The Threshold Impact of Non-Performing Loans on Bank Lending Capacity- A Dynamic Threshold Panel Data Approach

Mahshid Shahchera, Ph.D*, Mandana Taheri**

Abstract

The Non-Performing Loans of banks are per se derived from two distinctive components: The first elements which are evolved outside the direct purview of banks and banking authorities are included as macroeconomic conditions, changes in the exchange rate, rate of inflation, interest rate, etc. The other factors which are within the domain of responsibility of banking system are comprised with sheer negligence of banking authorities in the process of appropriate selection of credit customers, compiling the required rules and regulations for identifying these customers and conducting the prerequisite studies for investigating the well functioning of system and diagnosing the bottlenecks for preventing the growth of non-performing loans, in toto.

In this paper, an attempt is made to explore de facto, the impact of Non-Performing Loans on lending capacity of banking system viz-a-viz utilizing the Dynamic Threshold Panel Data Approach of Hansen, Ipso facto. Further, we have tried to evaluate de jure, the threshold effects of Non-Performing Loans on lending capacity of banks via estimating the square value of Non-Performing Loans ratio and designate it as "Threshold Variable", Sine qua non. The results prima facie indicate that the relation between Non-Performing Loans and lending capacity of banks are nonlinear and thus, we observe that in pre threshold level, the impact of Non-Performing Loans on lending capacity of banks is positive, while in post threshold level, the effect of Non-Performing Loans on lending capacity of banks is negative pro rata.

Keywords: Lending Capacity of Banks, Non-Performing Loans, Dynamic Threshold Panel Model.

JEL Classification Codes: G21, G28, G32.

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The Review and Analysis of Changes on Inequality of Income Distribution and Its Impact on Rate of Inflation in Iran

Mohsen Jalali[*]

Abstract

Inflation and income distribution are de facto appraised as two key variables in the economy and till now, many studies have been administered to estimate the plausible relations between these variables in toto.

In this paper, an attempt is made to investigate the hypothetical intrinsic propinquity among inflation rate and income distribution viz-a-viz social welfare function. Although, one should note that the social welfare function which is usually used for assessment of inflation rate is neutral with respect to income distribution variable thereto. Hence, I have tried to examine the inflation rate, through utilizing two various social welfare functions, which per se are not neutral with respect to income distribution, de jure. In this context the first function under the study is Atkinson Social Welfare Function, where the Democratic and Plutocratic Consumer Price Indices are treated as special forms, derived from this function. The other function which I have measured is known as Interdependent Social Welfare Function, propounded by Kakwani. However, in consonance with this formula, one may analyze the impact of income distribution on inflation in more meticulous manner Sine qua non.

Thus, the results prima facie indicate that, the poor people have comparatively inflicted more than the non poor people from the menace of percussion of inflation during the pre sample period of 2011-2012, while the same results are not applicable to the post sample period of 2011-2012, Sui generis.

Keywords: Income Distribution, Inflation, Social Welfare.

JEL Classification Codes: D63, C43.

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Studying the Impact of Corruption Perception Index on Foreign Direct Investment in MENA Countries

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Abstract
In this paper, an attempt is made to investigate de facto the impact of Corruption Perception Index on the Foreign Direct Investment (FDI) in MENA countries during the period of 2003-2014. To accomplish this task, I have designed an empirical model and estimated it viz-a-viz utilizing the Dynamic Panel Data Approach and General Method of Movement (GMM Estimator), in toto. The results prima facie, indicate that the corruption variable has negative but significant relation with FDI, while the other explanatory variables such as real interest rate, trade openness and per capita GDP have positive and significant effects on FDI, Sine qua non.

Thus, the main policy implication of this paper denotes that the policy makers of these countries and specifically Iran should execute the anti-corruption rules and programs and via ensuring the security of investment, could pave the way to absorb FDI, Ipso facto.

Keywords: Foreign Direct Investment, Corruption Perception Index, MENA Countries, Dynamic Panel Data.

JEL Classification Codes: C23, D73, F21.

