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Examining the Impact of Knowledge Sharing on Sustainable Competitive Advantage: The Mediating Role of Innovation Culture and Social Capital

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Abstract

This study analyzes the role of knowledge sharing in shaping sustainable competitive advantage, with innovation culture and social capital serving as mediating mechanisms, within Bank Perkreditan Rakyat Badan Kredit Kecamatan (BPR BKK) in Central Java. Employing an explanatory quantitative design, primary data were collected from executive managers of 34 BPR BKK institutions using a census approach. The proposed model was tested using Partial Least Squares–Structural Equation Modeling (PLS-SEM) to evaluate both direct and indirect effects among the variables. The results demonstrate that knowledge sharing does not exert a significant direct influence on sustainable competitive advantage. However, it significantly enhances innovation culture and social capital, which subsequently have a positive and significant impact on sustainable competitive advantage. These findings indicate that the strategic benefits of knowledge sharing are realized through organizational culture and relational assets rather than direct performance effects. Furthermore, innovation culture and social capital are confirmed as full mediators in the relationship between knowledge sharing and sustainable competitive advantage. This research advances the strategic management and banking literature by integrating knowledge-based and social capital perspectives and offers managerial implications for microfinance institutions to foster innovation-oriented environments and strong internal networks in order to achieve sustained competitiveness.

Keywords: **Knowledge Sharing, Innovation Culture, Social Capital, Sustainable Competitive Advantage, BPR BKK**

INTRODUCTION

Financial resources constitute a fundamental pillar of modern economic life, as access to adequate financial services is essential not only for improving individual welfare but also for sustaining national economic growth (Nguyen, 2025). In the context of global economic uncertainty, rapid digital transformation, and increasing employment instability reflected in rising layoffs and firm closures, the ability of communities to obtain reliable financial support has become increasingly critical. Financial inclusion therefore plays a strategic role in strengthening grassroots economic resilience, particularly for micro and small economic actors who depend heavily on accessible and adaptive banking services. In this environment, financial institutions are no longer evaluated solely on their intermediation function, but also on their capacity to sustain long term competitiveness amid structural and technological disruption.

The growing demand for financial resources has stimulated the emergence of numerous financial institutions, intensifying competition within the financial services sector. This competitive pressure is further exacerbated by digital penetration, the expansion of nonbank financial service providers such as fintech firms, and shifting customer expectations toward fast, personalized, and technology driven services (Probojakti et al., 2024). These dynamics require financial institutions to continuously strengthen public trust and adaptive capability. Bank Perkreditan Rakyat Badan Kredit Kecamatan (BPR BKK), which primarily serves micro, small, and medium enterprises, faces particular challenges in maintaining relevance and competitiveness, making the pursuit of sustainable competitive advantage an organizational imperative rather than a strategic option.

Sustainable competitive advantage refers to an organization's ability to maintain a superior position over the long term through valuable, rare, and difficult to imitate resources or capabilities (Mahdi & Nassar, 2021; Mustafi et al., 2025; Wichitsathian & Ekkaphol, 2025). Competitive advantage emerges when firms create greater value than competitors, either through cost efficiency or distinctive differentiation (Jerab & Mabrouk, 2023). In the banking context, sustainable competitive advantage is closely linked to the capacity to design unique value creation strategies that cannot be easily replicated. Empirical assessments of sustainable competitive advantage often include indicators such as superior service value, competitive pricing, efficient service delivery systems, product rarity, difficulty of imitation, and differentiation (Ratulian et al., 2024). Although BPR BKK has implemented various innovations related to pricing flexibility, local network development, and relationship based services, persistent constraints remain, particularly in service delivery efficiency, technological adoption among rural customers, and intense interest rate competition with state owned banks. These limitations highlight the need for deeper organizational mechanisms that can sustain competitiveness beyond operational adjustments.

