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Explanation and Assessment of the Effectiveness of Banking Policymaking on Iran's Economic Development from an Institutional Perspective

ABSTRACT

This study aimed to explain and assess the effectiveness of banking policymaking in Iran's economic development from an institutional perspective by identifying the institutional mechanisms, constraints, and conditions shaping the transmission of banking policies into developmental outcomes. This study employed a qualitative research synthesis and documentary meta-synthesis design based on the seven-stage framework of Sandelowski and Barroso. The documentary population included official monetary and banking laws, development-plan provisions, policy resolutions, research and supervisory reports, and high-ranking Persian scientific publications covering 1983–2023. From an initial pool of 158 documents, 44 sources met the inclusion and quality criteria, including 9 key legislative and policy documents, 18 detailed research and supervisory reports, and 17 scientific articles or theoretical works. Methodological quality was assessed using the 10-item CASP checklist. Data were coded and synthesized through iterative qualitative analysis, and trustworthiness was enhanced through source triangulation, parallel coding by two researchers, Cohen's kappa ($\kappa = 0.87$), and maintenance of an audit trail. The meta-synthesis yielded 48 primary codes, 16 subcategories, and six overarching institutional dimensions. Monetary and fiscal discipline was identified in 93.18% of the final sources, followed by developmental orientation of credit allocation (88.64%), compatibility with the wider political-economic environment (86.36%), institutional coherence of banking governance (84.09%), regulatory quality and supervisory capacity (81.82%), and institutional incentives and rent structures (77.27%). The findings further indicated that fiscal dominance, credit misallocation, regulatory instability, weak supervision, rent-seeking, and insufficient long-term financing were the principal constraints on the developmental effectiveness of banking policy. Banking policymaking in Iran contributes to economic development conditionally rather than automatically; its effectiveness depends on coherent governance, fiscal discipline, productive credit allocation, effective supervision, stable institutional rules, and incentive structures aligned with long-term development objectives.

Keywords: Banking Policymaking, Economic Development, Institutionalism, Credit Allocation, Monetary Policy, Banking Governance, Iran

Introduction

The banking system constitutes one of the most influential institutional infrastructures of economic development because it mediates the allocation of financial resources, shapes access to credit, transmits monetary policy, affects investment incentives, and influences the stability of production and exchange. In bank-centered economies, the developmental consequences of banking policymaking extend well beyond the financial sector and directly affect capital formation, employment, entrepreneurship, technological upgrading, industrial expansion, and the resilience of economic enterprises. From this perspective, banking policy cannot be reduced to a set of technical decisions concerning liquidity, interest rates, capital adequacy, or credit ceilings; rather, it represents an institutional arrangement through which the state, monetary

authorities, banks, firms, and households interact under a specific configuration of formal rules, informal norms, organizational incentives, and enforcement mechanisms. The institutional quality of these arrangements determines whether banking resources are transformed into productive investment or diverted toward speculative, short-term, and rent-seeking activities. Contemporary evidence accordingly emphasizes that the contribution of banking systems to economic development depends not only on the quantity of financial resources supplied but also on the institutional mechanisms that regulate their allocation, supervision, risk management, and consistency with broader development strategies [1]. Studies of financial technologies similarly demonstrate that changes in financial intermediation can affect economic growth through efficiency gains, broader access to financial services, and improvements in transaction mechanisms, although these effects remain conditional on regulatory quality and institutional adaptation [2].

Institutional economics provides a particularly suitable theoretical framework for examining these relationships because it directs attention from isolated policy instruments toward the rules, incentives, power structures, and organizational arrangements that shape economic behavior. From an institutionalist viewpoint, the effectiveness of banking policymaking depends on the compatibility of formal policies with the actual incentives confronting banks, borrowers, regulators, and public institutions. A formally sound banking regulation may produce weak results if implementation capacity is insufficient, accountability is limited, or informal practices contradict the objectives embedded in legislation. Conversely, policy instruments may have significant developmental effects when supported by credible institutions, stable rules, effective monitoring, and coordinated public policy. Research on policy implementation has shown that even carefully designed interventions may encounter substantial obstacles when institutional capacities, inter-organizational coordination, and implementation mechanisms are weak [3]. Within the banking sector, this distinction between policy design and policy implementation is particularly consequential because monetary and financial decisions are transmitted through organizations whose behavior is affected by profitability, risk, ownership structure, political incentives, regulatory requirements, and expectations about future policy. Accordingly, the institutionalist approach shifts the analytical question from whether a specific banking policy exists to whether the surrounding institutional environment enables that policy to generate its intended developmental outcomes.

The relevance of this perspective is especially pronounced in Iran, where the banking system occupies a central position in financing economic activities and where the effectiveness of banking policymaking is closely connected to macroeconomic instability, fiscal pressures, credit allocation patterns, institutional governance, and the behavior of public and private economic actors. Iranian banks perform a major role in financing working capital, investment projects, and enterprise operations, making the quality of banking intermediation a critical determinant of productive capacity and economic dynamism [1]. At the same time, banking institutions operate in an environment characterized by recurrent inflationary pressures, exchange-rate volatility, regulatory changes, government financing requirements, and structural constraints on long-term financial planning. These conditions can weaken the transmission of banking policies to real economic activity and create a persistent gap between formal policy objectives and realized outcomes. Evidence concerning the capital structure of banks in the Middle East and North Africa also indicates that banking institutions respond to a complex interaction of macroeconomic, institutional, and balance-sheet factors, suggesting that bank behavior cannot be understood independently of the wider economic environment [4]. Consequently, evaluating the contribution of banking policymaking to Iran's

economic development requires an analytical framework capable of integrating monetary, organizational, regulatory, and institutional dimensions.

One of the most important mechanisms linking banking policy to development is credit allocation. The developmental effectiveness of the banking system depends substantially on whether financial resources are directed toward productive enterprises, innovative activities, infrastructure, entrepreneurship, and sectors with high employment and value-added potential. Credit allocation that is based on transparent criteria, credible project evaluation, and effective monitoring can support capital accumulation and productive transformation. In contrast, preferential lending, politically influenced credit allocation, weak repayment discipline, or excessive concentration of financing in non-productive activities may reduce the efficiency of financial intermediation and limit the developmental impact of monetary expansion. Evidence from studies of financial inclusion policies shows that broader and more structured access to banking services can improve institutional performance and expand the economic reach of financial intermediation [5]. Similarly, research on digital lending and alternative financing arrangements suggests that technological transformation is changing the boundaries of traditional banking, creating new opportunities for access to credit while simultaneously introducing regulatory and stability challenges [6]. These developments reinforce the importance of viewing credit policy not merely as a banking function but as an institutional mechanism influencing the distribution of economic opportunities.

The relationship between banking policymaking and economic development is also mediated by monetary policy credibility and the behavioral responses of banks. Monetary-policy decisions affect banks through changes in financing conditions, liquidity, expectations, risk appetite, and the cost of capital. However, the effectiveness of these mechanisms depends on the degree to which monetary authorities are perceived as credible and capable of maintaining consistent policy commitments. Iranian research has explicitly highlighted the importance of examining the credibility of Central Bank monetary policies, particularly because weak credibility may reduce the predictability of policy signals and limit the effectiveness of monetary transmission [7]. Banks themselves do not passively transmit monetary policy; they adjust their lending strategies, portfolio composition, liquidity positions, and risk exposure in response to policy changes [8]. These behavioral reactions may strengthen or weaken the intended effects of monetary intervention. At the level of economic enterprises, monetary policies may also influence investment decisions by altering financing costs, access to credit, uncertainty, and expected returns [9]. Therefore, the developmental outcome of monetary and banking policy is produced through a chain of institutional responses rather than through direct mechanical effects.

