

Assessing the Damages and Challenges of the Iranian Banking System from the Perspective of Islamic Economics in order to Realize Islamic Banking

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Abstract: A country's banking system is one of the most important pillars of its economy, and as long as this system is coherent, robust and flawless, it will equally enhance and strengthen the country's economic base. Changing the banking system of the country, and eliminating usury (Riba) from the monetary body of the country's economic system was one of the issues that attracted the attention of the legislative and executive authorities following the victory of the Islamic revolution of Iran. Since the banking system of an Islamic country requires good compliance with Islamic law and sharia, compliance with the performance of Islamic banking indicators in an Islamic-oriented economy will be essential. There have been various developments in Iran since the victory of the Islamic revolution, and one of these developments has been the debate on Islamic banking without usury. Although a number of steps have been taken in this regard, there has been no comprehensive measurement to Islamize complement the country's banking system, and this has been due to various problems along this way. In this article, while examining the current state of Iran's banking in general, the indicators of an Islamic banking system are examined in relation to some of the most successful examples in the world, and while assessing the problems and challenges of fully implementing Islamic banking in Iran, some strategies will be provided for this purpose.

Keywords: Bank, Islamic Banking, Islamic Banking Challenges, Economics, Banking without usury

1. Introduction

The banking system of a country will be one of the most important bases and pillars of its economic, and as long as this system is coherent, robust and flawless, it will equally enhance and strengthen the country's economic base. Changing the banking system of the country, and eliminating usury (Riba) from the monetary body of the country's economic system was one of the issues that attracted the attention of the legislative and executive authorities following the victory of the Islamic revolution of Iran. For the same reason, at first, in a literal act, the term "interest" has been removed from all banking contracts and the word "commission" has been replaced. Special attention has been paid to the money flow into society in the economics texts as well as in the religion of Islam, because the monetary and banking system in the economy of any society like the body's veins, plays a vital role in the proper and needed flow of money into the economy (Mohammadzadeh et al., P. 3). According to Article 1 (1) of interest-free banking law, the first objective of the banking system is to establish a monetary and credit system based on Islamic law to regulate the proper flow of money and credit for health and growth of country's economy. Now, the question is whether the country's banking system has been successful for more than a few decades since passing this law? It seems that this question cannot be answered definitively, as the evaluation of the banking system's experience over the last several decades shows that, although there have been many commendable measures and efforts to implement Sharia-compliant banking during this period, there are many problems that challenge Islamic practice of banks, and this is perhaps because of these challenges, elites, Maraji, and even the general public doubt that the practice of the country's banking system is Islamic (Mousavian and Maysami, 2016, p 605). The proper movement of an Islamic society in the way that it should be, requires that Islamic rules are applied to all aspects of the lives of people in that community. Justice is a means of reaching out to the abuser, and is also the most important factor in pushing society towards religion and spirituality. According to these teachings, the implementation of justice will calm the hearts, bring down the blessings, enrich the people, and enrich the lives of the earth, so the Prophet (peace be upon him) says that one hour of acting in righteousness and justice is better than the seventy years of worship, each night with prayer, and each day with fasting (Rajaei and Moalemy, 2015, pp. 17-18). This paper attempts to provide a composite index for measuring the performance of Islamic banks, considering the distinctive points of conventional and Islamic banking. This index is presented in the context of existing Islamic banking models, and in particular the interest-free banking model in the Islamic Republic, although the improvement in some cases require a reform of the structure of current Islamic banking models, but at the basics, the discussion is about a brief overview of the structure, and suggesting for reforms to improve it.

2. Research Background

Little research has been done on the Islamic banking index. Some of these studies, using the descriptive-analytical method, are: Mohagheghnia (2011) has considered the cases of usury tricks in banking contracts, and has introduced the balanced composition of the ratio of the value of usury contracts, and the ratio of interest from usury as the index of usury in order to measure the existence of usury in the banking system. Mousavian and Ebrahimi (2013), in an article titled Islamic Banking Evaluation Indicators, have presented quantitative indicators to measure two criteria of equity and economic growth. Osuli and Asadi (2012), while pathologizing the banking system in the Islamic Republic of Iran, have proposed measures to measure distributive justice, contract formalization,

diversification of banking services, actual allocation of facilities, reduction of payment delays and payment of definite profits. Qasimpour et al. (2012), proposed four groups of Islamic banking evaluation indicators in the form of evaluation and monitoring indicators, equipping resources, resource allocation and Islamic ethics and eighteen sub-indices.

