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THE ISLAMIC MORAL TEACHINGS & TRANSPARENCY OF THE CAPITAL MARKET IN IRAN

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A B S T R A C T

Capital market as part of financial markets plays an important role in a market economy. The savings from in different sectors of the national economy are transferred to companies by these markets for investing in industry.

Since achieve to economic growth & development is not possible without of long term financial resources, attention to key role of capital market has great importance. Capital Market that is the market for supply & dem& of financial resources, when can well plays its vital role that supply & dem& for funds be optimal allocated. The main prerequisite for the optimum allocation of resources in the capital market is efficient in its performance.

Differentness of efficient capital market & inefficient market arises from the information phenomenon, its transparency & access to information.

If the capital market-related information (comprehensive, coherent & effective on market activity) be greater, its effect on growth & economic development of the capital market will increase. Hence, present paper after the note theoretical expressions of capital market transparency & efficiency, was checked the status of Iran's capital market efficiency. Finally, the paper offers ethical-Islam teachings that are effective on barriers reduction & transparency increase in the market such as: honesty, fairness, no harm to others & etc.

INTRODUCTION

Financial markets specifically capital markets are considered as the most important tools of mobilization & allocation of financial resources.(Abbasi, 2005) According to the financial & economic strategic importance of this market when a widespread disruption & diversion occurs in that, mobilization & allocation of the country's financial resources will face serious problems. Therefore, development of financial markets in accessing rapid & constant economic growth plays a basic role. One of the factors effective in development in these markets is transparency. Transparency aims at allowing individuals, markets & governments to hold economic units accountable for their policies & performances. When publication of data is more in societies, the possibility of conscious decision-making & accountability of the private & public sections regarding how resources are obtained & consumed increases & the possibility of growth of corruption decreases; thus, one of the requirements of healthy competition is the access of all market participants to transparent data.(Amini et al,2012)

In fact the ideal perspective in the market is that suppliers & dem&ers of resources must not engage in illicit measures & expansion of corruption. Existence of comprehensive rules & regulations & their proper implementation can lead to the propagation of this culture. The consequences of increase of data transparency in the capital market can be counted as increase in transparency of financial market & its stability, decrease in emergence of financial crises, increase in the trust of investors & their higher entry into the market, increase in market liquidity & increase in the possibility of financing for companies & consequently increase in the market efficiency. The transparency of economic policies of the government also leads to the stability of macroeconomics, facility of economic growth & attraction of foreign investment.

In 1956 in the financial field a definition was rendered regarding market efficiency. In this definition, efficiency of capital market refers to a state in which the price of Stock Exchange at any moment is a complete reflection of all available data (jouns, 2003) Based on this, in every efficient market all the data must be provided for the public immediately & quickly & with the least costs.

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Based on the studies conducted, data transparency & market efficiency are closely related & it can be said that increase in data transparency leads to an increase in efficiency of markets.

The study that was conducted in (2008) by Kim & Park on the capital market of 43 countries showed that there is a relationship between price manipulation in capital markets, amplitude & economic transparency. Based on the study conducted for measurement of transparency, the three variables of economic corruption, proper rules & regulations, assurance of implementation & lack of information asymmetry in the society were used. The study showed that countries with a high level of corruption & improper quality of regulations have a more limited price range. In other words, the market observers use the price range for control of market & prevention from manipulation of price (Amini et al,2012)

Provision of data by companies has a basic & fundamental role in economic decision-makings of investors & causes the price of shares to be presented more accurately. The studies show that besides financial issues, personal features of investors also have a special impact on the transactions of this market.

The studies conducted over the recent years on human behaviours & factors effective in that specifically in financial & capital markets have challenged many of the assumptions & theories based on which financial thinkers have engaged in study & research for years. The findings indicate that investors don't always act in a logical & predictable & unbiased way as shown by common models. The claim of the new theories is that the numerous & widespread behavioural biases that are formed in the behaviour of investors also greatly help to explanation of the behaviour of the price of stock in the market.

