

The Analysis of Effect of the Central Bank Independence on Reduction of Output Variances in Iran (Application of GARCH Model and VAR Approach)

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Abstract

In this paper, an attempt is made to study the effect of independence of the Central Bank of I.R.I-which is per se manifested as an institutional paradigm for monetary policy making-on reduction of output variances and in turn on attaining the macroeconomic stability in a historical and experimental perspective for the span of 54 year i.e. the study period of 1961-2014, pro rata. For this task and to estimate the model, we have applied the Vector Auto Regressive (VAR) Method. Similarly to measure the conditional variances of output which de facto may predicate the economic fluctuations, we have utilized the Generalized Autoregressive Conditional Heteroscedasticity Model, Ipso facto. Meanwhile, we have used the "Medium Index" which is a new combined index, comprising of four conventional indices to postulate that the Central Bank of I.R.I had only experienced the relative independence during the period of 1961 to 1982, Quid pro qua. The results prima facie indicate that the effect of Central Bank independence on output variances is negative but significant and if the degree of independence increases, the fluctuation of output will diminish and the economy may observe more stability in toto. Thus, the Variance Decomposition Test indicates that, though the degree of explicability of the Central Bank independence variable for affecting on output variances is very low in the initial phase, but in the span of time and with respect to inefficiency of other explanatory factors, the plausibility of this variable has increased tremendously and it has played more crucial role on stability of output, Sine qua non.

Besides, the effects of fiscal policy of government and degree of openness of the economy on output variances are positive and opposite to the Central Bank Independence variable, so that consecutively, they may accelerate the fluctuation of output, Sui generis.

Keywords: Central Bank Independence, Monetary Policy, Output Variances, Vector Auto Regressive (VAR), Generalized Auto Regressive, Conditional Heteroscedasticity. (GARCH).

JEL Classification Codes: E58, E32, F43, N15, C62.

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Presenting a Framework for Improving the Performance of Regulatory Compliance in the Banking System, through Application of Regulatory Technology

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Abstract

The ingress of multiple players into various spheres of business along with facilitating to render the required services through development of digital channels have per se, exasperated the competitive environment and pave the way for more concentration on improving the sundry of processes of business sectors in toto. However, taking into account the traditional approach of banks for providing the wide range of financial services, the amelioration of operations in different banking sectors can be possible viz-a-viz their active interactions with the new players of this industry, the so called FinTechs, Ipso facto. In this context, we may observe that certain banking functions i.e. the regulatory compliance, anti-money laundering and risk management are among the tasks in which they can be deemed as the participation targets of some specialized FinTechs known as RegTechs which de facto may be construed as “Regulatory Technology”. Hence, in this paper an attempt is made to expound the concept of regulatory technology and its impellers in the initial stage and subsequently we have investigated some important issues such as the forthcoming trends of risk functions and regulatory compliance, the arena of application and the described samples for successful operations of RegTech, Sine qua non. Finally a process of formulating a framework for adoption and implementation of “Regulatory Technology” in financial entities and banking systems has been envisaged, Sui generis.

Keywords: Regulatory Technology, RegTech, FinTech, Banking Trend, Regulatory Compliance

JEL Classification Codes: G18, G28, M13, M48.

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The Study to Investigate the Increasing Role and Share of Debt Market to Finance the Iranian Economy: Opportunities, Challenges

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Abstract

The development and deepening of debt market in the economy can de facto pave the way for more financial transparency, non prevalence of administered determination of interest rate in the market and more degree of independence for the Central Bank to implement the monetary policy with greater efficiency to accomplish its anti-inflationary targets in toto. Besides, it may per se provide the required resources to diminish the incidence of government indebtedness to its claimers, enhance the banks capacity for short-term financing the small scale and medium sized firms and smooth transition of bank driven economy to the market based economy, Quid pro qua. Though, in the absence of well articulated infrastructural underpinning in the economy, the spillover benefits of debt market development in the financial system of any country will be fragile and embryonic pro rata. Hence, in this paper an attempt is made to construe the exigency of debt market development in Iran, observing the successful scenarios of developed countries, Sui generis. In this context, we have tried to postulate the structure of debt market in Iran and its prerequisite inner-structures for expansion of debt market in the economy and subsequently to contemplate on this basic "lemma" that how the debt market can optimally finance the economy in Iran, Sine qua non.

