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# THE RELATIONSHIP BETWEEN THE KIND OF BANKS (PUBLIC AND PRIVATE) AND FINANCIAL DEVELOPMENT STRATEGIES: EVIDENCES FROM IRAN (KHOY CITY)

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**ABSTRACT**
what is the quantitative and qualitative of relationship between kind of banks and financial development strategies? This paper answers to this question. The target society is the branches of banks in Khoy city. The number of sample society members is 100 people. Sampling method is systematic random. The data collecting tool is a questionnaire contains 15 questions in LIKERT spectrum and 5 open end questions. The data has analyzed through SPSS software and ANOVA test technique. Also the descriptive statistics' indexes were used due to analysis of biographical attributions of sample society members. The variables are: saving increasing strategy, strategy of investment increasing, strategy of transaction with companies, strategy of new banking services development. Results show the privets banks are more success on applying all of financial development strategies. The levels of applying any financial development strategies are different. The private banks on applying the strategy of transaction with companies are very successful.

**KEY WORDS:** *Financial development , Kind of banks*

## Introduction
Strategy since it was first introduced in the management literature, changed to a famous and general term. Like other concepts in management and financial management, strategy is also employed in different meanings. The concept is often applied instead of politics and planning. In 3C era (customer, competitor and change), like all institutions, banks continuously are forced to compete in higher and strategic level, so they should design development strategy, but development strategy must be appropriate with types of banks. In this research, we study the relationship between types of banks (public and private) and financial development strategy in Khoy city in selected banks.

## Statement of problem
Since the main objective of the bank's management is maximizing profits, there are special managers in the banking sector that operate under stockholders, international financial crises and central bank's pressure. These factors greatly affect management practices and their activity. Banks need to explain financial development strategy and take the strategies that lead to efficiency improvement and financial capacity that is more than competitors. As financial development strategy in Khoy city in selected banks (public and private)are unclear, priority of public and

  

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private banks in financial development strategy is unclear. Some questions are raised; for example: what are the financial development strategies of public and private banks in selected branches in Khoy city and is priority offinancial development strategies in public and private banks same or different? And also it is unclear how public and private banks carry out financial development strategies in Khoy city branches and which ones are successful in their strategies?

**Theoretical framework and background of study**

Karimi in 1385 has done a research with the title of structure,strategies and policy development of the financial market in Iran. This study reviewed the financial events,financial development and economic growth,financial repression and financial liberalization, financial market structure, financial development strategies and polices in selected countries and Iran and regulatory and supervisory framework, structure of proposed financial market in Iran and made clear proposed strategies and policies in its framework. In bank-oriented proposed model, independent central bank of Iran has fundamental role in financial markets, monetary and banking regulation and supervision of banks and credit institutions. Samadi etal(2007) have done a research about relationship between financial markets development and economic growth.Financial markets have a key role in mobilizing and guiding funds into industrial and manufacturing sectors to improve economic growth. To some extent in the opinion of some economists, development of financial markets is motive motor of the economic growth of countries. This study examines the relationship between financial development markets and economic growth in Iran and other 13 selected countries during 1988-2003.To test the hypothesis, researcher uses Back and Levine method (2003) and three methods of Granger causality, ARDL test and estimation method of panel data .Causality estimation test between size of stock market and production growth shows that in Iran Back and stock don't have significant effect on GDP growth, but effect of economic growth on the stock is positive and significant. The result of estimation method of panel data show that between all 14 countries that are surveyed in real sector of investment and labor, we can see very positive effect on economic growth and in monetary sector, banks have a significant and positive effect. Although stock exchange has a positive effect on economic growth but it is not significant. The result of ARDL testin Iran during 1976-2003 indicates that there is no long-term positive correlation between financial markets and economic growth. In short, the long-term relationship between money market and economic growth is negative and there is no significant long-term relationship between capital markets and economic growth. Komeyjani etal (2009) has done a research with the subject of theoretical framework to explain the efficient factors that affecting financial development (with emphasis on Williamson model). In 1970s and 1980s, policy prescription offered by economists that believe in effective role of financial markets in economic growth was limited to liberalizing interest rates. Taking place monetary and financial crisis after the implementation of the liberalization polices of interest rate in host countries make essential the broader dimensions of financial development. Over three decades of financial liberalization polices and deployment of studies in different areas of economic such as arguments of endogenous growth models and new arguments of institutional economic, it makes possible to create theoretical framework and appropriate analysis for explaining effective factor in financial development. In the present study with reviewing above discussion, it is suggested that affecting factors in financial development should be identify, measure and indicate within Williamson model at four levels. According to this framework, it is necessary to determine affecting factors in financial development to codify the

