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## **Mediation Role Of Cognitive Variables, Non-Financial Performance Measurements On The Performance Of The Banking Industry In The Pandemic Era**

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### **Abstract**

The measurement of banking performance is usually done using the methods of capital, assets, management, earnings and liquidity which are used to measure performance from a financial perspective. The focus of this research is to determine the direct effect of each variable examined. This study was also conducted to determine how the mediating effect of cognitive variables including interpersonal trust, organizational commitment and psychological empowerment between non-financial performance measures on banking performance. The methodology of this research is quantitative, the data used in this study is primary data obtained from data collection by distributing questionnaires to research respondents and supported by the interview process. Partial Least Square (PLS) was used for data analysis in this study. The results showed that of the ten proposed hypotheses, eight were accepted and the other two were rejected. For the first hypothesis up to the sixth hypothesis, it is accepted, which means that each of the variables studied has a direct significant effect, and for the mediating variable or indirect effect, only the eighth and ninth hypotheses are accepted, which also means that they have a significant effect as a mediating independent variable on the dependent . The two hypotheses that have been chosen are the seventh hypothesis and the tenth hypothesis which states that organizational commitment does not have a significant effect on the performance of a bank, and organizational commitment does not have a significant effect as a mediating variable between non-financial performance measures on banking performance.

**Keywords:** *Non-Financial Performance, Cognitive Variables, Banking Performance.*



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### **INTRODUCTION**

The Balanced Scorecard (BSC) method according to several previous studies can be used for non-financial-based performance appraisals, especially those related to the determination of strategies for services and goods through the identification of customer satisfaction that is more open, objective and reliable (Hasanah, 2014; Nugraheni, 2017; Suwito , 2021) . In addition to assessing the main aspects of banking, namely services and goods, research by Mujawanah and Putri (2014) which states that organizational culture and reliable human resources are one of the indicators that can be used to assess company performance from non-financial aspects with the BSC method. The use of the BSC method as a non-financial performance measure has a significant positive effect that has been felt by various industrial sectors, such as Fatima's research (2020) which states that the hospitality and tourism industry uses the BSC in measuring past, present and

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future performance, further research Masoud, et al (2016) found that in the automotive industry related to the fuzzy analytic hierarchical process the BSC method was used to help choose the right customer, then in the manufacturing sector BSC was used to help increase the number of supply chains needed (Agustian, 2015) , and others. other. Thus, in terms of creating each indicator and strategy map with the BSC method used by the company, it will be adjusted to the type and business activities carried out as unique to each organization (Buti, 2016) .

Research conducted by Tuti, et al (2015) states that the measurement of financial and non-financial performance has a positive influence on the commitment of an organization, and/or corporate governance (Nugraheni, 2017) . In addition, previous research states that organizational commitment has a mediating role for measuring performance with managerial performance (Mutia, 2015) . Another study conducted by Heri (2019) states that the organizational commitment of a company is also influenced by the interpersonal trust of employees owned by PT Bank Panin, Tbk Pontianak branch, this means that there is an influence that occurs in terms of trust between employees and managers in banking.

## **LITERATURE REVIEW**

### **Non-Financial Performance Measurement with Banking Performance**

Non -financial performance measurement becomes an important decision for the right project in a world that is influenced by changes that are always moving faster (Basri, 2015) . Research conducted by Putri (2020) states that non-financial-based performance measurement has a positive influence on organizational performance, this is in line with research conducted by Setiawan, et al (2020) which states that non-financial performance in Islamic banking with the *maqhid method sharia* has an influence on the performance of sharia banking based on the aim of justice and the interests of society.

H1: Non-financial performance measures affect banking performance

### **Non-Financial Performance Measurement with Psychological Empowerment**

Psychological empowerment is an effort to increase employee intrinsic motivation (Junaidi, 2016) .Research conducted by Edfan (2013) states that psychological empowerment has a positive influence related to the motivation and flexibility of the company , besides Khusnah, et al. (2017) state that a comprehensive performance measure carried out by the company will also have a positive influence on employee psychological empowerment because provide more specific, relevant and reliable information.

