Effective Management Factors in the Banks' Employees for Loan Collection of Banks (Case Study: Bank of Kermanshah)

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ABSTRACT

This study aimed to investigate management factors affecting the bank's staff for collection of bank loans in Kermanshah province. This study was descriptive-survey study conducted using correlation method and in terms of objective, it is applied research. The statistical population of this research to answer the questions includes all the personnel for collection of Mellat Bank's. The sample size in full number has been equal to 200 persons. The standard questionnaire "Robinson questionnaire" is used to collect data on the effective management factors. The face validity and reliability of the questionnaires have been confirmed by Cronbach to 0.89. For purpose of data analysis, descriptive and inferential statistics by SPSS software are used. Data analysis showed that management factors affecting outstanding bank collection in order of preference are: (1) participative management, 2. Authority delegation, 3. to provide information, 4. forming teams, and 5. independence and freedom of action.

KEYWORD

bank outstanding loan, participative management, delegation of authority, to provide information, team and group formation, Mellat Bank

INTRODUCTION

The banking industry is one of the important industries that have equipped itself with the most modern technical-knowledge and modernized techniques and knowledge to achieve profitability and productivity and speed of servicing to customers (Jackson, 2005). Today, in the developed world of banking, banks in frame of modern banking; meaning banking in form of daily needs of customers including comprehensive banking, corporate banking, personal banking, etc, give consultation to the customers in regard with reinforcement of financial ideas and profitability and also provide required facilities for them adjusted with job fields and through competition in this affairs, it can cause considerable advancements in brand of banks and credit and financial institutes, which can result in increase in economic power and cash flow in the country. Banking industry in Iran due to the banking regulations of Iran and Islamic banking attitude includes a series of regulations for attracting long-term and short-term Gharzol-Hassaneh resources or granting credit facilities adjusted with Islamic banking and proper cash flow. This can distinguish banking process from foreign banking system in considerable issues, which has differentiated banking mission and banking perspective in Iran (Hedayati, 2004: 7). Collection of paid facilities in the determined deadline indicates proper planning and credit policy and proper use of resources and using them in production, service and commercial units (Amirani, 2009: 40).

One of the most important problems of banks and financial and credit institutions is deferred or not collected facilities and the amount of deferred facilities. In addition to take the opportunity to use the facilities from other customers, on the one hand it can reduce cash flows and stagnant of resources and increase in demanded costs for banks. On the other hand, it can affect the advancement of bank and its objectives effectively and even in competition of banks and increase or decrease in their shares in the stock market. To create or avoid increasing demands or effective ways of collecting deferred demands of banks play a key role in reducing the bank's problems (Noora, 2009: 12).

According to the mentioned, in this study it has been attempted to answer the question that does effective management factor in employees such as Participative management, delegation of authority, to provide information, team and group formation, autonomy and freedom of action can affect debt collection of banks?

RESEARCH LITERATURE

Lack of return of investments of bank in the sector of granting facilities can be named as bank outstanding demands (Shabani et al, 2012: 2). Lack of return of paid facilities from resources can indicate weakness of
performance of bank in the sector of facilities. Lack of paying attention to measure and evaluate customers before granting facilities or lack of controlling consumption of facilities by banks or relevant experts can cause granting the loan to individuals, who have no credit qualification and are not competent to use bank facilities. In addition, weak supervision of bank on activity in different economic sector of receiving facilities can make it come out of its direction and use the investment in another way, which can result in lack of access of bank and customer to determined goals and creation of bank collections (ibid, 2003: 11). Morton believes that outstanding of facilities can be the result of instable and weak credit measurement criteria, ineffective policies, accepting risk without paying attention to limitation of bank investment and incorrect functional criteria (Glantz and Morton, 2003: 11).

Manner of performance of bank employees and credit and finance institutes, especially officials of branches, are significantly effective in size of outstanding collections and hence, it can play key role in determining the way of consuming facilities, since at the time of granting facilities, they can identify and validate and evaluate customers properly to evaluate them and give their idea on on-time or outstanding collection of demands for paid facilities in the future.

An issue that is today more than everything emphasized is sense of responsibility, effort of all officials and beneficiaries using scientific and empirical strategies of employees to collect credits and considering this issue in preference in bank and credit activities, since outstanding payments on one hand can make consumed resources in credit sector useless and on the other hand, it has made problem with achieving to facilities by other customers that can result in decline of profitability and realization of bank’s goals (Farvardin, 2010: 12).

