Journal of Money and Economy
Vol. 12, No. 4, Fall 2017
pp. 419-442

Repairing the Organizational Trust to Maintain and Enhance Deposits in Iran

Arshad Hedayati* **Hossein Rahman Seresht†**

Received: 10 Oct 2018 Approved: 19 Jan 2019

Nowadays, the widespread connections among national and international organizations and industries make crisis in one area distress other organizations. One of the sensitive industries is banking industry, which has faced fundamental changes due to the various economic and political crisis in the last decade. Alterations such as exchange rates fluctuations, bankruptcy of unorganized institutions, economic sanctions and sanctions on banks cause crisis, which in turn result in the decrease in the public trust in banks, from both views of the depositors and stock investors. The present study, which is the first attempt in Iran, demonstrates approaches to the recreation and improvement of the trust in banking industry. To evaluate the hypothesis, a precise survey involving 455 banks customers, selected by random sampling method, was carried out in February 2018. According to the results, the trust in the government ownership have an important role in recreating of the trust in public sector banks. Besides, the role of state oversight and regulation extremely influences the recreation of the public trust in depositing in private sector banks. Most importantly, the trust in the government is significant on the increment of the trust in banking industry and the government ownership and regulation.

Keywords: Organizational Trust, Participation on Deposit Market, Deposit Market.
JEL Classification*:* E7, E44, E58, G2

1 Introduction

Nowadays, many organizations pay more attention to the factor of trust as an element of customer-orientation to improving the effectiveness of an organization (Abbaszadeh, Alizadeh Agdam & Eslami Bonab, 2011). More recently, researchers have turned to the relationship between the state and impersonal trust in the study of market renewal following financial crisis (Gillespie et al., 2012). The state is often asked to increase regulatory oversight and control following financial crisis, given the need to reassure investors that the violations of trust that often take place during periods of financial crisis are not repeated (Spicer & Pyle, 2002, Shapiro, 1987).

* Faculty of Management and Accounting, Allameh Tabataba'i University; arshad.hedayati@gmail.com (Corresponding Author)
† Faculty of Management and Accounting, Allameh Tabataba'i University; hrahmanseresht2007@gmail.com

Researchers have identified the widespread and persistent nature of state ownership across multiple industries in different countries and have shown that these modern state-owned enterprises are not just operating in protected domestic markets, but instead actively compete against private actors both at home and abroad. Others have remarked that state ownership and control is so strong in some developing countries that their economic systems are best described as “state capitalism” or “centrally-managed capitalism”. Despite these insights into the powerful role of the state as an owner in many economies around the world, few researchers have explicitly compared the state’s role as both a regulator and an owner. The state is rarely examined as a complex, fragmented organization that may produce and repair impersonal trust through means beyond its regulatory functions (Spicer & Okhmatovskiy, 2015).

To address this gap in the literature, we build on the institutional-based trust in organizational research to analyze the state as both an owner and a regulator. By institutional-based trust, we refer to a mode of trust production where “trust is tied to formal societal structures, depending on individual, firm-specific attributes (e.g. certification as an accountant), or intermediary mechanisms (e.g. use of escrow accounts). Under these conditions, market participants come to rely on collective rules, norms and intermediaries, rather than personal connections and relationships, to develop trust between unfamiliar actors (Bachmann, 2001, Bachmann & Inkpen, 2011, Möllering, 2006, Shapiro, 1987).

Recently, one of the most important and influential industries that has misplaced organizational trust is the banking industry. Several reasons are accounted for this situation. For one, it is the destructive roles of some non-bank financial institutions, which face with bankruptcies and financial embezzlement. Secondly, the increase in the profitability of competitor or parallel markets, such as gold and currency that negatively influence banking industry. Due to the nature of such industry activities they must be trustworthy, so at the current financial status it is necessary to introduce some measures to solve the problem of untrustworthiness. Considering the important role of the government in improving the organizational trust, the present study aims to analyze the function of state ownership and regulation in the banking industry.

All individual decisions about participation in the bank's deposit markets including all private and public bank customers are examined and the government is considered as the supervisor and controller. Studying the role of the state ownership in the increase or decrease of trust in depositing in private and public banks as well as the movement towards parallel and competitor markets is useful in the regulation of the economic, monetary and financial policies. Moreover, the recognition of the role of influential factors in the banking industry in Iran, which is done for the first time, is effective in enriching the knowledge on organizational trust.

We expect that higher levels of trust in the state as a regulator are likely to make individuals place their savings in private banks, and higher levels of trust in the state are likely to cause market participation through the state-owned bank. Finally, we suggest that lower levels of trust in state regulation and state ownership are likely to have strong, independent effects on an individual's decision to withdraw from impersonal market exchange. If individuals do not trust the state, they are likely to avoid the market altogether. (Spicer & Okhmatovskiy, 2015).

2 Research Literature

2.1 Theoretical Framework

2.1.1 Organizational Trust

It is suitable to considers trust as a multilevel concept that relates to the interactions of colleagues, teams and organizational levels. Trust is the provider of communication and discourse, and provide individuals with access to the exchange of intellectual capital (Castelfranchi & Falcone, 2010).

Trust exists in both personal and institutional forms. Institutional trust embraces two forms. Non-personal trust emerges in the field of organizational relationships, unlike personal trust that manifests itself in private relationships among individuals (Alwani & Hosseini, 2013).

In contrast to interpersonal trust between individuals who know each other directly, institutional-based trust facilitates impersonal trust between strangers (Kogut & Spicer, 2002). Trust is conceptualized slightly differently when researchers examine institutions as objects of trust. From this perspective, institutions are examined as direct targets of individual evaluation and assessment rather than as mediating structures that produce trust between unfamiliar actors. Bachmann and Inkpen (2011) refer to this second-order question of how and when institutions are trusted as the study of "trust in institutions".

2.1.2 The Market of Bank and Non-Bank Financial Institutions Deposits in Iran

The banking industry in Iran ages nearly a century. During this time, it has faced many wax and wane. In the early 2000s, during the introduction of changes in bank establishment laws, it was possible to establish private banks. The establishment of private banks led positive changes and the withdrawal from state monopolies, which resulted in a relatively favorable competitive environment and an increased quality services.

