Abstract

The objective of this research is to study the effective factors of financing bank assets through the absorption of operational resources in banks and financial institutions and to present a suitable scientific strategy for using factors which affect the absorption of resources in a way that the goal of gaining profit is achieved. The time period of the present research was 2006-2008. Of all the factors affecting the absorption of resources, three have been chosen for this article based on which three hypotheses have been put forward as follows: 1) There is a significant difference between the amount of resources in branches with high quality services and branches with low quality services. 2) There is a relationship between facilities granted in a banking system and the resources absorption level. 3) There is a significant difference between the amount of resources in branches equipped with electronic services and branches which lack these services. The statistical population of the present research was all Sepah banks in the country, while its statistical sample included all Sepah bank branches in Guilan province. Data collection was done through the library method and the tool for collecting information for the questionnaire was interviewing the personnel and using bank documents. The method used for analyzing data in the first and third hypotheses was t-test, while for the second hypothesis, the analysis was done using Pearson correlation coefficient and SPSS software. In the end, all three hypotheses mentioned above were confirmed.

Keywords: Absorption of Resources, Electronic Services, Granted Facilities, Operational Resources, Quality of Services

1. Introduction

Banks are the main suppliers of financial resources for the actual sectors of the economy such as industry, agriculture and services. These sectors are closely related to their dynamics. This banking system is a part of the money and resources market in which a set of commercial and specialized banks, private banks and non-bank credit institutions are its major active institutions.

The growth of efficient financial systems has happened by the inspiration of existing literature on economic growth. The idea of this growth is hidden in the performance of banks. By transferring funds among economic activists, receiving resources from depositors and allocating them to reliable activists, who need those funds, banks have made the business flow smoother and the risk distribute between individuals. Therefore, through the proper performance of these institutions, economic growth is strengthened. However, as much as banks are effective and play a positive role in economic growth, in case of not having suitable efficiency, they have the ability to create financial instability as well.

The primary role of a country's financial system is to help the savings of individuals and economic units transform into investments (obtaining generative assets which are used to produce goods and to provide services) made by other individuals and economic units. A financial system provides necessary facilities to transfer the
2. Research Background

Saber Ahmadi investigated the existence of a relationship between resources and consumptions in the financial system of this bank and that whether the system should be designed to the best interest of it beneficiaries or not. By evaluating the resources and consumptions of bank Maskan, given that its fund resources consisted of decreasing asset items and increasing debt and capital items while its consumptions consisted of increasing asset items and decreasing debt and capital items, he introduced a suitable pattern to specify the allocation of resources for consumptions. Also, in another research, “A Study of the Structure of Capital and the Financial Resources of Keshavarzi Bank and Presenting Suitable Strategies to Optimize It”, Mohammad Ebrahim Esfidani and Mohsen Akbari investigated the relationship between factors of capital structure, capital expenditure and optimization of the capital structure of the bank. Obtained results showed that there was a negative relationship between capital structure and capital expenditure and that the bank’s capital structure was not optimized in four factors: efficiency of the capital, credit-deposit ratio, long-term deposit-deposit ratio and capital expenditure. In one of the foreign researches conducted by Almossawi, with the topic “Studying Bank Selection Criteria Employed by College Students in Bahrain: An Empirical Analysis”, bank selection criteria considered by college students (19 to 24 years of age) were examined. Results of this research introduced five of the most effective factors of bank selection as follows: 1) Easy to use automated teller machines (ATMs), 2) Availability of ATMs at different parts of the city, 3) Bank reputation, 4) Possibility to use ATMs 24/7 and 5) Availability of parking spaces near the bank. On the other hand, five least important factors from those students’ point of view were: 1) Banks recommended by employers, 2) Friends’ recommendations, 3) Relatives’ recommendations, 4) Bank services via mail and 5) Hospitality at the bank. Also, in a research with the topic “Critical Success Factors For Various Strategies in the Banking Industry”, Chen investigated the role of an institution’s strategy with the main success factors in the banking industry taken into consideration. According to these studies, 22 success factors related to commercial banks were identified, which are as follows: 1) Reputation and good image of a bank, 2) Bank location, 3) Number of branches, 4) Quantity and content of services, 5) Interest rates and service fees, 6) Kindness and politeness of the personnel, 7) Professional knowledge of the personnel, 8) Building long-term relationships with customers, 9) Management ability of the bank manager, 10) Ability to execute internal auditing and controlling, 11) Ability to computerize the affairs, 12) Consistent banking system, 13) Absorbing deposits, 14) Being active in new areas, 15) Developing a new activity to satisfy unmet demands of customers, 16) Market segmentation and doing individual marketing, 17) Doing proper activities to advance sales, 18) Indentifying other bank’s activities, 19) Accurate prediction of the banking business in the future, 20) Developing bond and shares market, 21) Policy for reducing government limits and 22) Ability to manage assets and debts.

