

# The role of banks in the realization of resistive economy goals

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## Abstract

This article tries to study and identify the internal and external structural problems of Iran monetary and bank system and the role of banks in the resistive economy with respect to the significance of resistive economy and its requirements. And, this has made an attempt to present useful information on this type of economy and the improvement of the monetary system structure of Iran. The results of the article concerning the identification of the challenges in the monetary and banking system in Iran, that is, the only existing solution in resistive economy are the removal of damages and reconstruction of the inefficient and tired structures. Reformation of some economic policy making in Iran as well as principle and rational planning is regarded.

**Keywords:** Banks, Resistive economy, Money market, Bank market

## Introduction

Economics is “the knowledge of how people and society choose in order for applying and employing rare resources to produce different goods and services and their distribution among different individuals and groups in society for consumption”. The global economic issues and various economic challenges of our country led the revolution leader to enter the subject so as to present the necessary guidance and advices on “resistive economy” plan as the supreme position in Iran. Resistive economy has special characteristics that in present conditions can be discussed to encounter the enemies of the regime and the strategic conditions of the country. “Resistive economy means the identification of pressure domains and consequently making

attempt to control and neutralize them and in utopian conditions making attempts to turn the pressures to opportunities. Resistive economy is in the line with the reduction of dependencies and emphasis on the advantages of domestic production and making attempt for self-dependency”. In the scientific literature, the concept of resistive economy has not been applied so far but can be extracted from the speeches of the great leader and the views of economic experts presented already. This is the economic initiative of the country under special conditions which targets the production and distribution of particular goods and investment in reducing the dependency on other countries under critical conditions; namely, if it could not provide the basic products for people and supply them from other countries in market transaction, it can produce them in bulk relying on domestic production. Supplying the basic products and needs of people to resist against some countries trying to sanction other many goods required for that country. In this regard, the great leader has pointed out some illuminating realities which must be considered by the officials in their economic planning in the long term horizon including “popularizing the economy”, “considering the policies of Article 44” discussed in the past, and “empowering the private sector”, “encouraging the activity of economic agencies”, “reinforcing the bank system of the country”, and governmental systems that must be accompanied by legislative and judicature. Also, in his opinion, the reduction of “dependency on the oil industry”, “paying attention to knowledge-based industries”, and “other various capacities” in Iran are the main components of the resistive economy. And, other issues such as “consumption management – both in governmental systems and in non-governmental systems” – affect the growth of resistive economy.

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The resistive economy is a type of economic pattern tending to the economic independence of the country. We will present the definitions of this economy by some economists; such economy usually goes against the dependent and consuming economy which is not passive and resists the objectives of dominion economy and tries to change the existing economic structures and naturalizes them based on the world view and goals. For the continuance of such economy, we must move toward restricting the use of oil resources and relieving the economic dependency of the country on such resources and beware that resistive economy will work where there is a war; that is, against an economic war and a soft war. Based on empirical and theoretical studies, capital plays an important role in economic growth and development. The increase in the capital size both directly as a production factor and indirectly via enhancing productivity is another factor increasing employment, production and welfare. While, in any country, there is a group of people and institutes having surplus financial resources on one hand and do not take action to invest due to reasons like the lack of interest, experience, and risk aversion and/or their capitals are not adequate, and they are against a group of economic actors and those who possess knowledge and experience yet need financial resources for economic activity.

## Review of related literature

### *The history of Iran economy*

Since different historical periods, human being has faced political changes and challenges for resolving which he has used various methods and been able to transform his problem from an undesirable and complicated process into a solvable process. "Economics" is among the significant evolutions in human thinking domain. Like empirical sciences, this science has also manifested itself in the context of history and by citizenship and civilization process. In recent centuries, two major schools of economy have promised the material happiness of societies; one is socialism which attaches to pure governmental economy and another is liberalism which supports pure capitalism. In Iran, economy has faced different economic views in society and the ruling regimes. In each period of Iran history, there have been many effective internal and external factors acted a role in the process of managing the government. It is good to have a

glance at Iran history to know the economic status of our country better; especially Safavid period and after about 500 years (Safavid is considered to be the first general government in Iran.