In recent years, the banking system of Iran has faced critical challenges such as banking sanctions, severe currency fluctuations, economic recession and bankruptcy of a large number of factories and, consequently, rising inflation and unhealthy competition in the banking industry. The main reason of this situation is higher rate of interest paid by non-bank financial and credit institutions. The crisis was intensified when various strikes happened after the bankruptcy of several non-bank institutions and their inability to pay customers' deposits. Eventually, the government and the Central Bank of Iran met some part of the obligations of these institutions and the remaining part was not organized until 2017. These crises, the distrust in the banking industry and the loss making of the majority of banks in 2016 and 2017 have driven the market and banks towards different markets such as housing, currency, coin, etc.

According to information released by the International Monetary Fund in 2011, there are 7000 non-bank credit institutions registered in Iran, of which only 5000 institutions are active. Meanwhile, 3500 institutes are Qarz Al-Hassaneh and the others are credit unions. The financial system of the country does not have high performance, and the institutions of the major money and credit market are not well-known. It is also easy for financial and credit institutions to work in such financial system. This has caused non-bank financial intermediation firms, as a problem on the way of growth and prosperity of the financial system, to fail the efficiency of the system (Sepahvand, 2016).

2.1.3 Market Participation Decisions

Studies show that many Iranians have been distrustful due to the banking crisis and the bankruptcy of non-bank institutes. Thus, they have deposited their money in the stable private or state banks. After the fluctuations in the market of foreign currencies and precious metals (a 35% increase in the price of dollar in the winter of 2017), some of the resources are invested in other markets such as gold and currency. All suggest a change in organizational trust for making the market participation better (Based on news and articles related to the reduction of mistrust of banks in news agencies (Tabnak News Agency, March 2018, news code of 574386, the Assr Bank news agency, June 2018, news code 155525, Farsi News agency, June 2017, Bourse Press agency, Aguste 2017)).

We use the context of the Russian deposit market to find individual-level empirical support for the general argument (as shown in Figure 1) that financial crises lead to changes in institutional arrangement that are trusted as well as to changes in the degree of trust in any particular institutional arrangement (Butzbach, 2013, Möllering, 2013).

In contrast, we suggest that individuals distinguish between the various roles of the state when making market participation decisions, therefore separating their evaluation of trust in the state as a regulator from their evaluation of the state as an owner in market settings. To test the proposition that market participants rely on such distinctions when assessing institutional-based trust, we develop hypotheses that predict differences in both the cognitive antecedents and behavioral consequences of an individual's trust in the state as a regulator and as an owner.

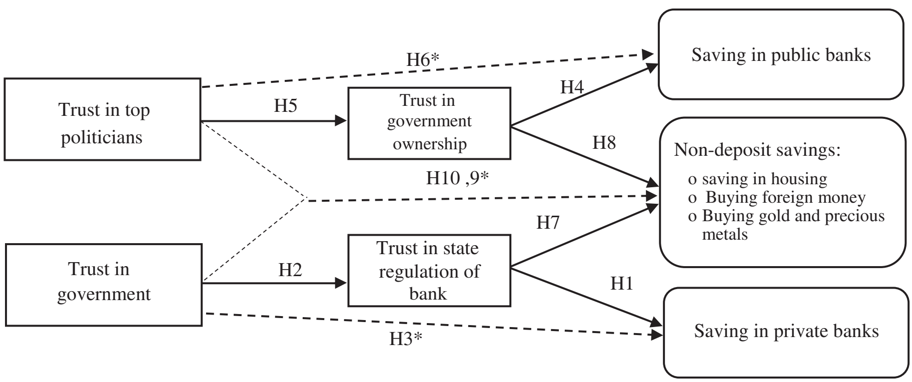

Figure 1. Trust in the state and type of market participation (the relationship between the two expected positive variables is predicted)
Source: Spicer & Okhmatovskiy 2015

Figure 1 presents our model. The dependent variable is the decision of an individual to place their savings into a private bank, a state-owned bank or no bank at all. Our independent variables capture an individual's level of trust in the state as an owner and as a regulator as well as their level of trust in the government and top politicians. By government, it means the bureaucratic actors that monitor and enforce formal rules and regulations. By politicians, it means the individuals elected to hold a political office at a particular time, (such as President or Prime Minister) (Levi, 1998). We propose that trust in government and in politicians are likely to act as important antecedent variables that have differential effects on an individual level of trust in the state as a regulator and as an owner and, in turn, on the individual's choices to participate in the bank deposit market (Spicer & Okhmatovskiy, 2015).

2.1.4 Trust in Government Regulation

In this section, we examine the antecedents and consequences of trust in the state as a regulator, as illustrated in Figure 1 by the proposed relationship between trust in government, trust in regulations, and the decision to invest in a private bank. These linkages are based on view of regulation as emanating from a classical Weberian bureaucracy. The state's role as a regulator is found on a rule-bound system of authority where government behavior is based on a commonly agreed-upon set of transparent rules and procedures that apply equally to all citizens and protecting citizens from an arbitrary application of the law influenced by the personal or political interests of office holders or regulators (Pearce, 2001).

Institutional-based trust researchers have built on the ideal model of the bureaucratic state to demonstrate that a stable and transparent rule-based system of market supervision has a strong, positive effect on economic development and investment. In her analysis of impersonal trust in the modern economy, Shapiro (1987) notes that governments create and maintain procedural norms, structural constraints, entry restrictions and policing mechanisms to control economic agents and produce impersonal trust. Zak and Knack (2001) show that the strength of the state in protecting property rights and enforcing contractual agreements is strongly correlated with expressed attitudes of general trust in a community as well as with measures of economic performance.

Rao et al. (2005) similarly find that higher levels of bureaucratic quality at a country level lead to higher levels of impersonal trust among business associates. Gillespie et al. (2012) also point to the state as an agent of institutional-based trust repair following financial crisis; they propose that regulation specifically designed to build and maintain trust in the system is needed to rebuild markets following periods of financial collapse. (Spicer & Okhmatovskiy, 2015).

In the banking system of Iran, deposit insurance scheme and reservation of 12% of the deposits in the Central Bank of Iran include a set of rules that guarantee reimbursement of deposits; which affect the tendency of individuals for saving money in private banks. If the state provides the conditions for a bank to be ensured against a collapse or crisis, market partners increase deposition in private banks (Demirguc-kunt & Kane, 2002).

The institutional-based trust literature further suggests that an individual's level of trust in specific banking regulation is likely nested within higher-level attitudes about trust in state regulation and control. For instance, Shapiro (1987) suggests the identification of the role of the state in trust production only represents a first-order examination of impersonal trust in modern economies. While the activities of the state may facilitate impersonal trust, she notes that "the guardians of trust are themselves trustees" (Shapiro, 1987).

