Journal of Business Decision and Risk Sciences (JBDRS)

https://doi.org/

Journal Homepage: *www.JBDRSJournal.com*

Journal of Business Decision and Risk Sciences

ORIGINAL RESEARCH PAPER

Crisis Management of Financial and Credit Institutions: A Comparative Analysis of International and Iranian Experiences and the Proposal of a Policy Framework

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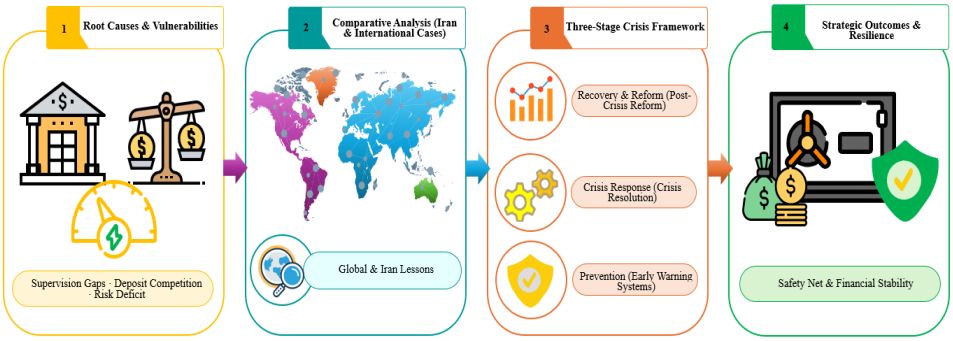
P A P E R I N F O

Paper history:
Received: 12/15/206
Revised: 01/25/2026
Accepted in revised form: 02/10/2026
Published: 03/30/2026

***Keywords*:**
Financial Crisis;
Financial and Credit Institutions;
Banking Crisis Management;
Financial Stability.

A B S T R A C T

Crises in financial and credit institutions pose significant challenges to financial systems because of their potentially adverse effects on financial stability, public confidence, and macroeconomic performance. Evidence from financial crises across different countries indicates that weak financial supervision, ineffective institutional frameworks, unsustainable competition in deposit mobilization, and inadequate risk management are among the major factors contributing to institutional distress. In Iran, the crisis involving financial and credit institutions during the 2010s represented a notable example of such vulnerabilities, with substantial consequences for the banking system and the broader economy. This study aims to analyze the causes and management of crises in financial and credit institutions, with particular emphasis on Iran, compare Iran's experience with selected international cases, and propose a policy framework suited to the country's institutional context. The study is applied in purpose and employs a qualitative comparative-analytical approach. Data were collected through documentary and library research, including academic studies, reports issued by international and domestic institutions, and relevant policy documents. The findings indicate that effective crisis management requires an integrated framework consisting of three interconnected stages: crisis prevention, crisis management, and post-crisis reconstruction and reform. Strengthening banking supervision, developing early warning systems, establishing effective resolution mechanisms, improving corporate governance, and reinforcing the financial safety net are identified as key requirements for enhancing the resilience and stability of the country's financial system.



1. Introduction

Financial system stability is a fundamental pillar of economic sustainability and long-term growth in any country. The financial system plays a decisive role in the performance of the macroeconomy through mobilizing savings, optimizing resource allocation, facilitating investment, and managing risk [1]. Among these, financial and credit institutions, as the most crucial financial intermediaries, are responsible for transferring resources from surplus sectors to deficit sectors. The efficient operation of these institutions can lead to increased capital productivity, enhanced investment, and improved economic growth. However, the experience of various countries shows that these entities are constantly exposed to risks such as liquidity risk, credit risk, market risk, and operational risk. If these risks are not managed appropriately, financial and credit crises can emerge [2]. Financial crises have become one of the most significant challenges to the global economy in recent decades. From the Latin American debt crisis in the 1980s to the East Asian financial crisis of 1997, the global financial crisis of 2008, and the European debt crisis of the 2010s, all underscore the vulnerability of financial systems to economic shocks and institutional weaknesses. In many of these crises, problems within the banking system and credit institutions played a central role in exacerbating financial instability. The failure or inability of financial institutions can have widespread negative impacts on economic activities through reduced

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ISSN:
URL: https://www.jbdrsjournal.com/article_735680.html

Please cite this article as: S. A. Razavi, & S. Basirizadeh, *Journal of Business Decision and Risk Sciences (JBDRS)*, 2026, 2(1), 39-45. https://doi.org/

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public confidence, bank runs, disruption of financial markets, and the restriction of credit flow to the real economy [3]. Theoretical and empirical literature indicates that crises in financial institutions typically result from the interaction of a set of structural, institutional, and behavioral factors. Weak financial supervision, information asymmetry, risky managerial behaviors, balance sheet mismatches, unhealthy competition in attracting deposits, ineffective regulatory frameworks, and macroeconomic shocks are among the most important factors that can create the conditions for the emergence and spread of crises [4]. In such circumstances, the absence of effective mechanisms for prevention, early detection, and crisis management increases the likelihood of financial problems spreading to other sectors of the economy and escalating into systemic crises. Iran's financial system, particularly in the 2010s, faced significant challenges. The proliferation of unlicensed credit institutions, weak supervision, unhealthy competition in the money market, and financial imbalances created the conditions for a crisis in a segment of the country's financial system. This crisis led to consequences such as deposit runs, a decline in public confidence, and the necessity of extensive intervention by the government and the Central Bank to manage problematic institutions. The experience of various countries shows that the manner of crisis management plays a decisive role in reducing its economic and social costs. Many countries have undertaken extensive reforms in financial supervision and regulation following banking crises. These include strengthening risk-based supervision, establishing early warning systems, increasing capital adequacy requirements, expanding deposit insurance schemes, and designing mechanisms for the intervention and resolution of troubled institutions [5]. Despite the importance of the subject, a significant portion of domestic studies has focused on describing financial and credit institution crises, with less attention paid to a comparative analysis of Iran's experience with international experiences and the extraction of policy lessons. Therefore, a considerable research gap exists in proposing a policy framework appropriate for Iran's institutional and economic conditions. Accordingly, the main objective of the present study is to comparatively analyze the causes of crises in financial and credit institutions, examine Iran's experience in comparison with international experiences, and propose a policy framework for crisis management and enhancing the resilience of the country's financial system. The research has been conducted using a qualitative research method with an analytical-comparative approach, based on the examination of documents, official reports, and scientific studies. Following the presentation of theoretical foundations and research background, the article's structure will proceed to a comparative analysis of international and Iranian experiences, ultimately presenting the proposed policy framework and the research's policy implications.