  

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indicators that reflect the status of the four levels and consider their effect on financial development. These indicators include: 1.Indicators that represent the status of deep-rooted community such as customs, religion. 2.Indicators that explain institutional environment such as laws, regulations. 3.Indicators that reflect the legal and functional conditions and these variables show the competent management status and government. 4.Indicators that represent the optimal allocation of resources and price. In foreign division research, Hopkins etal conducted a study in 1997 that in which an integrated model of relations between management environmental, organizational factors, strategic efficiency planning and financial efficiency was tested with the use of 112 bank data. The results showed that the interaction between banks with thestrategic planning process has a direct and positive effect on bank's financial efficiency and mediated the effects of management and organizational factors on efficiency of the banks. Also results showed that mutual relationship between the strategic planning power and efficiency. This means that powerful and efficient strategic planning leads to better efficiency and in turn better efficiencyleads to power in strategic planning. Finally, the results of the implementation of these concepts for other financial services firms depended to some circumstances that banks should act under that condition. Peter Mulles in 1999 revealed that bank customs are divided to a Internet banking sector and branch banking sector and argued that preceding one is growing and the application of latter one is declining. This development is anticipated for changing the structure of distribution channel in retail banking sector. Two important strategic decisions in distribution channels are facing the banks: the first one is that whether the branch banking sector were chosen as a target or Internet banking sector , on the other hand with considering the target , the banks of the geographic area to be employed that can be local regional/national or several countries. Accordingly, four pure distribution channel strategy and a dual strategy are identified and their advantages and disadvantages will be discussed. Sumidi etal(2009) has been measured the percentage of total assets growth and the percentage of profit growth, by estimating growth strategy for HBTF in Jordan. Also this study has been measured the correlation of growth strategy with accounting factors based on bank's profitability with percentage of asset sefficiency and percentage of stockholders' right efficiency in the period of 2000 to 2009, and researcher is gathering variables of specific data from financial statements of housing bank for trading and financial business in Jordan during 1999 to 2009 from annual report and financial markets. All of the statistical procedures of this research were done by using descriptive-analytic procedure for calculating data from financial statements for population across statistical package and SPSS-15 software program. The findings of the study showed that there is a significant statistical correlation ($p \leq 0.05$) between percentage of stockholders' right efficiency and percentage of profit growth during 2000 to 2009.There is a significant statistical correlation ($p \leq 0.05$) between percentage of stockholders' right efficiency and percentage of total assets growth during 2000 to 2009. There is no significant statistical correlation ($p \leq 0.05$) between percentage of asset efficiency and percentage of profit growth during 2000 to 2009.

