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## Table of Contents

### Articles

<b>The Modification of The Delone and Mclean Model: System Quality, Information Quality, and Tax Literacy on E-Filing User Satisfaction</b> <i>Faza Nisasilmi Nasuha</i>	PDF 187-194
<b>Moderation Internal Control System: PSAK Adoption IFRS and Dysfunctional Audit Behaviour on Audit Quality</b> <i>Ratna Mappanyuki, S Sumiyati, N Nengsih, Syamsu Alam</i>	PDF 195-208
<b>The Role of Corporate Governance on Stakeholder Pressure and Integrated Reporting</b> <i>Putri Nurmala, Akhmad Sigit Adiwibowo</i>	PDF 209-220
<b>Empirical Testing of Capital Structure and Profitability as Mechanisms to Enhance Firm Value</b> <i>Emillia Nurdin, F Fitriaman, Warniyatih Nur Aqurat</i>	PDF 221-228
<b>Determinant's of Audit Quality</b> <i>D Deliana, Abdul Rahman, Rizki Syahputra, L Listiorini, Karyn Simbolon</i>	PDF 229-240
<b>Audit Committee Effectiveness and Accounting Conservatism Practices: The Case of Manufacturing Companies</b> <i>Ratieh Widhiastuti, Abdul Rohman, Puji Harto</i>	PDF 241-254
<b>An Influence: Executive Compensation, Tax Avoidance, and Multiple Large Shareholders (As Moderation)</b> <i>Chika Aprillia, Budi Supriatono Purnomo</i>	PDF 255-266

<b>Model Accountability And Transparency On Financial Management Nonlaba</b> <i>Otniel Safkaur</i>	PDF 267-278
<b>The Quality of Banking Financial Reporting Information Before and After IFRS 9 Implementation</b> <i>J Jasman, A Aminatunnaza</i>	PDF 279-294
<b>Political Connections and Tax Avoidance: Does Audit Quality Moderate The Relationship?</b> <i>Maria Goreti Kentris Indarti, Jacobus Widiatmoko</i>	PDF 295-306
<b>Corporate Life Cycle, Corporate Governance and Corporate Social Responsibility Disclosure</b> <i>Rossy Azella Rahmawati, Indri Kartika</i>	PDF 307-324
<b>Analysis of the Impact of Liquidity and Adequacy of Operational Cash Flow on the Detection of Financial Distress Risk in Retail Companies Listed on the Indonesian Stock Exchange</b> <i>H Hanifah</i>	PDF 325-334
<b>Corporate Social Responsibility, Company Value, and Company Size in Southeast Asia</b> <i>Leni Yulianti, N Nugraha</i>	PDF 335-346
<b>Female Board of Directors and Earnings Management: The Mediating Role of Profitability</b> <i>Ria Karina, M Mardianto, Sri Wahyuni</i>	PDF 347-358
<b>Non-Financial Performance and Cognitive Factors on The Performance</b> <i>R Rapina, R Ridwan, Yenni Carolina</i>	PDF 359-370



## Jurnal ASET (Akuntansi Riset)

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# Non-Financial Performance and Cognitive Factors on The Performance

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### ABSTRACT

Improved customer service can improve a bank's reputation. Bank reputation is not only determined by financial health but also by non-financial performance factors. This research measures how non-financial performance influences bank performance. The approach used is quantitative, with primary data acquired through the distribution of questionnaires to research participants and augmented by interview processes. The data is analyzed using Partial Least Squares. This study states that there is an effect of non-financial performance on banking performance. Organizations use Nonfinancial Performance Measures (NPM) measurement as an approach to establish goals and relate them to the vision and strategy of the organization. The variables that mediate the relationship between non-financial performance and banking performance are interpersonal trust and psychological empowerment which are found to have a significant direct effect on banking performance. The implications of this research are aimed at the banking industry to be able to maintain its performance by paying attention to factors of non-financial size. The implementation of non-financial performance measurement enables banks to gain a more comprehensive understanding of the factors contributing to the long-term success of the company. Additionally, this measurement assists banks in taking necessary actions to achieve their goals and maintain a competitive position in the market. The difference between this study and other studies is that it measures banking performance from the non-financial side by mediating cognitive mechanisms, namely psychological empowerment and interpersonal trust in banking performance in Indonesia.