Analyzing crises in financial and credit institutions requires the use of theoretical and conceptual frameworks that can explain the mechanisms of crisis formation, expansion, and management. Financial crises are not merely the result of temporary factors; rather, they usually arise from a complex interaction of institutional, structural, behavioral, and macroeconomic factors. Therefore, in order to accurately understand the causes of crises in financial intermediation institutions and evaluate crisis management policies, it is necessary to examine the concepts related to financial crises, the theories explaining financial instability, the structural factors influencing crisis emergence, and the policy models of crisis management. Accordingly, this section first explains the concept of financial crisis in financial intermediation institutions. It then examines the most important theories related to the formation of crises in financial institutions, including information asymmetry theory, the bank run model, Minsky's financial instability hypothesis, and credit cycle theory. The section then explains the structural and institutional factors affecting crisis emergence and, finally, the policy models of crisis management in financial systems, so as to provide the analytical basis needed for comparing Iran's experience with international experiences.

Financial and credit institutions, as one of the most important pillars of the financial system, play a fundamental role in resource mobilization, credit allocation, and the facilitation of economic activity. Through deposit mobilization and lending, these institutions organize the flow of financial resources in the economy and enable the financing of production and investment activities. However, the nature of their activities is such that they are constantly exposed to various financial risks, including liquidity risk, credit risk, market risk, and operational risk. If these risks are not managed properly, they can lead to crises at the level of financial institutions and even across the entire financial system.

In general, a financial crisis refers to a situation in which a severe disruption occurs in the functioning of financial markets and financial intermediaries, significantly reducing their ability to efficiently allocate financial resources [6]. Under such conditions, asset depreciation, rising debt defaults, declining public confidence, and bank runs can weaken the stability of the financial system. From an institutional perspective, a crisis in financial institutions occurs when these entities face serious liquidity problems or insolvency due to an inability to meet their obligations to depositors or creditors. One of the key characteristics of financial crises is their potential to propagate to other sectors of the financial system and the macroeconomy. In other words, a crisis in a single financial institution can rapidly spread to other institutions and financial markets, escalating into a systemic crisis. This phenomenon, referred to in the economic literature as "financial contagion," becomes particularly intense when public confidence in the financial system is compromised [7].

To explain the causes of crises in financial and credit institutions, several theories have been proposed in the financial and macroeconomic literature that describe the mechanisms of instability formation in the financial system. One of the most important of these theories is "information asymmetry." According to this perspective, information in financial markets is not distributed equally among parties, and depositors, investors, and even regulatory bodies lack complete awareness of the actual asset quality and risk profiles of financial institutions. This situation can lead to "adverse selection" and "moral hazard," driving financial institutions toward high-risk activities where potential losses are transferred to depositors or the financial system as a whole [8]. The "bank run" model is another major framework for crisis analysis. Diamond and Dybvig demonstrated that even healthy banks may face a rush to withdraw deposits due to depositors' expectations of insolvency, a phenomenon that can lead to liquidity shortages and, ultimately, bank failure. Therefore, public confidence plays a fundamental role in the stability of financial institutions [9].

In his financial instability hypothesis, Hyman Minsky argues that prolonged financial stability encourages risky behavior within the financial system, ultimately leading to instability. From his perspective, financial units operate in one of three states: hedge, speculative, or Ponzi finance. In the hedge state, cash flows are sufficient to meet both principal and interest obligations. In the speculative state, cash flows cover only interest payments, requiring the principal to be rolled over. In the Ponzi state, even interest payments depend on new borrowing. This theory demonstrates that increasing financial leverage, unhealthy competition in attracting resources, and over-reliance on short-term debt can make financial institutions highly vulnerable to liquidity shocks. Consequently, Minsky's framework provides an appropriate foundation for analyzing the crisis of financial and credit institutions and evaluating the necessity of regulatory interventions and prudential policies in Iran [10].

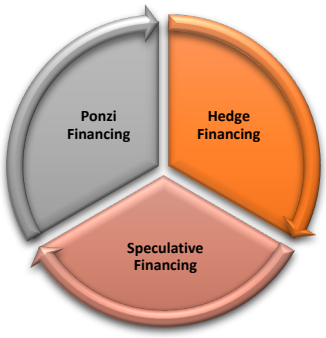


Figure 1. Hyman Minsky's Financial Instability Hypothesis

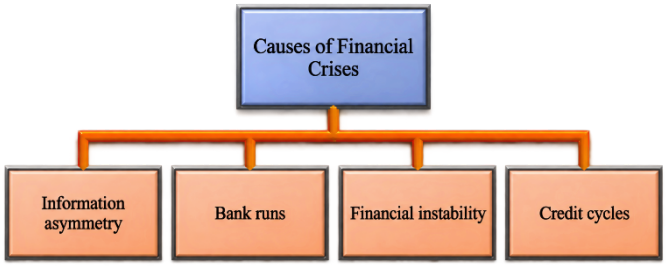


Figure 2. Causes of Financial Crises

The theory of "credit cycles" further posits that periods of economic boom are accompanied by rapid credit expansion and rising asset prices. However, with changes in economic conditions and a decline in asset values, the quality of banks' assets deteriorates, and the financial difficulties of credit institutions intensify [11].

