

The Effect of the Competition and Financial Performance on the Efficiency of the Micro, Small, and Medium Enterprises in Bandung Area: A Two-Stage Approach

ABSTRACT

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This research investigates the relationship between technical efficiency, competition and financial performance of the micro, small and medium enterprises in the Indonesian food and beverages industry. This research uses the micro, small and medium enterprises survey from Indonesian Bureau of Central Statistics in the period from 2010 to 2014. The technical efficiency is estimated using data envelopment analysis (DEA) with output orientation and variable return to scale. Competition and financial performance are represented by the industrial concentration and return on asset, respectively. The results show that Indonesian micro, small and medium enterprises have low average technical efficiency. Furthermore, competition has a positive effect on the technical efficiency of the Indonesian micro, small and medium enterprises.

Keywords: micro, small and medium enterprises; technical efficiency, competition