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Banking reform trends and their relationship to indicators of economic development in Iraq for the period (2004 - 2021)

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Abstract
The rapid changes that the world witnessed at the end of the twentieth century and the beginning of the twenty-first century resulted in important economic developments, the most important of which is the spread of the phenomenon of economic globalization and the resulting trade and financial liberalization, which made the economies of most countries, especially the advanced ones, integrated with each other, which made most Countries realize that the policies of financial restraint no longer keep pace with modern global developments, so they restructured their financial and banking sector in the light of the new policies of these countries, Therefore, the research aims to demonstrate the impact of banking reform in Iraq in light of the market economy on some indicators of economic development in Iraq during the period (2004-2021) and to know the extent of the impact of the reforms that the banking sector deliberately used in light of the change in the economic philosophy to push the wheel of economic development forward, In addition to knowing the effectiveness of banking services provided to individuals in achieving economic development in Iraq during the study period, because most studies showed that the banking sector in Iraq suffered from many challenges, including internal and external, worked collectively on the low level of this sector, so we tried in this research to employ Descriptive and quantitative analysis to reach the nature of the relationship between banking reality and the extent of its contribution to achieving economic development in Iraq during the study period.

Keywords: Banking reform, the Iraqi banking sector, indicators of economic development, financial liberalization, the Central Bank of Iraq

Introduction
Reforming the banking sector is an important issue that falls among the priorities and concerns of most of the world's developed and developing countries. As the main funding channel for most investment activities and in most countries of the world, this sector focuses on building a strong and sustainable economy that contributes to driving development forward. Therefore, the development of this sector in a way that ensures the building of the national savings base and develops the financial resources necessary to build the economy has become a priority of the decision maker, In Iraq, which underwent a shift in the course of economic policies after 2003, a market economy policy focusing on trade and financial liberalization was adopted.

This has led to a shift from a policy of financial restraint (i.e. restrictions on the financial system) to a policy of financial liberalization advocated by the new system. Iraq has promulgated several laws to deal with the banking sector, including Law No. 94 of 2004, which supervises and monitors the operation of the banking sector. Based on this vision, Iraq's banking system has witnessed the promulgation of various laws and measures aimed at the development of this vital sector in order to promote the realities of the banking sector in Iraq. This contributes to economic development.

Importance of the research
The importance of research is to know the reality of the banking sector in Iraq by analyzing its most important indicators as well as the impact that this sector has on some indicators of

economic development in Iraq by knowing the relationship between them over a period of the study.

Research problem

In the context of the market economy and the conditions experienced by the Iraqi economy after 2003, however the banking industry failed to align with the trends outlined in the national development strategies, which indicate the need to promote the realities of the banking sector in order to achieve economic development. Based on the foregoing, the problem of research lies in answering the following question: To what extent bank reform laws contributed to Iraq's economic development during the study period.

Research hypothesis

This research is based on the premise that there are trends between banking reform indicators and some economic development indicators during the study period.

The aim of the research

The research aims to show the trends of banking reform followed by Iraq in the market economy after 2003 and to see the extent to which such reforms affect some of the economic development indicators.

Research methodology

This study employed both extractive and inductive methodologies to examine and analyze the effects of banking reforms on several indicators of Iraq's economic development. Additionally, the standard quantitative approach based on economic measurement was used to assess the relationship between the variables under investigation.

Research Structure

To validate the research hypothesis and achieve the research objectives, the study has been divided into four areas of focus:

The first subject matter encompassed the theoretical dimension of banking reform and its impact on economic process. The second subject focused on the actual implementation of banking liberalization in Iraq during the duration of the research. The third subject encompassed the formulation of key banking reform indicators and economic development indicators in Iraq over the duration of the research. The fourth objective was to quantify and examine the correlation between banking reform and certain measures of Iraq's economic progress. The study reached many results and suggestions.

Theoretical rooting of banking reform and economic development

Theoretical rooting of banking reform

The concept of banking reform

Banking reform is the cornerstone of the economic reform process. This sector is a vital Centre for mobilizing savings to finance economic development through the flow of funds to other economic sectors. Therefore, the specialists believe that without the services provided by the banking system to the developed countries, these countries would not have been able to achieve their economic progress and growth. Therefore, the services provided by the banking sector should be used to drive economic development**.**

In connection with the preceding paragraph, bank reform is defined as a set of measures that ensure the redevelopment and restructuring of laws, regulations and legislation that contribute to increasing the volume of deposits and lending, as well as improving banking services for individuals (Sadiq *et al*., 1998: 65) [23] Therefore, this concept indicates that banking reform represents all the procedures undertaken by the financial and banking sector in order to change the method of banking activity that collects savings in the form that contributes to economic development**.**

Others define it to create a banking system capable of mobilizing and reallocating financial resources and improving its efficiency to service economic activity in order to achieve high and sustained rates of economic development. This concept points to the need to modernize and strengthen the banking sector by bringing about changes in the nature of the banking industry In addition to restructuring the industry in order to mobilize domestic savings and reduce the migrant capital phenomenon, it is also possible to attract a portion of foreign investment flows, which clearly contributes to the development of other sectors of the economy, thus helping to achieve economic development.

It can also be defined as all operations that contribute to a radical change in banking legislation, laws and policies of all kinds so that this change improves the performance and adaptation of the banking sector to the variables in the global arena. Therefore, an assessment of all these actions must be carried out in order to be judged and given a true description in order to achieve economic development (Awad, 2015: 60) [11] this notion pertains to banking and insurance activities that facilitate and enhance the reform of the financial sector, hence expediting economic development. In light of the aforementioned, banking reform can be said to remove the constraints on the banking sector in order to develop this vital sector, which is the cornerstone of economic development. Therefore, banking reform is part of economic reform**.**

Importance of banking reform

The reform of the banking sector has become an urgent need because of its great importance in achieving development by supporting the economy with the financial resources used to develop and develop the rest of the economy. As well as its role in promoting productive partnerships between different countries of the world, Especially with the countries that have joined the World Trade Organization (WTO), because entry into this organization requires economic liberalization in NCI trade and finance **.**This requires that the banking sector be a sophisticated sector that can compete with foreign banks in providing financial and banking services needed by individuals. Therefore, banking reform has become an important item on the international policy agenda at a time when the international community's efforts to achieve economic development are united (Hadhoud, 2007:48) [15].

To complement the foregoing in order for the reform of the banking sector to be successful, the reforms used in this sector must be part of a more comprehensive strategy of change and reform pursued by the State, which is reflected in the process of liberalization of the sector and in the global banking developments, which are based primarily on freedom from the constraints and obstacles to the sector. In addition to creating an enabling legislative environment that increases competition among banks, through the use of sophisticated technological means of communication and information, through the application of the Basel decisions in order to operate within international standards of banks, thereby increasing their competitiveness within the international framework of action, thereby contributing to economic development.