### **Iran economy in Safavid period**

Although in Safavid period (880-1110 AH-SH) Iran economy was underdeveloped in some cases in comparison with capitalist countries, the economy is individual-based. The coordination between agriculture, industry and services, roads and transportation with each other and the needs of the society was adorable. In that period, foreign trade was considered to be the marginal part of Iran economy. Diversity in export like Ibrahim carpet (silk weave) was taken as the most prominent economic sectors. These relatively small sectors had brought about transformations in Iran economy, but the money and wealth which had to be spent on constructing dams, bridges, and civil projects were distributed among the family to buy jewels and expensive objects. The indices of economy transformation of the period are: 1- the consumption of the economic income surplus 2- imbalance of incomes 3- inappropriate division of wealth 4- saving numerous properties and lands for the crown, crown clergies, and division ones 5- the increase of class gap

### **Iran economy in Qajar period**

The early 19th century and due to the consumption culture dominated the economy, it can neither any surplus raw agricultural and mineral, materials over domestic consumption for foreign market demand nor for the domestic buyers for import and foreign goods. It was in such conditions that colonialist countries made attempt to bite the prey regarding the dominant political conditions and economic underdevelopment. Among their actions, Golestan and Turkmanchai Treaties can be implied. In the 50-year rule of Naseraddin Shah, over 80 deadly contracts were signed with colonialist states. Thanks to the shahs of Iran, increasingly the destiny of Iran nation was set by the West at the same time with Industrial Revolution, and, as a result in the meantime a great opportunity for economic development of Iran was lost and deep gap opened between Iran and the West.

### **Iran economy in Pahlavi period**

In fact, to protect the advantages of shah and the crown, foreign trade was targeted and became exclusive to the crown. Oil export income increased, and the import of finished goods included weapons. Purchasing old industrial machineries and the

opening and operating Iran factories by these old devices, expanding the new industries including building railway all of which led to the continuant and direct monitoring and control of political, military, and colonial goals and the West targeted Iran to the very same reason and ruined its scientific independence. In an agricultural sector, despite the increase of commercial transactions with foreign countries and the production of agricultural crops, the landlord-peasant relationships remained as before. Farmers still worked with a simple and traditional tools and formed the greatest part of the population. With the dead end in economic production, Pahlavi II took the notice of White Revolution. A direct common interest emerged among foreign and domestic capital owners of the very characteristics of which included being consumption-centeredness and their dependence on foreign countries in terms of basic material of pieces, machineries, and skilled manpower. The dependence on the West had weakened the economy so that it was not able to move a step.

#### **Iran economy in post-revolutionary period**

Between two revolutionary socialism schools with the motto of protecting workers and farmers rights against western liberalism with the motto of licentious freedom, the war was on, and the neighbor countries were under the flag of the war when there-gime called Islamic Republic Regime was introduced with the motto “No East, No West, Just Islamic Republic”. With the dawn of the Islamic Republic of Iran, a new form of state emerged in the world which was both public and Islamic. The advent of such new government in an area like the Middle East, which was/is the vital artery of communication and the pole energy of the world was/is not desirable for the powers. The worse is that the revolution is originated from hearts. The nature of such regime is always hazardous for the colonies. Hence, since the very first days of this sacred newborn, the hostility was showed in a variety of ways, first, in the form of terrors and bloody domestic actions and the full proof military war. When the war finished, the enemy’s tactic was also changed into attacking the other areas like economy. The extensive and sometimes incomparable economic sanctions testify the claim. On the other side of the field, IRI the ideal of which is to protect the poor and fight the colonialism in the world entered the scene to fight to accomplish its goals and values, and gained major successes in military, science and technology and ... wars. The economic model mainly taken by Iran in the post-war period was based on open market, compliance with inter-