In addition to this, history proves this point that countries have attracted the most investment which have had the highest moral stands & in contrast the countries with the low moral stands & widespread corruption have attracted the lowest capital.(kagana, 1998) Governance of moral principles in the capital marker leads to the increase of trust in the market & presentation of proper data & eventually leads to increase of transparency. This transparency also mostly causes allocation of resources & increase of efficiency of the capital market. This is why it must be tried to achieve transparency of the capital market. One of the solutions effective for transparency of the capital market is creation of a context for moral & professional growth of people that operate in the market. In this case, by observance of moral stands like honesty & trustworthiness, presentation of data effective in the prices, being content with just earnings, non-satisfaction with the harm & damage of others, etc. by perception of the effects of certain data & for its impact on the prices, they have tried to act in the capital market & as a result of this, the market we are moving toward will be a market that will be exposed to the mutual flow of transparent data; that is the Islamic market in which morality & justice are considered as the most fundamental model of market by reliance on the precedence of the principle of mutual social interests on personal interests. This is why it can be said that by moral principles in the Islamic system, the market seeks the highest level of efficiency, the highest process of balance & the most fundamental welfare; a model that is superior to every other market model in these principles.(Poorfaraj, 2007)

It can be said that one of the most important differences of Islamic market & investment market in economic motivations, morality & trade is earnings & use of interest (riba). In this regard, governance of morality in Islamic market leads to a reduction in information asymmetry, increase of transparency & eventually creation of efficiency in the market.

One of the important types of markets is the capital market whose performance is greatly affected by transparent data. Flaw of information in this market leads to an increase in the cost of transactions & inability of the market in optimal allocation of resources; when the data that is the inseparable part of the decision-making process is more transparent & accessible, can lead to adoption of more proper decisions in the field of optimal allocation of resources & eventually leads to al locative efficiency & market transparency which is the final goal of capital market; the behaviour of investors in the Exchange, the method of decision-making, allocation of funds-pricing & evaluation of the earnings of the companies.(Tajvidi, 2008)

As we said before, economic decision-making requires data by which one can properly allocate available & accessible resources. One of the most important factors in proper decision-making, proper data related to the issue of decision & if it isn't provided & processed properly it will bring about negative effects for the person making decisions. Utilization of revealed data & in other words proper decision-making in the Stock Exchange Market is possible when the data is timely, relevant, important & also complete & comprehensible. If the revealed data doesn't have these features or some of it, doubtless the mechanism of discovery of price in the market won't operate properly & pricing of Exchange won't be conducted in an optimal method. Existence of adequate data in the market & timely & rapid reflection of data in the Stock Exchange price is closely related to market efficiency. Over the past two dev=cades transparency of financial data has had a significant impact on the investment strategies of investors. The increasing number of the studies conducted shows that accessibility & quality of financial data of companies are the two key factors effective in investment decisions of investors.(Vatanparast, 2008)

In addition to this, over the recent years in the financial-behavioural field, the role of human behaviour as a variable effective in other financial variable that wasn't considered in the past is studied with a higher emphasis.(Saeedi, 2007) For instance, Adam Smith allocated the theory of moral sentiments to explanation of psychological principles of personal behaviour.(Jafari & Dolati, 2007) A lot of studies show the illogical performance of people in investment & monetary issues.(Khajavi & Ghasemi, 2005) This is why to increase market efficiency, attention to the fact that the behaviour of investors is affected by various factors is greatly important. These factors create behavioural uncertainties in the behaviour of investors & one of the main reasons of these behavioural uncertainties is the issue of lack of confidence & lack of transparency of financial data that will bring about inaccurate & misleading analyses. Data transparency leads to a reduction in information asymmetry, increase in stock liquidity, reduction in costs of agency & more proper distribution of financial resources. Importance of proper exposure & data transparency justify the necessity of codification of certain policies & proper organizational structures for evaluation & improvement of transparency.

