

The Analysis of the Impact of Bank Credit on the Economic Growth in Iraq for the period 2004-2019

Prof. Dr. Baqer Karji Habib Al-Jubouri

Master's Student Intisar Abbas Hassoun

Abstract :

The bank credit is one of the most important banking services provided by commercial banks in Iraq to investors; as well as economic units; the state institutions, apart from being one of the most important banking activities that attract profitable revenues to *commercial* banks, for mediating between economic units by granting loans and various banking facilities; In addition to the important role in financing economic activities; Banking agencies have acquired a distinct and very important role through financial intermediation and their ability to mobilize savings in society and direct them towards economic activities in the form of cash and pledge facilities. Which would have a significant impact on developing and supporting the economies of countries, especially developing countries. The situation that the Iraqi economy is going through has negatively affected various aspects of social, economic and political life, so it has become necessary to provide an appropriate environment for the banking system in order to raise the reality of its work more than it was and to work harder to move towards a market economy and create the appropriate conditions, perhaps the most important of which is providing the necessary credit for the success of This transformation has highlighted the importance of bank credit and its ability to provide the requirements of economic growth that the country seeks to reach and this, and the research dealt with analyzing the role of bank credit on economic growth during the study period, and the importance of research stems from the orientation of developing countries, including Iraq, towards activating bank credit to play an effective role In achieving economic growth, the research problem is represented in the following question: Is there a role for bank credit in influencing economic growth? The research started from the hypothesis that bank credit has an ineffective role in influencing economic growth. The research reached the most important conclusion, which is that it proved its hypothesis, which states that the effect of bank credit in Iraq has a volatile and weak effect on economic growth, due to the link between economic growth and oil production, which is linked to global oil prices, which are characterized by instability

المستخلص : يعتبر الائتمان المصرفي من أهم الخدمات المصرفية التي تقدم من قبل المصارف التجارية في العراق للمستثمرين ؛ وكذلك الوحدات الاقتصادية ؛ و مؤسسات الدولة ، بغض النظر عن كونه من أهم الأنشطة المصرفية التي تجذب الإيرادات المجزية للمصارف التجارية ، لقيامها بالوساطة بين الوحدات الاقتصادية من خلال منح القروض وتسهيلات مصرفية مختلفة ؛ بالإضافة الى الدور المهم في تمويل الأنشطة الاقتصادية ؛ وقد حصلت الأجهزة المصرفية دورا مميزا بالغ الأهمية من خلال الوساطة المالية وقدرتها على تعبئة المدخرات في المجتمع وتوجيهها نحو الأنشطة الاقتصادية بشكل تسهيلات نقدية وتعهدية ؛ مما يكون لها الأثر الكبير بتطوير ودعم اقتصاديات الدول خاصة الدول النامية . والوضع الذي يمر به الاقتصاد العراقي انعكس سلباً على مختلف جوانب الحياة الاجتماعية والاقتصادية والسياسية ، لذا اصبح من الضروري توفير مناخ ملائم للجهاز المصرفي لكي يرتقي بواقع عمله اكثر مما كان عليه والعمل بجهد أكبر للمسير نحو اقتصاد السوق وتهيئة الظروف الملائمة ، لعل أهمها توفير الائتمان اللازم لنجاح هذا التحول وقد تبرز أهمية الائتمان المصرفي وقدرته على توفير متطلبات النمو الاقتصادي الذي يسعى البلد للوصول اليه

وهذا ، وقد تناول البحث تحليل دور الائتمان المصرفي على النمو الاقتصادي خلال فترة الدراسة ، وتنبع أهمية البحث من توجه البلدان النامية ومنها العراق نحو تفعيل الائتمان المصرفي للعب دور فعال في تحقيق النمو الاقتصادي ، تتمثل مشكلة البحث في التساؤل التالي : هل هناك دور للائتمان المصرفي في التأثير على النمو الاقتصادي ؟ وانطلق البحث من فرضية ، ان للائتمان المصرفي دور ليس بالفعال للتأثير على النمو الاقتصادي .وتوصل البحث الى الاستنتاج الاهم وهو انه اثبت فرضيته والتي اتص على ان تاثير الائتمان المصرفي في العراق ذات تاثير متذبذب ويتصف بالضعف على النمو الاقتصادي وذلك لارتباط النمو الاقتصادي بالانتاج النفطي والذي يرتبط بأسعار النفط العالمية التي تتسم بعدم الاستقرار

An introduction

Bank credit is an essential role in the national economy; As the financial intermediary between savers and investors; The function of bank credit is also the main and basic function for commercial banks to reach their profits. and achieve its other objectives; Because it is considered the contributor to the largest share of the income of commercial banks, bank credit is a marketing process for bank funds that leads to achieving safety and profitability Through the guarantees and controls available and the rules followed by the management of banks; Which includes the return of money to banks without losses. As for economic growth, it is considered the main objective of economic policy in all countries of the world and occupies the center stage in economic policies. Achieving economic growth is not considered easy, because there are requirements .Basic and conditions that must be met to reach the desired situation, and among those requirements; It is the availability of the necessary financial resources from appropriate sources of financing for investment, which leads to an increase in output and income.

The Research's problem :

The research problem is represented in the following question:-

- 1- Does bank credit affect the variables of economic stability?
- 2- What is the role of bank credit in influencing economic growth?

search objective Study and analysis of bank credit and economic growth and the relationship between them in the Iraqi economy during the study period (2004-2019).

The research s' hypnosis :

The research hypothesis stems from the assumption that bank credit has an ineffective role in influencing economic growth.

The research's Methodology :

In order to reach the objectives of the research and to test what was stated in its hypothesis, the inductive method was relied on to study the total facts, and through the formulation of economic analysis in the descriptive style as well as the standard study to show the analysis of the relationship between bank credit and economic growth in Iraq for the period 2004-2019.