national order and etc which then Iran had to act as a member of the global village and under the mediation of the USA. The village where any violation from the boss will lead to the punishments of the international organizations. Naturally, economic and development goals of the models are based on accepting the western values which are opposite the principles of Islamic revolution. Now, what should be done? The optimal solution for our economic model is to be able to move the country in war, chaotic, revolution, sanction and crisis conditions. Conditions which – despite other countries – are not temporary for us rather permanent. In this economic model, sanctions are taken as opportunities which can be exploited for the effectiveness and modification of the weaknesses of economic systems of Iran; problems covered by the heavy shade of the macro oil incomes and get increasingly extensive. The economy of the country with special world view is in conflict with the interests of the world superpowers and consequently the hostility with such country continues and emerges in a form in each period. So, all components and mechanisms of a country like Iran must be designed so as to protect it against them and have an economy fitted with the situation called resistive economy. Resistive economy is an economic regime which is proved in all periods including economic war against our country or not. Now, we are in a full-fledged war because in our bank system the bank transactions and opening LC have faced with problems, and it is impossible to send drafts from our country to other countries; also, foreign commercial companies are fined for having commercial transactions with us. All of these mean that the economic war is on against Iran and in this period aside from resistive economy which has been on all the time relying on resistive economy will also be vital; but what requirements do resistive economy have? One of the principles of such economy is being introvert. With respect to the many potential capabilities in sectors mine, oil and gas, agriculture and etc, we have not been able to demonstrate the art of using them after 30 years. We first must gain an exact knowledge of the natural advantages of our economy and then create high value-added by proper use of them. In this regard, one of the critical elements in the realization of resistive economy which can have different threats is the reformation of monetary and bank markets.

#### ***The history of Iran economic sanction***

The history of the first USA sanction against Iran goes back to 1987. Then, they continued in

the next states of America. Since 2006, the Security Council of UN has issued five resolutions regarding the nuclear plan of Iran. Among the UN sanctions is the blockage of companies' and individuals' assets who are claimed to participate in the sensitive nuclear plan or the production of ballistic missiles or supported the plan. The first time on January 2006, America imposed a one-way sanction on Sepah Bank by mentioning accusations like having in relation with an institute related to missile technology in North Korea. Then, in completing the sanction process of Iran banks, on October 2008, the ministry of bursary of the US imposed sanctions on three banks: Melli, Mellat and Saderat. The sanction on Saderat Bank was due to the accusation of transacting money to Lebanon Hezbollah, Himas Movement, Palestine Islamic Jihad Organization; and Melli Bank for delivering financial services to the companies reacted to missile and nuclear plans of Iran. And, then, it was the Mellat Bank's turn. Based on claims, allocating millions of dollars to Iran nuclear plan to facilitate the money transaction for the same purpose was underwent the sanctions.

#### **Banks sanction and its effects on economy**

In post-revolutionary period, bank system in Iran increasingly is considered to be an arm of government; especially in executing the fourth plan of economic, social and cultural development plan, the main part of the success of the plan was due to the power of the system targeted by the sanctions. It seems that the Security Council of UN counts the sanctions as the best method for blocking the path of Iran economy in global transactions. Perhaps, the present period is a truly hard one for the economic actors; because the prosperity of investment and production in this sector requires a secure and sustainable space more than anything else. Economic sanction and bank sanctions increase the civil risk and imposed costs. Imposing successive sanctions in different areas will ruin the security and peace of the country and provide the scene for the exit of capitals from country. Among the sanctions inflated the space of the economy since many years ago, the sanction of banks has affected the economic activities and in particular the activity of the private sector.

#### **The effects of banks sanction on the financial and monetary system of Iran**

Increasing the risk of bank resources, and credits have affected the credit risk, reduction of trust of international suppliers in bank system, imposition

of finance costs, reduction of public trust in bank system including bank sanctions in the financial system of the country.

#### **The structure of money and capital market**

The structure in post-revolutionary period with the interest-free banking law has led to the presence of banks in the activity cycle of the real economy sector, the activity of them in bonds area and provision of extensive financial services. Namely, as a comparison between the exchange and bonds market and the commercial banks in finance system shows, the commercial banks have played a 50 times more effective role in financing the real sector of the economy. Then, such conditions do not show the efficiency of bank rather due to the lack of development in non-bank systems of capital market like bourse. In case of distinguishing the monitoring organ of money market and capital market and lack of applying the direct tools of monetary policy, reforming the structure of governmental banks, formulating the control rules and regulations for the two markets and creating required contexts for developing private banks, the efficiency of bank system will enhance.

