

Liquidity control, budget monitoring and non-organized monetary markets

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Abstract

In Iran, the existence of economic tensions and shocks has caused the monitoring of monetary and banking policies in different time periods to have a special place in country and it constitutes one of main country economy issues. This issue is important where the government's full control over liquidity leads to control over unorganized money markets. On the other hand, monitoring the budget and how it is properly implemented will control liquidity in the country. The main problem in this regard is that the government has taken on the role of trustee instead of its supervisory role in monetary and banking policies. Many of these supervisions have been carried out in a cross-sectional method and with specific political goals, which have resulted in the collapse of economy.

In this library article, it was concluded that the operational challenges to government oversight in monetary and banking policies have caused in (1) liquidity control policy, factors such as financial Iranian government instability with non-oil revenues, improper monitoring of oil revenues, debt repayment by seigniorage revenues and lack of proper supervision over it, (2) budget monitoring, factors such as lack of proper government administrative oversight, determination of dollar budget and lack of supervision over it and (3) unorganized monetary markets, factors such as regulatory approach, regulatory techniques and regulatory reporting.

Keywords: monetary and banking policy; government; budget; liquidity; inflation; unorganized monetary markets

Introduction

From the perspective of regulators and supervisors, there are two general approaches of the public interest and the private interest on how to regulate and monitor monetary and banking policies. They are against each other so that one believes in the active role of government and the other opposes it (Shahraki, 2017:110) ^[11]. The difference between these two perspectives in the first stage can be understood in the word "an oil or non-oil government".

In oil governments, the government interferes a lot in economic affairs, and it prefers to control all the economic pillars, and its result is nothing but the confusion of monetary and banking policies and the inability of supervisions in this market (Rogers, 2011:71). In contrast, there is a government that aims to fund from assets that once has handed over the people and determines, approves and monitors its budget by creating a balance between his own assets and the assets of people (Kellermann, 2013:71) ^[16].

On the other hand, the public interest perspective suggests that government should set up regulations for the interests of society, modification of market failures and facilitation of efficient financial markets as well as play a key role in its monitoring. On the other hand, although the perspective of private interests or the perspective of economic or political regulation accepts the existence of market failure, it instead sees regulation as a product that determines interaction between suppliers and demanders of regulation and its exact objectives. Given what was said, it is quite clear to what extent the lack of proper regulatory laws in a country can disrupt the country's monetary and banking policies. In this case, in short, the lack of specific oversight goals and responsibilities by government, lack of independence of regulatory bodies, lack of up-to-date monetary and banking

laws and inefficient disciplinary sanctions, can cause many problems in the government oversight system in implementing monetary and banking policies. Of course, in recent years, the government has taken measures such as implementing the bank deposit guarantee fund, identifying unauthorized financial institutions and increasing the central bank's authority to intervene in the country's monetary and banking policies, which for many reasons such as cross-sectional periods and political abuses have not been very effective.

Another topic in this article is the pathology and critique of government monetary policy and its effects on the liquidity system, budget and unorganized monetary markets. In the last two years and after the withdrawal of the United States from "The Joint Comprehensive Plan of Action (JCPOA), commonly known as the Iran nuclear deal", we have witnessed a severe unrest in the country's monetary and banking market.

These fluctuations are undoubtedly in many cases due to the hasty decisions of government. There are many problems and corruptions in the country. For example, due to sanctions and shortage of foreign exchange resources at future, the government's decision to apply a fixed exchange rate for a period of time and allocate it to all importers caused many problems and corruption in the country. This is because government cannot maintain a fixed exchange rate, while facing a shortage of currency. This decision quickly had an effect on society and eventually caused the goods that had been imported into the country at the approved exchange rate reach the consumer at much higher rates, and in the meantime only certain people secured their interests (Asadipour, 2017:9) ^[11].

Decisions after a fixed exchange rate, such as the closure of

exchange offices, a Nima exchange rate of Iran (as a secondary market developed by the Central Bank of Iran that used as a venue) without forecasting its supply, the inability to return export currencies and the inability to establish proper interaction between exporters and importers all led to the failure of many of the country's monetary and banking packages. In such a situation the government, which should play a key role in overseeing this task, entrusted its responsibilities to other institutions and the result became the country's current situation. As a result, providing solutions to organize monetary and banking packages with the two objectives of correct foreign exchange allocations and conservation of central bank resources as well as proper monitoring of these two functions are issues, which can definitely lead to more accurate monitoring of the country's money market in the system of budgeting, liquidity and unorganized monetary markets.