Levi (1998) also explores the second-order question of trust in guardians when the state is as an agent of institutional-based trust: "If the state is one of the institutions – and, in many cases, the most important institution – for promoting generalized trust, it plays this role only if the recipients of these services consider the state itself to be trustworthy". She proposes that the state produces trust in its ability to operate as an impartial regulator through the creation of bureaucratic arrangements. The arrangements reward competence and relative honesty by bureaucratic agents to the extent that citizens and groups recognize that bureaucrats gain reputational benefits from competence and honesty. The regulator will expect bureaucrats to be trustworthy and act accordingly. (Levi, 1998).

When individuals perceive government actions because of fair and transparent rules of the game, rather than as driven by political or personal interests, they are more likely to trust regulations in practice. Pearce's (2001) discussion of the trust-producing role of the state is also consistent with the distinction between personal and impersonal guardians of trust. Like other institutional-based trust researchers, she argues that the state plays a powerful role in providing structural assurances to economic actors that enable them to cooperate and exchange beyond what can be accommodated by friendship or personal connections. She notes that the institutional context in which impersonal trust takes place requires an analysis of the bureaucratic quality of the state. Individuals are more likely to rely upon the state to structure impersonal exchange if they hold corresponding attitudes that the government itself will monitor and enforce common rules of market behavior in a fair and consistent manner (Spicer & Okhmatovskiy, 2015).

2.1.5 Trust in Government Ownership

As illustrated in Figure 1, we now explicate the argument that institutional-based trust in the state sector of the deposit market is likely to take place through different mechanisms than in the private sector. In particular, we propose that the primary guardians of institutional-based trust in state owned enterprises are top politicians rather than the government bureaucracy, and therefore an individual's level of trust in top politicians, rather than in the government, is likely to influence their decision to place savings. We expect that market participants evaluate the services of state-owned banks like any other bank; for instance, assessing the convenience of bank branches and the level of interest rates when determining where to deposit their savings. However, we also expect that an individual's level of trust in the state ownership of banks is likely to have an independent effect on their market participation choices. Depositors are interested in the security of their savings and the state ownership of banks is perceived as an important sign of safety in an otherwise turbulent marketplace (Spicer & Okhmatovskiy, 2015).

A number of reasons suggest why potential depositors are likely to evaluate the political structures that produce and maintain institutional-based trust in state-owned banks differently than the regulatory systems designed to supervise private banks. Management researchers have frequently remarked on the weak rule of law in emerging economies, and the subsequent importance of personal relations and ties as a critical element of everyday political and economic activity (Child & Möllering, 2003).

According to general surveys, Iranian citizens consider the state and the president as holders of existing political power. Some influential politicians are also elected.

In state companies, top-level politicians, often acting through their proxies on the enterprises' boards of directors, possess the right to gain direct access to organizational information, to call for personal meetings with top executives, to hire and fire these executives, and to insist on strategic change or increased oversight. Governments in many developed economies have made a commitment to decrease these types of political interventions into the management of state-owned firms as an attempt to improve their efficiency without privatization (Whincop, 2005). Yet, in many emerging economies, legal constraints over political intervention have limited the governance of state-owned enterprises (Liu & Sun, 2005; Robinett, 2006).

Since the president faces many challenges in directly controlling the bureaucratic actors that control regulatory agencies, market participants may therefore come to believe that the president's ability to shape economic outcomes is stronger when he, and his broader political team, can directly influence the strategy and management of state-owned enterprises. If individuals believe that the president, if necessary, will interfere to honor deposit obligations, they may believe that depositing their savings with prominent state-owned banks is a relatively safe strategy, even if they do not trust the broader regulatory system to routinely and fairly implement a rule of law.

If market participants trust individual politicians to govern in the public interest, then the state as an owner may be able to attract participation into the marketplace in a manner that the state as a regulator cannot. Therefore it is expected that the more an individual trusts a country's top elected politicians, the more likely he or she will consider the state ownership of banks to be trustworthy (Spicer & Okhmatovskiy, 2015).

2.1.6 Organizational Trust and Market Avoidance

We finally examine market avoidance because of low levels of trust in state regulation and state ownership. An important implication of the institutional-based trust is that individuals may avoid the market altogether if trust in institutions erodes, and therefore the choice in a household savings decision is not simply whether to keep savings in a state-owned or a private bank, but whether to use banks at all.

Jonsson, Greve and Fujiwara-Greve (2009)'s study of "transactional avoidance" as an investor response to market scandal similarly identifies the possibility of a mass withdrawal from impersonal exchange if institutional trust erodes. They demonstrate that transactional avoidance took place across the entire marketplace for mutual funds in Sweden following a scandal in a single fund. Investors shunned not only the firms in which the scandal initially occurred but also related firms within the broader industry. The possibility of transactional avoidance is particularly important in the study of the retail banking market. The decision to keep savings in the state-owned bank may not necessarily lead to the crowding out deposits in private banks but instead may reflect a decision to enter the market rather than sit on the sidelines. In this case, an increase of the trust in state ownership has the potential to increase the overall size of the market; individuals who distrust state regulation may nonetheless participate in the market by transacting with state-owned enterprises (Spicer & Okhmatovskiy, 2015).

2.2 Overview of Research Background

Möllering (2013) uses the example of financial crisis to illustrate why a distinction between institutions as sources and objects of trust remains important in empirical research. He observes that the level of trust in the regulatory institutions, designed to oversee and regulate private actors, often declines in the aftermath of financial crisis. If social controls had failed to curtail violation of trust in the past, then market participants are likely to remain skeptical that they will perform better in the future. Yet, Möllering

(2013) posits that researchers need to explore "not just 'how much' but also 'how' people" trust, suggesting that without an analysis of institutions as objects of trust, possible changes in how people trust following crisis may be overlooked. For instance, while individuals may begin to decrease their trust in some institutional arrangement following crises, they may also come to increase their trust in others, partially out of a necessity to seek new ways of producing impersonal trust in an environment where the reliability of existing institutional rules and norms are challenged.