**Methodology**

**Research goals**

The four goals of this study are;

  

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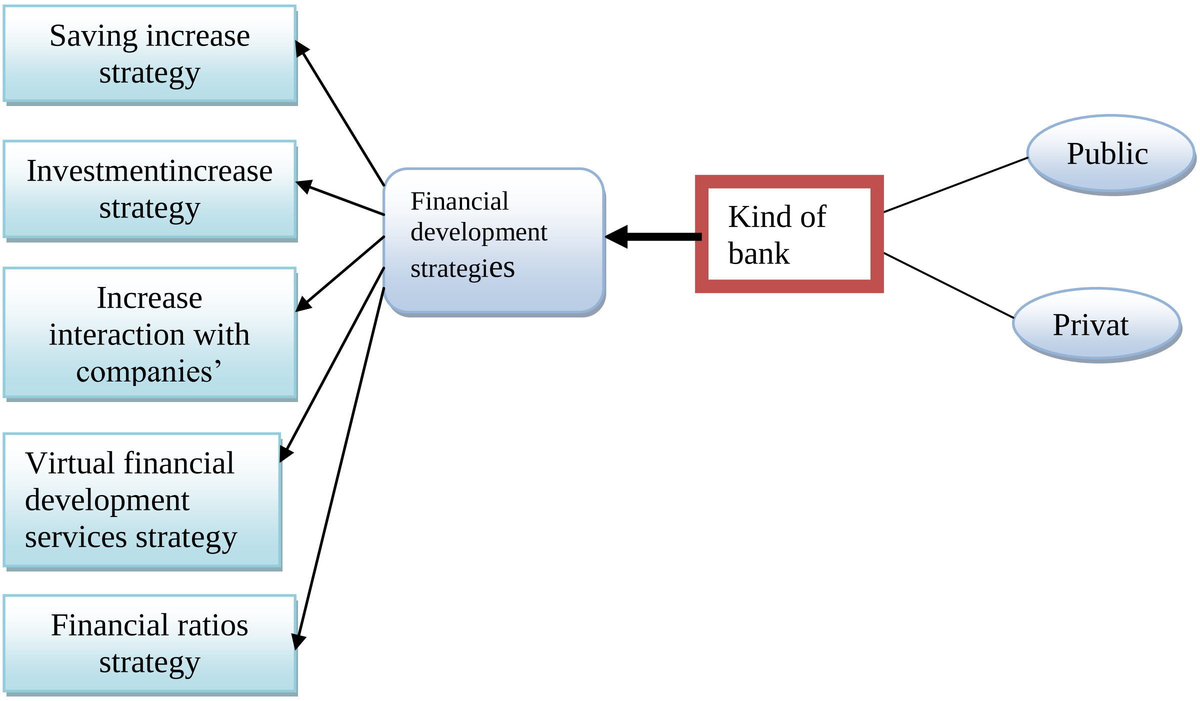
Explain the correlation between variables (financial strategies and the type of bank) through hypothesis testing. Compare banks based on financial development strategies in Khoy city. Prioritize financial development strategies in Khoy banks. Present suggestions (guidelines) in order to help to increase efficiency of financial development in Khoy banks.

**Conceptual model of study**




**Hypotheses**

**The main hypothesis:**
There is a correlation between kind of bank (public and private) andfinancial development strategies.

**Sub-hypotheses:**
1. There is a correlation between kind of bank (public and private) and saving increase strategy.
2. There is a correlation between kind of bank (public and private) and investment increase strategy.
3. There is a correlation between kind of bank (public and private) and increase interaction with companies' strategy (capital attraction strategy).
4. There is a correlation between kind of bank (public and private) and virtual financial development services strategy.
5. There is a correlation between kind of bank (public and private) and targeted financial ratios strategy in public and private banks of Khoy.

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**Variables**

The eight variables of this research are fallows:

**Development strategy:** It is a comprehensive plan to allocate resources and modify scope of work. Generally development and growth is donethrough internal development strategies (penetration in market, market development, product or service development) and foreign development strategies (vertical interaction, strategic alliances; Parsaeyan & Erabi, 2007).

**Financial strategies:** Combining both strategic and financial areas to run better and efficient decisions in an organization that offers suitable criterion and standard for evaluating the performance of that organization (Baghaey et al, 2009).

**Financial development strategies:** Comprehensive and coordinated plan for growth and development of organization through promotion of financial development indicators that leads to value making in an organization (Hymis, 2006).

