



# The Relationship Between the Cost and Expenses of Resource Facilitating with The Returns from Resource Allocation at The Bank Maskan (Also Known as The Housing Bank) In Khuzestan Province During 2006-2016

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**Abstract:** *The subject of the research is “the relationship between the cost and expenses of Resource facilitating with the returns from resource allocation at the Maskan Bank (also known as the Housing Bank) in Khuzestan province during 2006-2016”. Since being an intermediary is the main task of banks that means collecting Idle Funds on people’s needs (Resource Facilitating) and lending from deposits to those who have the ability to use funds for profitable purposes (allocation of resources), the main purpose of this research is to investigate the relationship between the cost and expenses of facilitating resources with the returns from resource allocation at the Bank Maskan (also known as the Housing Bank) in Khuzestan province during 2006-2016. The statistical population in this research includes all branches of Bank Meshkan in Khuzestan province. In this research, a library or documentary method including banks’ financial statements was used to collect required data and information and SPSS software was used to analyze the obtained data. The research hypothesis, which is the cost of resource absorption over the returns from resource allocation, was tested by t-test for the means (averages) of two samples.*

**Keyword:** *Bank, Resource Allocation, Resource Facilitating*

## INTRODUCTION

Today, banking in Iran is one of the most important sectors of the economy. According to the code of interest-free banking and its codes and implementing procedures, being an intermediary is one of the major activities of banks i.e. providing facilities and credits to applicants and customers in the form of contracts in the expenditure section. To implement this, banks are allowed to facilitate the resources (Davos; Financial Development Report, 2010). This includes the absorption of people’s funds for investment deposit (short-term and long-term), that with its contract, bank is deputed to use deposits in the expenditures sector. These activities require the receipt and payment of interest rates and ultimately interest and losses (Akbarian et al, 2007). In the commerce complex world, "Capital accumulation" is one of the key factors in organizing and deciding and planning financial and economic plans in a macro level both internally and internationally. Banks, in turn, are one of the important tools that play a vital role in obtaining deposits and providing financial facilities Gupta, 2007). On the one hand, banks need to attract wandering and flowing liquidity in the community to execute another part of their duties that is providing bank facilities to customers for facilitating their resources, and, on the other hand, there are factors in absorbing deposits that banks should be familiar with and use them as much as possible. Today, the role of monetary, exchange and banks policies have become increasingly important in the country (Wang et al, 2011). This issue is very important firstly because of the close relationship between changes in the volume of money, inflation, unemployment and economic developments and secondly, because there is no clear answer between economic experts in relation to various economic issues. Basically, a bank's development depends primarily on the volume of its deposits.

Restrictive and unfit policies will slow down the development of the bank. As because deposit operations are gradually expanded or in the course of rapid growth, these policies and their related administrative affairs determine future of each bank (Chong et al, 2009).

Due to the importance of this issue and for familiarity with performance of banks in this regard, we have stepped into a banking complex (Bank Maskan) to understand the factors affecting deposit by accurate examining and using the existing statistics and figures as well as with the help of experienced banking experts and through this, find the ways in which a financial institution can become more efficient in this regard.

## **2. Literature Review**

Maryam Shakeri Shams (2005), in Al-Zahra University, Tehran, in her dissertation entitled "The Relationship between cost and expenses of Resource Facilitating with the returns from resource allocation at the Bank Mellī of Iran," mentioned that resource absorption, the granting facilities and the profit, are main goals of the bank, and the result of her research indicates that the cost of resource absorption is more than the returns from resource allocation, and finally, Bank Mellī Iran does not make any profit in the financial intermediation segment. Eisa Ramezani (2007) at Mazandaran University, in his dissertation entitled "Investigating factors affecting resource facilitating (deposit absorption) of Sepah Bank in Golestan province" stated that the main purpose of his study was to determine the weaknesses in resource management in Sepah bank and to determine the factors affecting facilitating the resources and he analyzed the relationship between independent variables (advertising cost, deposit interest) and dependent variable (resource facilitating). Behrouz Ezzati (2006) in a seminar on Specialist Banking Perspectives on Housing entitled "The role and position of the Bank Maskan as a specialized bank for the development of housing," stated that the Bank Maskan has played a pivotal role in the housing sector by allocating facilities with a low-interest and also provision of facilities in the manufacturing and housing sector. He also points out that for the effective presence of the Bank Maskan in supplying, manufacturing and investing in the housing sector, it is essential to equip human resources in a specialized and efficient manner.