The first topic: The Bank credit, The economic growth, The theoretical approaches

The first requirement: the definition of bank credit

The bank credit has been defined as “a supply of funds in times of need in exchange for a sum of money in the future, often more than the first, in exchange for the present value of the money and the risks of inflation and sacrifice” (), and it is defined as “the trust granted by the bank.” By granting a specific amount of money, which he uses in a specific work and for a specific period, the customer is obliged to pay according to the approved conditions, and in return the bank obtains a return called interest, and the customer provides guarantees that guarantee the bank to return his money in the event the customer refuses to recover it” ()

From the above, it can be defined as “a sum of money agreed upon and granted by the bank to the customer who disposes of it for a specific purpose with the knowledge of the bank in accordance with the guarantees and conditions contained in the authorization to grant credit during a period with the aim of developing the customer’s activity in return for the customer’s pledge to return the amount with the interest accrued on it and the due expenses.

There are five basic elements of bank credit ():

1- The debt relationship: it means that there are two parties between which a credit transaction takes place, one of whom is a creditor (the bank) and the other is the recipient of the loan (the customer) the debtor; It assumes a trust between them; Where trust is the most important component of bank credit; Because it depends primarily on the investor's ability to pay, which generates a corner of confidence that highlights psychological factors. It also highlights the confidence behind the emergence and development of credit, which is of a personal nature.

2- The Time: Bank credit depends on the element of time; Which cannot be credit if there is no time interval between the loans granted by the bank and what the borrower retrieves or pays from this credit, and the time element that distinguishes credit operations from other instant exchange operations in which there is no time element in relation to the exchange process The same as long as one of the parties has committed itself to fulfilling its obligations and there is a period of time as a result of this: it is permissible to calculate the interest or commission charged by the bank in granting credit to customers, for the element of time plays an important role in credit, where the time period is calculated into several periods, namely: Long credit The term shall be for a period of more than five to twenty-five years. Medium-term credit with a term of more than one to five years; Short-term credit with a term of less than one year.

3- The Risk: is the ability of the creditor to wait for the debtor; With the possibility of not paying that debt. The risk affects the soundness of the financial position of the bank; That is, it threatens its ability to compete, and the degree of risk between banks has varied and increased with the development of banking business and the development of technological progress, which has been imposed on banks to work on their management and reduce that risk, which keeps the bank maintaining its financial position, which is an effective tool for economic progress.

4- The purpose of the credit: the purpose of granting credit was considered the basis for granting it and verifying the extent of the customer’s benefit from this credit if it was the same purpose for

which the credit decision was required and included it, because the decision does not specify beyond a deep, field and technical focused administrative study of the customer to be granted credit and financing it. With regard to its reputation, suitability in the market and ability to pay, and following all technical, financial and field aspects of the project financed by the bank; Which prohibits the investor from using the granted amounts in areas other than the areas for which the credit has been approved.

5- The revenues : Banks determine revenues based on two aspects, namely, the cost of money within the bank. And the size of the risks surrounding the project or the activity financed by the bank, i.e. determining the cost of funds through identifying the sources of funds necessary for long- or short-term financing of the bank, and that the relationship that links the return with the amount of risks surrounding the project to the investor is a direct relationship in which the increase in the volume of risks affects the increase in Calculating the return on the amounts granted. The second requirement: The economic growth, a theoretical approach:

The economic growth is one of the main economic goals that the state is trying to achieve to develop its economy and achieve a higher level of prosperity for the community. It also expresses economic growth as achieving an increase in the average per capita real income over time (). It is an increase in the economy's ability to produce goods and services compared to one period of time with another; Economic growth also expresses the increase in the state's ability to produce goods and services that its residents need () The classics, though differing in opinions regarding economic growth, still agreed on many points; The opinions of the first classical economists were concentrated in the following points (): Profits are the source of capital accumulation. Profits tend to decline, and there is a reciprocal relationship between capital accumulation and population growth. The classic stressed the great importance of the social and institutional environment that helps economic growth; Which is represented by stable administrative and social laws, an efficient production system, and social conditions Appropriate, capital accumulation is the main reason for economic growth and profits are the only source of savings and the expansion of the market is a catalyst in the expansion of the economy. As for the neo-classical, their views on economic growth were: economic growth depends on what is available from the elements of production, and economic growth is a coherent and compatible process with a positive mutual effect, which makes the growth of a particular sector push other sectors to grow, and they considered the growth process the outcome of the interaction between capitalist accumulation and population increase. An increase in capital formation means an increase in the supply of capital, which leads to a decrease in the interest rate, which increases investment and leads to an increase in production. Economic growth is achieved; Economic growth was described by Marshall as organic growth that does not come suddenly but rather gradually; Finally, economic growth requires a focus on specialization, division of labor and freedom of trade As for the growth in Keynesian thought, which was concerned with economic stability and stimulating effective demand; which ensures the operation of surplus production capacity and idle workforce; He focused on linking the growth rate to the total output; Demand becomes the

factor guiding investment, production and employment, but in the absence of any automatic mechanism that makes the necessity of equalizing investment with saving at the level of full employment, Keynes introduced dynamic variables compared to the classical school; Such as population growth, technological transformation and entrepreneurship, but on the other hand it suffers from some stagnation and general formula. The Keynesian analysis did not seek the basic phenomena of growth, because it believed that the value of the multiplier in underdeveloped countries increased due to the high marginal propensity to consume in them, and considered that the cause of poverty for these countries; It is due to either the low level of operation, or to the weakness of the production apparatus and the technology used in it; This analysis is criticized for not linking the dynamics variables to the production theory; And not to focus on the components of investment or the development of certain sectors in the economy There is a set of determinants that must be met to achieve economic growth: capital accumulation, macroeconomic stability, infrastructure, labor, and technical progress ().The third requirement: the impact of bank credit on economic growth .