#### **The structure of money market**

Basically, the duty of banks in each country is to support and contribute to the economic growth. In the meanwhile, some economic sectors may grow less. But their growth will have a significant effect in the economic development and employment. Our country is good and perhaps unique example in this regard. With a glance at tourisms, agriculture, construction, scientific, drug-food industries, fishery, exploration and mine, establishing power plants and refineries, sport, insurance etc. we will realize that with respect to the talented manpower and natural capabilities and resources there is an abundance of investment opportunities and creation of economic return which must be exploited for sustainable growth and development by banks and the aid of actors. In the conditions where the banks are affected by the sanctions more than other sectors and the hostile countries are also aware of it, it is possible to formulate strategies to aid banks in fulfilling their positive and effective role. Banks are able to provide the tools for economic growth and development by the aid of its credit and financial policies or lending commercial, industrial and manufacturing loans. They can also provide the scene for the encouragement and expansion of export, increase of domestic productions, industrial and agricultural development and the expansion of

foreign and domestic trade development and transportation and the facility of import as well as the encouragement of people to save.

### ***The role and goals of monetary policies in economic development***

Regarding the special condition of the resources and their consumption, banks - as the major and most effective economic agency in the economic growth and development of the country—have always been under the magnifier of research and criticism of the stakeholders, entrepreneurs and consumers. A glance at the history and process of the evolution of the banking system in Iran and the world will show clearly that lending different types of loans by banks is based on the basic principle, and that is the mediating role of return and the mutual trust of two parties (the bank and the client). Monetary policies imply that the official in charge of money (central bank) shall do this to affect the financial trends to achieve the specified targets in the economy. It considers the monetary policies as the demand-side ones by the aid of which it is possible to accomplish the macro purposes of the economy.

#### **Founding and expanding financial institutes**

By creating and coordinating money market and controlling commercial banks, it is possible to organize the process of lending loans and distribute them for all generative activities in an optimal way

#### **Determining the rate of return**

In developing countries, due to the lack of available financial resources, the rate of return as well as the lack of economic sustainability in these countries, the difference between the rate of return on short term and long term loans becomes great.

#### **Supplying the financial resources required for government**

The execution of an expansive monetary policy leads to the reduction of purchase power of all classes and the purchase power is transferred to the government. Although the policy leads to inflation, on the other hand if the government allot the created power to invest in the generative activities, it will prevent from inflation in future and slightly alleviate the due consequences in the supply of the next year; yet, if the incomes are spent on current expenses of the government, they will lead to the formality in the official structure of the government as well as the increase in the general price level.

### ***Bank system challenges***

The bank system of the country has been one

of the most challenging sectors of the economy in post-revolutionary period. Due to the central role of the system in the economy, always several pressures are imposed on it from inside and outside. Challenges and obstacles on the development of the bank system are divided into two parts: 1) the factors out of the bank system and resulted from the non-generative structure of Iran economy; 2) the structural problems of bank and executive system and their performance in different areas. yet, perhaps, it is possible to mention some of the structural ones and then the economy of Iran as follow:

### ***The structural problems of banks***

#### **Lack of sustainability in monetary policies**

Banks are among the institutes directly affected by the monetary policies. A change in the very short term trends and without justifications like the increase of an origin exchange and its reduction in a short time, the lack of stability in policies (such as the reduction of rate of deposit interest and insisting on its reduction and then a sudden opening of it and the imposition of ceilings and threatening the banks regarding the violation of the ceiling and or withdrawing from the bank accounts for the exchange differences in peremptory transaction, the imposition of obligatory facilities on one hand and taking the heavy fines of extra withdrawals) all are among the cases which fail the possibility of drawing a clear picture of banking. Central bank must be required to present stable monetary policies at least once in a year and, if needed, make any changes during the year with respect to the whole conditions and advanced announcement. Taking stable monetary policies and considering all sectors in such policy-making including the interests of banks, stockholders, depositors, and borrowers requires the banking activity in a harsh sanction condition. Whether in capital market or in money market, a point paid less attention to the consequences of distrust in banks. The experience of other countries has showed that crises are mainly originated from banks, and if depositors and/or actors in capital market lose their trust in banks, we must expect to see harsh crisis in the economy.