One strategic mechanism increasingly emphasized in the literature is knowledge sharing, defined as the systematic exchange of information, experience, skills, and expertise among individuals or organizational units to enhance collective capability (Yeboah, 2023). Knowledge is widely recognized as a critical strategic resource, and shared knowledge constitutes a foundation for long term competitive advantage (Farnese et al., 2019; Żatuchin, 2025). From a resource based

perspective, sustainable competitive advantage is inherently dependent on knowledge assets and knowledge management processes that meet the VRIN criteria valuable, rare, difficult to imitate, and well organized (Mailani et al., 2024). Empirical studies have demonstrated that knowledge sharing can directly or indirectly enhance sustainable competitive advantage, often through mediating mechanisms such as innovation culture (Arsawan et al., 2022; Kadarusman & Siti Rosyafah, 2022; Ratulian et al., 2024). However, empirical evidence also reveals inconsistencies, with several studies indicating that knowledge sharing does not exert a direct effect on sustainable competitive advantage, thereby underscoring the need for explanatory mediating variables.

Innovation culture has been widely proposed as a critical mediator linking knowledge sharing to sustainable competitive advantage. Innovation culture reflects a set of organizational values and practices that encourage experimentation, idea generation, and continuous improvement (Davies & Buisine, 2022). Through a supportive innovation culture, employees are motivated to exchange ideas, share best practices, and collaboratively refine solutions, thereby transforming shared knowledge into valuable innovations (Arsawan et al., 2022). Prior studies confirm that innovation culture significantly influences sustainable competitive advantage and mediates the relationship between knowledge sharing and competitive outcomes (Azeem et al., 2021; Ratulian et al., 2024). In parallel, social capital, encompassing structural, relational, and cognitive dimensions, provides the relational infrastructure that facilitates trust, collaboration, and effective knowledge flows within organizations (Gannon & Roberts, 2020; Weiler et al., 2024). Empirical findings suggest that social capital strengthens organizational competitiveness and functions as an indirect pathway through which knowledge sharing enhances sustainable competitive advantage (Ngeche & Okello, 2022; Wasko & Faraj, 2005).

Based on the theoretical arguments and empirical inconsistencies identified in prior studies, this research seeks to examine the role of knowledge sharing in influencing sustainable competitive advantage, with innovation culture and social capital as mediating variables, within the context of BPR BKK in Central Java. This study aims to contribute to the strategic management and banking literature by integrating knowledge based and social relational perspectives in explaining sustainable competitive advantage in microfinance institutions. Practically, the findings are expected to provide insights for bank managers and policymakers in designing knowledge management practices, fostering innovation oriented cultures, and strengthening social capital to ensure long term competitiveness in an increasingly dynamic financial ecosystem.

LITERATURE REVIEW

Knowledge Sharing

Knowledge sharing refers to the systematic process through which individuals exchange tacit and explicit knowledge to enhance collective understanding and organizational capability. Yeboah (2023) define knowledge sharing as the transfer of experience, skills, and contextual information among organizational members, while Farnese et al., (2019) position it as a core mechanism within the SECI knowledge creation spiral that transforms individual knowledge into organizational assets. From a relational perspective, knowledge sharing is not merely a technical

transfer process but a socially embedded interaction that relies on trust, reciprocity, and shared norms (Kan et al., 2025). Recent studies emphasize that effective knowledge sharing integrates technological enablers with social interaction to ensure knowledge is accessible, interpretable, and reusable across organizational boundaries (Bolisani & Bratianu, 2018).

Based on the SECI framework, knowledge sharing is commonly operationalized through six key dimensions: socialization, externalization, combination, and internalization (Żatuchin, 2025), complemented by ease of access to information and collaborative problem solving. These indicators capture both the behavioral and infrastructural aspects of knowledge sharing that facilitate learning, innovation, and sustainable organizational performance (Bachmaier & Seeber, 2018; Ratulian et al., 2024).