Several studies, including the study of the economist Hofrman, examine the existence of a direct relationship between bank credit and economic growth. This relationship appears when the state uses an expansionary policy by increasing the money supply, which increases bank credit that provides credit facilities for projects and individuals and increases production and improves its quality, which increases the size of the gross domestic product, which increases automatically when economic growth progresses, and that the banking administration sets policies and Strategies and reforms in the form of bases for economic growth; The bank credit has its presence in international markets, especially in the last century, through its effectiveness in financial mediation and the great competition between banks in the money market; Which makes the market effectiveness rise and gives investors an opportunity to benefit from diverse and advanced financial instruments; This increases the desire to engage in more risky and development projects and their impact on the level of savings and capital accumulation ().The percentage of commercial banks' contribution to the process of economic growth depends largely on the extent of the development and effectiveness of the banking system, especially commercial banks, and the extent of their integration with the objectives of the economic vision of the responsible authorities, and that there is a development in the national economy and an increase in its production (balanced development) and linking production to loans and granting loans in fair quota ratios in a manner appropriate With the production of each sector, directing bank credit to sectors which obtain real and high levels of economic growth; taking into consideration; Not every growth in the gross domestic product is a desirable development because the increase in the gross domestic product may be at a good and reasonable rate; But most individuals do not benefit from it, as it may be possible to lose the development of the rise in prices that usually accompanies the growth process and a small group of individuals benefit from it; In this case, growth does not reflect desirable development, so the process of economic growth takes place at the expense of the main productive sectors with necessary commodities. Therefore, the increase in the formation of goods and services involved in the economic growth process must be known (

)This task rests on monetary policy that contributes to achieving a high rate of economic growth by attracting savings and encouraging investments, and through its tools, it is able to avoid inflation and deflation and achieve economic recovery. The Central Bank is working to provide regulatory and legal conditions for the banking structure that provides credit for investment through its monitoring. By means of policy tools and encouraging the establishment of banks specializing in all economic fields. Therefore, banks are the main source in achieving economic growth and that the tasks that monetary policy undertakes to contribute to and that economic systems are trying to develop economies, strategies and rules from which real economic growth begins. The Arab countries like those strategies to achieve a high level of economic growth and that these countries were characterized by modest economic structures, weak existing economic and social systems, and a high rate of consumption over the rate of GDP and investment, which creates a deep gap for resources and their misuse and makes there a slowdown and a decrease in the rate of economic growth in those countries ()

The second topic: the reality and characteristics of bank credit and growth in Iraq for the period (2004-2019)

The first requirement: the reality of bank credit in Iraq

The first Iraqi bank was established in the eighteenth century in 1890, and it was affiliated with the Ottoman Bank, of British origin, used to finance foreign companies in trade outside the country, and branches of these foreign banks were opened in Iraq in 1918, including (the Eastern Bank in Baghdad to provide banking facilities to the British army During the Mandate period over Iraq(), the Iraqi government established a national bank that is considered the first, represented by the Agricultural and Industrial Bank in 1940, and they actually started their work in 1947, as well as the establishment of the Rafidain Bank in 1941, where It is considered the first national commercial bank to conduct commercial banking transactions of all kinds outside and inside Iraq, and in 1947 the National Bank of Iraq was established under Law No. 43, and its goal was to regulate the activity of central banking; and in 1956 its name became the Central Bank of Iraq, and its role became the issuance of currency and control of external financing And maintaining government accounts and other tasks () as this establishment of the Central Bank is a very important turning point in the Iraqi monetary system because it is for the first time The country has a national monetary institution that draws up its own monetary policy; In 1964, Law No. 155 was issued to nationalize banks for the purpose of managing them and regulating bank credit; Under this law, the commercial banks in Iraq were merged into four banks (Al-Rafidain Bank, Commercial Bank Bank, Baghdad Bank, Credit Bank); Its goal is to achieve economic savings to increase the ability of banks to provide bank loans. In 1970, these banks merged under Law No. 78 to become only two banks(Rafidain Bank and Commercial Real Estate Bank); The Commercial Bank of Iraq also merged with Rafidain Bank and became the only commercial bank in Iraq in 1974; Where it was divided into two banks (Rafidain Bank and Al-Rasheed Bank); With the aim of creating competition between them and alleviating the burden placed on the Rafidain Bank in terms of managing its vast assets by increasing its branches, poor use and the absence of using technology in its work () and in 1991 the Central Bank of Iraq authorized the private sector to continue its banking business as a result of the importance This sector and its role in economic development;

Which led to the establishment of a number of private banks; The first of these are two banks (the Bank of Baghdad and the Commercial Bank of Iraq) in 1992; Until its number reached (36) private banks in 2010; In addition to seven specialized governmental commercial banks, the most important of which are the Commercial Bank of Iraq (TBI); Where the Central Bank of Iraq authorized within the amendment that took place in 1997 to allow private banks to carry out their basic traditional business, and Iraqi banks have witnessed important changes after 2003 as a result of the political change and the trend in Iraq's economy to the market mechanism; The most important thing that happened during that period was the change of the system regarding the banking system, the issuance of the Central Bank of Iraq Law No. (56) for the year 2004; This law can be summed up by making the Central Bank of Iraq completely independent and without state interference in it and its monetary policy() and ending the hegemony of the financial policy represented by the Iraqi Ministry of Finance through its intervention in monetary policy decisions represented by the Central Bank; Regardless of that the Iraqi banking sector is one of the most important systems in the Arab region; However, this system remains traditional in its work and its development is slow. The reason for this is the wars that have passed through the country; As well as the economic sanctions and the economic philosophy that affected him and left a large gap between the Iraqi banking system and other global banking systems. The second requirement: the characteristics of the Iraqi banking system

Among the most prominent characteristics of the Iraqi banking system are ():

- 1- An increase in the assets of government banks to make up (2017) 83.83% of the assets of the banking system as a whole,
- 2- The banking sector is in the process of growth through its contribution to the GDP, as its contribution did not exceed (12.38%) for the year 2017.
- 3- The high rate of liquidity of the banking system, which reached (66%) for the year 2017, and this percentage reflects the inability of banks to invest their resources, which leads to a decrease in their profitability, and that the high percentage of liquidity reflects the deprivation of the Iraqi economy of capital that may help raise the rate of economic growth .
- 4- The weak ability of the banking system to mobilize savings, as government deposits constituted more than half of the deposits of commercial banks in Iraq, taking into consideration that (74 percent) of government deposits are current deposits, and the percentage of savings and fixed depositis low .
- 5- The dominance of private banks on the largest part of the total banking capital, amounting to (14,474) billion dinars in (2017), at a rate of (76.67%) of the total capital, while the capital ratio of government banks reached (23.33%), but with a high rate of The capital of the private sector, but its contribution to the provision of banking services is weak, as its contribution to credit amounted to (19.71 percent), while the government banks contributed to (80.29 percent).