In this regard, to improve the supervision of monetary and banking policies and solve their problems it can be taken from two complementary aspects: (1) strengthening regulatory measures and executive guarantees within the existing regulatory structure and (2) reforming the structure and system of financial regulation and supervision.

Considering the general situation of regulation and supervision in Iran's financial markets and problems related to financial institutions, the first paragraph seems to be a higher priority in terms of importance, speed and feasibility. That is, a series of measures to solve the problems of financial markets can be achieved without restructuring. These measures mainly include strengthening modifying the performance of regulatory bodies within the framework of current laws and, in the next step, strengthening enforcement guarantees and eliminating legal loopholes by passing new laws. But in different areas, reforms in the oversight structure make up an important part of financial oversight reforms and should not be neglected. From this perspective, it can be said that the first paragraph was short-lived and the second paragraph (structural reform) is more long-term in nature. Given the existence of some financial risk backgrounds in Iran, in the short term should focus on the first paragraph (strengthening regulatory measures and implementation guarantees). At the same time, aspects of structural reform in the system of financial regulation and supervision that are consistent with the first paragraph can be prioritized. By examining the said cases, we can get a correct regulatory model that government has presented for monetary and banking policies. But the main issue, namely the implementation of this model and study of its function and pathology, is one of the issues that need to the financial structure reform. Regarding this research, no specific research was found to find the research background, so we will discuss some examples of the closest researches to the above research.

Masoud (2017) in a study entitled "Legal challenges and barriers to supervising Iran's banking system", states: with implementation of Article 44 of the Constitution, the first centers exited from the government framework were the country's banks. These financial institutions are one of the key points in the success of privatization due to the type of operation. Global experience has shown that banks, given the nature of economic activity in countries, are the main arm for implementing economic and development plans of countries. Shabani (2016) in a study entitled "The role of

government in creating and implementing a banking deposit guarantee fund" states: the growing number of branches of private banks and the use of new methods of attracting deposits, has raised concerns about large deposits in these banks compared to government-owned banks. Baghestani Meybodi (2015) in a study entitled "The necessity of government intervention in the regulation and supervision of financial markets" states: the financial system performance has a great impact on the real sector performance of economy (including production, employment, etc.). One of the factors affecting financial system performance is effective and efficient supervision.

Research literature

Monetary policies

A number of definitions of monetary policy have been made by authors and economists, and here are a few examples.

1. Monetary policy is a set of decisions and actions taken by the central bank's monetary authorities in order to influence the overall level of economic activities by changing the money supply or interest rates, or both.
2. A monetary policy is a set of measures and decisions to achieve certain economic goals using tactics and monetary tools.
3. A monetary policy is a set of measures adopted by the government (the central bank) to control monetary system and to maintain relative stability of internal and external values of money in society (Tafazoli, 2016: 375).
4. Monetary policy is the main task of central bank and is implemented in the form of controlling money supply and credits in society. Therefore, when the economy is in recession, the central bank decides to expand money and credit, and if prices are rising rapidly, central bank officials decide to limit money and credit.

In general, any policy that leads to a change in money flow (money supply) and interest rates, and from which can influence the economic activities of society, with a classification titled "monetary policy". In fact, monetary policy is implemented by changing the money supply and interest rates. Formulation and implementation of monetary policy is one of the duties of central banks (Ghadiri Asli, 2015:40).

Types of monetary policy

In general, the central bank and monetary policy use two groups of contractionary and expansionary monetary policies to achieve economical goals. In the contractionary monetary policy of central bank, by reducing money supply flows, increasing interest rates and or both by limiting monetary base or reducing the increasing monetary coefficient, authorities try to lower the total demand. In the expansionary monetary policy of central bank, the goal of central bank is to increase money supply, reduce interest rates, or both of them to increase overall demand in the economy.

Monetary policy goals

Monetary policy is part of the economic policy of any country. In other words, monetary policy is part of a more general policy in which each of fiscal, cultural and educational policies has its own special place. It is also obvious that the goals of the country's monetary policy

should be determined and coordinated in a way that can direct the set of economic policies toward the specific goals in harmony with other policies.

