

FACTORS AFFECTING THE BANKING SYSTEM'S DEPOSITS

HAMID ASAYESH¹, MOHAMMADREZA MOHAMMADI²,
MEHDI ZAHED³ & AMIR ABOLHASANI⁴

^{1,3} Lecturer Faculty of Humanities, University of Ayatollah Ahozma Boroujerdi (RA), Iran

² Imam Khomeini Naval University of Noshahr, Iran

⁴ Expert Supreme Audit Court, Iran

ABSTRACT

What are important in early stage activities of banks is bank deposits. Bank deposits are impacted by organization outside and inside various factors. In this study, Friedman money demand models as a basis to evaluate the demand for bank deposits have been used. And the research community is Iran's banking system. In this study, we have used panel data results show that: Variables such as price index, housing price index, exchange rate, national income per capita, and the number of bank branches and ATMs of their impact on the amount of bank deposits

KEYWORDS: Banking System, Price Index, Housing Price Index, Exchange Rate, National Income Per Capita

INTRODUCTION

Banks are at the center of financial and economic activities. Focal point for monetary policy is considered. Each of the banks to attract deposits people are attracted deposits for banks is important, because deposits as the main source of the Bank of particular importance because the deposits on liquidity and liquidity risk and the lending and thus affect the bank's operating costs and revenues.

Thus, the main portion of bank deposits as a necessary precondition for the fulfillment of the mandates, the law provides interest-free banking.

Therefore, attracting deposits from the bank, lending by banks to expand on the current situation the bank by lending money is provided, increase the profitability of banks.

In fact, deposits will form the axis of banking operations. Perform other duties and banking operations are subject to attract deposits in other words, the basic task is ahead of other banking functions.

Activity in the field of attracting more deposits makes the management of banks with the exercise of its principles, through lending and investment optimization in various fields, they generate income.

Deposit banks, is the most important factor. And the development of a bank depends primarily to increase the volume of its deposits.

A variety of banking services, banks to provide new services and new products need to have a modern marketing science. Identifying customers and their diverse needs of modern marketing is possible. In modern banking, banks to identify customers and their needs individually and marketing to marketing based on database turns.

Marketing individually, i.e. create and manage personal relationships with individual customers. Therefore, it

should be noted that the issue of attracting funds for the banking system, which depends on factors inside and outside the organization and the influence of each of them is examined in this study.

HYPOTHESES

In this research, internal and external factors affecting bank deposits in the banking system will be reviewed in this study are the following assumptions.

- The per capita income has a significant effect on attracting deposits in the entire banking system.
- Number of bank branches directly related to the resources and significant deposits of banks.
- 3-index of housing prices has a negative effect on the absorption of total bank deposits.

RESEARCH METHODOLOGY

The data used in this study from official sources such as the economic data presented to the Central Bank and the Statistical Center of Iran has been extracted.

Using econometric time-series model is estimated altitude. According to the prototype considered, since the variables interact with each other, can no longer be using common methods such as ordinary least squares estimation of individual equations used, because if you use this method due to the interaction between variables estimating the model parameters are not only biased but also inconsistent, so the method of simultaneous equations used to estimate the pattern. The software used is reviewed and the territory of the research is the banking system and the banking system over the past 30 years.

Factors Affecting the Volume of Bank Deposits

Many theories on the factors affecting the volume of bank deposits there Such as the theory of savings, such as classical and neoclassical theories of Keynes, Fisher life cycle theory, Ando and Modigliani and Friedman's permanent income model noted. Classical and neoclassical economists' savings forego present consumption in order to increase future consumption, and they believe the premium savings interest rate.

In other words, the interest rate is a major determinant of savings, and since the income level considered to be full employment constant and no effect on savings.

They believe that increasing the amount of savings under the law of supply and demand, increasing investment and thus economic development.

Keynes too favorable to an increase in savings was not optimistic and the mechanism of balancing between investment and savings rates without knowledge. They knew a function of the earnings and savings of individuals. In theory, life cycle Fisher and Ando Modigliani Instead of relying on the current savings function of the present value of projected revenues for the consumer.

Friedman's permanent income hypothesis, goals in the allocation of savings income stream to a consumer knows almost uniform pattern. James Dvznbry collective savings regardless of income level terraced knows. He believes that the two women go up function of income or current income of the highest income level last And dramatic effect on saving denies.

Generally, in a general classification factor affecting the absorption of banks can be divided into two categories: factors inside and outside the organization. External factors uncontrollable factors the bank's management and factors such as inflation, money supply growth rate, national income, economic growth, GDP growth rates, house prices, exchange rates and central bank policies to be included.

Data

In this study, the number of branches of banks (number), price index, the index of housing prices, exchange rates, the amount of deposits of banks (billion) and ATM (device) from the database of time series of economic and summary report covers developments cyclical economic and the Central Bank used in the national income per capita of time series data of the Central Bank and the Statistical center of Iran were used. It should be noted that we have tried to collect all variables since 1984.

The Reliability Variables of the Model

In the present study, test the reliability of the model's variables Dickey-Fuller test generalized common in the period under study in this research is done.

