

The Strategies of Enhancing Participatory Banking from the Iranian Banks Managers' Viewpoint

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Abstract

The increase of investment is the certain prerequisite for the economic development; moreover, the strategies that different banks select for the financing of investment projects play an important role in facilitating investments and accelerating their economic development. Currently, many of the experts believe that the Islamic banks are not willing to apply the profit-loss sharing (PLS) banking. Since banks are considered as the most active and important economic sectors of the country, it is vital to find out the causes for unwillingness of the banks to follow participatory banking, and to present strategies to address the difficulties especially for countries with the Islamic-economic structure. The present paper intends to determine the use of engineering economy techniques in Islamic banking and to apply the real available indices and statistics in order to confirm that in comparison with the conventional banking, Islamic banking would lead to more economic value added. It also studies the reasons why Islamic banks managers are not willing to following participatory banking, while they are aware of the advantages of participatory banking. In order to understand the reasons for it, in the present paper which is an applied research study, the questionnaire has been applied. The questionnaires are distributed to senior and middle managers of Iranian banks (13 banks including Meli, Mellat, Keshavarzi, Saderat, Tejarat, Refah, Maskan, Sepah, Eqtesad-e-Novin, Parsian, Pasargad, Saman, and Sarmayeh banks), the managers are 285 people. Since the researchers aim to reach accurate analyses, sampling is not done and the statistical population has been studied. Considering the Iranian banks managers' viewpoint, strengthening ethics in the society is the most important factor to omit the barriers to PLS banking.

Keywords: economic value added (EVA), environmental uncertainty, information asymmetry

Introduction

Banks and financial institutions fulfill the finance process of the investment projects via the following processes:

1. The process of lending and fixed return scheme (FRS)
2. The process of participation in the project and PLS

The increase of investment is the certain prerequisite for the economic development; moreover, the strategies that different banks select for the financing of investment projects play an important role in facilitating investments and accelerating their economic development. So far, some of the Muslim economists theoretically have shown that the PLS based financing is more efficient than lending and FRS considering issues such as the decrease of production costs, the increase of wealth, the risk-taking of society, the control of business-cycles, and the prevention of banks failure. However, the present paper intends to confirm that the Islamic banking could provide more EAV than the conventional banking.

Some other Muslim economists have shown that the advantages of participatory financing depend on providing the required conditions. Many of the experts and the bank managers believe that the reluctance of Islamic banking to follow PLS banking is because of the fact that the needed conditions are not provided. The environmental uncertainty and the information asymmetry are the reasons that make the financial institutions prefer the lending process to the PLS. the information asymmetry occurs at two time periods. One is before the finance and it is called the adverse selection, and the other is after the finance and it is called the moral hazard. Each of the mentioned barriers would be described, and then the managers of the aforementioned Iranian banks would be asked to give their opinions on the level of significance of each of the barriers as well as the strategies to address them.

Maximizing EVA in Islamic banking

Monitory resources which are invested in the Islamic banking and take advantage of the participatory banking system rely on debt and equity based investments. The (DOI: dx.doi.org/14.9831/1444-8939.2014/2-7/MAGNT.24)

Islamic banks separate the legal reserve and contingency reserve, apply the resources in the form of participatory contracts, calculate the return resulted from investment based on the accrual accounting system, and then share it among the stockholders. The purpose of Islamic banking is to maximize the stockholders 'interests including the depositors and stakeholders.

By considering the EVA as the measure of value creation, the study aims to have comparative study on the Islamic banking system and the conventional banking system. In the theoretical literature of economics, EVA is calculated based on different methods. Generally, in the majority of presented methods the opportunity cost of capital is calculated and it is deducted from the net profit of the enterprise (profit after tax). Therefore, it is necessary to investigate EVA in both of the banking systems in order to maximize EVA in the participatory banking system and profit-based banking system.

$$EVA = \pi - Er.k$$

ER is the weight average cost of capital (WACC), it is exogenous and it follows the return of the real sector of economy. r_{pls} is the rate of return in the real sector of economy. Therefore, the above relation shows the EVA where π stands for the profit and K stands for the capital of the participatory bank. The rate of return in PLS system is the same as rate of productivity. While, in the interest-based banking, the rate of return and/or the productivity rate equal the market interest rate plus the rate risk. Therefore, the rate of return in both of the banking systems could be analyzed based on the following relations:

$$r_{PLS} = r_m + E(\text{div})$$

$$\square \square \square TR \square TC$$

According to the above relation, the rate of return of PLS equals the market interest rate plus the expected value of a random deviation. (div) stands for the random deviation of the “credit risk content” as the negative factor and the “unplanned return” as the positive factor. The equality of the return of the real sector of economy with the market interest rate depends on the deviation factor. Therefore, the following three rational relations could be written:

If the expected value of the deviation factor equals zero, the rates would show convergence toward each other.

