Chapter IV

OTHER INFRASTRUCTURE IN IRAN:
BANKING AND FINANCE WITH REFERENCE TO KHUZISTAN

Industrial development primarily depends on the continued and assured supply of finance from the different financial institutions of a country. These institutions in Iran too, have been established to provide the existing financial resources to Iranian industries. Besides banks, insurance companies and specialised financial institutions perform various types of financing functions including disbursement of loans, and technical advice, etc.

The Iranian money market consists of the (a) commercial banks, (b) specialised banks, and (c) non-banking private financial institutions.

Commercial banks in Iran have been playing a significant role in the development of the economy. They deal in deposits, savings, and loans and advances for both the short and medium periods. During 1973-74 to 1977-78, loans and credits increased at a substantial growth rate of 35 per cent. During the peak of the revolution during 1978-79, it declined and reached to 18 per cent. During 1979-80 with the nationalisation of banks,
the efficiency of banks increased; and, 18 per cent increase in the total of loans and credit was reported. The 1980-81 figures indicate that the growth rate of loans and credit was not more than 13 per cent.¹ The need for industrial finance increased the role of the special financial institutions, known as specialised banks in Iran. These banks also attract deposits from the public and provide medium term and long term loans to agriculture, industries and housing, etc.

Some of the specialised banks are known as 'Mixed Banks'. These banks derive their resources in the form of capital deposits, foreign loans and public funds.

The banks can be divided according to their activities into the following categories:

1) **Commercial Banks**

The banks are also often referred as deposits banks and short term credit banks. However, these banks are financial institutions which accept deposits and grant short term credits. They also provide medium-term loans for construction, etc.

2) **Industrial and Mining Banks**

These banks help finance the establishment of industrial and mining units. The loans are both long term and short-term. These banks also invest their capital in the field of industries

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¹ Bank Markazi Iran, Study of Economic Evolution of Country after the Revolution, Tehran, Iran, 1982, pp. 203-6 (Persian).
and mining.

3. **Agricultural Banks**

The main activities of these banks include participation in financing of agricultural sector. These banks provide short-term and long-term loans to farmers. The Agricultural Bank of Iran gives loans of short and long term duration to the agricultural sector.

4. **The Co-operative Banks**

The establishment of these banks was effected to improve and develop the cooperative organisations. And, to their promise of easy financial facilities, the share and debentures of these bank were sold between the partners. The banks also received deposits and provided long and short term loans, and created credit for financing share-holders at nominal rate of interest.

However, the power of banking and non-banking financial institutions were extended (a) to have control over both the quantitative and qualitative aspects of credit, and (b) also to the sphere of their role in the different sectors of the economy.

During 1973-78, the SPECIALISED BANKS granted loans at a higher growth rate than what was provided by the commercial banks. The specialised banks had 49 per cent annual growth; while the commercial banks had a 35 per cent annual growth rate.
The data below indicate the total distribution of loans and credit by specialised banks in Iran:

Table 1

DISTRIBUTION OF CREDIT BY SPECIALISED BANKS:
DIFFERENT SECTORS OF THE ECONOMY
(1977-78 to 1980-81)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Agriculture</td>
<td>28.0</td>
<td>27.5</td>
<td>33.0</td>
<td>32.2</td>
<td>- 2.42</td>
</tr>
<tr>
<td>2 Industry</td>
<td>51.4</td>
<td>52.1</td>
<td>46.2</td>
<td>36.2</td>
<td>+ 1.66</td>
</tr>
<tr>
<td>37 Construction</td>
<td>20.6</td>
<td>20.4</td>
<td>20.8</td>
<td>31.0</td>
<td>+ 9.93</td>
</tr>
</tbody>
</table>

* Calculated by the researcher.

Source:  

2) For other data: Bank Markazi Iran, Economic Report and Balance-sheet (as on March 20, 1981), Tehran, Iran, 1982, p.16.

The figures above indicate the total credit allocated to different sectors, the industrial sector receiving more than half of the credit granted by the banks during 1977-78 and 1978-79. The data also reveal that the credit for the industrial sector has been declining since 1978-79. However, the credit to the other sector (including agriculture, and construction) increased. However, it may be stated that now after the implementation of the First Five Year Plan (1983-1988), the banking institution shall have to work in accordance with the
Plan priorities.