Bank Reform Objectives

It is no secret that banking reform is to improve the efficiency of the use of resources in a way that highlights the advantages of this vital sector. Therefore, the nature of banking reform depends on the nature and structure of the economy. Based on the above, the most important objectives of banking reform can be represented through the following: (Hussein, 2019:265) [17]

- Strengthening regional and international trade, productivity and investment partnerships, which further mobilizes domestic savings, as well as deepening the role of financial intermediation between savers and investors.
- Improving the efficient use and distribution of capital resources in the national economy, through the creation of financial systems that contribute to the promotion of macroeconomic stability and promote economic development.
- Create a sophisticated accounting system that accommodates all business and banking services and operates in accordance with special international standards that guarantee scientific mechanisms and foundations for granting loans and introducing all banking services operated by international banks, such as banking services adopted by advanced global banks, which contribute to the creation of new relationships in domestic and foreign capital markets in order to attract funds to finance investments.
- Increasing the effectiveness of financial markets to be internationally competitive that enable them to open up foreign sources of finance, to document and strengthen regional and international trade, production and investment partnerships, as well as to review the costs of loans that contribute to the promotion of productive businesses needed by many countries.
- Work on the restructuring of banks, as well as the abolition of banking specialization, By relying on a comprehensive bank that carries out most banking, such as distributing loans sector ally and regionally so as to mitigate the risk of bank investment and ensure the wide spread of its branches. It includes not only the restructuring of banks, but also the restructuring of banking departments within the bank itself. This leads to the elimination of certain departments and departments and the creation of non-existent departments and departments needed by banking, thereby contributing to the acceleration of economic development.
- The introduction of modern banking technologies such as ATM and interbank interfaces, banking card and other technologies, in addition to qualifying and training employees working in the banking sector with the requirements of the global banking industry to be more efficient and productive, which contributes to the development of the banking sector and thus facilitates individuals' access to banking services, thus helping to achieve economic development.

Based on all the above, it can be said that all the above objectives, along with others that have not been broadened in this research, are primarily aimed at increasing the mobilization of savings for optimal and rational use. The proper use of these savings will enable countries seeking banking reform to adapt the economies of countries supporting banking reform to be able to cope with external shocks occurring in the auditory or monetary market.

Conceptual rooting of economic development

Concept of economic development

Economic development is a primary objective for most governments, particularly those in the developing world, since it plays a crucial role in boosting economic growth rates. The majority of nations worldwide have shown a keen interest in economic growth, with varying interpretations of the notion across different educational institutions and historical eras. Economic growth mostly manifested itself after the Second World War as many nations pursued independence to facilitate material advancement and attain social equity. Numerous perspectives and ideas have emerged on the notion of economic progress among different economic schools. Economic development is defined as an interactive process leading to an increase in the State's real income and a rapid and cumulative rise in per capita real income over a long period of time, accompanied by a reduction in the level of poverty. (Al-Nisour, 2014: 275) [8] This is a systematic approach aimed at identifying structural modifications that facilitate the establishment of a foundation required for the activation of self-productive abilities, resulting in an enhancement of an individual's average productivity.

Development is also known as the process of transition from the underdeveloped economic and social situation to the advanced economic and social situation. This requires radical and fundamental changes in the methods of production used and production relations in order to be suited to the stage of development and transition (Zagreb, 2017: 4) [25] which is a process of change of society in all its aspects, whether economic or social.

While there are those who define it as a multidimensional process that involves increasing economic growth rates and increasing the average per capita real output. In the sense of increasing society's ability to respond to the basic needs and renewed needs of its members in a way that ensures that the satisfaction of those needs is increased Through the effective and sustainable use of available economic resources and the appropriate distribution of the proceeds of this sound exploitation (Abdul Latif and Khamas, 2017:12) [3]. Based on the information provided, economic development can be defined as significant and fundamental transformations in economic, social, political, and cultural frameworks that aim to enhance human well-being and dignity for all individuals in society. Consequently, economic development is a comprehensive process that encompasses most economic and social aspects. It involves the development and rehabilitation of human resources, which are the primary objective and means of development. Additionally, it entails the fair distribution of national income among society members, together with structural changes. Economic development requires the implementation of structural changes and the optimal utilization of available resources by the State to ensure the sustained economic growth.

The importance of economic development is highlighted by the following: (Abdullah, 27:2014)

Increasing national income

Increasing national income in developing countries is one of the most important objectives of economic development. The main reason for developing countries' economic development is the high level of poverty, the low standard of living of the population and the high unemployment rate. In order to eliminate those problems, real national income must be increased through radical changes in the economic structure. The increase in national income will be directly reflected in the average per capita.

Raising the standard of living

Raising the standard of living is an important goal for economic development in all developing countries, because development seeks to improve the standard of living of individuals by providing greater employment opportunities and access to better education and an adequate standard of health.

Reduce inequality in income and wealth distribution

This goal is one of the social objectives of economic development, since income is distributed in developing countries by significant disparities, this results in the acquisition of the majority of wealth by a small group of members of society. While the majority of society has a small proportion of these wealth and this results in a low standard of living, health and education. The greater the disparity between strata of society, the greater the damage to society.

Achieving economic independence

Economic development contributes to economic independence and the elimination of economic dependence through structural changes in States' economies through genuine and self-reliant development in the exploitation of their available resources.

Economic development goals

Economic development aims to accomplish certain goals that differ among States based on the specific conditions, needs, and availability of resources in each State. Thus, the most crucial of these goals may be encapsulated by the following: (Mira and Umaiah, 2013:39) [22]

1. Economic development deviates from the implementation of diverse fiscal and monetary policies, resulting in distinct economic conditions such as increased general price levels and recession.
2. Accomplishing economic goals, especially in developing nations, of attaining fairness in the allocation of money, enhancing the quality of life for individuals, and augmenting the overall national revenue.
3. Implementing training programs for economic activities to enhance the skills and capabilities of trainees engaged in these activities, therefore enabling them to make valuable contributions to economic development initiatives.
4. Facilitating the growth and sustainability of small businesses through partnerships with company owners to identify the locations where these businesses operate and gather the required relevant information for their establishment.

Make a contribution by offering efficient methods and utilizing them to enhance economic activities for inclusive economic growth. Additionally, establish investment programs in all sectors of life and engage all elements of production to support these programs. All the aims may be characterized as primarily focused on enhancing the living standards of individuals, meeting their essential requirements, mitigating the prevalence of hunger, and raising nutrition outcomes. Through the provision of social development Services provided to individuals, especially the poor, also include providing food and cash support to the neediest families, in addition to providing housing for the homeless, all these things together serve to provide a decent standard of living for individuals as the cornerstone of economic development.

The reality of banking reform and economic development in Iraq for the period 2004-2020

Iraq's banking liberalization machinery and channels during the study period

Prior to examining the actuality of bank liberalization in Iraq throughout the research period, it is essential to first discuss the methods and channels of bank liberalization in Iraq post-2003 through the following:

Due to the alteration in the principles governing the Iraqi economy after 2004 towards a market economy and the building of a liberal economic system following the socialist changes in the Iraqi economy, the transformation steps were focused on the economic side through the development of laws and legislation that included the freedom of economic activity in both commercial and financial terms.

