

Review Article

AN ANALYSIS OF THE CURRENT CHALLENGES OF THE BANKING SYSTEM IN IRAN

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Received: 21.12.2019

Revised: 16.01.2020

Accepted: 01.02.2020

Abstract

According to Iran's 20-year vision plan, the Islamic Republic of Iran should achieve the first economic, scientific and technological status at the regional level with rapid and continuous economic growth, relative promotion of per capita income and attainment of full employment. Also, according to paragraph 5 the requirements of Iran's 20-year vision plan, achieving such a position requires a continuous 8% growth in the economic sector with an emphasis on investment development, productivity enhancement, business environment improvement, and strengthening and developing the national standard system; the achievement of these goals also requires an efficient, stable, disciplined and dynamic banking system, because the country's economic system is bank-oriented and the banking industry has a significant share of the financing of our economy (Central Bank of the Islamic Republic of Iran, 2014). Nowadays, issues such as supervision, transparency, quality of regulation, fight against corruption, etc. in the banking and governance system are one of the key indicators considered internationally, this has been one of the main concerns of the people at both the micro and macro levels. At the organizational level, the purpose is to understand the actual performance of the organization's managers and the degree of success of the companies, but at the macro level, understanding the importance of responding to people and moving towards development within government has been of interest; the present paper examines a practical framework for moving the banking system in the direction of better regulation and consequently better policy-making and realization of good governance goals and its integration with the economic growth and development of Iran.

Keywords: Banking System, Economics, Governance, Economic System, Bank.

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INTRODUCTION

Today, in a community-based economy, the quality of governance at the level of each entity in a country's economy is one of the most important contributors to economic success, growth, and development. Given the importance and key role of banks in many financial systems around the world, banks are the decisive source of governance and milestone of this dynasty or link, whether in the non-financial sector (lender reference and capital allocation) or in the financial sector (distinctive features of other financial intermediaries). As a result, they play a key role in the economic-industrial growth and development of each country. Thus, they are the first link in the dynasty or the governance link between financial institutions and the non-financial sector. A decade ago, a large number of countries modified the institutional and normative structure of their regulatory authorities and incorporated the governance features into its new architecture. The focus on organizing oversight and governance features is in response to developments in financial systems and banking crises in the world (Quentin et al., 2007). Accordingly, financial institutions, especially banks, have always been the focus of financial policymakers and supervisors, due to their key and effective role in the economy of each country. The developments of the early decades of the twentieth century and the financial crisis of the 1980s also made this attention as a systematic approach (Qassemi, 2007, 16). In our country, especially after the Islamic Revolution, due to the significant share of government in the country's banking system and the existence of implicit sovereignty overbank deposits; the sensitivity and importance of the issue of transparency, accountability and banking supervision have decreased, so the theoretical and regulatory issues surrounding it have not received much attention; but in recent years, the share of the private sector in the banking system has improved dramatically and with the exception of banks subject to transfer, the major share of the banking system has been allocated to the nongovernmental sector, so it cannot be ignored (Ghanbari, 2013, 2), because banking is dynamic and has certain features that in case of trouble or disruption in one bank can quickly spread to other banks and financial

