

# An Efficient banking system roles in a departure from Economic stagflation

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## ABSTRACT

Our country's financial system as well as developing countries are guided Based on a rotate banks systems, In other words, Banking system by having the largest share of the Community funds Supply plays a unique role, existence of the structure would be followed the economical negative consequences and problems in the country. "Efficient banking system is the driving force of abandon of the stagflation economy." Dr. Siyf, head of the Central Bank of the Islamic Republic of Iran. " We also thought off that I am preparing an article in this context. In this article, are referred to the creation of the banking system, and the challenges and obstacles to its development. The author is brought the Efficient banking system and the usury banking operation rule in his written. The usury banking operation rule will create the Efficient banking system and provide the economic prosperity. "The Place of banking system in the Resistance economy has been represented "He says Leader of Iran.

Address of stagflation, existence of Iran's Economy and the ways to treat it, are presented the banking system's role in the departure of stagflation. I hope so to useful to respectable readers.

## Original Article:

Received 5 Sep. 2014

Accepted 20 Oct. 2014

Published 21 Dec. 2014

## Keywords:

Efficient banking system, stagflation, Economy

## 1. Introduction

Our economy contains of a chronic and fatal diseases are called Banks.

Bank is the Western and imported experience that Unfortunately not only has not arrived all the advantages and pleasures ,but also most of the subjects and problems of its are face to economic system of the country. Iranian banking system has indicated that not only unable to guide the liquidity towards producing and not generating activities, but also is lead to resources are Separately separated of Manufacturing activity and Attract unproductive and unborn activities

and To bring the merchant community section. The Iran's bank is as the the money market activity and have never applied the constructive and principle measurements in relation to the capital markets. Comparison of some banks, branch , and the amount of interest payment in developed countries by healthy economies, indicates that all above countries through the banking system are measured rather than gathering people's Liquidity and leading production towards industry and agriculture by the banks. While in our country, the banking system activities against of production. In other hands, in a healthy economic system, banks have only a mediating role and

Not at all allowed to enter into the community investment current. Studies indicated that about 80% of the liquidity of Country is created by the Iran's bank.

If the present economy, banks and fiscal and monetary institutions be Likened to pulsed heart will drive the money like blood in the economic activity .Banking system( **Central bank**) the Money and Credit Council, is the driving force of the heart and resolution of its would be prosperity and Bank system's recession and its Consequently of the entire economy.

In order to perform its duties, it is not covered issue that Country banking system weak operation.

Surely one of the significant priorities and axes any plans economic reforms in the country is bank's systems operation reforms. On this basis Emphasis on Evolution of the Banking System is justified.

But the crucial issue that is to design and implement such a plan, should be Prioritized and identified country's banking system Dilemma core roots to correctly at first and then According to this recognizing are designed and implemented the strategy of reform in the banking system.

In the recent years, are entering the most critical to the country's banking system and have been emphasized consequently on the banking system's effectiveness. It seems that in order to prioritize country's banking system efficiency increase; there is major weakness to identifying the banking system dilemma core roots. Efficient banking system in the country bank-oriented is lead to economic growth or prosperity arise, And to prevent inflation in community.

## 2.Subject Consequence

in the field of several studies have been done in Bank's effectiveness and Economic Issues. For example, Barrow et al,1999 ) are evaluated that the American commercial banks performance amount and productivity during the years (1984-1998) and concluded that there are intense and stability relationship between the Input and output correct diagnosis and bestead more compliance with results by the available assumption in case of the effectiveness of bank branches. In addition to their finding indicated that Works and pressures have indirectly effected in economical variety situations in bank's efficiency and as the limitation to be considered in Banks efficiency analyzing. Studies on the economic causes of stagflation in Iran's economy are done by Mehrdad Saedi (2003), his studied related to years 1968-2000, This study indicated that oil revenues are the most important source of stagflation in the Iran's economy.

In nineteenth banking conference, represented the article about the bank's systems role to control and provide inflation which is stated that Iran's new eight decades of experience in banking is Global experience confirmed and If it's could be independently applied Non-professional intervention of ruling politicians in regulatory framework and specified targets for their self, had been rather successful and each time becomes to an instrument for the Authorities purpose, and inflation is far from achieving its goals and create inflation.

Since numerous similar studies have been conducted in this field, And respectable Professors have brought their analysis on the paper in this case that they provide us, meanwhile acknowledging the efforts of the honorable, we refrain from writing them.

### 3.Iran's banking system Formation

What is now known as banking operations, are rooted in changer activities at first, that their original activity were different commodity money coverts (metal) and Business Exchanges Facilitate. Their activity Evolution, to the activities of different types and their gradually become, to The modern business that is called the banking, it goes to modern times Europes.

The exchanger also has been existed long time in Iran, Each historical period has been established that the security and peace in the country and trade, especially foreign trade have developed, the exchange also has become more important. In Safavid Business Prosperity Periods Esfahan's Markert is one of the biggest currency market centers of it time, But after the Safaveye collapse And the beginning of insecurity and chaos era in Iran's political situation, Business and the nature of the exchange also are declined. To establish the relative Peace and security of the country, trade and exchange was also invigorated in Iran's Ghajar king called Naseraddin Shah Half a century Monarchy era.