Literature & Theoretical

In Webster's dictionary transparency is defined as: "openness or opening of institutes, clarity of institutes, honesty & easy undressing". In this definition, openness or opening of institutes refers to easy access to the operations inside the company & clarity of institutes refers to the explicitly of data.

The specialized group of transparency in University of Brookings has stated transparency as the degree of openness & opening of institutes; that is, the level of supervision & evaluation of actions of people inside the company (like managers) by people outside the company (like shareholders). In Florini's (1999) definition of transparency accountability has become more distinguished. He has defined transparency as "revealing some data by companies that is useful for evaluation of their performance". According to him, transparency is a tool for facility of the evaluation process of performance of companies. Emphasis on the right of access to data (or considering the privacy of both preparing & using sides) & the possibility of evaluation of performance of companies by means of the data has become more distinguished in the mentioned definitions. In fact, transparency is closely related to accountability & the reason of dem& for transparency is that the market holds the companies responsible because of the selected policies & their performance.(Kaufmann & Bellver, 2005)

Wishnoanas & Kafman, quoted by Florini (1998), showed that transparency is the opposite pole of covering (hidden). Covering refers to hiding the action of a person consciously while financial transparency is a kind of transparency that is related to financial issues & includes the truth of data, the completeness of data & its timeliness. (Vishwanath & Kaufmann, 2006)

Wishwanas & Caffman have denied transparency as "increase of the timely & deserving flow of economic, social & political data that is accessible to all relevant stakeholders". Also, these two have defined absence of transparency as the "intentional prohibition of access to data, improper provision of data or inability of market in attainment of confidence regarding the adequacy of relatedness & quality of data". The view of organization of cooperation & economic development is wider & states transparency as "the interaction between companies & other beneficiary groups. When information exchange is more in societies, the possibility of making conscious decisions & accountability of the private & public sectors regarding how resources are obtained & consumed becomes better & growth of corruption decreases.(Vishwanath & Kaufmann ،1999)

The common point of all these definitions is "accessibility to data" & "the ability to establish relationship & existence of the flow of sending & receiving data". (Tajvidi, 2008)
Today the dem& for transparency of activity of institutions & markets has greatly increased. Many argumentations that are proposed regarding establishment of a new global financial system, is more than all focused on the request for increase in transparency. Request for transparency is aimed at allowing individuals, markets or governments to hold others accountable for their policies & performances; thus, transparency can be known as the data that is issued by institutions & is related to evaluation of these institutions. (Heydari, 2004)

Transparency in the capital market

Capital market is one of the elements of financial markets & has a special role in mobilization of financial & capital possibilities for economic growth & development of countries & in many countries in the world it plays the role of financing of credits required by enterprises.(Akbari & Jaliliyan, 2010)

Transparency in the capital market refers to transparency of data regarding companies whose shares are transacted. Information is the integral component of the decision-making process & when it is more transparent & accessible, it can lead to adoption of more proper decisions in the field of optimal allocation of resources. This eventually leads to access to a locative efficiency (which is the final goal of capital market); this is why existence of transparent data in the capital market has an effective role in reduction of the cost of data & exchange & improvement of the decision-making process.(Tajvidi, 2008)

Transparency of the capital market refers to the level of information related to the conditions of market & transactions in a specific time base & this transparency is usually divided into two groups.

1) Transparency before the transaction (Poorebrahimi, 2003) that refers to the deceleration & publication of prices or other operators & indexes related to transaction.
2) Transparency after the transaction (Jouns, 2003) that refers to revelation of data & information of the conducted transactions

The markets that reveal a low amount of the data are referred to as non-transparent.(Bessembinde et al, 2005)
In case of transparency of the market no person must be able to do a transaction due to access to specific data which others can't do it due to not having the data. When the data is more transparent the possibility of healthy & equal competition to obtain the highest earnings is also provided more for everyone. Shortage of data causes an increase in the cost of exchanges & inability of market in optimal allocation of resources & emergence of severe crises & oscillations in the stock market.

