Examining ways to attract funds in various branches of banks

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ARTICLE INFO

ABSTRACT

Objective: Generally, commercial banks can be defined by a financial intermediary institution that building up funds people still money and grant them as loan to Businessmen and industrialists and other applicants. If we focus our attention on core operations of commercial banks, it will be more accurate. **Methodology:** A bank pays interest to the people deposit and gets interest from applicants this study, the factors affecting the mobilization of resources for national banks and the economy is studied modern city of Yazd. **Results:** Using a sample of 300 customers of Cochran formula of the National Bank and a sample of 139 clients who were new economy and a questionnaire was distributed among them. The results suggest on both banks, the two elements of the skills employed in banking, customer satisfaction from employee affect the absorption of funds. **Conclusion:** On the basis of the correlation coefficients and the regression coefficients, the hypotheses 3 to 8 of the study were proved for Meli bank in Yazd province.

1. Introduction

The Commercial banks with the aim of bringing profit for their shareholders do all this. Clearly, commercial banks pay interest to the owners of the deposit in addition to the costs incurred and to compensate it they get interest from the loan-recipients. Interest received on bank from borrowers in this time period should be enough to cover bank fees in addition to guarantee granting profit to their shareholders (Soteriou & Stavrindes, 1997),

If we focus our attention on core operations of commercial banks, it will be more accurate. A bank pays interest to the people deposit and gets interest from applicants. Obviously, the difference between interest received and paying it out makes the profits or losses of the bank. Commercial Bank's goal is to bring the maximum profit for shareholders. A simple method is to build up low-cost deposits and resources and grant maximum interest rate loan to the applicants. Thus, the issue is not that simple, because commercial banks are facing a severe competition with other banks and financial non-bank institutions in the money market and deposits, and in obtaining maximum interest rate from loan applicants the Central Bank regulations do not also allow the bank to do that. In addition, it should also be noted that the depositors may refer any moment to get their funds from the banks; so, the bank is obliged to keep a portion of their deposits in cash. Resource mobilization has always been the main task of the banking system. Banks collected excess money and lend it to the applicants, their traditional function of the intermediation between savers and borrowers plays in this way. Usually among the activities of a bank, financial resources are of considerable importance, because success in this area can be a cause for success in other areas. A financial resource building up for each bank and the banking system is related to both external factors and internal factors. Therefore, knowing the influence of these factors, each of which is essential is really important for success in this field (Athanasoglou et al., 2008; Asgharnia, 2011; Chong, 2009; Hosseini, 2008; Roy, 2003).

Hashemi et al (2013) Using quarterly data of 1996-2011 and by applying the method of auto regression with Autoregressive Distributed Lag (ARDL) reviewed the impacts of monetary policy on the Procurement of Commercial Bank's resources. For this purpose, variables of GDP, inflation rate, population, interest rate, facility interest rate, the ratio of statutory deposit to the bank debt to the Central Bank and commercial bank deposits, they all have been adopted. The results showed that the interest rate on deposits and liabilities of the Central Bank to have an inverse relationship with the commercial banks deposits, while interest rate is directly related to the statutory deposit ratio. Moreover, The GDP and population have also had a positive role in enhancing commercial bank deposits. Finally, with the exception of impact model of interest rates on commercial absorbing bank resources, has a negative effect in all estimates. Thus, according to the obtained coefficients, they suggested that the Central Bank, in order to increase production and

investment in a similar situation in the period of study applies an expansionary monetary policy, because the results suggest that monetary policy affects Iran's economy significantly.

Dietrich and Wanzenried (2011) by the method of *generalized method of moments (GMM) analyzed* Factors affecting the profitability of Swiss banks before and after the financial crisis in Europe. For this purpose, data from the period 1999 to 2009 from 372 commercial banks in this country were used. Hence in order to examine the effects of the financial crisis they divided their period to two sub-periods of 1999-2006 and 2007-2009. Their results showed that both internal factors such as operational efficiency, growth of loans and the cost-income ratio and external factors including GDP growth rate and the effective tax rate have significant impact on profitability of commercial banks in this country. They also found that the financial crisis was not of a statistically significant effect on the profitability of commercial banks.

