

Factors of Non-Conformity Behavior and the Emergence of a Ponzi Game in the Riba-Free (Interest-Free) Banking System of Iran

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Abstract : In the interest-free banking system of Iran, the savings of society are in the form of bank deposits, and banks using the Islamic contracts, allocate the resources to applicants for obtaining facilities and credit. In the meantime, the central bank, with the aim of introducing monetary policy, determines the maximum interest rate on bank deposits in terms of macroeconomic requirements. But in recent years, the country's economic constraints with the stagflation and the consequence of the institutional weaknesses of the financial market of Iran have resulted in massive disturbances in the balance sheet of the banking system, resulting in a period of mismatch maturity in the banks' assets and liabilities and the implementation of a Ponzi game. This issue caused determination of the interest rate in long-term bank deposit contracts to be associated with non-observance of the maximum rate set by the central bank. The result of this condition was in the allocation of new sources of equipment to meet past commitments towards the old depositors and, as a result, a significant part of the supply of equipment was leaked out of the facilitating cycle and credit crunch emerged. The purpose of this study is to identify the most important factors affecting the occurrence of non-confirmatory financial banking behavior using data from 19 public and private banks of Iran. For this purpose, the causes of this non-confirmatory behavior of banks have been investigated using the panel vector autoregression method (PVAR) for the period of 2007-2015. Granger's causality test results suggest that the return of parallel markets for bank deposits, non-performing loans and the high share of the ratio of facilities to banks' deposits are all a cause of the formation of non-confirmatory behavior. Also, according to the results of impulse response functions and variance decomposition, NPL and the ratio of facilities to deposits have the highest long-term effect and also have a high contribution to explaining the changes in banks' non-confirmatory behavior in determining the interest rate on deposits.

Keywords : non-conformity behavior, Ponzi Game, panel vector autoregression, nonperforming loans

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