A study under the title of “outstanding credits, reasons, strategies and some training” by Shafigh Al-Islam Mohammad et al (2005) has been conducted on solving problems of outstanding loans. In this study, it has been attempted to present some methods for collecting outstanding loans or investigating effective factors in the process. The study has discussed on culture of lack of returning debt and has considered it as a common habit. In the developing and underdeveloped countries, Dishonor Reasons have had multiple dimensions and different scholars have presented different reasons for it that some of them include 1) decrease in attention to borrowers 2) moving along risk curve (Petroski Effect) 3) increase in loan as risk intensification (inverted pyramid effect). However, in continuing the discussion and due to the wrong culture of abuse of inflation space and elongation of judicial procedure for collection of loans and creating a time period for achievement of opportunist people to bank facilities and using the loans in irrelevant sectors and sometimes combination of monies with dirty money (money laundering) to have quick access to profit has become a big economic challenge than can block more than 800 thousand billion banking resources and exclusion of this amount from cycle of income production and economic prosperity in all sectors. Hence, it is necessary to suggest some methods of repayment and return of non-current loans and establishment of an institute for collecting outstanding loans as an important instrument in regard with outstanding debts in field of transcendental goals of banks.

In the study of Guo Ning-Ning (2007) under the title of Causes and solutions of non-performing loan in Chinese commercial banks, the effective factors in emergence of outstanding loans has been investigated in business banks of China and some solutions have been presented to solve the problem. The study has applied library and descriptive method and has classified effective factors in emergence and development of the problem to two groups. In the first group, factors such as non-standard external conditions have been investigated as the first effective factor in emergence of outstanding loans and banks and institutes with weak executive management. In the second group, Non-Performing Loan (NPL) is one of the concrete embodiments of credit risk which banks take. NPL is a huge puzzle for Chinese commercial banks, so how to enhance risk management to improve assets quality and lower down NPL are of great importance to those banks. Systemic origins of outstanding loans in business banks have been also investigated and some factors such as imperfect decision making process, weak supervision system, decentralized executive management process, imperfect internal income distribution, and lack of exact evaluation mechanism and decentralized human resource management system have been considered.

Another study in this field has been conducted by Naderi et al (2009) under the title of assessing effective factors in occurrence of outstanding loans and presenting solutions for it. The study has considered the most important factor in this field in Iran as inattention to credit risk of customers of banks. In this study, the aim by credit risk is mostly lack of creditability of credit customers or lack of controlling implementation of desired credit projects.

In another study under the title of outstanding bank loans and collection solutions by Heydar Abadi Pour (2008), collection of bank loans is a series of internal and external processes; meaning that a part of collection process is codified inside the bank and improvement of these factors is also in limit of authority of banks. Using experienced human forces in banks, along with suitable procedures of collection in improvement of in-organization factors can be also effective in collection of loans; although another part of in-organization factors affecting loan collection are out-organization factors. For example, dominant regulations on judicial system of Iran are in a manner that in many cases, it can cause problem in process of acceleration of loan collection and as the cases are numerous, process of loan collection would be slow.

In another study conducted by Taleie, Damirchi and Adami (2012) under the title of “challenges of outstanding loan collection in Iran banking system: reasoning, prevention and collection”, it has been found that increasing process of size of outstanding loans over the years and as a result, blockage of many bank resources has resulted in decrease in speed of resource flow and has practically made
it impossible to consume it optimally. Hence, removing the problem; meaning reduction of outstanding items and increase in speed of resource flow, has been always one of the most important challenges and one of the main concerns of banks, so that treatment of the illness in form of impact tests and operative plans has been since last times in plan and instructions of relevant managers and officials and is less and more under investigation. Effective factors have been investigated in form of two effective matrixes on each other under the title of “power matrix-tendency of employees of bank and customers”, which can have important role in collection of loans.

In another study conducted by Hassan zadeh (2013) under the title of outstanding loans of bank system, challenges and strategies, lack of including a prioritization system and classification of customers can pave the way for non-optimal allocation of resources, which has no result other than increase in loans. Empowerment of expert part of supervision on facility application in each sector and exact execution of central bank orders and creating limitation for revise of rules and collection rules are effective in reduction of loan debts.