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## 1. INTRODUCTION

The COVID-19 case was confirmed to have entered Indonesia around March 2020, but local transmission of this case appeared starting from the third week in January. It is known from the BPS (Central Statistics Agency) report that the impact of the pandemic has been quite serious on the Indonesian economy to the point that it has affected the employment sector, where the previous year's growth of 5.02% decreased to 2.97%.

The company's management from Bank JTrust Indonesia (BCIC) stated that the most pronounced impact of COVID-19 lies in increasing the amount of allowance for impairment losses in anticipation of a decrease in credit quality as well as factors in the company's internal processes that must be repaired to maintain debtors and customers so that the quality of loans made by banks can still run well amid this unfavorable environmental condition (Anggraeni, 2021). In terms of measuring banking health, several previous studies usually used financial assessments using the Capital, Asset, Management, Earning, Liquidity (CAMEL) method (Merentek, 2013; Muhari and Hosen, 2014; Chandra, 2016; Pryangan et al., 2020; Rahmat, 2020), based on the ratio analysis method of the financial statements of a bank include the Return On Asset (ROA) method, Net Profit Margin (NPM) and other methods (Akramunnas and Kara, 2019; Lestari, 2020; Novianty, 2023). In this pandemic era performance Banking cannot only be seen from the financial aspect of banking, but an assessment must be carried out from a non-financial perspective to further ensure that the health of the banking system is indeed in good condition.

The formulation of company strategies and targets is usually the main thing to pay attention to in the process of measuring performance in an industry (Siraju, et al., 2021). The limitation of the banking sector is no exception, where service and goods activities are one of the important activities in fulfilling the desires and needs of each customer (Nugraheni, 2018), thus setting a strategy must be determined very carefully. OJK Senior Executive Analyst stated that concerning credit growth in 2020 which only grew at 2.41%, he stated that under this pandemic condition, banks must continue to make improvements because there are very important functions that must be faced to seize the heart of the customer (Ramli, 2021), from this phenomenon it means that it is necessary to make various changes that are even better to retain each customer, especially in terms of fulfilling every wish the customer has.

One way that needs attention and improvement lies in the quality of Human Resources (HR) who must have better knowledge. The main challenges and obstacles faced by banks lie in the types and versions of applications used by banks which are still monolithic in nature, so they must be adapted to the Cloud adoption that will be adopted/used. This means that it is necessary to develop HR owned by banks by providing the latest types of training, as well as the need for improvement in internal business processes from more focused management for the development of banking quality in the future (Mitsakis, 2017; Rahman, et al., 2020). Psychological empowerment acts as a mediator, if it is related to the banking sector in terms of developing human resources to retain customers, it is also necessary to have a good understanding of psychological empowerment to fulfill customer desires (Nuvitasari, 2019).

Non-financial performance (NFP) plays an important role in building and maintaining a banking organization. Easily accessible facilities and sophisticated banking technology can increase customer satisfaction. Customers appreciate banks that operate with transparency and compliance with banking regulations (Li et al., 2021). Positive experiences lead to positive word-of-mouth, attracting new customers, and efficient internal processes can reduce costs, enhance service delivery, and improve overall productivity (Tzavlopoulos, 2019).

Agency theory is a theory that may be used to comprehend and examine the connection between non-financial performance, cognitive elements, and total organizational performance.

The relationship between principals of an organization, such as shareholders, and agents, such as managers or employees, is at the heart of agency theory. Aligning principals' and agents' interests for the best possible organizational outcomes depends critically on non-financial performance and cognitive variables (Payne and Petrenko, 2019).

From the various phenomena that occurred in banking during this pandemic era, as well as based on previous research regarding banking performance measures which were only evaluated using the Capital, Asset Quality, Management Quality, Earnings, and Liquidity methods through calculating financial record ratios, which is the difference between this research and previous research is that it aims to measure banking performance from the non-financial side by mediating cognitive mechanisms, namely psychological empowerment and interpersonal trust on banking performance in Indonesia. New knowledge and valuable information regarding non-financial performance measurement and cognitive factors in the banking industry are contributed by this article. The academic literature in the field of accounting is enriched through the provision of fresh perspectives and new findings. By focusing on non-financial aspects, this research is novel in providing a more holistic assessment of banking performance. This recognizes that financial metrics alone may not provide a complete picture of a bank's overall health and success. It recognizes the importance of factors beyond monetary measurement.

