THE FACTORS AFFECTING THE AMOUNT OF BANKING DEPOSITS AT
ANSAR BANK BRANCHES IN ARDABIL PROVINCE

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ABSTRACT
The main purpose of the study, is review of "Factors affecting the amount of Banking deposits at Ansar bank branches of Ardebil" during the fiscal year 1390. For this study, first we list ten factors influencing it through previous similar studies, comment of industry experts and professional experiences. Next, using a survey of heads and experts of branches, the five factors with the highest scores were selected and classified in the five hypotheses. The population of this study is Ardabil Ansar Bank branches. The goal of this research is applicable and the data collection of the study is causal - comparative or ex post facto. Data and information as a quantity have been extracted from certified balance sheet and database of branches management. Hypotheses test was carried out by Panel data model. The results of hypotheses testing imply the confirmation of the all hypothesis. It means that, there is relationship between the rate of absorbed resources by branches of Ansar Bank of Ardabil and offered services of modern banking, Interest rates on bank deposits and running the approved view of bank branches, the amount of paid facility and the interest rate of facility. It is notable that the five investigated factors could explain 99% of their dependent variable changes that is indicator of the above factors are smart choice.

Keywords: deposits, Ansar bank, Modern Banking, Interest rates on deposits, Approved Frontage

1. INTRODUCTION
The last several years have seen extensive change in the Iran banking industry. In 1960 the Central Bank of Iran (CBI, also known as Bank Markazi) was established as a banker for the government, with responsibility for issuing currency. In 1972 legislation further defined the CBI’s functions as a central bank responsible for national monetary policy. In the 1960s and 1970s, the expansion of economic activity fueled by oil revenues increased Iran’s financial resources, and subsequently the demand for banking services increased exponentially. By 1977, some 36 banks (24 commercial and 12 specialized) with 8,275 branches were in operation.

After the Revolution, the government nationalized domestic private banks and insurance companies. Bank law was changed under new interest-free Islamic banking regulations. The post-Revolution reduction in economic activity and financial resources required banks to consolidate. By 1982, this consolidation, in conformity with the Banking Nationalization Act,
had reduced the number of banks to nine (six commercial and three specialized) and the number of branches to 6,581. Subsequently, the system expanded gradually (Kurtis and Eric, 2010).

Over the last decade the Iranian banking industry has undergone many substantial changes, such as liberalization, government regulation and technological advances, which have resulted in extensive restructuring of the industry. These changes in policy have affected both government-owned banks (including commercial banks and specialized banks) and private banks. The former have been the most successful in acquiring market share, and it is mainly due to this reason that private banks are much newer than theses banks; they joined the market after 2001. However, it seems that government-owned banks were affected more noticeably after government regulation initiatives launched in 2005, which obliged all banks to reduce deposit and loan interest rates considerably (Arjomandi et al., 2010).

The initial and fundamental function of a bank is as a financial intermediary institution which connecting the surplus group with the deficit group so that productions do not stop and other economic activities can be financed. The indirect finance, which involves the activities of financial intermediaries, is many times more important than direct finance, in which businesses raise funds directly from lenders in financial markets, towards economic growth (Mishkin, 2006).

Banks must be increase and deepen its financial intermediaries’ activities so that they can significantly contribute on the development of the economy, a bank need inflow money. Shareholders’ money per se is not sufficient. Banks need inflow money from the people so that they can be able to give loans or financing to promote productivity and economic growth and at the same time to gain profit for themselves through interest or margin applied. This is why deposits are very important for banks and as a result, for the economy of a country.

Economists, mainly conventional ones, believe that depositors are attracted to deposit their money in banks because of the opportunity cost of holding cash in hand is high when the interest rate is also high (Romer, 2001, p. 346; Athukorala and Sen, 2004, p. 498). This can easily be explained by the utility maximisation (cost minimisation) premise, as a depositor will choose an action that will maximise their welfare or satisfaction.