**Saving increase strategy:** A unique, concrete and integrated plan to maximize savings.

**Investment increase strategy:** A unique, concrete and integrated plan to maximize investment.

**Virtual financial development services strategy:** In banking sector, new innovations like electronic money, automatic transfer terminals, virtual and online banking make great change in this sector and have led to efficiency promotion, productivity, and speed in communications and reduce operating expenses for banks. As a result, banks in order to gain competitive advantage in area of financial markets and attract funds should use virtual electronic banking (mobile, Internet...) and related technologies. Electronic banking services in Iran are: Internet bank, ATM, mobile banking, SMS banking, phone banking, Internet payment gateway, POS, branch terminals, Santa(instant gross settlement system), Paya. In fact virtual financial development services strategy is a comprehensive, concordant and integrated plan to enter bank to competitive opportunity with other banks and maintained and retention customer that is one of the most important measures of quality and attracts more funds(Mols,1999).

**Interaction with companies' strategy:** Attract companies' capital for their financial affairs in bank. For example payroll employees, the cost of purchasing, receiving money from sale of goods (Rahmani, 1391).

**Financial ratios:** Financial ratios are one of the best ways that thereby we can identify and evaluate internal strengths and weaknesses of organization. Based on profit and loss statement and balance-sheet, we can calculate financial ratios, the results of the calculation of financial ratios reflect the position or status of organization at a particular point of time (Fred, 1999).

**Bank:** it is an economic institutions that provide duties such as mobilizing and distributing credit ,credit operations, financial operations, exchange sale, funds transfer, collection of documents and dividend customers, pay customer's due, deposit, safe guarding stocks and bonds and valuable

  

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things, guardianship and administration tasks for clients, attorney represented of buy or sell (Ahmadi et al, 2013).

**Type of banks:** There are two types of banks (public and private).

**Research type**

This study is an applied, descriptive and comparative research.

**Data collection**

The data and information have collected through questionnaire. The questions designed in Likert method. The data collection procedure was conducted in Khoy city in 2010-2011-2012 years. The questionnaire included sections of descriptive statistical information from the population and designed questions as 5-point LIKERT spectrum.

**The target community and sampling method**

The sampling method was a stratified random sampling of population that for finite population, researcher used simple Cochran sampling formula.After identifying and developing indicators of measurement variables, according to the standard questionnaire, the questionnaire is developed. The participants engaged in the study were all managers, assistants and public and private bank's experts in Khoy city in 2013.About 1110 participants were participated according to National bank decoration and 285 participants were selected to complete the survey.

**Methods of data analysis**

The descriptive statistical procedure were used to describe the data andT-test for independent groups singleT-test, ANOVA, and post hoc LSD test were used to analysis of data, research questions and hypotheses.

**Main hypothesis**

There is a significant relationship between type of bank (public and private) and financial development strategies. The research hypothesis is as follows:There is a difference between type of bank (public and private) and financial development strategies.

$H_0: \overline{x1} =: \bar{x}2 \qquad H_A: \overline{x1} \neq: \bar{x}2$

**Table (1-1) Summary of T-test of main hypothesis**

| Type of bank | number | Average group | Standard deviation | mean | Obtained T | Degree of freedom | Significant level |
|---|---|---|---|---|---|---|---|
| Public bank | 150 | 108.3 | 27.4 | 11.7 | 3.98 | 283 | 0.000 |
| Private bank | 135 | 119.7 | 21 | | | | |

  

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Data in Table 1.1show that: there is a significant difference between financial development strategies in the public and private banks in Khoy city. The observed value at T was 3.98 at 283 Degree of freedom which is statistically significant. Therefore,there is a significant difference between financial development strategiesin thepublic and private banks in Khoy city. With comparing the mean scores of the two groups, it can be concluded that the mean score obtained for financial development strategies in private bank is 11.7 units higher than the public bank in this city. So, it is seems that the private banks are leading in terms of financial development strategies toward the public banks in this city.