Financial stability represents another essential dimension of effective banking policymaking. A banking system that expands credit without adequate capital, supervision, or risk control may generate short-term economic stimulus but increase systemic vulnerability and impose substantial long-term costs. Macroprudential policy has consequently become an important component of modern banking governance because it focuses on systemic risk, interconnectedness, leverage, and the resilience of financial institutions. Cross-country evidence indicates that macroprudential policies can influence systemic banking risk in both emerging and advanced economies, although their effects vary according to institutional and financial structures [10]. Research on the European Union similarly emphasizes the importance of macroprudential arrangements in strengthening resilience and reducing systemic vulnerabilities within banking systems [11]. Evidence from Iraq further suggests that macroprudential measures can enhance the credit function of commercial banks when they improve financial stability and risk management [12]. In Iran, concerns about bank managers' behavioral characteristics, regulatory capital, and

capital adequacy have also demonstrated that the stability of banking institutions is influenced by governance quality as well as formal prudential requirements [13]. These findings collectively suggest that developmental banking cannot be separated from financial stability; sustainable credit expansion requires institutions capable of controlling excessive risk while maintaining adequate financing for productive sectors.

The internal financial condition of banks is equally important because capital structure, profitability, capital buffers, and ownership arrangements influence the willingness and capacity of banks to lend. Evidence from Bangladesh indicates that capital buffers and ownership type can significantly affect bank profitability and the cost of financial intermediation, illustrating how regulatory capital requirements and ownership structures shape banking performance [14]. Studies of banking profitability also show that monetary policy conditions can directly affect banks' financial performance and their capacity to continue performing an intermediation role [15]. Within the Iranian context, policies designed to improve customer support and operational efficiency have been associated with bank profit efficiency, implying that organizational policies and service structures also influence the sustainability of banking institutions [16]. These findings are significant from an institutional perspective because a bank's developmental contribution depends on organizational health, governance, incentives, and internal efficiency. Research on organizational health policy in the national banking system has underscored the role of institutional and managerial conditions in maintaining effective banking organizations [17]. Thus, banking development policy must address not only external regulatory structures but also the internal organizational capacities of financial institutions.

Technological transformation has introduced an additional layer of complexity into banking policymaking. Digital banking, fintech, data-driven financial services, and central bank digital currencies are reshaping the mechanisms through which monetary policy and banking services are implemented. In Iran, digital banking has been linked to changes in the operation and transmission of monetary policies, indicating that technological innovation may alter traditional relationships between the Central Bank, commercial banks, and customers [18]. A policy-evaluation perspective on digital banking further suggests that successful implementation requires alignment between technological innovation, regulatory capacity, institutional coordination, and the broader transition toward a smart economy [19]. The development of central bank digital currencies has likewise raised questions about banking-network risk, financial stability, and the future architecture of monetary policy; Iranian research has suggested that CBDC issuance may create opportunities for reducing certain banking risks when appropriately incorporated into general monetary and banking policies [20]. These developments indicate that institutional reform in banking can no longer be evaluated solely through conventional credit and monetary instruments because digitalization is changing the infrastructure through which financial policy operates.

The growing emphasis on sustainability has similarly broadened the objectives of banking policymaking. Banking institutions are increasingly expected to contribute not only to economic growth but also to environmental sustainability, social resilience, and the financing of long-term structural transitions. Research on green banking demonstrates that banking policies can affect sustainable performance through mechanisms such as green financing, institutional reputation, and environmentally oriented corporate responsibility [21]. At the level of central banking, evidence concerning green bond issuance indicates that monetary and central-bank policies can influence sustainable finance markets and the mobilization of capital for environmentally oriented investments [22]. However, the effectiveness of green central banking remains institutionally contested. Research on credit policy has shown that incentive-based approaches may be insufficient without

complementary regulatory and disciplinary mechanisms, emphasizing the limitations of relying exclusively on supportive policy instruments [23]. These debates are directly relevant to institutionalist analyses because they demonstrate that policy outcomes depend on the interaction between incentives, constraints, enforcement, and the allocation of financial resources.

Banking policy also interacts with capital markets and broader financial dynamics. Monetary-policy variables can affect asset prices, investor behavior, and market expectations, while structural breaks may alter the stability of these relationships over time [24]. This interaction implies that the developmental consequences of banking policy are not confined to bank lending but extend to financial markets, enterprise valuations, and investment decisions. In economies characterized by recurrent structural changes, the relationship between monetary policy and financial markets may itself become unstable, increasing uncertainty and complicating policy design. For Iran, where macroeconomic volatility and institutional discontinuities have repeatedly affected investment conditions, this issue strengthens the case for evaluating banking policies through a broader institutional framework rather than through isolated econometric relationships. Such an approach enables researchers to examine how monetary policy, financial markets, banking institutions, and real-sector investment interact under changing institutional conditions.

The developmental consequences of banking policymaking must also be considered in relation to employment, entrepreneurship, and regional development. Financial access and credit availability can influence business creation, enterprise survival, labor demand, and local economic opportunities. Research on entrepreneurship and employment across Iranian provinces indicates that entrepreneurial dynamics have meaningful implications for employment outcomes and that these relationships exhibit spatial variation [25]. Such findings suggest that the developmental effects of banking policy may also be territorially uneven, depending on differences in regional institutional capacity, entrepreneurial structures, access to banking services, and productive opportunities. A banking system that distributes financial resources disproportionately across regions or sectors may reproduce existing inequalities rather than promote balanced development. Therefore, institutional assessment should incorporate not only aggregate outcomes but also the mechanisms determining who gains access to finance, under what conditions, and with what effects on regional and productive development.

The institutionalist approach further draws attention to the distinction between formal policy design and actual implementation. Even when regulations formally seek to improve capital adequacy, credit discipline, financial inclusion, digital transformation, or productive lending, actual outcomes may diverge because banks, regulators, firms, and public agencies respond strategically to prevailing incentives. Weak enforcement, fragmented authority, limited transparency, or conflicting objectives can undermine formal rules. Conversely, coherent governance, credible supervision, and clear accountability can increase the effectiveness of banking interventions. This insight is particularly important in the Iranian case, where banking policy has historically operated at the intersection of monetary stabilization, fiscal financing, directed credit, development objectives, and social obligations. Assessing banking effectiveness therefore requires synthesis of legal rules, policy documents, supervisory reports, and scholarly evaluations rather than reliance on a single quantitative indicator.

A further consideration concerns the need to reconcile banking profitability with developmental responsibility. Banks must remain financially viable, yet purely commercial allocation of credit may not necessarily correspond with long-term national development priorities. At the same time, excessive administrative intervention can weaken risk assessment, create moral hazard, and reduce banking efficiency. The central institutional challenge is therefore not simply choosing between market-based banking and developmental intervention, but designing governance arrangements capable of aligning financial

sustainability with productive allocation, transparency, accountability, and macroeconomic stability. Evidence concerning financial inclusion [5], green banking [21], capital buffers [14], macroprudential regulation [10], and digital transformation [19] collectively demonstrates that contemporary banking effectiveness is multidimensional and depends on institutional complementarities rather than isolated instruments.

