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The Effect of Participation Contracts in Non-Usury Banking of Iran with Emphasis on Oil Price and Money Shocks on the real economy

Farshid salimi Qarasaqal*
Akbar Komijani**
Sayed ZiaAldin Kia Alhoseini***

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Abstract

The present study examines the effect of participatory incentive with emphasis on oil price and monetary impacts on the real sector of Iran's economy using the SVAR model for 1984-2016. According to the results, an impulse from the oil price zone, a 5 percent reduction in production and a 1 percent decline in employment. Also, the impetus from the cooperative facility area, although raising the real interest rate, does not end in the production and employment of the Iranian economy, which reduces them by 2% and 0.6%. In the meanwhile, by increasing foreign exchange earnings due to rising oil prices, these funds, instead of being part of the real economy, are mere imports, which are generally carried out in order to deal with inflation. In this case, many manufacturing sectors will be severely damaged and eliminated from the production cycle, so part of the investments made in the economy are left unused and production and employment are reduced.

Keywords: participation contracts; Real sector of the economy; Oil and money shock; SVAR model.
JEL Classification: C24; E52; G12; G32; G19.

* Ph.D. Student, University of Economics, Mofid University, Qom, Iran.
Email: Farshid.Salimi@ymail.com
** Faculty of Economics, University of Tehran, Tehran, Iran.
Email: komijani@ut.ac.ir
*** Assistant Professor, Economics Faculty, Mofid University, Qom, Iran.
Email: kiaalhoseini@mofidu.ac.ir

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