Reconsideration of "Qardh" as a Profitable Contract in Islamic Banking

Mehdi Naji\\nAssistant Professor, Faculty of Economics, University of Tehran, mehdinaji@ut.ac.ir

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Abstract

As the main incentive of a bank, as an economic agent, is gaining profit, the prohibition of lender asking borrower any bonus out of Qardh in Islamic Shari'ah have marginalized this type of contract in Islamic banking system and, in contrary to conventional banking system, let other types of Islamic contracts be replaced. Although Qardh contracts face serious limitations in Islamic transactions, compared with other types of contracts used in banking systems, this type of contract have significant economic and juridical advantages, which should not be ignored.

The major question in this study is whether utilizing profitable Qardh in a Riba-free banking system possible. Based on an analytical-descriptive approach, this paper tries to evaluate the possibility of utilizing a profitable framework in which Qardh, like other Islamic contracts, can be used in a Riba-free banking system. Having studied the characteristics of Qardh contracts, and the necessity of distinguishing the general concept of "Qardh" from special concept of "Qardh Hassan" in Islamic Shari'ah, this study points out some advantages of this type of contract and introduces a mechanism in which a profitable Qardh has been utilized in a Riba-free banking environment.

JEL Classification: E00, E02, E4, E5
Keywords: Riba-free banking system, Qardh, interest rate

1. Tel: +9821-61118080
International Trade and Oil Shocks Effects on Global Economy

Saeed Moshiri¹, Elham Kheirandish*²

1. Associate Professor Allameh Tabataba'i University, Ian, Tehran, moshiri.s@usask.ca
2. MA in Economics Institute for Management and Planning Studies, Ian, Tehran, e.kheirandish@yahoo.com

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Abstract

Oil is one of the major drivers of the economic activities across the world. Oil prices affect the economies of both oil-importing and oil-exporting countries directly and indirectly through trade. In this paper, direct and indirect (spillovers) effects of oil price shocks on developed and developing oil exporting and importing countries are estimated using the Vector Auto-regression method. We measure the direct and indirect effects of international trade within the framework of a dynamic model and the data on thirty countries with more than 73 percent of the world’s economy for the period 1980-2015. The results show that rising oil prices affect oil-importing countries directly and indirect effects are negative for developed countries. The effect of rising oil prices in developed oil exporting countries is negative, which could be due to high share of their manufacturing industries. The impact of oil price shocks on the economies of developing oil exporting countries is also positive, but its indirect effect is negative due to the high trading of these countries with the oil-importing developed countries.

JEL Classification: F00, F40, O40, Q43

Keywords: Oil shocks, oil-importing, oil-exporting, global economy, international trade

* Corresponding Author, Tel: 09122590150
The Empirical Analysis of the Direct Effect of Unemployment on the Shadow Economy in Iran (Money Demand Approach)

Majid Maddah¹, Mahboobeh Farahati²

1. Associate Professor of Economics, Semnan University, Iran, Semnan, magid.maddah@semnan.ac.ir
2. Assistant Professor of Economics, Semnan University, Iran, Semnan, m.farahati@semnan.ac.ir

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Abstract

The literature of shadow economy emphasizes the role of unemployment on the growth of illegal activities. Although many studies have been accomplished about the identification of effective factors on the shadow economy growth, but there are shortages in the context of the analysis of the direct effect of unemployment rate on shadow economy empirically. The purpose of this article is to study the effect of unemployment on shadow economy directly. In this regard, first of all the size of shadow economy in Iran over the period 1976 to 2015 using money demand relation has been estimated. Then the amounts of tax burden and unemployment variables in the changes of shadow economy have been measured. The results from estimation of money demand in the framework of Autoregressive Distributed Lag show that on average 16.35 % of formal production is shadow economy activities and the rate of shadow economy to GDP has increased. there are also a meaningful and positive relationship among tax burden, unemployment and shadow economy size. unemployment rate has significant direct effect on shadow economy and also, according to findings from the decomposition of size of shadow economy to its explanatory factors, on average in the period of under review, 7% of changing shadow economy in Iran is due to changing unemployment rate directly. 

JEL Classifications: O17, E24, E41, C19, O53

Keywords: Shadow Economy, Unemployment Rate, Money Demand, Autoregressive Distributed Lag Model, Iranian Economy

*= Corresponding Author, Tel: 09126312807
The Effect of Oil Export Shock and its interaction with Monopoly Power on Iran’s Macroeconomic Variables: DSGE Approach

Teymour Mohammadi¹, Abbas Shakeri², Masoume Emamikalaee*³, Naser Yadollahzadeh Tabari⁴

1. Associate Professor at Department of Economics, Allameh Tabataba’i University, Tehran, Iran, tmohammadi@yahoo.com
2. Professor at Department of Economics, Allameh Tabataba’i University, Tehran, Iran, shakeri.abbas@gmail.com
3. Ph.D Student at Allameh Tabataba’i University, Tehran, Iran, masoume.emami@yahoo.com
4. Assistant Professor at Department of Economics, Islamic Azad University, Babol, Iran, nasertabari@gmail.com