Despite the growing literature on monetary policy, banking stability, digital finance, financial technologies, credit allocation, and bank performance, a significant analytical gap remains in understanding how these dimensions collectively shape the effectiveness of banking policymaking in Iran from an institutional perspective. Existing studies frequently focus on a particular policy instrument, banking outcome, or econometric relationship, while paying less attention to the cumulative interaction among formal rules, organizational incentives, supervisory mechanisms, fiscal pressures, technological change, and developmental objectives. Yet the evidence reviewed above suggests that the same banking policy may generate different results under different institutional configurations. Monetary expansion may facilitate productive investment or intensify inflationary pressures; directed credit may support strategic sectors or reinforce rent-seeking; digitalization may improve efficiency or create new forms of risk; and prudential regulation may strengthen stability or constrain credit when poorly calibrated. A synthesis capable of identifying these institutional mechanisms is therefore necessary for explaining why banking policy sometimes falls short of its formal developmental objectives and which conditions enhance its effectiveness.

Accordingly, the aim of the present study was to explain and assess the effectiveness of banking policymaking in Iran's economic development from an institutional perspective by synthesizing documentary evidence on the institutional structures, mechanisms, constraints, and conditions that shape the transmission of banking policies into developmental outcomes.

Methodology

This study employed a qualitative research synthesis and documentary meta-synthesis design to explain and assess the effectiveness of banking policymaking in Iran's economic development from an institutional perspective. The research process was conducted in accordance with the seven-stage meta-synthesis framework proposed by Sandelowski and Barroso, which provides a systematic procedure for identifying, screening, appraising, analyzing, integrating, and interpreting findings derived from qualitative and documentary sources. Given the institutional nature of the research problem, the unit of analysis consisted of documents rather than individual human participants. The documentary population comprised official legal and policy documents, monetary and banking laws and regulations, provisions of national development plans, resolutions of formal policymaking institutions, specialized research and supervisory reports, and high-quality Persian scientific publications related to Iran's banking system, institutional economic structure, and economic development. The principal study period covered 1983–2023, corresponding to the period in which major institutional and regulatory developments in Iran's post-revolutionary banking system could be systematically traced and evaluated. The inclusion criteria required that documents explicitly address the institutional structure of the Iranian economy, the organization and functioning of the banking system, institutional mechanisms influencing banking policymaking, or the relationship between banking policies and economic development. Eligible academic studies were required to provide credible empirical or documentary evidence and to have been published in recognized scientific journals approved by the Ministry of Science, Research and Technology or other authoritative academic institutions. Official materials were required to originate from governmental, legislative, regulatory,

or supervisory bodies. Descriptive commentaries lacking a clear scientific or analytical framework, purely econometric studies that did not examine underlying institutional mechanisms, duplicate materials, documents with inadequate evidential support, and studies outside the predefined period were excluded.

The initial documentary corpus consisted of 158 sources. These included 24 enacted laws, provisions of national development plans, and resolutions of major policymaking institutions published between 1983 and 2023; 56 research, statistical, monitoring, and supervisory reports issued primarily by the Central Bank of the Islamic Republic of Iran and the Islamic Parliament Research Center between 2011 and 2023; and 78 high-ranking scientific articles and theoretical books by scholars of Iranian institutional economics published between 2001 and 2023. Following systematic screening, assessment of relevance to the research question, methodological quality appraisal, and removal of documents that did not satisfy the eligibility criteria, 44 sources were retained for the final meta-synthesis. The final corpus consisted of nine key legislative and policy documents, 18 detailed research, statistical, and supervisory reports, and 17 scientific articles or major theoretical works. Selection was therefore based on purposive documentary sampling and theoretical relevance rather than statistical representativeness, with emphasis placed on sources capable of illuminating the institutional mechanisms through which banking policymaking may facilitate or constrain economic development in Iran.

Data collection was conducted using a structured documentary extraction and qualitative appraisal procedure. For each eligible source, bibliographic and documentary characteristics, type of institution or publication, period covered, policy context, principal arguments, empirical evidence, institutional mechanisms, reported consequences of banking policies, and implications for economic development were systematically extracted. Particular attention was paid to evidence concerning institutional arrangements in the banking sector, the relationship between monetary and banking regulation and productive economic activity, patterns of credit allocation, institutional incentives, regulatory structures, state–bank relations, governance arrangements, and the compatibility or incompatibility of formal banking policies with the broader institutional environment of the Iranian economy. All documents retained after the screening stage were entered into qualitative data-analysis software to facilitate systematic organization, coding, comparison, retrieval, and synthesis of documentary evidence.

The methodological quality of the selected sources was evaluated using the 10-item Critical Appraisal Skills Programme (CASP) checklist. The appraisal process considered the clarity and relevance of the research purpose, appropriateness of methodological design, adequacy of evidence, transparency of data collection and analysis, logical consistency between evidence and conclusions, and overall usefulness of each source for answering the research questions. Sources that failed to provide sufficient analytical or evidential quality were excluded before final synthesis. To strengthen the methodological rigor of the qualitative analysis, the trustworthiness framework of Guba and Lincoln was also applied. Credibility was enhanced through data-source triangulation, particularly by comparing official statistical and regulatory evidence produced by institutions such as the Central Bank with analytical and critical interpretations presented in institutional economics research. Dependability was assessed through parallel coding of the selected documents by two researchers. Inter-coder agreement was subsequently calculated using Cohen's kappa, producing a coefficient of $\kappa = 0.87$, which indicated a high level of consistency between the independent coding procedures. Confirmability was strengthened by maintaining a systematic audit trail in which documentary evidence, direct references, and page-specific citations were recorded throughout the analytical process, thereby establishing a traceable chain between the original sources, extracted codes, synthesized categories, and final interpretations. Transferability was supported through explicit specification of the documentary population, eligibility

criteria, temporal boundaries, source composition, and analytical procedures so that the conditions under which the findings were generated could be clearly assessed.

Data analysis followed an iterative qualitative meta-synthesis procedure consistent with the seven-stage approach of Sandelowski and Barroso. After formulation of the research question and systematic identification of potentially relevant documentary sources, the retrieved documents were screened according to the predetermined inclusion and exclusion criteria and subjected to methodological quality appraisal. The final set of 44 documents was then analyzed through repeated reading, extraction of meaning units, initial coding, constant comparison, categorization, and interpretive synthesis. During the initial coding stage, statements and findings related to banking policymaking, institutional structures, regulatory mechanisms, patterns of resource allocation, institutional incentives, banking governance, monetary and credit arrangements, and their developmental consequences were identified and assigned conceptual codes. Similar or conceptually related codes were subsequently compared across legal documents, official reports, and academic sources and grouped into broader categories. Particular emphasis was placed on identifying recurring institutional mechanisms rather than merely aggregating descriptive statements or statistical relationships. Accordingly, the analysis examined how formal banking rules interacted with informal institutional arrangements, organizational incentives, policy implementation structures, regulatory capacity, and the broader political-economic environment in shaping the developmental effectiveness of banking policymaking.