## 2. METHODS

In this research, a quantitative method is used, namely focusing on observing what is to be measured and investigating the cause-and-effect relationship of the various variables studied. The data collection method was used by conducting surveys and administering questionnaires.

The population of the analysis unit is 107 conventional commercial banks and sharia commercial banks in Indonesia which are registered with the Financial Services Authority (OJK) in 2022. The existence of strong banking institutions provides a sense of security to the public in saving and managing their funds. It also helps build trust which is crucial in the economy. Active banking data of 31,127 banks consisting of head offices and unit offices seen on the official website bps.go.id for the 2019 data series, while the research population unit used is 1,000 people consisting of customers and banking staff based on middle staff to manager positions. The sample selection technique uses probability or random sampling techniques which are selected to represent the population for the generalization process.

PLS-SEM (Partial Least Squares-Structural Equation Modeling) is the data analysis method used in this study. According to Hair *et al.* (2019), this technique is used to quantify individual variables and create a structural model that shows how these variables are related to one another. Test the validity of the data used in this study with convergent validity to see the correlation of each of the same concept scales by looking at the Average Variance Extracted (AVE) value, and also conducting a reliability test by looking at Cronbach's alpha and composite reliability values. With an AVE value above 0.50, the indicator variance is considered acceptable or declared valid, while with Cronbach's alpha and Composite Reliability values above 0.70, the data is considered reliable. (Hair *et al.*, 2019).

In the initial stage, the Structural Model used to evaluate data in SEM PLS will be evaluated for collinearity to estimate the structure or endogenous indicators. This involves assessing determination (R<sup>2</sup>) and assessing the significance of path coefficients. If the R<sup>2</sup> value is equal to zero, it indicates there is no relationship between the variables, whereas if the value is 1 it means there is a perfect relationship between the variables. The R<sup>2</sup> value will be assumed to be substantial if the value is 0.75 considered moderate if the value is 0.50 and considered weak if the value is 0.25. Test the path coefficient by paying attention to the t and p values with the t

criteria having a value > 1.96 and p values <0.05, which means that there is a significant influence (Hair et al., 2019). For the conceptual framework of this reasearch can be seen in Figure 1.