Yazdani and Kazemi Nejad (2012) propose some indicators to measure Islamic banking performance in the areas of bank deposits, banking facilities, accounting banking operations, and internal bank processes. Hamidi et al., (2005), propose disclosure of performance for the evaluation of Islamic banks. Antonio et al. (2012) have proposed the index of Sharia intention to evaluate the performance of Islamic banks. Sadeghzadeh (2012), has proposed assessing the components of justice, complying with prohibition of seizure of illegally obtained property, complying with principle of no harm (rule of La zarar), complying with the prohibition of usury, tendency to diversify into Islamic contracts for financing facility applicants, tendency to diversify deposits to satisfy depositors and promote Islamic knowledge, to evaluate Islamic banks. Nazarpour et al. (2011, 2014a, 2014), while introducing usury, Gharar and fictitious contract indices, have measured it in branches of Tejarat Bank in Mashhad. The second group of studies related to the Islamic Banking Index focuses on studies in which conventional banking indicators have been proposed and calculated with some modifications about Islamic banks. Most of these studies focus on evaluating the performance of Islamic banks using methods such as Data envelopment analysis (DEA) model (cf. Afshari Kazemi et al., 2006; Abdali et al., 2009). Some scholars have also examined the health and stability of Islamic banks using financial ratios and economic variables, especially the criteria set forth in the accounting organization statement and auditing of Islamic and financial institutions (cf. Saghafi ans Seyf, 2007; Sadeghi et al., 2010). On the other hand, some scholars have measured the extent of customer satisfaction in Islamic banking by using components such as not expecting too much by the customer and being satisfied with the service provided (cf. oghli and ekhlasi, 2008).

3. Methodology

The methodology used in this research is descriptive using library documents and research of available resources in the field of research. In conducting this research, firstly, while collecting data and library documents, it has been categorized into various relevant sections and topics. Then, using the descriptive methods of the indicators of Islamic and non-Islamic banking system are extracted and in the end, with reference to the opinions of experts, the current state of banking status of the country has been extracted. Finally, while complying the Islamic banking standards with the existing Iranian banking standards and conditions, some strategies and considerations have been offered for bringing the country's banking system closer to Islamic banking standards.

Islamic Banking, Concepts and Indicators

In the field of banking studies with an Islamic view, the following concepts are measurable for compilation of indicators. Banking without usury (Riba): This refers to the elimination of usury as one of the essential features of Islamic banking. Shahid Sadr chose this title for his book, and the banking system of the Islamic Republic of Iran has been called banking without usury system.

Banking based on sharing profits and losses:

The term has been used in some early studies about Islamic banking to prove the distinction between the usury-based and Islamic banking systems in terms of participation in profit and loss. This title has been used mainly in articles published in English by scholars such as Rafiq Khan (1983) and Fahim Khan (1992).

Islamic banking:

The term Islamic banking refers to the banking system in which, in addition to observing jurisprudential standards, the goals and objectives of the Islamic financial system are taken into account. The term has been used by some scholars, including Khan and Mirakhor (1987). As a comparison, the two first and second concepts refer to the dimensions of a desirable financial institution to equip and allocate resources and facilitate payments in the Islamic approach. In contrast, the concept of Islamic banking is a general concept that includes other aspects of the favorable banking system in Islam, in addition to the inclusion of aspects such as the lack of usury, and participation in profits and losses. In this paper, the concept of Islamic banking is chosen as the target for indexing.

Islamic banking

According to Monavar Eghbal et al., (1999) Islamic banking is an effective method in financial intermediation, whereby the Islamic Bank present banking services without interest and using Islamic alternative methods. In its view, the Islamic Bank plays a mediating role by using a common Mudarabah model and by advocating.