The main goals of monetary policy in the economy can be: 1. acceleration in economic growth, 2. full employment creation, 3. Stabilization of the general level of prices, 4. balancing foreign payments, and 5. fair distribution of income

The role and oversight pillars of government in implementation proper monetary policy and identifying benefits and disadvantages

Ministry of Economic Affairs and Finance

Article 90 of the Law on Public Accounts stipulates: The Ministry of Economy and Finance is responsible for financially supervising the expenditures of ministries, government institutions and government-owned companies in terms of compliance of payments with the provisions of this law and other laws as well as regulations regarding any type of expenditures. For this, the Ministry of Economy and Finance of the Islamic republic of Iran has subdivisions through which can regulate and control the monetary and banking policies of the country (Rahimi, 2018: 76).

The most important subdivisions are the Deputy of Financial Supervision and Treasury of the whole country, Financial Supervision and Accounting Affairs, General Directorate of Securities, Audit Organization and General Directorate of Government Property.

Each of these subdivisions of this key ministry alone plays an important role in the country's monetary and banking policies, but the most important challenge in this regard, as is seen in all economic sectors of the country, is governmental intervention and oversight and sometimes types of decision-making by this ministry. This intervention and oversight is so that many performances of this ministry have been affected due to governmental dominances over the central bank and the financial organs of the country. Consequently, the multiplicity of laws and the lack of integration between these laws have caused the ineffectual monetary and banking policies (Darvishi, 2009:7).

Supreme Legislative Board

Due to the high volume of assets, liquidity and the number of employees, government-owned companies constitute an important part of the country's economy, and their organization can certainly be an important step in improving the country's economic situation. Considering its main role, namely oversight over process of privatization, Supreme Legislative Board can play an important role in transferring government wealth from the public sector to the private sector. Unfortunately, given the very deplorable situation of privatization in the country, we see that the control of money markets in these transfers has been not only unavailing, but it has caused the spread of these problems to other economic sectors of the country (Hadifar, 2010:184).

The role and supervisory pillars of central bank in implementing monetary policy and identifying its advantages and disadvantages

The central bank's main goal in expanding the structure with monetary and financial stability is part of the macroeconomic goals to achieve growth in aggregate supply, employment, investment and consumption. In this regard, the existence of a healthy and strong financial structure is necessary for implementing monetary policy because a weak and inactive banking network limits the effects of monetary policy in improving the country's economic situation. To evaluate this role of supervision, using a number of banks' financial ratios can be beneficial and it can check the conformance of banks with monetary policy directives.

In general, several factors can be considered to evaluate the success of supervision in maintaining the banking system health and expanding competition. Competition must also be accompanied by a strict regulatory framework to prevent the creation of an unhealthy environment (Table 1). Banking supervision support for the proper implementation of monetary and banking policies is another important criterion that can be used in the evaluation of supervision.

Table 1: Advantages and disadvantages of micro-prudential supervision by the central bank (source: Masciandaro and Quintyn, 2013)

Benefits of micro-prudential supervision by the central bank	Disadvantages of micro-prudential supervision by the central bank
Micro-prudential supervision by the central bank can create a cost-effective and information advantage (information gains).	Micro-prudential supervision by the central bank can increase ethical risks in the supervised banks (ethical risks).
Given that the manpower employed in the central bank have learned better educational skills in terms of management and monitoring of the cases related to prudential financial supervision, micro-prudential supervision by the central bank can be more efficacious (human capital gains).	Micro-prudential supervision by the central bank can lead to tax increase in financial markets (uncertainty).
	Given that the dominance of monetary policy can be due to the risk of conflict of interest, affect the behavior of the central bank, as a financial supervisor, the central bank cannot have effective oversight (distorted incentives).
	Given that the central bank can use its power in favor of the banks and take sides with them, the central bank cannot have effectual oversight (capture).
	As the powerful of supervisor (i.e. the central bank) rises the risk of bureaucratic behaviors also increases, so the central bank cannot have effective oversight (Bureaucratic Overpower).

Liquidity control

Regulatory and regulatory approaches on financial markets change over time from interventionist regulations and even fully governmental ownership to a free financial market. In the view of a free financial market, the efficiency of financial markets, like any other market, is determined by the factors of the market and the supply and demand. In this regard, any interference, legislation, monopoly and barrier cause inefficiency and consequently the increase in liquidity disrupts the market-supply relationship. At this condition, the control of liquidity by the government leads to critical policies that divert the liquidity flow in a direction that sometimes enters unproductive markets instead of production, resulting in severe economic shocks.