6- The credit provided to the private sector mostly goes to individuals without companies, as the credit ratio provided to individuals is (78%) of it and the credit ratio provided to companies is (22%), which negatively affects the economic development process ()

7- The capital adequacy ratio for most banks has increased by a rate that exceeds the standard ratios of controls set by the Basel II Committee (8%) or the instructions of the Central Bank of Iraq (12%). As a whole to (181%) after it was 128% in 2016 ()

8- The discrepancy between the debit and credit interest rates, the interest rate for deposits ranges between (1-5%) in different currencies and the maturity period. As for the interest rates on loans and banking facilities of all kinds, it ranges between (1-11%) and the increase in their prices has negative effects on the volume of credit Granted, which may constitute an obstacle to borrowing for the purposes of economic development () The third requirement: the problems and imbalances facing the Iraqi banking system

Despite the efforts made through the monetary authority (the Central Bank of Iraq) to support the Iraqi banking system, it still suffers from many backwardness and shortcomings that weaken the possibility of advancement in this sector, and keep pace with the Arab and international banking systems, it took his role in financial and economic development and stability. The most important of these problems and imbalances are()

1- Low banking awareness: The most prominent thing that is taken on the Iraqi banking sector is the low level of banking awareness due to factors related to society and others related to the nature of the banking system.

2- Weak security and economic stability: the security situation in Iraq still constitutes an obstacle to the transformation and development of the banking sector. where banks cannot operate in a volatile and unstable environment, especially the Iraqi economy, it has been subjected to shocks, the biggest of which is the shock of 2014, which was the control of the armed terrorist group ISIS over three Iraqi provinces (Nineveh, Salah al-Din and Anbar), which gave them the opportunity to control the branches of banks located in Those controlled governorates seized (121) branches of commercial banks .

3- Decrease in the banking density ratio, i.e. the extent of the spread of banking services in the economy by measuring the banking density with the number of branches per (10) thousand people by the ratio of the number of branches to the population. Iraq suffers from a decrease in banking density, as in 2016 it was found that the banking density is still Within the limits of one branch for every (35) thousand people, while it reaches (6) banks for every (10) thousand people The developed countries and each (10) thousand people have one bank in the Arab countries, such as Lebanon. Which affects the low quality of services provided by banks and the decline in the performance efficiency of banks and affects the meeting the investor's need as soon as possible ().

4- Slouching of the administrative structure in most banks, especially government banks, and the lack of expertise and efficient technical and administrative cadres.

5- Weak contribution of institutions supporting the banking sector, such as the Iraqi stock market, money transfer companies, insurance companies, brokerage companies for buying and selling securities, the Postal Savings Fund, and the Pension Fund ().

The Third topic: analyzing the impact of bank credit on economic growth

The first requirement: The cash credit to commercial banks for the period 2004-2019 The activity of the Iraqi banking system for the period 2004-2019 can be clarified by observing the efficiency of commercial banks when granting cash credit, as this period witnessed a radical change in the instructions and controls in granting cash credit by raising credit ceilings, as commercial banks grant cash credit as it is low risk, as well as to reduce As a result of the unstable political and economic conditions in Iraq, commercial banks prefer this type of (short-term) credit because banks do not wish to grant credit for investment purposes that last for a long period, which exposes them to credit risks, economic and political instability, inflation risks and other risks. The development that took place in the cash credit balance granted by commercial banks operating in Iraq can be known through the following table from the year 2004-2019 Table (1)

cash credit granted by commercial banks in Iraq (2004-2019). million Iraqi dinars

Year	Central gov.	Relative importance %	public institutions	Relative importance %	Private sector	Relative importance %	Total bank credit
2004	14,070	1.70	190,336	22.82	620,267	75.49	824
2005	135,754	7.92	631,409	36.75	950,287	55.33	1.717
2006	24,445	9.1	759,439	20.4	1,881,014	70.5	2.664
2007	16,595	0.46	1,055,992	30.6	2,387,433	69	3.459
2008	33,771	0.7	575,382	12.6	3,978,301	86.7	4.587
2009	399,389	7	644,506	11.4	4,646,167	81.6	5.690
2010	2,308,382	19.6	886,022	7.7	8,527,131	72.7	11.721
2011	7,349,951	36.1	1,637,817	8	11,356,308	55.9	20.344
2012	7,668,063	26.9	6,120,523	21.6	14,650,102	51.5	28.438
2013	6,377,684	21.2	6,626,795	22.3	16,947,533	56.5	29.952
2014	8,367,709	24.5	8,010,217	23.5	17,745,141	52	34.123
2015	10,879,901	29.6	7,802,727	19.5	18,070	50.5	36.752
2016	11,615,969	31.2	7,383,184	20	18,180,970	48.8	37.180
2017	11,279,281	29.7	7,221,255	19.1	19,452,293	51.2	37.952
2018	15,595,379	40.52	2,675,495	6.95	20,216	52.53	38.486

2019	18,355,430	43.7	2,654,868	6.3	21,042,213	50	42.1
------	------------	------	-----------	-----	------------	----	------

The table is from the researcher's work. Based on the data of the Central Bank for the previous years, statistics, in the General Directorate of Statistics and Research, Baghdad.