It was in 1950 that the first private bank known as the Commercial Bank of Iran (Bank Bazargani Iran) was formed. In 1955 the Banking Law was enacted by the Parliament. Further, with a view to control the activities of commercial banks, a Supervisory Board was set up in Bank Milli Iran, which was established in 1927. But the Board of this Supervisory Bank could not execute the functions of the central bank. In 1960, under the Monetary and Banking Law of Iran, the Central Bank of Iran (Bank Markazi Iran) was established to take over all the central banking functions from the Bank Milli Iran (The National Bank of Iran).

The Central Bank set up offices to effectively implement its credit policy, supervise foreign trade and regulate the monetary policy of the country.

In 1972, the new Banking and Monetary Law was enacted. This

1 The following is a brief outline of the Banking Act: "Banks are established and constituted under the form of joint stock companies and not less than 60 per cent of the share of any bank shall be registered. The capital of any bank must be in cash. Such capital shall be deposited with the Bank Milli Iran (National Bank of Iran) on the date it is established while its registration is proceeded with. The establishment of bank is subject to prior approval of the Bank Control Board, a body formed under this Act. Foreign banks are only authorised to operate in Iran after the report of the Bank Control Board has been approved by the Council of Ministry and authorization obtained from both the Houses of Parliament. Banks founded prior to this Act shall comply with the force. Net profits of the existing banks which will be established in future shall be exempted from tax upto 6 per cent of their capital. See: An Economic Survey of Iran, the Iranian Embassy, London, 1957, p.10.

Law widened the objections and duties of the Central Bank.

In 1974, under the new Banking and Monetary Law, the Central Bank was asked to improve the banking management and to help increase the capital resources. The Central Bank took over the Trade Association Bank (Bank Asnaf Iran) and Merchants Insurance Bank (Bank Bimeh Bazagnan) to improve the management of these two banks. The small banks were encouraged to raise their equity capital to Rls. 200 million ($ 3 million).

Now we shall discuss the functions and achievements of the leading Iranian Banks.¹

The Bank Melli Iran had 1,578 branches at home and abroad.² The bank has also been acting as an agent of the Bank Markazi Iran. It also serves as the Government's banker outside Tehran. The National Bank of Iran also opened a National Savings Department to help mobilise resources.

The other public sector banks classified as specialised bank, have been as follows:

(1) The Agricultural Credit and Rural Development Bank of Iran (Bank Etebarate Keshavarzi va Omran Rustaie Iran), was founded in 1963 with a total paid up capital of Rls.10

¹ All of the Banks in the Islamic Republic of Iran have been nationalised in July, 1979.

² The National Bank of Iran had 22 foreign branches at London, Hamburg (Federal Republic of Germany), Dubai (United Arab Emarates) and New York, etc., and it is expected to open a new branch at New Delhi (India). See: Etellat, March 7, 1982 (Persian).
billion to accelerate rural development. The bank has been providing loans and credit to cooperative societies.

(2) The Agricultural Cooperative Bank of Iran (Bank Keshavarzi va Taavon Iran) has been one of the oldest banks of Iran, serving Iran's agriculture, rural cooperatives, and has been working to develop the agro-rural sector. Its total capital stood at Rls. 36.8 billion in 1970.

(3) The Industrial Credit Bank of Iran (Bank Etabarat Sanati Iran), founded in 1956, has been designed to finance medium size enterprises.

(4) The Army Bank of Iran (Bank Sepah of Iran): This bank with a paid up capital of Rls. 685 million has been functioning as a small saving institution mainly for the benefit of the Iranian armed personnel.

(5) The Mortgage Bank of Iran (Bank Rahani Iran) has been one of the oldest institutions in the field of housing. The bank gives loans for urban middle-class residential construction. In 1967, an enactment was made to encourage savings under the control and supervision of the Money and Credit Council, and also the Mortgage Bank of Iran.

(6) The Workers' Welfare Bank of Iran (Bank Rafah Kargaran, Iran), has been second largest bank in the housing field. Founded in 1960, the bank has been providing loans to help improve the housing conditions of the working classes. The Bank also encouraged savings on the part of workers.

(7) The Construction Bank of Iran (Bank Sakhtemani Iran) was formed in 1975, the bank has been financing the construction of large and medium size residential complexes.

1 The Mortgage Bank of Iran (Bank Rahani Iran), founded in 1938, fulfilled the functions of a building society.
The Iranian Private Banks included:

(1) The Commercial Bank of Iran (Bank Bazargani, Iran). It has branches at Esfahan, Khorram Shahr, and Rasht. The bank was inaugurated in 1950 with an authorized capital of Rls. 100 million.