Empirical studies indicate that in addition to theoretical factors, a combination of structural and institutional factors plays a role in the emergence of crises in financial institutions. One of the most important of these factors is the weakness of regulatory and supervisory frameworks; specifically, the lack of sufficient tools and authority for supervisory bodies can increase the risky behaviors of financial institutions [12]. Furthermore, the inefficiency of corporate governance systems, including a lack of financial transparency, the absence of accountability mechanisms, and conflicts of interest between managers and stakeholders, can pave the way for high-risk decision-making in financial institutions. Unhealthy competition in the money market and the payment of unconventional interest rates to attract deposits also compromise the financial structure of institutions and increase the likelihood of liquidity problems. Alongside these factors, macroeconomic shocks such as economic recession, high inflation, exchange rate fluctuations, and asset depreciation can weaken the quality of banking assets and, by increasing non-performing loans (NPLs), create the conditions for crises in credit institutions [11].

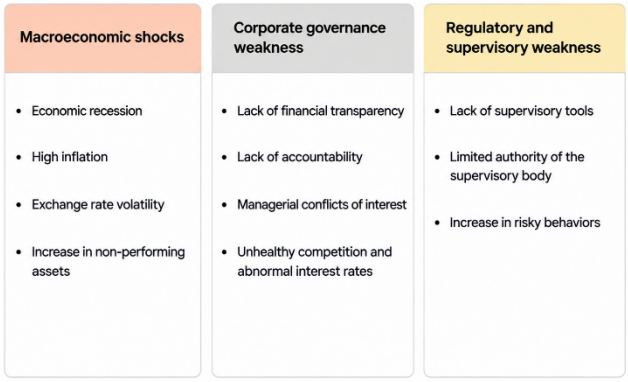


Figure 3. Structural and Institutional Factors Contributing to Crises in Financial Institutions

In response to financial crises, countries deploy a set of policies to contain and manage the crisis, which are typically categorized into three stages: prevention, crisis management, and financial system restructuring. In the prevention stage, the objective is to reduce the probability of crisis occurrence by strengthening financial supervision and enhancing the resilience of institutions. Tools such as prudential regulations, capital adequacy requirements, risk-based supervision, and early warning systems are utilized at this stage. During the crisis management stage, policymakers attempt to prevent the spread of the crisis and financial instability by employing instruments such as emergency liquidity assistance (ELA) by the central bank, deposit guarantees, mergers or nationalization of troubled institutions, and banking resolution mechanisms [18]. In the restructuring stage, the focus is on reforming the structure of the financial system through the amendment of banking laws, strengthening regulatory institutions, increasing transparency, and improving corporate governance. The experience of various countries indicates that success in crisis management largely depends on the existence of efficient institutions, effective supervision, and timely intervention by policymakers.



Figure 4. General Stages of Crisis Management in Financial Systems

The management of crises in financial and credit institutions has emerged as one of the most critical areas of inquiry in contemporary economic policy, particularly following the cascading series of systemic disruptions that have reshaped the global financial architecture over the past two decades. Financial crises, by their very nature, transcend national boundaries and demand coordinated, evidence-based policy responses; yet the institutional mechanisms available for crisis prevention, containment, and resolution vary significantly across jurisdictions, creating both opportunities and imperatives for comparative analysis [15].

The historical record demonstrates that banking crises are neither rare nor confined to any single economic system. Reinhart and Rogoff's [16] comprehensive examination of eight centuries of financial history established that systemic banking crises recur with remarkable regularity across both advanced and emerging economies, and that the fiscal costs of resolution frequently exceed 10% of GDP. Schularick and Taylor [17] extended this analysis by demonstrating that credit booms, particularly those fueled by leverage rather than savings, serve as the most reliable predictor of subsequent financial crises, a finding with profound implications for the design of early-warning systems and macroprudential oversight frameworks. Jordà, Schularick, and Taylor [18] further quantified the macroeconomic aftermath of credit-driven crises, showing that recoveries from financially induced recessions are significantly slower and more costly than those from ordinary downturns, thereby underscoring the economic imperative of effective crisis management.

The 2007–2009 Global Financial Crisis (GFC) represented a watershed moment in the evolution of crisis management doctrine. The crisis exposed critical deficiencies in regulatory architecture, resolution planning, and cross-border coordination. In response, the Financial Stability Board (FSB) developed the Key Attributes of Effective Resolution Regimes for Financial Institutions, establishing a global standard for the orderly resolution of systemically important financial institutions without recourse to taxpayer-funded bailouts [19]. Concurrently, the Basel Committee on Banking Supervision finalized the Basel III framework, introducing enhanced capital requirements, leverage ratios, and liquidity standards designed to reduce the probability and severity of banking distress [20]. These reforms collectively marked a paradigm shift from crisis reaction to crisis preparedness.

