International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 07
March 2018

A study of cognitive economic growth: the financial performance of banking sector

Dr.Sattam Yasin Ahmad Al-Dalain
Assistant Professor Department of Economics Taif University Kingdom of Saudi Arabia
E-mail: Drsattam52@yahoo.com

Abstract

This study aims to explore the cognitive skill of economic growth the impact of financial performance of banking sector. The banking sector is the backbone of an economy and essential for the survival of the country. The finance collected from this sector works in the economy as blood works in the body. The financial performance is the blueprint of the financial affairs of a cognitive economy concern. And, it reveals how a cognitive skill has prospered under the leadership of its management, business, and banks sector. It shows the act of performing the financial activity of the baking sectors. We found that a positive and significant association between measure the banking sector performances and cognitive economic growth. This research adopted the correlation research design, and samples are collected from the banks' sector from the period of time 4-6 months, in general, we found that the significant trust that cognitive skills performance on the banking sector. The results of this study indicate a positive relationship between cognitive economic growth and investments have a positive relationship with economic development as measured by financial performance in the bank sectors. It is suggested to improve policy reform in banking for economic development of existing skills. Clearly, more reserved in this area is needed. We highlight the ways in which the different aspect of cognitive skills may impact on economic development and financial performance in the banking sector.

Keywords: Cognitive skills, Decision making, financial performance, cognitive effort.

Introduction: Banking sector/ Cognitive Economics

Building on the previous section which highlighted links from financial performance function outcomes. Banking system is a major important role in the cognitive economic development of country, their competence to make a positive contribution in igniting the process of growth depends on the effective banking sector. Banking sector is an important component of the overall economic development and growth system. It play vital role in savings and in channeling them into high investments, properties, and better utilization of available resources of cognitive economic growth. Hence, banking can be better example on the kingpin of the chariot of cognitive economic progress.

In general, banking is a vital segment of the tertiary sector. It acts as the backbone of our economic cognitive growth (tasks) progress and prosperity. It plays the all important role of a substance that increases the role of a chemical reaction without itself under going and permanent chemical changes in economic development. In this study, cognitive economic skills of economic development on the financial performance of the banking sector, Finance is regarded on the life blood of a business organization. It is one of the most foundations of are types of cognitive economic activities. The business organization is deemed to be financially sound if it is in a position to carry on its business smoothly in the banking sector. In recent years, there have been considerable pressures on the profitability of bank sectors. Profitability is one of the considered to b an index of financial performance of cognitive economic health growth, we can say that, poor operational financial performance may indicate poor selling of bank products and hence profits. A lower cognitive economic profitability may be rise due to lack of control over the expenses.

The main objective of this study is to examine the determinant of the cognitive skills of economy growth on the performance of banking sector. For measuring the cognitive skills of economy growth or development rate as we know that competition in banking sector take important place. Every bank wants to become a leading bank in society and may try to provide the more services to their customers and get deposits from their customers and the bank leads these deposits to others in the form of loan and earn profit which increases the banking performance in the cognitive skills economy development due to their profitability. Many public sectors governments have been actively working on the elimination of failure problems of the financial performance. In the same way general government has been working on how to remove this problem.

The banking sector has plays a vital role in the cognitive economy. The cognitive economy has flourished with increases in financial performance of the banking sector. In the recent era, there is a more competition takes place in the financial performance of banks sector. Every bank sectors are trying to complete another bank and want to takes a higher place on the economy growth and development, due to competition and every banks is trying to compete other by offering latest products and e-business services and trying to provide more reliable facilities to their customers so that costumers not divert to another bank and maintain deposits only with that bank sectors which increases financial performance of the bank's profitability and bank have surplus money to lend.

Review of literature:

Cognitive Economic growth:

The gross domestic product is one of the most important economy growth indicators used by economic decision makers, economy development, and government in planning and formulate the policies. Economic isn`t just a number`s of game, human rationalized that financial performance discussions are often made. Our brains conscious are held for reason by our emotions. In this study, Cognitive Economics is defined as the economics of what is in people's minds. In very general

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 07
March 2018

terms, this means that cognitive economics is characterized by its use of a distinctive kind of data. This includes data on expectations, hypothetical choices, cognitive ability or competence, and expressed positive attitudes. Cognitive economic has been categorizing a field of economics by the type of data used and theorized about makes some sense from a general point of because working with a particular type of data often requires some specific human capital or skills. A common typology of areas of cognitive economic research by type of data mentioned would be something as following. (These areas of economics are concerned with data on naturally occurring market choices and time allocations as well as its distinctive type of data).