Some of the most important functions of increase of transparency in financial markets include

- Accountability: in fact timely access to proper data is the staff of life of accountability. Transparency & honesty in provision of data are for trust & reduction of critical corruption. Today, increase in transparency & accountability leads to increase in accountability as well. By an increase in accountability, performance of companies improves.

- Efficiency: efficiency of financial market is subject to data transparency. When this transparency is improved the efficiency of the capital market increases as well. The general climate of confidence in the market has been presented based on data transparency & their transmission through formal filters that give relative confidence regarding their transparency, will have a specific role in increase & improvement of efficiency of financial market. When by an increase in data transparency the financial market comes to have relative stability & the possibility of occurrence of crisis decreases, the investors' confidence increases & by having transparent data the investor provides its financial resources for companies that have the power to efficiently use it. This refers to improvement of a locative efficiency in the market & leads to expulsion of companies with poor performance from the market.
- Capital allocation: basically investors look for a place for investment that has the highest efficiency & the lowest risk for them. This is why companies that don't operate transparently in showing their performance increase their risk of investment & lose their attraction from the view of investors. Despite profitability of the company, this measure might not cause capital toward it & might cause non-optimal allocation of resources.
- **Discovery of price** one of the factors effective in access to discovery of real price is the necessity of transparency in the data provided. When the revealed data is more & more accurate, the process of discovery of price will be easier & more accurate.
- **Information asymmetry** by a traditional movement toward the modern society the level of information asymmetry increases since by more division of labour & more specialization of tasks every person has information only regarding few instances of activities. Information asymmetry will have different adverse consequences including increase in the costs of people & companies, weakness in performance of companies & markets, reduction of liquidity in markets & losing efficiency of markets. Increase in transparency leads to obliteration of information asymmetry & eventually omission of information rents.(Amini et al, 2012)

Increase in transparency gives us the assurance that interests obtained from creation of wealth in the whole level of the market is distributed justly & isn't provided only for a few number of participants.

Definition of efficiency

The most important feature of capital market is its efficiency. In the case of efficiency of the market, both prices are justly & accurately determined & also capital allocation which is the most important factor of economic production & development s done optimally & favourably. The sign of success of the market means that prices continuously reflect new data; therefore, a market can be named efficient which has the necessary power for information processing.(Salimifar & Shirzoor, 2010) Several definitions have been rendered over the years regarding the hypothesis of the efficient market some of which we'll be referred to as below Fama (1965): "efficiency of capital market will be achieved in case in regulation of prices over time the
market uses the available data in the best possible way."

Jenson (1987):"we call a market efficient which we can't create by means of the collection of self-profitable data." Therefore, a market can be named efficient which has the necessary efficiency for information processing. In other words, at all times the prices don't show an accurate evaluation of the present data. As a result, the prices will be complete reflectors of available data. Subsequently, we will engage in investigating kinds of efficiency. (Fama, 1976)

A locative efficiency: the market will reach efficiency of allocation when allocation of financial resources is allocated to the best situations of investment; in other words, limited financial resources that are created through investors are allocated to plans that will have the highest level of expected income in the future.

Operational efficiency: operational efficiency is obtained when the mediating operations are conducted with the least possible costs. This must be the case in the market generally & in every transaction specifically.

Information efficiency: information efficiency is obtained when the price of the Stock Exchange is the complete reflector of the available & accessible data. If in a market we reach information efficiency investors can't have access to abnormal & unusual profits by having specific data.

According to the importance of information transparency in creation of efficiency in financial markets, removing the barriers of transparency & deployment of solutions for increasing transparency of information in the capital market are of special importance. This is why in this section we investigate the situation of efficiency & transparency of the capital market in Iran & in the subsequent section we will try to elaborate on moral teachings of Islam that are effective in increasing transparency according to the importance of morality in increasing trust & transparency in the market.