The effectiveness and distributional consequences of alternative resolution strategies have attracted substantial scholarly attention. Acharya, Drechsler, and Schnabl [21] demonstrated that government bailouts of distressed banks can generate adverse feedback loops with sovereign credit risk, particularly in economies where bank balance sheets are heavily exposed to domestic government debt. In contrast, Avgouleas and Goodhart [22] critically examined the bail-in mechanism as an alternative to taxpayer-funded rescues, arguing that while bail-ins can enhance market discipline, their effectiveness depends critically on the depth and liquidity of the institution's unsecured debt markets. This tension between bail-out and bail-in paradigms remains central to contemporary policy debates.

The empirical literature on crisis management in emerging and developing economies reveals distinct challenges. Claessens and Kodres provided a canonical review of financial crises in emerging markets, identifying structural vulnerabilities including weak institutional frameworks, limited deposit insurance coverage, and susceptibility to sudden capital-flow reversals. Demirgüç-Kunt, Detragiache, and Gupta [24] conducted one of the most comprehensive empirical analyses of banking systems in distress, finding that the policy responses adopted during crises, particularly the speed and transparency of intervention, significantly influence both the depth of the recession and the duration of the credit contraction. Laeven and Valencia [25] updated the International Monetary Fund's Systemic Banking Crises Database, documenting 151 systemic banking crises across 114 countries between 1970 and 2017, and providing standardized metrics for cross-national comparison of crisis costs and resolution outcomes.

The March 2023 failures of Silicon Valley Bank, Signature Bank, and Credit Suisse renewed urgent attention to crisis management frameworks and exposed residual vulnerabilities even in advanced-economy regulatory regimes. The FSB's subsequent assessment of these events highlighted gaps in resolution planning, the destabilizing potential of social-media-accelerated deposit runs, and the inadequacy of existing liquidity facilities for institutions facing rapid, digitally enabled bank runs [26]. These episodes reinforced the conclusion that crisis management frameworks must be continuously stress-tested against evolving forms of financial fragility.

The macroprudential dimension of crisis prevention has gained particular prominence. Adrian, Boyarchenko, and Giannone [27] formalized the concept of "vulnerable growth," demonstrating that financial conditions can simultaneously support short-term economic expansion while elevating medium-term downside risk. Hanson, Kashyap, and Stein [14] articulated the theoretical foundations of a macroprudential approach to financial regulation, arguing that conventional microprudential supervision is insufficient to address system-wide risks arising from procyclical behavior and interconnectedness. Tooze [28] provided a comprehensive political-economic account of how the 2008 crisis and its aftermath transformed the institutional landscape of global financial governance, with lasting implications for crisis management in both advanced and emerging economies.

Within the specific context of Iran, the banking and credit sector has confronted a distinctive constellation of challenges. The Iranian financial system is characterized by a large network of state-owned, private, and non-bank credit institutions operating under a dual regulatory framework that combines conventional banking supervision with Islamic finance principles. Decades of international sanctions, structural inflation, government-directed lending mandates, and the proliferation of unlicensed credit cooperatives have generated persistent vulnerabilities, including elevated non-performing loan ratios, capital adequacy shortfalls, and asset-liability mismatches [29,30]. The Central Bank of Iran (CBI) has undertaken successive rounds of banking reform, including the consolidation of military-affiliated credit institutions and the introduction of risk-based supervision; however, the effectiveness of these measures has been constrained by macroeconomic instability and limited integration with international financial markets. Despite the practical urgency of these challenges, the academic literature on Iranian banking crisis management remains comparatively thin, and systematic comparative analyses benchmarking Iranian experiences against international best practices are notably scarce.

The present study addresses this gap by undertaking a comparative analysis of crisis management experiences across selected international jurisdictions, including the United States, the European Union, and emerging-market economies, and Iran's institutional response to banking distress. Drawing on the FSB's Key Attributes framework [19], the Basel III standards [20], and the empirical evidence synthesized above, the article proposes an integrated policy framework tailored to the structural characteristics of Iran's financial system. In doing so, it contributes to the broader literature on crisis governance in sanction-affected, inflation-prone economies with large state-owned banking sectors.

In general, despite the focus of domestic research on identifying the causes of financial crises in Iran, a significant gap remains in comparative analyses and the design of institutional frameworks for managing these crises. While international literature emphasizes the importance of institutional architecture, proactive supervision, and resolution tools, these lessons have not yet been integrated into the Iranian financial system as a comprehensive and localized model. Therefore, the existing research gap lies in the lack of a systematic link between global experiences and the structural requirements of Iran. Aiming to address this gap, the present study employs an analytical-comparative approach to propose a localized, policy-oriented framework for managing the crises of financial and credit institutions in the country.

2. Materials and Methods

The present study is applied in terms of objective and comparative-analytical in terms of nature and method. Its primary aim is to analyze the factors and contexts underlying the emergence of crises in financial and credit institutions, and to compare Iran's experience with international experiences in managing financial and banking crises. To this end, an effort has been made to identify the most important lessons learned, strengths, and weaknesses of managerial and policy approaches through a comparative examination of the policies and measures adopted in selected countries and Iran. Finally, based on the findings of this comparative analysis, a policy framework is proposed to improve crisis management and enhance the resilience of the country's financial system.

2.1. Data Collection Method

In this research, data have been collected through documentary and library research methods. The sources utilized include domestic and international scholarly articles, reports from international institutions (such as the International Monetary Fund, the World Bank, and the Bank for International Settlements), domestic policy and research reports (including those from the Central Bank of Iran, the Monetary and Banking Research Institute, and the Research Center of the Islamic Consultative Assembly), as well as relevant books and theoretical studies on financial crises. These sources have been reviewed with the aim of identifying the factors contributing to the onset of crises, crisis management tools, and successful experiences of countries in dealing with crises in financial and credit institutions.

