



## ANALYSIS OF THE CREDIT ACTIVITY OF ISLAMIC BANKS IN IRAQ OVER THE PERIOD (2004 – 2022)

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Article history:	Abstract:
<p><b>Received:</b> 8<sup>th</sup> July 2024 <b>Accepted:</b> 6<sup>th</sup> August 2024</p>	<p>The research aims to analyze the credit activity of Iraqi Islamic banks, as there has been a noticeable development and widespread expansion of Islamic banks in the last decade in many countries around the world, especially in Iraq. To achieve this goal, we analyzed a sample of Islamic banks in Iraq that are active in the Iraq Stock Exchange, due to the availability of their annual financial data for the period (2004-2022). We examined their credit activity as a result of using Islamic financing methods. The most significant finding of the research is The increased entry of Islamic banks into the Iraqi banking sector, which reached (23) Islamic banks operating in 2022. Additionally, there was an increase in the total credit activity of Islamic banks during our study period, particularly in 2022, as a result of the rise in the number of Islamic banks in the banking sector. His main recommendations : Encouraging Islamic banks to develop their investment activities by diversifying Islamic financing methods and increasing their role in the process of development and economic growth .</p>

**Keywords:** Islamic banks, credit activity (Islamic financing tools), analysis of credit activity.

### INTRODUCTION

Banks and financial institutions play an important role in investment financing. Therefore, Islamic banks have a distinctive role in the banking sector and the economic system, due to their possession of significant characteristics and advantages. They attract savings and invest them through Islamic financing formulas or tools. It is important to note that they do not engage in interest-based transactions, and their operations are based on profit and loss sharing and achieving public benefit.

Accordingly, Islamic banks have emerged as a legitimate alternative to traditional banks that deal with interest. They are thus considered a model and an example for other banks, due to their benefits for the entire world and for the Islamic community in particular. The research focused on analyzing the credit activity of Islamic banks in Iraq and indicating the growth rate of this activity, as the number of Islamic banks reached (23) by the year 2022.

### RESEARCH METHODOLOGY

The research methodology includes the following:

#### First : The research problem.

The main research problem is as follows: Is there a role for Iraqi Islamic banks in supporting the Iraqi

economy during the period (2004 – 2022)? Which branches into:

- 1-Is there a role for Iraqi Islamic banks in financing the Iraqi economy?
- 2- Did Islamic banks achieve an increase in their credit activity during the study period?

#### Secondly : The Importance of the Research

Its importance lies in the fact that Islamic banks in Iraq have seen a noticeable increase in numbers during our research period (2004 – 2022). Therefore, we conducted a study on credit activity and indicated the growth rate of this activity for the Islamic banks in our sample, considering them an important part of the banking sector .

#### Thirdly: The aim of the research

The aim of the research is to develop the work of Islamic banks in Iraq to support and invigorate the country's economy by clarifying their role in financing the Iraqi economy using Islamic financing methods .

#### Fourth: Research Hypothesis

The research hypothesis is represented as follows :

- 1- There is a role for Iraqi Islamic banks in financing the Iraqi economy .
- 2- Islamic banks are witnessing an increase in their credit activity during the study period .



### **Fifth: The community and sample of the research.**

- The research community consists of Iraqi Islamic banks.
- The research sample includes (23) Islamic banks participating in the Iraq Stock Exchange for the period (2004 – 2022) .

### **The first section**

#### **Islamic banks (theoretical concept)**

##### **First : What are Islamic banks?**

There are several concepts of Islamic banking, including :

\* The Islamic bank is defined as a financial and banking institution that collects funds from clients and others, and then invests them within the limits of Islamic law, in order to achieve equitable distribution and serve the construction of the Islamic community, as well as to place funds in the correct Islamic path.( Azazi, 2010, p. 22)

\*The scientific encyclopedia defines Islamic banking as "the financial, investment, social, and developmental institution that derives its doctrinal reasoning from the provisions of Islamic law." (Al-Hawari, 1980, 84-85)

\* A financial and banking institution, both economic and social, seeks to attract resources from organizations and individuals and utilizes them in the best possible way while providing various banking services. It aims to achieve a suitable return for capital owners and contributes to social solidarity within the community. It is committed to applying the provisions of Islamic law in order to achieve social and economic development for individuals and institutions, taking into account the circumstances of the community. (moroccan, 2005, 86)

**We can define** : an Islamic bank as a financial institution that conducts its operations and offers various banking services in accordance with the provisions and rules of Islamic law, relying on the principle of profit and loss sharing, and does not engage in interest in all its financial and banking transactions .