3. Expressing the Problem

One of the important factors for organizations like banks to be able to survive is absorbing as much financial resources as possible, i.e. absorbing various deposits including Ghizarolhasaneh deposits, savings, long- and short-term deposits and optimized use of these resources in service, commercial, industrial and infrastructural affairs of a society, from which both the bank and its customers benefit and thus, helping the economy of the country to improve.

Since banks are created by a small amount of capital, that is, they have a limited capital to begin with and are considered as a safe place for people to keep their cash in, they plan to attract and absorb financial resources through deposits. Then, by using people’s balance in hand, they take necessary measures to grant facilities (loans).

At the resources equipment sector, banks’ total financial resources include “operational and non-operational resources”. Operational resources are all money and near money funds that are created as a result of developing mutual relationships between banks and their customers which include various types of deposits. Non-operational resources are the result of a bank’s internal activities, items and consumptions such as added value, cost-income ratio, capital, other debts, etc. In a bank’s financial statement, operational resources represent its liabilities and/or debts to customers (holders of different accounts) and they are inserted along with debt items in a statement.
Considering the fact that capital and surplus constitute almost 20% of a bank’s financial resources, operational resources are the most important resource to be utilized by a bank. In order to develop and continue its activities, to grant more facilities and as a result, to get more income and profit, the banking system is always affected by operational resources which are deposited by customers in the form of equipment resources in banks.

4. Research Objectives

The main objective of this research is to study factors that affect financing bank assets through absorbing operational resources in banks and financial institutions and to present a suitable scientific strategy for using factors which affect the absorption of resources in a way that the goal of gaining profit is achieved.

Objectives that have been tried to be met in this research are as follows:

- Examining the relationship between the quality of providing services and absorbed operational resources.
- Providing electronic services in various branches of Sepah bank and its effect on the amount of deposits absorbed.
- Identifying factors which affect the absorption of resources while moving towards increasing the resources to the maximum level as a result of preserving banks’ resources and profitability.
- Determining the relationship between granted facilities and the absorption of resources during the 2006-2008 period.
- Collecting up-to-date information that is needed by an organization to make plans.
- Determining the place of checking and long-term deposits in financing bank assets.

5. Research Hypotheses

- There is a significant difference between the amount of resources in branches with high quality services and branches with low quality services.
- There is a relationship between facilities granted in a banking system and the resources absorption level.
- There is a significant difference between the amount of resources in branches equipped with electronic services and branches which lack these services.

6. Research Methodology

The present research is of an applied type. Usually, the objective of an applied research is to develop applied knowledge in a special field. In other words, applied researches are led towards the practical application of knowledge.

Research method was survey and descriptive based on analyzing past performances. Library method was used to collect data about the research’s background and literature. Survey method was used to measure the quality level of branches and documentation was the method used for examining documents to collect the bank’s financial information. In order to analyze the data, descriptive statistical methods, t-test (SPSS software) and Pearson correlation coefficient were used to test the significance of mean differences. Also, correlation and regression analysis was done to examine the relationship between granted facilities and resources absorption level. This research was inferential (correlation) as well. An inferential research deals with generalizations about a society that are based on data obtained from a sample.

7. Statistical Population

The statistical population of a research is all the elements and individuals which have one or more traits in common in a specific geographical scale (global or regional). Since the topic of this research was a study of the factors which affected the financial resources absorption system in Sepah bank, the statistical population of the research included all Sepah banks in the country.

8. Research Sample and Sampling Method

Sampling method in this research was multi-stage sampling, where the elements of the main sample were selected in several stages, i.e. selecting a sample from another sample. In this research, the main sample was selected in three stages. Stage 1: Sepah bank branches were selected as a suitable environment for testing suggested methods. Stage 2: Due to the diversity of the degrees of branches in Guilan province, the province was selected as the second sample in this stage. Stage 3: All Sepah bank branches in Guilan province were selected as the main sample for the first and third hypotheses, while 3rd and 4th degree branches of this bank were selected as the main sample for the second hypothesis.
9. Methods of Data Collection

To obtain necessary data for testing the first hypothesis of this research and to divide the branches into two groups of providing high and low quality services, a set of preliminary polling was used. A questionnaire for bank customers was used for testing hypothesis 1 (F1). Also, in order to collect necessary data for testing the hypothesis, researches went to the relevant administration in Guilan province; thus, needed data and statistics were collected via bank documents, branch resources and the facilities granted to customers along with the list of branches that were equipped with ATMs, information kiosks, queue management system, Point of Sale (POS) and telephone banking. Then, the data were analyzed for conclusion.