2.2. Research Analytical Framework

In this study, a three-dimensional analytical framework has been employed to analyze the crisis in financial and credit institutions, encompassing the following main dimensions:



Figure 5. Analytical Framework of the Research

Factors Contributing to the Onset of Crisis: This dimension addresses the identification of a set of factors that can create the conditions for the emergence of a crisis in financial and credit institutions. These factors include institutional, regulatory, managerial, and macroeconomic elements. From an institutional perspective, weaknesses in laws and regulations, inefficiency of supervisory bodies, and the absence of effective mechanisms for controlling high-risk behaviors can increase the vulnerability of financial institutions [31]. From a regulatory standpoint, the lack of risk-based supervisory tools, deficiencies in the continuous monitoring of institutions' financial condition, and delays in detecting problems are considered major contributing factors to the onset of crisis. On the managerial dimension, high-risk decisions, the absence of an efficient risk management system, unhealthy competition in deposit mobilization, and asset–liability mismatches can undermine the financial sustainability of institutions [32]. Furthermore, at the macroeconomic level, factors such as economic recession, high inflation, exchange rate volatility, asset devaluation, and financial shocks can create conditions that exacerbate the difficulties faced by financial institutions [33].

Crisis Management Mechanisms: This dimension is dedicated to examining the tools and policies employed during a crisis to contain it and prevent the spread of financial instability. The most important of these mechanisms include central bank intervention, emergency liquidity provision, deposit guarantees, mergers, restructuring, or resolution of distressed institutions, and the use of bank resolution mechanisms. The objective of utilizing these tools is to maintain public confidence, prevent depositor runs, provide necessary liquidity to troubled institutions, and avert the contagion of the crisis to other sectors of the financial system. The manner, timing, and scope of policymakers' intervention can have a significant impact on reducing the economic and social costs of the crisis.

Post-Crisis Structural Reforms: This dimension focuses on measures undertaken after the containment of a crisis, aimed at reducing the likelihood of its recurrence and enhancing the resilience of the financial system. These reforms include amending financial laws and regulations, strengthening supervisory frameworks, enhancing the independence and efficiency of the supervisory authority, improving corporate governance, increasing the transparency of financial statements, reinforcing capital adequacy requirements, and developing early warning systems. The experience of many countries demonstrates that long-term success in crisis management is not limited to short-term containment; rather, it depends on undertaking sustainable institutional and structural reforms.

2.3. Data Analysis Method

In this research, data were analyzed using qualitative analysis and comparative methodology. This method was employed to examine the various dimensions of the crisis in financial and credit institutions and to compare how it has been managed across different countries and in Iran. Qualitative analysis enables a deeper investigation of the factors influencing the onset of crisis, as well as interpretation of the policies and measures adopted, while comparative analysis facilitates the identification of similarities and differences between Iran's experience and those of other countries. Initially, through a review of theoretical and empirical literature, the most significant factors contributing to the onset of crisis in financial and credit institutions were identified. At this stage, domestic and international studies related to financial, banking, and credit crises were examined, and the factors affecting the emergence and exacerbation of crises were extracted. These factors were then systematically categorized and used as the basis for the subsequent stages of analysis. Subsequently, the experiences of selected countries in managing banking and financial crises were examined. In this section, the manner in which countries confronted the crisis, the measures taken by governments and supervisory authorities, and the policies employed to control and mitigate the effects of the crisis were analyzed. In the next stage, Iran's experience in dealing with the crisis in financial and credit institutions was analyzed. In this analysis, the process of crisis formation, the intervention of responsible authorities, and the measures adopted to reorganize financial and credit institutions were considered. Moreover, efforts were made to examine the various dimensions of Iran's experience from the perspectives of crisis management and implemented policies. Finally, using a comparative approach, the similarities and differences between Iran's experience and international experiences were extracted. This comparison was conducted based on the factors leading to the crisis, the types of interventions undertaken, and the outcomes of the adopted policies, and the resulting findings served as the basis for the final analysis and the presentation of the policy framework.

3. Results and Discussion

The comparative analysis of international experiences and Iran's experience regarding crises in financial and credit institutions indicates that the emergence of such crises is usually the result of the interaction among a set of structural, institutional, and behavioral factors within the financial system. A review of theoretical and empirical literature suggests that financial crises often develop gradually as a consequence of the accumulation of financial imbalances in the banking system, and in the presence of weak financial oversight and the absence of effective crisis management mechanisms, they rapidly evolve into more widespread crises within the broader economic system. Based on the analysis of data and research sources, the findings of this study can be categorized into three main axes (Table 1).

Table 1. Main Axes of the Research

Row	Axis
1	Factors contributing to the onset of crisis in financial and credit institutions
2	Crisis management mechanisms in international experiences
3	Specific characteristics of the crisis of financial institutions in Iran

3.1. Factors Contributing to the Onset of Crisis in Financial and Credit Institutions

Theoretical studies in financial economics indicate that crises in financial institutions typically arise from a combination of several key factors. At the institutional level, weaknesses in the supervisory framework and inefficiencies in the financial regulatory system can create conditions conducive to high-risk activities. At the behavioral level, unhealthy competition among financial institutions to attract resources leads to increased risk-taking and the expansion of unsupported credit. From a theoretical perspective, information asymmetry between lenders and borrowers is considered a major factor in the emergence of financial crises. Under such conditions, financial institutions are unable to accurately assess the credit risk of their clients, which in turn increases the likelihood of a rise in nonperforming loans within the banking system [34]. Furthermore, bank run theory demonstrates that a decline in depositor confidence can lead to massive deposit withdrawals and liquidity crises, even when financial institutions are fundamentally sound [35]. The research findings indicate that in many financial crises, these factors operate simultaneously, ultimately leading to the destabilization of the financial system.