Mousavian (1999) believes that Islamic banking should have features such as apparent conformity with Islamic jurisprudence, eliminating usury and interest, efficiency in banking activities, including financing for various

economic sectors, the ability to apply monetary policy, and helping to achieve the goals of Islam's economic system. According to Mir Moezi, (2007), equipping and allocating resources in Islamic banking should be based on Profit & Loss Sharing (PLS) model. Hosseinzadeh Bahraini (2009), distinguishing between Islamic banking in theory and practice, argues that, Islamic banking is characterized by features such as financing through profit & loss sharing (PLS), and failure to provide usury-based loan and a commitment to complete avoidance of holding fixed-income assets. But in practice, Islamic banking has come up with a form of lending in return of getting fixed returns (fixed return scheme (SRF)), uses the methods of installment buying and selling and hire purchase, release of sukuk bonds, and the like. The only difference between these practices and the usury-based loan is its legal form.

There is no substantial difference between such transactions and interest-based lending in terms of its external and economic impacts. Chapra (1985) believes that Islamic banking is not just a banking system without interest (without usury) that is to be done with the elimination of usury of the usury-based banking system, but a system that is able to move towards the goals of the Islamic economic system, in addition to failing to realize usury.

Mousavian considers Islamic banking to have five characteristics:

- 1- Elimination of usury from the banking system and performance of contracts based on Islamic conventions;
1. Equitable distribution of facilities between different sections of society;
2. Fair determination of the rate of profit;
3. Transparency of banking transactions
4. Observing the ethics of banking, he also stresses the need for religious supervision in Islamic banking.

Shahid Sadr (2008a, b), uses in his books both the concepts of banking without Riba and Islamic banking, without giving a different interpretation of them. However, he distinguishes between two models of Islamic Banking.

Islamic economics and distributive justice in Islamic society

Unfortunately, the current situation of the banking system in the country is not very satisfactory. Low rate of giving loan in form of Qard al-Hasan (benevolent lending) and using Qard al-Hasan savings deposits in profitable economic activities, low micro payment facilities, etc., are all signs of inadequate access by poor social groups to banking services and signs of insufficient attention to distributive justice in the banking system without usury in the country (Meysami and Ghelich, 2011, 2015, Mousavian and Maysami, 2016. 608).

Another problem with the country's banking system in terms of justice is that macro-facilities are much easier to pay than micro-facilities, because macro-facilities applicants are usually wealthy and credible individuals (Mousavian and Meysami, 2016). Lack of appropriation of resources in less developed areas as well as lack of adequate allocation of resources to different sectors of the economy are other criticisms of the country's banking system regarding the position of justice. The authorities of the banking system are not ready to accept this fact and they always claim that our banking system is completely based on principles of banking without Riba. This dichotomy is the result of a lack of valuation indicators that compare and contrast the system yesterday and today to determine whether the prevailing trend in the banking system is progressing or regressing in Islamic banking (mohagheghnia, 2012, p. 11).

Islamic Banking in the Non-Islamic System

It is a form of Islamic banking that operates within a non-Islamic social system, assuming based-usury banks and institutions. In this case, only the bank's conflict with Islamic religious law and civil law in Islamic jurisprudence will be resolved. There is no based-usury loan in such a bank. Such a bank cannot resolve the conflict between the mainstream bank and the basic tenets of Islamic economics in the distribution of wealth and investment (Sadr, 2008a, pp 203-206).

In this case, Shahid Sadr provides three features for the Islamic Bank: a) the bank designed don't disagree with Islamic religious law; b) the bank can operate as a cold pursuit business; c) in addition to profitability, the bank can play its role in equipping diversion resources and allocating them and helping to develop and improve the society (Sadr, 2008a, pp. 21-22). A bank without usury is a bank that operates in a society where all Islamic orders are implemented. In this case, the Islamic Bank, in addition to trying to get rid of illicit transactions such as usury-based debt, seeks to achieve the goals that the Islamic economic school pursues by boycotting illicit transactions (Sadr, 2008b, pp. 20-23). According to Shahid Sadr's image of the favorable Islamic bank, the Islamic bank pursues two major goals in its most favorable form:

Getting rid of illicit trade practices such as usury-based borrowing and achieving the goals of the Islamic economic system, goals that Islam pursues by banning certain trading practices. Shahid Sadr mentions these goals as the foundations of the principles of Islamic economics and its general orientation in the distribution and use of

wealth. In his book, usury-based bank in Islam, he considers social balance and justice in distribution as one of these goals.

