

Comparing the Quantity and Quality of Applying Traditional and Systemic Approaches of Financial Data and Information Analyzing at Banks, Evidences from Iran

Mostafa Jafari

1-Strategic management Ph .D, Department of management, university of Zanjan, Iran

Strategy2000ir@yahoo.co,

Abstract: Which one of the traditional and systemic approaches is used by Banks employees to analyze financial data? And through which indices? This paper answers to these questions. This research is an applied survey based on results; in terms of purpose, it is an explanatory research. The target society members are 207 employees of banks' branches in the city of Salmas, at northwest of Iran. The required data was through a questionnaire, containing 28 questions. The collected data was analyzed through structural Equation Modeling (SEM) and LISREL statistical Software. Results showed that the employees use two financial data and information analysis approaches, but the systematic approach is the preferred and efficient in enhancing the Banks performance level.

Keywords: Traditional approach, systemic approach, financial information analysis.

1. I ntroduction

Financial analysis (also referred to as financial statement analysis or accounting analysis or Analysis of finance) refers to an assessment of the viability, stability and profitability of business, sub-business or project.

It is performed by professionals preparing reports by use of ratios that apply information from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions (Wikipedia).

Financial analysts often assess the following elements of a firm:

Profitability – it is the ability to earn income and sustain growth in both the short- and long

periods-term. A company's degree of profitability is usually based on the income statement, which reports the company's results of operations;

Solvency – It is company ability to pay its obligation to creditors and other third parties in the long-term;

Liquidity - It is company ability to maintain positive cash flow, while satisfying immediate obligations; *Both Solvency and Liquidity are based on the company's balance sheet, which indicates the financial condition of a business as of a given point in time.*

Stability – It is the firm's ability to remain in business in the long run, without having to sustain significant losses in the conduct of its business. Assessing a company's stability

requires the use of income statement and balance sheet, as well as other financial and non-financial indicators, etc. (Wikipedia).

2. Six methods of financial information analysis

From the time point of view financial analysts often compare financial ratios (of solvency, profitability, growth, etc.):

Past Performance: Across historical time periods for the same firm (the last 5 years for example).

Future Performance: Using historical figures and certain mathematical and statistical techniques, including present and future values, this extrapolation method is the main source of errors in financial analysis since the past statistics can be poor predictors of future prospects.

Comparative Performance: Comparison between similar firms.

Internal Analysis: Comparing the financial numbers at a document.

Working capital Analysis: Identifying the affective factors on financial situation changes in a firm.

3. Methodology

The main objective of this research was to compare the traditional and systemic approaches of financial data and information analysis used by banks staff. This was an applied, cross-sectional, correlative and descriptive-explanatory survey.

3.1. Variables

The two approaches of financial data and information analysis - traditional and systematic approaches- also three biographical attributes –

sexuality, education level and employment record are the variables of this research.

3.2. Hypotheses

The two hypotheses of this survey are as follow:

1. The banks staff applies two approaches of financial data and information analysis. The systematic approach of financial data and information analysis is preferred.

3.3. Target community

The target community members of this survey are financial staff of banks branches at Salmas city in the northwest of Iran¹.

Biographical attributes of research community members are as: About %80 men and %20 women, the employees with record between 5 to 10 years (%29) is the biggest group, while staff with employment history less than 5years is the smallest group. The education levels are as: Undergraduates (%52), diploma or high school level (%15): the minority group.

3.4. Data collection tool

The data was collected through a questionnaire containing 28 questions, in which 22 questions are based on a LIKRET spectrum, and 6 questions are open-ended.

3.5. Data analysis method

¹ The name of these banks is fallow list:

State Banks: Melli bank, Sepah bank, Keshavarzi bank, Maskan bank, Post bank, Tose,eh Taavon bank.

Private Banks: Mellat Bank, Saderat Bank, Tejarat Bank, Refah Karegaran bank, Resalat bank, Ghavvamin bank, Hekamat bank and Mehre Eghtesad bank

The collected data and information were analyzed through descriptive and inferential statistic techniques by using Structural Equation Modeling (SEM) and LISREL Statistical Software.

The name of these banks are in the following list: State Banks: Melli bank, Sepah bank, Keshavarzi bank, Maskan bank, Post bank, Tose,ehTaavon bank. Private Banks: Mellat Bank, Saderat Bank, Tejarat Bank, RefahKaregaran bank, Resalat bank, Ghavvamin bank, Hekamat bank and MehreEghtesad bank © 2014, IJOCIT All Rights Reserved Page 3 International Journal of Computer.