3.2. Comparative Analysis of International Experiences in Managing Financial Institution Crises

A review of international experiences demonstrates that although banking and financial crises occur in different economic and institutional contexts, relatively similar patterns can be observed in their formation and management. Analysis of financial crises in the United States, Japan, East Asian countries, Iceland, and European nations indicates that governments and supervisory authorities have generally employed a combination of immediate policy measures and structural reforms to manage crises. Overall, crisis management in financial crises within the global experience can be categorized into three main stages (Figure 6).

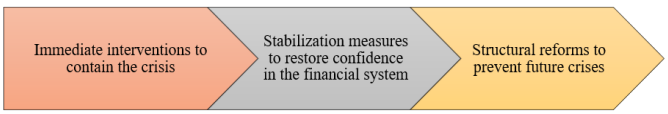


Figure 6. Three Main Stages of Financial Crisis Management in the World

Table 2. Patterns of Banking Crisis Management in International Experiences

Global Case	Time of Occurrence	Origin of Crisis	Key Characteristics	Major Consequences
Japan's Crisis (Asset Bubble)	Early 1990s	Credit expansion and housing/stock price bubble	Asset price inflation, high debt, banks' inability to repay	"Lost Decade," very weak economic growth, long-term banking reforms
East Asian Financial Crisis	1997–1998	High reliance on short-term foreign capital and weak supervision	Sudden currency devaluation, capital flight, bankruptcy of banks and corporations	IMF emergency assistance, banking system reform, widespread bankruptcies in Thailand and Indonesia
Russian Crisis	1998	Oil price collapse and government debt	Ruble devaluation, inflation, bank insolvencies	Government debt default, severe financial instability, structural reforms
Latin American Crisis (Argentina)	2001–2002	Unstable exchange rate regime, external debt, banking weaknesses	Deposit withdrawals, capital controls, economic recession	Debt default, social unrest, banking restructuring
Global Financial Crisis 2008 (United States)	2007–2008	Subprime mortgage market and securitization	High financial leverage, toxic assets, failure of risk assessment models, contagion to global markets	Bankruptcy of major institutions (Lehman Brothers), global recession, extensive government and central bank intervention
Icelandic Banking Crisis	2008	Excessive expansion of the banking sector relative to the national economy	Bank assets several times GDP, dependence on foreign markets	Nationalization of banks, collapse of the króna, capital flow controls
European Debt Crisis	2010–2014	Unsound government debt and close bank–sovereign linkages	Severe budget deficits, declining market confidence, bank vulnerability, credit rating downgrades	Financial bailout packages, austerity measures, weakening of the banking system in eurozone periphery countries

Examination of Japan's experience in the early 1990s shows that the formation of asset bubbles in the housing and stock markets, along with the expansion of bank credit, ultimately led to prolonged recession and extensive banking reforms. In the East Asian financial crisis, heavy reliance on short-term foreign capital and weak supervision resulted in currency devaluation, capital flight, and widespread corporate and bank bankruptcies. In Russia and Argentina, the combination of government debt, exchange rate instability, and a weak banking system produced profound financial and economic crises. The 2008 global financial crisis in the United States is also a clear example of the impact of high financial leverage, the expansion of risky lending, and weaknesses in risk assessment, which culminated in the bankruptcy of major financial institutions and the contagion of the crisis to the global economy. Similarly, in Iceland and European countries, the excessive expansion of the banking sector, unsound government debt, and declining market confidence compelled governments to undertake extensive interventions and implement bailout programs.

A comparative analysis of these experiences indicates that the speed of policymakers' response, the existence of effective mechanisms for resolving distressed banks, coordination between the central bank and the government, and the availability of a coherent institutional framework for crisis management are among the most critical factors for success in containing banking crises. Countries that had designed supervisory tools and rapid intervention mechanisms prior to the onset of crisis were able to restore financial stability at a lower economic and social cost. Conversely, delays in intervention and institutional weaknesses have typically led to the deepening of crises and increased costs of financial system restructuring [13].

3.3. Examination of the Crisis of Financial and Credit Institutions in Iran

Financial and credit institutions in Iran constitute a set of monetary intermediary entities that emerged outside or on the fringes of the formal banking system and assumed a significant portion of resource mobilization and allocation operations. These institutions were primarily established with the aim of attracting small deposits, providing microfinance, and diversifying monetary services. However, the lack of an integrated supervisory framework, the varying levels of licenses, and the multiplicity of licensing authorities resulted in an imbalanced and heterogeneous structure from the outset. Consequently, some institutions grew rapidly without meeting the required standards in terms of capital adequacy, risk management, auditing, and reporting, and became influential actors in the money market yet without being subject to the rigorous oversight applicable to official banks. The progression of the crisis in financial and credit institutions in Iran is presented in Table 4.

