

## **THE EFFICACY OF FINANCIAL TENSION ON BANKING**

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### **Abstract**

This study has been made with goal to scrutiny of efficacies of financial tension or stagnancy in word economy on banking system.

The financial tension is a situation that the attack to country money redounds to hard decrease of its value, hard decrease of international reservations or both.

First in this article has been defrayed to definition from tension & its types & zones & tension levels & tension efficacy on countries banking system & its property.

These factors have been derivation from related articles & texts & it will have been defrayed in detail to them.

**Key words:** financial tension, banking, world economy, economic tension.

### **Introduction**

The financial tension ( 2008 – 2009 ) is the biggest tension that world economy has been crossed to it in recent 80 years, the dimensions of this tension is too widespread & we can say bravely there is no country exist in the world immune to its results.

The scrutiny has been showed that economic damages of financial tension for in developing countries are more than of twofold developed economics at a percent of their GNP<sup>1</sup>.

In 30 years past (1977 – 2007 ) in developing countries in average 9 percent & developed countries 4 percent have lost their GNP as result of financial & economic tensions outbreak.

Among this, tension efficacy is obvious at banking system, the banks works perform too important role in recent tension outbreak & also propagation rate at the U.S. economy & its transmittal to other countries economy(1).

In generally although banking job nature is always susceptible to receipt kinds of instabilities among tensions to result of its special traits, but the structure factors of the banks finance space that causes assemble to creation bank – finance, it can refer to jumping credit or irregular lend 1 (fast developing of credit balance in short time), property\ debt incoherence & inability of bank system to debts payoff from cashing management languor.

The IMF diffuse censuses about tensions of 2007, growth lending average in past years of tension (1 to 4 years before tension start) has announce 8.3 percent in under tension banks that has report 34.1 percent in Chile tension November 1981.

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<sup>1</sup> . gross national product

Also signs & marks outbreak based on created irrational cashing volume on bazaar especially on banks can figure the mark of infrastructure & outbreak potential tension on finance system.

In recent tension, the banks & pawnshops inattention to borrowers' credit adjustment & ability to follow of considerable decrease of bank portion rate & intense increase of steady request receive as tension outbreak offspring.

The censuses indicate there are more than of 5.7 million uncollected mortgage loans – as the most evident tensions efficacy on banks – to this country now.

This article purpose has codify to scrutiny the role of finance tensions on banking, so first it has short look to finance & bank tensions definitions then it has put to zones & tension levels & tension efficacy on countries bank system(2).

## **1. Definitions & discussions**

### **1.1. *Tension***

The tension is an event that happens suddenly & sometimes multiplier & it lead to dangerous & impermanent situation for person, group or society. The tension author to make a situation that for remove it, it needs to basic & precious actions. The tensions are different at kind & violence. The tension is a big & special pressuring that author to break up of common tenet & widespread reflexes & damages, menaces, dangers & new needs to create.

### **1.2. *The kinds of tension***

Since frequently tensions enjoy trait exclusive, every tension successful plan require to knowledge based on its special kind information. In order of tension typology first to put identity of grounds & unsteadies those are make outburst special kind of tension.

Therefore to identity & analysis of tension these are better to classify them & spot asters for their analysis.

### **1.3. *Tensions classify to sudden or gradual***

Some of tensions come suddenly & all at once & there have sudden effect to inside & outside system environment. These tensions are sudden tensions. Versus, there are gradual or aggregation tensions that it starts from a set of make tension problem & invigorate all time long & to a threshold level continue then comes up for sudden & gradual tensions analogy can use from 6 most important traits(3).

Sudden tensions comes up very fast, it has little ability to prospect, it is evident, it start from a clear suddenly event, it happening in stable time & it obtained from nonconformity system to one or few of circumferential aspects.

Versus, gradual tensions, comes up to gradually & plural, it has too much ability to prospect, it's not clear & evident, its start point is from threshold level, in time passing, it's happening probability is more & it comes up from nonconformity structure to several circumferential aspects(2).

### **1.4. *Tension classify from parsons' viewpoint***

Urgent tensions: these tensions don't have before warning mark & also institute is not able to research about it & schematization for rebuff of it.

- 1.4.1. Tensions that appear gradually: these tensions come up slowly; we can stop it or limit it from structure actions.
- 1.4.2. Serial tensions: these tensions take a long time, weeks, months or even years. To meet strategy to these tensions in different situation, related to timing pressure, control spreading & massive yardstick of these events(3).