In the interpretive synthesis stage, categories derived from different documentary groups were compared and integrated to construct higher-order themes capable of explaining the institutional foundations of banking policy effectiveness in Iran. The analysis simultaneously considered convergent and divergent evidence across the documentary corpus. Evidence reported in legislation and formal policy documents was compared with implementation outcomes documented in official monitoring reports and with institutional interpretations advanced in scholarly studies. This triangulated analytical strategy made it possible to distinguish between formally stated banking-policy objectives and the institutional mechanisms affecting their implementation and outcomes. Coding continued iteratively until additional examination of the selected documents no longer generated substantively new conceptual categories and the analytical structure had achieved sufficient thematic saturation. The resulting themes and relationships were then organized into an explanatory framework describing the principal institutional conditions, mechanisms, constraints, and consequences through which banking policymaking influences Iran's economic development. Throughout the analytical process, disagreements between the two coders were reviewed through comparison with the original documentary evidence and resolved through discussion and conceptual clarification. The final synthesis therefore represented an integrated interpretation of legislative, regulatory, statistical, supervisory, and scholarly evidence rather than a simple narrative review of previous publications.

Findings and Results

The final documentary corpus consisted of 44 sources that satisfied the methodological and substantive inclusion criteria and were retained for qualitative meta-synthesis. Of these, 9 sources (20.45%) were major laws, provisions of national development plans, and high-level policy resolutions issued between 1983 and 2023; 18 sources (40.91%) consisted of detailed research, statistical, supervisory, and policy-evaluation reports published predominantly by the Central Bank of the Islamic Republic of Iran and the Islamic Parliament Research Center between 2011 and 2023; and 17 sources (38.64%) were

high-ranking scientific articles and authoritative theoretical books in institutional economics and banking studies published between 2001 and 2023. In terms of temporal distribution, the documentary evidence demonstrated a clear concentration in the later part of the study period, particularly after the 2000s and more markedly after 2011, reflecting the expansion of formal evaluations of banking performance, monetary instability, credit allocation, banking supervision, non-performing assets, fiscal–monetary interactions, and institutional barriers to productive financing. The selected corpus therefore represented both the formal architecture of banking policymaking and the empirical and theoretical assessments of its implementation. The qualitative synthesis generated 126 initial meaning units, which were condensed into 48 primary codes, 16 subcategories, and ultimately six overarching institutional dimensions. These dimensions represented the main mechanisms through which banking policymaking was found to influence economic development in Iran: institutional coherence of banking governance, developmental orientation of credit allocation, monetary and fiscal discipline, regulatory quality and supervisory capacity, institutional incentives and rent structures, and compatibility between formal banking policies and the wider political-economic environment. Comparison across the three groups of documents indicated that banking-policy effectiveness was not determined primarily by the formal existence of banking laws or policy instruments, but by the extent to which formal rules, organizational incentives, implementation capacity, and macro-institutional conditions were mutually aligned.

Table 1

Results of the Qualitative Meta-Synthesis: Main Institutional Dimensions, Subcategories, and Representative Codes

Main institutional dimension	Subcategories	Representative codes derived from the documents	Number of sources supporting the dimension, n (%)
Institutional coherence of banking governance	Policy coordination; independence and accountability; stability of decision-making	Fragmented monetary decision-making; multiplicity of policymaking authorities; weak coordination between fiscal and monetary institutions; short-term policy reversals; conflict between developmental and stabilization objectives; limited operational autonomy	37 (84.09)
Developmental orientation of credit allocation	Productive financing; sectoral allocation; long-term investment financing	Preferential lending; directed credit; inadequate financing of manufacturing; concentration of credit in non-productive activities; short-term lending orientation; insufficient support for innovation and capital formation	39 (88.64)
Monetary and fiscal discipline	Government–bank relations; monetary expansion; financing of public-sector deficits	Fiscal dominance; monetary financing of budget deficits; expansion of the monetary base; persistent inflationary pressures; government borrowing; quasi-fiscal obligations imposed on banks	41 (93.18)
Regulatory quality and supervisory capacity	Prudential regulation; transparency; enforcement; risk control	Weak prudential supervision; inadequate disclosure; accumulation of non-performing loans; related-party lending; weak enforcement; insufficient monitoring of bank balance sheets	36 (81.82)
Institutional incentives and rent structures	Rent-seeking; credit privileges; ownership incentives	Politically influenced lending; privileged access to credit; soft budget constraints; weak repayment discipline; distorted incentives; speculative allocation of banking resources	34 (77.27)
Compatibility with the wider political-economic environment	Rule stability; property rights; macroeconomic predictability; informal institutions	Policy uncertainty; sanctions-related constraints; exchange-rate instability; weak contract enforcement; inconsistency between formal regulations and informal practices; low predictability of investment environment	38 (86.36)

Table 1 presents the core result of the documentary meta-synthesis and demonstrates that the developmental consequences of banking policymaking in Iran emerged through an interconnected institutional system rather than through a single monetary or financial mechanism. Among the six dimensions, monetary and fiscal discipline was identified in the largest proportion of the reviewed sources, appearing in 41 of the 44 documents (93.18%). The recurrence of this dimension across legislative documents, Central Bank reports, parliamentary research reports, and academic analyses indicated that the interaction between banking policy and fiscal requirements constituted one of the most persistent institutional determinants of banking-sector performance. The evidence repeatedly associated government financing requirements, budgetary imbalances, quasi-fiscal mandates, and expansionary credit obligations with pressures on bank balance sheets and monetary

aggregates. The second most recurrent dimension was the developmental orientation of credit allocation, identified in 39 sources (88.64%). This dimension captured the extent to which banking resources were actually directed toward productive investment, capital formation, technological upgrading, employment-generating activities, and sustainable business development rather than short-term commercial or speculative activities. Compatibility between banking policy and the wider political-economic environment was identified in 38 sources (86.36%), demonstrating that even well-designed banking interventions were frequently constrained by uncertainty in exchange rates, unstable economic rules, weaknesses in contract enforcement, sanctions-related restrictions, and inconsistencies between formal regulations and informal practices. Institutional coherence of banking governance was supported by 37 sources (84.09%), regulatory quality and supervisory capacity by 36 sources (81.82%), and institutional incentives and rent structures by 34 sources (77.27%). Taken together, these findings indicated that banking policy produced stronger developmental effects when policymaking authority was coherent, fiscal pressures were contained, credit incentives favored productive sectors, supervisory institutions were capable of enforcing prudential standards, and economic actors faced predictable and credible institutional rules.

