Reviewing the effects of liquidity variables, capital saving, inflation and GDP on Meli Bank profitability

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Abstract

There are many components in modern banking which affected the process of the bank’s monetary resource equipping and financial institutions and then the amount of their profitability. Such as: using of information and communication technology, marketing, enjoying of hired skilful human force, creating variety and quality in presenting bank services, attracting costumer satisfaction of employee, favorable internal environment and the position of branches in modern banking, are important instruments, which are used to better attracting monetary resource and increasing bank profitability. Among above mentioned components, marketing has incredible importance, so, the banks should strongly pay attention to marketing in order to be aware of costumers’ favorite and needs (Darabi, Molaee, 2011).

This study is searching of reviewing the effects of liquidity, maintaining the capital, inflation, GDP variables on Meli Bank profitability. This study is accounted as an applied investigation, and the used method in this study, is correlative, by considering that the effects of independent variables are measured upon dependent variables. Some of required data, are analyzed through reviews software and at last, it’s identified that among four variables of liquidity, GDP, has relation with the bank profitability and the other ones (inflation and maintaining the capital) have no relation with the bank profitability.

Keywords: Meli Bank, GDP, Liquidity, Maintaining the capital.
Subjected Problem

Nowadays, by considering the globalization subject, enterprises are faced a lot of problems, to reach their objects, which is increasing the profit and wealth of stocks and also enhancing the value of the firm’s stocks. The subject of liquidity and inflation are included these issues and problems, which specially, in our country, by taking into account that most enterprises are controlled by government, are very important, because in case of increasing and decreasing, they can influence most of industries and entities. Therefore, according to the above mentioned items, it is necessary that business entities (Meli Bank) planning such that enjoy of high level of flexibility and coordinate themselves with environmental circumstances. The importance and sensitiveness of banking system throughout economical systems and also in setting the monetary relations and connections of any nation from one hand and its effective influence on the scene of world economics on the other hand, make economists to consider the banks as one of the effective elements in economic development and forming the capacity and ability of the countries. The banks as one of the most important executive instruments of monetary policy-making in the economical system of every nation, because, from one hand, they collected the small deposits and wander exist money in people pockets, and on the other hand, in regard to performing the set economical and credit policies, lead the necessary monetary resources to circulate the production and industrial wheels of the country. But as we know, some problems are always emergent across this process and collecting the people’s deposits is not performed easily to put it in the process of production and investment.

It’s tried in this study to answer this question that what are the roles of every one of liquidity, inflation, capital maintaining variables, in path of enterprises (Meli Bank) in reaching the profitability objects.

The importance and necessity of conducting the investigation

Today, there are many components in modern banking which influence the process of the bank’s monetary resource equipping and financial institutions which is followed by the amount of their profitability. In a short look, Meli Bank as a business enterprise, should have flexibility to grasp its object, which is maximizing the profit and pay attention to the environmental elements such as inflation, liquidity, GDP and capital saving. Therefore, enterprises, especially in our country, should have more attention to these elements in reaching their objects in stage of planning and the other steps. The goal of this study is the necessity of reviewing these elements in banking and identifying their influence.

Investigation Hypothesis

1) There is positive relation between liquidity and Meli Bank profitability.
2) There is positive relation between capital saving and Meli Bank profitability.
3) There is positive relation between GDP and Meli Bank profitability.
4) There is positive relation between inflation and Meli Bank profitability.
Investigation Background

In 2009, Bahareh Mansoureh Sadeghi Gilani has concluded in reviewing the effective elements on improving the liquidity management that external organizational elements in comparison with internal organizational elements, are effected more on suitable management of liquidity, also, among external organizational elements, the suitable instruments of supplying money have more influence, in comparison with the other ones. Moreover, among external organizational elements, have more influence in comparison with the other elements. Ms. Gilani has used of hierarchical method for the process of her investigation and data collection is conducted through questionnaire.

Patrik Toobin and Alen Brown have investigated the subject under the name of “measuring the right liquidity of banking” in which, the maximum withdraw during one week of four accounts, such as current account, saving, long term deposit and the other ones, are accepted by the model of VAR and are identified as liquidity risk.