The situation of efficiency & transparency of information in Iran's capital market A glance at the three distinguishable decades in the activity of Tehran Stock Exchange that is considered the main tenet of the country's capital market shows that efficiency in the activity of this Exchange has had the lowest position. Investigating the issue of efficiency of capital market is related to the renaissance period of Tehran's Stock Exchange that has been simultaneous with the start of the first period of the five-year plan of economic, social & political development of the country.

All the studies conducted concerning the situation of efficiency of the capital market speak of the absence of poor level of efficiency in Tehran's Stock Exchange. In other words, Tehran's Stock Exchange doesn't even have the poor level of efficiency that is the least level of efficiency defined in the capital market. The most important consequence of such a situation is non-optimal allocation of the country's financial resources to economic profitable sections for growth & development of the country. Non-optimal allocation of the country's financial resources has led to the loss of financial resources which will bring forth destructive results for the country's economy.(Poorebrahimi, 2003)

Obstacles of non-transparency of Iran's capital market

1. **Performing formal transactions** in this method a person alone or with the help of another person tries to simultaneously buy & sell stocks. Although apparently a transaction has been conducted change in the real ownership hasn't been conducted. The aim of such transactions is creation of artificial & unreal price for the stock for attainment of earnings or showing artificial loss for financial goals. At present in most Exchanges in the world formal transactions have been declared to be illegal.(Jahankhani & Parsaeyan, 1996)
2. **Publication of false news** one of the methods of misuse is publication of false news in the market with the goal of lowering the price & purchase of stocks to low prices & subsequently publication of favourable news in the market with the goal of increase of stock price & purchase of stock to higher prices. These methods are usually deployed by senior government officials, Exchange agents & senior managers of companies.
3. **Formation of coalition** refers to the temporary union of two or more people with common goal in the stock transaction. Each of the members of the coalition must deposit a certain amount of capital in the common account. The manager of the coalition that is usually in the group of agents & traders in the Stock Exchange has experience & skills in performing the assigned task. In some cases, the senior corporate managers whose stock is included in coalition also become member of coalition. As these managers cooperate in obtaining profit, they make all kinds of cooperation though coalition. They don't publish adverse news unless coalition hasn't sold all its stock in the market or the favourable first-h& news is first provided with the coalition so that they can collect the stock of the company & then publish the news.
4. **Informing of the data by companies & using confidential data by those involved in the company** one of the most important information resources of investors is the financial statements of the company & other data that is published by the company. If the company doesn't immediately provide the information for investors they will make mistakes in decision-making. The more important point is that events might take place in the company that have a considerable impact on financial situation & the results of the company's operations. The first people who become informed of these events are the practitioners & managers of companies. By analyzing the consequences of the events, they evaluate the stock & before others try to buy & sell the stock & by this they obtain huge profits. In such cases, the analysts that don't have access to data will suffer from loss.
5. **Presentation of inaccurate data by the companies** some managers of the companies strive to show the result of their actions to be better than what there is. In some companies the reward of the managers is a subordinate of the increase in the company's stock price. Hence, they will try to show the profit of the company as higher & publication of the news will cause the price of the stock to increase. If after publication of the news it is determined that the real profit of the company hasn't increased, the price of the stock reduces & the people who have bought a stock based on favourable news, well face loss.

Lack of accurate monitoring & audits on the formal statements of companies will lead to creation of such misuses that eventually excludes the market from the state of efficiency & leads it toward lack of efficiency. In the previous sections the problem of publication of information existed while in this section the issue of accuracy of data is proposed.