I) If $E(\text{div}) = 0 \rightarrow r_{PLS} = r_m$

If the deviation is positive, the rate of return in PLS would be greater than the market interest rate (interest-based banking).

II) If $E(\text{div}) > 0 \rightarrow r_{PLS} > r_m$

If the deviation is negative, the rate of return in PLS would be less than the market interest rate (interest-based banking).

III) If $E(\text{div}) < 0 \rightarrow r_{PLS} < r_m$

The profit is calculated based on the following relation that shows the difference between cost and income.

$$\pi = TR - TC$$

The shared income of banks resulted from the available monetary resources and the income of presenting non-financial services and products. It is calculated based on the following relation. FD stands for the available resources and r stands for the rate of return resulted from the investment in the real sector of economy.

$$TR = FDr_{PLS} + BF$$

The available resources of banks is calculated based on the following relation where a stands for the rate of legal reserve

received by the central bank regarding monetary policies. Moreover, b stands for the contingency and/or the primary reserve rate in order to pay the short-term obligations of the bank. The contingency reserve in PLS banking (b_{PLS}) is less than that of the interest-based banking (b_m). Therefore, the efficiency of the monetary resources in the participatory banking is more than that of the interest-based banking. In fact, PLS banking needs less contingency resources than the interest-based banking as a result of the stability of cash flow for the liquidity risk coverage.

$$FD = D(1 - a - b_{PLS})$$

The bank cost is observed in TC equation, it includes the operating costs and the non-operating costs. The operating costs consist of the costs related to the credit risk, and operating risk which is defined as the coefficient (θ) related to the available resources for presenting credit facilities, in the mathematical model. The non-operating costs include the employee's costs, the official costs, and depreciation. Generally, there are no delayed demands of the past in the participatory contracts of the participatory banking, or they are minimized in comparison with the interest-based banking. Therefore, the coefficient of θ has decreased in the participatory banking. According to the above explanation, the relation of $\theta_{PLS} < \theta_m$ is true.

$$TC = OC + NOC$$

$$OC_{PLS} = \theta_{PLS} (1 - a - b) D$$

Replacing the above relations in the function of EVA related to the PLS system has been shown in the following equation:

$$EVA_{PLS} = [D_t(1 - a - b_{PLS}) r_{PLS} + BF_t - \theta_{PLS} (1 - a - b_{PLS}) D_t - NOC_t - Er K_t]$$

Moreover, the following relation shows the operating costs in the internet-based banking where i stands for the weight average of profit rate for the depositors and r stands for the weight average of the profit rate paid by the borrowers.

$$OC_m = [\theta_m (1 - a - b_m) + i] D$$

In this state, EVA is determined based on the following relation:

$$EVA_m = [D_t (1 - a - b_m) r_m + BF_t - i D_t - \theta_m (1 - a - b_m) D_t - NOC_t - Er.K_t]$$

The above relations indicate the EVA in the PLS banking and the interest-based banking. By investigating the above relations and the available parameters in the model as well as using the logical

reasoning; mathematics; and analysis, it could be concluded that EVA in PLS banking would be more than EVA in the interest-based banking.

A comparative study on some of the indices of the participatory banking and interest-based banking

In order to compare the financial indices of the participatory bank with the indices of interest-based banking, the financial statements of RHB bank and RHB Islamic bank during the years 2009 and 2010 have been used.