Through investigating the literature, it could be found that the previous studies have mostly considered reasons of emergence of outstanding loans and effective factors in emergence of outstanding loans. Hence, due to the importance of role of management in collection of outstanding loans and inattention of previous studies to this issue, the study has attempted to investigate effect of management factors such as participative management, group formation, delegation of authority, independence and freedom and providing information for loan collection. Hence, the study has presented conceptual model and hypotheses of the study as follows:

![Conceptual Model](image)

**Fig. 1. Conceptual model of the study**

### RESEARCH HYPOTHESES

**Main hypothesis:**

Effective management factors of employees can affect bank loan collection.

**Secondary hypotheses:**

- **H1:** amount of participative management as one of the management factors can affect bank loan collection.
- **H2:** amount of group formation as one of the management factors can affect bank loan collection.
- **H3:** amount of delegation of authority as one of the management factors can affect bank loan collection.
- **H4:** amount of independence and freedom of action as one of the management factors can affect bank loan collection.
- **H5:** providing information as one of the management factors can affect bank loan collection.

### METHODS AND MATERIALS

Applied methodology in this study is applied method in terms of objective and in terms of method; the study is a survey-descriptive research in kind of correlation. Data collection method has been conducted using Robinson Standard Questionnaire that has been arranged based on Likert Scale. Also, according to this issue that measurement instrument should include required validity and reliability, so that the researcher can collect relevant data of the study, face validity and reliability of the questionnaire has been measured and has been confirmed by Cronbach Alpha to 0.89. Results of reliability of research variables have been presented in table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participative management</td>
<td>0.79</td>
</tr>
<tr>
<td>Group formation</td>
<td>0.86</td>
</tr>
<tr>
<td>Delegation of authority</td>
<td>0.78</td>
</tr>
<tr>
<td>Independence and freedom of action</td>
<td>0.88</td>
</tr>
<tr>
<td>Providing information</td>
<td>0.83</td>
</tr>
<tr>
<td>Total</td>
<td>0.89</td>
</tr>
</tbody>
</table>

Statistical population of the study to answer the questions includes all the personnel for collection of Mellat Bank’s. The sample size in full number has been equal to 200 persons. The questionnaire was distributed among 200 persons and finally, 183 questionnaires were collected. For data analysis, statistical methods in two forms of descriptive and inferential statistics have been applied. In section of inferential analysis, firstly normality test of distribution of studied samples was investigated using Kolmogrov-Smirnov test. Statistical results indicate that no one of the variables has followed normal distribution and hence, in order to test the hypotheses, signed-rank test has been applied and Friedman test has been applied for purpose of prioritization of factors in loan collection.

### RESULTS

**Testing hypothesis 1:** amount of participative management as one of the management factors can affect bank loan collection.

Signed-rank test has been applied for investigating effect of participative management on employees for collection of...
outstanding loans. Due to the significance level obtained from signed-rank test to 0.000 ad comparing it to p-value (0.05), it could be found that in view of participants, participative management with median of 4.20 can affect loan collection higher than average level.

**Testing hypothesis 2:** amount of group formation as one of the management factors can affect bank loan collection.

Signed-rank test has been applied for investigating effect of team formation on employees for collection of outstanding loans. Due to the significance level obtained from signed-rank test to 0.000 ad comparing it to p-value (0.05), it could be found that in view of participants, team formation with median of 4.25 can affect loan collection higher than average level.

**Testing hypothesis 3:** amount of delegation of authority as one of the management factors can affect bank loan collection.

Signed-rank test has been applied for investigating effect of delegation of authority on employees for collection of outstanding loans. Due to the significance level obtained from signed-rank test to 0.000 ad comparing it to p-value (0.05), it could be found that in view of participants, delegation of authority with median of 4.20 can affect loan collection higher than average level.

**Testing hypothesis 4:** amount of independence and freedom of action as one of the management factors can affect bank loan collection.

Signed-rank test has been applied for investigating effect of independence and freedom of action on employees for collection of outstanding loans. Due to the significance level obtained from signed-rank test to 0.000 ad comparing it to p-value (0.05), it could be found that in view of participants, independence and freedom of action with median of 4 can affect loan collection higher than average level.

**Testing hypothesis 5:** providing information as one of the management factors can affect bank loan collection.

Signed-rank test has been applied for investigating effect of providing information on employees for collection of outstanding loans. Due to the significance level obtained from signed-rank test to 0.000 ad comparing it to p-value (0.05), it could be found that in view of participants, providing information with median of 4.25 can affect loan collection higher than average level.