H2: Non-financial performance measures affect psychological empowerment

### **Non-Financial Performance Measurement with Interpersonal Trust**

Trust is an important factor related to the success of interpersonal relationships in the bureaucracy (Irwandi, 2014) . The measurement of the company's managerial performance with participation in setting company goals is influenced by interpersonal trust (Taufik, 2014) , besides that participation in setting a company's goals both financially and non-financially has a significant influence in terms of interpersonal trust for each company's subordinates (Azhar, 2017) .

Based on the motivation above, the proposed hypothesis is:

H3: Non-financial performance measures affect interpersonal trust

### **Non-Financial Performance Measurement with Organizational Commitment**

Research conducted by Jahroni (2021) states that the behavior of leaders in an organization can have a significant effect on organizational commitment, thus it will also affect the performance of an organization. Astrina's research (2016) states that the reward and punishment system *has not been* consistently applied by the University of Muhammadiyah Palembang, which has an impact on organizational commitment which has a positive and insignificant effect on the performance of the University,

H4: Non-financial performance measures affect organizational commitment

### **Psychological Empowerment with Banking Performance**

The empowerment process occurs when there is trust and open communication between management and employees, so that employees will help the organization to survive and thrive during business uncertainty (Pradhan, 2019). Previous researchers stated that psychological empowerment and emotional intelligence have an effect on the protean career attitudes of Bank Mandiri Bengkulu employees (Bachri, 2021), thus the higher the psychological empowerment will have a significant effect on performance. In contrast to research conducted by Rahmi (2016), psychological empowerment does not have a significant effect on managerial performance, which means psychological empowerment does not have a positive impact on the performance of managers in a company.

H5: Psychological empowerment affects banking performance

### **Interpersonal Trust with Banking Performance**

Research conducted by Mukri (2019) states that trust is one of the things that has the most significant influence on the performance of employees. Another study conducted by Yuan, et al (2021) stated that interpersonal trust affects the likelihood of individuals to observe the norms of preventing the Covid-19 epidemic.

H6: Interpersonal trust affects banking performance

### **Organizational Commitment to Banking Performance**

Research conducted by Refi and Jamali (2020) states that employee commitment or sense of attachment has a significant positive effect on Bank Mandiri's organizational performance in the Banda Aceh area, this is in line with other research which states that organizational commitment has a significant influence on employee performance (Dewi, 2015). Different findings were made by Jerry and Sherley (2014) which state that organizational commitment has no significant and negative effect on the performance of PT Bank Tabungan Negara, Tbk employees.

H7: Organizational commitment affects banking performance

### **Indirect Effects of Psychological Empowerment, Organizational Commitment, and Interpersonal Trust between Non-Financial Performance on Banking Performance.**

From the various developments of the first hypothesis to the seventh hypothesis, researchers are motivated to develop hypotheses in terms of knowing the indirect effect of three cognitive variables on non-financial performance with banking performance. In addition, it is also supported

by various previous studies as presented by Sartika (2017) which states that psychological empowerment has a significant influence as a mediation in measuring performance on the managerial performance of a company. Another cognitive variable, namely interpersonal trust, is conveyed by Sami, et al (2019) that it has a significant effect as a mediation on organizational politics and exclusion in the workplace, the results of other studies also state that organizational commitment has an influence as a mediation of organizational culture with the performance of employees owned by the company at PT Taspen Persero Surakarta (Lamidi, 2019).

H8: Psychological empowerment has a mediating effect on the relationship between non-financial performance and banking performance

H9: Interpersonal trust has a mediating effect on the relationship between non-financial performance and banking performance

H10: Organizational commitment has a mediating effect on the relationship between non-financial performance and banking performance