Delaware (1988) examined Factors affecting the banks in mobilizing resources. The results of this study indicate that factors influencing the mobilization of financial resources are important for banks success in building up funds. The results also implicate successful Branches in absorbing financial resources compared to unsuccessful branches put more emphasis on influencing factors in the mobilization of financial resources, and therefore concluded that between putting emphasis and efficient use of effective factors in mobilizing funds and banks being successful in attracting financial resources, there is a significant relation. Thus influencing factors that were mentioned including human resources, diversity of services, service quality, and customer satisfaction with employees, indoor atmosphere of the branch and branch location all are important and effective in the success of the branches to absorb financial resources, so that each bank realize the importance of above factors would be more successful in mobilization of resources compared to the bank that devotes less attention (Babaei, 2001; Bagheri, 2006).

Ayanda et al. (2013) Using the technique of Convergence and error correction method were analyzed determining factors in the profitability of banks in Nigeria. The results showed that the size of the bank, which in this study was defined by the natural logarithm of total assets and number of bank branches and Cost efficiency statistically have no significant effects on the profitability of banks in Nigeria. However, capital and credit risk both in short-term and long-term were effective on profitability of banks in Nigeria. Their results showed that while money supply in the short term has significant impact on the profitability of banks, Labor efficiency in the long-term has been effective on the profitability of banks. Moreover, among the external factors influencing the profitability of banks, only the rate of money supply growth in the short and long term statistically significant is effective on the profitability of banks studied.

Berger & Hannan, (1989) applying monthly time series data examined the main factors determining bank deposits in commercial banks in Lebanon. In order to do this, they estimated the model using ordinary least squares (OLS). The results showed that factors such as assets of banks, interest rates and some of the political situation are among the most important factors affecting bank deposits in Lebanon. As it is obvious lots of studies were carried out on the factors affecting the profitability and absorbing deposits of the banks, and a small number of studies have considered the internal factors affecting absorbing the deposits in banks and in none of the studies of factors affecting bank-deposits in Bank Melli bank and Eghtesad Novin Bank have not been compared with each other. Moreover, none of the studies have been done on the banks of Yazd city. Hence, in this study, the factors affecting the mobilization of resources at Melli bank and Eghtesad Novin Bank in the city of Yazd are compared with each other.

2. Materials and methods

2.1. The research method

The research in this study in terms of objective and description is practical and causal respectively. Part of the resources needed in this study were obtained from secondary data (data previously generated and the resources available) These data were obtained of books, journals, theses, articles and other documents, including financial statements of Melli bank and Eghtesad Novin Bank in the city of Yazd. Moreover, due to the limitations we adopted the Internet which makes us capable of using more up to date in this study.

2.2. The statistical population, sample size, sampling method

The statistical population of this study consists of all customers of Melli bank and Eghtesad Novin Bank in the city of Yazd. The sampling method used in this study is a simple random sampling. To calculate the required number of samples in random sampling the formula of Cochran (1977) was used. A sample of 300 Melli bank customers and 139 Eghtesad Novin Bank customers were selected and questionnaires were distributed among them.

2.3. Hypotheses

The research hypotheses can be stated as follows:
1. There is a difference between financial resources acquiring of the Melli bank and Eghtesad Novin Bank.
2. There is a difference in the financial resources acquiring between bank branches

2.4. Methods of data analysis

In order to evaluate the effect of factors on the mobilization of financial resources and to compare the performance of public and private banks, two-sample t-test and multipleregression is used. Moreover, in order to examine the success rate for banks in each variable one sample t-test is used. Each monetary economy includes a financial system in which banks, particularly in the developing countries such as Iran, are considered as the major pillars of it.

The survival of banks depends on the attraction of deposits. Performing other duties and banking depends on the attraction of deposits. Financial resources are not easily available and because of the competition in inter-bank and financial institutions in attracting more resources, it is important to understand the effective factors in resource mobilization and the level of influences of each part to be successful in this field. In this study, the affective factors in resource mobilization have been examined at Melli Bank and Eqtesad Novin Bank in Yazd province. To do this, a sample of 300 clients of Melli Bank and 139 clients of Eqtesad Novin Bank were chosen through Koukran Formulas and a questionnaire was distributed among them. The findings of the study illustrated that there are 4 factors in both banks that influence the attraction of financial resources such as applying working skill in bank, the client satisfaction with bank employees, the utility of the branch, and the location of the branch.