1. Traditional Economics: data on naturally occurring market choices and time allocations only.
2. Experimental Economics: data on choices in artificial situations with real stakes.

- field experiments
- lab experiments

3. Neuro-economics: data from brain imaging and other ways of measuring brain activity, data on eyeball orientation, and data on other physiological measures such as skin conductance, muscle activation, or hormone levels.
4. Genetic Economics: data on genes.
5. Cognitive Economics: data on hypothetical choices, psychometric data, and self-report data on mental contents.

- survey measures of expectations
- survey measures of preference parameters
- direct measures of intelligence
- direct measures of decision-making skill
- self-reported emotions, including self-reported happiness
- survey measures of beliefs about how the world works

The "Cognitive Economics" is coined by analogy to "Cognitive Psychology," the branch of psychology that analyses internal mental processes such as problem solving, memory, learning, perception, and language. In general, Cognitive Psychology was a departure from Behaviorism--the insistence that only outward behavior was a legitimate subject of study.[1]

The "Cognitive Economics development" might initially sound as if it might be yet another area for Behavioral or Psychological Economics. But somehow, there will be overlap, [2] we mean something different to financial performance in the banking sectors. The most clearly difference is that Cognitive Economics is narrower. Psychological Economics addresses a huge range of issues and cuts across all of the data types listed above, while Cognitive Economics focuses primarily on innovative kinds of survey data, banks interviews, structure and unstructured survey along with lab data of the same basic types of research.

Second, important pieces of cognitive economics growth are inspired by the internal dynamic of economics rather than by psychology. This study can help to investigators easy to understand what people are looking for, whether it's a successful

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 07
March 2018

retirement or general happiness and how policy can shape or reshape that research on the banking sector of financial performance. According to Miles and Kimball, when someone is doing something strange their behavior seems confused, they don`t quite understand the situation. The goal of the economists is to takes people`s intrinsic and extrinsic motivation is working on the financial sectors. [3]

Gross domestic product (GDP) is the most vital cognitive economic growth indicator that informs us overall health of the economy development. We are examining its impact. “If by growth you mean the expansion of output of goods and services, then GDP or preferably real GDP – which measures growth or economy development without the effects of inflation – is perfectly significant. It has been make for this purpose. The letter P stands for “Product”, the result of production. Gross Domestic Product is analyzed as the sum of all goods and services produced in a country over time, without double counting products used in other output. It is a comprehensive measure, covering the production of consumer goods and banking sector services, even government services, and investment goods”.[4]

It is easy to assume that the growth in economic activity, measured by GDP, has a positive significant impact on the financial performance of banks sector: a period of high economic growth leads to higher investment and consumption, which increased the credit, and hence increase the financial performance of banks sector.

The tax

To measure the impact of taxation on the financial performance of banks, and it is certainly something that could be the subject of further research. The result which is expected is negative, we can generally understand why: the tax is deducted from the result; it automatically assigns the ROA and ROE. However, a study by Albertazzi and Gambacorta (2009) found that a very low impact of taxation on financial performance on the banks. Indeed, the researchers as consider that it is very common for banks sector to pass their taxes on other actors (depositors, borrowers, customers paying commissions).[5]

The maturity of the banking sector

The Kunt &Huizinga (1999) are some researchers have analyzed the relationship between bank financial performance and maturity of the banking sector as a whole, as measured by its size or level of development or economy growth. In this study, the researchers evaluated that there is a negative relationship between the size of the banking sector and the banks' financial performance. They defined that most banking market, the greater the number of players is important and the competition is fierce. This gradually reduces the maximum financial performance of each player. They confirm this result in a second study published in 2001.[6] The researchers examine, on the basis of data covering a large amount of the countries over the period 1990-1997, the relationship between bank financial performance and financial market growth, the level of complexity of its positive structure. They show that there are statistically significant: a developed banking sector to reduce the financial performance due to greater competition.