Table 1: A comparison between the financial indices of the participatory bank and the interest-based bank

RHB bank		RHB Islamic bank		Financial indices
31 st of December 2010	31 st of December 2009	31 st of December 2010	31 st of December 2009	
238.852.000	272.652.000	239.138.000	271.506.000	Net profit
9.115.722.000	8.523.372.000	9.369.580.000	8.404.436.000	Total assets
8.575.215.000	7.715.210.000	8.526.184.000	7.665.002.000	Total liabilities
%10.93	%18.32	%14.46	%23.31	Return on equity (ROE)
%1.05	%1.12	%1.27	%1.97	Return on assets (ROA)
%52	%47	%49	%43	Instantaneous ratio

The net profit, total assets, and liabilities of both types of banks during the mentioned years are approximately the same, however, the ROE in the participatory bank has a higher rate and it indicates that ROE increases in the PLS banks because they put emphasis on the participation between the investors (stockholders) and the executors of investment plans. Moreover, the ROA in the participatory banks has a higher rate and it indicates the more profitability rate in the investment

projects during the mentioned years. Therefore, comparing ROE and assets with each other in the both type of banking are in accordance with the theoretical principles of the present paper. In other words, the return of PLS banking is more than that of the interest-based banking ($\rho_{PLS} > \rho_{\mu}$). Therefore, the efficiency and EVA are high at the participatory banking system. Moreover, the instantaneous ratio (b coefficient) in the participatory banking is less than that of

the interest-based banking as a result of the stability of cash flow in the participatory bank. The decrease of b coefficient is an effective factor for increasing the EVA in the participatory banking rather than the interest-based banking.

Why Islamic banks are less inclined to apply PLS method?

So far, some of the Muslim economists have tried to confirm that financing via PLS method will be preferred to the lending and FRS, if the relative certainty is provided for the bank environment and the hazards resulted from information asymmetry are controlled. They do not generalize their analysis related to the conditions of uncertainty. In other words, there is an agreement on the fact that the success of Islamic banking depends on the existence of the relative certainty in the bank environment and the possibility of controlling phenomena resulted from information asymmetry (adverse selection and moral hazards). The way should be paved to reach the mentioned prerequisites; however, they will not be reached soon.

The environmental uncertainty

In the society, the entrepreneurs need financing in order to perform their entrepreneurial ideas, and banks are inclined to meet the entrepreneurs' financial needs in order to make a profit. In this way, the financing market consists of the suppliers (financial suppliers) and the demanders (financial demanders). Each of the suppliers and demanders might be more inclined to use the PLS-based financing or the lending and FRS-based financing based on their understanding of the investment environment. From the entrepreneur's viewpoint, in the condition of "environmental certainty", applying the lending and FRS-based financing is preferred to PLS financing. The entrepreneurs believe that PLS-based financing cannot be attractive in the environmental certainty condition as a

result of its role in sharing the probable profit of the project. Therefore, the entrepreneurs do not like to share the profit of the project with others (for instance banks).

For the same reason, at the condition of environmental certainty, the demanders are more inclined to use the lending and FRS-based financing, while they are less inclined to use the PLS-based financing. However, the result is different from the suppliers' viewpoint. Regarding the condition of environmental certainty provided for the execution of the investment projects, the suppliers in the financing market will prefer to use the PLS-based financing instead of the FRS-based financing in order to participate in the project. In this condition, there is less risk for the capital. Moreover, if the project is executed successfully, their share of profits would be much more than the fixed interest rate, therefore, the suppliers would be more motivated to select the PLS-based financing and to refuse the lending and FRS-based financing.

Therefore, at the condition of the environmental certainty, the entrepreneurs wish to apply the lending and FRS-based financing, while the banks and depositors wish to apply the PLS-based financing.

However, if the business environment confronts many fluctuations and it experiences the environmental uncertainty, the suppliers' tendencies and the demanders' tendencies will change. In this condition, the entrepreneurs are more inclined to use the PLS-based financing, because the probable loss would be shared with the financial suppliers of the project. For the same reason, the suppliers prefer to use the FRS-based financing in order to avoid risks. The results of the above analysis show that in the condition of the environmental uncertainty, the financing cost via PLS is relatively more than the financing cost via lending and FRS.

Therefore, during the time that the business environment experiences fluctuations, banks are reluctant to use the PLS-based systems.

Information asymmetry: adverse selection and moral hazards

Among the four types of banking risks (market risk, credit risk, liquidity risk, and operational risk), the liquidity risk and the operational risk equally threaten different banking systems. However, the level of confronting market risk and especially the credit risk are different for various banking systems. The market risk refers to the risk of “changes in interest rate, changes in the exchange rate, changes in the stock price, and changes in the commodity price” that threaten the banks. The credit risk refers to the risks related to “inaccurate information submitted to the bank”, “customers’ non-fulfillment of the obligations”, and “the incorrect execution of the contracts”. Naturally, in the interest-based bank contracts, the credit risk is defined as the risk related to the loss resulted from lack of repayment or delayed repayment of the loan by the customer.