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The Exigency of Contemplation on Financial Stability Analysis in the Iranian Economy in Direction to Promotion of Economic Resilience

Nayere Sadat Ghoreyshi, Ph.D[**]

Abstract

The establishments of financial stability in the economy along with the fiscal and external sector steadiness are considered as essential components of economic resilience doctrine in toto. However, in consonance with economic terminology, the resilience of economy against various fluctuations, the ability to absorb external shocks and preventing their devastating effects on real sector, are deemed de facto as main characteristics of prevailing financial stability, Ipso facto.

Hence, one may construe that the financial instability could inflict potential deleterious impact in the economy and diminution of resilient structure of any country Sine qua non.

In this paper, an attempt is made to investigate the exigency of performing the financial stability analysis for promotion of economic resilience per se. In this context, we have observed that formulating a sustained comprehensive analysis of financial system in the framework of "Financial Stability Report of Iranian Economy" is mandatory, de jure.

Furthermore, we have tried to explore the meritorious effects of compiling the financial report, viz-a-viz exaltation of systemic view to the economy, diagnosing the contingent shocks and fluctuations which may encounter by the financial system and impeding the transmission of their menaces with the modality of economic resilience Quid pro qua

Keywords: Economic Resilience, Financial Stability, Economic Shocks.
JEL Classification Codes: L16, O10, O1, E44, E22, D14.

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The Terminology of Literal and Conceptual Definition of Riba in Islam and West: the Comparative Approach

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Abstract
In this paper, an attempt is made to investigate the comprehensive terminology of Riba in context to its prevailing literal and conceptual definition in Fiqh and Islamic Jurisprudence and compare it with etymology of terms usury and interest rate in the western literature, pro rata. For this purpose, we have applied the Analytical-Descriptive Methodology to construe the issue thereto. The results prima facie, indicate that in typology, the phenomenon of Riba could be manifested both in the Islamic jurisprudence and western texts, but it carries de facto unakin epiphany in Qard and non-Qard contracts in toto. Second, in Islamic treatise, Riba consists per se, the utter excessiveness in terms of modicum or soaring rates, while, in western exposition, it denotes significant and mere excess acceleration of rate, de jure and hence the low rates are designated as interest rates and are quite permissible sine die. Third, in Islamic Fiqh, the high or low rate does not make any difference on realization of Riba, while, in western conventional manuscripts, it does matter Sine qua non. Finally the insinuation of usury or interest rate as cognominated Riba in Islamic jurisprudence is sheer dereliction and erratic, due to the fact that the Riba, usury and interest rate are subject to logical relation of General and Particular, Sui generis.

Keywords: Riba, Usury, Islam, West, Interest.

JEL Classification Codes: Z10, O16, O10, L87.

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The Road to Price Stability

Translated By:
Mohammad Nadali, Ph.D*

Abstract
Nearly a quarter-century after Paul Volcker's declaration of war on inflation on October 6, 1979, Alan Greenspan declared that the goal had been achieved. Drawing on the extensive historical record, I examine the views of Chairmen Volcker and Greenspan on some aspects of the evolving monetary policy debate and explore some of the distinguishing characteristics of the disinflation.

Keywords: Price Stability, Monetary Policy, Paul Volcker, Alan Greenspan
JEL Classification Codes: E52, E58, E61.

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Disaster Impact and Input–Output Analysis

Translated By:
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Abstract

Macroeconomics models, such as the input–output model, the social accounting matrix, and the computable general equilibrium model, have been used for impact analysis of catastrophic disasters for some time. While the use of such models to disaster situation, which may quite differ from the ordinary economic setting, has been critiqued (for recent example, see Albala-Bertrand, 2013), there are still valuable reasons for the use of such models. In particular, such models can be used in order to quickly provide a ballpark estimate of the system-wide impact for recovery plan and finance and/or to evaluate disaster countermeasures in the pre-event period. This paper presents how these methodologies have evolved to incorporate with disaster-specific feature and discusses how far they still need to go from the current stage. This paper also serves as a preface to this special issue, which encompasses several papers devoted to the use of macroeconomic data and models to assess economic losses from disasters.

Keywords: Disaster Impacts; Input–Output Analysis.

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