Another article in relation to investment banking services has been conducted: ownership structure, financial consult, controlling projects on public joint stock and its keywords are: investment banking, financial consult, supervision on joint stock, ownership structure, and the assets of joint stock. This study is based upon the need of large enterprises to investment banking services, because of their complexity and the scenario of its problem in one of the steps of their productivity. In this article, the correlation between demand and specific investment banking services are appraised. By analyzing about 150 samples of these enterprises, it is identified that there is meaningful correlation between ownership and control in the index of inclining toward investment banking services (Renato Goanin, 2010).

In 2009, James in an article by name of USA Monetary Policy and Financial Crisis was investigating the financial crisis of 1930 and 2007, in which, the influence of liquidity management and also the process of cash flow and accepted monetary policies by Federal Central Bank was appraised. Its results are: basically, the announced approaches in these two important events (financial crisis of 2007 and 1930), are different from each other. In previous inflation, the main player of the field was money, but a series of monetary shocks were the consequences of the recent banking crisis. In recent inflation, money has performed a role and in this article, the most focus is upon the way of liquidity management by Federal Bank, which if it was conducted in right way, the great crises of 2007 would not happened.

Up to now, good investigation there have been conducted in order to reach the objects of liquidity management in Islamic Banking, the most important of them, were pointed as follows. Divandry et. al ((2004) in an article by name of “Designing the Prediction Model in Management of Monetary Deposits Liquidity, in the framework of without usury banking system by use of Nerve Network” have enjoyed of grasping the benefits and consumable as the model of investigation operations. Then, they designed the model by referring to the laws and regulation of without usury banking.
Souri and Vesal (2008), have introduced the usual instruments of liquidity management in traditional banks and reviewing the liquidity management instruments in Islamic Banks, in an article by name of “The Modern Methods of supplying Money and liquidity management in the bank.

The group of investigation and risk management of Eghtesade Novin Bank (2008), in a book by name of Asset Management- liability and liquidity risk in financial institutions, while referring to the necessity of liquidity management in banks, have investigated in detail, the methods of liquidity management and its related theories.

Ahmad (2001) in a book which is called: Islamic Monetary Instruments to managing the liquidity surplus in short term, at first talked about the necessity of liquidity management in Islamic Banking, then criticize the instruments of liquidity management instruments in conventional banking, and in particular, reviewed the short term Islamic financial instruments and its necessities.

Solaimani (2007), in an article by name of “ the required organizational infrastructural to liquidity management in Islamic Banking”, at first investigated the challenges of liquidity management in Islamic Banking, then, took into account the institutional infrastructural liquidity management, such as: the market of intra-banking money and Islamic International Financial Market (IIFM). Furthermore, he has point to the experience of some of Islamic countries in this field.

Rafat Ahmad Abdolkarim (2010), the chief of Islamic financial services meeting by announcing the news of establishing the first Islamic international institution of liquidity management, considered the object of this institution to create the financial instruments which are compatible with the Islamic rules to help Islamic banks in order to productive and effective liquidity management and also encouraging to increase the investment. He has emphasized: liquidity management of Islamic international institution will officially set up on January 2011. This institution which is established by meeting-place of Islamic financial services, have 195 members, including 52 controlling bureau. Besides, Qatar, Iran, Saudi Arabia, UAE, Sudan, Turkey, Malaysia, Nigeria, Indonesia, Luxemburg countries and Morise Island; the Islamic Development Bank and Islamic Institution are developers of specified sections of members of liquidity management Islamic International institution.

Methodology:

This investigation from object point of view is applied one. The investigation plan of this study is descriptive, of correlative one and regression, because the economical variables are used. The sample is taken into account for 10 years up to the end of 2013. So, along the SPSS, reviews software is also used to preparing and analyzing the data. The statistical population is consist of the whole hypothesis or real members that we interested to generalize the results of investigation to them and/or the statistical population is referred to the all members of group, events or items which the investigator wants to study them (Dejkam,2010:76). The statistical population is the
Meli Bank of Islamic Republic. The investigative sample of 50 data which is correlativey include the related data to the variables are collected from 2008 to 2013 and at last, they will analyzed. On the other hand a series of data are collected through distributing the questionnaire among the population which is including the employee of bank and professional master. The random-classified method will be used of sampling in this investigation. When there isn’t congenial and compatible among the population, and this population could be divided into sub-department and specific groups which have inter-group homogeneity, the classificatory-random classification will be used (Hafeznia, 2009).