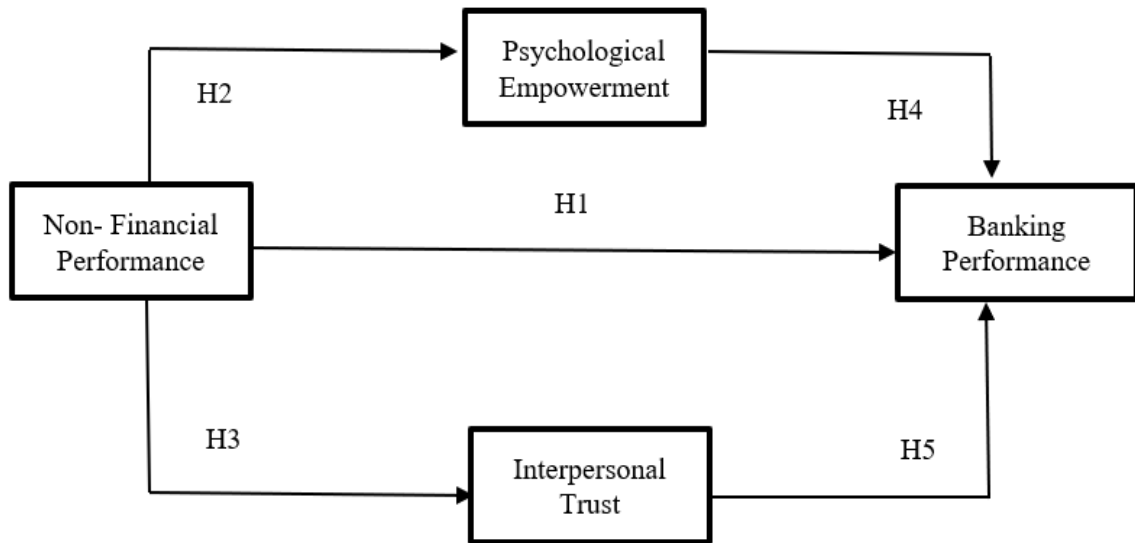


Figure 1. Conceptual framework

### 3. RESULTS AND DISCUSSION

#### 3.1. Partial Least Square (PLS) Model Scheme

The smartPLS 3.0 tool and the Partial Least Square (PLS) analysis technique were employed in this study's hypothesis testing. The PLS software under test has the model scheme listed below (see Figure 2):



Figure 2. Output outer model

#### 3.2. Validity Test

Convergent validity was utilized to test the validity, as can be seen from the outer loading or loading factor value. If the outer loading value is more than 0.7, an indication is deemed to meet convergent validity in the great category and the cross-loading value in its variable is higher than that of other variables, it is said to have discriminant validity (Hair et al., 2019).

Since each pointer of the investigated variable has an outer loading value of more than 0.7 based on the information in **Table 1**, all markers are articulated as practicable or substantial for inquiries about utilization and can be utilized for assist think about. The success of a model can be assessed from several metrics, and cross-loading is one of them. If you look at the cross-loading value on other variables, it can be seen that this research variable has the highest cross-loading value on the variables it produces. Based on the results found, it can be concluded that the markers used in compiling the variables for this research have great discriminant validity.

**Table 1.** Validity and cross loading indicators

<u>Indikator</u>	<b>Banking Performance</b>	<b>Interpersonal Trust</b>	<b><u>Non Financial</u> Performance</b>	<b>Psychological Empowerment</b>
BP1	0.807	0.707	0.742	0.652
BP2	0.861	0.691	0.739	0.669
BP3	0.834	0.757	0.725	0.769
BP4	0.865	0.744	0.757	0.773
IT1	0.673	0.836	0.692	0.564
IT2	0.706	0.822	0.750	0.623
IT3	0.728	0.832	0.636	0.760
IT4	0.772	0.855	0.727	0.753
NFP1	0.744	0.676	0.851	0.663
NFP2	0.663	0.652	0.827	0.652
NFP3	0.682	0.665	0.822	0.703
NFP4	0.787	0.811	0.865	0.755
NFP5	0.809	0.727	0.832	0.764
NFP6	0.731	0.682	0.839	0.637
PE1	0.701	0.703	0.754	0.741
PE2	0.775	0.735	0.709	0.917
PE3	0.670	0.636	0.636	0.866
PE4	0.695	0.619	0.674	0.819

The average variant extracted (AVE) value for each indicator, which should be  $> 0.5$  for a decent model, is another way to determine discriminant validity in expansion to watching the cross-loading value (Hair, et al., 2014).

It is known that the AVE values of the variables banking performance, interpersonal trust, NFP, and psychological empowerment are more than 0.5 based on the data shown in **Table 2** below. As a result, each variable can be said to have strong discriminant validity.

**Table 2.** Average variant extracted (AVE)

<b>Variable</b>	<b>AVE</b>
Banking Performance	0.709
Interpersonal Trust	0.699
NFP	0.705
Psychological Empowerment	0.703



### 3.3. Reliability Test

Composite Reliability is used as a component to evaluate the dependence of an indicator on a variable. Composite reliability will be met if the value of a variable is above 0.6 (Hair et al., 2019). Using the Cronbach alpha value can also help improve the composite reliability test. A variable can be deemed reliable or fulfill Cronbach's alpha if its value is more than 0.7 (Hair et al., 2019).

**Table 3** shows that the composite reliability value for all research variables is more than 0.6. These results show that each variable has reached composite reliability, implying that the variable as a whole has a high level of reliability. Furthermore, it is known that each study variable has a Cronbach alpha value better than 0.07. These findings demonstrate that each investigated variable met the Cronbach alpha esteem criterion, showing that the variable as a whole is highly reliable.