10. Operational Definition of Variables

10.1 Dependent Variable

Absorption of Financial Resources:
Financial resources of banks including those of Sepah bank are divided into two groups as follows:

- Resources owned by a bank (including capital and borrowed resources). These resources are divided into two groups:
  - a) Pays of shareholders including capital, saving and retained profit.
  - b) Borrowed resources including Gharzolhasaneh loans received from depositors (in checking and saving accounts) and other borrowed resources.
- Resources from time deposit investments (short- and long-term).

These accounts include various types of long- and short-term investment accounts, which are considered as one of the main resources of a bank.

Since capital and surplus constitute almost 20% of a bank’s financial resources, operational resources are known as the most important resource to be utilized and in this research, they have been considered as the bank’s financial resources.

10.2 Independent Variables

10.2.1 Quality

Quality is nothing but what a customer really wants. In other words, a product is considered to have quality only when it is adapted with customer needs and desires. Quality should be defined as the adaptation of a product with customer needs.

The quality of bank services comprises of the evaluation of services provided by the staff in each branch in terms of giving proper explanation to introduce services to customers, quickly meeting customer needs and expectations, providing quick and accurate services through new computerized tools, proper attitude and behavior along with required flexibility and ability to provide services, distinct and superior services and using modern technology.

10.2.2 Facilities

They are those facilities granted by banks to qualified individuals. Usually, these facilities are granted by virtue of a contract signed between a bank and an applicant in the form of one of the tools included in the interest-free banking law upon receiving required documents or collaterals with the condition of administrative right. According to the interest-free banking law, every way of financing or guaranteeing the commitments of economic units is a type of facilities granted by a bank.

10.2.3 Electronic Services

Electronic services include electronic channels that bank customers use to access their accounts, transfer funds and to pay their bills. These channels include internet, cell phone, telephone and Automated Teller Machine (ATM). With banks in developed and developing countries paying an increasing attention to providing services via electronic channels and virtual financial enterprises, competition in the banking industry has increased in a way that banks in other countries have intended to develop various approaches to electronic banking.

If we are to present a simple formula to express electronic banking, relation (1) can be a suitable one:

Electronic Banking = Electronic transfer of resources + Electronic money (1)

11. Research Findings

11.1 Results Obtained from Testing Hypothesis 1

H_0: There is no significant difference between the amount of resources in branches with high quality services and branches with low quality services.
H$_1$: There is a significant difference between the amount of resources in branches with high quality services and branches with low quality services.

When comparing mean values, since the mean value of the amount of resources in branches with high quality services was independent from that of branches with low quality services, we used t-test for independent samples.

With Levene's test taken into consideration, since the significance level was lower than 0.05 ($\alpha = 0.05$) (Levene's $p < 0.05$, sig = 0.031), we used the values in the down row for interpretation because the variance of the two groups was unequal and since Assimp value was 0.007 (sig = 0.007) in the t-test and less than $\alpha = 0.05$ (i.e. the significance level was lower than 0.05), $H_0$ was rejected. As a result, it could be said that there was a significant difference between the amount of resources in branches with high quality services and branches with low quality services. The mean value for the absorption of resources in branches with high quality services was greater. For the t-test's result to be acceptable, data had to be normal, so we used the Kolmogorov–Smirnov test. With consideration of the output of the significance probability (0.000 with $\alpha = 0.05$), the normality of data could be accepted (Tables 1 and 2).

11.2 Results Obtained from Testing Hypothesis 2

H$_1$: There is a relationship between facilities granted in a banking system and the resources absorption level.

Since a part of the balance of facilities granted by banks is deferred claims, to ensure testing the hypothesis, these facilities were tested in two separate steps: gross facilities granted (transaction balance before deducting deferred claims) and net facilities granted (transaction balance after deducting deferred claims).

Here, gross facilities granted by the bank in 3 years were compared with the amount of its resources.

Gross facilities granted (transaction balance before deducting deferred claims) for each branch was an independent variable; while the amount of resources that branches had was a dependent variable. First we drew the dispersion diagram (Diagram 1). Upon studying the diagram, it could be concluded that there was a relatively linear relationship between data and with the correlation coefficient taken into account ($r = 0.387$), it was concluded that the relationship was a direct one.

