

Extended Abstract

Purpose

A major part of the preparation and allocation of credits in Iran's economy is done by the banking system in the form of exchange contracts, Qarz al-Hasaneh, partnerships and investments. During the last few years, the economic conditions (due to the increase in the inflation rate) have caused credit and liquidity risks and as a result instability in the banking system of Iran. Any non-repayment loan reduces the bank's profits and equity and may lead to bank failure if the bank is unable to pay its debts.

The interest rate of loan and exchange contracts is determined by the central bank as a mandate and lower than the inflation rate. Mandatory determination of the interest rate of loan and barter contracts and the increase in the inflation rate have increased the risk and instability of the Iranian banking system. The stability of the financial system and, consequently, the banking system in each country is largely dependent on the activities of macroeconomic and economic development and evolution. In this research, the effect of credit risk and liquidity of barter contracts and Qarz Al-Hasaneh on the stability of Iran's banking system has been investigated.

Methodology

This research has investigated the effect of credit risk and liquidity of barter contracts and Qarz al-Hasaneh on the stability of Iran's banking system using the ZSCORE index. For this purpose, the financial information of 23 banks was collected in the period of 2001-2013 and the econometric method of PANEL EGLS and EVIEWS and SPSS software were used to estimate the model. The study method of this research is a library and the data were collected from the Central Bank of Iran website and the website of the Stock Exchange Organization (KODAL).

Finding

Based on the obtained results, the effect of credit risk variables and the growth of exchange facilities on the banking stability of Iran are not significant. Liquidity risk variables, GDP growth and inflation rate have a negative effect, and the variables of loan facility growth and asset yield have a positive and significant effect on the stability of Iran's banking system.

Conclusion

The financial sector is very important because of its deep connection with the real sector of the economy and the important role it plays in financing this sector. Since banks are known as the core of the monetary-financial field, especially in developing countries, most of the discussions are focused on the stability of banks. The purpose of this research is to investigate the effect of credit risk and liquidity risk of barter contracts and Qarz al-Hasaneh on the stability of the Iranian banking system. Based on the obtained results, the variables of liquidity risk, GDP growth and inflation rate have a negative effect, and the variables of the growth of loan facilities and return on assets have a positive and significant effect on the Z-SCORE variable, the stability index of Iran's banking system. Also, the impact of credit risk variables and the growth of exchange facilities on the banking stability of Iran are not significant. In Iran's banking system, the central bank plays an important role in reducing the possibility of liquidity and credit risk. In Iran's banking system, banks do not correctly predict the situation of their daily reserves, and to compensate for this shortcoming and temporarily supply the bank's financial resources, they are forced to take a loan from the central bank. Of course, in order to prevent the occurrence of liquidity risk, the central bank tries to inject liquidity when the banks' resources are lacking. The higher the risk tolerance of a bank, the more liquidity injection reduces the probability of liquidity and credit risk (AHMADIAN, KIANVAND, 2014). Iran's economy has faced many ups and downs in macroeconomic activities during the last three decades have been. Among them are banking activities in the country. The country's banking system over the decades Recently, he has faced issues such as nationalization of banks, imposition of mandatory policies and government comments, government management and mandated control of bank interest rates. Examining the conditions governing

Iran and comparing it with the conditions of countries that have experienced a banking crisis, especially developing countries, shows that Iran's economy has experienced the conditions of a banking crisis, although due to the state ownership of banks and financial support Central Bank, these conditions have not actually led to an obvious crisis in the economy.