In this era, that Iranians who familiar with the Western civilization achievement had been more seriously than in the past. Iranian businessmen have also faced to a new methods of trade and currency in Europe little by little. And have tried as much as possible have been imparted of its, Before of Iran's modern banking Popularity, An important part of the Transactions monetary needs were fulfilled by the exchanger. That is a year previous of the Imperial Bank(1889),the primary Bank have been started to activity since 1888 AD. The bank began no particular advantage

that is called east new Bank which was headquartering in London. Bank's main headquarter and established gradually branches in big cities. The bank will pay the six-month deposit 4% percent, and one-year deposit 6 percent, and current accounts 4% that was in common for the first time, pay the Equivalent Interest of 2/5 percent. This interest has led to that also Non-merchant in shortly become familiar with such a operation and part of the exchange is done by Cheque issuing And the east new bank attempted to issue of 5 Quran that undertake to their Treasurer which was payable seeing.

By beginning of the bank activity, Iranian exchange is more accustomed with the nature of the banking and they tried to compete with the rising after.

"If they access the main success in the competition, Iranian exchange institutions are reformed" **Loroni said**" They find out the new technique and in order to aim, New East Bank, indicates that them the shortest way. Given that Iranians were quite ready to accept the new techniques and had no solidity and severity to it. It is proposed that, Iranian exchanger had able to win; It may even be the competition would be development and evolution. And considerable progress has been awarded shortly to the Iranian dealers. The first Iranian bank by Iranian capital is called Ghoshon Pahlavi's Bank (Later, Sepah Bank) was established since 1925. The bank is part of the its capital of the had been

secured by officers Pension funds and an army noncommissioned concerning to obviate of authorities and army individuals. (Rabie 72).however three years later (1928) has started National Bank aims to contributing to progress "trade and Agriculture and Technology" as a comprehensive state bank. Issuance of notes has monopolize d of the bank since 1930 And from beginning of 1932 Bank notes were issued in the first. National Bank Played the role of a central bank and by its establishment the Imperial Bank lost its importance. (Vali Nejad 22).

Country Monetary and banking law was approved since on the seventh of June 1960.

According to second chapter of the above law for all matters related to printing, Banknotes and coins and its bankroll assigned to the Central Bank and As well as articles 14 and 18 of the aforementioned Act Issuance of notes have already been under the act by the joint committee, that were exclusively assigned to the Central Bank of Iran since 21 July 1954.

Basically Following the separation of commercial operations banknote print and monetary policy, Iran's central bank creation requirement were proposed by purpose of monitor and guide the county banks activities, Adjustment Credit to Maintain price stability, Preserve the value of money, foreign affairs Strict control, Leading national savings towards productive investments .thus Iran's central bank have established since, 8 August 1960 by capital of 6/3 milliardRials and 388 of individuals. Iran's first private bank by assets Commercial Bank was launched in 1328. Company for the purpose of financing the activities of traders. Solar till about 36 new banks were established in 1357. Private banks after the revolution, the ruling Revolutionary Council, were nationalized Commercial banks in the country, followed by six banks, three specialized banks and banks were incorporated Province (Governor's race, 22). Islamic Revolution in Iran in 1357 with the formation of the solar Tuesday's major change occurred in banking, first state of the banks, the interest-free banking was incorporated into the Third Act from operation. The first two steps in the same month of the Islamic Revolution was the revolution of the third act of Parliament was passed in 1362. Thus, the banking system became more and more public It was only in late 1370 that the private sector banks were allowed to establish credit in the end. State of the banking system in the early Revolution had a significant impact on the economy and failed to properly perform their favorite activities. Undoubtedly, due to the weakness of capital markets in our economy, in part due to the laws in this regard is unclear and ineffective. Much of the financing businesses were forced to lay on the shoulders of the banking system, thus making the system far away from the nature of the monetary. Iranian banking system now includes 30 private and public banks is the highest liquidity in the banking network, is underway.

### 4.Challenges of the banking system

Challenges and barriers to the development of the banking system are divided into two major categories:

A set of factors that are outside the banking system banking system as external factors that caused the economy's productive structure. Switch to the non-productive sectors, total investment in these sectors is absorbed and the banking system has faced challenges in this field. Other categories, the internal factors of the banking system, structural problems and difficulties the banks operating in different fields.

#### 4.1.Extrinsic factors challenges of the banking system

Support productive economic sectors, leading to increased production of wealth in society And discourage unproductive sectors, which not only leads to increased production of wealth in the economy, but also as an unfair distribution of income does

Among the important issues to address in improving the economic situation

Especially the unproductive sectors of the economy of our country strong and profitable with high inflation and uncertainty and instability challenges is important. Sectors such as housing and land speculators in gold and the exchange unproductive sectors of the economy such instances, Areas in our country that attracts a lot of financial resources Although the banks will always be a shortage of facilities and manufacturers complain of lack of liquidity and financial resources.

#### **4.2.Challenges inherent structural problems of factors banking system, banks**

##### **A: Being state banks**

After the revolution, the country's banks, nationalization, and it all began , This mentality created for government The resources of the state banks and the government can take any decision about them. The question of the assignment facility, lending to various sectors with preferential rates and in some cases lower than the rate of inflation and the interest rate is lower, Funding for the contracts and the financial contribution, the results are sometimes seen, while state banks to state the meaning Being a resource.

Under the law, the bank reserves (deposits, investments) are owned by depositors.

The position is responsible for attorney and trustee banks and depositors.

The most beneficial and most profitable business lending and profit to depositors earns.

It is necessary to respect the private property of individuals (depositors) and their rights, Gradually other ways to solve the problems found And banks in the banking activities of the facility and the selection of projects and be free.