### Conceptual Framework

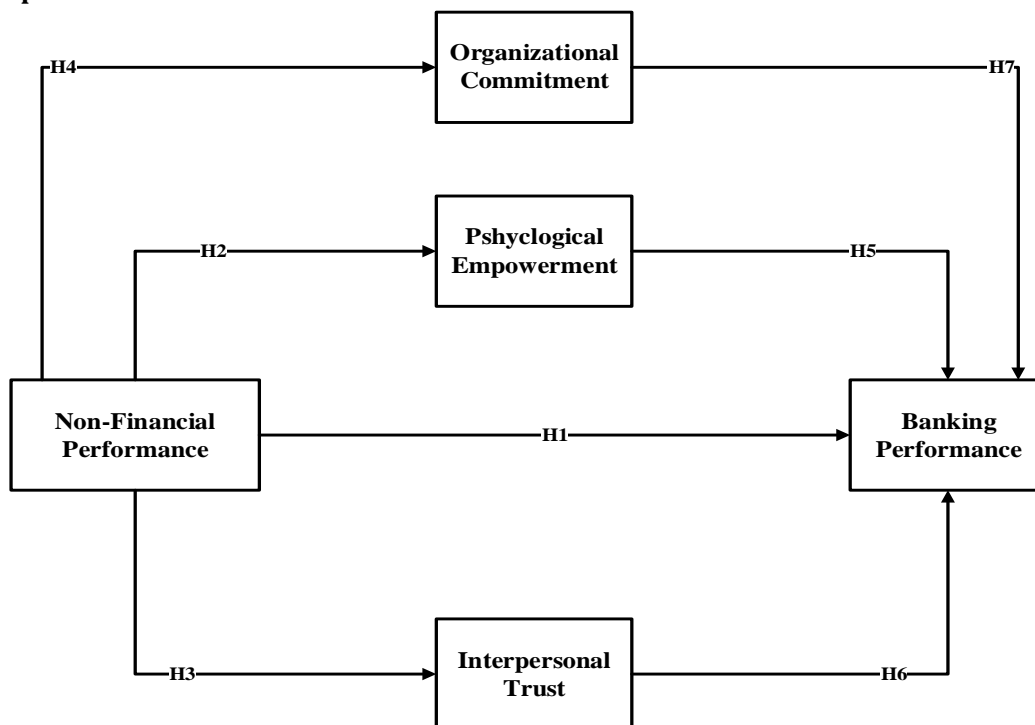


Figure 1. Conceptual Framework

### RESEARCH METHODOLOGY

The research method used in this research is quantitative method. The unit of analysis is a commercial bank in Indonesia registered with the Financial Services Authority (OJK) in 2022. The total population in this study is 107 Conventional Commercial Banks and Islamic Commercial Banks in Indonesia as seen from the official website ojk.go.id. The data analysis technique used in this research is the PLS-SEM ( Partial Least Square-Structural Equation Modeling ) model, which is used

to measure each variable and the structural model to show the relationship between variables (Anderson, 2019).

## RESULTS

This study was conducted to measure the performance of a corporation by administering research questionnaires to respondents, namely from middle staff to managerial positions and also from the perspective of customers who use banking services. From the results of distributing questionnaires, data returned as many as 192 respondents, which then calculated the average answer for each corporation so that the number of corporations studied was 34 banks registered with the OJK, meaning that the data of this study could be carried out because it had exceeded minimum sample required.

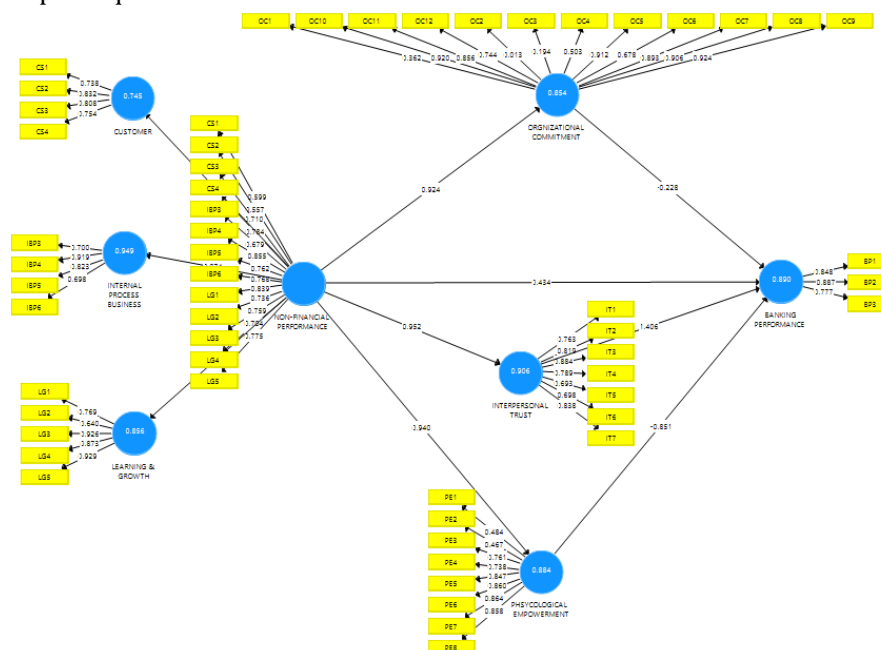


Figure 2. Path Model Analysis (Processed 2022)