intermediaries and ultimately affect the financial and economic system of the country. Therefore, in order to maintain the stability and soundness of the banking system of the country as the first and foremost purpose and existing philosophy of banking supervision, normative and institutional requirements for efficient and effective supervision should be taken into consideration. However, in view of the importance of the matter and having regard to the provisions of Articles 5 and 9 of the Prospects for the realization of the Iran's 20-year vision plan, and in accordance with Articles 9 and 19 of the General Policies of the Resistance Economy and in taking an effective step towards the attainment of the highest economic objectives of the Iran's 20-year vision plan, and the overall policies of the Resistance Economy suggest that the implementation of good governance components appropriate to the banking system is a necessity for the Central Bank of the Islamic Republic of Iran. It is noteworthy that no research has been conducted on the status of banking supervision, economic transparency, rule of law and the central bank as the sole institution overseeing the country's banking network and its role and position in good governance. The purpose of this study is to explain the effects of good governance indicators on the institutional structures and control of corruption in the banking system. In addition to examining the current state of the banking system, this study has focused on the formulation and operation of good governance indicators on the banking system's economic performance in a competitive environment. Also, pursuant to Article 97 of the Code of the Fifth Development Program of the Islamic Republic of Iran, the Monetary and Credit Council is obliged to reform the structure of the central bank to strengthen the supervision of monetary and financial institutions in order to achieve the macroeconomic goals of the country. Therefore, it is necessary to consider the components of good governance in the Iranian banking system in performing such a dangerous task and effectively playing the expected role of the bank in supervising banks. On the one hand, one of the bases of the economic transformation plan is the transformation of the banking system, one of the most important aspects of which is the change in the degree of

Islamization and conformity with the religious teachings and sharia of the Islamic banking system. A review of more than two decades of Islamic banking experience in the country shows that the challenges and difficulties in some cases have led to the convergence and similarity of the banking system without usury in Iran. Therefore, it can be said that the current status of Islamic banking in the country is far from the ideal of Islamic banking in the theoretical literature of Islamic economics and finance (Missimi et al., 2009, 92). Given this, it seems inevitable that economic transparency, accurate supervision, and optimal monitoring will be necessary for the central bank. The purpose of this article is to describe the effects of good governance indicators on the institutional structures and control of corruption in the banking system. In addition to examining the current state of the banking system, this study has focused on the formulation and operation of good governance indicators on the banking system's economic performance in a competitive environment.

Problem statement

The main function of banks in economics is to create money and financial intermediation between savers and investors. In most countries, banks and their activities are more closely monitored than other institutions. This is due to the role of banks in the economic and financial life of countries and the nature of their activity. On the one hand, maintaining a competitive environment and on the other, ensuring the quality of goods and services requires regulation by governments. Supervision of banks and credit institutions, in accordance with monetary and banking law, is the responsibility of the central bank.

General

Banks and their managers and employees are involved in the field of money transfer and turnover and are therefore more exposed to such issues. Another reason is that the advances in some of the computer technologies have both positive and negative aspects, and this is an area where some users can easily make money transfers and cover their jobs. The central bank, which monitors the performance of banks, cannot properly monitor them. Therefore, since the central bank is having problems, it also has trouble regulating and banks do not accept their orders. The central bank is far away from the day's issues and some of its experts and supervisors are not up to date and sometimes deal with small issues and sometimes they go through some of the big issues that are the source of much of what happens next for banks or financial institutions. Also, one of the factors affecting economic corruption is delaying action and inadequate judicial system; as such, we have a great deal of time-wasting; even when wasted, most people don't get their money's worth; however, if the judiciary had taken steps from the outset and made quick and precise decisions, especially by prosecutors, it could have partially avoided these problems (Baseri et al., 2013, 87).

Before examining the nature of the challenges of the banking system and its consequences, first, a brief definition of the concepts is presented in this article.

Defining the Bank and the Banking System

The bank refers to a financial institution or organization; it has German roots and Italian background; the word among the Italian moneylenders means bench, and in Dehkhoda Encyclopedic Dictionary, it means an organization or device that stores money for the people who make the business; in the Moin Encyclopedic Dictionary, the word bank means a national, state, or state-owned enterprise where people lend their money and withdraw it when necessary; banking and the banking system began from the time of commodity exchange, but today the operation known as banking has no long history, and in particular, it begins with the time of widespread use of banknotes and documents in all transactions. In defining the bank and the banking system, one must distinguish between banking as a business and a central bank. Banking often means providing banking services to the public. Banks collect checks or order payments from their clients and in case of necessity, the accounts are credited to their clients. On the other hand, banks accept deposits and offer other services such as paying

off loans, participating in commercial and economic activities. One of the most important banking activities is in the area of international investment and financial interaction (Alsan, 2015: 8). Banking is a product of the needs of the time, and when there is a need for a means of payment and valuation, and in particular to meet the demands of distant and near customers despite the dangers of money transfers, this interaction is carried out by institutions called banks. One of the reasons was the proper control of the volume of money. In the Sokhan Encyclopedic Dictionary, the central bank, apart from the term bank, in the general sense of the bank that implements the monetary and credit policies of each country, and the name of the bank.