Dimensions of Islamic Banking

The second step in compiling the indicator is to extract the concepts of Islamic banking on presentation of operational definition. In the proposed definition, two basic aspects of observance of Shari'a standards and realization of the goals of the banking system have been considered.

First: Jurisprudential rules observance. Observance of jurisprudential rules and standards in the field of banking is one of the most important aspects of Islamic banking. Jurisprudential rules in their general context include cases such as eliminating the usury, lack of Gharar and loss contracts.

Second: Fulfillment of the objectives of the Islamic banking system. The success rate of the banking system in achieving the objectives of the Islamic economic system in general and the Islamic financial system in particular is the second dimension of Islamic banking. Determining the objectives of the Shari'a in the economic and financial system and justifying it requires the examination of the authority of resorting to religious purposes. With the invention of the discovery method, which is considered to be an intentional tendency in the process of jurisprudential inference according to Ayatollah Taskhiri (2009), Shahid Sadr emphasizes that evaluation of economic systems requires the inference of school statements as the basis of religious rulings, and according to the view of the Shahid Sadr, which is the criterion of this study, only the provision of minor judgments is not sufficient for the discovery of a school, it is necessary to examine each of these rulings as part of a whole and as an aspect of an interconnected whole system in order to conclude the general rule hidden in the whole set (cf. Sadr, 1980, pp. 388-392). In Shahid Sadr's discovery method, the integration of religious fatwas and Islamic concepts (intellectual foundations) can help to elicit school-based statements regarding the religious principles and goals of the religion. This method can also be used directly to integrate arguments and concepts. Using this approach, Shahid Sadr introduces justice and balance as goals of the Islamic economic system.

The authority of the Shahid Sadr's discovery method can be substantiated by reasons such as authority of imperative implication, authority of total emergence, and the impossibility of education of certainty (Nazari and Khatibi, 2013). Using Shahid Sadr's inductive logic can also reinforce the authority of this approach (Ghasemi, 2014). With the victory of the Islamic Revolution and the change of government, this right expectation was raised by the people to be realized gradually by implementing clear Islamic programs, goals, and teachings, including in economic dimensions.

Banking without usury and its related challenges in Iran

The main research question is: What are the most important challenges of the banking system without usury in Iran and Solutions to overcome them? The author describes the challenges of the banking system through a descriptive approach and uses the analytical method to explain the causes of the most important challenges and solutions to overcome them. The most important challenges include lack of a unified approach on the definition of law and the rules of non-usury banking, competition in increasing the "interest rates on deposits in part payment", high rate of banks' non-current claims, the low capital adequacy rate of banks, too much branches of banks and financial institutions, the formality of banks and credit institutions' performance in exchange and participation contracts, accumulated fines for late payment and its usury-based function, a sharp increase in the tendency of the public sector to establish banks and financial and credit institutions, banking firms, money making by operating banks, and corruption in the banking and administrative system. The findings of the paper, in addition to proving these challenges, explain ways to overcome them (Howze, 2018).

Some of the current problems and challenges of the country's banking

- In the current system, it is important to pay attention to compliance with Shari'ah religious orders and to redefine concepts and avoid fictitious banking transactions and remember the spirit of operation.

- Training bank staff and justifying them to avoid fictitious banking operations, as well as training and informing the public that the real entry into the Islamic contract market and culturalization is a prerequisite for the validity of bank contracts.

- Redefining traditional concepts in defining the current system is an indispensable necessity, but it is impossible to do so without redefining basic concepts.

- The definition of usury is based on a system of barter exchange, and there is a need for a new *ijtihad* with regard to new examples of evaluation. This is something that has unfortunately been overlooked in recent

assessments, and without redefining the concept, subject, and examples of usury in current economic developments, the current banking system cannot be removed from the current inefficiency.

- In addition to considering the religious aspects of the operation, one should not neglect the discussion of efficiency. The current system is not working properly. Too much insistence on preserving the appearance and limiting the operations to a certain contracts, and failing to define the tools needed to implement and enforce monetary policy, have rendered the current system completely ineffective and put a part of the system at risk of bankruptcy. Therefore, it is necessary that authorities design appropriate tools and policies, in addition to reform the system in order to increase the efficiency of the current system.