##### **B: Interest rates**

One of the challenging issues of money and banking in recent years, Thread determine interest rates on deposits and loans, banks and other credit institutions have been. Determining the interest rate and the quality of decision making and how it is communicated, numerous works of Islamic jurisprudence, law and economics leaves, and last of all, economic stability and stable economic decisions in question. Theoretical and empirical research suggests What are the interest rates on deposits and loans in the balance results in a free market economy, Marginal propensity to save and value-added investments in the real economy and changing interest rates, the volume of deposits, the combination of different types of deposits, investment and inflation impact. Therefore, any changes must comply with strict economic expert and recognize the position of each of the macro variables and their susceptibility is associated with changes in interest rates.

##### **C: Imposes a duty on the bank facilities**

From activities that would damage the banking network and disrupting the balance of the system, It is the duty of the facility as one of the main concerns has been the nation's banking system.

Facility to facility assignment is said that the bank does not comply with the terms of payment, but the bank had to pay because ratification is outside the normal banking system is, however, a plan that paid for that facility has sufficient economic justification. The Bartdygr, a facility with one or more of the common credit terms banks are not coordinated and appointed officials outside the banking system, banks upon approval, shall be Bhatay this facility, as the facility is considered a duty. In fact, the assignment of facilities to provide Nvanabzary to some of their goals due to incomplete sources of income that can be achieved through the budget, Use the resources provided by the banks.

The payment obligation is not only not diminished in recent years, But year after year it is added to the banking network and the increasing demands fueled deferred.

However, growth over the last eight years in the Office of outstanding receivables 10Brabry shows irreversible facility bank

has maintained its upward trend.

According to recent data, the volume of outstanding claims of frontier 80Hzar million dollars in the banking system of the country recently passed the experts say The sheer volume of outstanding receivables to banks, the banking system is considered as a major problem Rooted in the lack of independence of the central bank and government intervention in the affairs of the bank. In fact, in a bank-based economy, the task of ensuring greater financial burden on the banks, Payment of duty or due to non-repayment of loans by Ts-hylatgyrndgan problems of the economy, will increase the bank's claims.

Facility projects in non-professional tasks, and often no economic justification for increasing the banks' claims are pending, So as long as the facility is not locked in a bank, the bank's claims will continue. Duty-free facility survey is conducted, This type of facility is basically a coordinated macroeconomic policies and adversely affect the entire Aqtsadkhvaid.

##### **D: Government intervention in the banking commission determines**

Lack of transparency means "interest" are against Islamic banking has other challenges.

If the deposit and lending rates based on a certain set Many suppliers are money demand will resort to the informal market was And this in turn will have an influence on economic stability and inflation. Given that so far most of the years following the Revolution The real interest rate is less than zero, and it was not only the lack of resource allocation But the buying power of millions of small savings, The proprietors of the special relationship is virtually certai Government intervention in banking fees caused imbalance tariffs determined by the actual cost of services provided by banks And also led to a decline in the quality of banking services and financial weakening and loss of revenue to the banks.

#### **4.4.Operational difficulties inherent challenges of the banking system**

There is a wide range of Qvd- Capital adequacy - Irrational competition between banks - Acting agent banks - A crisis deferred receivables

##### **1- There is a wide range of contracts**

Interest-free banking have been proposed as an alternative to conventional banking, the vast complexity facing different directions.

Such that it can be used in a variety of trades in other words, Some transactions have a fixed income And others with variable interest On the other hand, some of the transactions are participating More on capital markets and banking applications. In this connection, it seems somewhat hasty action on the controversial Islamic banking has been In contrast to traditional loan because the interest of the banking system, we immediately have raised the income of the partnership.

Extension of contracts caused even bank staff with many problems due to the lack of knowledge in all aspects of the contract are met.

##### **2 - Capital Adequacy**

The Basel capital adequacy for the first time in 1988, ten countries developed - committee formed voters - posed.

At that time the committee to examine the current state of the banking system, try to be reasonable indicators in order to monitor the banks of the Member States, the result of his the crystalline capital adequacy ratio. Banks must have sufficient capital to cover the risk due to their properties resulting from their activities. Banks are extremely vulnerable due to its features. The banks should be careful not to damage transferred to the depositors, And any possible losses and by attracting capital to the bank in order to maintain the public trust. For this reason it is important to invest in banking institutions, and these institutions are important determinants of health. The question is how much capital is optimal?

To answer the question in your mind, imagine for a moment the

accounting equation (Assets = Liabilities + Equity) , Here is the question to what extent banks' capital ratio of debt to assets is Answer question by introducing the Basel capital adequacy ratio such that The standard should be 12 and in accordance with the regulations of the Central Bank must be at least 8.

### 3 - irrational competition among banks

Banking in Iran for decades without any creativity or went innovative and "competition" was the missing link of the banking system, banks, governments and one another as they And the names, signs, and their logos were different.

This process is tedious, but with the advent of private banks in the last decade was broken and the banks to get back in the fall, they start the race, was one of the booths to seat customers, it's the turn of another electronic system he wrote, Other banks offer the facility to reduce the bureaucracy And others on the interest rate or the type of banking and internet banking tempting prizes and competed with each other. Thus was formed and continued competition in the banking system but after a while this innovative competition when they were gradually stereotypes, This means that all competitions will follow the format of previous plans For example, if the bank was awarded a vehicle, Bank B, the best you can say is that the N-kilometer Mtrbznd prize money of our dollars. Or bank deposits with different names like Andazhsab girls after they were introduced, or in a facility setting, additional services offered. In fact, the banking system, has no plans to provide new and old compete on the same designs can be stabilized. Officials of the banking system should be planned and scrutiny appropriate to create a competitive environment among banks themselves.

### 4 - party action

Banks play a very important role in the circulation of money. Unfortunately, the biggest challenge of Iran's banking system, the banks in our institutional practice that has caused banks to lower their own banking tasks.