The stock market

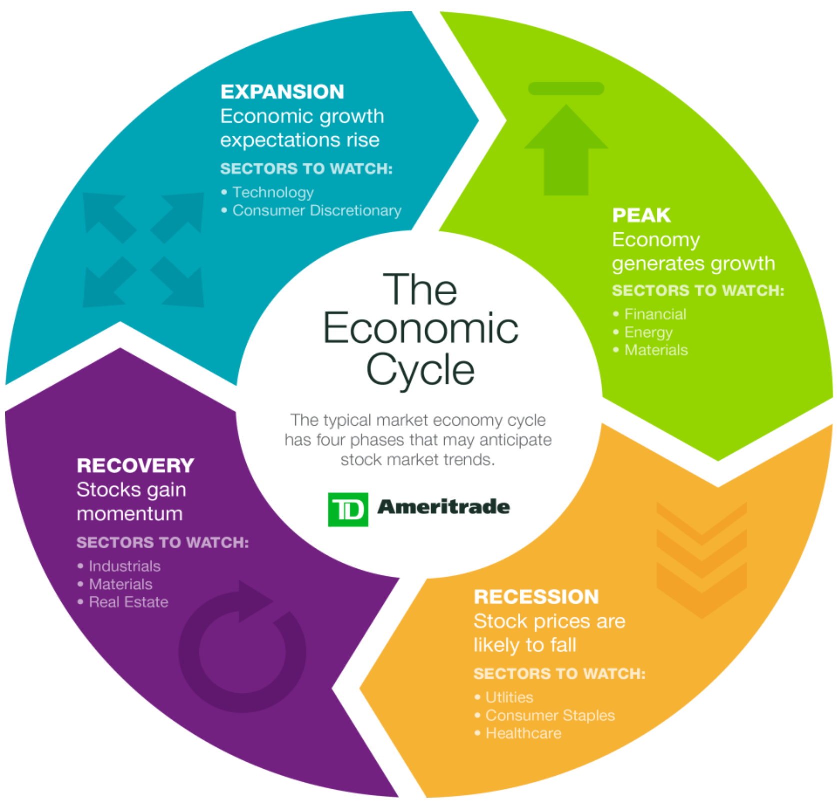
The researchers analyzed is not so much the relation "immediate" between the market price of the banks sector and their financial performance measured by ROE, ROA and

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 05 Issue 07
March 2018

NIM. They further considered the level of stock market development or economy growth. They found that banks that operate in areas where the stock market is well developed experiencing higher profits that banks sector operating in areas where the award is undeveloped. [8]

Market concentration

Without going into details that, in terms of impact of the concentration on the financial performance of banks sector. The first, called "Structure conduit performance" (SCP) states that an increase in market share and market concentration leads to monopoly powers. The second, "Efficient-structure" (ES) refutes this idea for the economy growth and development. The results of Molyneux & Thornton (1992) show that bank concentration ratio have a significant positive and statistically significant impact on the financial performance of banks sector. This bears out the theory SCP. [7]



Cognitive economic growth model

Cognitive economic growth, in which any case has recently been at unsustainable levels, would decline somewhat, historically proves, however that a smart central bank can protect the economy and financial performance of the banks sector from the hastier side effects of a stock market collapse. [8]

The objective of the study:

This research aimed in commonly to examine the factors that lead to the world wide of the cognitive economic growth the financial performance in the banking sector from the our point of view cognitive achieved has been financial performing to achieve sub-goals were as following:

1- To examine the financial performance of the banking sector.
2- To analyzed the importance of banking sector to overall cognitive economy development and growth.
3- To analyzed the social-economic contribution of banking sector
4- To examine the policy reforms in financial performance in the banking sector are correlated to overall cognitive economic growth.

Research methodology:

On the basis of this study`s objectives nature, the empirical analysis methodology was used in this research. This study`s sample consists of the banks sector. This study consists of community and a sample study of the cognitive economic growth of the financial performance in the banks of the other operating banking sector.

Hypothesis:

H1: There is positive association between cognitive economic growth and financial performance in banking sector.

H2: There is positive relationship between financial performances in the banks has impact of cognitive economic growth.

H3: There is significant linkage between advance financial performances in economic growth.

H4: There is positive relationship between in financial performance in job performance.

Data Analysis/Data collection:

Data were sourced through the primary and secondary sources and data can be analyzed with appropriate techniques. This research adopted questionnaire method as a mean for data collecting to examine the main factors may affect cognitive economic growth of the financial performance in the banking sector. Questionnaire is used as a tool to conduct a survey in the cities because it is second largest city in the country as with rich of all businesses and having almost all bank sectors. The sampling technique which used in this study is probability random sampling for a selection criterion. In this research the participants was manger and operation manager from those banks sector which are operating business organization. Out of 60 questionnaires which are sent through mail 23 were returned which shows 48 % response rate from the respondents and 80 questionnaires are filled directly from the cognitive economic skills & operating organizational banks sector through which 82 are used in this study.