In Iran's capital market there are codified rules & regulations for such cases but what matters is how these regulations are implemented & in some cases due to non-transparency of them & also lack of recognition of cause such events are inefficient. Although codification of rules & regulations related to managers of companies & public agents can be partly effective in the field of removal of these obstacles, the rules & regulations can be effective when people respect them & are required to observe them & besides being able to play an effective role in creation of the climate filled with honesty & trust in the market, governance of moral Islamic teachings nurtures law-abiding humans in the market.

Morality in the capital market

History proves this point that countries have attracted the most investment that has had the highest moral stats & in contrast countries with low moral starts & widespread corruption have attracted the lowest capital. Constant behaviour is the necessity of economic activity. The whole free market system is established based on trust. Each time a contract is signed or a consumer buys a commodity, the scope of trust expose. If an economic activist doesn't meet their promises or consciously sells a flawed good or service, a disruption will be made in the public trust.(Kagana, 1998)

A successful stock market is a good example of the pressing role trust plays. In this market investors provide their money for managers who can be trusted & they also wisely invest on the money deposited with confidence. Doubtless there are cases in which their trust has gone wrong & such failures have created a strong motivation for creation of the rules of the commercial behaviour but these failures, in total of the events, have been less important events. Otherwise, people wouldn't continue to invest in the Stock Exchange yet if leaders ignore rules, the rules of the commercial behaviour will be valuable only on the paper. If the leaders of the society of economy don't come to terms with the two principles of integrity & honesty, others will overlook these principles as well.

For the behavioural regulations of the company to be efficient tools in practice, the company leaders must come to terms with that. If an official shows through his/her behaviour that these principles are not highly important any person in the company will have such an impression. When managers clearly determine that they expect firm adherence to behavioural regulations, the atmosphere present in the company rapidly changes. The leaders of the economic society, entrepreneurs & managers of companies must show these attributes everyday so that they change into social norms. For instance, any economic-organizational executive to whom he/she belongs must be leading & the government must clearly show that in its area or economic society it doesn't tolerate corruption.(Kagana, 1998)

Therefore, morality in the capital market has a special role in creation of trust, integrity & righteousness in providing the data effective in price & eventually increasing transparency & efficiency.

Islamic morality & removal of the obstacles of transparency in the capital market. The investors in the stock market can be divided into two groups. The first group is real investors whose activity is called logical & rational game exchange & the second group is people that do the blind speculation. The main goal of these people is attainment of immediate & rapid profit in a short span of time; thus, some speculators do undesirable acts under the following titles in order to achieve their goals.

1) By manipulating the prices through the mechanism of supply & demo, they lead the stock price toward the non-real price which is famous as manipulation of prices in Exchange.
2) Collusion & propagation of false news & data for artificial increase or decrease of the stock price in the market.
3) Performing formal transactions in the market in order to reach their profits. This causes uncertainty of prices in the market.
4) Performing transactions based on internal data that hasn't been provided for the public. When the data is provided for everyone, surely the price of stock will go through a considerable change. Therefore, in a personal unjust competition, they earn income.(Abbasi, 2005)

Therefore, in the market that a specific group takes such measures, in fact they have set a trap in which other investors will be harmed. For instance, by performing formal transactions specific groups act like a hunter that prepare food for their hunt. Proving the formality of transactions has been very difficult & the only way to struggle against it is making culture for specific groups that take such measures & codification of rules & regulations & punishments isn't effective for this case.

This is why giving transparency t the market for protection of the profits of the majority of investors is the most important principle that must be used as model through the market's compliance with moral teachings. Founding a transparent & efficient market requires factual & timely information which is in need of exact supervision over the performance of the market. Supervision can also act in a normative method & without banning the activity of investors & activists of the Exchange when it relies on a comprehensive & efficient forensic collection. Therefore, the first priority of the capital market in the current states & circumstances is the codification & formulation of proper regulations based on Islamic moral teachings & filling of the possible vacuum present among moral rules & principles that must be dominant on the activity of the market. Here we elaborate on some of the most important moral principles & regulations of Islam that are effective in increasing the information transparency of the market