In recent years, banks are intermediaries between the public and investors, and entrepreneurs have been good, especially the private sector and spending time problems, received a credit. In fact, there is a vast bureaucracy and central banks, has narrowed the field to the private sector as well as customer-oriented banking system has faded. Even banks in recent years, as an investor in the business, have made significant contributions to the state, cooperative and private practice opportunities in the sector is. This is a major Iranian banking system can be considered as a challenging problem. Worse, the banks continue to insist that this undesirable trend continues. Much of the Bank's concessional lending to the manufacturing sector has been Mainly in trading and brokerage intermediary, and the buying and selling of goods and services used. Obviously this increases the demand for goods and services and ultimately lead to higher inflation and a recession. Thus, the Most of the credit for the purchase of goods Therefore, the effects of stagflation in the economy that would result from lending to non-manufacturing sectors respectively. This amendment is necessary to show how our lending banks.

### 5 - equipment and resource allocation

Among other objections to the current model entered the country's banks.

Whether it is commercial or specialized banks, or a combination of both, Same ways to mobilize and allocate resources in advance are And the goals and motivations of real people who are depository banks, Or receive accommodations, Is ambiguous and can not really evaluate.

In other words, banks are based on current law to pool their resources in three types of deposits (checking, the Investment Statement) use. The current pattern of resource mobilization strategy and diversify the bank of choice for people not taking the place of deposit Depending on the intentions and motivations of the individual depositor is spiritual, Entitled to receive the minimum benefit in the form of loan or investment Fazgh the

degree of economic risk, as the deposits are invested. On the other hand, The process of allocating resources and banking facilities in all banks follow the same pattern And the four figures (loan-exchange contracts - contracts, partnership and direct investment) is performed to exchange contracts involving sales contracts and installment loans, hire-purchase, self, shopping and reward the faith and participation contracts the facility agreements and civil partnership, civil partnerships, partnership, Mozara and Mosaqat in the covers.

Some forms of this assignment is entered: One drawback is That people with different needs accommodations to compensate for their lack of capital And in accordance with the repayment of loans received, Banking sources have begun to receive And may be in the process of allocating resources to the primary goals set forth Logged Or that, because of the lack of legal resources Facility Facility recipients received, Repayment of loans and related fees as a "usurious" banking system and the need to interpret because of the necessity of forcing the banks to use their resources. While the thought and the action unwarrantable know their opinion.

The second objection is The complex current patterns of allocating resources banking, Make the public aware citizens And the current situation regarding the ruling bureaucracy and limited allocating resources, Training and giving customers the banks difficult, long and high cost efficiency of the banking system in question together makes it.

Third, enforcement of contracts, banking, In particular, participation contracts (Civil - Legal - partnership - Mozara and Mosaqat) Commercial banks are not properly And yielding bank customers to use this type of credit, Before the free and informed choice, the necessity of submission to the only possible way.

Finally, the Accounting Auditing and Accounting System combines the debtor and the creditor's current banking and accounting firms, and this creates confusion While bank allocating resources Bngahdary economic policy is adopted, but the Commercial Code and the uncertainty of their accounting systems and business approach, non-commercial banks, the economic system becomes impaired.

### 6 - Deferred receivables crisis

Among the main challenges in the current banking system, The issue is pending demands. In this connection it must be a mechanism to prevent back up these claims. Debtors are divided into three categories: The first group of families or investors the economically active Who for any reason have failed and suffered a financial drain And no one can afford to pay in civil rights law and guidelines specific to those specified.

The second category are those That are insolvent and unable to repay But postponed their economic plans and are looking for an opportunity to repay their debts.

The third category are those The Mtkhlfnd And to the extent that they can postpone their debts to banks Not an economic issue, not a financial inability to And since the cost of money at their disposal and earn high profits, Have no incentive to repay. Therefore, a distinction must be made between the three categories and then get back to it, But the evidence Algebra I and II suggest categories and relaxation on the banks of a third party or coarse religion is!

However, the implementation of Islamic banking is based on the sharing of profits and losses, Detailed assessment by experts from banking activities as a lawyer and expert assessments of economic and financial fundamentals are the same.

Deferred Claims Office In recent years in the wake of government intervention in the banking And requiring the payment obligation is poised for growth And seven hundred billion dollars in Sal84 The 57Hzar billion USD in Sal91

And 80Hzar billion USD in Sal92 reached

20 percent of the country's share capital is allocated.

### 5.Efficient banking system in the economy

Banking system objectives under the headings "The establishment of monetary and credit system based on justice and truth (Islamic rules) in order to set the proper flow of money and credit in health and economic development , Activities in order to achieve the goals," "economic policies and programs of the Government of the Islamic Republic of Iran by means of monetary and credit", "create conditions necessary for the development of cooperatives and credit unions, for the purpose of paragraph 2 of Article 9 Forty-Third Rule basic, "" maintaining equilibrium in the balance of payments and the value of money and trade facilitation "and facilitating payments and transactions and other services received, and defined the law of the banking system, is committed to its implementation. Efficient banking system in the economy creates.

#### **6.Operational measures to reform the banking system to its efficiency and boosting the economy**

- Financial resources are properly directed towards productive investments,
- Promote good governance in the banking system,
- The development of e-banking,
- Create specialized financial institutions,
- The banking system in order to achieve equity in access to resources ,
- Develop competition,
- Madsazy during the privatization of state banks,
- Promote the implementation of Islamic contracts
- Development loan in banking

The economic development plan of the

"Inequality of opportunity and access to resources and banking facilities."