Sustainable Competitive Advantage

Sustainable Competitive Advantage (SCA) refers to a firm's ability to consistently outperform competitors over the long term by creating and maintaining superior value that is difficult to replicate. Prior studies conceptualize SCA as the outcome of deploying value-creating strategies that are not simultaneously implemented by current or potential rivals and cannot be easily imitated or substituted (Mahdi & Nassar, 2021; Mustafi et al., 2025; Wichitsathian & Ekkaphol, 2025). From the resource-based view, sustainability arises when organizational resources and capabilities are valuable, rare, imperfectly imitable, and non-substitutable, thereby enabling firms to preserve superior performance across time. Jerab & Mabrouk (2023) emphasizes that such advantages stem from cost leadership or differentiation strategies that must be continuously reinforced to remain effective. Recent literature further highlights that dynamic innovation capabilities and organizational learning strengthen SCA by enabling firms to reconfigure resources in response to environmental change (Van Hoang et al., 2025; Zhang et al., 2023).

Empirically, SCA is commonly reflected through several key indicators. These include value creation for customers, appropriate pricing strategies that capture created value, the rareness of strategic resources, sustainable service quality, imperfect imitability, and service differentiation supported by strong relational ties. Collectively, these dimensions illustrate how firms transform unique resources and capabilities into enduring competitive positions that are resilient to competitive pressures.

Innovation Culture

Innovation culture refers to a specific dimension of organizational culture that embodies shared values, norms, and practices shaping employees' collective capacity and willingness to generate, share, and implement novel ideas. It functions as a contextual mechanism that can either strengthen or weaken the effectiveness of formal innovation processes within organizations (Davies & Buisine, 2022). Innovation culture integrates the social nature of culture as a learned and shared system with innovation as the creation or adoption of novelty that delivers economic or social value (Moreira et al., 2024). Thus, an idea is considered innovative not merely because it is newly created, but because it is perceived as new by its adopters.

Contemporary literature conceptualizes innovation culture as an internal ecosystem consisting of leadership support, psychological safety, collaborative practices, learning orientation, and resource availability that collectively foster sustained innovative behavior (Zhang et al., 2023). Key dimensions include innovation-oriented leadership, tolerance for experimentation and failure, cross-functional collaboration, structured processes and resources for idea implementation, continuous learning, and inclusivity that leverages diverse perspectives (Zhu et al., 2024). Such a culture enables organizations to translate knowledge and creativity into repeatable and scalable innovation outcomes, thereby supporting long-term competitiveness.

Social Capital

Social capital represents a set of relational assets embedded in social networks that support cooperation, coordination, and the attainment of collective objectives through mechanisms such as trust, shared norms, and reciprocal relationships (Gannon & Roberts, 2020; Muringani et al., 2021). Rather than constituting a tangible resource, social capital emerges from the quality of interactions among individuals and groups, enabling access to information, mutual support, and strategic opportunities beyond formal organizational or market structures (Carni et al., 2024). In organizational contexts, strong social capital enhances performance and innovation by facilitating efficient knowledge flows, lowering coordination barriers, and reinforcing both internal cohesion and external partnerships (Steinmo & Rasmussen, 2014; Wang et al., 2021). Additionally, social capital strengthens organizational sustainability by improving adaptability and resilience in environments characterized by change and uncertainty.

Conceptually, social capital is commonly understood as a multidimensional construct encompassing structural, relational, and cognitive components (Thi & Dinh, 2025). The structural dimension captures the configuration of networks and interaction frequency, the relational dimension reflects trust and mutually accepted norms, and the cognitive dimension refers to shared interpretations, values, and collective understanding that facilitate effective collaboration and coordinated organizational action.

METHOD

This study adopts an explanatory quantitative design to examine the causal relationships between knowledge sharing and sustainable competitive advantage, with innovation culture and social capital as mediating variables. Explanatory research is suitable for hypothesis testing and causal analysis using statistical models, while a quantitative approach enables numerical measurement and empirical testing of inter variable relationships (Sekaran, Uma and Bougie, 2016). The integrated research design allows simultaneous assessment of direct and indirect effects within a theory driven framework. Data were analyzed using Partial Least Squares Structural Equation Modeling, which is appropriate for predictive oriented models with mediation structures, small samples, and non normal data (Hair et al., 2019). The unit of analysis is the organization, represented by executive managers of 34 BPR BKK institutions in Central Java, and a census sampling technique was applied to ensure full population coverage.