Regarding the theoretical principles, Islamic banking is obliged to use PLS banking even more than the universal banking system¹. However, in practice, it gets close to the Anglo-Saxon banking system² and it avoids the “Real” applying of PLS. Therefore, if the Islamic bank is considered from the view point of theoretical principles, it will confront market risk and credit risk, while from the view point of reality, its confrontation with the two mentioned risks will not serious as a result of avoiding the participatory banking.

It should be mentioned that the market risk and the credit risk threaten banks at different mentioned types of banking

systems. The type of banking system could only increase or decrease the severity of the market and credit risks. In other words, in the Anglo-Saxon banking system the bank mostly applies the FRS-based financing and it is not involved in the participation, therefore, it is less worried about the changes of goods price, the changes of exchange rate, and the changes of profit rate and so forth. Such banking system does not confront credit risk considerably because the relation between this banking system and facility recipients is formed based on borrowing not participation, therefore, the bank is less worried about the borrower’s performance or his commitment to the moral obligations.

However, in the participatory banking, market risk and credit risk are considerable. Since the participatory bank participates in the business and it has uncertain physical and financial assets, it is constantly threatened by two types of risks; the risk resulted from undesirable changes of prices in the market (market risk) and the risk resulted from information asymmetry (credit risk). The risk management knowledge has provided strategies for increasing the bank safety for confronting the market risk; strategies such as using hedging and financial tools.

1. In the universal banking system both FRS-based banking and PLS-based banking are mostly used. According to the environmental condition, the more proper banking method is applied
2. In the Anglo-Saxon banking system which is the opposite of Islamic banking, only the FRS-based banking method is applied.

Credit risk results from information asymmetry and it threatens banks that

apply PLS banking for the financing of the projects. Information asymmetry causes two phenomena of adverse selection and moral hazard depending on the time of selecting the project and making a contract between the bank and the entrepreneur (before or after making the contract).

Adverse selection

The term of “adverse selection” is mostly applied in the industry of insurance. It is a completely known phenomenon in the industry of insurance. People who are at risk are more willing to make contracts with the insurance companies. For instance, at the normal condition a person might not wish to buy life insurance, however, a person who suffers from an irredeemable disease would be more willing to buy the life insurance. Moreover, the homeowners whose homes are close to the petrol stations are more willing to buy fire insurance than those whose homes are far from petrol stations. In the industry of insurance, the entrepreneurs whose considered project has a higher risk coefficient and whose failure is more probable are more willing to have the participation of banks, however, the entrepreneurs who are relatively certain about the success of their project are not willing to share their probable profit with the bank, therefore, they wish to use the FRS-based banking. In fact, this is the problem that occurs for banks before making the contract and at the stage of selecting the project. In comparison with the participatory banks and the universal banks, Anglo-Saxon banks are less confronted with this phenomenon, because the nature of projects for this type of banks is not important and they pay attention to the validity of the borrower and his ability to repay the loan not to the borrower’s honesty for honestly defining the project. In other words, their first concern is the borrower’s credit not the profitability of (DOI: dx.doi.org/14.9831/1444-8939.2014/2-7/MAGNT.24)

the project; therefore, their concern for confronting the phenomenon of the adverse selection is not serious. With an inverse explanation, it could be clarified why the Islamic banks are constantly worried about the adverse selection. Timur Kuran has recognized a specific form of the adverse selection in countries such as Malaysia where both types of Islamic and non-Islamic banks exist. To him, the enterprises are allowed to select the FRS or PLS, and the conventional banks cause the adverse selection for the Islamic banks. The enterprise with the expectation of profit less than average prefer the PLS banking (in Islamic banks) in order to minimize their loss at the time of probable bankruptcy. However, the enterprises with the expectation of profit more than the average prefer the FRS banking (in conventional banks) in order to maximize their profits. The result is that the Islamic banks in such countries have a greater share of the adverse risks.

