

**B**anks are not business establishments that can participate in economic activities like trading and making deals. A bank is a financial unit that must provide services to the public.

Banking services include receiving and depositing money, lending and processing transactions. Some banks issue banknotes as legal tenders. Many banks offer ancillary financial services to make additional profit, for example selling insurance products, investment and stock brokering.

In most jurisdictions, businesses of banks are regulated but require permission to trade. Authorization is granted by banking regulatory authorities and provides rights to conduct the most fundamental banking services like accepting deposits and making loans.

Banks have a long history and have influenced economies and politics for centuries. Usually banks generate profits from transaction fees on financial services and from profit it charges for lending.

Regretfully, most banks in Iran are not interested in offering services to rather they are concerned to become powerful and competitive in the financial market, said the Persian daily Kayhan.

Many state banks are owners of their

***Nepotism and favoritism in financial institutions have seemingly hindered ordinary clients from securing loans for house, car or marriage***

branches and many other assets they hold while police stations, whose main responsibility is to maintain law and order in the society, have to rent out places for operation.

**Influence**

Unregulated and unfair practices like nepotism and favoritism in financial institutions have hindered ordinary clients to secure loans for house, car or marriage.

People say banking facilities have increased dramatically in recent years but the factors set to qualify for a loan are getting more difficult. The public say while banks want to secure their loans, applicants find it difficult to get qualified guarantors to guarantee them.

It does not matter which branch offers facilities. The fact is that the person seeking the loan must have an acquaintance who in turn must have a friend working in the bank to secure the loan. Otherwise, it is very difficult to find two qualified guarantors.

**Loan**

A loan is a sum of money that is borrowed from a bank or government and is to be paid back with interest monthly or yearly.

The agreement between the lender and borrower entails redistribution of financial assets over time. This service is provided at a cost, called the profit rate on the debt.

# Banking Facilities

***Many banks are unwilling to pay small loans to the ordinary people and there are many cases where they have loaned billions of rials to a selected few***



Most banking facilities are usually over within the first six months of the year and many applicants have to enlist to get a loan the following year.

Providing loans is one of the principal tasks for banks and financial institutions. Car, housing or marriage loans are common types of loans used by many individuals.

In this arrangement, the money is used to purchase a house, car or arrange a wedding ceremony. The financial institution however has to be given security-by providing ownership documents-until the loan is

In other cases, the guarantors have to pay if the borrower defaults on the loan.

The guarantors must be government employees and are required to provide a monthly pay slip that specifies the salary they earn. Usually it must be more than the amount of money the borrower has to pay back to the bank towards the loan.

Kiyae, deputy head of Bank Melli Facilities and

***It is against the law for banks to ask applicants to provide new documents or meet tougher conditions to qualify for loans***

cleared. If the borrower defaults, the bank has legal right to take over the house and sell it. If the loan is for a car or study, they will deduct one-fourth of the money from guarantors' salaries to recover the debt. In some instances, a loan taken to purchase a new car may be secured by providing ownership documents.

Trade Department, said regarding the new stiff regulations for loans by banks regarding deducting monthly instalments from guarantors salary is usually one-fourth of the installment if married and one-third if single.

But just having a guarantor does not guarantee the

interests of banks. It is against law for banks to ask applicants to provide other documents or meet other conditions to qualify for a loan.

**Criticism**

Currently favoritism is still a malaise in the banking system. It is alright for those who have influence in banks even in case of limits in its facilities.

The point is that many banks are unwilling to pay small loans to the ordinary people and there are many cases where they have loaned billions of rials to a selected few.

Just a few months ago two companies managed to get loans worth four billion rials within a week from a certain bank by increase their credit rates within one week with false bank statements and transactions.

Interestingly, the bank manager was on leave when these loans were granted and no one knows who signed the papers on his behalf!

The bank manager who was laid off is now working in another position in a different branch. He claims he has been serving the clients for many years and has always tried to help the low-income strata to get loans. He also claims that he has never refused anyone who has applied for car, wedding, study or dowry loans.

He said certain senior bank managers do not approve the idea of granting small loans to ordinary citizens because of low commission fees. Instead they prefer to grant bigger loans to certain individuals to get better commission.

He says managers like him who want

***Banking facilities and loan ceilings have increased dramatically in recent years but eligibility to qualify for a loan is getting more difficult***

to serve the public are usually laid off because higher officials see them as barriers in way of granting huge loans to certain individuals.

It should not be surprising if such claims are rejected by senior managers.

For instance, Kiyae said banking facilities are offered to everyone fairly. However, banks are no longer willing to offer car loans because the lending rate has been cut by 11 percent over the past three years.

Now that demand for car loans is rising, people are complaining about shortages. This is because demand for loan has risen three times more than what banks can offer. Moreover, those who get such loans never buy a car. Instead, they sell their loans in the black market with a higher interest rate or invest their money in real estate market.

In conclusion, he said most banking facilities are usually over within the first six months of the year and many applicants have to enlist to get a loan the following year. This means an ever-growing increase in the number of loan applicants every year.

**C**elebrating anniversaries of the victorious 1979

Islamic Revolution provides an excellent opportunity to appraise development of its objectives.

Evaluation can light the way for future prospects as previous issues are scrutinized.

According to the Persian daily Qods, the past 28 years indicate that economic performance of earlier cabinets during different periods involve positive and negative aspects.

An issue considered an "important economic achievement" is the previous governments' sensitivity towards creating economic infrastructure and preparing ground for their materialization. This is the outcome of "virtually appropriate economic growth".

An important sector incorporated in past governments' plans has been construction of dams and transferring



## Economic Independence

Earlier management focused on remarkable increase in electricity generation, railroad construction and asphalt roads and expansion of air flights.

energy through building refineries.

Likewise the number of oil and gas wells excavated till date show that priority was given to economic infrastructures.

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increase in electricity generation, railroad construction and asphalt roads and expansion of air flights. Measures taken to

develop peripheral provinces by creating infrastructure titled "poverty eradication", attracted investors in under-developed areas

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resulting in development.

Decisions of officials of prior administrations of financial and banking institutions-the key economic pillars-to rid

usury from the system, despite pitfalls, is another accomplishment.

ment of the revolution.

Banking without usury can become a model and monetary function for world economy.

Social justice is a prerequisite for economic justice. Past 28 years experience indicate appropriate equipment has been employed to create equal social opportunities in education, food and employment areas.

Efforts to promote health and treatment services, particularly in under-developed areas, is another feat of the revolution's ideals.

Creating economic infrastructures and related activities have partly caused job generation. However fundamental problems exist in this area and unemployment is rising.

New strategies must be devised to create an independent economy.

Economic problems are undeniable but economic achievements of past 28 years can pave ground for future achievements.