(2) The Export Bank of Iran (Bank Saderat, Iran), has been the largest with over 2,900 branches and an authorised capital of Rls. 1 billion. The bank has been providing modern banking facilities even in the most remote parts of the country. It also introduced the travelling account system by which depositors could withdraw at home and abroad at any branch of the export bank. The bank also established offices in London, Hamburg, Paris, Beirut and in the capital cities of the Persian Gulf countries.

The other important banks were the Bank of Development and Rural Cooperatives (Bank Omran va Tavan Rustai), the Pars Bank (Bank Pars), the Guilds Bank of Iran (Bank Iranian).

There have been seven private banks in Iran owned fully or partly by foreigners. The important ones included:

\[1\]

\[1\] All foreign banks were nationalized later after the Islamic Revolution.

In 1980, after the students take-over of the American Embassy in Tehran, the President of the United States imposed economic sanctions against the Islamic Republic, and, therefore, all American banks ended their active trading. The Iranian Islamic Government cancelled all the licenses and interests of the American banks, namely: The Chase Manhattan Bank, Chemical Bank, City Bank, First National Bank of Boston, Irving Trust, Hanover Trust, Marine Midland and Philadelphia National Bank.
The Russo-Iran Bank, founded in 1955, was the only fully foreign owned bank, operating in Iran. The bank was engaged in financing Irano-Soviet trade.

In 1959, the Industrial and Mining Development Bank (Bank Towseh Sanati va Maadan) with paid up capital of Rls. 400 million was inaugurated to assist in the modernisation and development of industries.

The total foreign interest of these two institutions has been of the tune of 20 per cent, but the management continued to be in the hands of Iranian banking authorities.

The Foreign Trade Bank of Iran has been another important bank, having a total capital of Rls. 275 million. The main partners being Bank Melli Iran (51 per cent); American partners (24 per cent) and German and Italian partners (12\(\frac{1}{2}\) per cent each respectively).

In 1975, the Construction Investment Company was formed by the Iranian banks as a mixed enterprise with a capital of Rls. 15 billion. This bank consisted of 15 public and private financial institutions having a share ratio of 45:55 respectively.

In June 1979, all private banks in Iran were nationalised. The nationalised banks included 15 Iranian and 13 foreign banks. The assets of the foreign banks was worth $100 million (Rls. 7.05 billion approximately. The reasons stated in favour of nationalisation included:
Priority to Public Interest

Banks were the main source of capital formation in the various sectors of the Iranian economy. But the private banks usually operated with profit motives to the utter disregard to national priorities. The same state of affairs prevailed in India, where (i) "Commercial banks... were motivated mainly by profit and hence they preferred to open their branches in the urban areas -- and that too in big towns. This resulted in an unwanted disparity regarding the banking facilities in urban and rural areas. Thus, limbs of body were separated and an unhealthy growth characterised by imbalances, was the result." Further (ii) "It was... felt by a particular school of theorists that it is undesirable to permit the private commercial banks to determine the money supply to such a large extent as at present. Their main concern is not a sound monetary policy, aiming at economic stabilisation, but rather the maximisation of profit." What has been true in India came to operate in Iran too, for the private interests, if recklessly pursued, look mainly at the maximisation of their gains.

Basically, private banks in Iran too ignored national development priorities and, therefore, did not work in harmony with Iran's need of economic development touching each nook

2 Ibid., p. 96.
and corner.

The study of the financial position of nationalised banks, indicates that during 1978-79, the total paid up capital of the banks stood at about Rls. 1,114 billion ($ 15.81 billion approximately). The share of foreign capital in the Mixed Banks was between 30 to 40 per cent and in the Specialised Mixed Banks between 15 to 18 per cent. Till 1979, out of the total capital of all nationalised banks, about 13 per cent, i.e., Rls.14 billion ($ 198.65 million approximately), was owned by the foreign interests. But as mere nationalisation of banks was not adequate, the Government finally decided in favour of amalgamation of the banks in December 1980. The Bank Markazi Iran has been named as the Central Bank of the Islamic Republic of Iran. Some of the reasons for amalgamation have been as under:

1. Banking units had expanded more than they should have been and caused great problems in implementing credit policies.

2. Increase in expenditure on personnel and administration.

3. Waste of financial resources and labour force.

4. Increasing rate of profit in some banks even by illegal methods.

5. Lack of financial resources in some banks leading to the obtainment of foreign loans, often resulting in huge wasteful expenditure.
The draft of amalgamation of the nationalised banks was approved by the Supreme Revolutionary Council on September 25, 1979.