Views on the relationship between the bank and the banking system

Banking is defined as the provision of services that a bank provides. In today's world, banking as a business is not as common as it used to be, and the bank has its own rules and regulations; in Iran, the establishment of a bank is only possible through publicly traded shares with the name or by the government, and in addition to the need to obtain authorization from the central bank, it requires relatively detailed formalities; banking in its traditional sense means keeping people's funds and using extra funds to lend to creditors; more precisely, banking law is defined by the rules governing the collection, distribution and use of surplus funds in the overall banking policies of the country's economy, enabling payment services and other banking services within the framework of laws and regulations (Ibid: 37). Banking law refers to the set of rules governing banks and credit institutions and their business activities. Accordingly, both the rights of actors and banking activists and the rights of banking activities. Banking law is the right of banking marketers because it examines the rules of this branch of the law on licensing conditions and the activities of banks and credit institutions. The license is granted by the central bank and their institutions are closely monitored to safeguard customer rights as well as the economic policies in place to ensure the stability of the banking system. On the other hand, banking law is the law governing the banking business because it determines the rights of business activities performed by credit institutions. They include financial and banking operations that include the provision of resources, lending facilities, and other banking services such as a letter of credit and bank guarantee. Banking laws are the rights of activists and banking activities (Soltani, 2014: 45). The banking system plays a central role in government economic planning, and monetary and credit policies are carried out by banks with the help of the government. Banks around the world are heavily supervised by authorities to maintain the economic order of society and monetary and banking activities to serve economic growth. Therefore, banking law is subject to both private and public law. As banks perform public service, the primary principle is that banking rights are governed by the relationship between the central bank and the institutions governed is subject by public law and in terms of the relationship between the credit institution and the customer, it is subject to the rules of private law within the framework of central bank regulations (Ibid: 47). One of the most important tasks of banks is always to provide facilities to different economic sectors. In fact, banks are responsible for transferring resources to economic activities, especially given the bank-oriented nature of the Iranian economy and the crucial role banks play in the process of financing various companies and institutions, creating a proper return stream along with reducing credit risk of non-payment facilities provided by recipients of these facilities are important issues in studying the performance of these banks.

Classifications in relation to the bank and the banking system

From a financial point of view, the economy of each country is based on the money market and the capital market. At the top of the money market is the Central Bank of the Islamic Republic of Iran as a supervisory body and a bank of banks. Then there are public and private banks and credit institutions, which are

mainly involved in raising funds for people and providing them with facilities and other banking services. State-owned enterprise funds and banks have a distinct status for their non-profit activities. Another part of the money market concerns other entities involved in this market, including credit co-operatives, lending corporations and currency exchanges operating under the central bank (Soltani, 2014: 55). In the meantime, it is important to examine the history of the banking system, its main function, and its purpose. A study of the principles of Islamic banking, which differs from the ban on usury from foreign banking, shows that this traditional role of the bank can be applied in another way. In ancient civilizations, the wealthy used temples as a safe place in order to preserve jewelry and other valuables, in return, the temple lent part of the deposit to those in need. Therefore, it can be concluded that prior to the emergence of money, the bank existed as a place to preserve valuables and lend.

Types of banking

Banking in Iran is divided into three distinct periods. The first period was based on foreign banking and capitalism, from the time the first bank was established until the 1979 revolution; the second period began in September 1980 following the nationalization of the banks and the resolution of the Revolutionary Council which was adopted to explain the principles of the banks and their duties and the third period of 1982 began with the adoption of the law without usury banking (Soltani, 2014: 30).