Measures and actions have been taken in many areas to operationalize market mechanisms, Iraq has declared in a general constitution (2005) on the transformation of the country's prevailing economic system from a centrally planned State system, to a market system based on economic freedom, State neutrality and private property, and the private sector's economic activity in the market away from the State except in exceptional cases, as referred to in the constitutional articles below (Constitution of Iraq, 2005:10)

1. **Article 24**: The State guarantees the freedom of movement of Iraqi labor, goods and capital between the regions and governorates, and this is regulated by law.
2. **Article 25**: The state seeks to reform and develop the Iraqi economy according to modern economic foundations that ensure the full investment of its resources, contribute to diversifying its sources, and focus on strengthening and developing the private sector.
3. **Article 26**: The State seeks to encourage investments in various sectors and regulate them in accordance with the law.
4. **Article (112)** II: The federal government, the producing regions and governorates work together to develop the strategic policies necessary to develop the oil and gas wealth to achieve maximum benefit for the Iraqi people, while adopting the latest market principles and enhancing investment

In this constitutional framework, the Iraqi Government has promulgated certain laws that are relevant to defining the country's economic policy and establishing the necessary frameworks for moving to a new phase, the most important of which is economic liberalization, especially in the areas of trade and finance, but we will focus on the banking aspect as it is the core of our work and as the following:

1. **Investment Measures:** The enactment of Investment Law No. (39) of 2004 facilitated foreign investment to expedite the transition to a market economy and address the economic shock, was not actually put into effect, as it gave the foreign investor the right through the application of privatization program to access ownership (100%) This led to his inadmissibility as lacking in popular admissibility, which prompted the Iraqi Government to enact Investment Law No. (13) For the year 2006, the rate focused on encouraging investments and transferring modern technologies to contribute to Iraq's development, development, expansion and diversification of its production and service base, thereby contributing to the advancement of economic development (Assaf and Awad, 2015:145) [10]
2. **Monetary actions:** The monetary authority has taken many actions that guarantee the process of economic liberalization, the importance of which can be demonstrated by the following: (Hassan, 2007: 80) [16]

- Issuing an Iraqi currency with specifications consistent with international standards.
- The independence of the Central Bank in accordance with article III of the Central Bank Act No. 56 of 2004
- Allowing branches of foreign banks in Iraq to provide banking services.
- Managing a daily auction for the sale of foreign exchange, as well as the promulgation of Law (74) of 2004, which includes the establishment of the Iraqi Stock Exchange.
- Elimination of external transfer control within new monetary policy directions.
- Interest rate liberalization as one of the pillars of monetary and financial reform.
- The internal or external public debt management mechanism was the promulgation of the Public Debt Act (2004), which includes instructions to sell government securities by public bidding to generate stability in Banks' liquidity, as for external public debt, is in agreement with the Paris Club on its settlement (Hussein, 2018:18) [18].

Based on the above, it can be said that there are many laws and orders issued a year later (2003) in Iraq in order to keep pace with the banking and financial liberalization experienced by most States. Iraq is one of those States. To understand the impact of those laws on the Iraqi economy, we will now examine the state of banking liberalization within the market economy framework and the economic freedom experienced by the Iraqi economy during the research period.

The reality of bank liberalization

In order to know the extent of the banking and financial liberalization experienced by the Iraqi economy during the study period, it is necessary to know the components of this system in Iraq. This system consists of units that are responsible for offering funds represented by savers in general, and units that are responsible for requesting funds represented by investors. The relationship between savers and investors is regulated through a range of banking and non-banking intermediate financial institutions, under the supervision and control of the Central Bank of Iraq as well as the role of the Iraqi securities market in this (Farhad, 2011:10) [13], based on this vision, Iraq's financial system consists of the Central Bank of Iraq and a group of banking and non-banking financial institutions. As well as Iraq's stock exchange, this system is linked to the outside world through a package of financial and economic relations such as cash transfers between Iraq and the outside world. In addition to the Central Bank's foreign exchange transactions, the most important components of Iraq's financial system can be represented by the following:

1. **Central Bank:** Central Bank is a symbol of national sovereignty, it is his responsibility to issue currency, implement the country's monetary policy and manage the cash reserve. It is a legal entity with the capacity to convert real assets into cash and vice versa. The Central Bank of Iraq is a public institution that issues money and oversees credit. In order to carry out the tasks prescribed by law (Al-Jajawi and Al-Sultani, 2014:72) [7], as well as the promulgation of the Central Bank of Iraq Law No. (56) of the year (2004) which gave the Central Bank full autonomy through its mandate to seek price stability through effective supervisory powers. In addition, the Central Bank has promulgated several laws that include the functioning of the banking system under economic and financial liberalization policies, including the Anti-Money Laundering Act No. 93 of 2004., In order to enhance confidence in the banking system in the exercise of its functions, the Banking Law No. (94) of 2004 was promulgated, which is an important step for a financial system that operates in accordance with international standards. The main objective of this law was to draw the legal framework for financial transactions in Iraq in the field of exchange in line with international standards (Janabi and Shibawi, 2017:236) [5]
2. **Banking institutions:** Are business companies whose assets consist of financial assets, Commercial banks whose role is to accept deposits and grant loans include obligations to customers or third parties' receivables such as equities, bonds and loans. They give loans to customers or buy and invest other securities, Besides, it came to solve the problem of financial intermediation between surpluses and deficits, In the light of Iraq's new economic situation of transition to a market economy and economic freedom (Al-Shammari, 2008: 36) [9].
3. **Non-banking institutions:** NBFIs are a key component of the regulatory standards and procedures that must be established for NBFIs to regulate their activities. Regulators around the world have been unable to regulate the activity of enterprises because they have not understood their nature despite their great importance to the financial system. Non-banking institutions can either weaken or inflate the transition of monetary policy to the economy (Janabi and Shibawi, 2017:244) [5]. In Iraq, which experienced financial liberalization after 2004, these institutions are limited in financial and investment effectiveness, owing to their weak role in Iraq's financial system, owing to the traditional management of these institutions because all these institutions do is attract funds through traditional

instruments and then invest them in the form of deposits in commercial banks and buy some of the central treasury transfers, as well as a lack of managerial expertise and cadres through which excess financial deductions can be directed towards different investments. Based on the foregoing, the role of these institutions compared to those of the world's countries, Make them weak institutions with limited role in positive changes in economic activity. The most important non-banking institutions can be represented through the following:

- **Insurance Companies:** The Reinsurance Regulation Act No. 10 of 2004 was promulgated, establishing the Iraqi Insurance Office to supervise and monitor the activities of the insurance sector in Iraq. The number of insurance companies operating in Iraq was 34, including three government companies.
- **The PO Fund:** accepts public deposits and reinvests them in various fields. It has 350 branches in various governorates. It operates 18 branches in northern, central and southern Iraq and is a channel for attracting liquidity outside the banking system.
- **Pension Fund:** It is a large institution, its assets are distributed in the form of salaries for retirees. There are smaller institutions including the Zakat Fund, the Minors' Welfare Fund and the Iraqi Currency Transfer Company.
- **Remittance companies:** Prepared as non-banking companies and based their work on instructions issued by the CBI numbered (93) For the year (2008), the number of such companies (34) companies and their sons (148) branches divided into (68) branches in Baghdad and (21) branches in northern governorates, and 30 branches in central governorates and 29 branches in southern governorates, with a minimum capital of about (45) IQD billion, transfers and delivers funds inside and outside Iraq by opening an account for them in Iraqi banks.
- **Iraq Stock Exchange:** Based on the new directions of Iraq's economic system after 2004 and in line with the policies of financial liberalization, the Iraqi Stock Exchange was founded under Law No. 74 of April 2004. The market began its activity in June of the same year. The market is located in Baghdad (Hussein, 2013:10) [19].

This market is a legal entity with financial and administrative independence from the Government and the Ministry of Finance. It has the right to file lawsuits in the courts. It has the right to impose fines on those subject to the market authority who violate market laws and instructions for the market and the authority. Thanks to the banking law along with the central bank law, banking activity is developing.

Table (1) shows that the types of domestic and foreign civil banks have increased throughout the study period, as the number of private banks has increased from (22) Public Bank (2004) to (30) Public Bank (2007) due to Investment Act No. (13) for the year (2006) which encouraged the entry of investment into the country even if it did not rise to the level stated in the national development strategies issued a year later (2004), the number of private banks continued to rise until (79) banks in 2021. This shows that bank liberalization is in the right direction and that this is one of the actions that contributes to the process of bank liberalization and does the role of the private sector, whether domestic or foreign. This clearly contributes to an increase in bank liquidity and thus an increase in credit from the banking sector even if it falls short of the required level.

