

Evaluating and ranking the affecting factors on creation of outstanding claims in Bank Melli Iran (Case Study: Central Branch Office)

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ABSTRACT: This study seeks to examine some specific factors in creating outstanding claims and ranking them and preventing the emergence of new outstanding claims, in order to optimize use of resources in different economic sectors. So this study has two main questions as follows. 1- What factors are affecting the creation of outstanding claims? 2- How is the priority of claims? In summary, this study is applied, descriptive, fieldwork and correlational. Statistical population of the research includes branch chiefs, heads of departments and facilities and legal experts of the Central Bank Melli Iran, which the society is 385 persons. For determining the sample size the Cochran's formula was used that according to the calculation the required samples number is 192 samples. The sampling method is simple random sampling as well. In this study to collect data a questionnaire was used that includes 24 questions and is measured based on Likert spectrum. In current study for questionnaire validity the content and formal validity methods are used. In order to assess the reliability of the questionnaire the Cronbach's alpha method has been used. Cronbach's alpha coefficient of entire questionnaire is calculated 0/91% which indicates that the used questionnaire has the required reliability. For the analysis of data the single-sample t-test and Friedman ranking test were used. The results showed that the factor of lacking exact ranking system of customer validation has the top priority for creation outstanding claims and On the other hand not using the funding new tools was in tenth priority, and creating and developing financial institutions and raising the interest rates on bank loans got the lowest priority.

Keywords: outstanding claims, Bank Melli, validation, facility

INTRODUCTION

In any dynamic economy system, especially the banking system correctly and quickly working of resources and Expenditures represent Optimal Performance of executive procedures and Receiving granted facilities in specified period, determining certain and proper mechanisms of applying resources in order to create necessary facilities to promote economic activity and Providing the needed resources of different manufacturing, trading, services parts and ultimately spending resources.

So preventing the creation of outstanding claims will increase the possibility of creating new revenue and will raise the institution planning power about spending resources and education income. Some believe that taking assurance can be regarded as a secure cover in order to Grantee facilities. Perhaps this is partly true but we should consider that

But we should bear in mind that taking guarantee and bankroll generally can be the necessary and sufficient basis for Granting facilities, and this is just a cover for Compensation possible changes of economic conditions after Granting facilities, because the direct and indirect costs of acquisition and documents and incurred costs about collecting claims and missed opportunities for reinvestment from these sources is so much that in no way payment is not sufficient only based on supports.

Theoretical framework

Noting the banks duties that in one side is collection and absorbing resources, and in other hand taking the responsibility of using funds as the two fundamental activities role of banks, noting to the fact that in our country Efficient Capital Markets and Other supplier institutions of financial needs of Natural and legal individuals also following their development process, are of particular importance. That's why in this situation banks has a special role and financial and investments needs of institutions and offices providing somewhat by granting facilities and credit (Bahmand and Bahmani, 2006). But in between some people such as natural or legal persons after receiving facilities, for various reasons are unable to repay their debts or in for reasons not tend to repay it, Thus banks financing resources and consequently their power of granting facilitates will reduce, and sometimes will led to resource depiction and Are unable to resolve timely and fully need of legal and natural persons and other organizations. As a result, one of the major problems banks faced today is difficulties of outstanding claims and their retaking facilities, because the paid facilities are not fully repaid by the applicant and always remains some part of the resource as demands that have not yet repaid to the accounts. Therefore, with changing in performing procedures and implementing more appropriate procedures, make an arrangements that instead of using current methods, new tools and methods should be used, in order to gain more confidence toward returning resources and prevent More the banking deferred resources. This would require a change and right culture and new perspective on the banking system, where banks consider as an independent institution and away from the requirements and instructions be able to plan and deciding best in order to their benefits (Ekrami and Rahnama oski, 2009).

In Article 6 of Regulation Chapter III, banking operations law without usury, there are two remarkable and important issues. According to this article, granting the facilities, In case of need by bank diagnosing, Contingent upon obtaining sufficient supplies to maintain bank interests and good performance of the relevant contracts. First, in granting facilities, the bank's recognition is important, which means that the bank is not obliged to give any applicant facility. Because according to article 1 Chapter III of Regulations, granting facilities by banks should be arranged in a way that according to relevant forecasts, the main facilities resources and expected benefits, if realized, will be back at the certain time. Second, granting facilities in Bank's diagnosing depends to the bank that to maintain its benefits and good performance of concluded Contracts, to obtain an adequate supply.

First, of course not as prejudice we can comment that existing a high volume of outstanding claims is the consequences of fading Article 6 and also Chapter third's Article 1 of the Regulations in granting facilities that likely to grant certain facilities, bank have been empowered and consequently, it has been unable to its legislative power, it means obtaining adequate supplies. In granting facilities, Comprehensive investigation in terms of economic - financial, technical and community and market needs to Manufactured and industrial products and or servicing and also scientific capabilities, And applicant's competence and capacity before paying facilities, identifying the degree of applicant's credit risk, determining the limitation and type of surety, enforcing strict supervision of the facility using and the possibility of accurate and adequate evaluating and long-term and investing projects and insurance obligations against Failing of commitment fulfill should be conducted that in addition to reduce costs, guarantee the Bank Resources back.(Abrishami et al, 2004).