#### **Failure in executing interest-free banking**

Since the execution of interest-free banking, bank system has always faced many issues and problems. These problems and weaknesses are mostly related to the lack of strategies, mechanisms and suitable contexts required for the desirable execution of any law rather than the basis of law in the

some operations. Iran bank system encounters numerous problems due to the type of ownership, activities, dominant rules, limited resources, the variety of officials, hardware and software weaknesses, the lack of knowledge and instruction and in the end the weaknesses in the management of affairs. Since this banking system is unknown empirically and theoretically, in the implementation, adequate motivation did not emerge for the structural changes and evolution in its functions. Most of people and practitioners of bank system superficially accepted the law yet executed it based on conventional perceptions of the bank operation and their previous experiences. After years from the approval of interest-free banking operation law, there is still no news of such a belief in people and words are used in conversations, interviews, and lectures that do not go with the nature and essence of such system. So, till the removal of interest is not internalized in the real belief of people, the examples of interest will not be removed properly and completely. From the view of Islamic 'Aqd assigned in law, 'auqud contracts have several forms in terms of essence. The main existing form in them is the "content conflict". For instance, where participation is cited in contract text, sometimes the concept of debt is addressed. Evidently, in the discussions related to participation 'Aqd, bank and customer become partner in the investment, and it is not possible to say any about debt till the end of activity. Another point is that even customer signs the participation contract without a proper understanding of participation, and just think about debt, because on one hand, legal interpretations, words, and themes used are not understood well and on the other the new banking system (interest-free) is not introduced to people and people have the same traditional banks thinking toward present banking system.

### Control

Iran central bank was founded based on the act approved on 28.05.1960. In the law, the aim of founding an independent institute called central bank was to maintain money value and exclusive issue of bill and its duties included the financial agency of the government inside and outside the country and maintaining the exchange balance. On 09.06.1972, new monetary and bank law replaced the law 1960 which has undergone some changes so far. Based on the law, central bank developed and took the responsibility of formulating and executing the monetary and credit policy based on the general policy of the whole economy. In the law, the aim

of founding an independent institute called central bank was to maintain money value and exclusive issue of bill and its duties included the financial agency of the government inside and outside the country and maintaining the exchange balance. Articles 11 and 12 of the law have counted the following duties for central bank as the organizer of monetary and credit system: issuing bills and metal coins, monitoring banks, organizing the exchange rules and monitoring the gold transactions and the financial broker of the government. As we use the ban foundation law, central bank undertakes the heavy responsibility of organizing the monetary and credit system and respective policies and their execution. Bank system acts in the framework of three main laws: "monetary and bank law", "the act of managing the affairs of governmental banks", and "interest-free banking law".

### Interest rate

By removing the interest from bank system, central bank faced the gap of conventional rate of return in the financial markets of the world and to resolve the problem replaced the interest rate and return rate expected. Based on interest-free bank system and codes, banks tend to the allocation and equipping the resources. Based on Article 9 of the code of interest-free bank operation in chapter two regarding the termed investment deposits, it is sited: "banks use the termed deposits as the resources of depositor in partnership, mozarebeh, rent for ownership, installation transactions, farming, mosaqat, direct investment, precursor and je'aleh". As cited in Article 10 of the code: "to none of the deposits received as the termed investment deposits, a predetermined amount as interest. The interests from the operation cited in Article 9, based on the signed contract guarantees the representation between bank and depositor with respect to the term and resources of the investment deposits, will be divided after determining the legal deposits and considering the share of bank resources based on the terms and the amount of the total deposits used in the operation".

### Micro Facilities Problems

Our bank system supplies several facilities for the households which due to the rates of the facilities on one hand and the lack of the proper mechanism of allocating credit, the access to them is not equal and not the same for all. The same leads to the matter that some people have further access to the loans due to the nature of their jobs and or the personal and non-personal connections. Sometimes, they gain more facilities than their credit power and this leads to the enhancement of their life compared to other similar

people. This has led to problems for banks including the increase of delayed claims.