Table 1: Number of State and private banks in Iraq

Years	Number of government banks	Number of private banks	Number of banks	Types of private banks			
				Local Commercial Banks	Local Islamic Banks	Foreign Banks Commercial	Islamic Foreign Banks
2004	7	22	29	17	2	2	1
2005	7	24	31	17	5	1	1
2006	7	30	37	20	6	3	1
2007	7	30	37	20	6	3	1
2008	7	30	37	20	6	3	1
2009	7	36	43	20	7	8	1
2010	6	38	44	21	7	9	1
2011	7	42	49	23	8	10	1
2012	7	47	54	23	12	11	1
2013	7	47	54	23	12	11	1
2014	6	50	56	24	8	16	2
2015	7	50	57	24	8	16	2
2016	7	58	65	24	15	16	3
2017	7	62	69	24	19	15	4
2018	7	64	71	24	22	16	2
2019	7	66	73	24	24	16	2
2020	7	72	79	25	29	16	2
2021	7	72	79	25	29	16	2

***Source*:** Prepared by researchers based on CBI data, statistical website, various annual economic reports.

Some indicators of Iraq's banking liberalization and economic development evolved during the duration of the study

Some indicators of bank liberalization

Evolution of the Banking Sector Deposit Index

The index quantifies the capacity of banks to effectively organize domestic savings by means of deposits. Furthermore, it assesses the capacity of banks to accommodate deposits in several types, including Current deposits, savings deposits, and time deposits .This metric is commonly employed in emerging economies (Demirguc-Kunt & Levine, 1996:309) [12]. Thus, this indicator is an important measure that shows the level of banking transactions, so banks seek to enhance it by encouraging increased savings. Consciousness in the economy and simplifying the processes for depositing or withdrawing money. Consequently, they are a crucial component of financing for commercial banks. Table (2) reveals that Total bank deposits varied and decreased during the period studied, but the overall trend was positive .

The aggregate amount of bank deposits rose to 8115 billion dinars. Since 2004, the amount of money has risen from (26, 188) billion dinars in 2007 to (47, 947) One billion dinars in 2010. The growth is attributable the implementation of banking laws and investment law has clearly contributed to the relative improvement of the security and economic situation in the country. In addition, the increasing confidence in the financial system has contributed to the increase in the number of banks and branches. However, these numbers decreased to 64.344 billion dinars in 2015, due to the deterioration of the security situation in Iraq and the control of ISIS terrorist gangs over some provinces into some governorates have resulted in increased expenses for military operations and support for displaced persons. These factors have adversely affected the proportion of government deposits maintained by banks. Moreover, there has been an increase in depositor withdrawals due to the emigration of many individuals resulting from inadequate security circumstances. Furthermore, the closure of bank branches, either through mergers or closures within the provinces that were under the control of the terrorist ISIS gangs contributed to the decline in the monetary mass, as these conditions combined led to an overall decline bank deposits in Iraq. However, in 2021, The aggregate bank deposits in Iraq rose to 88,920 billion dinars. This increase may be ascribed to the relative enhancement of the security situation and the expansion in the number of banks and their branches.

Table 2: Total bank deposits and their proportion to Iraq's GDP during the duration of the study

Years	Total Deposits (billion dinars)	Number of private banks	Ratio of total deposits to GDP %
2004	8115	53235	15.24
2005	10796	73533	14.68
2006	16928	95587	17.71
2007	26188	111455	23.50
2008	34524	157026	21.99
2009	38582	130643	29.53
2010	47947	162064	29.59
2011	56150	217327	25.84
2012	62005	254225	24.39
2013	68855	273587	25.17
2014	74073	266332	27.81
2015	64344	194680	33.05
2016	62398	196924	31.69
2017	63784	221665	28.77
2018	76893	254870	30.17
2019	81010	276117	29.33
2020	86088	219774	39.17
2021	88920	301469	29.49

***Source*:** Prepared by researchers based on CBI data, statistical website, various annual bulletins.

- The ratios were calculated by researchers.

Evolution of the banking capital index

As a consequence of bank deregulation, the banking industry has experienced significant growth in banking activities over the research period. Indicators of bank capital and bank assets have undergone evident evolution. The total bank assets have shown a marked rise during the period from 2004 to 2008. This suggests that the implementation of laws after 2004 has contributed to the positive trajectory of bank liberalization. These laws are crucial under the Banking Act as bank assets are recognized as a fundamental component of financial stability. However, table (3) reveals a decline in bank assets within a year. In 2009, the bank assets of most nations worldwide, including Iraq, had a negative rate of change as a result of the global financial crisis that affected the banking industry at the end of 2008. However, total assets subsequently resumed their upward trend after 2010.

The financial assets of banks increased from GD 70,863,617 million in 2010 to GD 133,705,595 million in 2015. This is a dependable metric that precisely reflects the advancement in private banking institutions. The growth in private bank assets is attributable Adding new commercial banks to the banking sector in Iraq. Bank assets had a resurgence followed by another decrease, attributed to the precarious security conditions in Iraq, marked by the prevalence of terrorist organizations in three governorates, with the financial crisis that impacted Iraq's economy towards At the end of 2014, the global decline in oil prices led to a significant decline in assets in the Iraqi banking sector. This decline continued until total assets in 2017 reached about 103, 011, 522 million dinars, which negatively affected the overall banking performance in Iraq during that period. This decline was due to financial insolvency resulting from the security and economic conditions witnessed by Iraq. However, bank assets increased after 2017, reaching a total of 147527249 million dinars in 2021. These findings suggest that the deregulation of banks has led to enhanced banking operations and an amelioration in the security conditions in Iraq. Throughout the research period, there was a consistent increase in the size of bank capital, leaving no variation in its magnitude. An augmented bank capital size is a favorable sign that bolsters financial stability, ensures the security and sustainability of banks, and offers enhanced protection for depositors. The figure indicates that the bank's capital size increased from 89,626 million dinars in 2004 to 3,352,531 million dinars in 2011, and further to 17,196,577 million dinars in 2021.

Table 3: Total bank assets and bank capital in Iraq during the period of the study

Years	Total bank assets (1 million dinars)	Annual Change Rate %	Bank Capital (1 million dinars)	Annual Change Rate %
2004	28582461	——	89626	——
2005	36822801	28.83	376287	319.84
2006	45194364	22.73	773658	105.60
2007	48867748	8.13	1065942	37.78
2008	67401023	37.93	1352571	26.89
2009	63394853	-5.94	2077355	53.28
2010	70863617	11.78	2534005	21.98
2011	78742611	11.12	3352531	32.30
2012	87918625	11.65	4604522	37,35
2013	97154384	10.51	6619059	43.75
2014	83737936	-13.81	8540450	29.03
2015	133705595	59.67	9667480	13.20
2016	129169091	-3.39	10674258	10.41
2017	103011522	-20.25	13282311	24.43
2018	108003321	4.85	14782498	11.30
2019	120091270	11.19	15182962	2.71
2020	129799752	8.42	16434041	8.24
2021	147527249	13.65	17196577	4.63

***Source*:** Prepared by researchers based on CBI data, statistical website, various annual statistical bulletins.
Ratios and amount of annual change were calculated by researchers.