In 1980, the Central Bank's Governor confirmed the new banking system.¹ Bank Melli Iran, Bank Saderat, Bank Sepah and Bank Rafah Kargaran would, however, continue to function. Some small banks have been amalgamated to form a new bank. The main banks amalgamated to form a new bank -- Bank Mellat -- including: Bank Tehran, Bank Pars, Bank Darious, Bimeh Iran, International Bank of Iran, Distributors' Cooperative Credit Bank, the Iran-Arab Bank, and the Foreign Trade Bank.

A second bank, Bank Tejarat, was formed by amalgamating the former banks, including Bank Bazargani, Bank Iranshahr, Bank Middle East, Bank Kar, Bank Sanaye (Industrial Bank), Bank Shahriar, International Bank of Iran and Japan, Credit Bank of Iran, Iranians Bank, Irano-British Bank and the Mercantile Bank of Iran and Holland. Development Banks of Industry and Mining of Iran, Development of Capital Investment of Iran, Industrial Credit Bank of Iran, The Company of Capital Investment of Banks in Iran, were amalgamated to form the Bank of Industries and Mines. The Mortgage bank of Iran, the Construction Bank, the Company of Construction and Investment,

Iran Bank, the Company of Saving of Kourush Dwelling Loan, Akbatan, Pasargad Company, and Companies of Saving of Dwelling Loans at Cities were amalgamated to form a new Dwelling Bank. Agricultural Development Bank of Iran, Agriculture Cooperative Bank of Iran, and other credit corporations of the Ministry of Agriculture were totally amalgamated. They together formed a new Agricultural Bank of Iran.

In June 1979, an Islamic Bank was established to look after the imports and exports. The bank will not be directly responsible to the Central Bank of Iran. As such it has been granted freedom to operate in accordance with the national trade priorities.

However in 1979 a massive flight of capital took place in Iran. According to Bank Markazi Iran (Central Bank of Iran), some $2 billion (Rls. 140.95 billion) was the flight of capital during the six months. Not less than $1.2 billion (Rls. 84.57 billion) was taken out of the country legally during the same period. On March 21, 1979, it was decided that all the Iranian banks should be interest-free and all the borrowers will be required to pay 4 per cent service charges. The rate of profit determined for savings and fixed deposit accounts stood at 7 and 8.5 per cent respectively.

However, preparation for the official start of the change over to the long awaited Islamic banking practices referred to by some Western bankers as 'non-banking', appears
to be on schedule. "Interest free banking would thus refuse to serve as cover for capitalist exploitation. Economic growth without undue escalation of cost and prices, would become possible. The never ending process of prices chasing ever-rising interest rates affecting cost, would be prevented by an Islamic bank."  

Islamicisation started on an experimental basis soon after the February 1979 revolution. The more concerted effort, apparent in 1983, has already produced about Rls. 86.86 billion approximately ($1,000 million) plus in Islamic transactions according to official claims. More than 20,000 bank officials have been given orientation and training in Islamic banking system.

According to the Governor of the Central Bank of Iran, the interest free banking system of the Islamic Republic of Iran will be effective by mid-February, 1984. He also added that some of the deposits by the private depositors, which are made with the understanding that they would be interest-free, would be loaned towards augmenting industrial and agricultural projects.

He concluded that the second form of deposits would be utilised as long term and short term investments in various sectors of the Iranian development which would be entitled to divide according to the terms of investment.  

1 Waseem, S.M., Development policy of the Islamic Republic of Iran (MS), p.2.  
However, Article 3 of the Law for Usury-free Banking in the Islamic Republic of Iran stresses that banks are authorized to accept the following categories of deposits:

1. **Gharz-al-hasaneh** deposits
   (i) Current
   (ii) Saving
2. Term Investment deposits

Article 8, which concerns investments of banks in economic activities, stress: "The banks may directly invest in productive and development projects or activities. Plans for such investment should be included in the State Annual Budget Bill to be approved by Majlis Shoaraye Eslami** and Evaluation of Project should be indicative of no loss".¹ The policy would further increase the efficiency of capital investment in Iran with proper plan for the expansion and development of industry, mining, agriculture and services.

In the developing countries where loans are also given to middle-class and poor people, the Islamic law of free-banking could make a headway facilitating the availability of credit without involving interest as an ever-increasing component of cost. Even the talented poor would benefit by availing of the credit facilities to act as entrepreneurs and innovators.

* **Gharz-al-hasaneh**: An interest-free loan extended by a bank to a real and legal person for a definite period of time.