Butzbach's (2013) description of deposit movements from one type of bank to another in Britain following the recent global financial crisis illustrates the argument about a possible switch in the basis of trust following a financial collapse. In his analysis of trends in deposit withdrawals in British banks during the peak of the 2008 crisis, Butzbach (2013) observes that British building societies fared much better than joint-stock banks during that period. When most joint-stock British banks suffered an increase in deposit withdrawals in the wake of the collapse of Northern Rock, banks with more trusted governance systems, such as building societies, actually experienced an increase in deposits. The depositors did not simply leave the market, but instead sought out new organizational forms that they believed would be more trustworthy.

In this paper, we also explore the possibility that institutional-based trust may be produced through alternative mechanisms, and these differences might explain patterns of market participation in impersonal markets.

3 Research Methodology and Interpretation of Results

The present study is a survey aiming to provide a solution to strengthen the trust in the banking industry in Iran. In order to test some hypotheses, a precise survey was conducted in February 2017 among Iranian banking customers. Random sampling is used to select the respondents. Customers of private banks and state-owned banks, and ordinary people are addressed to complete the questionnaires of this study. Data collection is done through an interview in Tehran. A total of 455 (With unlimited society assumptions and a 95% confidence level, the sample size is 385, but 470 samples are selected to ensure that completed questionnaires are sufficient). Complete questionnaires are collected from individuals, age over 18 years, through a structured interview.

3.1 Research Hypotheses

According to the literature, we first propose that the mere presence of banking regulation does not necessarily have an impact on individual economic behavior. Instead, a more exact variable of institutional impact is the degree to which an individual trusts formal banking regulations that operate as promised. Individuals need to trust regulations before they rely upon them to structure market activity with private actors. We therefore expect that, all else being equal, individuals who express higher levels of trust in state regulation will be more likely to deposit their savings into a private banking organization. Thus, the following hypotheses are investigated.

Hypothesis 1: The more that an individual trusts banking regulation, the more likely this individual choose to deposit savings into a private bank.

On the other hand, it is expected that public trust in state also affects trust in banking regulations.

Hypothesis 2: The more that an individual trusts the government, the more likely this individual trust banking regulations

Taking hypotheses 1 and 2 together, we further suggest that trust in regulation is likely to act as a mediating variable between trust in government and the decision to participate in the private market for retail banking services. By mediation, we mean that the effect of trust in government on the decision to deposit savings in a private bank is likely to take place through an individual's attitude toward specific banking regulations. General attitudes of trust toward the government are then likely to influence specific attitudes of trust in banking regulations. In turn, trust in banking regulations is likely to increase the likelihood that an individual deposits their savings with a private bank. The proposed mediating effect is expressed in the following hypothesis:

Hypothesis 3: Trust in banking regulation mediates the relationship between general trust in the government and the willingness to deposit savings into a private bank.

If everything is activated altogether, those who have more trust in the government ownership of banks will deposit in government banks.

Hypothesis 4: The more that an individual trusts the state ownership of banks, the more likely this individual will choose to deposit savings into a state bank.

Hypothesis 5: The more that an individual trusts high-level elected politicians, the more likely this individual will trust the state ownership of banks.

We finally propose that trust in state ownership will act as a mediating variable that explains the relationship between an individual's trust in top politicians and the decision to deposit savings into a state-owned bank. We expect that a higher level of trust in politicians is likely to lead to a greater trust in the governance of state-owned enterprises, which, in turn, will positively influence the decision to deposit savings in a state-owned bank.

Hypothesis 6: The trust of individuals in government ownership shows the relationship between trust in top politicians and the amount of deposits in a government bank

Considering the researches in the field of banking industry in Iran and the results of a questionnaire, market avoidance in Iran could be of various forms, most notably gold purchases, currency purchases and investments in the field of housing. The effect of trust in the banking industry on the tendency of customers towards these markets is investigated in this study. If the estimation of the level of organizational trust is low, it is likely that a person will remove his savings from the market system.

Hypothesis 7a: If the estimation of people's level of trust in government regulations is low, the likelihood will increase for individuals to save money by buying houses to avoid the market.

Hypothesis 7b: If the estimation of people's level of trust in government regulations is low, the likelihood will increase for individuals to save money by buying gold to avoid the market.

Hypothesis 7c: If the estimation of people's level of trust in government regulations is low, the likelihood will increase for individuals to save money by buying currencies to avoid the market.

Hypothesis 8a: If the estimation of the level of people's trust in government ownership is low, the likelihood will increase for individuals to save money by buying houses.

Hypothesis 8b: If the estimation of the level of people's trust in government ownership is low, the likelihood will increase for individuals to save money by buying gold.

Hypothesis 8c: If the estimation of the level of people's trust in government ownership is low, the likelihood will increase for individuals to save money by buying currencies.

As you know, this paper examines how to trust top politicians and the government's impact on market avoidance, and presents the results in Figure 1. In other words, public trust in government is only achieved through confidence in the effectiveness of the government regulations, because trust in government regulations clearly expresses the relationship between trusting government and saving money in cash (non-depository). Similarly, public trust in elected politicians is likely achieved through trust in government ownership. In this way, trust in government ownership distinguishes the relationship between trusting top politicians and making cash saving decisions (non-depository) (Spicer & Okhmatovskiy, 2015). The realization of this will lead to the following hypotheses:

Hypothesis 9a: Individuals' trust in government regulation expresses the relationship between trust in government and decision-making about saving money in the form of housing investments and acts as an intermediary or mediator.

Hypothesis 9b: Individuals' trust in government regulation expresses the relationship between trust in government and decision-making about saving money in the form of gold investments and acts as an intermediary or mediator.

Hypothesis 9c: Individuals' trust in government regulation expresses the relationship between trust in government and decision-making about saving money in the form of currency investments and acts as an intermediary or mediator.

Hypothesis 10a: Individuals' trust in government ownership affects trust in top politicians and decision-making about saving money in the form of housing investments and creates a deep relationship between them.

Hypothesis 10b: Individuals' trust in government ownership affects trust in top politicians and decision-making about saving money in the form of gold investments and creates a deep relationship between them.

Hypothesis 10c: Individuals' trust in government ownership affects trust in top politicians and decision-making about saving money in the form of currency investments and creates a deep relationship between them.

3.1 Research Variables

The main dependent and independent variables of the study are described in Table 1.

Variables of decision for depositing: In order to evaluate decisions around depositing, all responses provided about depositing in state-owned and private banks, stocks, investment in housing, purchase of gold and precious metals, and purchase of currency or cash have been discussed. In the first question, the respondents encountered a list of different options for saving and they are asked to select only three options from the list. The results are very interesting and different from those of other studies. "Deposit in private banks", "investment in housing", "purchase of gold and precious metals", "deposit in government banks" and "purchase of currency" are respectively the first five priorities with the highest percentages.