<table>
<thead>
<tr>
<th>Managemen t factor</th>
<th>Numb er in group below average</th>
<th>Numb er in group above average</th>
<th>Total managemen t factors</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participative management</td>
<td>0</td>
<td>0</td>
<td>183</td>
<td>183</td>
</tr>
</tbody>
</table>

**PRIORITIZATION OF EFFECTIVE MANAGEMENT FACTORS IN EMPLOYEES FOR BANK LOAN COLLECTION**

Using Friedman test, effective management factors in bank loan collection have been prioritized. According to significance level in table of variance analysis to 0.001 and comparing it to p-value (0.05) with confidence level of 95%, it could be found that effective management factors in loan collection are respectively due to the priority as follows: 1- participative management 2- delegation of authority 3- providing information 4- group formation 5- independence and freedom of action as it is clear in table 3.

**DISCUSSION AND CONCLUSION**

Today, due to the studies and evidence, major part of paid facilities to bank customers in different manufacturing, business and service sectors have been changed into outstanding loans that can be an alarm for banking network and national economy. Therefore, banks should take scientific and rational actions to collect the loans or prevent their enhancement. Due to the importance of this issue, the present study has been aimed in investigating effective management factors in outstanding loan collection of banks. Results of the study indicated that effective management factors in this field are respectively 1- participative management 2- delegation of authority 3- providing information 4- team formation and 5- independence and freedom of action.

Participative management is a comprehensive attitude for attracting individual and group participation between senior director and employees, which can result in consistency of individual and organizational goals and can provide required conditions for production and use of innovations and powers of employees. Due to the importance of participative
management, managers of banks can use participation of individuals to create right time and right action in suitable conditions for development of learning and innovation in employees, which can finally result in enhancement of level of cooperation and empathy between employees and manager and can be effective in regard with collection of outstanding bank loans.

Delegation of authority as one of the most important strategies of organizational participation and as one of the most important management software can provide dynamcity and life for the organization and is significantly effective in helping, involving and responsibility in employees. If the action is conducted consciously, it can create value added for the organization and manager. As many managers of banks face time limitation to perform their key activities, especially in regard with loan collection, they can delegate authority to the employees to encourage them for cooperation.

One of the reasons for bank outstanding loans can be said that creating a credit database that managers can create such database to be informed about customers with bad background and prevent granting facility to them for the next time.

One of the methods for collection of outstanding bank loans is formation of team and group. Managers can create some groups to follow loans and reduce them.

Codification of additional regulations and announcement of unnecessary norms can practically make banks far from making professional decisions that can result in increase in amount of non-current loans in banking network. Banks need freedom of action and required authority to manage their loans. Banks should have freedom of action, so that they can make proper decisions on determining financial status of the debtor and perceiving the debtor to be out of critical situation.

SUGGESTIONS

According to the results of the study, it is suggested to relevant officials in Kermanshah Bank to create material and non-material incentives in employees in sector of loan collection, to enhance scientific level of employees through training courses in the organization or education in higher education centers and making them familiar with social, cultural and even political issues and problems and distributing educated employees properly in the relevant branches.

In addition, relevant authorities can create policies adjusted with conditions of customers and credit ranking to minimize bank loans. Also, they can revise system of granting facilities and have supervision on projects, delegate authority to officials and custodians of facilities in banks and demanding for responsibility against any kind of credit risk, effective supervision on process of granting facilities, taking reliable guarantees, creating transparency in statistics, proper designing and implementing of adjusted collection policy with bank and debtors conditions to prevent rant facilities.

Moreover, revising relevant regulations of installment or extension and forgiveness of delay fine and delegation of authority based on conditions of customers in the branches and managements of branches and finally supreme committees of decision making due to the renal texture and economic status, along with stabilization of guarantees, can be an opportunity for collection of outstanding loans. It can also be a chance for customers that have not financial power to be able to settle their debts or minimize them.

Creating a calm environment for talks of debtors and respecting their reasonable demands before legal measures can focus on personalities of debtors and impose them under moral commitments, so that they can be forced to pay their outstanding loan. In addition, having continuous supervision on factors of following loans and receiving feedback from them statistically under supervision of the officials of team can be effective in settlement of loans.

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