The evolution of the banking sector's credit index

This metric is the principal criterion for evaluating the advancement and efficacy the banking sector and the level of financial intermediation in the economy**.** This figure more closely estimates the actual funds supplied to the private sector than any other indicator due to its role in project financing. The favorable association between the magnitude the importance of the role of the private sector in the banking system and bank credit. Ratio enables the private banking sector to furnish a larger volume of funding for private sector projects, especially in commodities. Certain individuals contend that augmented lending to the private sector stimulates economic activity, hence enhancing the pace of economic growth. A greater volume of credit will lead to an increase in loans granted to the private sector, hence enhancing the level of investment. This phenomena contributes to an accelerated rate of economic growth (Mabrook, 2015: 35) [21], The efficacy The performance of banking institutions in Iraq during the studied period will be evaluated based on the indicator of the ratio of banking credit to GDP**.** Table 4 illustrates a significant rise in the total cash credit extended by the banking sector over the research period. The total cash credit rose from 850 million general dinars in 2004 to 1717 million dinars in 2005, accounting for 2.34% of the entire GDP for that year. In 2010, government banks provided 75.39% of credit, and private banks contributed 24.61% of an estimated cash credit of 11,721 million IQD. The rise may be ascribed to the supplementary deposits made by the Government with financial institutions, together with the initiatives enacted The Central Bank contributed to increasing the volume of loans, as the increase in the volume of cash credit continued until it reached 28,438 million Kuwaiti dinars in 2012. The reason for this increase is due to the growth of bank credit provided by government banks**,** which has attained a cash credit ratio of 82.07%.According to Table 4, cash credit rose to 51,127 million dinars in 2021, constituting 16.95% of GDP.

Table 4: Evolution of cash credit to government and private banks in Iraq during the study period (1 million dinars)

Years	Credit granted by government banks (1)	Credit granted by private banks (2)	Cash credit	GDP (4)	(1)/ (3) %	(2)/ (3) %	(3)/ (4) %
2004	250	600	850	53235	29.41	70.59	1.60
2005	553	1164	1717	73533	32.20	67.80	2.34
2006	964	1700	2664	95587	36.19	63.81	2.79
2007	1601	2354	3955	111455	40.48	59.52	3.55
2008	3436	1151	4587	157026	74.91	25.09	2.92
2009	3762	1928	5690	130643	66.12	33.88	4.36
2010	8837	2884	11721	162064	75.39	24.61	7.23
2011	16568	3776	20344	217327	81.44	18.56	9.36
2012	23340	5098	28438	254225	82.07	17.93	11.19
2013	23387	6565	29952	273587	78.08	21.92	10.95
2014	26878	7245	34123	266332	78.77	21.23	12.81
2015	29077	7675	36752	194680	79.12	20.88	18.87
2016	29850	7330	37180	196924	80.29	19.71	18.88
2017	30621	7331	37952	221665	80.68	19.32	17.12
2018	31440	7510	38950	254870	80.72	19.28	15.67
2019	33560	8492	42052	276117	79.81	20.19	15.22

2020	36452	8692	45127	219774	18.34	4.37	20.53
2021	41867	9260	51127	301469	6.57	1.45	16.95

***Source*:** Prepared by researchers based on CBI data, various annual bulletins.
- Ratios calculated by researchers.

Credit and Deposit Interest Rate Index

The difference between these two indicators represents the level of prevalence as measured by the credit interest rate and deposit interest rate. The global degree of prevalence is defined as a standard ratio of four points at the highest level. Any increase in prevalence will result in an imbalance in banking activity, affecting both the deposit and borrowing sides. This is because higher prevalence will cause banks to be cautious about granting loans to customers, and customers would prefer to keep cash instead of depositing it with banks." Typically, when a depositor intends to place his savings in banks, he will assess the advantages of keeping the money with a cash liquidity authority against the interest he may get by putting it in banks. Conversely, the borrower would assess the anticipated future earnings from borrowing and investing the funds in a project, in the relationship to the interest that the borrower may need to pay to the bank (Ali, 2018:28) [6]. Considering the information provided, one may claim that there is a positive correlation between the accumulation and the level of proliferation. This enhances the capacity to invest and so attain economic progress. Reference table (5) displays the disparity rate between the credit rate and the deposit rate. From 2004 to 2007, the cost of monetary policy increased from 6 years to 20 years. This increase was implemented to maximize the withdrawal of cash By the public for the purpose of mitigate Inflation, in addition to control credit and investment restrictions in most categories where investment is allowed, For the exclusive purpose of carrying out banking operations**.** Subsequently, it declined to 6.25 in 2010 due to lower inflation rates.

The fall may be attributed to the implementation of economic stability measures by monetary policy, aimed at achieving the intended development. This decline persisted for eight years. The year 2021. Consequent to The approach taken by the Central Bank to enhance the vitality and dynamism of the Iraqi economy. for the purpose related to economy growth, it is observed It appears from the table that the interest rate on bank credit has progressively risen, having grown from (12.70) year (2004) to (14.48) year (2006) and (19.49) year (2008), Then the interest rate fell according to the government's plan. tendencies to implement the fiscal liberalization policy, as it fell from (15.62) Year (2009) to (13.00) Year (2021), however, Despite this decrease, the interest rate is still high compared to the interest rate on deposits**,** noting that the deposit interest rate increased from (6.50) year on year (2004) to (11.87) in (2008) and then took a wobble until it reached (7.50) years (2021), The increase in borrowing interest rates has shown In the volume of credit provided to the public by commercial banks**,** which indicates a lower provision of credit relative to the capital possessed by these institutions.

Table 5: Evolution of interest rates and deployment rate in Iraq during the study period

Years	Monetary Policy Rate %	Credit Interest Rate %	Deposit rate %	Prevalence Degree %
2004	6	12.70	6.50	6.2
2005	7	13.65	7.26	6.39
2006	16	14.48	7.29	7.19
2007	20	19.46	11.30	8.16
2008	16.75	19.49	11.87	7.62
2009	8.83	15.62	8.82	6.8
2010	6.25	13.32	7.17	6.15
2011	6	13.56	6.90	6.66
2012	6	13.00	6.77	6.23
2013	6	13.12	6.60	6.52
2014	6	12.37	6.01	6.36
2015	6	12.27	5.75	6.52
2016	4.33	12.30	5.65	6.65
2017	4	12.30	6.14	6.16
2018	4	12.90	5.90	7.00
2019	4	12.00	5.80	6.20
2020	4	13.00	7.50	6.50
2021	4	13.00	7.50	6.50

***Source*:** From the preparation of researchers based on CBI data, various annual bulletins.

Some economic development indicators

Average GDP per capita

An essential economic measure, per capita domestic product is calculated GDP per capita is calculated by dividing GDP by the population for a year. The importance of this indicator is evident in its ability to reflect economic growth rates and measure the scope and volume of total production**.** Establishing a strong basis for economic development necessitates the enhancement of the country's economic capabilities, achieved through various methods, with the primary focus being on attaining per capita income growth rates. GDP per capita is a fundamental requirement for achieving comprehensive economic development. Due to the interdependence and overlapping impact across society, the rise in GDP will be mirrored in the rise in average per capita. Any rise in the average per capita would have an impact on output, thereby boosting the overall level of productivity. Declining average per capita GDP leads to individuals experiencing enduring poverty, Which prevents Depriving an individual of meeting his basic needs negatively affects his standard of living, and therefore focusing on the economic reality of the individual contributes clearly to raising the standard of living of society. The gross domestic product and the average per capita income are among the most prominent indicators of economic performance, as it is one of the main sources of national income for the state.

