

# Investigating the relationship between resources and expenditures of Agricultural Bank and its effect on national production and Iranian Capital and Labor Support in Agriculture

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## Abstract

This research investigates the relationship between resources and expenditures of Agricultural Bank and its effect on national production and Iranian Capital and Labor Support during 2007-2011. The statistical population of the research is Central Agricultural Bank of Iran; therefore, the sample in this research is equal to the population. It is a descriptive correlation research with a practical goal. In order to test hypotheses, the researcher has used regression method to assess the effect of credit facilities on National Production in agriculture. Moreover, the effect of attracting banking sources on paying facilities was examined too. Before testing the hypotheses, the researcher administered Kolmogorov – Smirnov test to make sure if the data were normally distributed. The results of testing hypotheses showed that there was no relationship between paying the facilities in agronomy and gardening and National Production in this sector. There was a direct relationship between paying facilities in livestock and poultry and National Production in this sector. There was a direct relationship between paying facilities in fisheries and aquaculture and National Production in this sector. Finally, there was a direct relationship between attracting banking sources and paying facilities.

**Keywords:** facilities, banking sources, National Production in agriculture, Agricultural Bank

## Introduction

Regarding to the message of the supreme leader about supporting Iranian capital and labor and cre-

ating an epic on all levels, fulfilling primary needs has certainly been the main reason of man, caring for agriculture. The most ancient civilizations were formed in locations where agricultural activities were possible in terms of geographical and environmental situation. In fact, other economic sector was generated gradually and with regard to agricultural needs. The need to agricultural tools and instruments has played an important role in developing industry (industry development). Also, exchanging products has played an important role in developing services. Even though after the Industrial Revolution and gradual elimination of political-economical system of feudalism, the capital and industry became relatively more important in production, this sector is still known as the axis of economic growth and development. Relatively high practicality of agriculture in comparison to industry and mining sectors and its capability of creating job opportunities, the possibility of earning foreign exchanges through exports and saving in using foreign currency in terms of decreasing agricultural imports and increasing domestic production, strategic nature of some of the agricultural products, providing some required data especially for industry and services sectors and also being a market for other sector's output are some reasons that why agriculture is significant in National Economy.

## Statement of the Problem

Factors such as industrialization and changes in social activities and thus the emergence of new requirements are important factors which affect National Production and Capital & Labor Support in agriculture.

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Economic growth and development is an important effective factor in developing and expanding financial institutions and it could be said that advanced financial institutions with modern approaches are directly related to the Country development and each financial institution tries to attract more sources to be able to get a larger share of the market. Of course, by absorbing different sources and their close competition, the role of expenditure is highly important due to the insufficient sources and the capability of increasing National Production is emphasized in all sectors. Recent studies indicate that in spite of conventional output reduction, the gas production has dramatically increased in mechanized sector and the stand of agriculture in economy is quite clear for everyone and it is actually considered as the locomotive which is pulling the economy and has been able to provide 13% of gross domestic product (GDP) and more than 90% of required food and about 19% of non-oil exports. Now this question is posed that how the Agricultural Bank-as the agent of paying agricultural facilities- affected National Production in agriculture. To answer this question, it is necessary to define the concept of National Production in agriculture section. It actually seeks for utilizing available resources optimally and paying facilities for increasing the National Production in agriculture sector by means of all the existing instruments. Another important reason is its high capacity creating job opportunities. Therefore, the relationship between obtaining resources and its effect on payment time in agriculture and National Production in agriculture is studied in 6 main parts to clarify if there is any relationship or not.