Moral hazard

The moral hazard is another type of risk resulted from the information asymmetry and it threatens depositors and banks. This type of risk is also recognized at the industry of insurance. One of the certain rules of the industry of insurance refers to the insured person’s moral commitment to the subject of insurance. For instance, if a car owner buys insurance against stealth, he is responsible to lock his car after leaving the car and to take other necessary actions in order to prevent from the car stealth. If the car owner buys the insurance and he is assured that the insurance company would pay the price if his car was stolen, he might ignore taking actions to prevent the stealth. In this case, the insurer faces the risk resulted from moral hazard. The insurer’s participation in the risk emergence is a worse kind of moral hazard.

In banking, the moral hazard means that the borrower of loan or facilities does not try to reach the considered profitability of the project, as a result, the customer's dishonesty and moral hazards resulted from it would cause difficulties for the predicted profit of banks for the presented facilities. Providing fake documents by the borrower of facilities is the worse type of moral hazard at PLS-based banking, the purpose of such an act is to hide the achieved profit not to share the whole profit with the bank that has met the financial need of the project. This is one of the most important concerns of Islamic banking.

How to overcome the barriers to PLS banking?

There are many strategies to overcome the barriers to PLS banking. The present paper studies the barriers to participatory banking and the strategies to overcome them from the Iranian banks managers' viewpoint. Therefore, the indices related to overcoming the barriers are studied, and then the level of significance of each of the barriers and the strategies would be declared from Iranian banks managers' viewpoint.

Transparency of transactions and reduction of exchange costs

Improving the trade registration system, developing the quality control system, enhancing the accounting and auditing standards, and facilitating the judicial system could lead to the increase of transparency of transactions and the decrease of exchange costs. This is achieved by enhancing the formal entities in the society such as the central bank, asset ministry, auditing organization, and general inspection organization of Iran.

The enhancement of moral indices

Fidelity, honesty in speech, presenting complete and correct documents related to the ongoing projects, and so forth are the moral indices included in the questionnaire and each of them has separately been discussed. Obviously, the bank as an economic enterprise with special purposes cannot be responsible for developing ethics in the society or enhance the formal entities in the society; therefore, it has to accept the current level of moralities in the society as the given variables. It is up to the formal and non-formal entities of moralities development to take an action.

Efficiency of monitoring systems of banks

The cost bank have to pay in order to assure itself against the risks of the project or better to say the cost of monitoring projects is one of the issues that has a determining role in bank decisions on selecting the PLS-based financing or FRS-based financing as well as decisions on determining the portion of each of them in the bank assets.

Addressing deficiencies of banking rules

Some of the experts believe that variety of rules and regulations observing the banking system of Iran is one of the fundamental complications that influence the relations between the bank and customers at different directions. The rules and regulations are mentioned regarding their date of approval:

Monetary and bank act of Iran, 8 of July, 1972

Banks nationalization act, 7 of June, 1979

Bill of banks affairs office, 23 of September, 1979

Interest-free banking act, 28 of August, 1983

Moreover, some of the approved acts by other entities such as central bank, money and credit council, supreme council of banks, general assembly of banks,

government and so forth should also be mentioned in relation to the banks. Therefore, the approved acts should be reviewed and a collection of rules for Islamic banking should be planned to determine the duties of banks and how they should have formal relations with people.

Methodology

In this section, the reasons for Iranian banks managers' willingness or unwillingness to the use of PLS banking system have been studied and evaluated. Some strategies regarding the managers' viewpoints for overcoming barriers to PLS-banking have also been presented. Since banks are the most active economic sections of the country, it is vital to understand the reasons for unwillingness to apply PLS-banking and to overcome barriers to it especially in the countries with an Islamic economic system.

The statistical population of the research consists of the senior and middle managers of Iranian banks (13 banks including Meli, Mellat, Keshavarzi, Saderat, Tejarat, Refah, Maskan, Sepah, Eqtesad-e-Novin, Parsian, Pasargad, Saman, and Sarmayeh banks), the managers are 285 people. Since the researchers aim to reach accurate analyses, and it is a applied research study, sampling

is not done and the whole statistical population has been studied.

Analysis of research hypotheses

In this research, the information collected from 285 questionnaires which are designed based on the following hypotheses has been analyzed. The descriptive statistics consist of the percentage, mean, frequency, and so forth. In the level of inferential statistics, the normality of data distribution for each of the scales has been studied, and the relevant statistical tests have been done. In order to study and analyze data, the one-tailed T-test is applied and the data is analyzed via SPSS.

