704, significantly higher than the t-table value of 1.652, with a P-value of 0.000. This demonstrates that the Differentiation Strategy has a positive and significant effect on Performance. Differentiation is a strategy where companies distinguish their products or services by offering unique features or added value, impacting customer perception and loyalty, increasing sales, and expanding market share, which ultimately boosts revenue and profitability.

Operational efficiency is another crucial variable in the relationship between differentiation strategy and performance. While differentiation often requires investment in research, development, marketing, or innovation, it can lead to long-term efficiency and brand strength, allowing companies to set higher prices and improve profit margins. Additionally, effective differentiation strategies enable companies to adapt to market changes and competition, maintaining a competitive edge through continuous innovation. However, differentiation also involves risks, such as high development costs and potential for quick imitation by competitors. Therefore, the success of differentiation strategies in enhancing performance depends on managing these variables effectively, including customer perception, operational efficiency, market adaptation, and associated risks and challenges.

The Influence Of Planning Strategy on Diffrentiation Strategy

The t-statistical analysis from Table 6 shows that the t-statistic for the influence of planning strategy on differentiation strategy is 38.434, well above the t-table value of 1.652, with a P-value of 0.000. This indicates a significant and positive direct influence of planning strategy on differentiation strategy. Strategic planning, a fundamental aspect of strategic management, involves long-term decision-making to achieve company goals, while differentiation strategy helps companies stand out by offering unique products or services.

Strategic planning is vital for shaping the direction and focus of differentiation strategy. It involves assessing the internal and external environment, identifying strengths, weaknesses, opportunities, and threats, and setting long-term objectives. This process ensures that differentiation aligns with the company's vision, mission, and values. Moreover, strategic planning influences resource allocation, helping companies decide on budgets, manpower, and time to develop and implement differentiated products or services efficiently. It also aids in selecting the right market segments, allowing companies to target their differentiation efforts effectively based on competitive advantages. Effective strategic planning considers the costs and risks of differentiation and prepares contingency plans to address unforeseen challenges. By integrating these elements, strategic planning supports and enhances differentiation efforts, leading to long-term competitive advantages and superior performance.

The Influence Of Planning Strategy on Bank Performance

The t-statistical analysis from Table 6 shows that the t-statistic for the direct influence of planning strategy on bank performance is 2.237, surpassing the t-table value

of 1.652, with a P-value of 0.026. This indicates that the planning strategy has a positive and significant effect on bank performance. Strategic planning is crucial in the financial industry as it involves formulating long-term objectives, evaluating internal and external environments, and identifying strategies to achieve these goals. Its impact on bank performance is evident through several interconnected variables.

Strategic planning is essential for setting the direction and focus of a bank's strategy. Banks with effective planning can clearly define their long-term goals, whether for growth, market expansion, service diversification, or operational efficiency improvements. This clarity helps allocate resources efficiently and prioritize initiatives that align with their strategic objectives. Additionally, strategic planning enhances risk management by allowing banks to identify and manage various risks, such as credit, market, and operational risks, thereby improving financial stability. It also enables banks to adapt to market and regulatory changes, maintaining competitiveness amid rapid technological advancements, evolving customer needs, and regulatory shifts. However, strategic planning alone does not guarantee success. Effective implementation, continuous monitoring, and evaluation of strategies are crucial, along with considering external factors like macroeconomic conditions and geopolitical events. The influence of planning strategy on bank performance results from the interplay of strategic direction, risk management, market adaptation, and external influences, with effective management of these variables leading to superior performance and competitive advantage in the dynamic financial industry.

CONCLUSIONS

Based on the discussion presented in the previous chapter, the researcher draws the following conclusions: Differentiation strategy has a positive and significant impact on bank performance. This means that the better the differentiation strategy, the higher the bank's performance, Planning strategy has a positive and significant impact on differentiation strategy. This implies that the better the planning strategy, the higher the bank's performance, Planning strategy has a positive and significant impact on bank performance. This indicates that the better the planning strategy, the higher the bank's performance. The study highlights the importance of strategic planning in enhancing banking business performance through differentiation strategies. It suggests that banks can gain a competitive edge and improve their market performance by effectively utilizing strategic planning. Moreover, the findings indicate that banks with robust strategic planning tend to develop better differentiation strategies, offering opportunities for more innovative and market-aligned approaches. This research also raises awareness of the critical role of strategic planning in banking, potentially encouraging banks to allocate more resources and time to designing and implementing effective strategies. However, there are limitations to consider. The findings may not be universally applicable across the entire banking industry due to variations in market structures and economic conditions in different regions. The study's reliance on primary data from questionnaire surveys might have limitations regarding representation and validity, as not all relevant variables may be captured, and responses could be biased or inaccurate. Additionally, the study focuses primarily on the relationship between strategic planning, differentiation strategy, and business performance, without considering other influential factors such as external or internal elements not directly related to strategy. To further understand the impacts of strategic planning on banking performance, several research recommendations are proposed. Conducting in-depth case studies on banks that have successfully implemented differentiation strategies through effective strategic planning

would provide valuable insights into the specific impacts on business performance. Comparative analyses among banks with varying levels of strategic planning effectiveness could help identify best practices in strategic planning to enhance business performance. Adopting a longitudinal study approach to track changes in strategic planning, differentiation strategy implementation, and business performance over time will offer a deeper understanding of these relationships and how external factors influence them. Additionally, conducting qualitative research through interviews with key stakeholders in banks can provide insights into non-quantitative factors influencing strategic planning and differentiation strategy implementation, offering a more holistic perspective. Finally, expanding research to compare strategic planning practices and differentiation strategy implementation among banks from different countries or regions will provide insights into how contextual factors, such as industry regulations and local business customs, influence these relationships.

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