Islamic banking

In Islamic banking, the situation is quite different due to the ban on profits. Islamic Banking is based on adapting banking activities to Shari'a rules and ideally, instead of receiving a fixed and guaranteed profit, it will share the profit and loss with its customers. The most important objectives of Islamic banking include removing the usury system from the banking system, introducing participatory contracts, not setting and guaranteeing interest rates, depository participation in profits and losses, and non-formal contracts. Usury is prohibited in Islamic banking (Soltani, 2014: 35). The purpose of development as a central goal of Islamic banking is to take into account the rights and interests of depositors, bank shareholders and borrowers, the banking process, and to equip and allocate resources in such a way as to serve the interests of the community in order to fulfill the most important economic task of Islamic banks, which is to help the country's growth and development through the provision of facilities to businessmen and investors.

Modern banking

The outbreak of the industrial revolution removed the traditional economic and social activities of countries, firms, and individuals, and engaged in a process of so-called modernization with industrial products and technologies. The banking system has also welcomed the transformation that has led to the development of banks and financial institutions. The banking system began its evolution with technology; concepts in modern banking are considered by experts. Among these concepts are mechanized banking, automated banking and, most importantly, electronic and virtual banking. E-banking is the use of advanced network and telecommunication software and hardware technologies to exchange financial resources and information electronically and does not require the physical presence of the customer in the branch (Dehkordi and Rasooli Nejad, 2011: 220). In Iran, most banks and financial institutions have been able to influence and change the attitude and equip the two domains of internal organization namely structure and manpower and external organization *i.e.* a customer; speed is one of the most important assets in the Third Millennium, provided by information technology. Dual banks are one of the approaches to this development. Dual banks, given the structure they have chosen, can respond well to traditional and electronic banking services with high flexibility and speed; it enables customers to perform a wide range of transfers of funds and information in a traditional and electronic way (Dehkordi & Rasooli Nejad, 2011: 156).

Transparency

Transparency is used against secrecy, and it means the free and easy sharing of information by the media with people and citizens. Transparency is the key to making people aware of the administrative decisions, public services and business transactions that affect their lives. According to this principle, not only executive decision-making practices, but also the administrative behavior and performance of public administration staff and managers are visible, predictable, and understandable. Transparency is not only an essential principle in public and government departments but also includes the private sector. With transparency, all citizens - even those who are not affected by the decisions and actions of private and public institutions - can access documents and information in various sectors and ensure its compliance with applicable laws and regulations. Of course, the scope of access to government information and documents is set by citizens in the laws and laws governing access to information. Transparency is not an end in itself; it is a means of achieving good governance by holding the public officials accountable and by disseminating information and taking action that reduces corruption in the public service system of a country (Shurchi, 2015, 78).

Transparency in public administration requires freedom of expression, freedom of the media and the existence of a law on access to information. The more these values are institutionalized in society and respected by government officials, the greater the transparency. Citizens' knowledge and awareness of the administrative system, laws, and regulations, responsibilities of the units and administrative branches of the public administration also have an impact on transparency. Citizens with little or no knowledge cannot have a proper understanding of their rights and privileges and the authority of the authorities; as a result, they are confused and indifferent when they go to the offices, which is a prerequisite for the abuse and corruption of the administrative staff (Zein et al., 2013, 44). Transparency enhances citizens' active participation in political and social affairs; transparency is a prerequisite for gaining public trust in the governing system and the way in which the country is governed; the other role of transparency is to prevent corruption; corruption can be defined as the abuse of public power and the authority of the state to achieve personal gain. The most traditional cause is the need for transparency in preventing and combating corruption; a government committed to good governance and it will pay close attention to controlling and reducing corruption, increasing transparency (Habib Nejad & Ameri, 2016, 133).