The 40-year liquidity table mentioned at this section shows in the years when the government had abundant oil revenues, it tried to control liquidity and in this regard fixed the prices of currency, gold and housing for controlling markets with slight fluctuations. In contrast, in the years when it lost its oil revenue for various reasons such as lower oil prices or sanctions, it resorted to printing money without support and caused each of these markets to fluctuate collectively or cross-sectionally, and in the current situation the result is nothing but severe inflation. Table 2, Table 3, Table 4 and Table 5 show the liquidity growth for the years 1978-1989, 1990 - 2000, 2001-2010 and 2011-2019 respectively.

Table 2: Table of liquidity growth from 1978 to 1989 (source: Iranian Central Bank website)

Year	Liquidity (1000BillionRials)	-----
1978	2578.6	
1979	3550	36.7
1980	4508.1	26.9
1981	5236.1	16.1
1982	6430.7	22.8
1983	7514.4	16.8
1984	7966.9	6
1985	10900.2	12.9
1986	10722.6	19.1
1987	12668.2	18.1
1988	15687.2	23.8
1989	18753.3	19.5

Table 3: Table of liquidity growth from 1990 to 2000 (source: Iranian Central Bank website)

Year	Liquidity (1000BillionRials)	-----
1990	22969.5	22.4
1991	28628.4	24.6
1992	35866	25.2
1993	48113	34.2
1994	61843.9	28.4
1995	85072.2	37.5
1996	116552.5	37
1997	134286.3	15.2
1998	160401.5	19.4
1999	19269.2	20.1
2000	249110.7	29.2

Table 4: Table of liquidity growth from 2001 to 2010 (source: Iranian Central Bank website)

Year	Liquidity (1000BillionRials)	-----
2001	249110.7	28.8
2002	320957.2	30
2003	417524	26.1
2004	526596.4	30.2
2005	685867.2	34.2
2006	921019.4	39.4
2007	1284199.4	27.7
2008	1640293	15.9
2009	1901366	23.9
2010	2355890	25.1

Table 5: Table of liquidity growth from 2010 to 2019 (source: Iranian Central Bank website)

Year	Liquidity (1000BillionRials)	-----
2010	249110.7	19.4
2011	320957.2	30.7
2012	417524	29
2013	526596.4	29
2014	685867.2	31.5
2015	921019.4	30
2016	1284199.4	23.4
2017	1640293	22
2018	1901366	23.1
June, 2019	2355890	---

Another issue in this case is the duties of banks in controlling and monitoring liquidity. A bank's liquidity management includes analyzing the bank's liquidity status in the past, forecasting future needs, studying resource acquisition methods, and designing the bank's asset structure (especially estimating the volume of doubtful receivables).

Continuous decrease in the volume of deposits, the existence of long-term facilities in the bank's asset portfolio and focus on high debt (deposit) relative to capital is one of the most important factors in increasing the liquidity required by the bank (Kenton, 2013: 51) ^[17]

Making money is a prerequisite for the survival of a for-profit institution. In banks, this is possible when the bank converts its non-income assets, i.e. cash assets, into income-generating assets, which, of course, will increase the bank's risk. Therefore, the main task of the bank's management is to earn money while maintaining the bank security level, to achieve this goal, create a balance between risk and return, and provide a logical combination of the bank's asset portfolio as an essential condition.

Relationship between liquidity control, supervision and inflation in Iran

The financial government instability without seigniorage revenues and the financial government stability with seigniorage revenues show that the method of financing the Iran's debt systematically utilizes the seigniorage revenues. In practice, fiscal policy in Iran tends to be a kind of pan-game and has no obligation to finance expenditures through taxes or oil revenues. This financial behavior of the government leads to excessive growth of liquidity, which can be an explanation for the country's chronic inflation. This relationship indicates an issue in the Iranian economy. To curb inflation, the government must avoid seigniorage revenues, in which case the government will no longer be able to finance its debts. In other words, the current

financial government structure is such that it has to choose inflation or debt. As a result, this makes it very difficult and often impossible to control liquidity (Hadian, 2018, 21) ^[15].

Strategies for overcoming liquidity and monitoring and controlling it

The government of Iran's financial reliance on non-oil revenues

The government of Iran's financial reliance on non-oil revenues and independence from oil revenues in financing government expenditures can lead to many problems for several years. The trend of government spending is not commensurate with government non-oil revenues. This is detrimental to the sustainability of fiscal policies. It should be noted that the proportion of government expenditures and revenues does not necessarily mean that all government expenditures are financed through non-oil revenues.

