

The Effect of Bank Facilities and Deposits on Income Inequality in Iranian Provinces

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DOI: 10.22096/esp.2022.136462.1413

Received Date: 16/09/2020 - Accepted Date: 16/02/2021

Abstract

One of the most essential tasks in the field of government when intervening in economic systems is to try to distribute revenues more appropriately among different segments of society. The development of the financial system in two ways can affect this process. One of these ways is through the impact of the financial system on economic growth and how it is distributed among economic agents. In addition, financial development in terms of how to create investment opportunities for different segments of society will influence income distribution. The present study aimed to investigate the functioning of the banking system in terms of facilities and deposits on the distribution of income inequality in the provinces of Iran. For this purpose, in the present study, quantitative regressions have been used as a suitable method for estimating income inequality models. The results of the period during 2011-2018 for 31 provinces of Iran showed a positive and significant relationship in all deciles between the balance of facilities granted by banks and deposits of the banking system separately on income inequality. Therefore, it is recommended to pay serious attention to the issue of the impact of banking system performance factors on income inequality distribution in reforming the banking system.

Keywords: Income Inequality; Facilities granted by banks; bank deposits; Trade Openness; Quintile Panel.

JEL Classification: O11, J21, G21, C21.

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