Armita Mobed Shahi (1964), in Allameh Tabataba'i University, in her dissertation titled "The method of bank resources allocation and effective factors on it" tried to evaluate the practice of the allocation of banking resources in Iran, especially after the Islamic Revolution and the enforcement of free-interest banking law. In addition to getting familiar with the banking system performance in this regard, she evaluates the factors affecting the allocation of bank resources and the impact of monetary policies adopted by the government. Gholamhossein Bozorgmanesh Fard (1999) at the Iran Banking Institute, in his dissertation entitled "Evaluating the performance of the Housing Savings Fund at a 9-year period (1964-1990)," stated that the Bank Maskan has had a very little growth in the sector of facilitating cheap resources such as Qard al-Hasan Loans and free deposits. The relatively small amount of resources is spent on the purchase of immovable assets, including the construction of branches and computer equipment and furniture, which shows that the increase in the number of branches has taken place without comprehensive examination and regardless of the efficiency of the branches and only by the purpose of gathering resources. Also, considering that the costs of the Bank Maskan are clearly determined and are mainly allocated to the housing sector, there has not been a specialized intervention in the resource facilitating sector. According to the researcher, there is no financial analysis at the bank, and the end cost of the money or the cost of resources will be spent on the payment of long-term housing facilities without calculating the current value of future funds, and therefore the end cost of resources is estimated far less than the actual amount.

## **3. Research theoretical foundations**

### **3-1. Resources facilitating**

Resources facilitating is, in fact, one of the main tasks of the banking system, which banks are addressing to this issue to provide better banking services, as well as paying various loans and facilities to customers (Wang et al, 2011). In modern banking, there are many factors that influence the process of the monetary resources facilitating of banks. Information and communication technology factors, the skill of human resources employed in banks, the diversity and quality of banking services, customer satisfaction of employees, and the desirability of the domestic environment and the location of branches in modern banking are important tools that are used to attract optimal monetary resources (Abotrabi, 2009).

### **3-2. Intermediary costs and resource allocation**

A more useful criterion for recognizing the efficiency of a bank is the separation of nonperforming costs into its constituent parts, which is measured by measuring the ratio of each nonperforming costs to the average total assets. These costs are (Mousavian, 2006):

Employee costs - employee benefits - other operating expenses - building leases - operating taxes and licenses - depreciation costs - allowance for bad debts- net Savings- other costs - income taxes - formation of capital (from the profit). The stage after resource facilitating in the bank is the allocation of resources, so that the bank attracts its resources, both in the form of interest-free and long-term deposits and in order to allocate them, grants its interest-free deposits in the form of interest-free loans, and uses the long-term deposits in the Mudaraba participation, hire purchase, installment transactions, MOZARAEH AND MOSAGHAT - direct investment, Salaf and reward transactions.

#### **4.3. Bank Maskan history and background in Iran**

The term bank is an old term derived from the German word "bank" that means a kind of catch company, and may have been derived from the word "banco", an Italian word meaning "exchangers' bench". Banking in Iran from the middle Ages to the early nineteenth century was exclusive to exchange activities. There were large currency exchanges in Tabriz, Mashhad, Tehran, Isfahan, Shiraz and Bushehr, the major commercial centers of that era. During this period, no government institution or foreign bank was active in the country, and transferring funds was carried out by currency exchangers either inside or outside of the country. Major currency exchanges of those days included the trading house of the Tomanian Brothers, the Jamshidian Trading House, the Trading House of Jahanian and the Union Company, whose activities were largely suspended before 1300 AH. At this time, the foreign countries found a place in Iran's economy, and the banks of some foreign people were opened in Iran (salimfar, 2005).