Growth in traditional deposit funding sources has stagnated at many banks in recent years and has largely failed to keep up with the growth in bank assets. In response to these trends, banks have had to supplement traditional funding sources with a variety of new, but potentially less stable and more expensive, funding instruments. In addition, banks have had to take other significant steps, including cutting back on their holdings of cash and securities and selling or securitizing parts of their loan portfolio. All of these steps are increasing the challenges that banks face in maintaining sound and profitable operations. From the public’s standpoint, an even more pressing concern may be whether funding problems will keep banks from meeting the credit needs of their customers and communities (Harvey and Spong, 2001).

Deposits and other sources of funding make up an area simple, but important, piece of a bank’s operations. As financial intermediaries, banks are in the business of attracting deposits from individuals, businesses, and other organizations and then lending such funds to customers with
current credit needs. A bank’s success in finding depositors consequently plays a critical role in its ability to satisfy customer credit demands and perform other banking functions. Moreover, much of a bank’s profitability is derived from gathering deposits at one set of interest rates and then lending or investing these funds at higher rates. These key roles that deposits play in overall bank performance have thus drawn much attention to bank funding practices and the ability of individual banks to maintain or expand their deposit base (Harvey and Spong, 2001).

Gerrard and Cunningham (1997) find that even in a country that is not a Muslim country like Singapore, Muslims are still maintaining their beliefs so that they “would retain deposits within the Islamic banking movement, even if the Islamic bank at which they deposited their money made no profits in any one year” (Gerrard and Cunningham, 1997). However, they suggest that Islamic banks should aim for profit, because 20.7% of their Muslim respondents would withdraw their deposits if “an Islamic bank does not generate sufficient profits to enable a distribution to take place in any one year” (Gerrard and Cunningham, 1997).

Metawa and Almossawi (1998) come across a different conclusion from Gerrard and Cunningham (1997). Metawa and Almossawi (1997) conducted research in Bahrain, and find out that the bank selection decision by depositors is mainly religious-based, and then followed by rate of return. It may be said that in a country with most of the people embrace Islam such as Bahrain, rate of return is not the primary variable that influence the volume of deposits in its Islamic banks.

This paper investigates the factors influencing deposit fund at Ansar Bank in Iran. The paper is structured as follows: First we list ten factors influencing it through previous similar studies, comment of industry experts and professional experiences. Next, using a survey of heads and experts of branches, the five factors with the highest scores were amount of credits provided by bank, interest rate of credits provided, interest rate of paid to deposits, implementation of building architectural approved and modern banking services. The conceptual model of this study designed by factor affecting to success of banks in deposits.

![Fig 1: The conceptual model of study](image-url)
2. METHOD
The main purpose of the study is examining the factors affecting the amount of Banking deposits at Ansar bank branches of Ardebil during the fiscal year 1390. For this study, first we list ten factors influencing it through previous similar studies, comment of industry experts and professional experiences. Next, using a survey of heads and experts of branches, the five factors with the highest scores were selected and classified in the five hypotheses.

The population of this study is Ardabil Ansar Bank branches. Data and information as a quantity have been extracted from certified balance sheet and database of branches management. Hypotheses test was carried out by Panel data model.

\[ Y_{it} = \alpha_i + \beta_1 X_{1it} + \beta_2 X_{2it} + \ldots + \beta_k X_{kit} + e_{it} \]

And also, to analysis, we used Eviews6.0 statistical software.

3. CONSTRUCT A MODEL
Before estimating the model, the first step is to determine whether the model estimation is a stack or a panel? F-test is used.

In the first, the model using OLS has been estimated like Pooled [Model constrained] and RSS is recorded.

Then, the model is estimated by using panel data with fixed effects [non-constrained model] and based on RSS and the F-statistic is calculated by using the following formula.

\[ F = \frac{RSS_w - RSS_{ur}}{RSS_w / NT - N - K} \]

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>2.631639</td>
<td>0.169</td>
</tr>
<tr>
<td>Period F</td>
<td>0.705457</td>
<td>0.7417</td>
</tr>
<tr>
<td>Cross-Section/Period F</td>
<td>1.442631</td>
<td>0.1312</td>
</tr>
</tbody>
</table>

According to specified significance level, the Fstatistic calculated is greater than F-statistic. So, the model can be estimated based on Pooled data. The results of the estimated of model as Pooled Data that shown in table 1.