Primary data were obtained using a structured questionnaire administered between October and November 2025. The data analysis was conducted with SmartPLS version 4, applying a two-stage

approach that involved the assessment of the measurement model and the evaluation of the structural model, in line with the procedure recommended by (Hair et al., 2019). The measurement model was assessed using indicator loadings, Average Variance Extracted, cross loadings, Cronbach's Alpha, Composite Reliability, and rhoA (Ghozali & Latan, 2019; Hair et al., 2019; Sekaran & Bougie, 2016). The structural model was evaluated through bootstrapping based path coefficients, with significance determined by t values greater than or equal to 1.96 or p values less than or equal to 0.05 Henseler et al. 2020. Model quality was assessed using R square, effect size f square Cohen 1988, and predictive relevance Q square (Hair et al., 2019).

ANALYSIS AND DISCUSSION

Respondent Characteristics

The respondents in this study consisted of executive officers from 34 BPR BKK branch offices. These respondents were selected based on their capacity to provide comprehensive and relevant information related to the research variables at the respective BPR BKK offices under investigation. Respondent demographic characteristics are summarized in Table 1.

Table 1. Characteristics of Respondents

Respondents Characteristic	Category	Total	Percentage
Gender	Male	25	73.5%
	Female	9	26.5%
	Total	**34**	**100%**
Manager Position	Human Resources	12	35.3%
	Information	16	47.1%
	Credit	6	17.6%
	Total	**34**	**100%**
Age	< 35 years	4	11.8%
	35-50 years	28	82.4%
	> 50 years	2	5.9%
	Total	**34**	**100%**
Educaton	Senior High School	8	23.5%
	Bachelor's Degree	18	52.9%
	Master's Degree or Higher	8	23.5%
	Total	**34**	**100%**
Length of Service	< 5 years	7	20.6%
	> 5 years	27	79.4%
	Total	**34**	**100%**

Source: Processed data, 2026

Based on Table 1, the respondents were predominantly male and occupied managerial positions related to human resources, information systems, and credit functions, reflecting their relevance to the research variables. Most participants were aged between 35 and 50 years, reflecting a

workforce with considerable professional experience. In terms of educational background, the majority held a bachelor's degree, while a smaller segment had attained a master's degree or above. In terms of tenure, the respondents were largely characterized by more than five years of service, suggesting a strong level of organizational familiarity and accumulated knowledge.

This respondent profile enhances the robustness of the findings, as experienced and well educated managerial staff are more likely to actively participate in knowledge sharing practices, foster innovation culture, and leverage social capital to support sustainable competitive advantage.

Quantitative Analysis

The quantitative stage of this research utilized the Structural Equation Modeling–Partial Least Squares (SEM-PLS) technique, implemented through SmartPLS 4 software. This approach was adopted because of its appropriateness for exploratory purposes, predictive modeling, and studies involving relatively limited sample sizes, in line with the recommendations of (Hair et al., 2019). The analytical process commenced with the entry of aggregated questionnaire data from 43 respondents, after which the structural model was specified based on the conceptual framework presented in Figure 1.