In 1939, the Ministry of Finance and the Bank Meli of Iran, worked together for establishment of a bank for housing and building, and the Bank Rahni of Iran was established on 25th of Dey 1939. The areas of the bank's activities were: "Granting facilities for mortgaging immovable properties with the aim of purchasing, constructing and completing, repairing and granting credit to construction companies". Since 1994, in addition to these activities, Bank Rahni of Iran started house construction activities among its other main activities. Following the process of defined activities and according to the conditions of economic and social development of the country and the specific sensitivity of the housing sector and its related processes, in 1979, on the basis of the legislation bill of the Banking affairs administration approved by the Islamic Revolutionary Guard Council on 1979 or the proposed plan for the integration of Bank Rahni of Iran, Iran Banks Building Investment Co., Kourosh, Ekbatan and Pasargad Savings and Mortgage Company and in other states Savings and Mortgage Company of Mashhad, Tabriz, Shiraz, Isfahan, Ahvaz, Gilan, Hamedan, Kermanshah, Mazandaran, Gorgan, Semnan, And Abadan established the Bank Maskan. In this integration plan, due to the dominance of the facilities provided by Bank Rahni among other joint banks, the dominant spectrum of the new bank "Maskan" was formed by the bank Rahni and, in fact, the Bank Maskan is a continued construction of the Bank Rahni of Iran in the form of a new organization (Mehrabi, 2012).

In 2009, in order to develop specialized housing construction activities and in coordination with the Ministry of Housing and Urban Development, Bank Maskan established "housing investment company". According to the national and legal standards, the company's performance over a decade has helped to meet the need of a large portion of housing applicants. Since the beginning of its foundation, the Bank Maskan has had relatively significant changes due to the country's economic and social conditions. Savings funds are provided for the getting facilities. Also, the type of bank operations and activities that the bank has been authorized to do in accordance with the provisions of the interest-free banking Law is more diverse. So that, by the end of 1991, the bank's Facility activities were limited to the payment of civil participation, installment sales, Hire-purchase and the reward in the housing sector, but since late 1991, the Bank Maskan provides services in other authorized areas and diversified banking operations Mahmoudzadeh, 2004).

#### **4. Research methodology**

##### ***Statistical sample and population***

In this research, specialized banks were selected among the commercial and specialized banks of Khuzestan province and Bank Maskan have been selected among the specialized banks as the largest specialized bank in the field of housing. Therefore, cluster sampling was used for sampling. The research statistical population consists of all branches of Bank Meskan of Khuzestan province. The 76 branches and all employees and customers of branches of financial department form research statistical population took part

in the study. The needed information was extracted from the financial statements of the Bank Meskan in Khuzestan province during the period of 11 years (2006-2016). Since the main purpose of the research is to compare the cost of resource absorption with the returns from resource allocation in Bank Meskan in Khuzestan province, the cost of absorption and revenues from resource allocation has been extracted based on the collected data. The spatial and temporal scope of the research is as determined by the topic of the dissertation (the relationship between the cost and expenses of Resource facilitating with the returns from resource allocation at the Maskan Bank in Khuzestan province during 2006-2016). The geographical scope of the research is Khuzestan province and the time span of the research is 2006-2016.

**Data collection**

In this research, the objective observation we use to collect the information needed to test the hypotheses (working documents) including the financial statements of the Khuzestan Bank Maskan. The variables of this research include the cost of attracting resources and income from resource allocation, which will further describe the sources of bank revenues and related costs. The required information in the research was extracted from the financial statements of Bank Maskan in Khuzestan province. For this purpose, the profit and loss account of the years 2006-2016 was used. The t-test was used to test the hypothesis of the research to compare the mean of the two statistical populations. The two considered statistical population are the costs of facilitating resources and revenues from resource allocation during the years 2006-2016.

**Data analysis**

Data analysis is a multi-stage process in which data collected through the use of collection tools in a statistical sample are summarized, categorized and subtracted and eventually processed to provide the basis for establishing a variety of analyses and relationships between these data in order to test the hypotheses (Abbasi et al, 2006). In this research, a library or documentary method, including a review of the financial statements of the bank, has been used to collect the required information. The t-test was used to test the hypothesis of the research, and to compare the mean of the two statistical samples, and SPSS software was used to analyze the data.