To address the outstanding claims issue next to absorbing resources for bank is of great importance and this work should not be considered as the marginal and lateral works of banks. That's why receiving bank's outstanding claims or avoiding of creating new outstanding claims, must be far important than of absorbing the bank resources.

Non-current claims

one way that helps to clarify the bank accounts and status of credit risk is classifying claims into two groups of "current and noncurrent". The first group are those claims that in due date or at most up to two months after it has been done and the second group are those claims that more than two months past of their pay back due. Non-Receipt claims are included in this group. In other words, the means by "noncurrent claims" of banks are the collections of claims "past due time claims", "Deferred "and" suspicious of receipt ". Each of these claims also has its own demands. A claim which is past the due time is those claims that more than two months pass from the final maturity date of the debt or the repayment and has not exceeded 6 months. Outstanding claims are those claims that have passed more than 6 months and less than 18 months from their date of maturity or repayment. Finally, suspicious claims refer to claims which more than 18 months from the due date or the date the repayment period is interrupted has passed. The differences of noncurrent claims with unpaid claims is that the unpaid claims, regardless of the due time date, to certain reasons such as death or bankruptcy of the debtor, or for other reasons are not attainable and with the related rules, are considered as unpaid claims. According to provided statistics, the

proportion of non-current Rial claims to the general granting facilities of various banking groups for governmental commercial banks in 2004 totaled 6/7 per cent while at the end of the year 2010 this proportion has risen about 21 percent. This ratio in private banks has been also increasing over the years 2004 to 2010. So that from 3/7% per year, in year 2004 was reached to 16/6% at the end of the year 2010. However, the proportion of non-current Rial claims to total granted facilities of specialized banks although has a high level, but has declined over the years 83 to 90 (Naderi Karaj, 2010).

This study seeks to examine some specific factors in creating outstanding claims and preventing the emergence of new outstanding demands, in order to optimize use of resources in different economic sectors. Therefore, in this study examines the factors affecting the creation of outstanding claims and rating these factors in Bank Melli of Iran and the main research questions are: 1. - What factors are affecting in creating outstanding claims? 2 – How is Prioritizing the affecting factors on creation of outstanding claims?

RESEARCH METHODOLOGY

According to the fact that this study refers to theoretical structures in contexts and practical and actual situations, in terms of research is applied research. In terms of methodology, this study is descriptive and because the questionnaire was used to gather information about attitudes, beliefs and behavior, is placed among the fieldwork researches. This study in terms of implementation is of kind of correlation method.

Statistical population of the research includes branch chiefs, heads of trading offices, facilities and legal experts of Bank Melli Iran central branch and their number is 385 persons. The sample size in current study based on Cochran formula were obtained 192 persons that after questionnaires distributed, 185 questionnaires were correctly received and analyzed. The sampling method used in this study, is the simple random sampling method. In this study to collect required data a questionnaire containing 24 questions was uses that changing range of these questions based on Likert Spectrum is from 1 to 5. The validity of this questionnaire was confirmed by experts and professors. Reliability test results also showed that the reliability of the questionnaire is suitable to do the research.

Research findings

in this section in order to describe the sample characteristics, first the collected data is classified and summary by using descriptive statistics indices, then noting the fact that test results K-S show the normality of the dependent variable, using single-sample t-test and Friedman test, we check the variables influence and their ranking.

RESULTS OF DESCRIBING THE RESEARCH SAMPLE

Results of Descriptive statistics show that 66.5% (123 persons) of this research statistical sample were male, 33.5% (62 persons) included women. The most frequency studies was B.A. (108 persons), and the least frequency was related to Diploma and lower (23 people). The most common age refers to 41 to 50 years (n = 88) and the minimum frequency refers to than 50 years (34 people). The maximum frequency of work experience was for more than 20 years (n = 75) and the minimum frequency was for below 5 years (n = 12).

SINGLE-SAMPLE T-TEST RESULTS

based on the results of the following table, all numbers related to the significance level are below 0.05, and this indicates that the identified factors influence on dependent variable it means creating outstanding claims for the banks. But all variables except increasing the interest rate of bank's facilities have higher than average impact on creating outstanding claim for their banks. Bank's facilities interest rates Variable due to have lower average than amount of test it means the number 3, will affects in lower limit than average on variable of creating outstanding claims.

Ranking of factors by using Friedman test

in this part by using Friedman test we evaluate that the statistical community according to the ranking pay more attention to which of the factors. The results show that there are significant differences between variables. Because Friedman tests significance level is under 0.05. Thus, we can rank the variable based on the priority.

The following table results shows that the factor of lacking an accurate ranking system of validation for the customers had the most important and enhancing factor of credit interest rate had the least important for the respondents.

Table1.