Iraq's gross domestic product (GDP) is different from that of countries in the world these countries are similar in terms of the growth of available resources and capabilities, due to the circumstances that Iraq witnessed during the period studied. This has negatively affected economic activity in general, and production capacity in particular. In addition, the spread of financial and administrative corruption in some aspects of the state has contributed to the disparity in Iraq's GDP compared to other countries (Jundi and Zeyarah, 2018: 437) [20], based on the foregoing, Iraq's GDP can be said to give a close picture of economic reality and the course of its development. While its per capita share indicates an indicator of real growth, Because GDP growth will be reflected in the growth of its average per capita, Hence it will affect the living level of citizens, and when going to table (6) note that GDP is rising, from 53235358.7 million dinars (2004) to (95587954.8) million dinars (2006) and (157026061.6) in (2008), as well as the average per capita increase for the same period, rising from 2.0 million dinars. (2004) to reach (2.6) million dinars in 2006 and (3.3) million dinars (2008), Due to the end of the economic blockade and sanctions imposed on Iraq before 2003, this contributed to the increase in financial and commercial relations with the outside world. This was reflected in the increase in oil sector exports. In addition, the prices of oil sector products increased, which clearly contributed to increasing Iraq's revenues from the products of this sector, which contributed to increasing the gross domestic product and then increasing the average per capita share of the gross domestic product, Then the GDP decreased in the year (2009) to reach (130643200.4) million dinars, which was reflected in the decrease in the average per capita share for the same year to reach (4.1) million dinars due to the mortgage crisis that hit the world at the end of 2008, which had a significant impact on the decrease in export prices of the commodity that Iraq relies on to form the GDP, then the GDP and the average per capita share of it rose again to reach (273587529.2) million dinars (2013) so that the average per capita share for the same year was (8.0) million dinars, Due to the rise in the prices of oil sector products, which contributed to increasing the revenues generated from this sector, in addition to the growth witnessed by the government services sector, which was clearly reflected in the increase in the gross domestic product and the average per capita share of it, but it then returned to decline to (266332655.1) million general dinars (2014) and continued to decline until (2016) with GDP this year (196924141.7 million dinars), which was no different from the average per capita output as it declined in a year (2014) to (7.6) million dinars and continued to decline to (5.4) million dinars (2016) As a result of the security and economic conditions that Iraq has witnessed, and the accompanying decline in the prices of products that are relied upon to form the gross domestic product

This contributed to a decline in revenues from oil sector products, which was reflected in a decline in the gross domestic product and the average per capita share of it during the period under study, and subsequently took the GDP and average per capita up again as it rose from (221665708.5) million dinars (2017) to (254870184.6) million dinars (2018) and then (276117000.0) million dinars in 2019 Due to the improvement of the security situation during that period, in addition to the return of most displaced families to their areas of residence and the resumption of their work, which contributed to the rise in the prices of oil sector products, which was reflected in the increase in revenues, which contributed to the increase in the average per capita share to reach 6.7 million dinars (2019). The gross domestic product and the average per capita share of it continued to rise until it reached (301,469,000.0) million dinars in (2021), compared to an average share of (7.3) million dinars, as shown in Table (6).

Table 6: Current prices' GDP and average duration per capita (2004-2021)

Years	GDP (1 million dinars)	Total population Citizen	Average per capita GDP (1 million dinars)
2004	53235358.7	27139585	2.0
2005	73533598.6	27962968	2.6
2006	95587954.8	28810441	3.3
2007	111455813.4	29682080	3.8
2008	157026061.6	30577798	5.1
2009	130643200.4	31664466	4.1
2010	162064565.5	32400205	5.0
2011	217327107.4	33088782	6.6
2012	254225490.7	33725178	7.5
2013	273587529.2	34304693	8.0
2014	266332655.1	34819301	7.6
2015	194680971.8	35212600	5.5
2016	196924141.7	36169123	5.4
2017	221665708.5	37139519	6.0
2018	254870184.6	38124182	6.7
2019	276117000.0	39127889	7.1
2020	219774000.0	40150174	5.5
2021	301469000.0	41190658	7.3

***Source*:** Prepared by researchers based on official data from the National Accounts Directorate at the Ministry of Planning, separate annual bulletins (2004-2021)

The average per capita is calculated by researchers

Ratio of foreign investment to GDP

Net international investment is a type of capital movement that serves as an indication of economic progress. The aforementioned statistic holds significant importance in the economic growth process of the majority of countries worldwide. To enhance its collaboration in the global economy, Foreign Direct Investment (FDI) may be defined as the movement of capital between two nations, in whatever form, with the purpose of creating new companies, augmenting the capital of existing organizations, or advancing their production of products or services (Unctad, 2018: 10) [24]. Iraq's shift in economic philosophy towards emphasis on economic liberalization, together with the implementation of investment legislation aimed at promoting economic and social progress, has precipitated certain outcomes. Referring to table (7) which displays FDI inflows and their ratio to GDP, it is observed that the FDI inflows in 2004 amounted to (385,803) million dinars due to Iraq's economic liberalization and the suspension of economic sanctions. In 2005, FDI flows increased to 584,965 million dinars as a result of Iraq's decline in security during that year. The issuance and implementation of Iraqi Investment Law No. 13 of 2006 resulted in to a restoration of investment to 914, 935 million dinars in 2007. In 2008, FDI reached (17275972) million dinars, to decrease thereafter in 2009 to reach (14679305) million dinars As a result of the global financial crisis that affected all the world's economies at the end of 2008, investments in Iraq have seen a rise again, until FDI reached Iraq (54016878) million dinars (2013), owing to rounds of licenses and increased oil investments, It then dropped to 25, 526, 476 million dinars in 2015 due to the country's poor security and economic conditions, After that, investments continued to fluctuate until they reached (27,314,080) million dinars in the year, due to the economic and security conditions that Iraq witnessed, Based on this vision, it can be said that improving the security and political situation is a testament to the increasing investment flows in some years because the investor is always looking for the safe and stable environment in which he invests his money. The continued flow of FDI into Iraq shows its importance through its contribution to GDP and its effects on the economy, such as reducing unemployment, increasing exports and reducing imports.

Table 7: Ratio of foreign investment to GDP for the duration (2004-2021) (1 million dinars)

Years	Value of FDI	GDP at current prices	Ratio of foreign investment to GDP%
2004	385803	53235358.7	0.72
2005	584965	73533598.6	0.79
2006	731786	95587954.8	0.76
2007	914935	111455813.4	0.82
2008	17275972	157026061.6	11.00
2009	14679305	130643200.4	11.23
2010	21720566	162064565.5	13.40
2011	25620063	217327107.4	11.78
2012	40733390	254225490.7	16.02
2013	54016878	273587529.2	19.74
2014	47658726	266332655.1	17.89
2015	25526476	194680971.8	13.11
2016	24790599	196924141.7	12.58
2017	25405761	221665708.5	11.46
2018	26040644	254870184.6	10.22
2019	37872735	276117000.0	13.72
2020	21081714	219774000.0	9.59
2021	27314080	301469000.0	9.06

***Source*:** Source: Prepared by researchers based on official data from the National Accounts Directorate at the Ministry of Planning, separate annual bulletins (2004-2021)

- The average per capita is calculated by researchers.