**5. Findings**

Joint costs include personnel costs, administrative costs and depreciation costs. To share joint costs, the bank's activities are divided into three parts: resource facilitating, resource allocation and other sectors. In the field of resource facilitating, the deposits are divided into four major types including: benefit-free current account deposit, benefit-free savings deposits, short-term investment deposits and long-term investment deposits. In the allocation of resources, Islamic contracts are divided into 11 types (benefit-free, civic participation, legal participation, direct investment, mudarabah, salaf, installment sales, hire-purchase, reward (Ja'alah), sharecropping and Mosaghat). Other revenues include income from bills of water, electricity, telephone and gas, profit from transactions in metals, fines for staff delays, fees for guarantees, promissory notes, bills and brokerage corporate bond.

$$\text{Joint cost} = (\text{share of other revenues}) \frac{2}{17} \text{ cost} + (\text{share of resource allocation}) \frac{11}{17} \text{ cost} + (\text{share of resource facilitating}) \frac{4}{17}$$

The cost of facilitating resources and income from resource allocation during the years 2006-2016 is calculated as the table below:

**Table1. The costs of facilitating resources and revenues from resource allocation during the years 2006-2016 (amounts to 1000 Rials)**

Year	2006	2007	2008	2009
Received interest rate	1207288	1883595	2838459	3093750
Received Interest	162511512	197809466	269454673	494619129
Other incomes	4517479	4271462	6618295	7657645
Sum of Received Interest	168236279	203964523	278911427	505370524
Qard al-Hasan Awards	607600	827200	1216300	516900
Paid profit	66553855	102397495	147912286	179920555

Sum of paid profit	67161455	103224695	149128586	180437455
Personnel costs	19525841	25913258	37932112	39647846
Administrative cost	4796319	7148386	10182488	13089682
Cost of depreciation	3988592	4125113	5631595	7563865
Sum of other expenses	28310752	37186757	53746195	60301393
Joint costs of resource facilitating	6661353	8749825	12646163	14188563
Joint cost of resource allocation	18318721	24062019	34776949	48 390185
Revenue from resource allocation	149917558	179902504	244134478	466351976
Cost of facilitating resources	73822808	111974520	161774749	194626018
Intermediary revenue	76094750	67927984	82359729	271725958

Table 2

Year	2010	2011	2012	2013
Received interest rate	4822066	13413785	14523735	19767675
Received Interest	777734821	902269192	1247384066	1559747604
Other incomes	6918872	2668185	1254613	1295373
Sum of Received Interest	789475759	918351162	1263162414	1580810652
Qard al-Hasan Awards	619930	1645250	2082100	4593300
Paid profit	237823519	276688387	39593588	523407613
Sum of paid profit	238443449	278333637	398017488	528000913
Personnel costs	2405461	2619311	2923741	3421573
Administrative cost	54921639	17467971	24952548	34792063
Cost of depreciation	1829542	2541187	4671895	5765410
Sum of other expenses	59156642	22628469	32548184	43979046
Joint costs of resource facilitating	13919209	5324345	7658396	10348010
Joint cost of resource allocation	38277827	14641950	21060589	28457029
Revenue from resource allocation	751197932	903709212	1242102125	1552353623
Cost of facilitating resources	252362658	283657982	405675884	538348923
Intermediary revenue	498835274	620051230	836426241	1014004700

Table 3

Year	2014	2015	2016
Received interest rate	20357541	23547268	24658792
Received Interest	1612543251	1726934645	1973537842
Other incomes	1305346	1643871	1726368

Sum of Received Interest	1634206138	1752125784	1999923002
Qard al-Hasan Awards	491782	5347251	6879613
Paid profit	662542365	723546254	862379117
Sum of paid profit	667474147	728893505	869258730
Personnel costs	3851274	4231689	4897364
Administrative cost	39781524	42525396	41368529
Cost of depreciation	6125648	6987231	7369127
Sum of other expenses	49758446	53744316	53635020
Joint costs of resource facilitating	11707869	12645721	12620004
Joint cost of resource allocation	32196641	34775733	34705012
Revenue from resource allocation	1602009497	1717350051	1965217990
Year	679182016	741539226	881878734
Received interest rate	922827481	975810825	1083339256