Control variables: In the first step, the demographic information of the respondents including gender, age, education level and income are asked. In the second phase, some non-institutional factors that may affect the respondents' savings are also examined. The Respondents are asked to select three features of a bank which is suitable for deposits. The list included "interest rate" (high and low), "bank proper location", "familiarity with the bank staff", "familiarity with other customers", "reputation and reliability", "high-quality banking services" and "recommendations from family and friends". In fact, these options create control variables using encryption and provide each item, an important feature affecting decision making on depositing in banks. The results indicate that "reputation and reliability", "interest rate", "high-quality banking services", "bank proper location" and "familiarity with the bank staff" are respectively the priorities of customers in selecting banks.

Table 1
Dependent and Independent Variables

The main component	Relevant variables
Trust in Top Politicians	-Trust in the Islamic Republic of Iran (fulfillment of obligations, security and welfare) -Trust in the current president -Evaluation of the current president's performance
Trust in The Government	-Trust in the government of the Islamic Republic of Iran -The current government's ability to improve the economic situation of the country in the coming years
Trust in the Government Ownership	-Integrity, reliability and credit of the state-owned banks
Trust in the Government Regulation	-Private banks in Iran subject to the government laws and regulations -Guaranteed repayment of deposits by the government in case there is a problem

Source: Research Findings

Factor analysis is used to analyze the validity of the questionnaire. The results show that the factor load of all measures are above 0.5. The results of varimax rotation confirms the relevance of each measure to the mentioned variables. With 10 measures related to the 4 main variables, we analyze 81% of the relevant results, which is statistically significant. The results of the reliability test of the instrument through Cronbach's Alpha indicate that the questionnaire have an acceptable reliability because the results of all variables are above 0.7.

3.3 Interpretation of Results

Logistic regression is used to examine the effect of organizational trust in deposit-based decisions. Baron and Kenny's (1986) approach is used to investigate the relationship between the "trust in the government ownership" and "government regulations" and their impact on the processes. In order to investigate the “trust in the government ownership" and its impact on the relationship between the "trust in top politicians" and "deposit-based decisions", regression analysis is used. The results demonstrate: (1) The effect of trust in "top politicians" on "trust in government ownership" and “deposit-based decisions”. (2) The effect of "trust in government ownership" on "deposit-based decisions". (3) The effect of trust in "top politicians" on “deposit-based decisions” (when trust in government ownership is added to this model). In the next step, the same approach is used to investigate the effect of "trust in government regulations" on the relationship between "trusts in government decisions", "deposit decisions" and others.

Structural Equation Modeling (SEM) is one of methods used to estimate the existing relationships among variables. SEM provides conditions for simultaneously analyzing the relationships between the variables under consideration and the mediation hypotheses (Spicer and Okhmatovskiy, 2015).

A total number of 455 participants from different age groups are interviewed. 56% of the participants in the survey have university qualifications. Their demographic information is described in Table 5. The results of logic analysis are also presented. Descriptive and correlation statistics between all the variables used in this analysis are presented in Table 6.

Table 2 shows a summary of the regression results for the selected models. In model 1, a basic model is considered along with control variables. "Trust in top politicians" and "trust in the government" are added. Model 2 demonstrates "trust in the government" has a positive effect on deposits in private banks, while "trust in top politicians" is not much effective. Model 3 shows that, according to hypothesis 1, "trust in government regulation" is positively correlated to deposit in private banks. On the other hand, this model shows that trust in "government ownership" has a negative relationship with deposit in private banks.

The results of testing hypothesis 2 on the effect of "trust in the government" on trust in "government regulations" are reported in Table 4 (models 3 and 4). Model 3 also brings together the control variables, and model 4 shows that "trust in the government" have a positive impact on "trust in government regulations". This is one of the set of results predicted by hypothesis 2. To examine hypothesis 3, which is about the effect of the mediation of “trust in government regulations”, the significant effect of “trust in the government” on deposit in private banks, are considered as a dependent variable (Table 4). If "trust in government regulation" is added to model 4 of Table 2, "trust in the government" is completely abandoned and trust in "government regulation" will be confirmed.

Given the evidence that "trust in the government" has a positive effect on "trust in government regulations" (Table 4, model 4), "trust in the government" also have a positive effect on deposits in private banks (Table 2, model 2). In fact, the results of hypothesis 3 are confirmed and suggest that trust in "banking regulations" will change the relationship between "trust in the government" and "willingness to deposit in private banks". The results of the effect of control, independent and intermediary variables on investment in government banks are shown in Table 4. The results show that model 1 is considered as the basic model for control variables. In model 2, the levels of "trust in the government" and "trust in top politicians" have increased. In other words, "trust in politicians" does not have a significant effect on deposit in the government banks. In addition, "trust in the government" is not so important for saving in the government banks. Regarding deposit in the government banks, model 3 shows that "trust in government ownership" is predicted as hypothesis 4, while "trust in government regulations" has a negative effect on deposit in the government banks. The results of testing hypothesis 5 about the effect of "trust in top politicians" on "trust in government ownership" are reported in Table 4 (models 1 and 2). Model 1 only uses control variables, and model 2 shows that trust in the president has a positive effect on trust in government ownership; this is predicted by hypothesis 5.

Trust in "government ownership" and trust in "top politicians" are simultaneously placed in model 4 of Table 3 and the results show that "trust in top politicians" has a significant effect on the prediction of deposits in government banks. While "trust in government ownership" is very important in deposits in government banks. Given the recent evidence of "trust in top politicians" and its positive effect on "trust in government ownership" (Table 4, model 2), trust in top politicians also have a positive effect on deposit in government banks. These results confirm hypothesis 6 and distinguish between the "trust in the president" and "deposit in government banks".