**Table 3.** Composite reliability

Variable	Composite Reliability	Cronbach Alpha
Banking Performance	0.864	0.863
Interpersonal Trust	0.858	0.857
NFP	0.919	0.916
Psychological Empowerment	0.858	0.857

### 3.4. Collinearity Test

The collinearity test was carried out to determine the level of determination (R<sup>2</sup>), and the significance test to answer the hypotheses that have been proposed in the study. The determination test (R<sup>2</sup>) is used to determine the level of correlation between the variables carefully, details of the results of this determination test can be seen in **Table 4** which can be concluded that each variable studied has a substantial relationship where each variable has a value > 0.7.

**Table 4.** Determination Test

Variable	R Square
Interpersonal Trust	0.706
Psychological Empowerment	0.692
Banking Performance	0.846

### 3.5. Hypothesis Testing

Furthermore, coefficient pathways are tested between variables either directly influenced or mediated by three cognitive variables from independent variables to dependent variables. **Table 5** shows the path coefficient test used to determine whether the hypothesis is accepted or not with a direct relationship, provided that the Statistic T value is >1.96 and the P-Value is <0.05, there is a significant influence.

From **Table 5** it can be concluded that the first hypothesis to the seventh hypothesis that tests the influence directly between the variables examined as follows:

The initial hypothesis investigates the extent to which non-financial performance influences banking performance. The T-Statistics value is 4.231, with a P-value of 0.000 indicating that the initial hypothesis is accepted. Non-financial performance has a positive impact on organizational performance, which is in line with empirical findings conducted by Putri (2020).

**Table 5.** Test-Path Coefficient

Hypothesis	Influence	t statistics	p-values	Results
H1	NFP -> BP	4.231	0.000	Accepted
H2	NFP -> PE	18.336	0.000	Accepted
H3	NFP -> IT	16.242	0.000	Accepted
H4	PE -> BP	3.053	0.002	Accepted
H5	IT -> BP	3.500	0.001	Accepted
H6	NFP -> PE -> BP	2.973	0.003	Accepted
H7	NFP -> IT -> BP	3.655	0.000	Accepted

Confirmation carried out by researchers using the interview process directly from managers and staff stated that non-financial performance such as offering insurance products owned by banks did not have a significant difference in the process of offering their products either during the pandemic or before the pandemic, the only difference was There is a period for offering health insurance which is usually done once a week during this pandemic. Health insurance product offers are offered regularly every day to existing customers.

The second hypothesis concerns the extent to which non-financial success influences psychological empowerment. This hypothesis is supported by the data since the T-Statistics value is 18,336 and the P-Values value is 0.000. Together with statistical analysis, the results of confirmatory interviews conducted with a subset of the respondents revealed that non-financial performance measures—like receiving formal job training in the banking industry once every three months—also significantly and directly impacted psychological empowerment both before and during the pandemic. similar to what BRI's Raha branch in Sulawesi, among others, accomplished.

The third hypothesis is accepted with T-Statistics of 16.242 and P-Values of 0.000, indicating that non-financial performance has a significant effect on interpersonal trust. The support of several respondents' answers which stated that during and before the pandemic, non-financial performance measures had a direct impact on interpersonal trust is considered to have confirmed the statistical results. Continuing this, it is known that any information provided by customers is considered open, reliable, and relevant and consumer data is considered to be kept confidential.

The fourth hypothesis regarding the extent to which psychological empowerment influences banking performance is accepted with a T-Statistics value of 3.053 and a P-value of 0.002. Banking performance is significantly influenced by psychological empowerment. This is in line with interviews with several respondents where it was stated that in the work environment, there are close family relationships.

A bank's performance is influenced by interpersonal trust tested through the fifth hypothesis. The response of respondents that the information they receive is trustworthy and reliable and that the information system in the workplace has also been adapted to the needs and responsibilities of each individual confirms this 5th hypothesis. It can be seen that the T-Statistics shows a value of 3.500, and the P-Values shows a value of 0.001, which can be said that banking

performance is significantly influenced by interpersonal trust. Furthermore, respondents stated that the most important aspect of interpersonal trust is data that is maintained securely.