Table 3. Progression of the Crisis in Financial and Credit Institutions in Iran

Key Consequences	Manifestations and Evidence	Mechanism and Causal Factor	Main Concept	Theme
High-risk and unregulated growth, destructive competition over interest rates, entry into speculation, creation of imbalances in the money market	Activities of cooperatives, qard al-hasan funds, and local institutions without regard to capital adequacy and risk management	Legal gaps, multiplicity of licensing authorities, absence of unified supervisory standards	Expansion of unlicensed entities operating outside the legal framework	Growth of Unauthorized Institutions
	Increased liquidity risk, accumulation of low-quality assets, aggravation of financial fragility	Investment in unproductive markets, large-scale facilities to high-risk clients	Offering high interest rates, mobilizing resources without collateral	High-Risk Behaviors to Attract Deposits
Concealment of risks, delayed intervention, heightened vulnerability of the financial system	Activities of certain institutions beyond the supervisory scope	Lack of a rating system, absence of transparent reporting, non-integrated information	Operation of some institutions outside the purview of the supervisor	Weak Supervision and Regulation
	Expansion of high-risk activities, increased difficulty of structural reform, heightened probability of insolvency	Failure to meet capital adequacy requirements, disposal of nonproductive assets	Inconsistent standards, absence of risk-based supervision	Non-Compliance with Capital Adequacy, Sale of Nonperforming Assets
Worsening financial imbalances, pressure on the banking network, increased systemic risk	Transfer of deposits from official banks to high-risk institutions	Offering unrealistically high rates above the banking network	Destructive competition for deposit attraction	Lack of Fiscal Discipline and Unhealthy Competition
	Structural imbalances, decline in asset quality, vulnerability to shocks	Accumulation of illiquid assets	Enterprise ownership, inefficient construction, facilities to affiliated individuals	Allocation of Resources to Noneconomic Activities
Inability to repay deposits, elevated default risk	Growth of institutions' liabilities to depositors	Increase in nonperforming loans, decline in facility repayments, blocked resources	Severe liquidity shortages due to low-quality assets	Liquidity Problems and Imbalances
	Deepening of crisis, necessity for government and central bank intervention, pressure on public resources	Formation of bank runs and contagion to other institutions	Low asset liquidity, loss of public confidence	Depositor Runs and Spread of Liquidity Crisis

Source: Ref. [31]

In response to this crisis, the Central Bank of Iran and other policymaking bodies adopted a series of measures to manage it, the most important of which included reorganizing unauthorized institutions, merging certain institutions into official banks, and guaranteeing depositors' funds. Although these measures were able to prevent the escalation of the crisis, they imposed considerable costs on the financial system and the government.

3.4. Proposed Policy Framework for Managing Crises in Financial and Credit Institutions in Iran

A review of the theoretical literature on financial crises and an examination of international and domestic experiences indicate that effective crisis management in financial and credit institutions requires a coherent and multi-layered institutional framework. Such a framework should be capable of both preventing the emergence of crises and, should a crisis occur, providing the necessary tools for containment, management, and reconstruction of the financial system. The experience of various countries demonstrates that success in managing banking crises depends on the presence of three fundamental pillars: effective preventive supervision, timely intervention mechanisms, and efficient resolution frameworks for distressed financial institutions [36, 38]. Accordingly, the proposed policy framework for managing crises in financial and credit institutions in Iran can be designed across three main levels, comprising crisis prevention, crisis management, and post-crisis reconstruction.

Level One: Crisis Prevention

The most important and least costly strategy in managing financial crises is to prevent their formation. At this level, the primary objective is the early identification of risks within the financial system and the avoidance of an accumulation of vulnerabilities in credit institutions. One of the most critical tools for crisis prevention is the strengthening of banking supervision. Effective supervision requires the central bank to possess sufficient legal authority, relative decision-making independence, and access to accurate and timely information regarding the financial condition of institutions. Moving toward risk-based supervision and utilizing advanced supervisory systems can facilitate the early detection of financial difficulties in credit institutions. Another important tool at this level is the establishment of an early warning system to identify preliminary signs of crisis. Such a system, using key financial soundness indicators such as capital adequacy ratio, asset quality, liquidity, and profitability can predict the likelihood of a crisis. Furthermore, strengthening corporate governance in financial institutions is another crucial factor in crisis prevention.

Level Two: Crisis Management

Should preventive measures fail to avert a crisis, the existence of efficient crisis management mechanisms becomes critically important. The objective at this stage is to prevent the spread of the crisis and mitigate its effects on the financial system and the macroeconomy. One of the most important tools for crisis management is the provision of emergency liquidity by the central bank. As the lender of last resort, the central bank can prevent contagion by extending short-term liquidity facilities to otherwise sound financial institutions facing liquidity problems. Another tool is deposit guarantees and protection of retail depositors. The existence of a deposit insurance fund can prevent widespread depositor runs and maintain public confidence in the banking system. In cases where the problems of financial institutions are more profound, the use of structural intervention tools such as mergers, asset transfers, management changes, or even temporary nationalization may be necessary. International experience demonstrates that prompt and decisive intervention in distressed institutions can significantly reduce the costs of a crisis [33].

Level Three: Post-Crisis Reconstruction and Reforms

Following the containment of a crisis, the phase of reconstruction and structural reform of the financial system begins. The objective at this stage is to prevent the recurrence of crisis and to strengthen the resilience of the financial system against future shocks. One of the most important measures at this level is the restructuring of financial institutions' balance sheets. This process may include recapitalizing banks, identifying and disposing of toxic assets, and reforming the financial structure of institutions. Another important measure is the reform of regulatory and legal frameworks [39]. Strengthening coordination among the institutions of the financial safety net including the central bank, the Ministry of Economic Affairs and Finance, the deposit insurance fund, and other supervisory bodies is also of great importance. International experience indicates that a lack of coordination among these institutions can seriously challenge crisis management [40].

3.5. Proposed Conceptual Model

Based on the foregoing discussions, the proposed framework for crisis management in financial and credit institutions in Iran can be summarized in the form of a three-stage model (Figure 7).