Table 2

Correlation Results for Savings in Private Banks

	Model 1 (control variables)				**model2 (control and Independent variables)**			
	B	Wald	Sig.	Exp(B)	B	Wald	Sig.	Exp(B)
PBI	.918	16.021	.000	2.503	.974	18.933	.000	2.649
PCL[b]			.441				.219	
PBE[c]			.192				.276	
PBT[d]			.824				.913	
PBQ[e]	.674	9.116	.003	1.961	.677	9.479	.002	1.969
Gender	.989	10.969	.001	2.689	1.046	12.363	.000	2.846
Age		9.622	.047				.160	
Education			.653				.358	
Income[f]		12.111	.007				.060	
T in P[g]							.577	
T in G[h]					.688	10.481	.001	1.990
T in GO[i]								
T in SR[j]								
N		406				406		
chi-sq[k]		65.01				56.79		
df		9.00				11.00		
2- Log		496.411[b]				504.622b		
C&S R Sq[l]		0.148				0.131		
N R Sq[m]		0.197				0.174		
h&l[n]	chi-sq	9.766	sig	.282	chi-sq	8.488	sig	.292
	Model 3 (control and mediator variables)				**Model 4 (all variabels)**			
	B	Wald	Sig.	Exp(B)	B	Wald	Sig.	Exp(B)
PBI	1.128	18.179	.000	3.089	1.149	18.489	.000	3.154
PCL[b]			.088				.071	
PBE[c]	.710	5.612	.018	2.034	.726	5.835	.016	2.067
PBT[d]			.173				.154	
PBQ[e]	.899	12.072	.001	2.458	.865	10.977	.001	2.375
Gender	.677	9.948	.002	2.859	1.091	10.391	.001	2.976
Age			.190				.263	
Education			.214				.373	
Income[f]			.175				.183	
T in P[g]					.169	4.801	.028	1.184
T in G[h]							.781	
T in GO[i]	-.487	16.335	.000	.615	-.596	20.459	.000	.551
T in SR[j]	1.211	73.168	.000	3.356	1.216	71.685	.000	3.372
N		406				406		
chi-sq[k]		161.30				166.15		
df		11.00				11.00		
2- Log		400.113a				395.269a		
C&S R Sq[l]		0.328				0.336		
N R Sq[m]		0.438				0.448		
h & l[n]	chi-sq	14.458	sig	.071	chi-sq	9.055	sig	.338

note. a: Preference for a bank with high interest rates, b: Preference for a conveniently located bank, c: Preference for a bank with friends or relatives among employees, d: Preference for a bank where trusted and reputation, e: Preference for a bank with high quality of services, f: Income of a respondent(monthly), g: Trust in top politicians, h: Trust in government, i: Trust in government ownership, j: Trust in state regulation of bank, k: omnibus chi-sql Cox & Snell R Square, m: Nagelkerke R Square, n: Hosmer & Leme show.

Source: Research Findings.

Table 3
Correlation Results for Savings in public Banks

	Model 1 (control variables)				**model2 (control and Independent variables)**			
	B	Wald	Sig.	Exp(B)	B	Wald	Sig.	Exp(B)
PBI			.575				.289	
PCL[b]			.575				.575	
PBE[c]	.779	8.352	.004	2.179	.779	8.352	.004	2.179
PBT[d]	.789	9.178	.002	2.202	.789	9.178	.002	2.202
PBQ[e]			.126				.126	
Gender			.425				.425	
Age			.067				.067	
Education		37.061	.000			37.061	.000	
Income[f]			.758				.758	
T in P[g]		27.167	.000			27.167	.000	
T in G[h]			.575				.575	
T in GO[i]	.779	8.352	.004	2.179	.779	8.352	.004	2.179
T in SR[j]	.789	9.178	.002	2.202	.789	9.178	.002	2.202
N	406				406			
chi-sq[k]	66.43				66.43			
df	9.00				11.00			
2- Log	466.222b				466.222b			
C&S R Sq[l]	0.151				0.151			
N R Sq[m]	0.207				0.207			
h&l[n]	chi-sq	6.106	sign	.527	chi-sq	6.106	sign	.527

	Model 3 (control and mediator variables)				**Model 4 (all variabels)**			
	B	Wald	Sig.	Exp(B)	B	Wald	Sig.	Exp(B)
PBI			.289				.194	
PCL[b]			.342				.332	
PBE[c]			.197				.275	
PBT[d]			.166				.155	
PBQ[e]			.550				.913	
Gender			.123				.156	
Age		25.471	.000			22.450	.000	
Education			.727				.922	
Income[f]		17.976	.000			14.826	.002	
T in P[g]					-.288	12.966	.000	.749
T in G[h]							.938	
T in GO[i]	1.152	68.082	.000	3.163	1.382	72.138	.000	3.984
T in SR[j]	-.483	15.783	.000	.617	-.454	13.126	.000	.635
N	406				406			
chi-sq[k]	152.20				166.02			
df	11.00				13.00			
2- Log	380.460a				366.636a			
C&S R Sq[l]	0.313				0.336			
N R Sq[m]	0.428				0.459			
h & l[n]	chi-sq	11.597	chi-sq	11.597	chi-sq	11.597	chi-sq	11.597

note. a: Preference for a bank with high interest rates, b: Preference for a conveniently located bank, c: Preference for a bank with friends or relatives among employees, d: Preference for a bank where trusted and reputation, e: Preference for a bank with high quality of services, f: Income of a respondent(monthly), g: Trust in top politicians, h: Trust in government, i: Trust in government ownership, j: Trust in state regulation of bank, k: omnibus chi-sql Cox & Snell R Square, m: Nagelkerke R Square, n: Hosmer & Leme show.
Source: Research Findings.

Table 4
The Results of The Correlation Between Trust in Government and Trust in State Regulation and Controlling

	Trust in government (T in G)				**Trust in state regulation and controlling (T in SR)**			
	Model 1 (control variables)		Model2 (control and independent variables)		Model 1 (control variables)		Model2 (control and Independent variables)	
	Beta	Sig.	Beta	Sig.	Beta	Sig.	Beta	Sig.
PBI	.067	.182	.066	.158	-.072	.168	-.094	.059
PCL	**.268**	**.000**	**.243**	**.000**	-.033	.526	-.032	.533
PBE	**.219**	**.000**	**.205**	**.000**	.003	.961	-.014	.794
PBT	.071	.162	.058	.208	-.050	.365	-.050	.341
PBQ	**.181**	**.000**	**.131**	**.004**	**2.120**	**.035**	.071	.163
Gender	-.037	.456	-.057	.216	**2.759**	**.006**	**.124**	**.017**
Age	**.175**	**.001**	**.202**	**.000**	.828	.408	.012	.810
Education	.039	.480	-.033	.514	**3.218**	**.001**	**.144**	**.004**
Income	**-.147**	**.006**	**-.143**	**.004**	**3.089**	**.002**	**.101**	**.043**
T in P			**5.864**	**.000**			-.071	.290
T in G			.617	.538			**.337**	**.000**
N	405		405		405		405	
F	6.35363554		13.1927209		6.21833725		13.1927209	
sig	0		0		0		0	
df	9/396		11/394		9/396		11/394	

Source: Research Findings.