Testing Hypotheses 6 and 7 regarding the existence of influence as a mediator between endogenous and exogenous variables, or as a mediator between non-financial performance and banking performance shows great acceptance. Based on the results of empirical research conducted by [Sartika \(2017\)](#), the relationship between managerial performance and non-financial performance is mediated by psychological empowerment. Based on the results of this research, it can also be concluded that psychological empowerment mediates the relationship between non-financial performance and Indonesian bank performance. Furthermore, the relationship between non-financial performance and banking performance is also mediated by interpersonal trust.

### 3.6. Measurement of Non-Financial Performance with Banking Performance

The assessment and evaluation of various factors that impact a bank's performance beyond financial indicators such as profitability and revenue are the objectives of non-financial performance measurement in the banking industry. Monitoring and analyzing key metrics related to customer satisfaction, operational efficiency, risk management, and social and environmental impact are involved in this process. By conducting non-financial performance measurements, insights into the overall effectiveness of the bank can be obtained, areas for improvement can be identified, and informed decisions can be made to enhance long-term sustainability and value creation. In a world where things are changing quicker than ever, non-financial performance evaluation becomes crucial in choosing the proper project ([Basri and Mutia, 2015](#)). Based on the objectives of justice and the interests of society, it can be said that the performance of Sharia banking is significantly influenced by measuring non-financial-based Sharia banking performance using the maqashid Sharia method. The dimensions used to measure non-financial performance consist of four non-financial perspectives consisting of a customer perspective, an internal business process perspective, a growth and learning perspective, and an environmental and social perspective ([Putri, 2020](#)).

### 3.7. Non-Financial Performance Measurement with Psychological Empowerment

In the context of non-financial performance measurement, measurement using the concept of psychological empowerment involves the collection of relevant data regarding job satisfaction, perceptions of control and autonomy, engagement, commitment, and employee motivation. This data is then used to measure and analyze the performance of the organization from a non-financial perspective. The performance of the organization cannot only be measured through traditional financial metrics, such as profits and revenue growth. Instead, it is also important to consider non-financial factors that influence the overall performance of the organization. The goal of psychological empowerment is to raise intrinsic motivation among workers. According to research, psychological empowerment improves a company's motivation and adaptability ([Muduli and Pandya, 2018](#)). Psychological empowerment of employees will be said to be good if the comprehensive performance metrics implemented by the organization have a positive impact because they provide more detailed, relevant, and reliable information. ([Malik et al., 2021](#)). Meanwhile, there is also research conducted which states that performance measurement has a negative influence on psychological empowerment ([Sartika, 2017](#)).

### 3.8. Non-Financial Performance Measurement with Interpersonal Trust

Interpersonal trust pertains to the degree of trust present among individuals within an organization, including colleagues, superiors, and subordinates. It plays a crucial role in shaping collaboration, communication, and teamwork within the organization. When trust is strong, individuals are inclined to exhibit greater openness, supportiveness, and effectiveness in sharing information. When measuring non-financial performance with an emphasis on interpersonal trust, relevant data concerning interpersonal trust is gathered. This includes assessing the level of trust among teams, perceptions of fairness in work relationships, and the team members' mutual dependency. Subsequently, this data is employed to gauge and track the degree of interpersonal trust within the organization while identifying its impact on overall performance. Trust is a critical aspect of the success of interpersonal relationships within the bureaucracy. Setting company goals is influenced by interpersonal trust in measuring the company's managerial performance through activities called participation. This participation, both financial and non-financial, has a significant influence on interpersonal trust in each member of the organization (Isfani, 2017).

### 3.9. Psychological Empowerment with Banking Performance

Banking organizations can create a motivating work environment that fosters improved performance by empowering employees psychologically. This can be achieved through actions like granting autonomy in decision-making, nurturing skill development, and instilling a sense of purpose in their work. As a result, these organizations can enhance employee performance, boost customer satisfaction, promote innovation, and facilitate adaptation to the ever-changing dynamics of the banking industry. Management and employees enable the process of granting authority by having confidence and open communication, which allows management and employees to help the organization sustain and grow when the business is in uncertain conditions (Jena *et al.*, 2019). The protean career attitudes of Bank Mandiri Bengkulu employees are influenced by psychological empowerment and emotional intelligence found in empirical research conducted by Kurniawan *et al* (2021). On the other hand, empirical findings conducted by Takaheghesang (2016) and Sartika (2017) state that managerial performance is not significantly influenced by psychological empowerment, which means there is no positive influence on the performance of a company's managers.

