Investigating the Various Factors Affecting the Capital Formation of Banking Industry in Iran- An Application of Resilience Approach

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Abstract

In the systemic view, the term Resilience refers to "the preservation of system in the time of chaos", and subsequently the Economic Resilience indicates per se, the ability of the economy to recover from an unexpected external shock, in toto. In this context, a sound banking system with low risk of default, solid capital reserves, and high rate of return which is pro rata, endowed with modicum degree of volatility and plausible rate of profitability, could potentially repulse any undue external shocks, Sine die.

In this paper, an attempt is made to investigate de facto, the determinants of factors affecting the Equity ratio of 18 designated banks as a proxy for application of Resilience approach in the Iranian banking system for the sample period of 2005-2013, viz-a-viz, utilizing the Impulse-Response Model and Variance Decomposition Technique thereto.

Meanwhile, we have specified the impact of GDP on capital formation of those banks under the study as supply shock and similarly, we have postulated the effect of liquidity as monetary shock, the impact of inflation rate as demand shock and also the amount of capital as another proxy for employing the resilience perspective in the economy, Ipso facto. However, to appraise the supply, money and demand shocks, we estimated the one standard deviation for each variable, de jure. The results prima facie, indicate that the amount of liquidity as monetary shock, bears the highest impact on capital formation of banks under the review, while the effects of demand and supply shocks on dependent variable have remained next to it, Sui generis.

Thus, we conclude that, the monetary shock is the most effective and significant factor affecting on capital formation of banking industry that eventually can depict the outstanding resilience outlook in the time of crisis, and will bestow upon profound precedence, compared to demand and supply shocks, Sine qua non.

Keywords: Capital, Resilience, Macroeconomic Variables, Impulse Response, Variance Decomposition

JEL Classification Codes: G21, E44, C01, C22.

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The Impact of Volatility of Terms of Trade on Rate of Inflation in Iran

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Abstract

The high dependency of oil-rich countries on their respective oil revenues is de facto considered as main source of instabilities of macroeconomic variables among them. Similarly in the Iranian economy, the high reliance on foreign exchange earnings which have been derived from the oil exports are de jure, the vital determinant of instability of macroeconomic indices particularly the Terms of Trade, Sine qua non.

In this paper, an attempt is made to investigate the impact of volatility in the Terms of Trade on rate of inflation in Iran for the period of 1981-2014, viz-a-viz utilizing the GARCH method for estimating the volatility of Terms of Trade and then applying the Fully Modified OLS Model for analyzing the effect of this fluctuation on rate of inflation, Ipso facto. The results prima facie, indicate that in the long-run the volatility of Terms of Trade had positive and significant effect on rate of inflation, Sui generis.

Keywords: Volatility of Terms of Trade, Rate of Inflation, CARCH Method.

JEL Classification Codes: E31, F41.

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Studying the Impact of Electronic Banking on Profitability of Selected Iranian Private Banks

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Abstract

In modern life, the information technology has bestowed upon stupendous impacts on banking industry, in toto. Hence, utilization of new technologies in banking system could be deemed de facto, as an inevitable task and as a result, all banks are supposed to employ the modern apparatus of payments system to attain the optimal level of satisfactions for their customers and acquire the plausible rate of profit, per se.

In this paper, an attempt is made to inquisite about the effects of Electronic Banking on profitability of certain Iranian Private Banks for the period of 2006-2012. The statistical population of this study comprises 6 banks i.e. Eghtesad-e-Novin, Pasargad, Parsian, Sarmayeh, Saman and Karafarin bank thereto. Subsequently, we have exerted de jure, the Panel Data Method to test the Hypotheses and estimate the model. Similarly to preclude the phenomenon of spurious regression, which may occur due to existence of trend in explanatory variables, we have conducted the stationary test and Levin, Lin and Chu Test viz-a-viz applying logarithmic and differentiation techniques, Ipso facto. Furthermore, we have postulated that the Electronic Banking System designated three contraptions i.e. ATM, POS and PINPAD, and also have specified the dependent variables of the model as Profitability of Banks, Return on Assets and Return on Equities respectively. While correspondingly, we have assigned the Index of Market Concentration of Banks, Market Share of Banks, Size of Banks and Electronic Banking as independent variables, Sine qua non. The results prima facie, indicate that the impact of Electronic Banking on Profitability, Return on Assets and Return on Equities of Iranian selected Private Banks are statistically significant and positive, Sui generis.

