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Financial Ta'zir and Governmental Penalties for Non-performing Receivables in Islamic Banking

Sayyed Abbas Moosavian^{*}
Fereshteh Molla Karimi^{**}

Abstract

The Common method to prevent non-performing receivables in the banking system, is determining considerations for delayed payments. This solution is not a good strategy for some reasons such as practical distort in nature of consideration, lack of sufficient legitimacy, usury problem, inattention to customer insolvency, and same deal with all customers.

The main question of the paper is "Is it possible to present a solution for the problem of non-performing receivables that in addition to the necessary legitimacy, also have good performance too?" This article seeks to analyze and describe the method of using the Shiite jurisprudence to investigate the hypothesis that financial ta'zir can be considered as the optimal method. In the other words, people who despite the financial ability refuse to pay their debts on time, are sentenced to pay a financial ta'zir. In this way the judicial system, which is responsible for punishing offenders, delegates the gathering of penalties to the banking system. The second solution is to determine the Governmental penalties. In this way the government in order to protect the financial interests of the society and country, can regulate the facility's rules so that borrowers are required to make timely payment of debts and

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financial obligations and in case of violation of this legal obligation, they are obliged to pay as penalties. In this method, the government can allocate part of the ta'zir to the banks as loss compensations.

Keywords: *Non-performing Receivables, Considerations, Financial Ta'zir, Islamic State Sovereignty.*

JEL Classification: G21, G28, K12, K35.

Feasibility Assessment of "Money Creation by the Banking System" in the Islamic Banking

Hassan Sobhani^{*}

Hossein Doroudian^{**}

Abstract

The money creation by commercial banks, raises the question whether this phenomenon is defensible and vindicable from the perspective of economic values and goals in Islam? Opponents of bank money creation introduce it as an anti-stability, violator of ethics, unfair, violator of state power in exercising its right to publish money and stimulator of no priority social activities while defenders emphasize on its advantages especially in providing credit to expand production.

Christian scholars unanimously believe that the bank money creation in terms of compatibility with the religious criteria is not acceptable. The dominant tendency among scholars in Islamic economics literature implies that money creation by the banking system is not acceptable too. This study by emphasize on the two main criteria of justice and productivity, introduce the flexible creation of money by the banking system as a potential instrument in order to expand production and realization of the goal of prosperity while its actualization depends on the effective factors of credit allocation. From the perspective of justice, banking money creation is not acceptable due to the reliance on discriminatory rates as well as negative distributional effects, in both senses of equality of opportunity and equality in results.

Thus the alignment of banking money creation and economic motives of religion involves various considerations such as designing mechanisms

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for consistency of bank credit with social priorities, decreasing negative effects of distribution, and finally redefining the contribution of government (society) in benefits of money creation and its taxation.

Keywords: *Money Creation, Bank, Justice, Value-based Judgment, Government.*

JEL Classification: E51, Z12.

Designing a Model for Resistive Banking Case Study of Basic Needs Bank

Sajjad Seiflou *

Abstract

Banks play a key role in all economies and they are the main artery of the transfer of funds and financing. In our country due to greater reliance on bank financing, banks are much more important. The prominent role of banks in the economy in the general policies of resistive economic has been considered and ninth paragraph of the policies is devoted to this important issue. Resistive banking is top priority and essential prerequisite for the emergence of resistive economy in operational areas. The main question of this paper is "What is the definition of resistive banking and what the best practice for its implementation is?" the question is answered by library review and descriptive method.

For this purpose, the concept of resistive banking in terms of the concept of "resisting Bank" and "strengthened bank" is described and based on the pattern of segregation in the Islamic banking model, a framework of three types of banks (basic needs bank, development bank and commercial bank) is planned. In addition, as the newest type of banks, basic needs bank is described in three fields of resources, costs, and operations in detail.

The results of this study, in addition to concept of resistive banking, represent an operational framework for resistive banking based on the pattern of segregation wick one of models is described as a case study.

Keywords: *Resistive Economy, Resistive Banking, the Pattern of Segregation, Basic Needs Bank.*

JEL Classification: B59, D02, G21.

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The Role of Owned (Free) Resources in Financing and Non-performing Loans Recovery in Banking System

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Abstract

One of the main challenges in Iran's banking system, is lack of attention to the nature of the resources attracted by customers, especially the lack of understanding of the nature of the resources or facilities received by borrowers. This has led to bank customers often seek to low-cost resources. Due to the lack of familiarity with the owned resources in banking system, bank employees and customers have become indifferent about the nature of contracts and its compliance with the Sharia law, and using them in an appropriate and correct method.

This article reviews the owned resources from the perspective of the analytical and descriptive and documentary studies. The hypothesis is "for non-performing loans recovery and prevention of formal transactions, banks should use cotracts wich release owned resources." The study shows that the best way to create owned resources are using exchange contracts such as Sale of debt, Ijara ended with ownership, Salaf, diminishing Musharakah, legal Musharakah, Interest Free loan (Al Qard Al hasan), Murabaha, Jaeala, Istisna'a. Because of borrower's ownership on bank sources in the framework of this contracts, it seems that there is no Shari'a considerations about how to use the resources and as a result formal transactions in the banking system decrease, too.

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Keywords: *Owned Resources, Mobilization and Allocation of Resources, Diminishing Musharakah, Non-performing Loans.*

JEL Classification: G21, G24, Z12.

Evaluate the Role of Imam Khomeini Relief Committee in the Development of Sustainable Rural Employment (Case Study: Khomein Township)

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Hossein Ghafoor Zadeh^{***}

Abstract

Justly distribution of job opportunities among regions of a country is one of basic requirements for a balanced and integrated development. The main purpose of this study is to evaluate the role of Relief Committee in sustainable employment in rural city and study the assumption that "Imam Khomeini Relief Committee had a positive effect in sustainable employment in Khomein Township's Villages". The study is an applied and descriptive research. The population of this study included 2310 subjects who are sponsored by rural employment schemes and 180 other persons who are selected by sampling method.

The results of the analysis showed that loadings of each component of the sustainable employment including job security 0.88, economics and income 0.81, population stabilization 0.47, job capacity 0.5, job quality 0.78, the satisfaction of loans 0.5, development of new jobs 0.63 and diversification of activities 0.94 meaningfully are less than 0.05, which implies an effective role of Imam Khomeini Relief Committee in the development of each of these dimensions and thus employment

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development work in these area.

Keywords: *Employment, Employment Development, Empowerment, Imam Khomeini Relief Committee, Khomein Township.*

JEL classification: J2 ,M2 ,O2 ,R2.

Modeling the lease contract (for House) in Islamic Economics Using Contract Theory

Seyed Hadi Arabi^{*}
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Mostafa Shaikhani^{***}

Abstract

This research aims to study lease contract among set of Islamic contracts by explaining the importance and necessity of detailed study about Islamic contracts and contractual approach to Islamic economics. In this regard by considering asymmetric information as the most important challenge facing lease contract, we will study lease contract using contract theory and incentives economics. For this purpose, using a library method we study the various aspects of asymmetry of information in the lease contract considering Islamic economics and we construct a mathematical model to solve the problem. Finally we reach theoretical model that can design optimal contracts for lease of house (by replacing parameters) in a way that adverse selection problem will be solved. Then we use hypothetical parameters to solve the constructed model using LINGO software, for testing the model.

Keywords: *Islamic Economics, Lease Contract, Lease of House, Asymmetric Information, Contract Theory.*

JEL classification: D82, D86, Z12.

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