As pointed out previously, the preference of Iranians, after deposits in banks, is investment in other markets such as gold, currencies and housing. The presented regressions include models that show the effect of the intended variables on cash savings. The results of the analysis only accept the hypotheses 8a and 8b and other hypotheses are rejected.

On the other hand, very interesting effects have been observed for the control variables. If interest rate is high, deposit in private banks will be a priority. Government banks are chosen because of their proper location and familiarity of customers with their staff more than other reasons. Women prefer to invest in private banks.

Figure 2 summarizes the results of SEM. Using SEM, the effect of recent covariates on all deposit variables are evaluated simultaneously.

Investigations of simultaneous effect of intermediary and independent variables show that they have no significant effect on investment in housing. Figure 3 shows the results for variables which have significant effects.

Figure 2

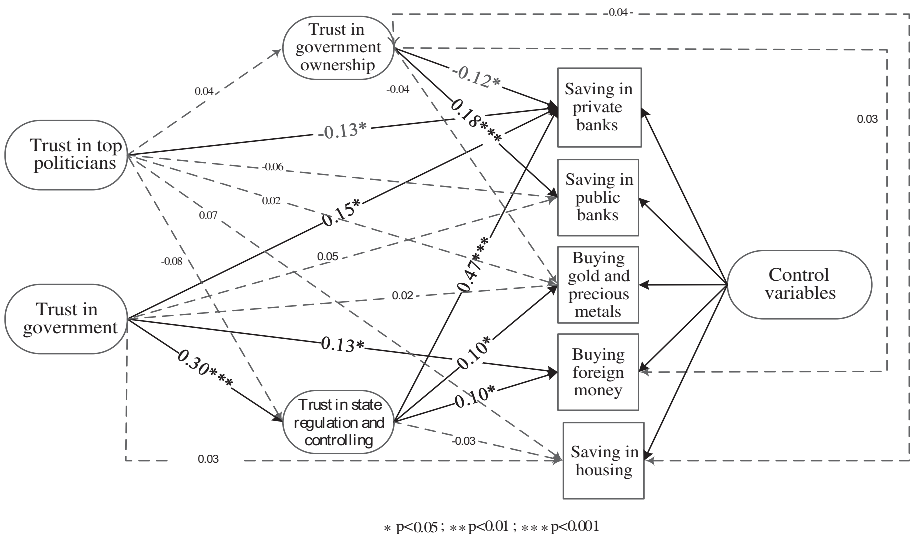

Figure 2. SEM Results (all variables)
Source: Research Findings.

4 Conclusion and Suggestions

Table 5 shows that trust in top politicians only has a significant negative effect on depositing in private banks. Meanwhile, the other independent variable, "trust in the government", plays a very significant role in influencing the intermediary variables and choices. This independent variable has a positive significant effect on the intermediary variable of "trust in government regulations" as well as deposits in private banks and currency purchases. The intermediary variable of "trust in government regulations" has a positive significant effect on deposits in private banks, gold and currency purchases. The intermediary variable of "trust in government ownership" has a significant negative effect on deposits in private banks and has a positive effect on deposits in government banks.

Table 5
The Direct or Indirect Influence or Role of Each of the Variables in Customer Choices

		Trust in top politicians	**Trust in government**	**Trust in government ownership**	**Trust in state regulation and controlling**
Saving in private banks	Direct	-0.13	0.15	-0.12	0.47
	Indirect		0.141		
	All	-0.13	0.291	-0.12	0.47
Saving in public banks	Direct	-	-	0.18	-
	Indirect	-	-	0	-
	All			0.18	
Buying gold and precious metals	Direct	-	-	-	0.1
	Indirect	-	0.03		-
	All		0.03		0.1
Buying foreign money	Direct	-	0.13	0.1	-
	Indirect	-	0.03	-	-
	All		0.16	0.1	

Source: Research Findings.

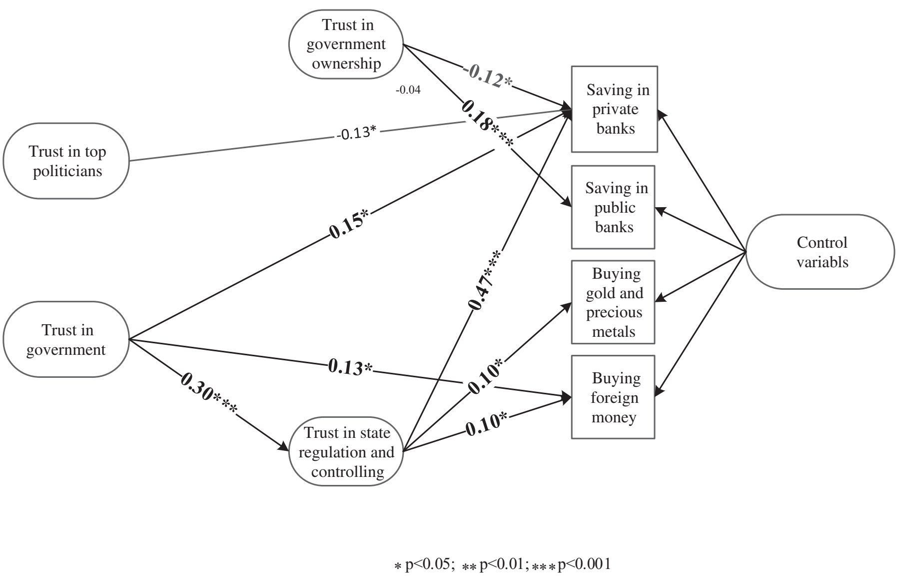

Figure 3. SEM results and meaningful impact of each of the variables.

Source: Research Findings.

According to previous reports, financial crises lead to major changes in institutional and organizational facilities (Bachmann, 2013, Möllering, 2013). The historical trend in depositing in the banking industry in Iran shows that deposits are driven towards markets with higher interest rates. For example, examination of the process of transfer of deposits during 2001-2011 shows that deposits are driven from the state-owned banks to private banks due to higher interest rates of private banks. In the early 2010s, the fluctuations in foreign currencies and the stock market drove liquidity towards the currency and stock market, and consequently liquidity was shifted towards unauthorized (non-bank) institutions in the Iranian financial market. Therefore, in general, the following ideas are suggested.