4. Discussion

4.1. The explicators of traditional approached of financial data and information analysis

These ten components fairly explain the traditional approach of financial data and information analysis: 1. profit maximizing, 2. financial analysis of Bank’s performance, 3. the

design of bank’s structure based on specialization, 4. the design of bank’s structure based on processes, 5. Decision-making regardless of task, 6. the amount of capital of bank, 7. The determined and standard index, 8. the compensation system, 9. The amount of financial resources of bank and 10.the procedure of transaction with customers.

Based on figures1 & 2, the following four components are the best explicators of traditional approach of financial data and information analysis: profit maximizing (Correlation Factor = 0.99), the design of bank’s structure based on specialization (CF=0.99), the compensation system (CF=0.99), and the amount of financial resources of bank (CF=0.99).

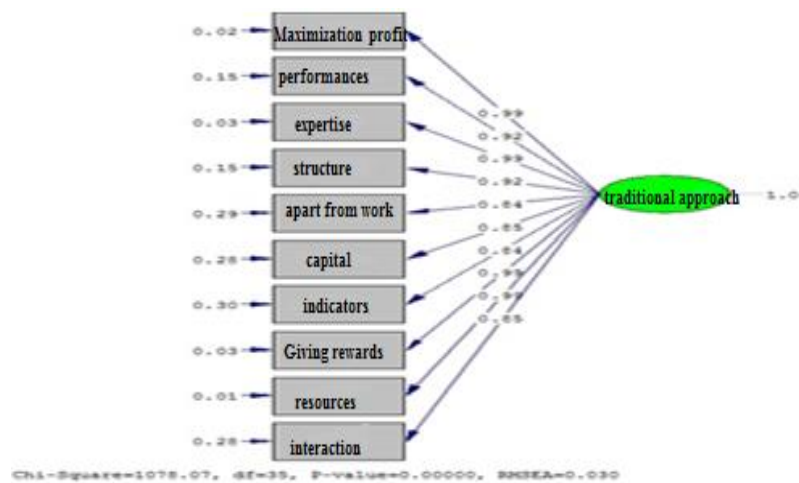


Figure 1: The Standard estimate model

According to figure 2, all of the model's parameters (the ten components of traditional

approach) are significant (SN>1.96), so the hypothesis is confirmed.

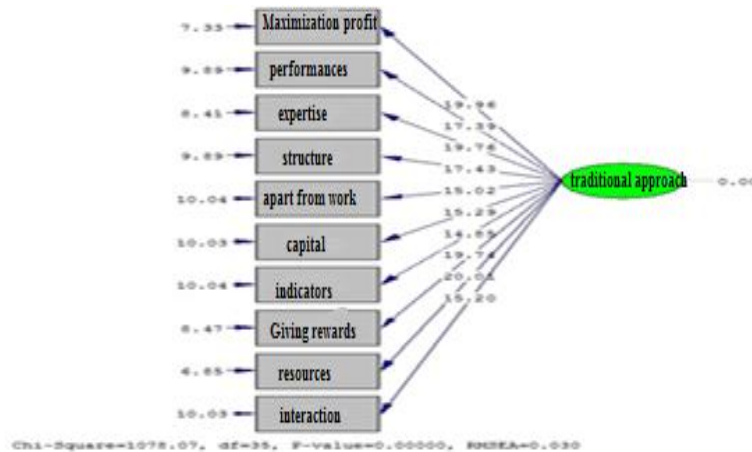


Figure 2: The model of significant numbers

4.2. The explicators of systematic approaches of financial data and information analysis

These ten components fairly explain the traditional approaches of financial data and information analysis: 1. Market share, 2. Responsibility of Bank's, 3. Back capital amount of bank, 4. The performance of bank from the viewpoints of the community members 5. The amount of community demand for services of bank, 6. the procedures and processes of banking affairs, 7. Decision making based on flow of

banking affairs, 8. The realization level of Bank's goals. 9. The bank's capability, 10. The internal motivation of staff, 11. Systematic and process based management, 12. To realizes the customer's expectations.

Based on data analysis through LISREL Software (figures3), the best explicators of systemic approach are as follows: 1. The realization level of bank's goals (effectiveness CE=0.97), 2. Responsibility acceptance (CF=0.97), 3. The amount of capital of bank (CF=0.97), 4. The performance of bank from the community members points of view (CF=0.95).