Table 1: estimated of model as Pooled Data

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of credits provided by bank</td>
<td>1.06</td>
<td>75.75</td>
<td>0.000</td>
</tr>
<tr>
<td>Interest rate of credits provided</td>
<td>14.78</td>
<td>3.31</td>
<td>0.013</td>
</tr>
<tr>
<td>Interest rate of paid to deposits</td>
<td>1852.79</td>
<td>4.26</td>
<td>0.000</td>
</tr>
<tr>
<td>implementation of building Architectural approved</td>
<td>1077.92</td>
<td>2.83</td>
<td>0.056</td>
</tr>
<tr>
<td>Modern banking services</td>
<td>-1022.68</td>
<td>-2.87</td>
<td>0.049</td>
</tr>
</tbody>
</table>

\[ R^2 = 0.99 \]

4. RESULTS AND DISCUSSION
In this paper we have five main hypotheses. The statistical way of analysis of hypotheses is two ways, H1 is acceptance of hypothesis and H0 is rejecting of hypothesis. In other words, it means that H1 has positive meaning and H0 has negative meaning.
Table 2: Results of the hypotheses

The results indicate that all variables had a significant effect on the dependent variable.

**X1: Amount of credits provided by Ansar bank has impact on success of bank in deposits in Ardabil Province.**

Consumption rate (X1) had a positive impact on the remaining branches that this effect is statistically significant. The coefficient of 1.06 means that each one million Rials increase in the cost, increases resources branches 1.06 million Rials. This conclusion is consistent with theoretical expectations.

According to the first hypothesis result regarding the positive effects of amount of credits provided on remaining resources branches is supported.

**X2: Modern banking services of Ansar bank has impact on success of bank in deposits in Ardabil Province.**

Consumption rate (X2) had a positive impact on the Modern banking services that this effect is statistically significant.

The coefficient of 14.78 means that each unit increasing in modern banking services indexes increases resources branches 14.78. This conclusion is consistent with theoretical expectations. According to the second hypothesis result regarding the positive effects of modern banking services on remaining resources branches is supported.
X3: implementation of building Architectural approved by Ansar bank has impact on success of bank in deposits in Ardabil Province.

Consumption rate (X3) had a positive impact on the Implementation of building Architectural approved that this effect is statistically significant.

The coefficient of 1852.79 means that increasing in implementation of building Architectural approved increases resources branches 1852.79 million Rials. This conclusion is consistent with theoretical expectations. According to the third hypothesis result regarding the positive effects of Implementation of building Architectural approved on remaining resources branches is supported.

X4: Interest rate of paid to deposits by Ansar bank has impact on success of bank in deposits in Ardabil Province.

Consumption rate (X4) had a positive impact on the interest rate of paid to deposits that this effect is statistically significant.

The coefficient of 1077.92 means that one percent increasing in interest rate of paid to deposits increases resources branches 1077.92 million Rials that this conclusion is consistent with theoretical expectations. According to the forth hypothesis result regarding the positive effects of interest rate of paid to deposits on remaining resources branches is supported.

X5: Interest rate of credits provided by Ansar bank has impact on success of bank in deposits in Ardabil Province.

Consumption rate (X5) had a positive impact on the Interest rate of credits provided that this effect is statistically significant.

The coefficient of -1022.68 means that one percent decreasing in interest rate of credits provided decreases resources branches -1022.68 million Rials that this conclusion is consistent with theoretical expectations. According to the fifth hypothesis result regarding the positive effects of Interest rate of credits provided on remaining resources branches is supported.

The model \( R^2 \) indicated there is strong relationship between independent and dependent variables. In other hands, independent variables could explain 99% of dependent variables.

REFERENCES