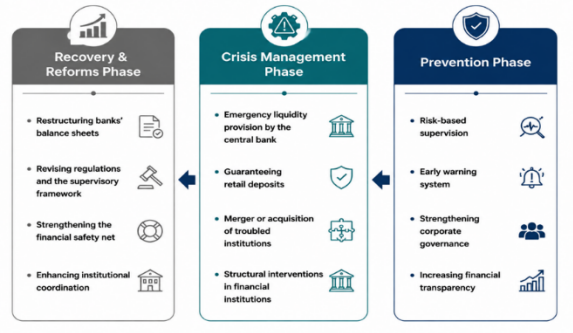


Figure 7. Conceptual Model of the Research

This framework, by integrating the lessons learned from international experiences and the institutional characteristics of Iran's financial system, can provide a basis for designing effective policies in managing crises in financial and credit institutions. The successful implementation of such a framework requires the strengthening of institutional capacity, the enhancement of financial transparency, and increased coordination among policymaking and supervisory bodies within the country's financial system.

4. Conclusion

Crises in financial and credit institutions constitute one of the most significant threats to the stability of the financial system and the performance of the macroeconomy. These institutions, as a vital component of the financial intermediation system, play a key role in mobilizing resources, allocating credit, and financing economic activities. Therefore, the occurrence of a crisis in them can have far-reaching consequences for public confidence, economic stability, and the efficiency of the financial system. An examination of historical experiences of financial crises globally, as well as Iran's experience, indicates that weaknesses in financial supervision, inefficiencies in institutional frameworks, unhealthy competition in the money market, and inadequate risk management are among the most important factors contributing to the emergence of crises in financial and credit institutions.

The primary objective of this research was to analyze the crisis in financial and credit institutions through a comparative examination of international experiences and Iran's experience, and to propose a policy framework for managing such crises in the country's financial system. To achieve this objective, the present study employed a comparative-analytical method based on documentary analysis, examining the theoretical literature on financial crises, the experiences of various countries in banking crisis management, and Iran's experience with the crisis in financial and credit institutions. The findings from the review of theoretical literature indicated that financial crises are often the result of a combination of structural and behavioral factors within the financial system. Theories such as information asymmetry, bank runs, and financial instability suggest that the banking system is inherently exposed to systemic risks, and in the absence of adequate supervisory frameworks, these risks can escalate into widespread crises. Furthermore, empirical studies demonstrate that in many banking crises, the gradual accumulation of risk on the balance sheets of financial institutions, weak supervision, and the presence of risky incentives in managerial behavior have played a significant role in the formation of crises. The analysis of international experiences also revealed that countries employ a range of policy tools to manage financial crises, including preventive supervision, emergency liquidity provision, deposit guarantees, restructuring of distressed financial institutions, and post-crisis institutional reforms. The experiences of the 2008 global financial crisis, Japan's banking crisis, the East Asian financial crisis, and the European debt crisis demonstrate that success in managing financial crises depends largely on the speed of policy intervention, the existence of appropriate legal frameworks for the resolution of financial institutions, and coordination among the institutions of the financial safety net. The examination of Iran's experience further indicated that the crisis in financial and credit institutions during the 2010s (1390s Solar Hijri) was largely attributable to regulatory and institutional gaps in the country's financial system. The operation of financial institutions outside the formal regulatory framework, intense competition in deposit mobilization through high interest rates, investment in high-risk assets, and weaknesses in corporate governance were among the factors that contributed to the formation of this crisis. Ultimately, intervention by the Central Bank and the government through the reorganization of unauthorized institutions, the merger of certain institutions, and deposit guarantees was able to prevent the escalation of the crisis; however, these measures imposed substantial costs on the country's financial system. Based on the research findings, it can be concluded that effective management of crises in financial and credit institutions requires a comprehensive policy framework that addresses crisis prevention, management, and post-crisis reconstruction simultaneously. In this regard, the present study proposes a three-stage framework comprising crisis prevention, crisis management, and post-crisis reforms for Iran's financial system. At the prevention stage, strengthening banking supervision, developing early warning systems, and enhancing corporate governance in financial institutions are of particular importance. At the crisis management stage, tools such as emergency liquidity provision, deposit guarantees, and the use of merger or resolution mechanisms for distressed institutions can contribute to containing the crisis. Finally, at the post-crisis reconstruction stage, reforming regulatory frameworks, recapitalizing banks, and increasing coordination among financial safety net institutions are essential. Based on the results of this research, several policy recommendations can be offered to improve crisis management in financial and credit institutions in Iran.

First, the supervisory powers and tools of the central bank in overseeing financial institutions need to be strengthened to enable timely intervention in distressed institutions. Second, the development and reinforcement of a risk-based supervision system can facilitate the early detection of financial problems in credit institutions. Third, the establishment of a clear legal framework for the resolution of distressed financial institutions including mechanisms for merger, acquisition, or controlled liquidation can reduce the costs of crisis management. Fourth, strengthening the deposit insurance fund and increasing public awareness regarding the scope of deposit protection can play an important role in maintaining depositor confidence in the banking system. Fifth, enhancing financial transparency and improving the disclosure regime in financial institutions can reinforce market discipline and prevent the emergence of high-risk behaviors. Overall, strengthening regulatory frameworks, improving financial governance, and developing crisis management mechanisms can play a significant role in increasing the resilience of Iran's financial system against economic shocks and pave the way for achieving sustainable stability in the country's banking system.

Author Contributions

All authors contributed equally to the conception, preparation, and writing of this manuscript.

Conflict of Interest

The authors, while observing publication ethics in the referencing, declare the absence of interest of conflict.

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Acknowledgement

All authors gratefully acknowledges the support provided by the Petroleum University of Technology (PUT) in conducting this research.

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