Banking system in Iran

Banking is one of the most important service industries in the whole world and its importance is becoming more and more important in countries with a bank-oriented economy such as Iran. In Iran, the banking system faces many challenges. For example, the approach and emphasis of many banking professionals have been largely on the macro-level of the banking system. Some are concerned with cross-sectional decisions, sometimes without expert evaluation, which in the long run damages the structure of the banking system. For example, at one point in support of production, it considers a plan to rationalize the rate of profit of the facility, but in the long-run estimates indicate that this policy has not only failed to target production improvement but has created wider damage to the banking system. In a desirable banking system, a systematic and structured approach is defined that cannot divert banking from the main axis with cross-sectional policies. In a way, one cannot impose one-night policies on this powerful system. Another example of these unsystematic policies can be seen as the orderly rate of money market interest rates, which is largely influenced by legislative decisions.

Monetary policy of the banking system in Iran

The most important goals of macroeconomic policies are monetary policies, price stability, economic growth, and favorable employment levels. In monetary policy, the goal is often to choose between controlling the interest rate and the money supply. In Iran, by pursuing a monetary policy based on monetary control, it seeks to prevent the monetary expansion

that is disproportionate to the objectives of liquidity and inflation contained in the development plans while providing the necessary liquidity for the manufacturing and investment sectors. In implementing monetary policy, the central bank can either directly use its regulatory power or indirectly exert influence on money market conditions as an issuer of strong money (banknotes and coins in circulation and deposits with the central bank). Accordingly, there are two types of monetary policy instruments that are called direct (non-market based) and indirect (market-based) monetary policy instruments; direct tools include: controlling bank interest rates in the country and lending to credit and setting maximum credit and indirect instruments include: positive or negative change in the legal deposit ratio, issuance of corporate bonds by the central bank and special bank deposits with the central bank; corporate bonds were selected to control the liquidity and financing of infrastructure projects from private-sector sources and the funds raised in the corporate bonds should be spent on the nature of the contract, in accordance with the design of the project. In the primary market, these bonds are used as financial policy instruments, and monetary policy is implemented by the central bank buying and selling in the secondary market. However, the purpose of the issuance of corporate bonds by the Central Bank is to enforce the contractionary fiscal policy, i.e. the funds raised by the central bank are locked out of the liquidity of the economy to control the monetary base in this manner. Thus, the nature of the corporation is in conflict with the confinement of money and the flow of money and will bring the profits of these securities with usury. If these securities are to be used solely for monetary policy, without their funds being used to carry out economic projects, their issuance would be sharply impaired and would become a bond issue (Majlis Research Center).

Challenges of the Iranian banking system

The banking laws of the country have many challenges. One issue that many experts agree on is the need to reform the banking system. The problems and challenges of the monetary and banking system of the country can be analyzed from different aspects; some of these problems and challenges related to the unorganized market and the unauthorized institutions (in the underground economy). Another part deals with the structure of the banking system, and the other part deals with the problems of the banking system, which are related to policy and regulatory tools and generally related to the central bank. Another part of the problems of the banking system is related to peripheral issues and influenced by macroeconomic variables and policies. This, of course, can be viewed from the political-economic point of view; the lack of transparency and the low level of regulatory standards can guarantee the benefits of some of the larger stakeholder groups. Among the challenges of the country's banking system: less stability of senior managers of the banking system, and consequently lack of comprehensive and long-term plans for their management affairs and their day-to-day failures to effectively utilize integrated information systems to provide accurate, timely and online information on the performance of the banking system to clarify their performance, such as:

1. The mismatch between bank expansion, financial institutions, credit, and community needs
2. Lack of specific strategies and policies for banking research and development in the country
3. Excessive laws and regulations in the banking system of the country
4. The weak interaction between the banking system's policy and executive bodies
5. Banks are less interested in lending to small businesses and entrepreneurs