### **Macro Facilities Problems**

One of the issues in the bank system of our country which itself underlies other several problems is the payment of facilities. Due to the rates less than an equilibrium rate and in many years the rates of loans were less than the deposit interest rates, receiving loans from banks and depositing in bank system have been highly profitable and risk-free activity. In conditions where the rate of interest of the loans is less than the inflation rate, receiving facilities means receiving the loan with the reward. Obviously, in such conditions, demand for loans will increase and responding all demands is not possible. This is the same rent concept. However, the control over the consumption of facilities is one of the duties of bank system, so due to the high volume of paid loans regarding the number and improper relations, the control is inefficient, and customers tend to use unusual methods such as bribery or use of officials and politics and etc to access to great bank resources and, as a result – thanks to inflation – during a few years they have multiplied their property and of course bank loans as well as using the advantages of inflation and low rates of return. In such condition, entrepreneurship is not a priority in industry and production rather the connections and the above methods can be a factor of progress. Lack of credit assessments, the weakness in technology system of banks and central banks and lack of credit ranking systems have led to the matter than one can receive loans from various banks and delay all of them. Many bank customers are conventionally used to pay merely the interest on the credit and then extend the loan for the next period (and even in most cases with a few percentages increase in the main amount). Such loans always well-known as evergreen loans which are very common in our bank system since 2007. Central bank prevented from the extra withdrawal of these banks and then faced the problem of liquidity. The first group protested to the credit system of the banks was the owners of these green loans and refused to pay back their debts. They who had used the bank facilities as an inexpensive source of money now did not accept to ignore the resource and on one hand demanded low rate loans and the fine-free delay in paying them back on the other.

### ***The Problems of Iran Economic Structure***

#### **Sanction**

Although bank sanctions are among the main bank system challenges, based on experience, the

bank system of the country has been able to manage them well. These sanctions have increased the costs of bank system and economic actors yet not been successful. A sanction is successful when the imposers can change the behaviors of the other party and/or achieve his own desires which in this regard the sanctions have not been effective and a part of this owes to the banks attempts to pass the sanctions. Total cost of a country is for independence which requires management and different sectors have managed it well so far. The government and parliament are also required to allocate a special budget to help damaged banks, industries and companies so that the support budget be in access for damaged sectors.

### **The adaptability of Iran financial markets with the international organs and markets**

Although the main concern of financial markets is to adapt to the culture, goals and motivations of domestic participants; with the advances in international financial markets and development of the supranational communications and cooperation, it is not possible to suffice to the closed financial market. The design of inputs and tools must be done with the highest accuracy possible so that - whether on the supply-side of the cash capital or in the demand-side - we can interact with international financial markets especially Islamic countries.

### **Complying with the requirements of globalization for Iran banking**

Banking universalization makes the border between bank and non-bank financial services increasingly pale. The trend is extending in some European countries and with the great distribution of insurance products and a phenomenon called bank-assurance has emerged. To know the banking universalization phenomenon, we must know its features. So, we introduce its different parts in the following sections:

#### **Bank mergers and possessions**

One of the dimensions of banking universalization is the expansion of mergers and possessions of bank. The increase of mergers means the increase of consolidation. Merging and possessions are among the great financial inputs happening around the world. Most of these megamergers have merged the commercial banking organizations in the country. These supranational mergers and possessions are mostly related to the global mega-organs which deliver several types of financial services in a few countries. These are in two internal and external forms. In the internal mergers, some commercial

banks in a country are merged yet in external one some from different countries merged. The value of both mergers and possessions has increased as time passes. If they are done successfully, they can lead to the reduction of cost and increase of profit and both the customers and stockholders will advance. One of the most important and visible features of globalization of financial markets and capital flows is the emergence of mergers and possessions of banks both nationally and supranationally. Of the effects of the bank mergers is banks consolidation is global banking conglomerates companies.

### Digital money

It will have great effect on bank payment especially the commercial ones. Of course, we must note that the digital money can be successful only in global arena and multibank system. So far, no significant progress is observed to create the global liquidation system of digital money; while such system is essential for executing the payment of electronic money in global arena.

### Central bank independency

For assessing a level of independence of the central banks, generally the relationship between bank and government is assessed. The relationship has different aspects, so determining the degree of central bank's independence is difficult. The structure of formal and informal relationships between government and central bank plays a critical role in determining the independence of central bank. Although the amount and the type of central bank relationship with government can show the degree of its independence, in practice there are many central banks with not a great extent of independence despite having special relationship with the government. This is different in various countries.