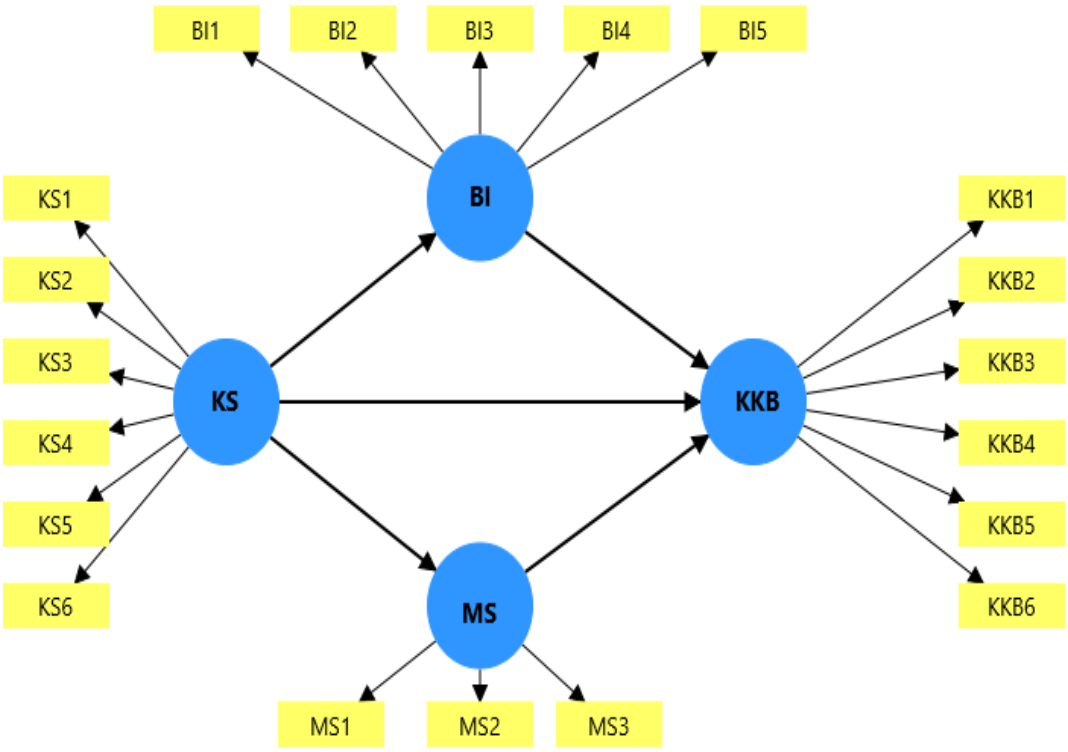

Figure 1. SEM-PLS Research Model

The proposed model illustrates the structural relationships among the study variables, in which Knowledge Sharing (KS) functions as the exogenous variable, Sustainable Competitive Advantage (SCA/KKB) acts as the endogenous variable, while Innovation Culture (IC/BI) and

Social Capital (SC/MS) serve as mediating variables. The measurement model comprises six indicators for Knowledge Sharing, six indicators for Sustainable Competitive Advantage, five indicators for Innovation Culture, and three indicators for Social Capital. Based on this model specification, the SEM-PLS analysis was conducted through the evaluation of both the outer model (measurement model) and inner model (structural model).

Validity Test Result

Construct validity in this research was primarily assessed using the Average Variance Extracted (AVE) criterion. AVE reflects the extent to which a latent construct is capable of explaining the variance of its observed indicators relative to the variance attributable to measurement error. This measure serves as an important indicator of convergent validity at the construct level, demonstrating whether the indicators consistently represent the same underlying concept. A higher AVE value indicates that the construct possesses adequate explanatory power and acceptable validity within the measurement model. Hair et al., (2019) suggest that an AVE threshold of 0.50 or higher demonstrates that a construct captures more than 50% of the variance in its indicators and is therefore regarded as valid. The AVE assessment results are reported in Table 2.

Table 2. Results of the Average Variance Extracted (AVE) Analysis

Variable	AVE
Innovation Culture (IC)	0.688
Sustainable Competitive Advantage (SCA)	0.771
Knowledge Sharing (KS)	0.677
Social Capital (SC)	0.877

Source: Processed data, 2026

Based on Table 2, all constructs demonstrate AVE values exceeding the recommended threshold of 0.50. This indicates that Innovation Culture, Sustainable Competitive Advantage, Knowledge Sharing, and Social Capital possess satisfactory convergent validity and are able to adequately capture the variance of their respective indicators.

Furthermore, although one indicator of Sustainable Competitive Advantage exhibited a loading factor between 0.50, the construct's AVE value remains well above the minimum requirement. Therefore, consistent with the guidelines proposed by (Hair et al., 2019), the indicator does not need to be removed from the measurement model.