Government size reduction or government structure change

The government's financial behavior shows that the Iranian government is not in a stable position on the scale of public budget, and in order to achieve a stable condition, the size of government must be reduced by five to eight percent. It should be noted here that the current Iranian general government size is smaller than the general government size in some developed countries, as in Iran it relies on a market economy. But those companies and institutions that are almost three times the size of general government, accounts for the main part of government revenue. That is, there may be no need to reduce the size of government by changing the structure of government and forming an efficient privatization. Even in the new coordinates, the government may be able to finance its debts on a larger scale of its size (Hosseini Nasab, 2010:51) ^[7].

Commitment to financial stability

If the government does not stop the process of its unsustainable fiscal policies by its own choice, it will one day have to change its financial structure. However, the government involvement in such a measure could have dire consequences for the country's economy, examples of which are now being seen in European governments. The Iranian government's dependence on high-fluctuation oil revenues and the face of international sanctions underscore the more attention to the rule of financial stability. Additionally, evidence shows that financial instability is one of the factors affecting inflation in Iran.

Budget

There are budgetary oversight policies among the various powers, but the main problem in this regard is a proper supervisory system based on the country's monetary and banking policies by the government, which results in liquidity control. But the main problem that can be seen in every budget is a large budget deficit, which its reason is inaccurate disclosure of government revenues and lack of proper parliamentary oversight in this regard (Mahmoud Vand Rastegar, 2013:4).

Despite this situation, administrative oversight systems, the legislature, and many other oversight systems, such as the Supreme Audit Court of Iran, can control the budget deficit when a budget is approved. On the other hand, the commitments of government for clarifying the budget

deficit figure and ways to financing it, avoiding the financial problems aggregated by the national currency value decline, increasing the central bank's basic authority in monetary and exchange rate policy to control and reduce inflation and maintain the value of national money by controlling monetary and credit policy can prevent this problems (Mohseni, 2012:30). But in the But at current situation, more than half of the defined government revenue sources depend on exchange rates and oil revenues. Since an increase in the exchange rates has a negative effect on other macroeconomic variables (for example, a 10% rise in the exchange rate reduces GDP by 45%), regulating foreign exchange policies with a budgetary approach in not a logical solution. At the same time, it leads to the failure of budget goals and does not solve the problem of budget deficit in the long run. Currently, the key of increasing efficiency in the monetary and banking system of country is practically lowering financial problems of government, decreasing budget deficit, avoid converting oil revenues from foreign exchanges into Rial by selling it to the central bank and maintaining the relative independence of central bank in guiding and managing the country's monetary policy. Although in different years the central bank has withstood against the most of government demands and tried to maintain its relative independence, but surely the main way to improve the efficiency of monetary and banking system in the long run is to create legal basis for the central bank's practical independence from the government.

On the other hand, the most important role of government performance supervision over the budget can be sought in the performance of management and planning organization. In this regard, the type of supervision in management and planning organization is operational supervision. As mentioned in paragraph 5 of Article 6 of the Program and Budget Law, one of the duties of this organization is to continuously monitor the implementation of programs and their annual progress in accordance with the provisions of Chapter 9 of this law.

Unorganized monetary markets

Unorganized money market are those financial institutions that: (1) do not have a license from the central bank, (2) are without legal deposits in the central bank or without the minimum capital required for monetary transactions, (3) often are not accountable to the central bank concerning financial activities, (4) are uncoordinated and sometimes conflicting with the monetary and fiscal policies of the country, (5) lack of security for their customers' deposits (6), deposits in them are made at personal risk and the central bank is not responsible to depositors, and (7) lack of transparency in performance and lack of accurate statistics and information on the volume of activities.

The unorganized monetary market is not a dire phenomenon in itself. These markets are created in response to the needs that formal and organized monetary markets are not able to meet them. The initial problem starts is that there is not a correct monitoring system on these markets in the country and in most cases, these markets try to attract liquidity by providing more diverse services based on the facts defined contrary to society.

In this regard, unfortunately, in recent years, these markets, which in other countries are considered as a powerful arm of the government in controlling liquidity, have caused the government to adopt a policy of printing banknotes and

paying the debts of financial institutions, compensating for the losses that these markets have inflicted on the people. However, the result of these inefficient actions and plans is clear in the Iran's economy. To solve this problem by emphasizing the monitoring system, the following items are suggested:

- Regulatory approach Having an effective banking supervision system on unorganized monetary markets based on specific licenses, contracts and agreements.
- Regulatory reporting Banking supervisors should have the tools to collect and analyze prudential reports and statistical information, both individual and consolidated contents, from unorganized money markets.