The significance probability value was obtained from the correlation coefficient test and because of its being smaller than $\alpha = 0.05$ ($sig = 0 < 0.05$), $H_0$ was rejected. Thus, there was a relationship between gross facilities granted and the resources absorption level (Table 3).

Here, we compared the amount of net facilities granted by Sepah bank in 3 years time with the amount of its resources.

With consideration of the obtained correlation coefficient ($r = 0.36$), it could be concluded that the relationship was direct. Correlation coefficient test gave zero as the significance probability value and because of its being smaller than $\alpha = 0.05$ ($sig = 0 < 0.05$), $H_0$ was rejected. So, it could be concluded that there was a relationship between net facilities granted and the resources absorption level as well (Table 4).

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<thead>
<tr>
<th>Table 1. Group statistics</th>
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<tr>
<td>3 Years</td>
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<tr>
<td>High Quality</td>
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<td>Low Quality</td>
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<tr>
<th>Table 2. T-test for resources and the quality of services</th>
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<tbody>
<tr>
<td>Independent Samples Test</td>
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<tr>
<td>Levene's Test for Equality of Variances</td>
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<td>t-test for Equality of Means</td>
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<td>3 Years</td>
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<td>3 Years</td>
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</table>
A Study of the Factors Affecting the Financial Resources Absorption System in Sepah Bank and Presenting Suitable Strategies

Our $H_0$ was rejected. Therefore, it could be said that the relationship between granted facilities and the resources absorption level was significant (Table 4).

11.3 Results Obtained From Testing Hypothesis 3

$H_0$: There is no significant difference between the amount of resources in branches equipped with electronic services and branches which lack these services.

$H_1$: There is a significant difference between the amount of resources in branches equipped with electronic services and branches which lack these services.

When comparing mean values, since the mean value of the amount of resources in branches equipped with queue management system, ATM and information kiosk was independent from that of branches which lacked these services, we used t-test for independent samples.

With the Levene’s test taken into account, since the significance level was lower than 0.05 ($\alpha = 0.05$) (Levene’s $p < 0.05$, sig = 0.000), we used the values in the down row for interpretation. Since variance was unequal for both groups and that Assimp value in the t-test was zero ($\text{sig} = 0.000$), smaller than $\alpha = 0.05$, $H_0$ was rejected. As a result, it could be said that there was a significant difference between the amount of resources in branches equipped with electronic services and branches which lacked these services. (Tables 5 and 6).

### Table 3. Gross facilities granted and the amount of resources in 3 years

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Gross Facilities in 3 years</th>
<th>Resources in 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.387</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
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<tr>
<td>N</td>
<td>114</td>
<td>114</td>
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</table>

### Table 4. Net facilities granted and the amount of resources in 3 years

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Net Facilities in 3 years</th>
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<tr>
<td>N</td>
<td>114</td>
<td>114</td>
</tr>
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</table>

### Table 5. Group statistics

<table>
<thead>
<tr>
<th>3 Years</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM</td>
<td>75</td>
<td>48903.21</td>
<td>37566.6892</td>
<td>4337.828</td>
</tr>
<tr>
<td>No ATM</td>
<td>75</td>
<td>22574.52</td>
<td>18294.2445</td>
<td>2112.437</td>
</tr>
</tbody>
</table>
Table 6. T-test table for resources and electronic services

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>t</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>18.423</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>5.457</td>
</tr>
</tbody>
</table>

12. Conclusion

Results obtained from testing the hypotheses in the present research indicated the following:

- There was a significant difference between the amount of the resources in branches with high quality services and branches with low quality services. This meant that quickly meeting customers’ needs and expectations, being quick and accurate, providing distinct and superior services along with appropriate explanations given by the staff to introduce those services to customers would result in their satisfaction and thus, there would be more depositors in the bank’s branches.

- There was a significant relationship between net facilities granted (transaction balance after deducting deferred claims) and gross facilities granted (transaction balance before deducting deferred claims). Although the hypothesis for the relationship between granted facilities and the resources absorption level was confirmed, the correlation coefficient and its direction showed that the relationship at the beginning of the research period (2006) was stronger than its end (2008). Also, compared with net facilities, the relationship concerning gross facilities was stronger. It seemed that the management of the bank had been more focused on collecting deferred claims and reducing the allocation of resources in order to decrease the consumption-resources ratio.

- There was a significant relationship between the amount of resources in branches equipped with electronic services and branches which lacked such services.

13. References