In some cases, regulatory measures are taken when there is a problem such as embezzlement, fraud, misbehavior, etc. in the banking system, which has resulted in losses for the banking system, the customers and the community, and in fact, post-operative and incident monitoring is performed. Also, the lack of infrastructure to accommodate the high volume of people

using e-banking services is another challenge that the banking system is faced with the definitive availability of this system of service to the people, especially in the days of Nowruz, the payment of subsidies. In fact, the lack of a proper strategy at the national level has led to failure in banks and a shortage of IT specialists who are familiar with both strategy and banking. In addition to the conditions of inflationary recession in the country, lack of a comprehensive customer accreditation system, weaknesses inaccurate validation, lack of valid and inadequate credentials, inadequate and qualifications, expertise and background in requesting facilities, the lack of deepening and expansion of the capital market and administrative bureaucracies in the administrative and judicial system of the country are among the factors that increase the banks' non-performing demands, which indicates the high risk of lending facilities in the country's banking network; part of the problem with the banking system is due to the growth of various types of unauthorized and informal credit institutions and the unnecessary expansion of numerous credit unions and debt funds. In the past, with the support of some unrelated agencies and institutions, institutions established as monetary and credit cooperative institutions and the like were established and expanded rapidly, without the consent of the central bank, with the negligence of the competent institutions and expanded rapidly. There are also problems such as lack of transparency in the turnover of these institutions and lack of expertise and credibility of the managers and shareholders of such institutions; another issue that is a regulatory challenge in the country's banking system is the religious supervision. Religious supervision means all regulatory measures to ensure compliance of banking network operations with the religion. Lack of religious supervision in the banking network can cause banks and customers to get caught up in usury or void contracts and endanger property relations in the economy. The existence of a usury-free banking operation law in Iran since 1966, although it has been the basis for the religious activity of banks, however, due to the lack of specific institutions and standards for religious supervision, there are numerous instances of banks' non-compliance with religion. The main damages due to the weakness of religious supervision include: changing the nature of the power of attorney, lack of supervision over the allocation of funds in banks, non-compliance of banks' foreign exchange operations with non-usury banking, and desegregation of Islamic contracts and their formal use (Azimian & Mohajer, 2017, 78). These include violations of the banking system rules and regulations, formalization and incorrect execution of the contract, failure to understand the Islamic banking generalities and the banking contract, failure to actually participate in the participation contract, imposing late payment penalties on a client-side approach, not calculating the difference between fixed-income profits, receiving non-commissioned fees on banking services, providing loan facilities with the condition of depositing in the form of loan facilities, the lack of structured religious supervision in the banking system and the lack of efficient religious instruments for monetary policy (Abedini & Razmjo, 2015). In addition, several years of banking sanctions and the isolation of the country's banking system from the international financial system have created a deep gap between the country's banking system and the world's banking standards. On the other hand, the central bank's relinquishing of its regulatory and supervisory duties to the ninth and tenth governments and the misuse and opportunism of some economic players have also created very complex problems in the monetary and banking system, whose effects remain; research shows that in order to meet the challenges facing the country's banking system, effective steps need to be taken to make banks more efficient; the government's financial relationship with banks should be improved through repayment of government debt to banks and discipline in government fiscal policies; the assignment and quasi-assignment facilities of government should also be eliminated as far as possible so that the banking system can move towards reducing credit ratios in the economic sectors and prioritizing justified economic projects in granting facilities and in competitive conditions. Strategies that can help improve government-banking relationships include: supporting the