The above table shows the total cash credit granted by banks operating in Iraq for both the public and private sectors, where the total credit in the year 2004 amounted to (824) million dinars, and the share of the central government amounted to (14) million. Necessarily to some extent, as well as the share of the private sector (620) million Iraqi dinars, and the share of public institutions amounting to (190) million dinars, meaning public institutions are independent institutions that the state has no right to interfere in and can keep their profits, and the credit continued to increase granted to other sectors, as it reached its amount is (1717) million dinars in the year (2005) with a growth rate of 108% as a result of banks providing consumer loans to a large segment of citizens (). This continued for the year 2006, amounting to (2,664) million and an annual rate of 55%, and the percentage of credit provided to the private sector with a contribution rate of 70%, equivalent to (1,881) million dinars, followed by the credit provided to public institutions and the central government by (28.49% and 0.90%). Consecutively and in 2007 it continued to rise to reach (3,459) million dinars and an annual growth rate of (29.84%). In 2008, the credit balance of all commercial banks in Iraq for all sectors, except for the credit provided to public institutions, recorded a remarkable increase of (4,587) million dinars and an annual rate of 32.61%. As for public institutions, their credit decreased to (575) million Iraqi dinars, becoming 12.54% of the total credit provided by commercial banks compared to 2007 as a result of the small market Credit in the country's financing activity and the large share went to the private sector because it recorded its credit with a value of (3,978) million dinars and a relative importance of 86.72% and continued to increase until it reached in 2010 a growth rate of 105.99% and is considered the largest percentage reached by credit during the study period from 2004-2019. In Table No. 2, the share of the private sector in the total credit provided to it is considered a first among the various sectors. The total credit to the private sector increased in 2009 from 4,646 million to 8,527 million dinars at the end of 2010, with a growth rate of 83% and a relative importance of 72.75% of total credit Cash, where credit was allocated to individuals, i.e. the private sector, at 86%, and the remainder to the sector Companies, i.e. 14% (), is due to the weakness of the guarantees provided in return for granting credit, which is a result of the impact of regular market risks. In 2011, the volume of credit granted to the central government, despite its increase, was less than the volume of credit granted to the private sector and the public institutions sector, where the rate of credit provided by commercial banks to the central government increased from (2,308) million in 2010 to (7,340) million dinars in 2011, at 36% of total credit. In 2012, there was an increase in credit provided to public institutions, about 4,482 million dinars, exceeding the volume of credit provided to the central government and the private sector, but the private sector has a cumulative balance in the volume of credit compared to other sectors, and commercial banks continued to grant Credit to the various sectors during the year 2013-2014 as a result of reducing the interest rate to 6% as it is part of its monetary policy and its

goal through that is to stimulate economic activity by reducing the cost of money on banks, which encourages them to provide financing for economic activity. The years 2013-2014 witnessed an increase in the credit balance provided by commercial banks, which amounted to (34,123) million dinars, with a growth rate of (13.93%) for all sectors, recording an increase of (4,171) million dinars as a result of the increase in credit granted to all sectors, especially those provided to the central government, which amounted to The percentage of credit granted to it is (24.52%) of the total credit, as it ranked first, followed by public institutions in terms of the amount of credit granted to them, which amounted to (8,010) million Iraqi dinars, with a contribution of (23.47%), while the private sector ranked The third, where it rose to (17,745) million dinars, an increase of (4.7%) over 2013. This rise is an important indicator of the increase in supply and demand in credit and its role in increasing the employment of deposits for commercial banks granting credit in various sectors and ensuring their liquidity(. As for the years (2015-2016-2017), the lending field for banks witnessed a small expansion in the volume of credit due to the unstable security conditions in that period and the decline in private activity as a result of the control of the terrorist Daesh elements over a number of provinces in Iraq, where the increase in the granting of cash credit during The three years amounted to (3,829) million dinars and a growth rate of 2.08% until it reached the amount of (37,952) million dinars compared to the year 2014, in which the total credit amounted to (34,123) million dinars to the central government, public institutions and the private sector, and in 2018 the private sector ranked highest In terms of the percentage of contribution to obtain cash credit provided in Iraq by commercial banks, which amounts to (52%), its growth rate is (3.9%), and the credit granted to the central government ranked second with a contribution rate of (40.50%) of the granted balance. As for the credit granted to public sectors, it decreased. To the amount of (2,675) million dinars, with a contribution rate of (6.95%) of the total credit granted to other economic sectors as a result of the decrease in the two paragraphs of the balance of discounted commercial papers and overdue debts at a rate of (-15%) 69.7%) respectively, with a contribution of 0.2% and (9.9%) of the total credit granted. In 2019, the balance of credit granted to the private sector increased by (4.1%), ranking first in terms of the contribution ratio of (50%) of the total cash credit granted, and the balance of cash credit granted to the central government for this year increased by (17.7%) compared to In 2018, which ranked second through its contribution rate of (43.7%) of the cash credit balance granted. In contrast, the cash credit balance granted to public institutions decreased by (-0.8%) compared to 2018, with a contribution rate of (6.3%) of the total cash credit granted. Through Table () it has been shown that the private sector has acquired more than Half of the total cash credit granted with a contribution rate of (52.53%), which indicates the ability of banks to meet the credit needs of the private sector bank credit Table.