**First sub-hypotheses**

There is a correlation between kind of bank (public and private) and saving increase strategy.

The research hypothesis is as follows: There is a significant difference between public and private banks and saving increase strategy in Khoy city.

$H_O:\overline{x1} =: \bar{x}2 \qquad H_A:\overline{x1} \neq: \bar{x}2$

**Table (2-1) Summary of T-test of first sub- hypothesis**

| Type of bank | number | Average group | Standard deviation | mean | Obtained T | Degree of freedom | Significant level |
|---|---|---|---|---|---|---|---|
| Public bank | 150 | 27 | 7.7 | 3 | 3.67 | 283 | 0.000 |
| Private bank | 135 | 30 | 6.4 | | | | |

Data in Table 2.1 show that: there is a significant difference between saving increase strategy in the public and private banks in Khoy city. The observed value at T was 3.67 at 283 Degree of freedom which is statistically significant. Therefore,there is a significant difference between saving increase strategy in the public and private banks in Khoy city. With comparing the mean scores of the two groups, it can be concluded that the mean score obtained for saving increase strategy in private bank is 3 units higher than the public bank in this city. So, it is seems that the private banks are leading in terms of saving increase strategy toward the public banks in this city.

**Secondsub-hypotheses**

There is a correlation between kind of bank (public and private) and investment increase strategy.

The research hypothesis is as follows: There is a significant difference between public and private banks and investment increase strategy in Khoy city.

$H_O:\overline{x1} =: \bar{x}2 \qquad H_A:\overline{x1} \neq: \bar{x}2$

  

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**Table (3-1) Summary of T-test of second sub- hypothesis**

| Type of bank | number | Average group | Standard deviation | mean | Obtained T | Degree of freedom | Significant level |
|---|---|---|---|---|---|---|---|
| Public bank | 150 | 27.98 | 7.9 | 2.6 | 3.06 | 283 | 0.000 |
| Private bank | 135 | 30.6 | 6.2 | | | | |

Data in Table 3.1 show that : there is a significant difference between investment increase strategy in the public and private banks in Khoy city. The observed value at T was 3.06 at 283 Degree of freedom which is statistically significant. Therefore, there is a significant difference between investment increase strategy in the public and private banks in Khoy city. With comparing the mean scores of the two groups, it can be concluded that the mean score obtained for investment increase strategy in private bank is 2.6 units higher than the public bank in this city. So, it is seems that the private banks are leading in terms of investment increase strategy toward the public banks in this city.

**Thirdsub-hypotheses**

There is a correlation between kind of bank (public and private) and increase interaction with companies' strategy (capital attractionstrategy). The research hypothesis is as follows: There is a significant difference between public and private banks and increase interaction with companies' strategy (capital attraction strategy)in Khoy city.

$H_O: \overline{\mathrm{x}1} =: \bar{x}2 \qquad H_A: \overline{\mathrm{x}1} \neq: \bar{x}2$

Table (4-1) Summary of T-test of third sub- hypothesis

| Type of bank | number | Average group | Standard deviation | Mean | Obtained T | Degree of freedom | Significant level |
|---|---|---|---|---|---|---|---|
| Public bank | 150 | 25.9 | 7.5 | 3.12 | 3.39 | 283 | 0.000 |
| Private bank | 135 | 29 | 6.4 | | | | |

Data in Table 4.1 show that : there is a significant difference between increase interaction with companies' strategy in the public and private banks in Khoy city. The observed value at T was 3.39 at 283 Degree of freedom which is statistically significant. Therefore, there is a significant difference between increase interaction with companies' strategy in the public and private banks in Khoy city. With comparing the mean scores of the two groups, it can be concluded that the mean score obtained for increase interaction with companies' strategy in private bank is 3.12 units higher

  

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than the public bank in this city. So, it is seems that the private banks are leading in terms of increase interaction with companies' strategy toward the public banks in this city.