### 3.10. Interpersonal Trust with Banking Performance

When a banking organization has a strong level of interpersonal trust, it tends to experience improved overall performance. The presence of trust among colleagues fosters effective collaboration, open communication, and a cohesive teamwork environment. Similarly, high levels of trust between employees and management enhance commitment, motivation, and employee engagement. Moreover, trust from customers and business partners plays a significant role in building a positive reputation and cultivating good relationships with external stakeholders. A competitive advantage for banks can be provided by a strong level of interpersonal trust in the banking industry, which prioritizes trust and long-term relationships. This, in turn, can lead to increased customer satisfaction, strengthened customer loyalty, and the driving force behind long-term business growth. One thing that has a significant influence on employee performance is trust. For an individual to comply with the norms for preventing the Covid-19 epidemic, interpersonal trust is influenced by interpersonal trust (Yuan, *et al.*, 2022). Organizational politics and exclusion in the workplace are significantly influenced by employee attitudes such as employee engagement, interpersonal conflict, and interpersonal trust.

Continuing this, previous research states that there are additional attitudes, namely interpersonal trust, which mediates the influence of organizational politics and exclusion in the workplace (Karim, et al., 2021).

#### 4. CONCLUSION

The results of the confirmation stated that customers during this pandemic gave a positive response to all services provided by banks and the applications offered now make it easier for customers to carry out various transaction activities digitally. In addition, banking workers themselves stated that the company's internal system is centralized to facilitate the process of credit adjustment and alignment held by banks. Judging from the growth and learning that banks have, they always conduct regular HR job training every month or quarterly to adapt their human resources to the environment and demands of the business world. It can be said that the cognitive variables used have a mediating influence on the relationship between non-financial performance measures and banking performance. The cognitive variables used are psychological empowerment and interpersonal trust. The cognitive variables used to mediate the relationship between the variables of this study are psychological empowerment and interpersonal trust. It can be concluded that they influence mediating the relationship between non-financial performance measures on banking performance. This is in line with the results of the answers to the confirmations made that from the aspect of interpersonal trust it states that the information submitted by banks is reliable, open, and easier to understand than from the confidentiality of customer data it can be properly maintained and confidential or free from unauthorized parties.

It is crucial to acknowledge the significance of non-financial factors, including interpersonal trust, psychological empowerment, and cognitive factors like critical thinking and creativity, when measuring and enhancing the performance of the banking sector. Creating a workplace that encourages interpersonal trust, empowers employees psychologically, and nurtures the growth of cognitive abilities can positively impact the overall performance of the banking sector. Given the intensifying competition and rapid transformations in the banking industry, banks must broaden their focus beyond conventional financial metrics. They must also consider non-financial factors and cognitive factors as they strive to enhance performance and gain a competitive edge. The limitation of this study lies in the small amount of test data or less than 50%, where there are only 34 corporate banking data, when viewed from banking in Indonesia which reaches 107 conventional and sharia commercial banks. In addition, this study also only focuses on testing the non-financial performance measures of a bank in Indonesia mediated by two cognitive variables. For future researchers, it is possible to measure financial and non-financial performance simultaneously in the corporate banking sector in Indonesia, thereby hopefully providing a better understanding for banks to carry out business development in the future. Apart from that, further research can add other mediating variables, for example, organizational commitment as another cognitive variable. The recommendation is to conduct interviews and distribute questionnaires to respondents who have sufficient work experience, specifically three years or more. This is based on the findings of this research, where the majority of respondents with less than three years of work experience expressed difficulties in understanding the work system in the banking industry. This is due to the continuous development and changes in the banking industry, driven by technological advancements, regulations, and increasing competition. Keeping up with these changes and understanding how the work system is adapted in a changing environment can indeed present challenges.

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