Table 2

Frequency and Analytical Weight of Institutional Barriers to the Developmental Effectiveness of Banking Policymaking

Institutional barrier	Frequency of coding	Percentage of 44 sources mentioning the barrier	Analytical interpretation
Fiscal dominance over monetary and banking policy	97	93.18%	Government financing pressures reduce the autonomy of banking and monetary policymaking and transmit fiscal imbalances to the monetary system.
Misallocation of credit away from productive activities	91	88.64%	Banking resources are not consistently transformed into productive investment, capital accumulation, and employment-generating activities.
Macroeconomic and regulatory instability	84	86.36%	Persistent changes in inflation, exchange rates, regulations, and policy priorities weaken long-term investment incentives and banking planning.
Fragmentation of banking governance	78	84.09%	Overlapping authorities and inconsistent objectives reduce policy coherence and create implementation gaps.
Weak prudential supervision and enforcement	73	81.82%	Inadequate monitoring and enforcement permit excessive risk-taking, accumulation of impaired assets, and weak banking discipline.
Rent-seeking and privileged access to credit	68	77.27%	Institutional privileges distort resource allocation and weaken the relationship between credit allocation and economic productivity.
Weak repayment discipline and non-performing loans	63	72.73%	Weak enforcement and soft budget constraints impair banks' intermediation capacity and reduce funds available for new productive lending.
Government-mandated and directed lending obligations	60	70.45%	Mandatory lending can create a gap between policy goals, commercial risk assessment, and banks' financial sustainability.
Weak transparency and information asymmetry	55	68.18%	Incomplete information weakens credit assessment, accountability, supervision, and efficient allocation of financial resources.
Insufficient long-term financing mechanisms	49	61.36%	Predominance of short-term financing constrains infrastructure, industrial development, innovation, and capital-intensive projects.

The findings presented in Table 2 indicate that the principal obstacles to effective banking policymaking were institutionally interconnected and often mutually reinforcing. Fiscal dominance constituted the most strongly recurring barrier, with 97 coded references and representation in 93.18% of the final documentary corpus. The evidence suggested that banking institutions frequently operated under pressures originating outside the banking system itself, particularly public financing requirements, compulsory lending assignments, and the need to accommodate macroeconomic imbalances. Under such conditions, banking policy could not operate solely according to prudential, developmental, or monetary objectives. Misallocation of credit was the second most prominent barrier, with 91 coded instances and support from 88.64% of the documents. The recurring problem was not merely an insufficient aggregate volume of financing, but the institutional direction of credit toward activities with limited contribution to productive capacity, technological upgrading, export competitiveness, or sustained employment. Macroeconomic and regulatory instability followed with 84 coded references, emphasizing that unstable inflation expectations, exchange-rate volatility, frequent regulatory changes, and uncertainty in

economic policymaking reduced both the time horizon of banks and the willingness of private economic actors to undertake long-term productive investment. Fragmented governance and weak supervisory capacity were likewise prominent. Their combined effect was visible in inconsistent policymaking, weak enforcement, inadequate control of banking risks, and gaps between formal regulation and actual institutional behavior. Rent-seeking, privileged access to finance, weak repayment discipline, and information asymmetry further weakened the allocative function of the banking system. Overall, the synthesis showed that the developmental weakness of banking policy could not be attributed solely to technical deficiencies in interest-rate, liquidity, or credit instruments; rather, it reflected a broader institutional configuration in which incentives, authority, enforcement, fiscal pressures, and informal practices shaped the actual outcomes of formal policies.

Table 3*Institutional Mechanisms Linking Banking Policymaking to Economic Development*

Banking-policy mechanism	Institutional condition required for effectiveness	Immediate banking-sector outcome	Expected developmental outcome	Overall synthesis assessment
Productive credit allocation	Transparent allocation rules, effective project appraisal, limited political interference	Increased financing of productive firms and investment projects	Higher capital formation, employment, production capacity, and productivity	Strong positive effect when institutional targeting and monitoring are present
Monetary and credit discipline	Fiscal restraint, Central Bank credibility, control of monetary expansion	Greater price and liquidity stability	Improved investment predictability and preservation of real returns	Essential enabling mechanism
Prudential supervision	Regulatory independence, transparent reporting, enforceable standards	Lower excessive risk-taking and improved asset quality	Greater financial stability and continuity of investment financing	Strong indirect developmental effect
Development-oriented banking incentives	Alignment between bank profitability and productive lending	Reduction in speculative and short-term allocation incentives	Greater financing of industry, innovation, and infrastructure	Positive but highly dependent on incentive design
Strengthening repayment and contract enforcement	Credible legal enforcement and reduced soft budget constraints	Lower non-performing loans and improved recycling of credit	Expanded sustainable financing capacity	Positive effect through improved financial intermediation
Policy coordination	Consistency among fiscal, monetary, industrial, trade, and banking policies	Reduced policy contradictions and implementation uncertainty	Greater effectiveness of development strategies	Critical cross-cutting mechanism
Long-term financing arrangements	Stable macroeconomic expectations and suitable financial instruments	Longer maturity structure of bank financing	Support for infrastructure and capital-intensive production	Underdeveloped mechanism in reviewed evidence
Transparency and information infrastructure	Reliable borrower data and accountable banking reporting	Better credit-risk assessment and reduced information asymmetry	More efficient allocation of financial resources	Positive institutional foundation
Reduction of preferential and rent-based credit	Rule-based access and accountability	Improved competitive neutrality in access to finance	More efficient allocation toward productive actors	Strong positive effect where enforceable
Stability of institutional rules	Predictable regulation and consistent implementation	Improved strategic planning by banks and borrowers	Increased private investment and longer planning horizons	Fundamental background condition

As shown in Table 3, the meta-synthesis identified a sequential institutional pathway connecting banking policymaking to economic development. The first stage concerned the quality of institutional conditions surrounding banking decisions. Policy measures such as directed credit, prudential regulation, liquidity management, or sectoral lending incentives did not automatically generate developmental outcomes; they became effective only when supported by credible rules, enforceable contracts, policy coordination, adequate information, and institutional accountability. The second stage concerned banking-sector behavioral outcomes. When these institutional conditions were present, the evidence suggested that banking policy was more likely to improve credit allocation, lengthen the maturity structure of financing, reduce excessive risk, strengthen repayment discipline, and redirect financial intermediation toward productive activities. These banking outcomes subsequently affected macroeconomic development through capital accumulation, investment stability, productivity enhancement, employment generation, infrastructure financing, and improved resilience of the financial system. Conversely,

when formal banking interventions were implemented in an environment characterized by fiscal dominance, regulatory uncertainty, privileged lending, and weak enforcement, the same instruments often produced reduced or contradictory developmental results. In particular, directed credit could support strategic production when accompanied by sound project selection and accountability, but it could also create inefficient resource allocation when influenced by non-economic priorities or weak repayment incentives. Similarly, expansionary banking support could stimulate investment under stable conditions, but under persistent inflationary and fiscal pressures it could contribute to monetary instability and reduce the real effectiveness of financing. Accordingly, the evidence supported an institutional interpretation in which banking policy operates as a conditional developmental mechanism rather than an autonomous determinant of economic growth.