A prerequisite for banking without usury is the attempt to control the value of money. The steady decline in the value of money in recent years has increased the informal market of usury operations on the one hand, and reduced the incentives for depositors on the other hand, thereby weakening banks on deposits and ultimately reducing their maneuverability and power. Failure to compensate for the depreciation of deposits in inflationary terms, causes damages to depositors, transfers of deposits from Qardh al-hasan and current accounts to markets that can maintain purchasing power, expanding the usury market, transferring deposit funds from state-owned banks to private banks and from private banks to broker-dealer and usury markets, the inability of banks to control money and so on. There is a need for a fundamental thought for this dilemma. It is also necessary to compensate the losses of depositors by those who benefit from the devaluation of the currency. Regardless of the above five principles, any correction and action will be nothing but a patchwork of the system. In fact, outward measures merely change the names and titles; what should be regarded as some sort of "religious varnish of usury operations".

Current banking doubts and challenge

- One of the problems with current banking is the factitious and unrealistic performance of many banks. For example, using a contract of reward to repair housing, facilities are provided, while the bank that operates a contract of reward, only gives the client the money to repair it himself, and so this is actually not a contract of reward. In some cases, recipient also receives facilities without being the owner of the house, or the housing doesn't need to be repaired, or if it needs to be repaired, the money will be used for other purposes. The same is the case with car purchase loans (durable goods) and usually the received facilities are not spent on car purchases. In Islamic banking, the client and the bank must understand exactly the nature of the contract and intend it. Otherwise, the contract is void and will have worse effects than usury.

- Bank transactions being quasi-factitious, partial transactions being formal and factitious, slightly growth in exchange contracts that are similar in nature to factitious loans and credits, announcing the interest rate in part payment on the first period and granting the same rate as realized profits, announcing expected interest rates and getting the same rate as the bank's share of the facility from facility applicant, talking about raising or lowering the profits of investment deposits, while in non-usury banking, deposits interest is subject to the profitability of the banking system as determined at the end of the financial period, announcing a 1% extra profit by Housing Bank to depositors and such, cause the customers of the bank and the general public to lack the confidence needed for the banking transformation event and to look at the banking operations as usury or quasi-usury. It should be noted that people idea about usury transactions - whether correct or incorrect - entails significant losses:

First of all, obscenity and prohibition of the usury will be lost in the mouths and minds of the public, and they will say that if the usury is really forbidden, then why most bank transactions are based on usury, secondly, it makes it hard for people of faith to cooperate with banks. They have failed to deposit banking facilities to capitalize on economic activity, thus reducing the efficiency of banks and thus depriving a part of the community of banking services.

- Fines and damages due to delayed payment. Many banking system contracts are now subject to an exchange contract. If the broker fails to pay his debt in due time, the bank's interest will be at risk. The Islamic bank, if it wants to claim a fine or loss due to late repayment of the debtor, it will be a usury, which is forbidden. Beneficiaries of the Islamic banking system also tend to delay due to the relaxation of the absence of fines.

The shortening of banking facilities in the economy of all communities (especially developing countries) for known or unknown causes is usually accompanied by successive periods of boom and bust. Our country is not exception, therefore, banks avoid providing long-term facilities to avoid this risk (boom or bust), and often provide short-term facilities, and therefore, based on studies, it is observed that other than transactions related to housing, most of transactions last between six and eighteen months, and the average life span of transactions does not exceed one year, which of course shortening the banking facility in practice will cause serious damage to the economy, because it prevents capital from being absorbed into big projects.

- The law was affected by the economic situation of the early revolution, especially in terms of the banks being state-owned, on June 17, the Islamic Revolutionary Council passed a bill declaring the country's banking system

national. According to the bill, 28 banks, 16 savings and loans companies and 2 investment firms were announced national, and their private property was caught and handed over to the government. The natural consequence of this attitude to the banking industry was that the law on non-usury banking operations took on a variety of governmental colors. With the change in the economic situation of the country, especially the new interpretation to Article 4 of the Constitution, it is necessary to revise the Banking Law without usury and the former view about the banking industry.