T statistic	average	Sig.	variables
18.747	4.36	0.000	The lack of Validation strict ranking system of customers
11.531	3.89	0.000	banks obligating to granting withholding facilities
7.003	3.81	0.000	Order determining of the interest rate
17.507	4.08	0.000	Using facilities in unrelated activities with the subject of contract
6.400	3.84	0.000	Not obtaining sufficient collateral and guarantees
8.698	3.72	0.000	Lack of attention to the regulations and guidelines of the Bank
34.674	4.69	0.000	Problems related to law of Getting delay fines
29.429	4.29	0.000	Lack of skilled, experienced, reliable and committed manpower
10.216	4.16	0.000	Not visiting the site of applicant Before and during the implementation
13.326	4.31	0.000	bankrupt of Facilities borrowers (both natural and legal)
9.742	4.06	0.000	Implementation problems Country's legal and law system
20.180	4.56	0.000	Economic sanctions
38.595	4.70	0.000	Economic Downturn
38.595	4.70	0.000	Inflation and business places
33.373	3.77	0.000	Not Using new financial instruments
28.469	4.62	0.000	Not technically correct studying of plans
23.042	4.56	0.000	Not financial correct studying of plans
13.877	4.19	0.000	Not economical correct studying of plans
20.877	4.69	0.000	Detection of Risk and normal factors
33.568	4.76	0.000	Sequential changes in the laws, regulations and guidelines
-2.048	2.76	0.043	Raising interest rates on bank loans
5.342	3.67	0.000	Government Supporting policies of different economic sectors
3.503	3.37	0.001	Creation and expansion of credit and financial institutions
12.063	4.28	0.000	Creation and expansion of private banks

Table2.

priority	Ranking Average	variables
1	16.41	The lack of Validation strict ranking system of customers
21	9.34	banks obligating to granting withholding facilities
19	10.06	Order determining of the interest rate
18	10.25	Using facilities in unrelated activities with the subject of contract
15	11.55	Not obtaining sufficient collateral and guarantees
22	8.25	Lack of attention to the regulations and guidelines of the Bank
3	15.69	Problems related to law of Getting delay fines
17	11.47	Lack of skilled, experienced, reliable and committed manpower
11	12.65	Not visiting the site of applicant Before and during the implementation
9	13.09	bankrupt of Facilities borrowers (both natural and legal)
14	11.57	Implementation problems Country's legal and law system
6	15.12	Economic sanctions
2	15.88	Economic Downturn
4	15.68	Inflation and business places
10	12.94	Not Using new financial instruments
5	15.28	Not technically correct studying of plans
7	14.81	Not financial correct studying of plans
16	11.54	Not economical correct studying of plans
13	12.43	Detection of Risk and normal factors
12	12.60	Sequential changes in the laws, regulations and guidelines
24	5.10	The lack of Validation strict ranking system of customers
20	9.90	banks obligating to granting withholding facilities
23	6.81	Order determining of the interest rate
8	13.56	Using facilities in unrelated activities with the subject of contract

CONCLUSIONS AND RECOMMENDATIONS

Single-sample t-test results showed that all desired variables are the part of affecting parameters on outstanding claims and managers and administrators by considering in addition to these variables, with changing internal factors of the organization reduce the outstanding claims. Also the results of ranking variables showed that the factor of lacking accurate ranking system to customers had the most importance and the factor of raising rating benefits of bank's facilities had the least importance of the outstanding claims.

In this regard top ten factors affecting the creation of outstanding claims in perspective of branch heads and deputies, heads of trades departments, trading experts, legal, demands and executive government branches of the Central Bank Melli Iran are: 1- The lack of Validation strict ranking system of customers 2- Economic Downtown 3- Problems related to law of Getting delay fines 4- Inflation and business places 5- Not technically correct studying of plans 6- Economic sanctions 7- Not economical correct studying of plans 8-creation and developing private banks 9- bankrupt of Facilities borrowers (both natural and legal) 10- Not Using new financial instrument

Based onThe research results by creating more sensation to identify the real and legal applicants and especially legal one and ranking them according to various credit criteria, can do the justice in granting facilities, and also in its subsequent see the reduction of outstanding claims.

also the directors and officers of banks, according to the activities scope of natural or legal customer of facilities should examine the type of business of the customer and they should be sure if the economic conditions for continue to be active in that field is ready or not, and then proceeded to grant loans, to reduce their risk and thereby reduce the possibility of postponement of repayment of loans.

It seems that the delay fines in the current situation has not enough deterrent power and cannot significantly reduce the risk of non-repayment of loans. Therefore, bank managers and policy makers in this area can by thinking to more appropriate ways and determining efficient mechanisms that have better efficient in the debate late charges, force the loan borrowers to pay installments.

One of the Bank requirements before paying facilities to applicants is reviewing all aspects of the project. The obvious reason of this fact also is that the desired plan includes economical and financial Justification. Therefore, bank managers can review plans and mechanisms to overcome shortcomings and placed the correct review of the received proposals in their priorities.

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