Conclusion

According to Jacob Frankel, when governments set a goal the central bank uses the tools at its disposal to achieve the goals. Therefore, a shared responsibility and commitment to fight inflation is evident and the de-inflation strategy is legitimized. If the targets are set solely by the central bank, there is a risk in which the government may not consider itself a partner in the fight against inflation. However, if the government and the central bank fight inflation in a coordinated and joint manner, it becomes clear that price stability result in the economic long-term goals of the country. All this refer that in a Western democracy system, the central bank is preferred to be dependent on the government for its goals and to be independent in its legal and documents and instruments. Similarly, all these actions set for applying monetary policy should not have any limitation.

This coordination, in the first stage, leads to effective oversight by the government and the central bank on monetary and banking policies, and causes all affiliated institutions and groups to regulate their budgets with a specific annual and multi-year approach and not to face a problem. On the other hand, fiscal policy instruments are the same budgetary instruments through which the government determines the expenditures and also the financial resources for its expenditures. The government has a variety of tasks in the economy and uses the budget as a financial planning tool to perform these tasks.

Balancing and achieving macroeconomic goals such as full employment, price stability, equitable distribution of income, etc. is a priority in any economic planning in which the government as one of the key sectors of macroeconomics directs the economy using the allocated budget, resulting in budget oversight and transparency in budget implementation.

In this regard, as mentioned in the text, the obligation of government to transparent budget deficit figure and ways of financing it, resolving financial problems raised through the declining of national currency value, increasing the central bank's authority in monetary and exchange rate policy to control and reduce inflation and maintaining national currency value by controlling monetary policy. Under these conditions, these plans and arrangements consisting of the best acts, instruments, rules and procedures lead to a transparent budget that can be easily monitored in coordination with government management and budget agencies.

On the other hand, in many countries of the world, only one reference and one institution has been created to supervise the monetary and banking system, which according to the

definitions is called integrated supervision. In Iran, because of the separation of insurance and banking industry in the country and types of supervision over monetary and banking markets the differential supervision is naturally taking place. However, the principle problem is inefficiency of supervision model due to severe economic shocks at different time periods in Iran.

The differential supervision system is capable of correct and error-free supervision only in a situation where different supervisory institutions have regulatory and supervisory independence. Otherwise, the overlap of duties and laws with each other is nothing but the lack of proper supervision in governmental basic sectors while implementing monetary and banking policies. On the other hand, regulatory and regulatory approaches to financial markets over time and between countries change from a previously predetermined state to a completely intervened and monitored state (from interventionist regulations and even government monopoly ownership to free financial markets). In the view of the free financial market, the efficiency of financial market, like any other market, is determined by the factors of market and the supply and demand, and any interference, legislation, monopoly and obstruction in it causes inefficiency. Therefore, in this principle, the government is not allowed to regulate and supervise these markets in different ways.

Given this issue, from the perspective of regulators and supervisors, there are two general approaches of public interest perspective and private interest perspective on how to regulate and monitor monetary and banking policies, which are opposed to each other. Perspectives that one of them believes active role of government and another opposes to these relatively inefficient roles.

The public interest perspective poses that the government should regulate the provisions and statutes to the interests of society, correction of market failures and facilitation of the efficient functioning of financial markets, while playing a key role in overseeing. On the other hand, although private interest perspective or economic or political regulation perspective accepts the existence of market failure, it instead sees regulation as a product that interaction between suppliers and regulators determines its exact form and objectives. Considering what has been said, it is quite clear to what extent the lack of proper regulatory laws in a country can disrupt the country's monetary and banking policies.

Given the above, it can be found that lack of specific oversight goals and responsibilities by the government, lack of independence of regulatory bodies, lack of up-to-date monetary and banking laws and inefficient disciplinary punishments, can cause many problems in government oversight system in implementing monetary and banking policies.

Finally, I must state that in "liquidity control policy", factors such as (1) financial Iranian government instability with non-oil revenues, (2) incorrect monitoring on oil revenues, (3) debt repayment by seigniorage revenues and lack of proper supervision over it, and in "budget monitoring" factors such as (1) lack of proper administration supervision of government, (2) determination of the dollar budget and (3) lack of oversight over it, and finally in the case of "unorganized monetary markets", factors such as (1) regulatory approach, (2) regulatory techniques and (3) regulatory reporting have caused functional challenges of government oversight in monetary and banking policies.

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