- Lack of communication between Iranian banks and non-bank credit institutions with non-usury and conventional banks in the world. The economic situation of today's society is so complex that any bank or credit institution needs extensive financial relationships with other banks and credit institutions if it wants to operate with high performance.

- Lack of proper strategy for monitoring and controlling over the activities of banks and other non-bank credit institutions. According to all experts, non-usury banking operations are fundamentally different from that of conventional banking. As a result, it requires rigorous oversight to ensure that the law is fully implemented.

- The lack of a viable solution to the research and development of non-usury banking. Knowledge of the economy in its general meaning, especially the money and banking economy, is rapidly developing and expanding. The multitude of bank transactions on the one hand, and the religious restrictions of each contract, on the other, and the general policies of the system on the other, have come together to create sophisticated rules and guidelines that are difficult to understand not only for customers but also for many bank brokers (Khoshel et al., 2014).

Islamic banking in the world

Over the past 30 years, Islamic finance has grown and it has become an important global industry. Islamic banks have been able to survive even in a non-Islamic environment, and have transferred large volumes of deposits, and have played an important role in financing the many sectors and economic projects of the countries in which they operate. It is noteworthy that in 2007, the total amount of funds under management of Sharia law was estimated in more than 350-400 billions dollars. More than 300 Islamic financial institutions were established in more than 51 countries (IFIS, 2007). According to statistics, overall assets of banks of Islamic countries have increased by 16% on average over the years 1995-2002, and this growth has been doubled over the years 2003-2009) and has reached at 32%. The value of these banks' assets now stands at nearly \$ 850 billion, and the IMF expects that this figure reach \$ 1 trillion by year 2016. According to financial services credit statistics in the United Kingdom, accounts seeking banking facilities under Islamic law have increased from \$ 200 billion to \$ 500 billion and are growing at a rate of 10 to 15 percent each year. Many large Western banks have also established branches in Islamic countries, and have aligned their services with the Islamic Shariah rules. For example, HSBC Bank, one of the largest banking groups in the world and the third largest bank in Malaysia, can be mentioned. Also in year 2004, the holdings of HSBC presented part of the mortgage loans in form of an Islamic branch (Shajari 2010).

The performance of Islamic banks based on some key indicators

Checking the balance sheets and profit and loss accounts of the banks allows to analyze the performance of one bank's activity compared to the other banks as well as the performance of its past years. In other words, the analysis of financial ratios pursues goals such as resource identification, cash flow and bank income stability, liquidity adequacy and capital adequacy. Tables (1) and (2) show the balance sheets and profit and loss accounts of Islamic banks compared to commercial banks in year 2008. Table (1) compares four key performance indicators of banks, capital deposits, loans and earning assets to total assets in Islamic banks and commercial banks in the 7 selected countries. In Turkey and Saudi Arabia the ratio of lending to assets in Islamic banks has been higher than that of commercial banks, and the proportion of other assets held by Islamic banks in Bahrain, Kuwait and the UAE has been higher than that of commercial banks. The ratio of deposits to total assets in Turkey, the UAE and Malaysia has been slightly higher in Islamic banks than in commercial banks. Table (2) compares four important indicators in profit and loss account of Islamic and commercial banks in year 2008 for 7 selected countries. Net income ratio of total Islamic banks in year 2008 is 62% and this ratio was higher in Islamic banks in Kuwait, Qatar and Saudi Arabia than in commercial banks, and the ratio of interest income to Islamic and commercial banks shows that in three countries of Saudi Arabia, Qatar and Malaysia, this ratio has been higher in commercial banks. The ratio of operating costs that actually reflects employee productivity and the efficiency of a bank's employment policy in Islamic banks in four countries, Malaysia, Kuwait, UAE and Qatar has been higher than in commercial banks. The ratio of lost loans (or loss coverage due to loans) in Islamic banks in Malaysia, Turkey and Saudi Arabia was higher than in commercial banks.