Table 1 Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	76	76.4	76.4	76.4
Valid	Female	25	25.8	25.8	1.01
	Total	101	1.01	1.01	

Table 2 Position in the Cognitive economic organization

		Frequency	Percent	Valid Percent	Cumulative Percent
		65	65.6	65.6	65.6
Valid		36	35.8	35.8	1.04
	Total	101	1.01	1.01	

Research Findings: Correlation Analysis

Table 3 Correlations

		Final fina. perf.	Bnaks sec.,	Cog.satisfaction,	CEG,	Financial performance
Final fina.perf.	Pearson (r)	1	.541**	.365**	.921**	.919**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	101	101	101	101	101
	Pearson (r)		.541**	1 .103	.503**	.553**
Banks sector	Sig. (2-tailed)		.000	.306	.000	.000
	N	101	101	101	101	101
	Pearson (r)		.355**	.1031	-.034	-.043
Cog.satisfaction						
	Sig. (2-tailed)		.000	.306	.768	.690
	N	101	101	101	101	101
	Pearson (r)		.941**	.506**	-.038 1	.959**
CEG						
	Sig. (2-tailed)		.000	.000	.738	.000
	N	101	101	101	101	101

Financial per.	Pearson (r)		.939**	.558**	-.052	.962**
	Sig. (2-tailed)		.000	.000	.730	.000
	N	101	101	101	101	101

Correlation Analysis: Correlation is significant at the 0.01 level (2-tailed).

Each hypothesis was then tested in the significant levels. The Pearson correlation provided the answer to the hypotheses. The first hypothesis, there is positive significant relationship between e-business and organizational performances. The significant positive correlation of 0.541 ($p < 0.001$) between the cognitive economy growth the financial performance in the banking sector substantiates this hypothesis.

The second hypothesis is that, if banks sector adopt cognitive economic application then the business operations would improve the product quality and services in banks. The positive significant correlation of 0.504 ($p < 0.001$) between the cognitive skills and banks sector organization substantiates this hypothesis.

The third hypothesis is that, if banks sector adopt cognitive economic growth applications then it does not may affect the banks satisfaction, there is weak correlation between financial performance and customer satisfaction. The correlation of 0.101 ($p < 0.001$) between the e commerce and customer satisfaction substantiates this hypothesis. The fourth hypothesis is that, the e-business has significant positive correlation with job performance. The correlation of 0.554 ($p < 0.001$) between the cognitive economic development and financial performance in the banks sector has substantiates hypothesis.

Discussion, Conclusion, Research Implications and Future Research:

There is a high degree of implementation and limitations of the cognitive economic growth to the financial performance in the banks sector and this underlines the most significant positive relationship for the bank and its reflection on improving the financial performance of the banks sector. This study concluded that, the existence of positive significant relationship between the application of cognitive economic and the financial performance in the banking sector. It also helps them to understand the vital importance of cognitive economy improvement to the financial performance of banking sector. Finally, this study was limited to the non-financial aspects of organization performance in the banking sector, financial, business operating organization, etc aspect like return on assessment of quality of the services and productivity, return on equity, and dividend payout etc are not included. This study is limited to the banking sector but it can also conduct in other sectors like Education, cognitive development, decision making, e-banking sector, telecommunication, Textile, job performance and satisfaction in the banking sector etc.

References:

[1] Bourgine, Paul, and Jean-Pierre Nadal (eds.), 2004. *Cognitive Economics: An Interdisciplinary Approach*, Berlin, Springer-Verlag.

[2] Conlisk, John, 1996. "Why Bounded Rationality?" *Journal of Economic Literature*, *34*(2), 669-700.

[3] Kimball, Miles S., and Robert Willis, 2007. "Utility and Happiness," unpublished, University of Michigan.

[4] Wilcox, N. 2005a. "Review of Bourgine, P. and Nadal, J-P., eds., Cognitive Economics: An Interdisciplinary Approach. Berlin: Springer-Verlag, 2004." *Journal of Economic Psychology* *26*(4):599-601

[5] Lequiller, F, "The new economy and the measurement of GDP growth", 2001.

[6] Albertazzi, U., Gambacorta, L., (2009). Bank Profitability and the Business Cycle. Journal of Financial Stability 5 (4), 393–409.

[7] Naceur, S., Omran, M., (2010). The effects of bank regulations, competition, and financial reforms on banks' performance. Emerging Markets Review, doi:10.1016

[8] Stulz, R., Williamson, R., (2003). Culture, openness, and finance. Journal of Financial Economics 70, 313–349.

Ethical Consideration to the author:

1- The manuscript in its present final shape was studied by each and every author and consented to it.
2- Conflict of interest: none to declare
3- Funding: none
4- Ethical clearance: not required