Figure 3: the Standard Estimate model

According to figure 4, all of the model's parameters (the 12 components of systemic

approach) are significant (SN>1.96), so the hypothesis is confirmed.

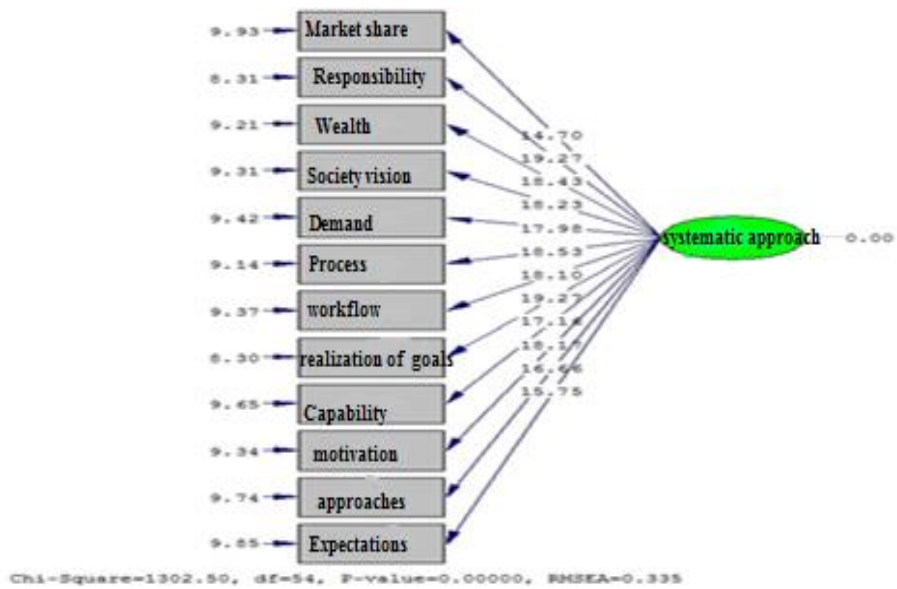


Figure 4: The model of significant numbers

5. Results

The main findings of this survey are as follows:

1. Both approaches of financial data and information analysis were used by the employees of banks.
2. The rate of using these two financial data and information analysis approaches is the same (about 50%).
3. The quality level of applying these financial data and information analysis approaches is low.
4. The employees of private banks apply the systematic approach of financial information analysis more than the employees of State banks.
5. Applying the systematic approach of financial data and information analysis is more efficient than the traditional approach.

6. References

Journals

Khajavi, Sh., Salimifard, A., Rabieh, M., "DEA application in portfolios identification of the most efficient accepted companies in Tehran exchange market ". Shiraz social amp; human magazine, No.43, 2005, pp.75-89.

Rahimian, N., Tavakolnia, E., Asadi, Z., "Corporate Social Responsibility and Sustainability". CPA, 2012, pp: 32-40.

Malhotra D.K., Malhotra R., "Analyzing Financial Statements Using Data Envelopment Analysis". Commercial Lending Review, 2008, pp: 25-31.

Nayebzadeh, SH., Moein Aldin, M., Gheisary, Z., "A Comparative Study on the Relationship among Extended Market Orientation (EMO), Refined Economic Value Added (REVA) and

Return On Assets (ROA)", Journal of Marketing Management, Vol. 6, No. 12, 2011, pp: 113-133.

Books

Stephan, R., Rendelph, W., "Modern financial management". Translated by Ali jahankhani & Mojtaba Shouri, Tehran, 2010, p: 93.

Maddadi, M., " A brief review of the methods and techniques of financial analysis". (2nd Edition), 2010, p: 10.

Ghasemi, F., "Analysis of Financial Statements". 2013, p: 52.

Nikos j. M., "A Systematic approach for defining and assessing program educational objectives and outcomes". California, 2006.

Yahyazadefar, m., Ahmadpour, A., " Analysis of Financial Statements ". The University Of Mazandaran-Iran, 2002, p: 15, 99, 101.

Website

Ramezani, Sh., (2010). "Ratio analysis". [Online]. Available: www.shoob111.blogfa.com

Appreciation and Notes: This paper has been written based on the MA thesis of Miss Mina Rezaei, MA student of Islamic Azad University, Zanjan Branch, I was her supervisor.