### Significance of the study

Managing the resources and expenditures is one of the biggest challenges which a banking system is facing and the reason that the science of economy has appeared, is the lack of resources which makes it inevitable to optimize the allocation of resources. Optimal allocation of financial resources in general, and efficiency of institutions in specific, are very important in Macro-Economy Theories and also on financial innovations during recent decades. Financial statements are the ultimate product of financial accounting process which is considered as a base for investment and other decisions which are among the challenges that the drafters of accounting standards and the users of accounting information are facing. The main reason of these challenges for the banks is that the largest resources of the banks are supplied through short-term deposits. On the other hand, agricultural productions and the growth

and development of this sector -which is one of the main elements of National Production -is mainly -by the Agricultural Bank which has a difficult responsibility. National production is classified to 4 parts:

1. Industry and mining
2. Oil
3. Business services
4. Agriculture

Increasing the gap between the banks' resources and expenditures due to the government pressure:

In recent years, the balance between the resources and expenditures of banking network of the country -especially state banks -has severely been disturbed; which is worrisome. The gap between resources and expenditures due to the imposition of non-equilibrium interest rates and pressures on banks to offer financial facilities to the government sponsored sectors, has caused and increased lack of balance in resources and expenditures of banking system of the country and has increased the banks' motivations to make use of powerful resources of ventral bank and also to make use of the ratio of the past due and deferred and doubtful claims to the total granted facilities has added to the banks problems in equipping reliable resources. The ratio of facilities to deposits in banking network of the country is about 110% at present which has increased about 7% in comparison to last year's and without considering specialized banks, this proportion is much more than its permitted value which is between 70% to 80%. In general, this situation indicates inappropriate growth of banks' expenditures in form of granting facilities in comparison to deposit resources which is attained by them especially in public banks. Generally, it could be claimed that unprofessional several public banks has made it difficult for the central bank to control funds and liquidity. Considering the commercial banks as developing institutions -which must offer their deposits for the social goals of the government without financial risks -places the bank resources under a great pressure. In short, it could be said that if this trend continues, financial problems of the banks will increase which will finally affect the financial provision of all the productive economical activities and will weaken the economic growth of the country. Accordingly, regarding to the banks' capabilities in offering facilities to non-governmental sectors based on their ability in obtaining deposit resources and the imposition of outside pressure on them, it is necessary to limit the granting facilities to government sponsored sectors and to adopt a proper policy. According to the instructions of resources and expenditures, banks are committed to consume facilities in desired areas of central bank political package based on the instruc-

tions of how to grant facilities. Agriculture will get 25%, industry and mining 33%, Housing and construction 20%, exports 15%, and services 7% shares of the total facilities. Of course, the weak monitoring of the way banking facilities are paid, has been criticized by some officials. Facilities are received from the banks and are consumed in other areas and it could be the biggest injustice for the country's agriculture and industry and mining. Regarding the rules of Islamic banking, equipping resources is done in two ways:

1. Via current deposits (visual)
2. Via public deposits including visual and long term deposits received from other banks
3. Receiving facilities from the central bank or other banks
4. Other resources (other liabilities) such as receiving in advance from the customers and receiving facilities from the fund
5. Capital resources such as revenues and equities

Of course, revenues include interest and pledge fee and other revenues. Some of the necessities for performing the research are as follows: Recognition of factors affecting National Production in banks and better control of effective factors and the possibility of predicting required resources in the future with regard to definite commitments and expenditures and identified resources. .

## Research Objectives

In this research, it has been tried to investigate the correlation between resources and expenditures as an independent variables and National Production in agriculture as a dependent variable by performing appropriate tests. In other words, the main purpose of the research is to examine the relationship between resources and expenditures and National Production in agriculture within the agricultural bank. Some other objectives of the research are introduced in the following;

1. Presenting the concepts of resources and expenditures and their classification and determining their importance and stand in agriculture
2. Offering approaches to assess expenditures and its effectiveness in National Production in agriculture
3. Presenting the concept of National Production in agriculture for the consumers to use in agriculture sector

## Review of literature

The first priority in allocating resources, is for the assets which are used for urgent provision of cash, for meeting loan demands and deposit withdrawal de-

mands (Reed & Gill, 1999, p.118). These items include the bank account in central bank, balances of deposits in commercial banks, treasury cash and items which are being collected (Gardner, 1994, p.358).

**Secondary Deposits:** There are cash equivalents with higher profitability such as bonds which are kept to cover liquidity for a short time and in addition to help the bank profitability; they can be converted to cash quickly and without any delay or risk (Gardner, 1994, p.118).