Reliability Test Result

Reliability analysis was conducted to assess the internal consistency of the measurement instruments. In this research, reliability was evaluated using Cronbach's alpha and Composite Reliability (CR). Hair et al., (2019) state that coefficient values above 0.70 reflect acceptable reliability. The reliability assessment results are presented in Table 3.

Table 3. Reliability Test Results

Variable	Composite Reliability	Cronbach's alpha
Innovation Culture (IC)	0.892	0.839
Sustainable Competitive Advantage (SCA)	0.958	0.957
Knowledge Sharing (KS)	0.926	0.903
Social Capital (SC)	0.945	0.930

Source: Processed data, 2026

Based on Table 3, all research constructs demonstrate strong internal consistency and reliability. Innovation Culture shows a composite reliability of 0.892 and a Cronbach's alpha of 0.839, indicating satisfactory reliability. Sustainable Competitive Advantage exhibits very high reliability, with composite reliability and Cronbach's alpha values of 0.958 and 0.957, respectively. Knowledge Sharing also demonstrates robust reliability, as reflected by a composite reliability of 0.926 and a Cronbach's alpha of 0.903. Similarly, Social Capital presents high reliability values, with composite reliability of 0.945 and Cronbach's alpha of 0.930. Overall, these results exceed the recommended threshold of 0.70, confirming that all measurement instruments are reliable and suitable for further structural model analysis.

Coefficient of Determination (R-Square / R^2)

The coefficient of determination (R^2) is used to assess the extent to which endogenous constructs are explained by their respective exogenous variables. The results of the R-square and adjusted R-square tests are presented in Table 4.

Table 4. R-Square Test Results

Variable	R-Square
Innovation Culture (IC)	0.721
Sustainable Competitive Advantage (SCA)	0.842
Social Capital (SC)	0.380

Source: Processed data, 2026

Based on Table 4, the R-square values indicate the explanatory power of the structural model for each endogenous variable. Innovation Culture shows an R-square value of 0.721, suggesting that 72.1% of its variance is explained by the predictor variables, which reflects strong explanatory capability. Sustainable Competitive Advantage demonstrates an even higher R-square value of 0.842, indicating a substantial level of variance explained by the model. Meanwhile, Social Capital records an R-square value of 0.380, representing moderate explanatory power. Overall, these results confirm that the model exhibits robust explanatory strength, particularly in explaining Sustainable Competitive Advantage.

Effect Size (f^2) Analysis

Effect size analysis is conducted to assess the relative importance of exogenous constructs in explaining endogenous variables. The results of the f^2 analysis are shown in Table 5.

Table 5. Effect Size (f^2) Results

Variable	f^2 Value
KS → IC	2.580
KS → SC	0.613
IC → SCA	0.319
SC → SCA	1.159
KS → SCA	0.002

Source: Processed data, 2026

Based on Table 5, the effect size of Knowledge Sharing on Sustainable Competitive Advantage is negligible, which is consistent with the non-significant direct relationship identified in the path analysis. In contrast, Knowledge Sharing exerts a very large effect on Innovation Culture and Social Capital, highlighting its pivotal role in shaping organizational cultural and relational resources. Moreover, Innovation Culture shows a near-large effect on Sustainable Competitive Advantage, while Social Capital demonstrates a very large effect, reinforcing the view that cultural and relational mechanisms play a more decisive role than direct knowledge transfer in sustaining competitive advantage.

Path Coefficient Analysis

Path coefficient analysis is conducted to determine the significance and direction of the relationships among constructs. This analysis is performed using the bootstrapping procedure in SmartPLS 4 with a one-tailed test, as the hypotheses specify directional relationships. The results of the path coefficient analysis are presented in Table 6.