Table 4

Comparative Assessment of the Developmental Effectiveness of Banking Policy Across Institutional Domains

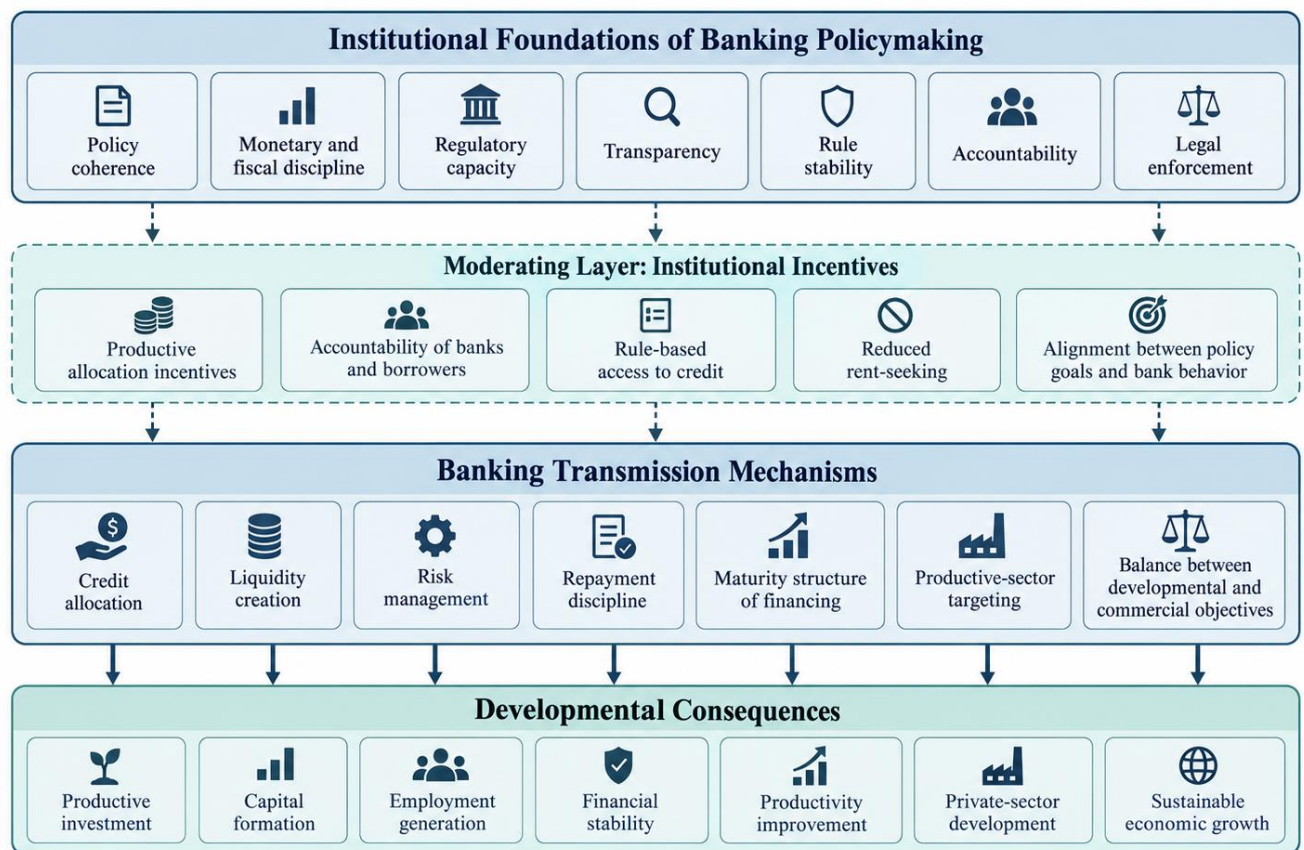
Institutional domain	Evidence of positive contribution to development	Evidence of constraining effects	Synthesized effectiveness
Financing of production and investment	Banking credit has provided essential financing for firms and economic activities in a bank-centered financial structure	Allocation has frequently been short-term, uneven, or insufficiently linked to productivity and investment quality	Moderate and conditional
Support for industrial and sectoral development	Directed lending and sectoral policies have increased access to finance for selected activities	Administrative allocation, weak monitoring, and policy discontinuity have reduced efficiency	Moderate but institutionally fragile
Macroeconomic stabilization	Banking and monetary regulations provide instruments for liquidity and credit management	Fiscal dominance and recurrent monetary expansion have weakened stabilization capacity	Limited under persistent fiscal pressure
Financial intermediation	Banks remain the primary institutional channel between savings and financing demand	Non-performing loans, balance-sheet weaknesses, and poor incentives reduce intermediation efficiency	Significant role but weak efficiency
Resource allocation	Formal banking policy creates mechanisms for prioritizing development sectors	Rent-seeking and preferential access may disconnect credit from economic productivity	Uneven
Long-term economic development	Banking policy has the potential to support capital formation, infrastructure, innovation, and employment	Short policy horizons and macroeconomic uncertainty reduce long-term orientation	Below potential
Financial stability	Regulatory and supervisory reforms can strengthen resilience	Weak enforcement, opaque balance sheets, and institutional interference increase systemic vulnerability	Partial
Institutional development	Reforms have progressively expanded regulatory structures and formal banking rules	Formal institutional change has often outpaced effective implementation and informal institutional change	Incomplete
Private-sector development	Bank financing provides a major source of working capital and investment finance	Credit concentration, uncertainty, and unequal access constrain productive private firms	Mixed
Overall contribution to economic development	Banking policymaking remains a central policy lever because of the dominant position of banks in financing the Iranian economy	Institutional inconsistencies systematically weaken transmission from banking policy to sustainable development	Conditional and substantially dependent on institutional quality

Table 4 provides the integrated assessment of banking-policy effectiveness derived from the full documentary synthesis. The evidence showed that the banking system has maintained a structurally important position in Iran's development process because economic financing remains strongly dependent on bank-based intermediation. Consequently, banking policymaking has had a substantial potential capacity to affect investment, production, employment, industrial financing, liquidity conditions, and private-sector activity. However, the meta-synthesis consistently demonstrated a distinction between the formal importance of banking policy and its realized developmental effectiveness. The strongest positive contribution was observed in the basic provision of financing to firms, sectors, and investment activities that might otherwise face limited access to capital-market instruments. Nevertheless, the developmental quality of this financing was weakened when credit allocation was influenced by administrative pressures, preferential institutional access, unstable macroeconomic conditions, or insufficient monitoring of the ultimate use of funds. The stabilizing role of banking policymaking was similarly constrained by fiscal dominance and recurrent monetary expansion, while the financial-intermediation function of banks was weakened by non-performing assets and reduced repayment discipline. Institutional reforms improved the formal regulatory

architecture but did not always generate corresponding behavioral change because implementation and enforcement remained uneven. The most important overall finding was therefore that banking policymaking in Iran cannot be characterized as either inherently effective or ineffective in relation to development. Its effectiveness is conditional upon the institutional architecture within which it operates. Banking policy contributes more strongly to economic development when fiscal, regulatory, legal, and governance institutions reinforce productive allocation and long-term stability; in contrast, developmental effects become substantially weaker when policy is embedded in unstable, fragmented, or rent-generating institutional arrangements.

Figure 1

Institutional Model of the Effectiveness of Banking Policymaking in Iran's Economic Development



The synthesized model represented in Figure 1 organizes the findings into three analytically connected levels. The first level consists of the institutional foundations of banking policymaking, including policy coherence, monetary and fiscal discipline, regulatory capacity, transparency, rule stability, accountability, and the quality of legal enforcement. These variables establish the institutional environment in which banking decisions are formulated and implemented. The second level comprises the banking transmission mechanisms, including allocation of credit, liquidity creation, risk management, repayment discipline, maturity structure of financing, productive-sector targeting, and the balance between developmental and commercial objectives. The third level consists of the developmental consequences, reflected in productive investment, capital formation, employment generation, financial stability, productivity improvement, private-sector development, and sustainable economic growth. The documentary evidence further revealed that institutional incentives operate as a moderating layer between the first and second levels. When banking organizations, borrowers, governmental institutions,

and regulatory authorities face incentives consistent with productive allocation and financial discipline, formal banking policies are more likely to generate their intended effects. When incentives encourage preferential borrowing, politically influenced credit, speculative activities, or expectations of financial support regardless of performance, the transmission mechanism becomes distorted. The figure therefore conceptualizes banking-policy effectiveness as a nonlinear institutional process: formal banking policies influence development through intermediary organizational and financial mechanisms, while the magnitude and direction of these effects depend on the quality of the surrounding institutional environment. This model constitutes the central explanatory result of the meta-synthesis and provides the basis for interpreting the effectiveness of banking policymaking in Iran from an institutionalist perspective.