Joint costs including personnel, administrative and general, and depreciation costs were shared according to the ratios described in the previous pages, between the two variables (the cost of facilitating resources and income from resource allocation). As you can see in the tables in the previous pages, the revenue from resource allocation from 2006-2016 is more than the cost of resource facilitating. The comparative graph of the cost of facilitating resources and income allocation is shown as following:

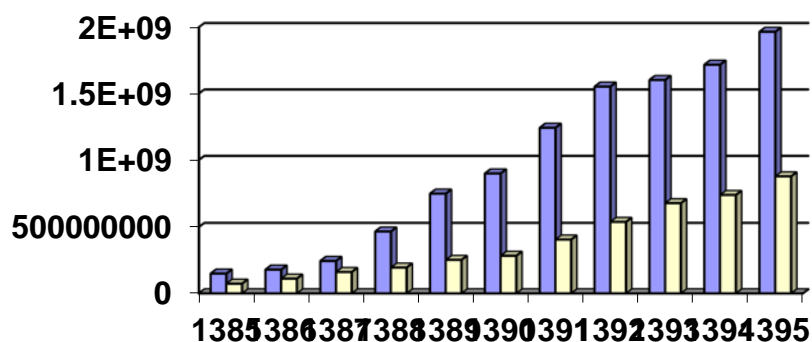


Figure1. Comparative graph of resource facilitating and revenue from resource allocation

As you can see, financial intermediary revenue has been raised until 2003 and after a one-year of decline profitability intermediary has increased again since 2005. Whenever we want to compare the mean of two dependent variables (for example, in a particular year, the average cost of resource absorption with revenue from resource allocation), we can use t-test to compare the mean of the two samples.

The Null hypothesis and the Alternative hypothesis are as follows:

$$\begin{cases} H : \bar{X}_1 \geq \bar{X}_2 \\ H_1 : \bar{X}_1 < \bar{X}_2 \end{cases}$$

Average cost of resource absorption:  $\bar{X}_1$  :

Average revenue of resource allocation:  $\bar{X}_2$  :

To test the above hypothesis, the test statistic value is as follows

$$\bar{X} = \frac{\sum_{i=1}^n X_i}{n}$$

$$s_1^2 = \frac{\sum (\chi_i - \bar{\chi}_1)^2}{\eta - 1}$$

$$s_1^2 = \frac{(\eta - 1) s_1^2 + (\eta_2 - 1) s_2^2}{\eta_1 + \eta_2 - 2}$$

$$\tau = \frac{\bar{\chi}_1 - \bar{\chi}_2}{s_p \sqrt{\frac{1}{\eta_1} + \frac{1}{\eta_2}}}$$

The distribution of the above statistics has a distribution of t with degree of freedom. If the test statistics value is set in the non-rejection area of Null hypothesis, Null hypothesis is accepted. The results of the calculations are briefly summarized below.

T=0/125

If the  $\alpha$  value is assumed equal to 0.05, the critical value for t with 20 degrees of freedom will be 1.7459/1. The following figure shows the distribution of the test statistic. According to Figure 1, the value of the test statistic is set in the non-rejection zone of null hypothesis, and null hypothesis is accepted, that is, the costs of facilitating resources are greater than the revenues from resource allocation.

### Conclusion

Activities in the field of deposit absorption make the management of the banks to utilize the available resources through providing facilities and investing in various fields that make revenues. Since the attraction of deposits also largely depends on their interest rates, and given to the fact that governmental banks in the last years, have paid 20 percent of interest to depositors, which recently have been reduced to 18 percent and private banks and institutions pay 24 percent interest to depositors, this difference in rates has led to the transfer of deposits to private banks. Encouraging people to use facilities with deposit did not only increased the bank deposits, but also gave the account owners the advantage of being well-informed by aggregating their funds in an account and enjoy more and better benefits. Human resource support within the organization is important. This will be realized when the human resource has a clear and positive perspective to the future and has a high expectation of the future position of its organization. If goals set in the organization are transformed collectively and jointly within the organization, goals are quickly realized and the organization will have an upward progress. Therefore, creating a fresh and motivated work environment is one of the factors influencing creativity and employee satisfaction.

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