### **1.5. Finance tension**

This is a complex of economic problem that at first visible at 2005 & also continue. The basic defined of this tension is on cashing volume reduction in banking & credit structure. The tension began with bubble explosion at the US stead bazaar. Stead bubble price at the US finally it was leading to engender indebted persons to banking structure & this people's house that had been spotted as guaranty didn't change to cash. This tension that appeared at crediting center, comes up because doesn't realize receivers second class debt assurance.

### **1.6. Economic tension**

According to economic tension definition in economic cycle frame it's a period that economy take torsion attitude & it'll be small. To another word economic growing at this period is negative. This period usually definite on two continuums 3 months' ages; More general definition that present of economic slump consist of capable of attention able actions descend in all of economy that it take several months at least(4).

Usually effect of economy slump is to the extent that is observable on different economy section such as, GNP, employment, real incomes, industrial production & prices of whole sale & retail. Economic slump comes up by reason of request descend.

### **1.7. Banking tension**

Banking tension release to situation that many number of banks in a country doesn't able to kickback of their debts. The nature of banking job by reason of its special traits always it's susceptible to receiving of slippery & risks & in higher steps tensions.

Generally, high lever step & asset missing of the banks in coordination to their balance sheets volume in comparison to other commercial companies; Term of payment retinue, addiction to variety risks among them foreign exchange price risks & non-existence of certain transparency in published bills by reason to high rate of change in balance sheets items is in coordination to commercial companies & productive of cases that the banks have been know as one of accession tensions refers in economy(2).

### **1.8. Extents & levels of tension**

The theory of tension is based on 4 extents & levels: birth, propagation, decrease & efficacy of these notes in tensions study.

#### **2.1.8. Birth**

The birth is onlooker to first level of a tension. Birth level of tension is not onlooker to any hostile reciprocal action. Actually, this level specify with change, frangibility term among two or several government & with menace perception per at least one of them.

For example, a minatory statement emission from a country about this if country doesn't ask its request, it will be attacked. Fundamentally, birth level, specified with a tension outbreak that at this one or both of partner, savvy out of usual menace & answer to menace clearness.

### **2.2.8 Propagation**

Propagation level bode many harder than frangibility of birth level & increase hostile trooper aptness. In this level increase war aptness & tension show maximum of serious state of affairs & extreme of mental pressure(6). Propagation process with or without it usually lead to place that at this is inevitable suborders creation for hostiles, shakeup of discipline & power term, solidarities forming & game rules.

### **2.3.8. Decrease**

Decrease level is versus of propagation for purposes of sense. This level specified to subside of hostile versus actions that lead to agreement & end tension. Also this level bode to end of tension period & specified with decrease mental pressure on determinate or determinates.

### **2.4.8. Efficacy**

Efficacy phrase, like birth, propagation & decrease onlooker to one level & extent. Efficacy is a level that it's follow of end of tension & actually it's feeling of its next backwash. All of tensions have efficacy on one or several level: for hostiles, for their liaisons & for one or several international structure(7).

## **1.9. *Tension efficacy on countries banking structure***

Scrutiny of recent decades tensions in the world, this is explanatory of changes & reforms on banking structure in different countries. For example can refer the two results 14 in decade last part of 1980 & decade early part of 1990; the tensions that forced Thai state men till as one of important reforms result, thereupon of finance tensions passing, finally in 1997, with a law sanction, foreign banks entrance is free via complete bank department establish to their country. This freedom (foreign banks entry to Thailand), has to follow rent that "sakolrat montrat & ramkshin rajan 15" in their research during have say some of it(7).

- 1) Foreign banks entry must decrease granting of non-commercial loans that these banks are not join to gather from a policy they are lesser part under rules.
- 2) Since foreign banks pour to folio lesser than have make native for every country, so they are lesser part capable to accept (results) of host country special tension.
- 3) Since, foreign banks inner departments finance secure from their center office in out of country, a banking system with international different properties basis, it has more constancy & lesser part settle under banking actions efficacy & also banking straits.
- 4) To out border banking space, can to import some pressure on local banking legislator & host country to facilitating with goal of harmony & schemes & controlling standards in the best international level.

Also can refer to Indonesia banking tension, October 1997 that in the course of it imported hard strikes to Indonesia banking structure as 7 state banks, 3 banks umlaut & from 157 subjective banks, 79% banks remained. 65 banks broke, 9 banks umlaut & 4 banks nationalized & tension finance charge had been appraised about 40% of GNP(8).

After this tension, state with IMF assist, as compared with plans collection did enterprise for relative sufficiency banks asset revision (CAR) & also rest banks asset valuation from tension. From other side, with establishment an institute under title of Indonesia banks renovation agency put under, a major section of banks properties(9).