** The Islamic Consultative Assembly.

Banking in Recent Years

The increase in oil revenue beginning with 1973 also caused rapid growth in the number of bank branches. The number of commercial and specialised banks also increased from 24 in 1973 to 36 by 1978. During the same period, the branches of banks increased from 6,993 in 1974 to 8,275 units by 1978. The optional capacity of finances also increased by more than 16 per cent due to the expansion of banks during the same period.

The Statistical Report of the Central Bank of Iran indicates that the total assets during the Fifth Plan grew from Rls. 1,047.1 billion (nearly $13,821 million) in the beginning of the Fifth Plan to Rls. 6,202.7 billion (nearly $88,012 million). But with the people's struggle against the former regime which was intensified during 1978-79, the growth rate was only 14.25 per cent when the total assets at the end of the year reached to Rls. 7,086.7 billion (nearly $1,00,556 million).

The foreign assets during the period 1973-78 increased rapidly. The total foreign assets in Iran increased from Rls. 98.6 billion (about $1,301 million) in 1973 to 1978. However, during 1978-79 the total foreign assets decreased to
Rls. 882.5 billion (nearly $125,221 million).

The total assets and liabilities of the banking system at the beginning of 1979-80, stood at Rls. 1,735 billion (about $24,618 million). Then the total was reduced to Rls. 8,821.7 billion (about $12,51,774 million) at the end of the year.

During 1980-81, the economy was at its low ebb due to Iraq-Iran War. However, as stated by the Bank Markazi Report on the Study of Economic Evolution of the Country, after the Revolution (1982), the assets and the liabilities of Iranian banks with a 24 per cent growth rate, increased by Rls. 2,110.7 billion (about $29,187 million) with an assets' balance of Rls. 932.4 billion (nearly $1,51,175 million).

Banking in Khuzestan Province

The banking system has been operating in accordance with the provisions of the Iranian Banking Law, enforced by the

1 Incidentally, it may be stated that during the same period the private sector with a growth rate of 39 per cent against 36 per cent of the public sector, has been the leading sector. The private sector assets increased from Rls. 383 billion ($5 billion) at the beginning of the Plan to Rls. 1,869 billion (nearly $26.5 billion) at the end of the Plan. The assets of the public sector at the end of 1978-79, showed an increase of Rls. 818 billion (about $11.8 billion) from Rls. 221 billion (nearly $2.9 billion) to Rls. 1,039 billion (about $14.7 billion).
Central Bank of Iran. The Commercial Banks have been allowed to augment their resources through deposits.

However, in Khuzestan province banking facilities have been inadequate, because of the rural areas remaining by and large unbanked. Similarly, small towns also did not have any bank facilities at all.

The banks in Khuzestan province were classified according to either their capacity to mobilise deposits or lending to different sectors for different durations.

The National Bank of Iran, Bank Pars, Bank Tehran and other banks known as specialised banks, also attracted deposits from the public, and provided loans for short, medium and long terms.

The Bank Operation in Khuzestan

The banking services in Khuzestan have been provided by commercial banks, Bank Kar (for the benefit of labour), Industrial bank (Sanaye Iran), and Distributors Cooperative Credit Bank, etc. These specialised banks have been raising their resources also from capital deposits, foreign loans and public funds. The Irano-British Bank, Mercantile Bank of Iran and Holland Bank, etc., have been some of the specialised banks.¹

In Khuzestan province, there is a regional bank known as the Khuzestan Expansion Bank, which is providing help and adequate facilities to small communities.

¹ The banks described in this section have been functioning earlier. Later in September, 1979, they were amalgamated.
A Brief Survey of Banking in Khuzestan

In 1978-79 about 24 banks provided credit facilities to different sectors of Khuzestan's provincial economy. During 1977-78, total credit provided by the specialised banks to different sectors of the Iranian economy, including agriculture, industry and mining, housing and construction, amounted to Rls. 77.1 billion (≈ $1,094 million), Rls. 62.0 billion (nearly $879.7 million) and Rls. 99.7 billion (≈ $1,414 million), respectively. Khuzestan province also shared in the total. The total credit provided to Khuzestan is presented in table 2.

Unfortunately, the system initiated and developed by the ex-regime in Iran failed to provide correct and reliable statistical data regarding the banking system. However, with the help of the figures we can estimate the total credit created by the banks for different sectors of Khuzestan's economy including its agriculture, industry and mining, housing and construction.