- The first hypothesis is accepted which means that non-financial performance has a significant influence on banking performance both during a pandemic or during a pandemic. before this pandemic period occurred, as was the case in.
- The second hypothesis is how big influence non-financial performance has on psychological empowerment, where it is known that the value of t-statistics has a value of 55.205 and p-values is worth 0.000 which means the second hypothesis is also accepted because it meets the required significance level, namely T-Statistics > 1.97 and P -Values < 0.05, which also means that both during the pandemic or before also non-financial performance measures also have a direct significant influence on psychological empowerment as well as clear job training in industry, and others.
- The third hypothesis is how much influence non-financial performance has on interpersonal trust, where T-Statistics has a value of 60,443 and P-Values is worth 0.000 which means the third hypothesis is also accepted because it meets the required

significance level, which means that non-financial performance has a significant influence on . This means that during the pandemic or before, non-financial performance measures also have a direct influence on interpersonal trust, such as the information provided to customers that is open, reliable, relevant, and so on.

- d. The fourth hypothesis is how much influence non-financial performance has on organizational commitment, where T-Statistics has a value of 46,958 and P-Values is 0.000 which means that the fourth hypothesis is also accepted, which also means that during the pandemic or before, non-financial performance measures are also also has a direct significant influence on the organizational commitment possessed in a company as well as to do the maximum work from the duties and responsibilities that have been received.
- e. The fifth hypothesis is how much influence psychological empowerment has on the performance of a bank, where T-Statistics has a value of 2.842 and P-Values is worth 0.005, which means that the fifth hypothesis is also accepted, namely psychological empowerment has a significant influence on banking performance, this is also supported by the answers of each respondents as well as the existence of very good family ties in the place where they work.
- f. The sixth hypothesis is how much influence interpersonal trust has on the performance of a bank, where T-Statistics has a value of 4.405 and P-Values is worth 0.000 which means that the sixth hypothesis is also accepted and it is stated that interpersonal trust has a significant influence on banking performance, this is also supported by each respondent's answers as well as the information they receive is reliable and reliable, the information system used in the place where they work is in accordance with the needs and responsibilities of each individual, data confidentiality is also the most considered thing in terms of interpersonal trust.
- g. The seventh hypothesis is how much influence organizational commitment has on the performance of a bank, where T-Statistics has a value of 0.849 and P-Values is worth 0.396 which means the seventh hypothesis is rejected, this means that there is no significant effect between organizational commitment to the performance of banking in the era of the pandemic or before the era of the covid-19 pandemic.
- h. Hypothesis 8 and hypothesis 9 which mediate between non-financial performance on banking performance or in another sense have a significant influence as a mediator between the endogen variable and exogenous variables. Meanwhile, for organizational commitment or the 10th hypothesis is rejected because there is no significant effect between non-financial performance on banking performance mediated by organizational commitment.

## **CONCLUSION AND FURTHER RESEARCH**

In this study, it can be concluded that the mediating effect of cognitive variables, non-financial performance measures on banking performance of the ten hypotheses proposed, there are only eight hypotheses that are accepted and have a significant influence either directly or mediated by cognitive variables, namely interpersonal trust and psychological empowerment. While the other two hypotheses, namely the seventh and tenth hypotheses, were rejected because they did not have a significant effect on the independent variable and the dependent variable as seen from

the statistical process. However, it is possible to have a significant effect of organizational commitment in other aspects not discussed in this study, and for a larger sample size, it is likely that the effect of organizational commitment on banking performance will be seen.

For further researchers, it may be possible to measure non-financial performance as well as company financial performance in other service sector companies such as hospitals, consultants, and so on by using other mediating variables according to research needs.

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