"Lack of transparency and oversight in the banking system",

"High concentrations",

"Domination of state banking",

"Low level of quality service and competitive banking system",

"Lack of economic data from the State Statistics",

"Non-Banking Development", "The lack of effective enforcement of contracts is in the interest-free banking" And "lack of development in other markets and unfavorable financial instruments and the structure of assets and liabilities and risk management in the banking system." The banking system is mentioned as major problems. Cause of inefficacy banking system in the economy. Islamic banking is banking on the economy of the type that the implementation provides an efficient banking system. We brought under the Act, interest-free banking, Islamic banking and banking system needed to be effective.

#### **6.1.The interest-free banking:**

Chapter I - (objectives and tasks of the banking system in the Islamic Republic of Iran)

Article 1 - Objectives of the Banking System:

- (1) of the monetary and credit system based on justice and truth (Islamic rules) in order to properly regulate the flow of money and credibility of the health and economic growth of the country.
- (2) activities to achieve the objectives and instruments of monetary credibility of the government's economic policies and programs.
- (3) facilitating the development of public cooperation  
And by absorbing and giving interest-free funds and savings deposits Vandvkththa Basij and equip them to provide business and investment conditions and opportunities for the implementation of paragraph "2" and "9" the forty-third constitution.
- (4) maintain the value of money and the balance in the balance of payments and trade facilitation
- (5) Facilitating payments and receipts, transactions and other services that the law is Bankgzashth.

Article 2 - Duties of the banking system are:

1. banknotes and coins issued in conformity with the laws and regulations of common metal.
  2. regulate, control and direct the flow of money and credit, law and regulations.
  3. perform all banking operations in foreign exchange and foreign currency payment obligation or guaranteed by State law and regulations.
  4. Supervision of gold and foreign exchange transactions and import and export of currency and exchange and regulation of Tbqqanvn them.
  5. commercial paper operations relating to law and regulations.
  6. Monetary policy in accordance with the law and regulations.
  7. banking operations on the part of economic programs passed in the place indicated by the monetary and credit system.
  8. Opening kinds of giving interest accounts (current and savings) and investment deposits and issuing Mtdtar Asnadmrbvt to them according to rules.
  9. grant credit without interest charges in accordance with the law and regulations.
  10. loans and credits and provide other banking services to cooperatives law to fulfill the clause "2" Article 43 of the constitution.
  11. Rial aspects of the international monetary and financial institutions hold
  12. or similar institution or affiliate Aynmvssat law and regulations.
  13. The implementation of monetary payments, trade and transit agreements between the government and other countries Tbqqanvn and regulations.
  14. to accept and hold in trust gold and silver and precious objects and papers and official documents of legal entities and rent safe deposit boxes.
  - Issued 15. guarantee acceptance and approval of foreign exchange to customers.
  16. The services of attorney or guardian in accordance with law and regulations.
- Chapter II - Procurement of money
- Article 3 - banks can, under any of the following topics to accept deposits shall be:
- A - deposits giving interest:
- Current 1.
  - 2 Savings.
  - B - Mtdtar investment deposits.
- Note - Mtdtar investment deposits that banks are employing the attorney, the State of incorporation, partnership, hire-purchase, Mamlataqsaty, Mozara, Mosaqat, direct investment, futures and Jalhmvrđ used.
- Article 4 - giving interest banks must pay back the deposits (savings and current) and can Mtddarra Aslsprdhhay invest or insure the obligation.
- Article 6 - the banks are able to attract and mobilize deposits by adopting incentive to give out Bhsprdhgzaran follows:
- A - Fixed award non-cash or in kind for giving interest deposits.
- B - discounts and exemptions depositors for the use of banking facilities as specified in Fslsvm.
- Chapter III - credit
- Article 7 - banks can,
- Article 8 - banks can also invest in projects or activities directly engage in production or development. Such investments must also the country's annual budget is approved by Parliament Zyandhy outcome assessment is not indicated.
- Note - The bank does not have to be invested in the production of luxury and non-essential expenditure.
- Note - Import Bank in partnership with the private sector are not allowed.
- Article 10 - Banks would be required to facilitate the development of housing, coordinated by the Ministry of Urban Planning, Mskvnyarzan priced units for sale or hire-purchase installment

Ahdasnmaynd.

Note - The acquisition of land for construction of housing units in compliance with Article 10 of the urban land Act is Bankhablaman.

Svrtaqsaty sell to the customer.  
assigned to customer acquisition.

Article 13 - Banks would be required to establish a facility to provide working capital units Mbadrtmaynd each of the following operations:

B - the type of production unit that is S-hlalby their request before purchase.

Article 14 - Banks are required to fulfill the purposes of paragraphs 2 and 9 of Article 43 of the constitution by giving interest to Mtqazyanakhtsas their own resources. Regulations implementing this provision by the central bank is prepared to Tsvybyhat government.

Article 15 - All contracts for the implementation of "9", "11", "12", "13" and "14" is the Exchange Act, the Mvjbqrardady Mnqdmshvd between the parties, the decree comes into force, subject to the provisions of the law of evidence documents Rsmayst.

Article 16 - Banks will be able to build the necessary facilities for the expansion of production, trade and services are presented Mbadrtbh.

Article 17 - Banks can agricultural lands or orchards which are in the possession and capture or Msaqatbdhnd Mozara.

Chapter IV - Iran's central bank and monetary policy

Article 18 - Iran's central bank, the Central Bank of the Islamic Republic of Iran called on the government Drsdtmlq Shrkthaydvlyt the shares of which can only be authorized pursuant to this Act Mlnmayd operation.

Article 19 - The politics of credit and short-term (one-year) General Assembly upon the recommendation of the Central Bank of the designated state board approval policies for credit and five and five-and long-term development of the country also Lvayhbrnamhhay for approval to the Islamic Mjlsshvray attached.