Hypotheses of the 1st section

- The business environmental uncertainty affects bank managers' reluctance to participate in profit and loss
- The information asymmetry before financing (adverse selection) affects bank managers' reluctance to participate in profit and loss
- The information asymmetry after the financing (moral hazards) affects bank managers' reluctance to participate in profit and loss

Table 2: a study on the descriptive statistics of hypotheses related to reasons for unwillingness to PLS banking

T-value	Standard deviation	Mean	Frequency	Likert scale					hypotheses
				Very low	Low	Partly	High	Very high	
6.68	0.84	3.33	285	5	10	139	131	0	1
15.40	0.61	3.56	285	0	1	114	171	0	2
22.64	0.64	3.86	285	0	1	78	165	41	3

According to table 2, the mean of all questions related to hypotheses is greater than 3. The maximum mean is related to the questions of hypothesis three with the value of 3.86. It means that Iranian banks managers believe that information asymmetry after the financing (moral hazard) is the most important factor that affects bank managers' reluctance to participate in PLS-banking. They believe that the information asymmetry before the financing (adverse selection) with the mean of 3.56 has the second rank of being a barrier to PLS banking. The minimum mean belongs to the questions of the hypothesis 1 with the value of 3.33. It means that environmental uncertainty affects the managers' reluctance to use PLS banking; however, its effect is at a lower level than the other two components.

Hypotheses of the 2nd section

- The index of “transparency of transactions and the reduction of exchanges cost” affects the bank managers' use of participatory banking.
- The index of “enhancing moralities in society” affects the bank managers' use of participatory banking.
- The index of “efficiency of banks monitoring systems” affects the bank managers' use of participatory banking.
- The index of “addressing deficiencies of banking rules” affects the bank managers' use of participatory banking .

Table 3: a study on the descriptive statistics of the hypotheses related to addressing PLS banking deficiencies

T-value	Standard deviation	Mean	Frequency	Likert scale					hypotheses
				Very low	Low	partly	High	Very high	
19.90	0.49	3.58	285	0	0	119	141	25	1
27.29	0.61	3.98	285	0	0	55	180	50	2
20.59	0.73	3.89	285	0	0	105	139	41	3
17.45	0.55	3.57	285	0	3	154	110	18	4

According to table 3, the mean of all questions related to the hypotheses is greater than 3. The maximum mean is related to the questions of hypothesis two with the value of 3.98. It means that Iranian banks managers believe that “enhancing moralities in the society” is the

most important factor for overcoming the barriers to participatory banking. Moreover, the banks managers believe that the index of “efficiency of banks monitoring systems” has the second rank and the indices of “transparency of transactions and the reduction of exchange

costs” and “addressing deficiencies of banking rules” have the third and fourth ranks related to overcoming the barriers to participatory banking.

Conclusion

The present paper studied the application of techniques of engineering economy in Islamic banking, and it applied the available real indices to confirm that Islamic banking could case more EVA than the conventional banking. Then, it attempted to understand the reason why the Islamic banks managers were not inclined to use PLS banking, while they were aware of its advantages. In order to understand the reasons for it, in the present paper which was an applied research study, the questionnaire was applied. The questionnaires were distributed to senior and middle managers of Iranian banks (13 banks including Meli, Mellat, Keshavarzi, Saderat, Tejarat, Refah, Maskan, Sepah, Eqtesad-e-Novin, Parsian, Pasargad, Saman, and Sarmayeh banks), the managers were 285 people. Since the researchers aimed to reach accurate analyses, sampling was not done and the statistical population was studied.

Iranian banks managers declared that information asymmetry after the financing (moral hazard) was the most important factor that affected bank managers' reluctance to participate in PLS-banking. They also declared that the information asymmetry before the financing (adverse selection) had the second rank of being a barrier to PLS banking. The minimum mean belonged to the hypothesis Ireferring to the environmental uncertainty. Moreover, Iranian banks managers believed that “enhancing moralities in the society “was the most important factor for overcoming the barriers to participatory banking. Moreover, they believe that the (DOI: dx.doi.org/14.9831/1444-8939.2014/2-7/MAGNT.24)

index of “efficiency of banks monitoring systems” had the second rank and the indices of “transparency of transactions and the reduction of exchange costs” and “addressing deficiencies of banking rules” had the third and fourth ranks related to overcoming the barriers to participatory banking.

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