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Abstract

Due to the nature of oil price fluctuations on the world market, which has been facing a number of positive and negative shocks, in this paper we examine how oil price and mark-up shocks which is an indicator of monopolistic structure of industries will effect macroeconomic variables. So, we simulate Iran’s economy by the methodology of DSGE during the period of 1959-2015. Period the results illustrate that the effect of mark-up shock on GDP, export, investment, and consumption is negative and on inflation is positive. So we can conclude that a rise in mark-up will result in a negative impact on household’s welfare. Meanwhile, a negative oil price shock increase import and consumption but decrease investment and labor’s demand. We can conclude that due to the dependence of the Iran’s economy on oil revenues and a decrease in oil price, and also an increase in mark-up, GDP and investment have decreased.

**JEL Classifications**: E27, E31, J21, L11, L12, L16

**Keywords**: stagflation, monopoly structure, mark up shock, market power, dynamic stochastic general equilibrium

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¹ Corresponding Author, Tel: 09119082584
Investigating the Consumer Price Indices Convergence Among Iran Provinces Using Cluster Analysis

Ahmad Mohammadi*1, Serveh Abdalkarimi Azar2, Ali Fegh Majidi3
1. Assistant professor of University of Kurdistan, mohammadiahm@gmail.com
2. MA in Economic, University of Kurdistan, a_server@yahoo.com
3. Assistant professor of University of Kurdistan, a.f.majidi@gmail.com

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Abstract
This paper tests the hypothesis of consumer price indices convergence among Iran provinces over the period from 2003 to 2016 by implementing cluster analysis. The results show that there is no evidence of overall convergence among provinces. However, the results suggest that there are three convergence clubs. The first, and the largest, club consist of 19 provinces. The second and third clubs consist of 3 and 4 provinces. Tehran forms a divergent club. Moreover, club members do not belong to any specific income and population category and there is no evidence of geographic clustering. Overall, the results point to possible market segmentation, persistent difference between living costs across provinces and possible different impact of monetary policy over general price level across provinces.

JEL Classification: C32, E31, F15

Keywords: convergence, consumer price index, cluster analysis, Iran, living costs

* Corresponding Author, Tel: 09125723228
The Impact of Iran-Turkey Trade Agreement on Legal and Illegal Trade

Salman Farajnia¹, Kowsar Yousefi²

¹. PhD. Student, IMPS, s.farajnia@imps.ac.ir
². Assistant Professor of Economics, IMPS, kyousefi@imps.ac.ir

Abstract

The Iran-Turkey trade agreement in 2015 has widely been under discussion. However, its statistical outcomes are less investigated. This study aims to evaluate the impact of this trade policy on legal and illegal trade between the two countries. We use product-level trade data, from 2011 to 2017. We incorporate the difference-in-difference methodology and control for product-country fixed effects at 6 digits of HS codes. Results indicate that the policy has raised the market shares of preferential Turkish products in Iran. The rise is 10% compared to non-preferential Turkish goods and 35% compared to the same goods exported from other countries. Furthermore, we do not find any robust evidence on the reduction of smuggling, in contrast to what was expected from this agreement. Finally, we use a logit model to analyze factors which may explain the policymakers’ choice of preferred goods. Results indicate that the odds ratio of being chosen as a preferred product increases, respectively, by 170% and 200 %, if the size of legal and illegal trade increases by 1%. Trade volume is considered as a proxy for terms of trade.

JEL Classification: F1, F13, F14, F15, F53

Keywords: Trade Policy, Preferential Trade Agreement, Empirical Studies of Trade, Illegal import, Difference in difference

* Corresponding Author, Tel: 02122802707
Evaluating the Heckscher-Ohlin-Vanek (HOV) Approach in expansion of Iran's Trade Relations with its Trading Partners

Fariba Sadat Aghili¹, Seyed Komail Tayebi¹², Karim Azarbajani³

¹. Department of Economic, University of Isfahan, Isfahan, Iran, faghili67@yahoo.com
². Professor of Economics, Department of Economics, University of Isfahan, Isfahan, Iran, sk.tayebi@ase.ui.ac.ir
³. Assistant Professor of Economy, University of Isfahan, Isfahan, Iran, k.azarbayjani@ase.ui.ac.ir

Abstract
Enhancement of two-factor model by adding more factors such as human capital, knowledge capital and R&D expenditure implies the actual economic advantages, which provide policy makers with priorities and requirements of export development strategies. This paper has studied Iran's trade relations with its major trading partners (China, UAE, Iraq, Turkey, South Korea, India, Japan, Russia and Germany) based on the Heckscher-Ohlin-Vanek (HOV) approach, in which the expansion of trade relations could be evaluated through a framework of factor intensity. The innovation of this study is thus to define several factors, including skilled labor, unskilled labor, human capital, physical capital, knowledge capital, research and development (R&D) expenditures, productivity and energy, as the factor content of the countries’ exports during 1990-2016.