Article 20 - The Central Bank of Iran to the good performance of the monetary and credit system of the country can use the following tools, Tbqayynnahay be approved by the Council of Ministers under Article 19 of the Monetary and Banking in the intervention and control:

1 set minimum or maximum ratio of banks' profits in the partnership and the partnership of these ratios may be Vmtfavt each of the various disciplines.

2 Tyyrnshthhay investment and participation of various economic policies adopted and the minimum possible Nrkhsvd Antkhabtrhhay investment and partnership least possible interest rate may vary at each Azrshthhay.

(3) Determine the minimum and maximum profits for banks in installment sales and hire-purchase agreement is in proportion to Qymttmam transaction. This Nsbthammkn vary in individual cases.

4 Determine the types and maximum and minimum commissions for banking services (provided that no more than the cost of doing business Shdhnbashd) and Hqalvkalh Bkargyrsprdhhay invested by the banks received.

(5) determine the type, amount, minimum and maximum rates set forth in Article "6" and set standards for banks refuse advertising.

6 Determine the minimum and maximum amount of participation, partnership, investment, hire-purchase, installment sales, credit, futures, Mozara, Mosaqat, reward and giving interest to banks or any of them in any of the various Vrshtthay and determine maximum facilities granted to each client.

Chapter V - Miscellaneous

Article 21 - Central banks, with each bank and other banks are not authorized to conduct banking operations with interest.

Article 22 - Banks may, with the permission of the Central Bank of the Islamic Republic of Iran with government agencies and state

government and companies to engage Mjazbanky operation.  
Article 23 - Funds received as commissions and Hqalvkalh the banks income and can not be divided between the depositors.  
Article 24 - Exemption of commercial benefit or tax benefits granted by law firms and banks in Vardatv or property Mvssattvlydy to replace factories or manufacturing establishments are also Tlqmygyrd.

Article 25 - Office units that have participated in or invested will be subject to the Commercial Code, Unless they Dygrybashnd Act.

Article 26 - After the law was passed All rules and regulations inconsistent powers and duties shall be canceled and the money in the Bank and the Bill and amendments Amvrbankha office that has been entrusted to another competent authority in the law will deprive the previous Azmraj.

Article 27 - Ministry of Economic Affairs and Finance shall Regulations implementing the Act Mrkzyjmhvry Islamic banks were prepared to recommend that the government should not have ratified the Council for the preparation and approval of a 4-month period takes place, run.

Act, containing twenty-seven female and four notes at a meeting on Tuesday, August one thousand and sixty Vsysd Shvrayaslamy passed both houses and approved by the Guardian Council have already been performed on 6/10/1362.

## 7. Position Of Economic Strength In The Banking System

The current state of the economy, especially the negative economic growth and high inflation In recent years the one hand and the pressure of sanctions on the country's economy is dominated by the economics of the international regime on the other hand, Need to show economic strength. In order to implement Article 110 of the constitution And to determine the orientation of macroeconomic And considering the current conditions and prevailing threats Brnzam International Resistance to the economic policies of the leader And after consultation with the Expediency Council and the Economic experts opinions on Siam Bhmmmah 1392 getting into the heads of the three branches and the head of the Expediency Council was notified.

What is certain, Communicated this policy to focus all our efforts and legislative oversight of executive agencies to achieve its immediate objectives, vision statement Bystsalh (1404) respectively. The road map for the realization of the Islamic economic model and economic prosperity of the country would be under the circumstances.

Overview of the current state of the economy, especially the negative economic growth rates And unrestrained inflation in recent years on the one hand And the pressure of sanctions The country's economy is dominated by the tyrannical regime of international economics on the other hand, Scientific and practical importance of relying on domestic capabilities and use of the material and intellectual resources and talents with the nation hundredfold.

Obviously Establish and improve the dynamics of macroeconomic indicators requires a balanced, Surging And targeted by all sectors of society And facilitate economic space by policymakers And custodians of large countries (including the executive, legislative and judicial), respectively.

In this regard, according to convey resistance to the economic policies of the great leader It is clear that the banking network should interact directly with other relevant units and departments, particularly the country's economic and diplomatic system, ensure, To the realization of a productive economy and a leading cause of endogenous and externally.

In this context the role of the banking system as one of the main levers of economic development, and Bybdyl is very key.

Banking system of the country should also adopt the correct policies are in direct interaction with the Central Bank and other banks, On one hand, retain its competitive advantage and

profitability And to facilitate the economic flows and liquidity supply in sectors related to the concerned parties and their value chain.

Achieve these dual objectives (maintain profitability, facilitation and acceleration of the economy) Requires a combination of appropriate regulatory mechanisms and the Executive Office of efficient and scientific instruments. Collection and resource mobilization as one of the most important functions banks If effectiveness is efficient in these two areas, the possibility of allocating resources in productive sectors of the economy will be easy.

At present, the share of claims outstanding of banks total credit facilities of more than 25% with respect to Nqdyngyhay unproductive and even destructive inflationary in the community, need to take advantage of the mechanisms of modern and efficient in the collection of receivables and absorb liquidity to wander in society inevitably will.

Parallel to redefine And accurate representation of target groups The banks according to their comparative advantage and the value chain is essential And take appropriate measures in the field of investment and economic development of electronic banking and corporate banking establishment and validation can cause organizational agility and maintaining the Bank's profitability. What could be a stimulating and productive mission of the Office of Economic And coordination with other authorities the investigator's economy, utilizing manpower capable, creative, committed and motivated to be the main economic engine is proven in developed and emerging economies.