The second requirement: economic growth in Iraq 2004-2019

The Iraqi economy has many diverse resources that can be used to achieve economic growth, especially after Iraq opened up to the outside world, which leads to many economic, political and social changes. Among these economic changes is a rise in economic growth rates, which reached

(8.6%) in 2012, but we note the Iraqi economic structure, and this rise was not the result of an increase in the production of the real sectors (agricultural, industrial and service) and other real productive sectors, as most of the rise in economic growth rates was due to the oil sector and the revenues generated by the state as a result of high oil prices. And its reflection on the increase in the gross domestic product, which leads to the Iraqi economy being more vulnerable to the risks that result from fluctuating oil prices, which leads to sudden and rapid changes in the rates of economic growth in these sectors. Whereas, the gross domestic product in Iraq at current prices in 2003 amounted to (29,565.788) million dinars and a negative growth rate of (-27.8) as a result of the conditions that Iraq is going through during the period of international sanctions, the deterioration of foreign trade, the depreciation of the national currency against the foreign currency, the increase in military expenditures and the high rates of Unemployment,()but in (2004) the gross domestic product rose to (53,235,359) million dinars and a growth rate of (79.9%) as a result of issuing the new currency on (2003/10/15) as well as announcing the independence of the Central Bank of Iraq on (2004/10/4)() and this growth in GDP continued at current prices, but at a decreasing growth rate in 2005 and (2006) (95,588) million dinars, and it rose in 2007 (111,504) million dinars at a decreasing growth rate, i.e. an increase of (12.8%). This is due to the decline in oil prices in global markets as a result of the financial crisis after 2007. Through the data, it is noted that varying percentages of the contribution of some other economic activities to the GDP, except for the agricultural sector, are due to the relative improvement in the security situation and The economic situation in the country and the increase in exported oil revenues as a result of the increase in global oil prices() in 2008 to (157.636) million dinars as a result of the increase in the rates () of oil revenues due to the increase in the amount of exported oil and the relative improvement in the security situation. The rise in oil prices, as the price of a barrel of oil reached more than \$100, and the increase in the quantities of exported oil, as well as the exploration of new oil fields, which helped to increase the GDP () In 2009, the oil sector returned to decline until it became (139.330) million dinars, which is a negative growth rate (- 16.8%) result The occurrence of the financial crisis and the drop in the global oil price () but in 2010 the gross domestic product rose to reach (171.956) million Iraqi dinars))and in 2011 the gross domestic product reached (211,309) million dinars () and in 2012 the gross domestic product became (245.186)) million dinars as a result of the rise in oil exports and the decline in oil prices at the same)) during the period between (2016-2014), the gross domestic product decreased even more, as the amounts became estimated at (260,610 - 207.9 -196.924) million dinars, respectively, due to the decline in oil prices in global markets And the occurrence of the political crisis in Iraq and the deterioration of the economic situation as a result of the increase in military expenditures in the war on the terrorist gangs of ISIS () and we note through these data that the rates of the gross domestic product have been subjected to economic shocks that caused great fluctuations that led to the rise and fall, as a result of the rentier nature of the Iraqi economy, which depends heavily A great deal of crude oil exports are subject to decline and rise as a result of demand, supply and price determination () which makes us exposed to each sector and the extent of its contribution to the formation of the gross domestic product. (Table 2) The

percentage of economic sectors' contribution to the formation of the GDP for the period 2004-2019, million dinars

Year	Agricultural Sector%	Industrial Sector %	Oil Sector	Other Sectors %	gross local product
2004	11	2	48	39	53235359
2005	14	2	42	42	73533599
2006	13	2	41	44	95587955
2007	5.0	1.7	53.9	39.4	111455813
2008	8	2	45	45	157026062
2009	7	3	44	46	130643200
2010	7.1	2.9	41.5	48.5	162064566
2011	7.3	3.3	42.3	47.3	217327107
2012	6.9	3.1	43.3	47.6	254225491
2013	6.9	3.0	41.6	48.6	273587529
2014	7	3	44	46	266332655
2015	5	3	55.1	59	194680972
2016	3.71	2	62.5	64.65	196924142
2017	2.83	2.83	61.5	44.46	221665710
2018	2.45	1.91	63.7	50.03	268918874
2019	38.8	5.2	62.2	37.8	277884869

Source: Ministry of Planning and Development Cooperation, Annual Statistical Collection, Central Statistical Organization, Baghdad, Bulletins for different years

A-The oil sector: a qualitative leap occurred in this sector in Iraq, especially during the period of achieving high production rates that exceeded 4 million barrels per day due to the lifting of sanctions on Iraq after 2003, and it was allowed to export oil, but with that, this sector remains affected by changes and the attraction of markets. It is noted that the contribution of the oil sector at the beginning of the year 2004 to rise as the output of the oil sector amounted to (19509) million dollars, or about (39018) million dinars at constant prices for the year 1988 during 2004, i.e. an amount of 48%, where the value of the gross domestic product is affected significantly. The oil sector's production is more than other sectors because it represents the main source of foreign exchange that can be relied upon in financing government investment and consumer spending and import operations (). In 2005, the oil sector's contribution rate reached (542), it decreased compared to 2004 and began to rise to 2007, where it ranked The first is through its contribution percentage (53%), which is equivalent to a value of (58401.3) billion dinars, achieving an increase of (10.1%) compared to 2006, and this sector alone contributed by (53.7%) of the GDP this year. The rise is the rise in private crude oil exports after the return of oil exports through the

northern port and the rise in global oil prices in 2010, with a contribution rate of 41.5% despite the rise in oil prices () and the decline of the dollar as a result of achieving acceptable and moderate rates in other sectors, where he indicated this year the launch of the National Development Plan 2010-2014 Its mission is to diversify the Iraqi economy (). In 2016, the contribution of the oil sector amounted to (62.5%) compared to (55.1%) for the year 2015, which is the highest record for the rest of the other activities, which shows the importance of this sector as the main source of Iraqi state revenues (). In 2017, its contribution rate was (61.5%) compared to the percentage of 2016(43). The oil activity is the main engine of growth, as its relative importance is still the highest, with its relative importance at constant prices (63.7%) in 2018(), compared to the previous year as well as in 2019. Its relative importance (62.2%), which shows the rentier character of the Iraqi economy, as the oil sector is the largest contributor to the gross domestic product, as it was described as the main source of Iraqi state revenues ()