**Fourth sub-hypotheses**

There is a correlation between kind of banks (public and private) and the strategy of increase interaction with companies' (capital acquisition strategy).

The research hypothesis is as follows: There is a significant difference between public and private banks and modern banking development services strategy (cell phone, Internet...)in Khoy city.

$H_O: \overline{x1} =: \bar{x}2 \qquad H_A: \overline{x1} \neq: \bar{x}2$

**Table (5-1) Summary of T-test of fourth sub- hypothesis**

| Type of bank | Number | Average group | Standard deviation | Mean | Obtained T | Degree of freedom | Significant level |
|---|---|---|---|---|---|---|---|
| Public bank | 150 | 27.2 | 7.5 | 3.82 | 3.4 | 283 | 0.000 |
| Private bank | 135 | 30.02 | 6.4 | | | | |

Data in Table 5.1 show that: there is a significant difference between modern banking development services strategy in the public and private banks in Khoy city. The observed value at T was 3.4 at 283 Degree of freedom which is statistically significant. Therefore, there is a significant difference between modern banking development services strategy in the public and private banks in Khoy city. With comparing the mean scores of the two groups, it can be concluded that the mean score obtained for modern banking development services strategy in private bank is 2.82 units higher than the public bank in this city. So, it is seems that the private banks are leading in terms of modern banking development services strategy toward the public banks in this city.

**Fifthsub-hypotheses**

here is a correlation between kind of bank (public and private) and targeted financial ratios strategy(capital attraction strategy).

The research hypothesis is as follows: There is a significant difference between public and private banks and targeted financial ratios strategy (cell phone, Internet...)in Khoy city.

$H_O: \overline{x1} =: \bar{x}2 \qquad H_A: \overline{x1} \neq: \bar{x}2$

  

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**Table (6-1) Summary of T-test of fifth sub- hypothesis**

| Type of bank | Number | Average group | Standard deviation | mean | Obtained T | Degree of freedom | Significant level |
|---|---|---|---|---|---|---|---|
| Public bank | 150 | 27.97 | 6.2 | 2.75 | 3.93 | 283 | 0.000 |
| Private bank | 135 | 30.7 | 5.6 | | | | |

Data in Table 5.1 show that : there is a significant difference between targeted financial ratios strategy in the public and private banks in Khoy city. The observed value at T was 3.93 at 283 Degree of freedom which is statistically significant. Therefore, there is a significant difference between targeted financial ratios strategy in the public and private banks in Khoy city. With comparing the mean scores of the two groups, it can be concluded that the mean score obtained for targeted financial ratios strategy in private bank is 2.75 units higher than the public bank in this city. So, it is seems that the private banks are leading in terms of targeted financial ratios strategy toward the public banks in this city.

**Results and findings**

The overall and main results of the research questions and hypotheses analysis showed that: there is a significant relationship between ownership of banks from private and public viewpoint and financial development strategies from the perspective of bank's employees.The results of the analyzing the research questions and hypotheses showed that: there is a significant relationship between private and public banks from the viewpoint of the financial development strategies. Results of analyzing main hypothesis showed that there is a significant difference between financial development strategies in private and public banks in Khoy city. Comparing the mean scores of two groups show that , mean score financial development strategies in private bank in Khoy city is higher than mean score of public bank in that city. So it seems that the private banks in this city are leading in terms offinancial development strategies toward the public banks. Also the results of the analyzing first up to fourth hypotheses showed that there is a significant difference between private and public banks in term of codification saving increase strategy, investment increase strategy, interaction with deposits companies' strategy and modern banking development services strategy.Comparing the mean scores show that the score of private banks in regard to public banks in Khoy city is higher in saving increase strategy, investment increase strategy, interaction with deposits companies' strategy and modern banking development services strategy. So it is inferred that private banks in this city are leading public banks insaving increase strategy, investment increase strategy, interaction with deposits companies' strategy and modern banking development services strategy. Also results of analyzing fifth hypothesis showed that there is a significant difference between targeted financial ratios in private and public banks in Khoy city.Comparing the mean scorestwo groups show that, mean score oftargeted financial ratios in private banks in this city is higher public bank in this city.So it seems that the private banks in this city are leading in terms oftargeted financial ratios to public banks. In other words, a financial ratio in private banks

