

## Investigation of the Asymmetric Impacts of Real Exchange Rate Shocks on Total Equity Price Index (TEPIX) in Iran (A Gregory-Hansen Co-Integration Approach)

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### Abstract

The stock exchange as a main pillar of capital market can de facto mobilize the idle and ineffective savings in the country and conduct them towards more production and eventually expedite their momentum to well articulated growth and development in toto. Since the value of shares listed in the stock exchange, may de jure be affected by various factors particularly the macroeconomic variables, in this paper an attempt is made to expound the asymmetric impact of real exchange rate on total Equity Price Index (TEPIX), Ipso facto. For this purpose, we have applied the monthly data of oil price, CPI and real exchange rate for the study period of 2003:1-2014:12. Similarly to estimate and capture the positive and negative effects of real exchange rate shocks, we have used the Hodrick-Prescott Filter tool. Subsequently, we run the Zivot and Andrews unit root test to specify the endogenous structural breaks of explanatory variables and also we have utilized the Gregory-Hansen Co-Integration test, to investigate the long term relations between the real exchange rate shocks and TEPIX in context to the Iranian economy with special emphasize on structural changes of concerned variables and hereupon, we have estimated the model viz-a-viz executing the Dynamic Ordinary Least Square (DOLS) method. The results of this study prima facie indicate that the effects of long term real exchange rate shocks on TEPIX are asymmetric, so that, the positive real exchange rate shock bears a positive and significant impact on TEPIX, while the negative shock carries a negative but significant effect on TEPIX, pro rata. However, the other explanatory variables i.e. oil price and Consumer Price Index (CPI) constitute the long term negative, though significant impact on TEPIX, Sine qua non.

**Keywords:** Asymmetric Effects, Real Exchange Rate, TEPIX, Gregory-Hansen Co-integration Approach.

**JEL Classification Codes:** C22, F31.

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## The Analysis for Impacts of Credit Risk and Liquidity Risk on the Insolvency Risk of Banks in Iran

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### Abstract

The insolvency of financial sector, particularly the banking system may bear de facto the devastating impacts on the economy as well as the public confidence. However, with foundation of private banks and augmentation of privatization procedures for state-owned banks in Iran, the insolvency risk has become de jure, a cardinal issue for banking industry in toto. In this context, two main risks among others, which banks and credit institutions may encounter in the process of their operations, are per se denoted as credit risk and liquidity risk, Ipso facto. In this paper, an attempt is made to investigate the impacts of credit risk and liquidity risk on the insolvency risk of Iranian banks. For this purpose, we have chosen 18 state and private-owned Iranian banks as the statistical sample for the study period of (2005-2015), using descriptive-analytical research methodology pro rata. To test the hypothesis, we have applied the Generalized Least Squares Estimator (GLSE) model and panel data method. The results prima facie indicate that, increasing the credit risk comprising as diminishing the quality of facilities and rising the volume of extended loans may exert positive and negative but both significant impacts on the insolvency risk respectively, while the liquidity risk constitute a positive and significant effect on the insolvency risk of banks under the study, Sine qua non.

**Keywords:** Insolvency Risk, Credit Risk, Liquidity Risk, Iranian Banking System.

**JEL Classification Codes:** G33, G32, G21, G01.

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## Financial Independence in the Central Bank of Iran – A Survey

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### Abstract

The Central Bank Independence has been de facto construed as a prerequisite stipulation for felicitous implementation of monetary policies to accomplish the long run targets of price stability and economic growth in toto. It goes without saying that in methodology, the term "independence", could be expounded in various features of Institutional, Functional, Personal, and Financial independence, Sine qua non. However, we have tried to focus on financial independence of the Central Bank of Iran, per se. Hence, in this paper, an attempt is made to investigate the impact of government budget deficit on the size and structure of balance sheet components of the Central Bank of Iran, viz-a-viz compiling and extracting the pertinent data from the miscellaneous sources of government budget and Central Bank's balance sheet Ipso facto. The results prima facie indicate that the value of the Financial Independence Index in the Central Bank of Iran is 0.53 of the unit which is significantly lower than the one, and will affirm weak underpinning of financial independence in the Central Bank of Iran pro rata. Besides, we have observed that persistent budget deficits of government which are financed from the Central Bank resources and also the obligatory sales of foreign exchange derived from the oil proceeds to the Central Bank to finance the government expenditures are two main attributes of budget mechanism in Iran, which will undermine the efficacy of the Central Bank to manage its balance sheet, and will limit its financial independence Sui generis. Thus, we propound that, to acquire the target of price stability, the financial independence of the Central Bank is de jure contemplated as an exigency, Ipso facto.

**Keywords:** Central Bank, Financial Independence, Balance Sheet, Government Budget

**JEL Classification Codes:** E42, E31, E58.

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## Green Banking in the Context of Green Economy

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### Abstract

After the World War II, reconstruction of the inflicted economies and promotion of economic growth with the target of faster amelioration of welfare indices, gained the significant priority in toto. At that point of time, the natural resources, factors of production along with the environment as a whole were assumed per se as the indefinite depots, which were supposed to be utilized for accelerating the economic growth, sine die. However, subsequent to the developments occurred in the succeeding decades, the necessity to ponder on the existing natural capital and establishment of some sort of proportionality between the exploitation of environment and speed of regeneration of natural resources, have been appreciated, pro rata. Thus, terms, such as green Economy, or Environment-Friendly Economy, Green Growth, and Green Banking, have been in vogue and have become matters of interest for many regional and international organizations in recent years, Quid pro qua. Among the various financial industries set up in the economy, the banking industry may exert a conspicuous role in invigorating the underpinning environment friendly institutions with socially responsible and accountable tasks, to achieve the highest rate of economic growth with observing the utter conservation of environment, viz-a-viz illuminating awareness and imparting the required instruction to population prima facie. Meanwhile, the banking system, through the Green Banking operations could be able to attain the plausible targets, envisaged in Resistance economic policy i.e uplifting the endogenous manufacturing productions and protracted employment and development, Sine qua non. In this paper, an attempt is made to expound the very concept of Green Economy and its intrinsic relations with sustainable development, in consonance with efficacy of Green Banking operations. For this purpose, we have tried to investigate the raison detre of terminology, methods, opportunities, benefits, and challenges of Green Banking in Iran, using the descriptive research methodology and compiling the required data through documentary system, Sui generis.

**Keywords:** Green Banking, Green Economy, Green Banking Products and Services, Green Banking in Iran

**JEL Classification Codes:** Q56, G29, G21.

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## The Tourism Satellite Account A Primer

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### Abstract

The Tourism Satellite Account (TSA) is a popular method of measuring the direct contributions of tourism consumption to a national economy. Its unique role in quantifying economic contributions of visitors in a country derives from its nature as an account rather than a model and its observance of the principles of national economic accounting. This discussion of TSA concepts, definitions and structure, the five macroeconomic variables produced and the special cases of accounting for travel agencies/tour operators, business travel consumption, and tourism specific durable goods are designed to make the TSA accessible to non economic accountants. Research issues yet to be resolved related to tourism gross fixed capital formation, tourism collective consumption, and sub national TSAs. Finally, standards now distinguishing the TSA from other economic impact methods are recommended.

**Keywords:** Tourism Satellite Account, Economic Impact, Tourism Consumption, National Economic Accounts.

**JEL Classification Codes:** G21, G29, Q56.

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