Keywords: Electronic Banking, profitability, Return on Assets, Return on Equities, Panel Data Regression.

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The Study of Factors Affecting the Success of Operational Budgeting in Bank Melli Iran

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Abstract

The operational budgeting is contemplated de facto, as an advanced budgeting method which designate the implicit relation between the planned funding requirements and projected targets of any organization such as banks, that in turn can augment and inspire the gross effectiveness, ex-efficiency and productivity of banking system, in toto.

In this paper, an attempt is made to study de jure, the factors affecting on accomplishment of operational budgeting in Bank Melli Iran, viz-a-viz employing the Descriptive-Survey Methods which per se, includes case study and Delphi approach for the period 2015-2016, thereto. For this purpose, we have utilized the Delphi Questionnaire and 5 Choice Questionnaire, and in Delphi approach, we have specified four factors that may bear significant impact on modus operandi of budgeting in Melli Bank, Pro rata.

Moreover, we have postulated a main hypothesis with four subsidiary hypotheses and have applied the Descriptive and Ratio Inferential Statistical Tests on them to validate the underlying theory and eventually have exerted the Factor Analysis Method to approve the adequacy of data Ipso facto.

The results prima facie, indicate that four elements i.e. Fundamental, Behavioral, Structural, and Environmental factors are reckoned with outstanding effects on ascendancy of operational budgeting in Melli bank, Sui generis.

Thus, the Melli Bank will be exhorted to adapt and foster those four determinants to optimum level and subsequently, pave the way for implementation of operational budgeting, Sine qua non.

Keywords: Operational Budgeting, Fundamental Factors, Behavioral Factors, Structural Factors, Environmental Factors, Melli Bank.

JEL Classification Codes: H61, M41, E5.

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Measuring the Fragility Index of Banking System in Iran

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Abstract

The banking system in Iran has been de facto, bestowed upon a prominent role of financing the economy, in toto. Thus, the persistent monitoring and supervising the banks stability beer the high priority, Sui generis.

In this context, the review of literature implied that most of the studies devoted their efforts to build an index to measure the stability or fragility of banking system, per se.

In this paper, an attempt is made to evaluate the fragility index of banking system in Iran, viz-a-viz deploying the monthly data for the period of 1972-2015. The results prima facie, indicate that in certain period of time, the Iranian economy has experienced the high volatility of fragility index in its banking system which in turn has paved the way for potential occurrence of banking crisis incidence. Though by virtue of flotation extended over concomitantly by the State Government and the Central Bank of the Islamic Republic of Iran, the tendency for outbreak of calamity have remained covert and grossly unobserved, Sine qua non.

Keywords: Fragility Index of Banking System, Banking Crisis, Iranian Economy.

JEL Classification Codes: E37, C25, G17.

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Exploring the Suspicious Behavior in Electronic Banking System

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Abstract

One of the most crucial impediment in bona fide utilization of electronic banking services in Iran is de facto, the observed misuses of its functions which may lead to strong sense of uncertainty and insecurity for conducting the financial transactions per se. Hence in this context, exploiting the appropriate methods for identifying the suspicious behavior will be deemed as a critical issue for financial institutions and banks, in toto.

In this paper, an attempt is made, to discern the phenomenon of fraud in bank cards, viz-a-viz exerting de jure, the technique of Data Mining, thereto. Though it is worth to note that, we lack the authentic statistics to specify the exact number of fraudulent incidences in valid bank cards of Iranian banking system, but we have hypothesized that the prevalence of fraud in bank cards in this country is growing, and we expect that in near future it could become one of the main hindrance of banking system in Iran, Ipso facto.

Therefore, initially we have applied Delphi method to acquire the expert opinions regarding the concerned issue, and diagnosing the current state of fraudulence in bank cards, via inducing significant changes on data by applying the simulation technique to trace out the fraudulent transactions. Subsequently, we have tried to design a model to classify the transactions into two subgroups of genuine and fraudulent ones, using the Clustering Method in Data Mining and employing three models of Neural Network, Decision Trees and Nearest Neighbor, Quid pro qua.

The results prima facie, indicate that the Decision Trees model, among three methods under the review, carries out the highest significance with 98 percent of confidence in specification of fraud in Karafarin bank cards, Sine qua non.

Keywords: Electronic Banking System, Suspicious Behavior, Bank Cards, Data Mining.

JEL Classification Codes: G21, K42, C38, M15.

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