- ✓ **Honesty** one of the attributes that has been greatly emphasized in the Holy Quran is honesty. Honesty, in its broad sense, refers to righteousness in intention, behaviour & structure. Trustworthiness, commitment, fairness & all that refers to the confidence & trust of the both sides of exchange in speech or behaviour are inside that. Honesty is manifested in the person's relationship with himself/herself, God, other members of the society & with the environment & is penetrated into the person or market as a queen, becomes stable & consequently establishes a balance between the outside & the inside, speech & writing & expression of body & corpus & all these together. In this market the two sides have a kind of feeling of comfort regarding each other's behaviour & information hiding intentionally regarding exchange or good doesn't exist in the market & if a mistake is made, the possibility for compensation of the error exists in the market mechanism.(Davoodi et al, 2012)
  In Holy Quran, honesty is considered among the attributes of the virtuous people & God Almighty has promised paradise to the righteous in many verses. In some accounts also integrity has been considered as the attributes of the prophets & the truth of hadith & performance of trust have been considered as signs of faith.(Koleyni, 1969) Imam Ali says: a person who becomes a companion of honesty will be saved. Contrary to honesty there are lies, trick & betrayal. Lies, frauds & betrayals against Muslims are illegal.(Majlesi,1983)
  In transactions & contracts, honesty & distance from lies & tricks & betrayal are greatly important. This is why Imam Ali would recommend the merchants & traders to avoid telling lies.(Horeameli, 1992)
- ✓ **Prohibition of the consumption of wealth unjustly**
  " O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent[1.] "(Quran, women)
  This verse tries to present two general laws in the arena of transactions

  1. Seizing people's wealth unjustly is unlawful & prohibited; therefore, any kind of rape, fraud, fainting, theft, bribery, seizure by force & the like which according to custom & the wise their forced adoption through them is unreasonable & unlawful & any kind of transaction that doesn't have rational interest is unjust & unlawful according to Islam.
  2. Seizure of the wealth of others in case of business with satisfaction is right & lawful.

[1] «يا ايها الذين امنوا لاتاكلوا اموالكم بينكم بالباطل الا ان تكون تجاره عن تراض منكم»