The hope is also to protect the massive investment in human Using pure Islamic values - Able in the light of divine grace and guidance of Iranian supreme leader of sacred and purposeful efforts of all staff, Managers and employees of Noble Bank and Sayrtlashgran different parts of the country, areas of rapid growth and development of the country and the nation's overall Iran in reaching peaks of honor we provide.

## **7.Economic stagflation**

The combination of inflation and recession is called stagflation. The economic recession is defined as two consecutive quarter of negative growth in the economy of a country is defined. "A significant reduction in the course of the four factors of production, income, employment and trade to create." This period is usually between 6 months to a year at least. You may decline accordingly means of reducing real GDP growth. Inflation refers to the general level of money in terms of economics, fiscal revenues or prices. Inflation generally means a disproportionate rise in the general price level is considered. Inflation, a growing trend and irregular prices in the economy. When inflation and recession in the economy, they also come in special circumstances. A situation in which not only dominate the recession, not inflation, but the economy will prevail. But in this situation, inflation and recession are bound together and "stagflation" to perpetuate. These two fields together hold in the recession, unemployment and inflation are born thus raising the price of commodities mass arise. This means that in this economic climate with the same problem Dstvpnjh software, which coordinated the rise of the two it would seem extremely difficult. For a weapon that is used to reduce swelling (decrease Nqdyngdy) the other side is fueled by the recession, and the recession broke the financial resources and liquidity injections lead to inflation, and this cycle is if the "stagflation" bigger and bigger.

### **7.1.The emergence of stagflation**

Many experts consider economic factors alone cause stagflation. The roots of stagflation in the structural characteristics of the economy, the effectiveness of monetary policy and financial (banking system), the structure of the state budget, the Elasticity of investment to the interest rate, the algebraic substitution patterns of

consumption, savings and investment, and the role of government in the economy exists. Or aggravating factors in this phenomenon, some countries have been involved in the deal and the turn out of this situation in other countries have. But experts are also social and political factors discussed Damznndh stagflation know. Experts believe that the causes of socio-political and economic stagnation coupled with inflation. They believe one of the main causes of stagflation increases the cost of production. Apart from the economic reasons that increased the cost of production for political reasons as well. Frequent changes of managers and the decisions that have to be precisely one of the main reasons for the increased cost of production. This leads to confusion and waste of capital and investment, and that clearly is fueled by rising costs of production.

Frequent structure rules and inefficient economic structure And the instability of communication and Dstvrnamhha Other factors that increase the production cost and leads to emergence of stagflation. The government projects that have an extremely long Vamlyast inflation is fueled by the recession.

### **7.2.The emergence of stagflation in the economy**

Economic conditions potentially phenomenon of stagflation is ready. According to the structural characteristics of the economy, the continuing budget deficits and currency shocks and oil revenue Byanzbaty fiscal and monetary expansion of the main factors behind this phenomenon in the country.

The solutions to deal with stagflation in the country Through fiscal discipline can properly adjust the budget And avoiding the continuing budget deficit, Control and reduce the current costs of equipment, the use of petro-dollars in a way that does not increase the monetary base and consequently, the increase in liquidity.

Tax reform, reform of financial markets (banking system efficiency) and increase investment in ways that have led to increased production, avoiding the consequences of such policies Rantjvyanh and brokerage activities (such as housing) and increase the productivity of all factors of production there. Majlis Research Center, has suggested that the most important strategies to combat stagflation are as follows:

A - "loose ligation of the budget must be avoided." Anticipated revenue and expenses in the budget is unrealistic and exaggerated, especially running costs and reduced the deficit disappears. "Due to the economy, one of the main causes chronic inflammation of the country, the government deficit is continuing.

The government can use monetary and fiscal policies are coordinated by the excessive increase in current expenses refrain And costs tailored to local sources of revenue (taxes, etc. exports) in terms of the annual budget In addition, it has to adhere to the approved budget and the cost is not out of context. In fact, fiscal discipline is an important factor in the prevention of the phenomenon of stagflation. "

(B) the country's tax structure be reformed. Already "transfers, taxes not included, it is appropriate to increase the incentives brokerage and speculative demand for commodities (especially in the housing market) is." Because the current tax regime, "investments in the housing sector leads to the broker, Prevented from investing in productive sectors And prepare the ground for a recession. "'Tax reform has to be motivated not only does not reduce the manufacturing sector, but also unproductive assets of the state and lead to productive activity.'" Tax on the activities of the goods and speculation broker's Given the many benefits it provides brokers, Important effect on the flow of capital into the sector, brokers, Especially housing, which has attracted investments in Iran ...

The productive sectors and to replace it with a tax exemption for manufacturing, capitalism has encouraged and led to the production. "

C) facilitate the conditions for the private sector. "Prepare the environment for private sector activity, regardless of the source of income for the government is to increase production and economic

prosperity." In fact, One of the best ways to fight stagflation is to increase investment in the country After which the increase in production and employment and income, and reduce the deficit arises

And the cycle of cause and effect, will lead to lower prices and increased production.

D - Create an efficient banking system in an economy based bank is the starting point for the loss of stagflation. Banks have an important role in the circulation of money, Should the cash flows in order to achieve the country's economic recovery will be driven and optimum use of the turnover.

Ways to cure stagflation Economists for recession and inflation separately, treatments were more or less simple predominantly According to Keynes, the English economist, was based. Stagnation and decline, due to the lack of effective demand was considered and its treatment requires monetary and fiscal policy was expansionary. Government would increase the cost of construction of Mykast taxes and spending over revenues (deliberate policy of deficit) was increased effective demand (the sum of the measures taken by the state budget, fiscal policy is called). Meanwhile, The central bank also increased the amount of money and cash in circulation and lowering interest rates, expansionary monetary policy coming into force By increasing investment and consumption, aggregate demand increases and the recession and the downturn of the discounts offered.