Discussion and Conclusion

The present study sought to explain and assess the effectiveness of banking policymaking in Iran's economic development from an institutionalist perspective through a qualitative documentary meta-synthesis. The findings showed that banking-policy effectiveness cannot be understood as a direct consequence of formal monetary or credit measures alone. Rather, the developmental outcomes of banking policymaking were shaped by six interrelated institutional dimensions: institutional coherence of banking governance, developmental orientation of credit allocation, monetary and fiscal discipline, regulatory quality and supervisory capacity, institutional incentives and rent structures, and compatibility between formal banking policies and the broader political-economic environment. Among these dimensions, monetary and fiscal discipline emerged as the most frequently identified factor, followed by productive credit allocation and compatibility with the wider institutional environment. The synthesis further showed that the principal institutional barriers to effective banking policymaking included fiscal dominance, misallocation of credit, macroeconomic and regulatory instability, fragmentation of banking governance, weak prudential supervision, rent-seeking, weak repayment discipline, government-mandated lending, information asymmetry, and insufficient long-term financing mechanisms. These results indicate that the central problem is not merely whether banking policies are technically appropriate, but whether the institutional environment allows them to operate in a coherent, credible, and development-oriented manner.

One of the most important findings was the dominant role of monetary and fiscal discipline in determining banking-policy effectiveness. The reviewed evidence suggested that when fiscal requirements exert persistent pressure on the banking and monetary system, the developmental capacity of banking policy is significantly weakened. Government financing needs, quasi-fiscal obligations, directed lending, and monetary expansion can constrain the autonomy of banking institutions and reduce the credibility of monetary-policy signals. This result is consistent with research emphasizing the importance of Central Bank credibility for effective monetary policymaking [7]. When policy credibility is weak, economic actors may respond less strongly to formal policy signals, thereby weakening the transmission of monetary decisions to investment and production. The present finding is also supported by studies showing that banks themselves adjust their behavior in response to monetary-policy conditions rather than functioning as passive transmission channels [8]. This behavioral adaptation is important because it implies that fiscal pressure and policy inconsistency can alter lending strategies, liquidity management, and risk-taking in ways that reduce the intended developmental impact of monetary interventions. The financial consequences of monetary policy for enterprise investment decisions further reinforce this interpretation, since changes in financing costs, uncertainty, and access to credit directly influence firms' willingness to undertake long-term investment [9].

The results also highlighted the developmental orientation of credit allocation as a central mechanism linking banking policy to economic development. The synthesis indicated that credit is developmentally effective only when it is allocated according to transparent criteria, sound project assessment, productive capacity, and long-term economic priorities. When lending is concentrated in short-term, speculative, or preferentially connected activities, the capacity of the banking system to support capital formation, productivity, and employment becomes limited. This finding is compatible with the literature on the role of banks in financing economic enterprises, which identifies bank credit as a major determinant of firms' ability to expand operations, invest, and maintain production [1]. It also aligns with evidence on financial inclusion, where broader and more structured access to financial services can improve the economic role of banking institutions by widening participation in formal finance [5]. The implication is that banking development cannot be evaluated simply by the volume of credit supplied. The quality, destination, maturity, and institutional conditions of lending are equally important. This conclusion also corresponds with research on digital and alternative lending, which shows that new financing channels can complement traditional bank credit but also require institutional oversight to ensure responsible allocation and financial sustainability [6].

A further key finding concerned the importance of regulatory quality and supervisory capacity. The meta-synthesis showed that weak prudential supervision, insufficient transparency, inadequate enforcement, and accumulation of non-performing loans reduce the efficiency of financial intermediation and weaken the developmental role of banking institutions. This finding strongly accords with macroprudential research demonstrating that regulatory frameworks can affect systemic risk and the stability of banks across different economic systems [10]. Similar evidence from the European context emphasizes that resilience in banking systems is closely associated with effective macroprudential architecture and institutional capacity to address systemic vulnerabilities [11]. Research from Iraq has likewise indicated that macroprudential policies can enhance the credit function of commercial banks when stability and risk management are strengthened [12]. These studies support the present finding that developmental banking requires not only credit expansion but also robust supervision capable of preventing excessive risk accumulation. In the Iranian context, evidence on managerial overconfidence and banking stability further shows that governance characteristics interact with capital requirements and capital adequacy in determining bank resilience [13]. Consequently, regulatory reform that focuses exclusively on formal ratios without addressing organizational behavior, transparency, and enforcement may remain insufficient.

The findings further showed that institutional incentives and rent structures significantly mediate the relationship between banking policy and development. Privileged access to credit, politically influenced lending, soft budget constraints, and weak repayment discipline were repeatedly identified as mechanisms that distort the allocation of banking resources. This result is particularly important from an institutionalist perspective because it indicates that formal banking rules may be undermined by incentive structures that reward behavior inconsistent with productive allocation. In such circumstances, even policies that are officially designed to support development may generate low-efficiency outcomes if access to finance depends more on institutional privilege than economic productivity. The results therefore suggest that effective banking policy requires alignment between formal rules and the incentives facing banks, borrowers, managers, and public institutions. This conclusion is consistent with research showing that ownership structures and capital buffers affect banking profitability and intermediation costs, indicating that institutional characteristics shape financial behavior beyond formal regulation alone [14]. It is also consistent with findings that monetary policy influences bank profitability and therefore potentially changes

bank incentives regarding lending and risk [15]. The institutional challenge is therefore to design incentive structures that make prudent, transparent, and productive lending more attractive than rent-based or speculative allocation.

Another important result was that the broader political-economic environment conditions the effectiveness of banking policy. The evidence showed that exchange-rate instability, persistent inflation, policy uncertainty, weak contract enforcement, and inconsistency between formal regulations and informal practices can reduce the developmental impact of otherwise appropriate banking measures. This confirms the central institutionalist proposition that financial institutions do not operate independently of the surrounding economic order. Banking-policy effects depend on whether firms and households perceive the economic environment as sufficiently predictable to undertake long-term investment. The findings on capital structure in banks across the MENA region support this interpretation by demonstrating that bank behavior is influenced by macroeconomic and institutional conditions in addition to internal financial characteristics [4]. Similarly, research on structural breaks in the relationship between monetary variables and financial markets demonstrates that policy effects may change considerably when the underlying economic environment is unstable [24]. These findings reinforce the conclusion that banking-policy effectiveness should be assessed dynamically and institutionally rather than through isolated policy indicators.