Table 1: Balance sheet of Islamic banks compared to balance sheets of commercial banks in some Islamic countries

Country/ indicator	Deposits to total assets	Capital to total assets	Loans to all assets	Other income assets to total assets	
All Islamic Banks in the World	74.4	13.8	59.6	24.4	
Bahrain	Islamic Banks	59.2	24.6	40.9	42.8
	Commercial Banks	71.2	10.9	49.9	39.2
Malaysia	Islamic Banks	86.3	7.6	53.8	16.4
	Commercial Banks	83.1	7.6	57.3	21.7
Kuwait	Islamic Banks	74.7	18.1	52.6	32.7
	Commercial Banks	86.2	10.2	61	26.8
Turkey	Islamic Banks	77.9	14.5	75.3	12.1
	Commercial Banks	75.5	10.4	51.9	41.2
United Arab Emirates	Islamic Banks	78.7	12.7	66.6	23.7
	Commercial Banks	74.8	11.3	71.4	19
Qatar	Islamic Banks	43	26.1	61.5	28.3
	Commercial Banks	79.1	14.1	61.6	32.4
Saudi Arabia	Islamic Banks	62.4	28.1	63.8	22.7
	Commercial Banks	81.2	13.1	56.6	35.2

Table 2 - Profit and loss account of Islamic banks compared to profit and loss account of commercial banks in selected countries

Country/ indicator	Deposits to total assets	Capital to total assets	Loans to all assets	Other income assets to total assets	
All Islamic Banks in the World	62.7	57.1	13.9	35.2	
Bahrain	Islamic Banks	44.5	43.1	5.8	49.3
	Commercial Banks	70.1	48.6	12.7	33.5
Malaysia	Islamic Banks	93.8	52.1	19.6	26.6
	Commercial Banks	69	42	11.1	34.3
Kuwait	Islamic Banks	46	52.1	26.9	21.8
	Commercial Banks	73.4	30.2	44.7	12.4
Turkey	Islamic Banks	61.8	46.6	18.3	27.7
	Commercial Banks	72	49.7	13	30.5
United Arab Emirates	Islamic Banks	55.8	40.1	10.7	35.6
	Commercial Banks	64.9	35.7	12.8	49
Qatar	Islamic Banks	66.8	30.1	2.2	80.5
	Commercial Banks	60.6	28.1	3.5	64.7
Saudi Arabia	Islamic Banks	80	33.9	10.1	59.6
	Commercial Banks	69.6	38.1	4.7	47.4

The components and strategies of islamicization of banking system in Iran

Considering the existing requirements regarding the Islamic banking system in Iran, the following can be cited as the main components of the islamicization of the country's banking system:

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- Changing the organization and descriptions of staff tasks that are completely intertwined with the tasks in current usury banking, and that change should be subject to the law in question.
 - The sovereignty of capitalist thinking in policymaking and decision-making institutions of the banking system is the main obstacle to the implementation of non-usury banking law.
 - Banking system personnel's mastery over the complex and scientific angles of non-usury banking law and passing the specialized courses in which today's usury banking such mastery is not required and no action is taken.
 - The change in how to deposit and lend (financing) from borrowing and lending from depositors (that is, the current situation) and banks' clients to representing potential depositors and partnering investors.
 - The presence of many experts in various fields, such as cost and benefit analysis, risk management, Islamic portfolio management, and so on, which is not observed, because in current usury-based banking, it is not necessary.
 - The transparency of the usury banking law and the ease of working in that system on one hand and the ambiguity and complexity of the banking system without the usury and the insufficient training of bank agents on the other hand, has led to this law not being implemented. Therefore, it is up to the banking system to collect law enforcement bills by establishing an expert and technical committee and continuous communication with executives and lecturers and academics on the one hand, and bank clients on the other, and provide solutions to operationalize it and remove barriers to implementation in collaboration with the scientific committee.
 - Changes in the accounting for the contract, and the elimination of any expense, as the cost of money or the cost of capital and the non-acceptance of it in the courts and the institution of taxation.
 - Moral and faithful commitment to the task of representing depositors on behalf of banks and the duty of partnering with capitalists, which is a difficult task, of course; and it doesn't come from the majority of existing bank staff.
 - Gradual payment of real profits to depositors, especially in the two contracts of partnerships and mudarabah, contrary to what has not been done.
 - Failure to accept formal and factitious factors in installment sales, as opposed to what many years have been doing, as well as the necessity for taking delivery and handing over purchased goods and deliver them to the actual applicant.
 - Doing banking operational so that it is impossible to calculate the benefits of the facility (the interest that has been deformed) at the expense of using the facility; Ie changing the nature of banks' lending to representing on the behalf of depositors and capitalist partners.
 - A gradual adjustment to the income and wealth of the community through the participation of depositors in real profits (not in interest) because, always, the interest rates of production units are at least three times more than the cost of interest; which has not been done yet.
 - Gradually reduce in the budget deficit since the end of the imposed war.
 - Expanding the horizon of private sector activities through real partnerships by adding to the share of capitalists' profits compared to their share of capital as it has been proven that interest rate changes (such as the current state of our country's banks and even in advanced industrialized countries) have no effect on the volume of investment; whereas in Islamic banking, in addition to the loss of interest, due to the participation and also the acceptance of risk by state-owned banks that must act on religious principles, the increase in the real interest rate per unit of capitalization, have an undeniable impact on capitalization motivates; In addition this fact that relying on massive government resources by potential investors, and state-owned bank support as partner, minimizes the risk of bankruptcy and risk taking, taken together, these factors will broaden the horizon of private sector activity and reduce government tenure.
 - The strict and continuous supervision and control of the central bank by the principles of statistical science, ie random sampling.
 - Gradual elimination of regional deprivation by adding to the share of capitalists profit compared to their share of capital based on deprivation coefficient of different regions of the country.
 - Seeing a gradual change in the level of expertise of banking personnel in general, and a significant increase in the level of expertise of bank executives and boards of directors, as opposed to the current situation, because the Islamic Bank need a high level of sophisticated expertise mentioned earlier; unlike current usury banking, which large usury-based loans are granted by taking out the collateral, and supervision is not possible due to the legal nature of the loan, and it is not necessary.
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- The gradual conversion of the nature of money from artificially private goods, done in usury banking in other countries, as well as Iran, into the nature of non-traditional public goods, through the financing of part of the capital of projects offered by potential investment applicants.

- The requirement for the banks to gradually issue shares (in partnership contracts) and sell them on the stock exchange, reminds us that the pricing of these shares and any other stocks available on the exchange should be evaluated based on the value of the fixed assets (and not their market value). This is to prevent the expansion of government size and expand the horizon of private sector activities.

- Eliminating of usury of all banking operations in conventional banking practices

- The requirement for the banks to gradually issue shares (in partnership contracts) and sell them on the stock exchange, reminds us that the pricing of these shares and any other stocks available on the exchange should be evaluated based on the value of the fixed assets (and not their market value). This is to prevent the expansion of government size and expand the horizon of private sector activities.

- The gradual inauguration of two types of deposits, one, premium deposit with variable interest (for risky individuals) and the other, ordinary deposit with fixed interest (for risk-averse individuals), both of which must derive from the actual benefits of the various partnerships and contracts.

4. Summary and conclusion

The global acceptance of the Islamic banking industry, and the advantages and benefits of this banking approach to resolving financial problems, doubles the importance of paying attention to the proper implementation of Islamic banking in the country. The nation's banking system, which sought after the triumph of the Islamic Revolution, and passing non-usury banking law in year 1983, sought to abolish every usury activity of the banking system, because of the defects and problems that have been encountered on the run, after more than four decades of its implementation, has failed to meet the expected goals, and in addition to causing serious damage to the country's monetary and financial system, it has caused many economic problems, including inflation, recession, and so on. Now, if we are to manage and execute these services and activities in accordance with Islamic law, Islamic banking will emerge; a word that expresses a relative notion: the closer the banking to Islamic views, the more Islamic it is. What is considered in Islamic banking, is the efficiency of non-usury banking in promoting social justice. Islamic banking must be the first objective of the Islamic economy system that is social justice. However, the current banking of the country, namely contract-based banking, has created a suspicion for the banking because it has been thrown into non-usury banking without any changes in structure or infrastructure. Therefore, once again we come to the fact that our banking structure, despite such problems, has a format, shape, and structure like a usury banking, but there is no proof of a definite abduction. The current banking law is theoretically correct, but the concern is that in practice, this law is not respected in practice. In this context, choosing an adaptive model from the successful examples of Islamic banking in the world can also be considered.

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