B- The agricultural sector: the agricultural sector contributes to the gross domestic product, taking a declining path, as its percentage in 2004 amounted to about 11% and continued to increase until 2005. Foreign cash to Iraq, but it continued to decline until it reached a contribution rate of 7.1% in 2010 due to the imbalances that occurred in this sector, including the low productivity of production elements, the lack of use of modern machinery and equipment, the deterioration of soil fertility due to erosion that it has been exposed to over time and the low development awareness of farmers, and the decline continued to It reached a level of 3.71% in 2016 and in 2017-2018-2019 it decreased significantly, as the percentage of its contribution in 2017 was 2.83%, and in 2018 it amounted to 2.45%. This decrease came as a result of the control of ISIS elements over large areas of cultivated land () The agricultural sector has been exposed to the problem of farmers' emigration, low government support, water scarcity and high soil salinity, as well as bad weather conditions such as dust storms, lack of rain and high temperatures, as well as poor security conditions. It is exposed to many problems and obstacles that must be addressed, as well as the need for many investments, as it lacks investment in its activity, whether it is a private investment or a public investment. The agricultural sector became confined to livestock (such as poultry and fish) because it generates a quick return .

The industrial sector: The manufacturing sector is considered one of the supporters of the national economy as a result of its vital role in economic development due to its connection with other economic sectors and its contribution to increasing local production, which leads to meeting the needs of local consumption and improving the balance of payments through exports, which reduces dependence on the oil sector, but the sector The industrial sector still suffers from several challenges and problems that we must identify and address. Through the table, we note the small contribution of this sector in the formation of the gross domestic product during the study period, as it ranged between 2% -3% as a result of obstacles and economic problems, local and international, and the wars on Iraq, as well as the lack of protection for the local industry from foreign competition and the weak infrastructure that supports the industry Such as the provision of natural gas used in many industries and

electric power. In 2009, the percentage of this sector ranged to 3%, and it is considered a small percentage due to the reluctance of some factories and the suspension of others due to the problems of non-payment of dues to contractors and investors, deteriorating security conditions and high production costs. Slightly, which led to the stability of its contribution rate of 3% for the period from 2009-2015. Since the ratio of the agricultural and industrial sector is low, the structural imbalance exists in the Iraqi economy. The lifting of economic sanctions on Iraq after 2003 and the growth that took place in the electricity and construction sector and the improvement of the level of the transportation and communications sector made it an important percentage, as it rose in 2004 from (39%) to (45%) in 2008 and this rise continued until 2015. Where the percentage of his contribution to 59%. While most of the non-oil economic activities did not have any actual contribution to economic development, so we should focus on economic activities whose economic balance is not dependent on the oil sector, which is subject to external variables that have been subjected to many changes in recent times, such as the drop in its prices to the lowest level ever. that. And that oil dominates other sectors through its contribution to the gross domestic product over other sectors, and it achieved its highest percentage in 2004 at 48% as a result of its high prices. The oil sector represents the main source of foreign exchange in the country because it depends on it to finance government investment, consumer and import expenditures that It rose during 2004, but its lowest contribution was achieved in 2016 by 29.64 percent due to the bad security conditions and ISIS control over many areas and as a result of the increase in oil production, it led to a decrease in its prices .

The third requirement: the impact of bank credit on economic growth in Iraq for the period 2004-2019

Credit facilities are a very important and dangerous activity because of their intertwined, extended and multifaceted impact to all parts of the national economy and banks. The main issue that governs the extent of the soundness of the banking system is not largely related to the volume of credit granted as much as it is related to the efficiency and good management and employment of deposits and their ability To achieve balanced growth of all sectors of the economic structure. We note through the data in the table below, and the impact of bank credit on economic growth can be analyzed through GDP. The GDP rose in 2004 with the rise in bank credit as a result of the issuance of the new currency, as well as the declaration of the independence of the Central Bank, which leads to a direct relationship between bank credit And the GDP, that is, the greater the bank credit, the greater the GDP, and the bank credit continued to increase with the increase in the GDP, as the growth of the GDP was decreasing until 2007 and as a result of the financial crisis that occurred after 2007, but then continued to rise, both of bank credit and GDP in 2008. In 2009, GDP declined despite the continued rise in bank credit, which resulted in an inverse relationship between them as a result of the drop in oil prices and the continuation of the financial crisis. In 2010 Bank credit decreased slightly as a result of the non-contribution of private banks

to the credit granted, and the rise continued for both of them and the return of the positive relationship between bank credit and GDP, until 2012 and bank credit continued to rise against a decrease in GDP, as a result of the deteriorating economic conditions and the increase in military expenditures for the war On ISIS in 2014, the fluctuation in bank credit and GDP is a result of the rentier economy that characterizes the Iraqi economy.

Table (3) The effect of bank credit on (GDP) for the period 2004-2019
million Iraqi dinars

Years	total bank credit	Gross Local Product (GLP)
2004	824	53.235.4
2005	17.170.00	73.533.6
2006	26.648.98	95.587.9
2007	34.590.200	111.455.8
2008	45.874.540	157.026.1
2009	51.761.902	130.643.2
2010	51.512.430	162.064.6
2011	59.376.530	217.327.1
2012	72.612.870	254.225.5
2013	83.619.140	273.587.5
2014	85.031.450	266.332.7
2015	77.285.830	194.680.9
2016	70.461.720	196.924.1
2017	65.604.190	221.665.7
2018	63.823.570	268.918.9
2019	67.322.330	266.19057

Source: Central Bank of Iraq, Annual Economic Bulletin, separate years and separate pages

Conclusions:

- 1 - The research proved its hypothesis, which is that the effect of bank credit in Iraq has a volatile and weak effect on economic growth, due to the link between economic growth and oil production, which is linked to global oil prices that are characterized by instability.
- 2- The development of the banking sector in terms of quantity after 2003, clearly represented by the increase in foreign and total assets, in addition to the volume of deposits with banks, and the number of banks and their branches in various governorates of Iraq increased, but these developments did not have a significant and clear impact on the Iraqi economy .