Table 1: The information related to the gender of interviewees in the successful branches of Melli Bank

Group	Abundance	percent
Male	156	70.9
Female	66	29.1
Total	222	100

Source: the findings of the study

Table 2: The information related to the gender of interviewees in the unsuccessful branches of Melli Bank

Group	Abundance	percent
Male	55	70.5
Female	23	29.5
Total	78	100

Source: the findings of the study

Table 3: The information related to the gender of interviewees in the successful branches of Eqtesad Novin Bank

Group	Abundance	percent
Male	73	58.8
Female	51	41.2
Total	124	100

Source: the findings of the study

Table 4: The information related to the gender of interviewees in the unsuccessful branches of Eqtesad Novin Bank

Group	Abundance	percent
Male	9	60
Female	6	40
Total	15	100

Source: the findings of the study

2.5. Education

On the basis of collected data from the questionnaire, the information about the interviewees based on their education level is presented in the following tables.

Table 5: The information related to the education of interviewees in the successful branches of Melli Bank

Group	Abundance	percent
Undergraduate	31	13.9
Diploma	89	40
Associate's degree	**53**	**24.9**
Bachelor's degree	37	16.6
Master's Degree and above	12	4.6
Total	222	100

Source: the findings of the study

Table 6: The information related to the education of interviewees in the unsuccessful branches of Melli Bank

Group	Abundance	percent
Undergraduate	21	26.9
Diploma	26	33.3
Associate's degree	**19**	**24.3**
Bachelor's degree	10	12.9
Master's Degree and above	2	2.6
Total	78	100

Source: the findings of the study

Table 7: The information related to the education of interviewees in the successful branches of Eqtesad Novin Bank

Group	Abundance	percent
Undergraduate	8	6.5
Diploma	12	9.7
Associate's degree	**12**	**9.7**
Bachelor's degree	67	54
Master's Degree and above	25	20.1
Total	124	100

Source: the findings of the study

Table 8: The information related to the education of interviewees in the unsuccessful branches of Eqtesad Novin Bank

Group	Abundance	percent
Undergraduate	0	0
Diploma	3	20
Associate's degree	**5**	**33.4**
Bachelor's degree	7	46.6
Master's Degree and above	0	0
Total	15	100

Source: the findings of the study

2.6. Age

On the basis of collected data from the questionnaire, the information about the interviewees based on their age is presented in the following tables.

Table 9: The information related to the age of interviewees in the successful branches of Melli Bank

Group	Abundance	percent
Below 25	16	7.2
25 to 35	31	14
35 to 45	**28**	**12.6**
45 to 55	79	35.5
Above 55	68	30.7
Total	222	100

Source: the findings of the study

Table 10: The information related to the age of interviewees in the unsuccessful branches of Melli Bank

Group	Abundance	percent
Below 25	19	24.4
25 to 35	25	32
35 to 45	**13**	**16.7**
45 to 55	16	20.5
Above 55	5	6.4
Total	78	100

Source: the findings of the study

2.7. The Comparison of the Influencing Factors on Resource Mobilization between Successful and Unsuccessful Branches of Melli Bank

The questions that we are going to answer in this section are as follows:
1. Is there any significant difference between the success rate of Melli Bank and the skill of workforce in banking in the attraction of resources?
2. Is there any significant difference between the success rate of Melli Bank and the clients' satisfaction with bank employees in the attraction of resources?

Table 11 presents the related results of examining the questions using t-test. The related question is stated in the first column of this table. The second column presents the standard deviation and the average of effective variables on Resource Mobilization at successful branches of Melli Bank, the third column presents the standard deviation and the average of effective variables on Resource Mobilization at unsuccessful branches of Melli Bank, the fourth column presents the results of t-test and the last column presents the probability level related to the significance of these statistics. As it is shown in the table, the t statistics at the probability level of 0.05 for answering the questions 1, 2, 4, and 6 is significant. In other words, the skill of workforce at the bank, clients' satisfaction with bank employees, the type of technology used, and the bank location have important role in attracting financial resources at Eqtesad Novin banks in Yazd province. This means that the branches successful at attracting financial resources have applied these factors more than the other branches.

Table 11: the comparison of effective factors on attracting financial resources at successful versus unsuccessful Melli Bank branches

Question	average & Standard deviation	successful branches	unsuccessful branches	t-statistics	probability level
1	X	3.84	2.94	11.5	0.000
	S	0.666	0.619		
2	X	3.72	2.46	12.53	0.000
	S	0.713	0.635		

Source: the findings of the study

2.8. The Comparison of Effective Factors on Resource Mobilization at successful versus unsuccessful Eqtesad Novin Bank branches

The questions related to this section that we are going to answer are the following:

1. Is there any significant difference between the success rate of Eqtesad Novin Bank and the skill of workforce in banking in the attraction of resources?