Ratio of Government Investment to Public Expenditure

Post-2003, public spending had a noticeable growth in most of the studied years, mostly driven by higher oil revenues that directly contributed to the rise in GDP and therefore the increase in the amount of public investments. Referring to Table (8), it is important to observe that in 2004, the state spending amounted to around (32117491) million dinars due to the rise in oil income. Consequently, there was a rise in government spending in both the investment and consumption sectors. For the same year, the government investment to public spending ratio was established at 9.39. After allocating 594,374 million dinars in 2008 to increase the government investment ratio to 20.00, the size of public spending and the investment to expenditure ratio declined in 2009 to 18.91 million dinars. This decrease was a result the global crisis forced the fiscal policy to implement contractionary policies in order to reduce total spending. Over the period of 2010-2013, public spending increased to approximately 1,911,756 million dinars in 2013. The ratio of government investment to public expenditure was around 33.90. This growth was primarily driven by the expansion of current and investment government spending, which was directly influenced by rising oil prices. Consequently, the increase in GDP and public spending also contributed to this rise. It subsequently decreased until 2017 due to depressed global oil demand caused by the 2014 oil crisis, leading to a decline in oil revenues. This decline was accompanied by higher military spending Due to the security situation that Iraq witnessed, represented by the control of the terrorist ISIS gangs over some Iraqi provinces during that period. During the period of 2014-2017, the State implemented a rationalization program to decrease the amount of public expenditures. However, the results of this policy were inconsistent until the conclusion of the year. The current fiscal year is projected to be at 82040610 million, with a government investment to public expenditure ratio of around 20.81 dinars. This ratio is a result of the reduction in all components of government spending caused by the economic crisis. COVID-19 the ongoing oil price fall issue has had a significant impact on oil revenues, leading to a loss in GDP and subsequently reducing the amount of public spending. As a result, government expenditures, particularly investment in all sectors, have been reduced.

Table 8: Ratio of foreign investment to GDP for the duration (2004-2021) (1 million dinars)

Years	Government investment	Public spending	Ratio of government investment to public expenditure %
04	3014733	32117491	9.39
2005	4572018	26375175	7.331
2006	6027680	38806679	15.53
2007	7723044	39031232	19.78
2008	11880675	59403374	20.00
2009	10513405	55589721	18.91
2010	16130866	70134201	23.00
2011	17832113	78757667	22.64
2012	29350952	105139575	27.92
2013	40380750	119127556	33.90
2014	36731844	115937762	31.68
2015	18584676	82813611	22.44
2016	15894009	73571003	21.60
2017	16464461	75490115	21.81
2018	13820189	80873200	17.08
2019	24422523	111723523	21.90
2020	15216488	76082445	20.00
2021	17056310	82040610	20.80

***Source*:** Prepared by researchers based on official data from the National Accounts Directorate at the Ministry of Planning, separate annual bulletins (2004-2021)

- The average per capita is calculated by researchers.

Trends in the relationship between some indicators of banking reform and economic development

Analysis of the relationship between certain indicators of banking reform and economic development

From table (9) and diagrams (1) and (2) below, deposits are positively reflected in GDP during the study period. Which is consistent with the economic logic of economic theory increase in bank deposits contributes to the increase in GDP. (R2) which showed that bank deposits affect GDP by a percentage (68%) The rest of the 32% is due to factors outside the model.

Bank credit has shown that bank credit reflects negatively on GDP during the study period. This is not consistent with the economic logic of the theory that indicates that there is a direct effect of bank credit on the gross domestic product. What explains this negative explanation is that the credit volume of commercial banks in Iraq was not within the required level as a result of the economic conditions experienced in most of the school years, and what we say is the determination factor ratio. (R2) which showed that bank credit affects GDP by a percentage (88%) The rest of the 12% is due to factors outside the model.

Foreign investment has a statistically significant beneficial impact on GDP throughout the research period. This is analogous to the rationale of economic theory, which posits that augmenting foreign investment leads to achieving a higher GDP. Nevertheless, the ratio was somewhat modest, which may be attributed to the decline in the security conditions during certain years of analysis. This decline led to the limited influx of foreign investment into the nation. Analysis of R2 revealed that foreign investment had a 29% impact on GDP. The remaining proportion (71%) is attributed to variables beyond the scope of the model.

Government investment is positively reflected in government spending during the duration of the study. This is in line with the economic logic of economic theory, which indicates that increased government investment contributes to increased government spending. The reason for this was that public expenditure was directed at consumer expenditure as a result of the economic conditions experienced in most of the school years. (R2) which showed that government investment affects government spending by a percentage (18%) The rest of the ratio (82%) is due to factors outside the model.

The results showed that the average per capita is positively reflected in GDP during the study period, which is identical This is in line with the economic logic of economic theory, which indicates that increasing GDP contributes to increasing the average per capita. The reason for this is that Iraq's GDP It depends almost mainly on revenues from oil sector products, which contributes to an An increase in the gross domestic product, which is reflected in an increase in the per capita share of it, as a result of the conditions in most years of study, which mainly affected GDP, which has caused that percentage to decline for most years. (R2) which showed that GDP affects its average per capita percentage (52%) The rest of the percentage (48%) is due to factors outside the model.

Analysis of correlation factors between certain indicators of banking reform and economic development

Table 10 below shows a weak correlation between deposits and foreign investment to GDP (52%) because deposits to GDP are not directed at foreign investment but rather at operational expenses during the study period. Credit with investment to GDP indicates that there is a weak correlation that is reflected steadily between credit and foreign investment to GDP (54%) because banks did not direct credit towards investment but retained monetary amounts during the study period to maintain the money supply according to the central bank's directions.

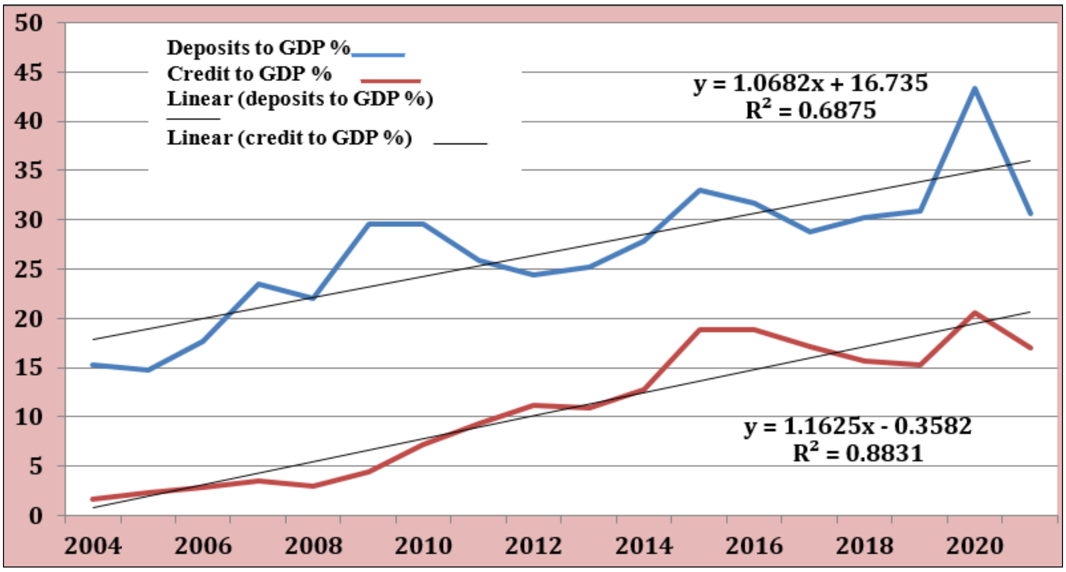
A weak correlation between deposits and foreign investment to government investment is also evident. (41%) Because deposits are not directed at government investment, most credits have been fictitious due to widespread financial and administrative corruption in most state departments. For example, many loans to the agricultural sector have not been used properly in this sector. Credit with investment to government investment indicates that there is a weak correlation that is reflected separately between credit and foreign investment to government investment (42%) as a result of the central bank raising legal reserves during the study period to maintain the offer of cash.