Inflation, although it could be different reasons for its creation and therefore additional measures are also essential, but it still requires treatment was contractionary monetary and fiscal policies. Control liquidity, rising interest rates, rising taxes, control government spending and budget deficits (or even surpluses) were considered, including measures to reduce aggregate demand, inflation was reduced. Thus, the measures that are needed to fight inflammation and unlike measures should be used to combat the recession. Economic reform, meritocracy, increase manufacturing productivity solutions Tvrmyst stop in the middle of the recession. Of course, all of these solutions are long term, you should know that the resistance to change of policy issues and the lack of influence of these factors are provided.

### **7.3.The Role Of An Efficient Banking System Out Of The Stagflation Economy**

Economic Affairs has devoted an important part of human life. Direct and regulated part of the economy is no different.

Therefore, to find the principles and guidelines on economic matters by that which God has revealed to man and life is presented, in which he represents pure existence, recognition and routes discovered it through inspiration and by Tafaghoh and understand the way things should be applied.

Without a doubt, Subject-oriented economy, economics, human The economy consists of three stages of production, distribution and consumption The man who produces And then the distribution of production between himself and his fellows And to this end he and other products and services that provide consumer benefit.

So it is natural The study of economics and health in the school and religious study of the nature and essential character and conduct this creature to be tied.

Seif, President of the Central Bank of the Islamic Republic of Iran, Conference Bank, Securities and Insurance, "inefficient banking system outlined engine exit from recession.

Financing system in the country right now, primarily driven bank, hence one of the problems is that different departments, regardless of any restrictions and regulations of the banking system, pushed for a facility that is not the right thing .

Economic development programs, long term planning, Avoid hasty execution control policies, according to institutional reforms and infrastructure necessary to improve the institutional environment, including strategies that can be effective in achieving the desired

level of financial development is. However, it is clear that the financial system plays a determining role in the financial development of the country. The main function of the financial system, establish relationships between investors (holders of funds) and investment (those who need financing), respectively.

Performing this procedure is performed through an efficient financial system.

Including financial institutions, financial markets, financial instruments, financial institutions policy and regulations governing the financial sector. This is in fact the link between different markets such as housing, industry, etc., which are financed through other deals.

Financing system in our country is an Islamic financial system Based on the principle of profit and loss and risk taking to achieve justice and prosperity in all social aspects are taken into consideration. This system, such as the rejection of usury, profit and loss sharing operations, the prohibition of speculation and speculative operations, avoiding illegal religious activities and obligations stipulated in the contract is based.

The system according to the present situation, challenges such as lack of diversity on the securities, the effectiveness of fiscal policy, monetary policy, banking foundations of the system, lack of productive investment and directing resources to the intervention of the state (the rate of profit and conditions assignment) face. One of the most important problems facing this system is its basic banking, So meet the challenges of the banking system (such as the presence Fqhy- legal considerations, lack of appropriate legal legal frameworks, limited markets and Islamic financial instruments, operational problems, the problem of liquidity and risk management) can help improve the country's financial system. and thus contributed to the economic development of the country, because the economic growth depends on the efficient allocation of financial resources.

The efficiency of organizations And the industry is one of the necessary steps in order to Mqatys-h competitiveness in the domestic and international scene in a country. And banks are also not an exception. The performance of the bank and its influencing factors is important. Efficiency of resource allocation and express the maximum use of resources or tolerate minimal cost - with existing technology - is. Any waste of resources, inappropriate structure of economic activity, unnecessary costs, credit policy of non-balanced, redundant regulations and many other cases show the optimal allocation of resources and the inability to achieve economic efficiency.

Performance of banks as service units, as the ratio of minimum cost to provide cost-efficiency achieved with other units in the industry is considered to be (Majidi, 1380).

In general what is regarded as an efficient financial system Financial services with military precision and speed desired and least expensive offers And expectations in the best case Applicants may realize. To be an efficient banking system would have a positive impact on economic stagflation departure, The challenges, constraints and obstacles to development bank network is removed. The economy of Iran's central bank, the banking system is the most effective, efficient component of the economic boom and boom generation and declining inflation.

### **8.Result Topic**

Economies, monetary, financial and real sectors, Twin and Qrynh each other.

In particular, the part of the financial sector in mobilizing savings and channeling them into investment deals, By two main factors, namely real sector of economy, investment and capital formation and development activities, both financial and real sectors are linked. An active and healthy economic system, the financial system must be saved so that people have the funds to reach those who are investment opportunities. There are several evidences that show the depth and breadth of financial markets, and positive



impact on the real sector of the economy is undeniably a sacred system of the Islamic Republic of Iran is a bank-centered economy. The financing market is mostly done through banks, Given that banks' liquidity as blood vessels in the economy of a country. The importance of the bank in such a situation not far-fetched. Economic Community and accounting organization more efficient banking system to create And efforts to sustain the activities of the banking system that is more efficient and better day by day, are considered. Because the effectiveness of central banks caused the economic prosperity of the community, boost production, the elimination of unemployment and declining inflation.

## 9. Suggested Solutions

1. To monitor the performance of banks and the central bank will do better in accounting standards, the new standards of the Banking Act, the banking system is efficiently realized earlier.
2. Greatest Investment banking system, It is human capital. We try to To increase the efficiency of the banking system more efficient capital and financial expertise in the field of human resources in the country's banking network used Has contributed to the community's economy.

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