central bank's monetary policy to reduce inflation and how to set bank interest rates on the underlying mechanism, market and economic conditions (Ibid: 1). Stable and sustainable monetary policies, adopting sustainable monetary policies and addressing all aspects of monetary policy, including the interests of banks, shareholders, depositors, and their recipient facilities, are essential for today's banking activity; trust is achieved through transparency and the implementation of stable monetary and capital market policies. Therefore, monetary policy-makers should adhere to expert advice and adopt fully transparent and stable policies; because the current technology structure will not be responsible for the next few years, banks will have to upgrade their technology level, but due to the lack of upgrades and up-to-date technology, the costs of upgrading and the use of new technology are high, that is, for many reasons, such as the government structure of the banking system, such costs are opposed by managers and they prefer to use existing technology rather than respond to regulatory authorities about such high costs. By emphasizing preventive and preoperative supervision in the banking system, a mechanism should be in place to identify issues and eliminate the areas of occurrence before the problem occurs for the banking system and its customers. In fact, preoperative or preventive supervision should be emphasized. Therefore, effective and preventive monitoring of banks' performance can prevent the banking system from violating and misusing it. Also, serious and practical action against the abuses of the banking system and embezzlers can prevent the misappropriation of the banks. Since the central bank has two important tasks: policymaking and oversight to play an active and influential role in advancing the economic objectives of society through the implementation of the country's monetary policy, therefore, a close and continuous relationship between the central bank and policy-making bodies such as the Islamic Consultative Assembly and the banking system of the country as the executive partners of the central bank is essential to operationalize monetary policy, that is, the central bank, as a policymaker and supervisor of the monetary policy of the country, should reflect the problems and obstacles of the banking system to the legislative bodies so that they also adopt laws and regulations in order to solve the problem and improve the functioning of the banking system and confirm the interaction between the central bank and the upstream institutions and the banking system of the country. Today, there is a system of ranking individuals in the country, but due to the weakness of the banking network technology and the lack of cooperation of banks, the customer rating systems in the country have not been put into practice. Establishing a credit rating system, especially in small and consumer loans, is a very helpful and good alternative to guaranteeing facilities. With such a system in place, if a person delays in repayment of the received facility, his or her access to the facility will be interrupted for a long time throughout the financial network of the country, and therefore individuals will be careful to repay the received facility. The bills of the central bank and the banking system of the state are regulated by the titles of the "without usury banking system" and the "monetary and banking law" and subsequently, the government's action to submit and publish the text of the Central Bank and State Banking Bills was put on the government's agenda and given that the representatives of the government and the relevant bodies requested that after the submission of the Government Bills, a final conclusion should be drawn on the merger of the plan and bill, that the government should take the appropriate opportunity in this regard. Of course, these bills require serious reforms to make a positive change in the country's banking system; the bills are the result of several years of specialized central bank meetings on the current state of banking law and changes. One of the good points of this bill is to address the fact that there are scattered laws in the form of a bill. In addition, the new bill cannot be a source of significant developments in the system of the Central Bank of Iran, and the problems that the central bank has within it are the problems that the government has with its government agencies, as well as the problems that the central bank has with the community will not be resolved under the bill. The bill does not cover all the needs