Suggestion1: According to the results, trust in the government has the highest positive effect on the intermediate factor of "trusting in the role of the government's regulation and oversight", which in turn has the highest positive impact on depositing in private banks. Because the guarantee of repayment of deposits and observance of the rules in private banks are expressed in this factor. Therefore, it is suggested that, in order for the Central Bank to increase confidence in private banks and support this sector, it should strengthen the role of its banking regulation and strict monitoring, particularly for private banks. For example, currently monitoring the rate of interest on deposits is one of the priorities of the Central Bank because of the existent evidences on out-of-context behaviors in some private bank; such as disobeying the amount of profits authorized by the Central Bank.

Suggestion 2: Obeying the laws and regulations of the state and the Central Bank strengthen and guarantee the development of depositing in these banks.

Suggestion 3: The only effective factor on enhancement in the attraction of deposits in state-owned banks is the trust in the government ownership. Therefore, these banks should emphasize on this in their advertising and promotion programs. In addition, the increased trust in the government reduces the trust in depositing in private banks.

Suggestion 4: Investment in housing market is not affected by any independent and intermediary variables. It is suggested that the government pursue other factors for its policies. According to the author, these variables could be the Central Bank credit policies, housing market conditions and security issues.

Suggestion 5: The movement of cash towards the foreign exchange market and precious metals is similar to the movement towards private bank deposits, and it is influenced by the trust in the government and in the role of government regulation and control. It seems that the supervision of these two variables partly manage these two markets, but it is not enough.

Suggestion 6: Based on the results, if the government seeks restoring the trust in the banking industry, it should focus on factors such as; trust in the role of regulating and monitoring of the government, trust in government ownership, trust in the government, and finally trust in top politicians. Of course, these factors play different roles in different markets.

References

Abbaszadeh, Y., Alizadeh Agdam, M., & Eslami Bonab, R. (2011). *Trust In Executive Organizations and Its Effective Factors,* Applied Sociology, 22, 83-85.

Alwani, S. M., & Hosseini, S. S. (2013). Reflection on Theoretical Foundations, Concepts and Models of Institutional Trust (Organizational). *Quarterly Journal of Measuring and Evaluation of Education*, 3(4), 105-141.

Bachmann, R. (2001). Trust, Power and Control in Trans-Organizational Relations. *Organization Studies*, 22, 337–365.

Bachmann, R., & Inkpen, A. C. (2011). Understanding Institutional-Based Trust Building Processes in Interorganizational Relationships. *Organization Studies*, 32, 281–301.

Baron, R. M., & Kenny, D. A. (1986). The Moderator–Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations. *Journal of Personality and Social Psychology*, 51(6), 1173-1182.

Butzbach, O. (2013). *Trust in Banks*. Paper presented at the EGOS 2013 Colloquium in Montreal.

Castelfranchi, C., & Falcone, L. (2010). *Trust Theory: Asocio-Cognitive and Computational Model*, UK: Wiley

Demirgüç-Kunt, A., & Kane, E. J. (2002). Deposit Insurance Around The Globe: Where Does It Work?. *Journal of Economic Perspectives,* 16, 175–195.

Gillespie, N., Hurley, R., Dietz, G., & Bachmann, R. (2012). *Restoring Institutional Trust after the Global Financial Crisis: A Systemic Approach*. In R. Kramer & T. Pittinsky (Eds.), Restoring Trust in Organizations and Leaders: Enduring Challenges and Emerging Answers (185–215). Oxford, UK: Oxford University Press.

Jonsson, S., Greve, H. R., & Fujiwara-Greve, T. (2009). Undeserved Loss: The Spread of Legitimacy Loss to Innocent Organizations in Response to Reported Corporate Deviance. *Administrative Science Quarterly*, 54, 195–228.

Kogut, B., & Spicer, A. (2002). Capital Market Development and Mass Privatization Are Logical Contradictions: Lessons from Russia and the Czech Republic. *Industrial and Corporate Change*, 11, 1–37.

Levi, M. (1998). *A State of Trust*. In V. Braithwaite & M. Levi (Eds.), Trust and governance (77–101). New York: Russell Sage Foundation.

Liu, G. S., & Sun, P. (2005). *Ownership and Control of Chinese Public Corporations: A State-Dominated Corporate Governance System*. In K. Keasey, S. Thompson, & M. Wright (Eds.), Corporate Governance (389–414). Chichester, UK: John Wiley & Sons.

Möllering, G. (2006). *Trust, Institutions, and Agency: Toward a Neoinstitutional Theory of Trust*. In R. Bachman & A. Zaheer (Eds.), Handbook of Advances in Trust Research (355–376). Cheltenham, UK: Edward Elgar Publishing.

Möllering, G. (2013). *Process Views of Trusting and Crises*. In R. Bachmann & A. Zaheer (Eds.), Handbook of Advances in Trust Research. Cheltenham, UK: Edward Elgar Publishing.

Pearce, J. L. (2001). *Organization and Management in the Embrace of Government*. Mahwah, NJ: Lawrence Erlbaum Associates.

Rao, A. N., Pearce, J. L., & Xin, K. (2005). Governments, Reciprocal Exchange and Trust Among Business Associates. *Journal of International Business Studies*, 36, 104–118.

Robinett, D. (2006). Held By the Visible Hand: the Challenge of State-Owned Enterprise Corporate Governance For Emerging Markets. *World Bank Corporate Governance*, 1, 1–39.

Sepahvand, M. (2016). *The Status of Credit Institutions and Non-Bank Financial Intermediation in the Financial System,* Iran Central Bank Monetary and Banking Research Institution, NO MBRI-RR-95004. http://mbri.ac.ir/userfiles/file/working%20paper/1395/MBRI-RR-95005-sepahvand-ver_2.pdf

Shapiro, S. P. (1987). The Social Control of Impersonal Trust. *American Journal of Sociology*, 93, 623–658.

Spicer, A., & Okhmatovskiy, I. (2015). Multiple Paths to Institutional-Based Trust Production and Repair: Lessons from the Russian Bank Deposit Market. *Organization* Studies, 36, 1143-1170.

Whincop, M. J. (2005). Corporate Governance in Government Corporations. Aldershot, UK: Ashgate Publishing Ltd.