**Tertiary reserves:** Long term investments which provide potential liquidity which are used for tertiary reserves (ibid, p. 358)

**Portfolio Securities:** Portfolio securities as a source of management (especially for selecting an optimal combination of cash and assets with better profitability) are inseparable components of liquidity management (ibid; p. 358).

## Research Hypotheses

This research studies the capability of independent variables of resources and expenditures by the dependent variable of National Production. In other words, it investigates if there is any significant relationship between them or not.

1. There is a significant relationship between the bank resources and expenditures and National Production in agriculture.
2. There is a significant relationship between the bank resources and National Production in agriculture.
3. There is a significant relationship between the bank expenditures and National Production in agriculture.

## Secondary Hypotheses

There is a significant relationship between granted the facilities in agronomy, livestock, fisheries, and related subsidized services and National Production in agriculture.

## Methodology

### Research Site

The Location of doing the present research is Iranian Bank of Agriculture and its realm term is since the beginning of 2007 to Sep 22, 2012.

### Research Variables

In this research, three variables were uses as independent variables.

- Investigating post event information in order to recognize factors affecting National

Production in agricultural bank and the quality of the effect

- Identifying the effect rate of the affective factors on National Production in Iranian Bank of Agricultural
- Accurate control of factors affecting National Production
- Management principles of resources and expenditures for designing National Production management system in agriculture

### *Descriptive Statistics*

**Table 1. Growth of loans (figures are in billion Rials) in agronomy and gardening sector.**

Growth %	Rate	Year
-	17564	2007
18/13	19879	2008
796/6	21230	2009
58/58	33667	2010
62/33	44987	2011

**Table 2. Growth of loans (figures are in billion Rials) in livestock and poultry sector.**

Growth %	Rate	Year
-	10435	2007
24/17	12234	2008
17/10	13478	2009
08/64	19688	2010
41/68	33156	2011

**Table 3. Growth of loans (figures are in billion Rials) in fisheries and aquaculture sector.**

Growth %	Rate	Year
-	1000	2007
1/10	1101	2008
1	1112	2009
8/43	1599	2010
9/72	2764	2011

**Table 4. Growth of loans (figures are in billion Rials) in industry and agricultural services sector**

Growth %	Rate	Year
-	16546	2007
8/18	19656	2008
73/10	21765	2009
785/5	23024	2010
24/54	35513	2011

**Table 5. Growth of loans (figures are in billion Rials) subsidized plans**

Growth %	Rate	Year
-	21890	2007
27/21	26546	2008
35/11	29560	2009
698/6	31540	2010
49/23	38950	2011

**Table 6. Growth of loans (figures are in billion Rials) in total**

Growth %	Rate	Year
-	80609	2007
625/21	98041	2008
3829/4	102338	2009
108/29	132127	2010
56/41	187039	2011

**Table 7. Growth of loans (figures are in billion Rials) in agronomy and gardening sector.**

Growth %	National production	Year
-	41700000	2007
3/21-	32800000	2008
0/29	42300000	2009
5/12-	37000000	2010
9/5	39200000	2011

**Table 8. Growth of national production (figures are in billion Rials) in livestock and poultry sector**

Growth %	National production	Year
-	12700000	2007
57/1	12900000	2008
33/2	13200000	2009
55/4	13800000	2010
17/2	14100000	2011

**Table 9. Growth of national production (figures are in billion Rials) in fisheries and aquaculture sector.**

Growth %	National productio	Year
-	5800000	1386
8/13	6600000	1387
5/4	6900000	1388
3/4	7200000	1389
1/18	8500000	1390

**Table 10. Growth of national production (figures are in billion Rials) in industry and agricultural services sector.**

Growth %	National pproductio	Year
-	27200000	2007
09/8	29400000	2008
82/7	31700000	2009
95/0	32000000	2010
38/9	35000000	2011

**Table 11. Growth of national production (figures are in billion Rials) subsidized plans**

Growth%	Production	Year
-	7000000	2007
29/14	8000000	2008
75/18	6500000	2009
08/23	5000000	2010
00/60	2000000	2011