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for bank development is higher for included financial ratios in public banks. The results of first and second question show that from Khoy bank's viewpoint, private banks are at the top from the view of financial development strategies with compared topublic banks. The results of the analyzing hypotheses, objective evidence and customer's experiences in computing efficiency of banks suggested that economic efficiency of private banks is higher than public banks and the main reason is that in these banks there is a high level of technical efficiency. Therefore, we concluded that due to the relatively satisfactory efficiency in private banks and also convey the notification provisions of Article 44 of the constitution of the privatization in some of public banks, it is necessary to provide background for presence of private bank to have more efficient banking system and make it possible to have competition between two groups of banks to enhance the quality and economic efficiency. Public banks because of their activities,such as lending support tothe government for example loan of housing, marriage,etc have not appropriate and reasonable relationship with their clients. But private banks because of their nature of customer-orientation have mutual, reasonable and respectful relationship with their customers. One of the most leading factors of private banks is high degree of clarity, while in public bank ,clarity and accountability in relation with our customers is low.Another factor contributing to the low financial efficiency of public bank is its reliance on government. It makes that these banks do not concern the financial crisis and also, on the other hand due to being dependent on government, they don't have financial planning .These go hand in hand and causea decline increativity, innovation and finally financial efficiency. While private banks because of their accountability to stockholders and maintaining customer loyalty has to use modern methods and variety of banking services.On the other hand,the exclusivenature of some of the public banks such as agricultural, industry and mine,Export Development Bank, etc cause that public banks do not matter to attract and keep customers.According to the researcher, the above factors go hand in hand and caused that public bank stay back in codification process and implementation of financial strategies in comparing with private banks. The results of this research are consistent with Fatemi etal (2010), Kolberg etal (2004), Fink etal (2005) ,Heyms etal (2006), Alem etal (2007), ,Mostafa etal(2007), Sumidi etal(2009), Hassan etal(2012) from different angles. Fatemi etal (1389) reported that strategic human capital will be most important and source of creativity and innovation in an organization.The results of research suggested that psychological capital has significant and positive relationship with organizational performance and whatever strategic human capital is higher, the Bank's income is higher. Also the most important aspects of strategic human capital such as education,work experience, qualifications has positive and significant relationship with bank's income and the more these dimensions strengthen, it terminate to upgrading the financial performance of banks and provide effectiveness and efficiency of organization. Hopkins etal(1997) reported in their research that bank's interaction with planning process had positive and direct effect on financial performance of banks and mediated the organizational and management effects on bank'sperformance. Also results demonstrated reciprocity of strategic power of planning and performance. This means that powerful and efficient strategic planning cause to better performance and in turn better performance cause to more powerful strategic planning .Finally, the results of the implementation of these concepts to other financial institutions are subject to the same conditions that banks should operate under that condition.Fink etal (2005) concluded that attitudinal factors encouraging touse of Internet Banking in Thailand are "website features" and "perceived usefulness", while the most important obstacle to cognitive behavior control is" external

  

