

Chapter 16

Effects of Demographic Characteristics on Business Success: An Evidence From Turkish Banking Sector

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ABSTRACT

The aim of this chapter is to evaluate the causality relationship between education level of the personnel and profitability of the banks. For this purpose, annual data of 15 Turkish deposit banks, between the years 2002 and 2016, is taken into the consideration. Additionally, Dumitrescu Hurlin panel causality analysis is used to achieve this objective. The findings show that education level of the personnel has a positive influence on the profitability of Turkish deposit banks. Hence, it can be said that Turkish banks should employ more personnel who are university graduate or have master or PhD degree. The main reason behind this issue is that these personnel can work more effectively with the qualification taken from the university. Another important point is that Turkish banks do not have to spend too much money to increase the training level of these personnel at the work because these personnel have taken these qualifications in their university life. Hence, it is recommended that these banks should follow their wages policies to attract the attention of educated candidates.

DOI: 10.4018/978-1-5225-7265-7.ch016

INTRODUCTION

In a country, there are some parties that have some savings and they want to increase their wealth. On the other side, some other parties need money for different purposes (Kaminsky and Reinhart, 1999). For example, a company may need some money to make a new investment or this money may be demanded to satisfy operational needs, such as paying the salaries of the employees. As it can be understood, there is a need for a system that meets the need of these parties at the same time (Dinçer et. al., 2016; Admati and Hellwig, 2014).

Banks are the institutions that bring these two parties together. Therefore, all of them can have a chance to satisfy their needs (Claessens et. al., 2001; Yüksel et. al., 2015). For instance, people, who have some savings, can lend their money to the bank as deposit and can gain interest income from the bank. In other respects, parties that need money can reach this fund easier by taking loan from the banks. In summary, banks play an intermediary role between these two parties (Dimond and Rajan, 2001; Dinçer et. al., 2017).

However, banks have to manage different types of the risks during this process. First of all, there is a credit risk which means that customers may not pay the credit amount back to the banks (Jarrow and Turnbull, 1995; Yüksel, 2017). In addition to the credit risk, banks face the market risk because of the volatility in the market (Boyd and De Nicolo, 2005; Banerjee et. al., 2017). Within this framework, high increase, or decrease, in the interest rate and currency exchange rate lead to market risk for the banks (Lustig and Verdelhan, 2007; Paserman, 2017). Moreover, there is also an operational risk which includes the loss from natural disasters, terrorist attacks and hackers (Zengin and Yüksel, 2016; Chavez-Demoulin et. al., 2006).

Because banking sector is the driving force of the economy, the performance of the banks should be higher to improve the economic performance of the country (Levine, 1997; Oktar and Yüksel, 2016). Otherwise, when banks have lower performance, they will be reluctant to give loans and collect deposits. This situation leads to deficiency in the financial system (Demetriades and Luintel, 1996; Kumar et. al., 2016). Due to this aspect, the studies, which aim to analyze the indicators the profitability of the banks, play a very important role for the countries (Demirgüç Kunt and Levine, 2004; Yüksel and Zengin, 2016).

Demographic factors are also important determinants of bank profitability (Dirani and Kuchinke, 2011). Within this context, the ratio of female/male workers in a company may affect profitability (Elizabeth and Baines, 1998). In addition to the gender factor, experience levels of the workers may be a significant factor of the profitability of the banks (Chiliya and Roberts-Lombard, 2012). For example, high ratio of experienced people in a company may have an increasing influence on financial performance. Furthermore, education level of the workers is another significant demographic issue that can affect the profitability of the banks (Kilpatrick, 1997). For this situation, it is accepted that high ratio of educated people has a positive effect of the financial performance of the companies.

Parallel to the conditions emphasized above, the aim of this study is to analyze whether education level of bank personnel has a positive impact on the profitability or not. For this purpose, annual data of 15 Turkish deposit banks, between the years 2002 and 2016, is used. In addition to these aspects, Dumitrescu Hurlin panel causality analysis is used reach this objective. Consequently, it will be possible to make recommendation for Turkish banks to increase financial performance.

This paper consists of five different parts. After the introduction part, the second part analyzes similar studies in the literature. Within this scope, the missing area in the literature about this topic can be understood. Moreover, the third part explains the quantitative information about the demographic

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