The mentioned classes are as follows:
1- The class of accounting and economy masters of university
2- Bank Staff and managers
3- Economical issues experts

Chart 1: the development of production and GDP of Iran

Chart 2: MISERY chart of Iran economy 1989-2013
(Including: rate of inflation, the index of banks management, average of bank business, rate of unemployment, nominal GDP)
The coefficient of correlation is a statistical instrument to determine the kind and degree of relation between a quantitative variable with another one. Coefficient of correlation is one of the used variables in determining the correlation between two variables. Coefficient of correlation indicates the severity correlation of relation and also the type of this relation (direct or reverse). The amount of this coefficient is between 1 and -1 and when there isn’t any relation between these two variables, it will be zero. The correlation between two random variables $X$ and $Y$ is defined as follows:

$$\text{corr}(X,Y) = \frac{\text{cov}(X,Y)}{\sigma_X \sigma_Y} = \frac{E[(X-\mu_X)(Y-\mu_Y)]}{\sigma_X \sigma_Y}$$

Pearson coefficient of correlation is parameter and it is used to data by normal distribution or a lot of data. Spearman coefficient of correlation is also used in cases that the data is low or the hypothesis of its normality is not sensible.

### Table 1: deductive statistic of liquidity with bank profitability

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pearson Coefficient of Correlation</th>
<th>Level of meaningfulness (sig)</th>
<th>items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability of liquidity</td>
<td>0.698</td>
<td>0.00</td>
<td>150</td>
</tr>
</tbody>
</table>

Hypothesis 1: there is positive relation between liquidity and Meli Bank profitability

Result: by considering the above mentioned table, the null hypothesis about there isn’t relation between liquidity and Meli bank profitability is rejected, because the level of meaningfulness is less than 0.05. On the other hand, there is relation between these two variables.

### Table 2: deductive statistic of liquidity with bank profitability

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pearson Coefficient of Correlation</th>
<th>Level of meaningfulness (sig)</th>
<th>items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital saving Bank profitability</td>
<td>0.123</td>
<td>0.07</td>
<td>150</td>
</tr>
</tbody>
</table>

Hypothesis 2: there is positive relation between capital saving and Meli Bank profitability
Result: by considering the above mentioned table, the null hypothesis about there isn’t relation between capital saving and Meli bank profitability is not rejected, because the level of meaningfulness is higher than 0/05. On the other hand, there is no relation between these two variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pearson Coefficient of Correlation</th>
<th>Level of meaningfulness (sig)</th>
<th>items</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Bank profitability</td>
<td>0/745</td>
<td>0/00</td>
<td>150</td>
</tr>
</tbody>
</table>

Table 3: deductive statistic of GDP with Meli bank profitability

Hypothesis 3: there is positive relation between GDP and Meli Bank profitability

Result: by considering the above mentioned table, the null hypothesis about there isn’t relation between GDP and Meli bank profitability is rejected, because the level of meaningfulness is less than 0/05. On the other hand, there is relation between these two variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pearson Coefficient of Correlation</th>
<th>Level of meaningfulness (sig)</th>
<th>items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Bank profitability</td>
<td>0/015</td>
<td>0/08</td>
<td>150</td>
</tr>
</tbody>
</table>

Table 4: deductive statistic of inflation with Meli bank profitability

Hypothesis 4: there is positive relation between inflation and Meli Bank profitability

Result: by considering the above mentioned table, the null hypothesis about there isn’t relation between inflation and Meli bank profitability is not rejected, because the level of meaningfulness is higher than 0/05. On the other hand, there is no relation between these two variables.

Conclusion:

Today, by considering the subject of globalization, enterprises face to many subjects and problems in process of reaching their objects, which are: maximizing the benefit and wealth of shareholders and also increasing the value of the firms stock. The liquidity and inflation are included in these problems. These two items, specially in our country are very important, because the controlling system of many enterprises is conducted by government, which in case of increasing or decreasing, can influence on many of industries and enterprises. Therefore, the above mentioned items are required that the planning of enterprises should have high flexibility and can more harmonize themselves to the environmental circumstances (Darabi, 2011).

This study is an applied investigation and by considering that the effect of independent variables in this study is measured on dependent variables, so this study is of correlative investigation. Part of information which formed the basis of study is obtained by lab method and studying the books, journals, articles and the other part of it is related to the collecting the mentioned data for testing and analyzing is obtained by field method and by referring to the Central Bank of Islamic Republic of Iran and also the office of financial affairs of Meli bank. At last it is identified that
there is relation between capital saving, liquidity, GDP and bank profitability, meanwhile there is no relation between inflation and bank profitability.
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