
The effect of banks' debt creation on price stability: evidence from Middle East and North Africa

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Abstract: The purpose of the study is to examine the possible influence of the current money creation process applied by the commercial banks through the fractional reserve system on the overall prices stability in the MENA countries. The study uses yearly data spanning from 2005 through 2011 for 15 MENA countries, and applies panel regression analysis based on the pooled data set. The results indicate that neither outstanding deposits nor outstanding loans do have a significant influence on inflation.

Keywords: inflation, deposits, loans, MENA, fractional reserve banking

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Biographical notes: Osman Sayid Hassan Musse is a PhD candidate in Islamic Finance at the International Institute of Islamic Banking and Finance (IIIBF), International Islamic University Malaysia. His areas of interest include a wide range of themes: Islamic banking and finance, international finance, monetary economics and finance, etc.