Keywords: Debt Market, Public Sector Debt, Government Bonds and Corporate Debt Securities, Monetary Policy Instruments.

JEL Classification Codes: G38, H63.

Evaluation of Proposed Course of Actions to Resolve the Challenge of Delayed Payment Penalty in the Islamic Banking System

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Abstract

In this paper, an attempt is made to expound per se on six criteria to evaluate the most important Sharia course of actions which may resolve the challenges of Delayed Payment Penalty in the Islamic banking system in Iran and other Islamic countries in toto. These criteria are de facto as follows: 1-Figh permissibility and Sharia Justification, 2-Segregation and Distinction of customers based upon their bad or doubtful debt account from those holders of good accounts, 3-Preventability, 4-Loss compensation, 5-Simplicity and 6-Designation of non-income quiddity of penalty. Hence, for this purpose, we have employed de jure, the Analytical Descriptive method. The results prima facie indicate that, none of the existing course of actions can satisfy the plausibility of these criteria as a whole, Ipso facto. Thus, the policy implication of this research denotes that, although in other Islamic countries the action of paying the Delayed Payment Penalty to charity institutions is consented by the most Figh scholars of the world and the Islamic banking systems of other countries are functioning on the basis of this framework pro rata, but the Iranian Usury Free Banking System has not come up with any comprehensive shariah compliant course of actions to resolve efficiently the issue of Delayed Payment Penalty in the context of economic and banking spheres, Sine qua non. This phenomenon will necessitate to ponder further into the lemma in the future. Besides, we have propounded that, in order to avoid and elude the charge of Riba and derive a functionless income from the Delayed Payment Penalty viz-a-viz banking network in Iran, it would be better to settle the amount in the Central Bank of the Islamic Republic of Iran or to the charity institutions, Sui generis.

Keywords: Delayed Payment Penalty, Imamiah Figh, Islamic Banking, Usury-Free Banking System.

JEL Classification Codes: D53, E52.

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Addressing Corruption-Openly

Translated by:
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Abstract

Corruption afflicts countries at all stages of economic development. Indeed, some developing countries score better on corruption indices than many advanced countries. A recently updated estimate indicates that \$1.5 trillion to \$2 trillion (or around 2% of global Gross Domestic Product [GDP]) bribes paid annually in both developing and developed countries. Given the potential impact of corruption on macroeconomic stability and sustainable economic growth, IMF has been actively engaged in helping its members to design and implement the anti-corruption strategies. In this essay, Ms Christine Lagarde the Managing Director of IMF has expounded per se IMF's perspective on the economic impacts of corruption and has enriched IMF's experiences in helping countries to design and implement the exigent strategies to address the heinous phenomenon of corruption, *Ipsa facto*.

Keywords: Corruption, Economic Impact of Corruption, Anti-corruption Strategies.

JEL Classification Codes: D60, A14.

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Optimal Taxation in Theory and Practice

Translated by:

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Abstract

The optimal design of a tax system has inevitably been deemed as the overriding task for policy makers and economic theorists. In recent years, the significant advancement in economic theory has led to recommendation of more specific policy prescription for taxation. Nevertheless, the policy advices derived from economic theories are partially manifested in the tax policies. This paper, presents a succinct summary of eight key lessons delivered by economists about optimal taxation. It also explores the interplay between tax theories and the adopted taxation policies, per se.

Keywords: Optimal Taxation, Tax Theory, Tax Policy.

JEL Classification: D571, C67.

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