2. Is there any significant difference between the success rate of Eqtesad Novin Bank and the clients' satisfaction with bank employees in the attraction of resources?

Table 14 presents the related results of examining the questions using t-test. The related question is stated in the first column of this table. The second column presents the standard deviation and the average of effective variables on Resource Mobilization at successful branches of Eqtesad Novin Bank, the third column presents the standard deviation and the average of effective variables on Resource Mobilization at unsuccessful branches of Eqtesad Novin Bank, the fourth column presents the results of t-test and the last column presents the probability level related to the significance of these statistics. As it is shown in the table, the t statistics at the probability level of 0.05 for answering all the questions is significant. In other words, the skill of workforce at the bank, the type of technology used and the financial creativity, utility of the branch, clients' satisfaction with the bank, the type of technology used, and the bank location have important role in attracting financial resources at Eqtesad Novin banks in Yazd province. This means that the branches successful at attracting financial resources have applied these factors more than the other branches.

Table 12: the comparison of effective factors on attracting financial resources at successful versus unsuccessful Melli Bank branches

Question	average & Standard deviation		successful branches	unsuccessful branches	t-statistics	probability level
1	X		3.60	3.03	7.83	0.000
	s		0.579	0.575		
2	X		4.12	2.44	11.53	0.000
	s		0.713	0.635		

Source: the findings of the study

3. Conclusion

On the basis of the correlation coefficients and the regression coefficients, the hypotheses 3 to 8 of the study were proved for Meli bank in Yazd province. In other words, based on these two tests there is a significant difference among the variables of using a modern technology, the skill of bank employees, the quality type of the services and the bank financial innovations, the clients' satisfaction with bank employees, the utility of the environment inside the branch, the location of the branch, and the attraction of financial resources. On the other hand, based on the correlation coefficients and the regression coefficients the hypotheses 3 to 8 of the study were also proved for Eqtesad Novin bank in Yazd province. This means that according to these two tests there exists a significant difference in Eqtesad Novin bank among the variables of using a modern technology, the skill of bank employees, the quality type of the services and the bank financial innovations, the clients' satisfaction with bank employees, the utility of the environment inside the branch, the location of the branch, and the attraction of financial resources. The results of regression estimation showed that location of the branch has the most influence on resource mobilization at Meli bank in Yazd province, and the clients' satisfaction has the most influence on resource mobilization at Eqtesad Novin bank in Yazd province. The Freedman ranking test was also used for ranking the factors influencing the resource mobilization of Meli and Eqtesad Novin bank in Yazd province which overall illustrated that the influencing factors in resource mobilization are different between Meli bank and Eqtesad Novin bank. In another word, the second hypothesis of the study is also proved using the multivariable regression. It means that there's a difference between the influencing factors of Meli bank and Eqtesad Novin bank in financial resource attractions.

T-test was used to compare the influencing factors in resource mobilization between the successful versus unsuccessful branches of Melli bank and Eqtesad Novin bank. Also, the results of this section showed that there's a significant difference between the success of Eqtesad Novin and Meli bank with the influencing factors on these two banks. Accordingly, we can claim that there's a significant difference between successful and unsuccessful bank branches in financial resource attraction. Thus, based on the t-test, the first hypothesis of the study is also proved.

According to the results obtained in this study, the suggestions offered are divided into two parts of the suggestions for Meli and Eqtesad Novin bank in Yazd province and the macro suggestions for politicians:

1. The Melli and Eqtesad Novin bank in Yazd province could cause a high degree of attraction of applicants' loans, if they obey laws and regulations and increase their facilities in industrial and quick return sections according to the modern criteria.

2. These branches under study could have an outstanding increase in their commercials and advertisements in different types of media. Also, they can advertise and correct it in the written media, since this has had a very low effect on resource attraction based on the clients' opinions.

3. The Melli and Eqtesad Novin branches should equip themselves with the electronic banking technology such as ATMs, online banking, and internal and external networks.

4.   It is suggested that by using modern techniques such as the location issue, the management of operation research, the discussions of decision making with multi criteria and the knowledge of mapping and geographical engineering specially the issue of geographical information system, we can choose the best location for bank branches.

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