of the external sector of the economy and does not provide the facilities for commercial and monetary transactions; economic experts expect the central bank to be divided into two parts in its new bill. One part deals with the affairs of banks, the supervision of banks and the policymaking in banks, and the other part is about the main task. That is, what we know as preserving the value of money and stabilizing the country's monetary and banking system will not solve the existing problems until the central bank is divided into two parts. Given the manpower and economic structure of the country that interacts with government agencies, both of these tasks will create problems and the new bill's framework cannot solve the problems. Banking policy and oversight need to be resolved by setting up an organization under the supervision of the central bank and able to manage the banks. One of the problems is that most of the time the head of the central bank spends solving people's problems in the banks and the problems of the banks. For example, such as the interest rate that many banks do not follow and the different interest rates in different titles and the central bank as a supervisor in practice cannot do this because the central bank's regulatory discussions with the current organization do not meet the needs of individuals (Mostakhdemin Hosseini, 2016: 4). Today, parliament, people, businesses, etc. all expect banks to provide facilities, and their demands take up a lot of time, despite the central bank's general duties and responsibilities; whereas, if an oversight agency is set up to oversee monetary policy, it will make central bank performance independent of policymaking, and that organization can adequately address those issues, under these conditions, the head of the central bank can pursue even more important concerns, including maintaining the value of the national currency and balancing the economy. Another point is that in the new central bank bill, policy and monetary boards are foreseen that the head of all these committees is the head of the central bank, and so he will not have the opportunity to do all this because he has to take into account the economic conditions of the country and the expectations of the government and central bank (Ibid: 4). Unfortunately, the law of the banking bill has a major weakness, which is that there is no change in practice and it does not meet the expectations of our economy. The bill does not help economic growth and development and how to address these issues has not been determined. Another weakness of the bill is that it is at a very small level defined and only refers to the strictures that the Central Bank implements for banking; the difference between the bill and the House Banking Plan is that what is presented in the House mostly focuses on the strictness of the usury-free banking law and how to direct rates, but in the government's banking bill, the practices of banking management have been meticulous and details have been deposited with the central bank; one of the important points of the bill is that the stricter aspects and enforcement of central bank supervision seems to have increased and the powers of other banks have been diminished; when the central bank gives permission to the bank, it no longer interferes with the preparation of guidelines and regulations, but in Iran, these authorities have not been granted. In the banking bill, the central bank has specified several types of bills but has not provided any definitions in either the central bank bill or the banking bill; the government's banking bills are more comprehensive and transparent than the parliament's banking bill and have made the central bank more independent. The bill is also stronger so it is better for parliament to review and approve government bills (Ibid). In the twin bills of government, it should be noted that the two Chicago and Cambridge economies are recognized as important economic schools in the world, with central bank independence in countries largely dependent on the type of economic school in which they are governed, in the Iranian economy when it comes to the central bank and its independence, it should be borne in mind that our economy, bank-oriented, and capital markets are very weak. Thus, the independence of the central bank in the constitution does not make sense theoretically and practically. On the other hand, our oil economy does not have such independence, the central bank takes a significant portion of our oil revenues and repays it in Rials, and as a result, the central bank is also a kind of government bank, the

independence of the central bank is impossible. There seems to be relative independence in the central bank, and in terms of deposits, facilities, etc., the instructions are not clear and precise.

CONCLUSION

Due to current business needs, technology changes, etc., it is virtually impossible to move forward with the current tools defined in these rules. As a result, it seems like new equity instruments need to be defined for bonds, debt instruments, etc. so that those who want to save can use the facilities of the banks, the Iranian economy is a bank-oriented economy with advanced examples in Germany and Japan; in such countries, the role of banks is important in people's economic discussions, in sanctions, when the central bank is affiliated with the government, it allows the sanctions to designate and sanction the central bank as a state bank; therefore, the relative independence of government bills is better taken into account, while the jurisprudence committee is also set up in the bills of parliament to affect the independence of the central bank, as a result, government bills are better appreciated and more in line with the needs of the Iranian economy for banking; in the last decade, the presence of large technological changes in the banking sector has diversified the needs and preferences of customers and added to the banking business. Under such circumstances, the proper functioning of the central bank can help improve banking operations in the country and promote the country's economic growth. Many studies have been conducted on the independence of the central bank and its benefits, which show that there is a negative correlation between central bank independence and inflation in the long-time. That is, all countries that have given their central bank more independence have had lower inflation rates in the long-time. On the other hand, the correlation of central bank independence with the ratio of deficit to GDP is also negative. That is, in all countries with more central bank independence, the government's deficit to GDP ratio is ultimately lower. In other words, the central bank is expected to have stable prices and a healthy banking system that can contribute to economic growth in the long-time (Mousavian et al., 2017, 107). Despite numerous researches and recommendations on bank risk management and the need to give importance to them, in the banking system of the country, only the department has focused on the issue of risk and its management. Banks' risk management departments have been created on the basis of recommendations from international institutions such as the "Ball" Committee and the requirement of a central bank without content, and in cases where content is also taken care of and action considered, it has not been addressed in practice. Importantly, among the types of banking risks, banks have traditionally focused on credit and liquidity risk management, but have neglected the most important banking risk, namely operational risk. These factors have caused problems for the country's banking system.

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