Or the difference between different variables are stable or in some cases by double differencing is not sustainable in such circumstances is very high risk of spurious regression.

So to fix the problem of the logarithm of the variables we use the variables in which case the outcome will be as follows.

Table 1: Reliability of the Logarithm of the Variables with Generalized Dickey-Fuller Test

Variable	Generalized Dickey-Fuller Test		
	Statistic	Probability	Reliability
Logarithm of the number of ATMs	-2.104	0.0375	The first difference in level, is stable
Logarithm of exchange rate	-4.162	0.0143	The first difference in level, is stable
Logarithm of the credit facilities granted	-4.167	0.0142	On the surface
Rewards account logarithm	-3.854	0.0276	On the surface
Per capita national income logarithm	-6.33	0.00	The first difference in level
Logarithm of House Price Index	-5.18	0.0002	The first difference in level
Logarithm of the price index	-3.826	0.0354	The first difference in level
Logarithm of income deposits	-6.473	0.0001	The first difference in level
Logarithm of the number of branches of banks	-3.54	0.01516	On the surface, is stable

As can be seen all at once differencing variable ultimately be stable. But to ensure the absence of spurious regression should waste no difference Level final regressions are making stable.

Estimation

This study evaluated according to the previous sections were estimated since the equations are too specific methods were used which estimation results 3SLS basic model with variable logarithmic IN the table 2.

Table 2: Initial Estimation Model

Variable	Coefficient	Standard Deviation	T Statistic	Probability
Logarithm of exchange rate	14.13098	10.30776	1.3709	0.1794
Table 2: Contd.,				
Logarithm of the credit facilities granted	-2.15543	0.807484	-2.669	0.0116

Rewards account logarithm	-1.46101	0.611108	-2.391	0.0225
Per capita national income logarithm	-1.76018	0.32278	-5.453	0
Logarithm of House Price Index	1.159612	0.355072	3.2659	0.0025
Logarithm of the price index	-0.58992	0.984998	-0.599	0.5532
Logarithm of income deposits	0.113462	0.051714	2.194	0.0347
	-0.6334	0.199004	-3.183	0.0031

Considered as the final result because it still has not been studied autocorrelation coefficients about their reliability. In order to test the null hypothesis of no autocorrelation serial port manteau Test simultaneous equations to check your serial correlation paid that the following table is output software

Table 3: Serial Correlation Test

Df	Prob.	Adj Q-Stat	Prob.	Q-Stat	Lags
4	0.0159	12.20005	0.0192	11.76433	1
8	0.0214	17.97386	0.0288	17.12573	2
12	0.0778	19.47155	0.1023	18.46295	3
16	0.1936	20.61973	0.2462	19.44711	4
20	0.3115	22.54901	0.3953	21.03187	5
24	0.3020	27.05258	0.4294	24.57039	6

Due to the resulting output disturbance terms with a two-stop has been correlated together in Szh 95 percent. So your model with correlation coefficients and significance tests is unreliable.

According to the above instructions for proper estimation of models AR (x) were used. Also, because until 1982 there was no ATM in Iran a dummy variable was included to consider the effect of the change in the banking system. Given these conditions, the final estimate A the table 4

However, the reliability of the disturbance terms will be discussed. The results of the reliability of the disturbance terms are as follows:

Table 4: Reliability Logarithm of Waste

Variable	Generalized dickey-fuller test		
	Statistic	Probility	Reliability
bank deposits equation Waste	-3.176	0.0331	Level and No difference is stable

According to the results of waste Level is stable. Therefore, due to their lack of serial correlation can be assured estimation results the conclusion and interpretation of the coefficients based on the estimated model.

Interpretation of Model Coefficients

In this section we interpret the equation coefficients are paid the same for the banking system will be discussed. Factor in the equation is all coefficients other than the number of bank branches and Intercept is significant at 95% confidence level, which is interpreted to be addressed.

- If price index increased one percent, with all other variables remain constant conditions, the total amount of deposits in banks decreased by an average of 3.4 percent.
- If the Szh index of housing prices rises one percent with all other variables remain constant conditions the total amount of deposits in banks decreased by an average of 1.46 percent.

- If the exchange rate increased one percent with all other variables remain constant conditions of total deposits in banks decreased by an average of 1.76 percent.
- Per capita national income increased one percent, with all other variables remain constant conditions the total amount of deposits banks have increased by an average of 1.14%.
- If the number of ATMs increased one percent with all other variables remain constant conditions the total amount of deposits banks have increased by an average of 0.112 percent.
- From 1982 onwards, with the launch of ATMs are considering other conditions constant average amount of bank deposits has fallen.

SUGGESTIONS

Electronic services and electronic tools to attract deposits and build confidence in this technology is recommended.

And also suggest that instead of increasing irregular branches due to their high costs of books and confidence in it is supported.

CONCLUSIONS

This research using AHP method for more accurate identification of factors affecting the banking deposits to be done. And using Malmquist to measure productivity and efficiency of branches to be addressed to determine efficient and inefficient branches

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