### Governmental management

In this structure, the dominant bank view is not viewing bank as an economic agency rather as a cure for all economic problems. The general view of respective officials in Iran economy – including central bank, money and credit council, the ministry of the treasury and economic affairs, ministry of industries, housing, agriculture and Islamic Council Parliament – have been based on the matter that bank is not an economic agency rather a great financial organ under the control of government to execute the supportive plans and financial policies and solutions for economic problems. Cases such as a legislator's decision to allocate loans for employment and increase of production, consequences of imposed war and the necessity for recon-

structing the damages resulted from the 8-year war, determining the share of allocated loans to each economic sector and ... are among the affairs and factors each of which has not let the bank system to achieve its goals. With the advent of private banks, however the view is slightly modified, the view of the main policymaker of money sector (i.e. central bank) did not change so that in the cases it was even seen that the central bank prevents from the banks competition in reducing the rate of services and imposes rules like stockholding on banks. On the other hand, bottom, mid and top managers of the private banks are also assigned by governmental banks and the same Iranian banking thinking toward the new private banks which are expected to have high efficiency will become common. By the execution of the general policies of Article 44 of the constitution and privatizing some of big governmental bank, again a high volume of assigned and noted loans, the task of sector-distribution of credits and obligatory policies of interest rate and lack of transparency in financial statements and lack of transparency in the mission of banks and the like are among the consequences of the governmental structure of bank systems.

## Conclusions and suggestions

Hence, do as you are ordered, resist; and also people who have come to God with you (shall resist)! And do not rise because God witnesses what you do! (Sureh Houd, 2012); regarding the significant and valuable status of Iran in the region and world and the special conditions of the zone – in particular Islamic awareness – such an inefficient and weak system the control of which will be in some countries' hands whenever they want does not fit Islamic Iran. "Resistive economy" may be the only solution. Components, requirements, and necessities of such pattern must be accurately examined and explained. Of course, it is evident that it requires strengthening, removing damages, reconstructing inefficient structures and organs and overcoming the wrong thinking in some economic policy makings, removing the grounds of economic corruption and enhancing the quality of domestic products via enhancing the competitive space and removing the exclusiveness and rents which all indicate that resistive economy requires a national attempt. In this article, some challenges of bank system are reviewed and it is suitable to design an accurate plan for resolving the challenges and problems. Perhaps, we



can suggest the following the actions and plans as the basic steps in resistive economy;

### *Enhancing the role of private banks in economy*

It seems that in sanction conditions, private banks are under less pressure and restriction than the public ones (or the banks whose stock have already been assigned to private sector). Hence, the role and function of these banks – especially in the arena of exchange and international activities – can slightly reduce the international bank transactions.

### *Enhancing the quality of bank services*

The significance of the issue is in that after the removal of sanction, bank system can continue its past activity in international bank operation arena and update itself.

### *Managing the exchange reserves*

Now, a number of Iranian banks are undergone sanction in dollar transactions and some other banks in dollar and euro transactions. Hence, the banks undergone sanctions must create the changes required in the exchange combination of their reserves and select a new basket. Making broker relationship with other countries and new banks (which of course will have less credit) and investment, purchase and foundation of shared bank abroad can also reduce the problems emerged as a result of sanction to some extent.

### *Economic modification policy*

It is a function of economic indices and political formations and has objectives such as: improving the

balance of payments and reduction of deceit, fighting inflation, privatizing and opening economy, removing subsidies and reducing the expenses of public sector, increasing the rate of economic growth and designing the mechanism of price and market system.

### *Relieving from dependency on oil income, the proof of self-dependency*

The mechanisms of economic domain must be revised so as to recognize all cases resulting in dependency of the country and make decision about them. In less important cases, it is possible to make them diverse and numerous so that the level of dependency of the country is reduced. In special cases, also, it is possible to do complete replacement. All interactional courses with abroad, earning resources of the country, commercial partners, and ... are included in the rule. Some policies cited in this regard are: replacing oil with current incomes (like tax, transit incomes, and ...), multiplying the commercial partners (from a major partner to several smaller ones like turning the commercial partnership of Emirates by a few other countries) and etc.

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