### **1.10. Tension wrecker efficacy on Iran economy.**

2.1.10. Proximate pressure on consumer for import inflation increase.

2.2.10. Pressure on productive for increase of import prime materials cost, middlemen & machinery.

2.3.10. Pressure on the economy doesn't exist generally for high rate tension outbreak (the nature of monetary tension is its outbreak & propagation with high speed) & impossibility of production adjustment & comparison, use & export with this rate to possibility of decrease profit of exporting stuff price & competitive increase in world level immediate after tension.

2.4.10. Pressure on central bank foreign exchange reservations as the biggest secure required foreign exchange of economic section & foreign exchange reservation offloading.

2.5.10. Pressure on central bank for speculation in foreign exchange bazaar & to come into request from economic agents for foreign exchange as a property on family pourto fuliu & as a result of impossibility this request secure (that it has unlimited tract) & therefore central bank action to do several price for foreign exchange.

2.6.10. Rent creation for sections of economy that access to lower price foreign exchange from free price.

2.7.10. Deranged output other property bazaar in country.

2.8.10. Central bank enforced to increase profit price for opposition to trade attack & entering pressure from them.

### **2.11. Pressure kinds on banking system.**

Just as said ago tension management is organized processes that during organization try to identity & prospect potential tension & versus they do prevention actions till to extend its efficacy to minimum. Therefore "identity" is first step of tension management & making clear tension dimension & its causes & theme recognition have too important role in effective performance of tension management process (10).

Generally different ingredient in tension forming have role in banks, that according to can this ingredient classified as follows:

#### **1. To inner causes**

11.2.1. Tension from human sources

11.2.2. Tension from IT

11.2.3. Tension from finance & credit problems

11.2.4. Technical & data sources depreciation

11.2.5. Tension from decontrol

11.2.6. Tension from policy & schemes & methods

11.2.7. Tension from structure inner person crimes

## **2. to external causes**

11.2.2. Tension from international disputes

11.2.3. Tension from correlate organization tension

11.2.4. Tension from natural accidents & disasters

11.2.5. Tension from systemic viruses

11.2.6. Tension from out of organization persons crimes

In research that Alan Berger & chirista bowman have done recently to scrutiny the US banks situation (big & small) during recent quarter century (1984 - 2008) interesting result comes up.

They scrutinized during this research efficacy of big tension on created cashing tensions of the banks (monetary, half – monetary & non – monetary properties). This liaison to use of created cashing volume via banks online & offline stuffs balance sheet & based on banks monetary, half – monetary & non – monetary properties analyzed that as follow result comes up(9).

1. Before finance tension0 observe the marks of inflation & sediment or unusual cashing poverty. Explain that purpose of unusual is, deviance from regulated procedure (timing) via "cashing creation" seasonal factors. This situation is true for present tension that it's a reflex of asset increase & non – regard standards of facilities endowment.
2. Banking tensions & business tensions are different in two aspects. One, outbreak marks of unusual positive cashing in banking tension & unusual negative cashing in business tension & the second banking tension change way of cashing growth & aggregation by themselves, a do that business can't do that(6).
3. The third, cashing creation in some of tensions like "credit avidity" decrease & in some like Russian debt increase. Therefore cashing creations has two boosters & improve effect on tensions results.
4. Balance sheet offline stuffs transmit to upper section of balance sheet. (Recent stead tension in the US started with a big volume cashing injection & remainder of offline credits & commits.) This object shows a dark picture from cashing creation via bank. Whereas finance frangibility & instability, forced or stimulus to cashing injection, analysis show exist aptness of cashing creation inverse effect (finance frangibility intensification.)
5. Recent stead tension from a big volume of cashing – from deviate of standards of facilities endowment – leading to credit volume increase continuity & also balance sheet commits via banks

## **Conclusion**

Generally finance tension is said to a situation that during it & in result of attack to foreign exchange bazaar, country current money face to value decrease sorely or international reservations decrease sorely or it occur a compound of both. (5) This tension definition is including a widespread spectrum of comes up tensions in finance shifty. Finance tension can

be from making disorder in one of economy finance section alphabet & infect to other finance shifty & economy real section by reason essence finance communications & liaisons.

Shares bazaar tension, payments balance, bankruptcy of the banks & insurance companies, hard changes of foreign exchange price & value decrease of country current money are able to example in this zone. Maybe, if we defined finance tension to a kind of improver or infectious in finance structure output; it's more comprehensive.

It's aptness that a disorder or tension offspring improve the infirmity in country economic basics. (5) Finance tension temporal comes up occur banking tension too that trust waste to finance institute & creditors bankruptcy is the most sensible indicator of tension outbreak & it has too much effect on banking structure.

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