The present study also identified long-term financing as a relatively underdeveloped mechanism in Iran's banking system. The documentary evidence suggested that the dominance of short-term financing constrains the capacity of the banking system to support infrastructure, technological upgrading, capital-intensive industries, and innovation. This finding is related to the broader role of financial technologies in economic growth, since technological innovation in finance can potentially improve efficiency, diversify financing instruments, and support broader investment opportunities [2]. Digital banking may also alter the transmission of monetary policy and change the architecture of banking intermediation [18]. The policy-evaluation literature on digital banking similarly indicates that digital transformation can support a smart economy only when regulatory, institutional, and organizational capacities evolve alongside technology [19]. In this sense, the findings imply that modernization of banking infrastructure should not be understood merely as technological modernization; rather, it must be accompanied by institutional changes that improve risk assessment, long-term financing, transparency, and access.

The findings regarding banking stability and digital transformation are also consistent with recent attention to central bank digital currencies. The evidence reviewed in this study showed that institutional innovation may strengthen banking effectiveness when it reduces transaction frictions, improves transparency, and supports regulatory oversight. Iranian research on CBDC issuance has suggested that such innovations may reduce certain banking-network risks if incorporated carefully into the broader framework of monetary and banking policy [20]. However, from the institutionalist perspective adopted in this study, technological instruments alone cannot resolve structural weaknesses. If fiscal pressures, weak enforcement, rent-seeking, and policy fragmentation persist, digitalization may simply reproduce existing institutional problems in a new technological form. The significance of organizational health within the banking system further supports this conclusion. Research on organizational health in national banking institutions emphasizes that effective performance depends on organizational and managerial conditions as well as formal structures [17]. Therefore, digital and regulatory modernization should be integrated with improvements in institutional governance and organizational capacity.

The synthesis also showed that the developmental role of banking policy increasingly extends beyond conventional growth objectives toward sustainability and resilience. The findings suggested that banking institutions can influence environmental

investment, sustainable financing, and broader development priorities when credit policies are aligned with strategic objectives. This is consistent with evidence that green banking policies can improve sustainable performance through financial and reputational mechanisms [21]. Research on central-bank policies and green bond issuance also shows that monetary and financial institutions can influence the mobilization of capital for environmentally oriented investment [22]. However, the present findings also support the caution expressed in studies of green central banking that incentive-based policies may be insufficient without complementary regulatory and disciplinary mechanisms [23]. This reinforces the broader conclusion of the present research: the effectiveness of banking policy depends on institutional complementarities. Incentives, supervision, accountability, and credible enforcement must operate together if banking interventions are to produce sustained developmental outcomes.

The importance of organizational efficiency and customer-related policies was another relevant aspect of the findings. Although the present study focused primarily on macro-institutional mechanisms, the results suggest that internal bank performance affects the capacity of institutions to contribute to development. Evidence that customer-support policies can improve bank profit efficiency demonstrates that organizational policies influence financial sustainability and operational effectiveness [16]. This complements the present finding that bank-level incentives and organizational health are important components of the broader institutional architecture. A financially unstable or poorly governed bank is less able to sustain productive lending, regardless of the formal policy environment. Therefore, banking-policy reform should consider the interaction between macroeconomic regulation, supervisory structures, and internal institutional performance.

The developmental implications of banking policy also extend to entrepreneurship and employment. The present findings showed that productive allocation of financial resources is one of the main channels through which banking policy can affect broader economic development. This is consistent with evidence that entrepreneurship significantly influences employment across Iranian provinces and that these relationships vary spatially [25]. If access to banking finance is uneven across regions, sectors, or social groups, the developmental effects of policy may also be uneven. From an institutionalist standpoint, this means that regional disparities in financial access, governance capacity, and entrepreneurial ecosystems should be considered when evaluating banking-policy outcomes. A nationally uniform policy may generate very different results across provinces if local institutional conditions differ substantially.

Taken together, the findings suggest that the effectiveness of banking policymaking in Iran is fundamentally conditional rather than automatic. Banking policy can support investment, financial stability, employment, innovation, and sustainable development, but only when embedded in an institutional environment characterized by fiscal discipline, coherent governance, effective supervision, transparent credit allocation, stable rules, and aligned incentives. This conclusion is supported by the wide range of prior studies reviewed in this research, including evidence on banking profitability [15], capital buffers and ownership [14], macroprudential regulation [10], digital banking [19], green finance [21], and organizational health [17]. The central contribution of the present study is therefore to integrate these fragmented strands into a single institutional interpretation. Rather than treating banking policymaking as an isolated technical domain, the findings show that it should be understood as part of a broader system of governance, incentives, regulation, and economic coordination.

This study was subject to several limitations. First, the analysis relied on documentary and published sources, and therefore its findings were dependent on the scope, quality, and transparency of the available documents. Certain institutional mechanisms may not have been fully visible in official reports or published research, particularly informal

practices and politically sensitive dimensions of banking governance. Second, although the meta-synthesis incorporated legislative documents, official reports, academic studies, and theoretical sources, the heterogeneity of these materials may have affected the comparability of evidence. Third, the study focused on the Iranian banking system over a relatively long period, during which major economic, regulatory, technological, and political changes occurred; consequently, some institutional mechanisms may have varied substantially across subperiods. Finally, the qualitative design was intended to identify and interpret institutional patterns rather than estimate causal magnitudes, and therefore the findings should not be interpreted as precise quantitative estimates of the effect of individual banking policies on economic development.

Future studies should combine institutional qualitative analysis with longitudinal quantitative methods in order to examine how specific institutional variables influence the effectiveness of banking policies over time. Comparative research between Iran and other bank-centered emerging economies could help distinguish country-specific institutional constraints from broader structural features of banking development. Future research could also examine different historical subperiods separately to identify how major regulatory reforms, sanctions, inflationary episodes, technological changes, and monetary-policy shifts have altered the banking-development relationship. Greater attention should be given to informal institutions, political connections, organizational incentives, and the behavioral responses of bank managers and borrowers. Mixed-method studies using interviews with Central Bank officials, commercial-bank managers, policymakers, entrepreneurs, and regulatory experts would provide deeper insight into mechanisms that are difficult to detect through documents alone. Future studies should also investigate regional differences in access to credit and the developmental effectiveness of banking policy across Iranian provinces.

Banking policymakers should prioritize institutional coherence rather than relying solely on new regulatory instruments. Greater coordination among monetary, fiscal, industrial, and banking authorities is necessary to reduce contradictory policy signals and improve the predictability of the financial environment. Banking supervision should be strengthened through transparent reporting, more effective enforcement, improved monitoring of related-party lending, and stricter control of non-performing assets. Credit-allocation policies should be redesigned to favor productive, innovative, employment-generating, and export-oriented activities while reducing preferential and rent-based access to finance. Long-term financing instruments should be expanded to support infrastructure, industrial investment, and technological upgrading. Policymakers should also improve organizational health and accountability within banks, align managerial incentives with prudent and productive lending, and ensure that digital transformation is accompanied by appropriate regulatory capacity. Most importantly, banking reform should be integrated with broader efforts to improve fiscal discipline, institutional stability, contract enforcement, and macroeconomic predictability, because sustainable banking-policy effectiveness depends on the quality of the wider institutional environment.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

The study protocol adhered to the principles outlined in the Helsinki Declaration, which provides guidelines for ethical research involving human participants. Written consent was obtained from all participants in the study.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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