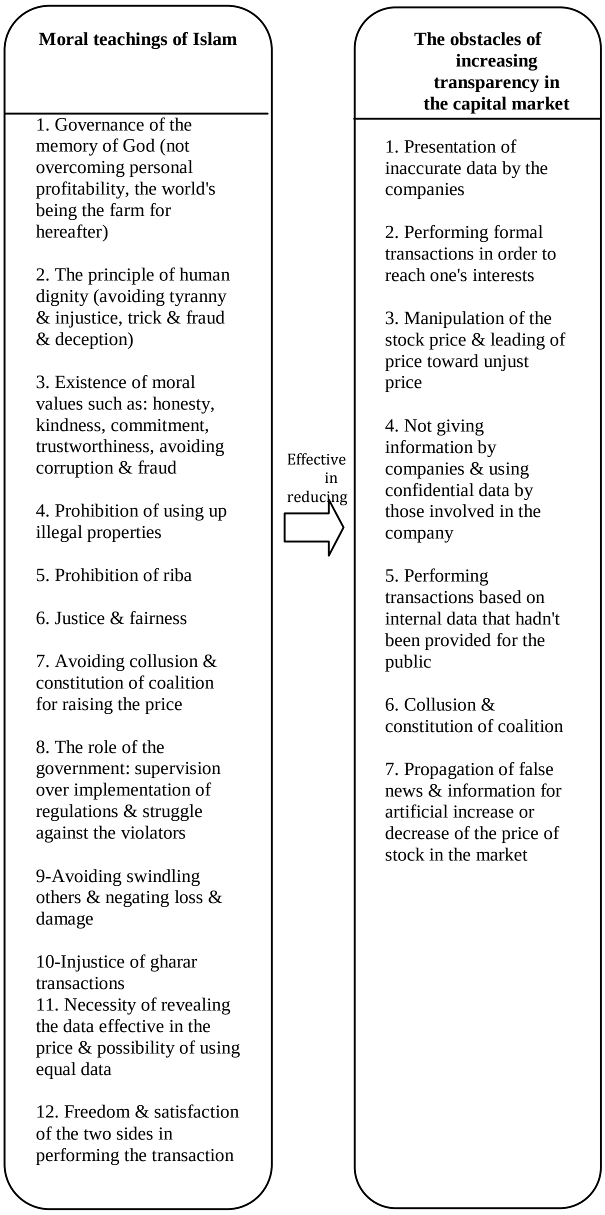
- ✓ Prohibition of harm & damage for oneself & others: prophet (s) says: "you are a harming man yet no harm is allowed the Muslim man[2]". This principle dominates all rational transactions. That is, the holy share of Islam only confirms that group of the transactions when the principle of transaction, the use of transaction or conditions of the transaction don't lead to harm & loss on exchangers or the community of Muslims.
- ✓ **Prohibition of gharry** "the Prophet warned people against gharry transactions"; by giving expression to this prohibition, the prophet intends to regulate transactional relations between humans. He wants to exclude that group of the contracts that come to obtain gharry attributes due to fraud, negligence & ignorance & with any other action & expose the wealth of one of the sides of transaction or both to destruction & annihilation, exclude them from the circle of virtual trades & order for their corruption. The content of the principle is that in order to organize transactions of people & prevent from conflicts & disputes Islam considers gharry transactions to be unjust & if this gharry results from the fraud & trick of one of the exchangers or both in addition to the situational judgment of injustice, it will have the withholding judgment of esteem as well.
- ✓ **Prohibition of ribs** the most important & the most distinguished difference between Islamic economy & other economies is prohibition of ribs according to Islam. Islam has greatly denied ribs & has considered it to be one of the great sins , & not only has it warned its committer regarding the painful punishment of hereafter, it has also threatened regarding worldly struggle.
- ✓ **Prohibition of collusion for raising the price** one of the important obstacles in the capital market is constitution of coalition for raising the price. In case of governance of Islamic morality this obstacle is removed since all kinds of collusion for raising the price is unpermitted in Islam.

In addition to what has been mentioned above, Islamic researchers value the role of information in the market highly. Publication of flawed & inaccurate data is prohibited. Also, not revealing basic data is also in conflict with Islamic norms & according to the tradition of the prophet of Islam (s) when a person encounters harm due to lack of adequate knowledge in the transaction, he/she has the right to terminate the transaction; therefore, according to the tradition of the prophet the two sides must be aware of the price of market & also the conditions of other goods being transacted; therefore, in the capital market in which the moral values are dominant, the information is transparent & accessible to everyone & as a result there is no possibility of harm & damage for others & this causes an increase in efficiency in this market.

DISCUSSION & CONCLUSIONS

As the active markets in an economy are affected by one another, absence of transparency in a market reduces efficiency of other markets. Therefore, in order to access economic development transparency must be pursued in all markets & the mechanisms in accordance with that market must be established for access to transparency. Codification & implementation of accounting starts, increase in transparency of financial & monetary policies of the government, codification of required rules & regulations by relevant systems, identification of weak points in accurate implementation of rules & regulations & increase of proper information channels can be measures effective in increasing transparency. However, according to the wide studies that have been conducted in the behavioural financial area which have emphasized the importance of personal behaviours in the capital market, codification of ethical guidelines & making culture for governance of moral & religious values are to a great extent effective in reducing the fraud & trick & increasing integrity & trust & creating transparency & decrease supervision & costs for implementation of regulations.

Fig 1 Islamic teachings effective in increasing transparency in the capital market



[2] «لاضرر و لاضرار علی مؤمن».

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