Table 6. Path Coefficient Results

Variable	Path Coefficient (β)	T-Statistic	P-Value	Conclusion
KS → SCA	0.031	0.238	0.406	Not Significant
KS → IC	0.849	21.162	0.000	Significant
KS → SC	0.617	5.155	0.000	Significant
IC → SCA	0.452	2.061	0.020	Significant
SC → SCA	0.578	3.956	0.000	Significant

Source: Processed data, 2026

Based on Table 6, Knowledge Sharing does not exhibit a significant direct effect on Sustainable Competitive Advantage, as reflected by a p-value exceeding 0.05 and a t-statistic below the critical threshold of 1.96. Although the relationship is positive, its magnitude is insufficient to support statistical significance. In contrast, Knowledge Sharing demonstrates a strong and significant

positive effect on Innovation Culture and Social Capital, indicating that effective knowledge exchange enhances innovation-oriented values as well as trust, collaboration, and shared understanding within the organization.

Furthermore, Innovation Culture significantly contributes to Sustainable Competitive Advantage, suggesting that organizations with a strong culture of innovation are better positioned to sustain competitive superiority. Similarly, Social Capital shows a significant positive effect on Sustainable Competitive Advantage, emphasizing the importance of relational resources in achieving long-term competitive positioning. Collectively, these findings imply that the contribution of Knowledge Sharing to Sustainable Competitive Advantage is primarily realized through cultural and social mechanisms rather than through a direct pathway.

Indirect Effect Analysis

The indirect effects of Knowledge Sharing on Sustainable Competitive Advantage through Innovation Culture and Social Capital are examined using bootstrapping. The results are presented in Table 7.

Table 7. Indirect Effect Test Results

Variable	Path Coefficient (β)	T-Statistic	P-Value	Conclusion
KS → SCA → SCA	0.384	2.007	0.022	Significant
KS → SC → SCA	0.357	3.336	0.000	Significant

Source: Processed data, 2026

Based on Table 7, Innovation Culture significantly and positively mediates the relationship between Knowledge Sharing and Sustainable Competitive Advantage. This finding indicates that knowledge sharing contributes to competitive advantage by fostering an organizational environment that supports innovation and continuous improvement.

Similarly, Social Capital also acts as a significant mediator in the relationship between Knowledge Sharing and Sustainable Competitive Advantage. This result suggests that the value of knowledge sharing is realized through enhanced trust, social relationships, and collaborative norms, underscoring that Sustainable Competitive Advantage is not solely knowledge-driven but is socially and culturally embedded within organizations.

Discussion

Effect of Knowledge Sharing on Sustainable Competitive Advantage

The path coefficient analysis indicates that Knowledge Sharing does not have a statistically significant direct effect on Sustainable Competitive Advantage, as evidenced by a p-value of 0.406 and a t-statistic of 0.238, both of which fail to meet the required thresholds. The effect size (f^2) of 0.002 further confirms the negligible contribution of Knowledge Sharing, consistent with Hair et al., (2019) criteria for trivial effects.

However, the R^2 value for Sustainable Competitive Advantage reaches 0.842, indicating strong explanatory power of the overall model (Hair et al., 2019). This finding aligns with Cristache et al., (2025) and Jerab & Mabrouk (2023), emphasizing that knowledge functions as a latent resource. Therefore, knowledge sharing contributes to sustainable competitive advantage only when supported by mechanisms that transform it into innovation and strategic value.

Effect of Knowledge Sharing on Innovation Culture

The results reveal a strong and statistically significant positive effect of Knowledge Sharing on Innovation Culture, supported by a p-value of 0.000 and a t-statistic of 21.162. The path coefficient of 0.849 indicates a robust relationship, while the effect size (f^2) of 2.58 demonstrates that Knowledge Sharing plays a dominant role in shaping innovation-oriented values and behaviors.

In addition, the R^2 value of 0.721 shows that Knowledge Sharing explains a substantial proportion of variance in Innovation Culture (Hair et al., 2019). These findings suggest that sustained knowledge sharing institutionalizes innovation as an embedded cultural practice rather than an incidental organizational activity. This result is consistent with (Arsawan et al., 2022; Ratulian et al., 2024; Yeboah, 2023).