According to R&D expenditure which has uncertain effect on exports and do not follow a particular distribution function among countries as well as industries, its effect can be considered as nonparametric, while other factors should have parametric effects on comparative advantages of exportable goods and services. Therefore, in this paper, a semi-parametric method has been used to specify the panel export model for Iran and its major trading partners. The empirical results have shown that among the considered factors, human capital, skilled labor and knowledge capital have had the most pronounced parametric effects on the export advantages of the countries. Additionally, the nonparametric part of the model has implied that a higher percentage of R&D expenditure has influenced significantly exports of these countries.

JEL Classification: C14, F14
Keywords: Heckscher-Ohlin-Vanek (HOV) Approach, Factor Content, Export Model, Iran and its Trading Partners, Semi-parametric Method

*, Corresponding Author, Tel: 09131141268
Abstract

The effect of targeting subsidies on non-food costs of rural households in Iran

Ali Rahnama¹, Mahmood Hashemitabar², Ahmad Akbari³

¹. Ph.D. student, Agricultural Economics, Faculty of Economics, Sistan and Baluchestan University, Iran, ali.rahnama65@pgs.usb.ac.ir
². Assistant Professor of Agricultural Economics, Faculty of Economics, Sistan and Baluchestan University, Iran, mhashemi@hamoon.usb.ac.ir
³. Professor, Department of Agricultural Economics, Faculty of Economics, University of Sistan and Baluchestan, Iran, aakbari@hamoon.usb.ac.ir

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Abstract

In most countries, one of the major economic policies is to subsidize a producer or consumer. On the other hand, some economists believe that supportive policies distort market prices and cost of production, and unduly allocate inputs and reduce social welfare in the long run. This research investigates the effect of targeting subsidies on the nonfood costs of rural households using the panel data in different provinces of the country during the period of 2008-2015. Provinces were divided into three categories: low and very low, medium, high and very high development. The results showed that in the low and very low, high and very high provinces, targeting of subsidies had a significant negative impact and the average income in all three groups had a significant positive impact on the nonfood costs of rural households.

JEL Classification: C23, E64, R28

Keywords: Targeting subsidies, Non-Food Costs, Rural Households, developing provinces of the country, panel data model

* Corresponding Author, Tel: +9805433447010
Investigating Factors Affecting Gender Pay Discrimination in Iran

Nazanin Bidarbakhhatnia¹, Alireza Jorjorzhadeh²

1. Student, Department of Economics, Ahvaz branch, Islamic Azad University, Ahwaz, Iran, nazanin.bidarbakht@gmail.com
2. Assistant Professor, Department of Economics, Faculty of Economics, Islamic Azad University of Ahvaz, Iran, arjorjor@iauahvaz.ac.com

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Abstract
This paper analyses factors influencing gender wage gap in Iran. The theory is based on the Numark model based on Oaxaca and Blinder (1973) framework for gender wage gap which is applied on Micro data from 2014 labour force survey of Iran. The results show that higher level of education among employed women in Iran has reduced the gender wage gap. However, a significant amount of gender wage discrimination exist for the same work and same level of education. The gap is greater in private sector compared to public sector. The private sector counts for a larger share of employement. At the same time, private sector offers a lower wage for the same work compare to the public sector and also creates a larger gender wage gap.

**JEL Classification:** J31, J16, J21

**Keywords:** Labour force, employed population, gender wage discrimination, gender wage gap, economic participation, women employment

*. Corresponding Author, Tel: 09337574803
Financial Development and Renewable Energy Technology Development in Different Sectors: Application of Panel Tobit Model

Majid Aghaei¹, Mahdieh Rezagholizadeh², Yonnes Abdi³
1. Assistant Professor in Economics, University of Mazandaran, Iran, m.aghaei@umz.ac.ir
2. Assistant Professor in Economics, University of Mazandaran, Iran, m.gholizadeh@umz.ac.ir
3. MA Student of Energy Economics, University of Mazandaran, Iran, younes.abdi70@gmail.com

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Abstract
The importance of renewable energies in sustainable development, greenhouse gas reduction and increase energy supply security on the one hand, and required high level of financing for Renewable energy projects, on the other hand, have enhanced the role and importance of financial development in renewable energy deployment. Due to the importance of this issue, this study tried to evaluate the impact of financial development in the stock market, credit market and whole financial markets on renewable energy technologies (in the four energy sectors including; biomass, hydropower, wind and solar) over the period 2002 till 2015, based on Tobit regression in developed and developing countries. Based on the Results, financial development has a significant effect on renewable technology development regardless of which kind of renewable energy was used. It also led to a reduction in environmental pollution and climate changes, especially in developed countries. The results also indicated that stock market development, credit market development and whole financial market development has the most impact on the renewable technology installation capacity development of solar, biomass, wind and hydropower energies in developed countries, respectively. While financial market development has the most impact on technology installation capacity development of wind, biomass and solar energies in developing countries.

JEL Classification: G2, Q43, C23

Keywords: Financial Development, Renewable Energies, Tobit Panel Model

* Corresponding Author, Tel: 09128487361