Before the nationalisation of banks in June, 1979, most of the economic activities were concentrated in Tehran. The economic activities in this region were further facilitated by the different branches of their banks. Most of these branches were established to invest public deposits in Tehran. However, after the Revolution these banks are coming forward to solve the problems of regional imbalances by generating a process of self-sustaining growth in all parts of the country. The Provincial Bank with the help of all branches of Export Bank in every province, started to mobilise the resources for economic development of the region.
<table>
<thead>
<tr>
<th>Institutions</th>
<th>Agriculture</th>
<th></th>
<th>Industries and Mining</th>
<th></th>
<th>Housing and Construction</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Total</td>
<td>Number</td>
<td>Total</td>
<td>Number</td>
<td>Total</td>
</tr>
<tr>
<td>1 The National Bank of Iran</td>
<td>705</td>
<td>97,631</td>
<td>5</td>
<td>24,114</td>
<td>2,737</td>
<td>5,80,378</td>
</tr>
<tr>
<td>2 The Export Bank of Iran</td>
<td>533</td>
<td>45,300</td>
<td>-</td>
<td>-</td>
<td>37</td>
<td>3,95,657</td>
</tr>
<tr>
<td>3 The International Bank of Iran</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>1,498</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4 The Credit Bank of Iran</td>
<td>2</td>
<td>4,010</td>
<td>7</td>
<td>72,287</td>
<td>7</td>
<td>86,258</td>
</tr>
<tr>
<td>5 The International Bank of Japan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6 The Middle East Bank</td>
<td>2</td>
<td>400</td>
<td>10</td>
<td>15,120</td>
<td>2</td>
<td>601</td>
</tr>
<tr>
<td>7 The Iran-Shahr Bank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25</td>
<td>14,386</td>
</tr>
<tr>
<td>8 Iran British Bank</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>21,901</td>
<td>3</td>
<td>15,392</td>
</tr>
<tr>
<td>9 The Bank of Tehran</td>
<td>-</td>
<td>56,786</td>
<td>-</td>
<td>2,93,469</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10 The Shar-Yar Bank</td>
<td>-</td>
<td>-</td>
<td>323</td>
<td>3,75,084</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11 The Distributors Cooperative Credit Bank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>83</td>
<td>6,181</td>
</tr>
<tr>
<td>12 The Industrial Bank</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>91,912</td>
<td>4</td>
<td>2,848</td>
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<td>13 The Mortgage Bank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,289</td>
<td>16,03,749</td>
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<td>14 Commercial Bank</td>
<td>75</td>
<td>15,350</td>
<td>65</td>
<td>27,363</td>
<td>290</td>
<td>3,19,172</td>
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<td>15 The Development Bank</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>6,718</td>
<td>246</td>
<td>1,61,825</td>
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<tr>
<td>16 The Agriculture Cooperative Bank</td>
<td>9,779</td>
<td>17,17,748</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>17 The Farangiyan Bank</td>
<td>2</td>
<td>40,000</td>
<td>3</td>
<td>48,813</td>
<td>2</td>
<td>21,500</td>
</tr>
</tbody>
</table>

**TOTAL**

| Agriculture | 11,098 | 22,14,408 | 430 | 9,78,287 | 4,688 | 35,74,784 |

**Source:** Plan and Budget Organization, Statistical Letter of Khuzestan, Tehran, Iran, 1980, pp.95-7.
The resolution passed by the Supreme Revolutionary Council was of the view that the provincial banks were independent. This helped in attracting deposits. Thus, they play a leading role in the economic development of the region. Therefore, it may be said that the banking policy of Islamic Republic purports to diversify the Iranian economy and help remove regional imbalances, perpetuated by the ex-regime in the wake of their policy of 'symbolic development', which in turn added to a 'quiet economic crisis' of structural nature, further aggravated by the then continuing conspicuous consumption.1

As mentioned earlier in this Chapter, it was decided in March, 1979, to abolish interest by 1983. All the branches of national banks in Ahvaz, capital of Khuzestan, as also in other cities, including Esfahan, Yazd and Bandar-i-Anzali, implemented the new Islamic banking (without interest). More than 100 transactions were affected during the year to put the Islamic banking at working.

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1 The Islamic Republic is committed to what has been stated in Article 48 of the Constitution of the country, which reads as follows:

"There should be no discrimination with regard to benefits to be gained from the use of natural resources, the utilization of public funds on the provincial level and the distribution of economic activities among the provinces and various regions of the country. This is so that every region will have within its reach, capital and opportunity to fulfill its needs and develop its skills". English version, Embassy of the Islamic Republic of Iran, New Delhi, (India), p.30.