Effect of Knowledge Sharing on Social Capital

Knowledge Sharing is found to have a positive and statistically significant effect on Social Capital, as indicated by a p-value of 0.000 and a t-statistic of 5.155. The path coefficient of 0.617 and the effect size (f^2) of 0.613 confirm that knowledge exchange strongly contributes to the development of relational quality within the organization.

Nevertheless, the R^2 value of 0.380 suggests that Social Capital is only moderately explained by Knowledge Sharing (Hair et al., 2019). This finding supports the arguments of (Cristache et al., 2025; Gannon & Roberts, 2020; Muringani et al., 2021). Thus, while knowledge sharing is a critical driver, social capital also depends on leadership, organizational climate, and institutional norms beyond knowledge exchange alone.

Effect of Innovation Culture on Sustainable Competitive Advantage

The analysis demonstrates that Innovation Culture has a positive and statistically significant effect on Sustainable Competitive Advantage, supported by a p-value of 0.020 and a t-statistic of 2.061. The path coefficient of 0.452 indicates that stronger innovation-oriented values contribute meaningfully to long-term competitive outcomes.

At BPR BKK, innovation culture is reflected in continuous innovation initiatives, resource commitment, and managerial encouragement of creative behavior. These practices align with the arguments of (Azeem et al., 2021), who emphasize innovation culture as a source of sustained differentiation. The findings are consistent with Arsawan et al., (2022), Azeem et al., (2021), Ratulian et al., (2024), confirming that innovation culture is a strategic asset for achieving sustainable competitive advantage.

Effect of Social Capital on Sustainable Competitive Advantage

Social Capital shows a positive and statistically significant effect on Sustainable Competitive Advantage, as indicated by a p-value of 0.000, a t-statistic of 3.956, and a path coefficient of 0.578. These results suggest that trust-based relationships and shared understanding directly enhance organizational competitiveness.

This condition supports effective coordination and collective goal achievement. The findings corroborate prior studies by Chuang et al., (2016), Ngeche & Okello (2022), Zaini et al., (2025), accordingly, social capital functions as a strategic relational resource that strengthens organizational adaptability and performance sustainability.

Mediating Role of Innovation Culture and Social Capital

The mediation analysis confirms that Innovation Culture and Social Capital significantly mediate the relationship between Knowledge Sharing and Sustainable Competitive Advantage. The indirect effect through Innovation Culture is supported by a p-value of 0.022 and a t-statistic of 2.007, while the indirect effect through Social Capital is confirmed by a p-value of 0.000 and a t-statistic of 3.336.

The non-significant direct effect combined with significant indirect effects indicates full mediation. This result aligns with Jerab & Mabrouk (2023) value creation framework and Farnese et al., (2019) knowledge conversion model, which emphasize the role of cultural and relational contexts in transforming knowledge into value. The findings support Arsawan et al., (2022), Ratulian et al., (2024) and Zhang et al., (2023), overall, knowledge sharing generates foundational cognitive resources that must be embedded within innovation culture and social capital to produce sustainable competitive advantage.

CONCLUSION

This study concludes that knowledge sharing does not directly contribute to sustainable competitive advantage within BPR BKK in Central Java. However, knowledge sharing plays a crucial indirect role by significantly enhancing innovation culture and social capital. Both innovation culture and social capital are proven to have a positive and significant effect on sustainable competitive advantage. These findings indicate that the benefits of knowledge sharing are not immediately translated into competitive outcomes, but instead operate through organizational and relational mechanisms that strengthen internal capabilities and collaborative norms.

Overall, innovation culture and social capital fully mediate the relationship between knowledge sharing and sustainable competitive advantage. This implies that organizations cannot rely solely on the dissemination of knowledge to achieve long term competitiveness. Instead, they must cultivate an innovation oriented culture and reinforce social relationships based on trust, shared values, and cooperation. For future research, it is recommended to incorporate additional mediating or moderating variables such as leadership style, digital capability, or organizational

learning to enrich the explanatory power of the model. Further studies may also consider comparative or longitudinal designs across different types of financial institutions to improve generalizability and capture dynamic effects over time.

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