3- The decrease in the share of some productive sectors of credit, such as the agricultural and industrial sectors, due to the dangers surrounding these sectors, especially the agricultural sector

4- Bank credit is affected by many problems and obstacles facing the work of banks, as the increase of these obstacles leads to a decrease in the percentage of its contribution to the gross domestic product.

The Recommendations

1 - The necessity for the Central Bank of Iraq to enact special laws to direct bank credit towards productive economic sectors, as the need has become urgent to take into account the credit policy of banks

2- The importance of linking the contribution of the economic sectors to the GDP and the credit decision and focusing on the necessity of distributing bank credit in a fair manner according to the importance of the economic sector and what achieves interaction between banks with economic activity and its contribution to the investment sector and the orientation of long-term lending

3- Spreading banking awareness and raising awareness and educating individuals about the importance of saving and depositing in banks because of their great importance in supporting and growing the economy

References

- Hassan Karim Hamza (The financing role of Iraqi banks in achieving economic growth), Al-Ghari Journal of Economic and Administrative Sciences, University of Kufa / College of Administration and Economics, Volume IX, Issue 32, 2015 •
- Al-Shuwaidi, Fawzi Ali, Trade and Development Bulletin of the Libyan Bank on Bank Credit, 2003, web page: [http://www. Bankofcd .com/page .asp](http://www.Bankofcd.com/page.asp) •
- Jalila Masour, PHD Thesis ,The Banks Responsibility for Bank Credit in Algerian Law, batna University 1-/ Faculty of Law and political science 2016:p •
- Salim Sahar Abdel-Raouf, Abdo Abeer Shaaban, Contemporary Issues in Economic Development, Alexandria, Al-Wafa Legal Library. •
- Namiq salah Al-din ,theories of economic growth, Dar AL –Maaref, Egypt 1966. •
- Falih Hussein Khalaf, Economic Development and Planning, Jadara for the World Book, Amman, Jordan 2006. •
- Amra Ahmed, Guiza Omar, the impact of monetary and fiscal policies on economic growth in Algeria during the period 1990-2014, a standard study according to the St. Louis model, PhD thesis, Ziane Achour University, Faculty of Economics, Business and Management Sciences, Djelfa, Algeria 2016. •
- Hofmann , boris , 2001 , the Determinants of private sector credit in Industrialized countries : property prices Matter, Bls working papers , No.108 •
- Muftah, Salih, (money and monetary policy concept - goals - tools) first edition, Dar Al-Fajr for Publishing and Distribution, Cairo 2005 •

- Al-Zarari, Abd al-Nafi' Abdullah, al-Najafi, Imad Hassan, an analytical study to show the impact of banking credit on prices, report, volume 8, issue 8 in 1986. •
- Al-Obaidi, Raed Abdel-Khaleq, Khaled Ahmed Al-Mashhadani, Money and Banks, Dar Al-Ayyam for Publishing and Distribution, Amman, Jordan, 2013. •
- Al-Shammari, Sadeq Rashid, House of Banking Operations (Introduction and Applications), Al-Yazuri House of Operation for Scientific Publishing for Publishing and Distribution, Amman, Jordan 2014 •
- Central Bank of Iraq, Annual Statistical Bulletin 2004. •
- Falah Hassan Thuwaini, New Directions for Monetary Policy in Iraq, Iraqi Journal of Economic Sciences, Al-Mustansiriya University, Volume 3, Issue 8, Special 2005. •
- Al-Suri, Majid, Reforming the Banking System in Iraq, Al-Hiwar Journal, Institute for Credit Policies, 2014. •
- Abdul Nabi, Walid Eidi, The role of the Central Bank of Iraq in facing the economic crisis and developing the Iraqi economy and banking sector, Central Bank of Iraq, May 2018. •
- Saudi Arabian Monetary Agency, 2017 •
- Central Bank of Iraq, Economic Statistical Bulletin, 2017 •
- Jabbar, Ibrahim Jassim, Banking Reform in Iraq, Foundations and Elements, Al-Kut Journal of Economic and Administrative Sciences, Wasit University, Issue 19: 2015 Letters and Theses 1. •
- The Central Bank of Iraq, Annual Statistical Bulletin 2016 •
- Dehim, Kawthar Muhammad, Privatization and its Role in Developing the Banking Sector in Iraq, Al-Kut Journal, Economic and Administrative Sciences, Al-Kut University, No. 24, 2016 •
- Central Bank of Iraq, Annual Economic Report, 2005 •
- Central Bank of Iraq, Economic Report, Central Statistical Organization 2010 •
- Central Bank of Iraq, Annual Economic Report, 2014. •
- Central Bank of Iraq, Annual Economic Report, 2019. •
- International Monetary fund. •
- Central Bank of Iraq, Annual Economic Report, 2003 •
- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2007 •
- Central Bank of Iraq, Annual Economic Report 2008. •
- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2008 •
- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2009 •
- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2010 •

- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2011 •
- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2012 •
- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2014-2015-2016 •
- Ammar Abdul-Hadi shallal , saad Abdul-karim Hammad farhan, sobhi Abdul-Ghafoor Jarwan the impact of GDP growth on direct cash credit granted by the banking sector ,a study in the Iraqi economy , period 2006-2017,Anbar University Journal of Economic and Administrative Sciences ,Volume 11 ,Issue26,2019. •
- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2004. •
- The Annual Economic Reportof the Central Bank2010. •
- Central Bank of Iraq, Annual Economic Report2016. •
- Central Bank of Iraq, Annual Economic Report2017. •
- Central Bank of Iraq, Annual Economic Report2018. •
- Central Bank of Iraq, Annual Economic bulletin 2013. •
- Central Bank of Iraq, Annual Economic bulletin2017. •