The table also shows a weak correlation between deposits and foreign investment to the average GDP per capita is 51% due to high average per capita income.depends on the value of the GDP, the higher the GDP the higher the average per capita. Credit with investment to average per capita GDP indicates a correlation that is reflected steadily between credit and foreign investment to average per capita (65%) because with increased credit, GDP increases and thus affects positively the increase in average per capita GDP.

Table 9: Trends in indicators of banking reform and economic development

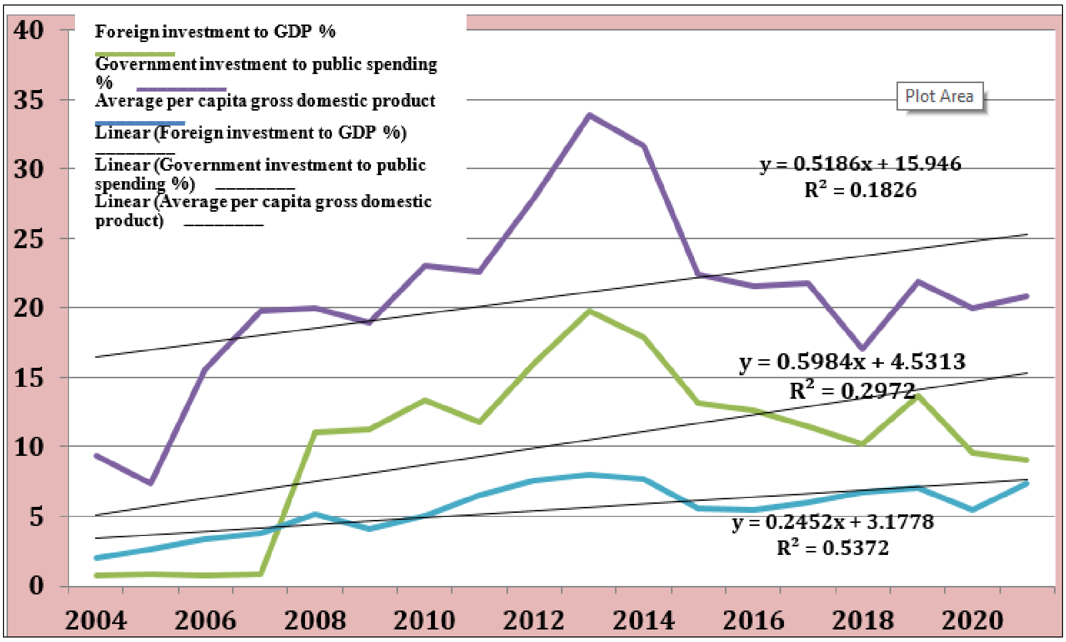
Years	Deposits to GDP %	Credit to GDP %	Foreign Investment to GDP %	Government Investment to Public Expenditure %	Average per capita GDP (1 million dinars)
2004	15.24	1.6	0.72	9.39	2.0
2005	14.68	2.34	0.79	7.331	2.6
2006	17.71	2.79	0.76	15.53	3.3
2007	23.5	3.55	0.82	19.78	3.8
2008	21.99	2.92	11	20	5.1
2009	29.53	4.36	11.23	18.91	4.1
2010	29.59	7.23	13.4	23	5.0
2011	25.84	9.36	11.78	22.64	6.6
2012	24.39	11.19	16.02	27.92	7.5
2013	25.17	10.95	19.74	33.9	8.0
2014	27.81	12.81	17.89	31.68	7.6
2015	33.05	18.87	13.11	22.44	5.5
2016	31.69	18.88	12.58	21.6	5.4
2017	28.77	17.12	11.46	21.81	6.0
2018	30.17	15.67	10.22	17.08	6.7
2019	30.81	15.99	13.72	21.9	7.1
2020	43.3	22.7	9.59	20	5.5
2021	30.65	54.37	9.06	20.8	7.3
Compounded growth rate	16.7	-0.37	4.5	15.9	3.1
R2 Determination Factor	68%	88%	29%	18%	53%
commentary	Rising positive growth	Poor and volatile negative growth	Positive Growth Volatile	Rising positive growth	Positive Growth Volatile

***Source*:** From the researchers' work based on previous tables, through the recruitment of the Excel 2020 program, the composite trend has been estimated, as shown in subsequent figures



Source: Form of researchers' work based on Table No. 9

Fig 1: Trends in Bank Reform Indicators



Source: Form of researchers' work based on Table No. 9

Fig 1: Trends in Bank Reform Indicators

Table 10: Pearson correlation factors between search variables for the period (2004-2021)

		Deposits to GDP %	Credit to GDP %
Foreign Investment to GDP %	Correlation	0.521107	0.541753
	Probability	0.0266	0.0202
Government Investment to Public Expenditure %	Correlation	0.41809	0.423899
	Probability	0.0842	0.0796
Average per capita GDP	Correlation	0.515867	0.652093
	Probability	0.0284	0.0034

Source: Evewis 12th Edition

Conclusions

1. The analytical aspect indicates that the total deposits in government banks are higher than in eligibility, because of the public's confidence in these banks than in private banks, which is proven by the quantitative aspect that showed that bank deposits are positively reflected on GDP during the study period.
2. Although the head of banking money in government banks fluctuated and decreased during the period of study, the citizen's confidence in these banks compared to private banks is greater because these banks are guaranteed by the state.
3. 3-There are trends between economic reform indicators and some economic development indicators during the period studied, this is consistent with the study hypothesis.
4. Although the credit balance granted by commercial banks increased, it did not rise to the required level and did not rise to the declared trends. This is because the credit policy of commercial banks was coupled with borrowers' credit risk concerns. This has been demonstrated by the quantitative aspect of bank credit reflected negatively on GDP during the study period.
5. Government investment reflected poorly on government spending during the study period, due to the fact that public spending was directed at consumer spending as a result of the economic conditions experienced in most of the study years.
6. The average per capita is reflected poorly on The gross domestic product during the period under study, as the gross domestic product in Iraq depends almost entirely on the revenues of the oil sector, which clearly contributes to increasing the gross domestic product, which is reflected in increasing the average per capita share of the GDP.

Recommendations

1. Enhancing disclosure and transparency in banking transactions and making them the basis of consumer financial protection principles, which helps to enhance the individual's confidence in the financial and banking sector, thereby contributing to the expansion of the customer base, thereby increasing credit, and thus achieving economic development.
2. Working to free interest rates, because setting those rates administratively, misallocates the scarce resources of banks, as well as liberalizing bank interest rates contributes to reducing consumption and encouraging savings.
3. Working to develop and increase the effectiveness of the financial sector in Iraq by highlighting the role of the private sector through granting credit to the private sector from banks, in addition to reducing the role of informal economic activities of the private sector in the economy.
4. Work to increase cooperation between Iraqi banks on the one hand and Iraqi universities on the other hand in order to exchange information and experience and develop the staff for the purpose of enhancing the quality of services provided to individuals.

5. Restructuring the banking sector by encouraging merger between small banks in order to create large banking units that can provide integrated banking services, which contributes to increasing banks' competitiveness.
6. Give banks' governing bodies the freedom to make appropriate decisions, especially those focused on bank reform, by providing adequate information on investors dealing with banks in order to know their financial positions, in order not to hinder their loans, and to guide them properly to ensure economic development.
7. Promote modernization and use of modern technology and focus on training to develop the skills of bankers and banking cadres at a high level of increased investment in the human component, especially in the fields of ICT and attracting scientific and practical expertise rather than managing banks according to thought and financial and banking work.

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