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environmental". This means that the adjustment factors are significant such as gender, education level, income, Internet experience and Internet banking experience except age.Heyms has done a research in 2006 with the title of "confusion rather than clarity: financial dada strategy in Canada's bank" that the results are s follow:investment in financial information systems that support this data will increase our ability to analysis our research about monetary, financial policy and funds management functions in central bank of Canada.Alem etal in (2007) have done a research with the title of "development and outlook of Internet banking in Bangladesh" that results concluded that Bangladesh's banks still reluctant to make maximum use of Internet in the field of banking activities. With comparing to public and private banks, the National commercial banks are stay back in implementation of Internet banking system in banking transactions.Mostafa etal(2007) has done a research with the title of "out scoring of information system, incentives and implement strategies in one bank in Malaysia" that results show that motivating factors are focused on core competences, conversion of private activates to profit –generating activates and reducing costs.Implementation of strategy included establishing dual relationship between bank and service provider.Challenges involved inthe transitionare:Management Partnership,displace of transitional staff and giving spirit to people.Sumidi etal have donea research with the title of "growth strategy and profitability of bank: Housing bank for business & financial affairs" that results show that there is a statistical significant correlation between percentage of stockholders' right efficiency and percentage of profit growth in a year.There is a statistical significant correlation between percentage of stockholders' right efficiency and percentage of total assets growth.There is a statistical significant correlation between percentages of asset sefficiency and percentage of assets growth.There is no statistical correlation between percentages of efficiency and percentage of assets profit growth.

**Conclusion**

The obtained results from data showed that quality and quantity of financial development strategy in publics is lower than private banks. So the following items suggested to apply in public banks:

The results of the analysis of first hypothesis show that: there is a significant difference between saving increase strategy and public and private banks in Khoy city, and private banks have more efficiency to attract savings than public banks. For example,Kosar credit financial institutionin east and west Azerbaijan has attracted approximately 71 percent of little savings inrecent years. Before the last notice of the Central Bank; this institute gave daily profit on deposits up 24%, while inpublic banks it did not exceed the figure of 10%. Therefore, it is recommended that public banks need to keep pace in increasing savings with private banks; they increase interest rates on short-term deposits. The results of the analysis of second hypothesis show that: investment increase strategy in public and private banks has less effect in regard to private banks.The significant difference between public and private banks is dealing with customer in private banks and respecting customers that in these banks behavioral strategies specified in providing services to customers.Therefore, it is recommended that in competing public banks with private banks, they should develop customer-oriented strategy to have more investment. The results of theanalysis of third hypothesis show that : private banks are leading to public banks in interaction with deposits increase interaction with companies' strategy. One important factor in increasing investment is clarity factor. Clarity in public banks comparing private banks is less.Therefore,it is recommended that for attracting more investment and increasing savings, public banks should increase their

  

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clarity in financial transactions.Discipline, speed, respect the customer's time is another factor that influencing the efficiency of banks.Private banks consider these factors more than public banks.Therefore,it is recommended that for increasing and developing saving in public banks, they should consider discipline, speed, and respect the customer's time. The results of the analysis of fourth hypothesis show that: development of modern banking services strategy in public banks is in adequate and poor in comparing with private banks.The results of research show that private banks' strategy in technical efficiency is higher than public banks.Therefore, it is recommended that public banks use private banks' experience in this field such as educated, united, polite staff, better trainingof human resources, suitable use of modern methodsof management, customer satisfaction, diversification of banking services and the use of IT and related technology with banking and also they should enhance their technical efficiency and develop their development of modern banking services strategy. The results of theanalysis of fifth hypothesis show that : targeted financial ratios in private banks are more attractive than public banks in Khoy city. Financial relationship of public banks with customers is usually one-way in lending support to the government and the right of customer to bargain in these types of transactions is denied. While in private banks there is a mutual interaction between the customer and the bank and the customer hasthe right to choose and bargain .Therefore ,it is recommended that public banks use conventional method in order to increase their investment and savings. In public banks interest ratesfor caught savings is considerable and on the contrary, most facilities and bank loans have lower rates and these factors will attract more customers .Therefore, public banks are also obliged to achieve their strategic objectives with available methods. Also public banks should use fallow suggestions:

1.Increase the efficiency of banks in order to increase profitability
2.Reduction of debt in public banks for optimal performance inassets management
3.Upgrade the ability of bank's management in optimal use of actual capital and financial resources for creating profit that increase efficiency of assets that is one of the profitability standards.

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