**Table 12. Growth of national production (figures are in billion Rials) in total**

Growth %	Production	Year
-	101000000	2007
93/6	108000000	2008
70/3	112000000	2009
25/6-	105000000	2010
38/12	118000000	2011

**Table 13. Growth of saving accounts (figures are in billion Rials)**

Growth %	Production	Year
-	17656	2007
48/14	20212	2008
38/15	23321	2009
08/21	28236	2010
7/16-	23509	2011

**Table 14. Growth of deposit accounts (figures are in billion Rials)**

Growth %	Production	Year
-	31234	2007
67/10	34567	2008
934/3	35927	2009
71/4-	34236	2010
43/99	68276	2011

**Table 15. Growth of long term deposits (figures are in billion Rials)**

Growth %	Production	Year
-	54654	2007
24/12	61342	2008
769/5	64881	2009
28/13	73494	2010
33/33	97990	2011

**Table 16. Growth of other deposits (figures are in billion Rials)**

Growth %	Production	Year
-	328	2007
18/5	345	2008
97/17	407	2009
40/34	547	2010
61/344	2432	2011

**Table 17. Growth of total deposits (figures are in billion Rials)**

Growth	Production	Year
-	103872	2007
12/12	116466	2008
93/6	124536	2009
62/9	136513	2010
80/40	192207	2011

**Table 18. Kolmogorov – Smirnov test to investigate the normal or abnormal condition of granting facilities data**

Significant level	Test score	
744/0	680/0	Agronomy & gardening
830/0	625/0	Livestock & poultry
729/0	689/0	Fisheries & aquaculture
703/0	705/0	Industry & agricultural services
995/0	414/0	Subsidized plans
877/0	590/0	Total facilities

At the above table, it is observed that the significant level of Kolmogorov – Smirnov test for all the data of variables of granted facilities in agriculture sector by agricultural bank is more than 5%. Therefore, these variables have been normally distributed.

**Table 19. Kolmogorov – Smirnov test to investigate the normal or abnormal condition of national production data**

Significant level	Test score	
997/0	422/0	Agronomy & gardening
992/0	432/0	Livestock & poultry
969/0	491/0	Fisheries & aquaculture
995/0	417/0	Industry & agricultural services
947/0	523/0	Subsidized plans
1	333/0	Total national production

According to the above table, it is observed that the significant level of Kolmogorov – Smirnov test for all the data of variables of National Production in agriculture sector by agricultural bank is more than 5%; therefore, these variables have been normally distributed.

**Table 20. Kolmogorov – Smirnov test to investigate the normal or abnormal condition attracting financial resources**

P	t	
982/0	466/0	Saving account
327/0	951/0	deposit
954/0	515/0	Longterm deposit
357/0	927/0	Other deposites
831/0	624/0	total

According to the above table, it is observed that the significant level of Kolmogorov – Smirnov test for all the data of variables of attracting different resources by agricultural bank is more than 5%; Therefore, these variables have normal distribution.

## Conclusions

This research has investigated the relationship between granted facilities by Agricultural Bank and National Production. Results showed that there was a direct relationship between the granted financial facilities and National Production in livestock and poultry sector, fisheries and aquaculture, industry and services related to agriculture. In other words, more granted facilities in these sectors would result in more National

Production, but there was an inverse relationship between subsidized granted facilities and National Production. Thus, according to this research, granting subsidized facilities should be stopped. There was a direct relationship between attracting different financial resources and granting facilities, too.

## Suggestions for Future Research

- Assessing the optimal rate of available currencies in the bank
- Using multiple regression approach for investigating different banking issues like different classes of clients and the rate of deferred credits of the bank
- Investigating the title of this research with more detailed classification of resources and expenditures
- Investing the condition of resources and expenditures with titles the same as the title of this research or similar titles in shorter periods of time
- Measuring required resources and expenditures is normal and critical scenarios.
- Identifying different ways of providing resources in emergencies
- Identifying and monitoring executive plans in agriculture sectors and the output

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