#### **Secondly : Characteristics and Advantages of Islamic Banks**

**There are many advantages of Islamic banking, including the following :**

1- Its commitment to the provisions of Islamic law in conducting its operations, unlike traditional banks, makes it an investment institution that seeks to achieve developmental, social, and humanitarian goals to address some economic issues and eliminate unemployment. (Al-Najjar, 2009, 54-56)

2- The Islamic bank is, at its core, an Islamic project, so it requires being clear, honest, and transparent in its dealings to avoid falling into what is forbidden in the eyes of God, and it must be cautious in the way it generates and distributes investment profits. (Musa, 2012, 91)

3- The main feature of Islamic banks compared to others is the prohibition of dealing with interest (usury).

#### **Thirdly : Objectives of Islamic Banks**

There are many From the goals and plans Which the Islamic bank is trying to achieve , including the following: ( Faris, 2007, 101-103)

##### **1- Economic development and social progress :**

The Islamic bank seeks to provide the essential needs of Islamic countries within the framework of Islamic law, whether it be clothing, food, housing, or means of transportation. Additionally, it aims to achieve growth in a fair and balanced manner across various geographical areas and economic sectors. To implement this goal, Islamic banks collect local savings and reinvest them in a way that contributes to achieving the best level of self-sufficiency for Islamic communities in essential goods and services .

**2- Raising awareness of Islamic banking:** This goal can enhance individuals' interest in the Islamic economic system, as it represents the best system for social advancement and economic development for both Islamic and non-Islamic countries, serving as a means to overcome the economic, social, and financial crises and problems that they continue to face.

**3- Developing existing Islamic banking tools:** By introducing new tools aimed at gathering a significant amount of resources and employing them through new channels in a way that meets the needs of customers and individuals, while aligning with the demands of the modern era .

**4- Achieving economic integration among Islamic countries:** This can be done through the ability of Islamic banks to direct their investments towards the economically linking elements between these countries, such as developing infrastructure facilities like land and maritime transport routes, as well as other means of communication.

**5- Correcting economic imbalances:** This is achieved by establishing an economic and social balance based on employment policies, direct investment, and credit employment provided by Islamic banks.

**6- Activating trade exchanges between Islamic countries :** because trade exchanges are considered the foundation of economic integration, in addition to



the important role of trade in strengthening social and economic ties between Islamic countries and distancing them from economic dependency on developed countries.

**7- Profit generation:** This is the goal of any financial institution, including Islamic banks. It is the result of investment operations of the funds deposited by their owners. The higher those profits rise, the greater the share of profits for the bank's shareholders will be. Consequently, all three parties benefit from the profits resulting from investment operations. David, 2012, 51)

#### **Fourth - Types of Islamic banks according to the nature of their activities: They are divided based on their activities into: (Al-Khudari, 63-65)**

**A. Islamic commercial banks :** These banks specialize in accepting current deposits and financing both the domestic and foreign commercial sectors.

**b. Islamic real estate banks:** They finance the real estate market through Islamic financing methods, particularly the istisna' contract.

**c. Islamic industrial banks:** These banks finance the industrial sector using the partnership formula.

**d. Islamic agricultural banks:** Most of their activities involve financing the agricultural sector using the forward sale contract (Salam).Etc.

**e. Islamic investment banks:** They finance institutions and deal in securities and various investments, with a predominant focus on long-term activities. We notice that most Islamic banks currently are investment and commercial banks, given the limited number of other types.

#### **Fifth: The financial sources of Islamic banks.**

##### **The financial sources of Islamic banks are divided into two types :**

##### **Part One : Internal Source (Subjective): It is divided into (Student and Others, 2016, 162)**

**A- Paid-up capital:** Capital is considered one of the most important internal resources, and it represents the fundamental aspect of an Islamic bank. This source consists of the funds collected from the founders of the bank at the beginning of its establishment, along with any future reductions or additions.

**B- General reserve:** It is determined by the basic system of the Islamic bank, which specifies a certain percentage that must be deducted from the bank's annual net profit to be allocated to the reserve. Its types include (legal reserve and optional reserve).

**T- Retained or undistributed profits:** These are determined by the bank's articles of association and based on what the board of directors of each bank

decides at the end of the financial year, after the general assembly approves the amount of profits to be retained and carried over to subsequent years. (mousawi , 2011, 38)

**H- Allocations:** These are the amounts deducted from the profit and loss account and charged to operating costs (expenses for the bank), regardless of the results of the Islamic bank's activities, in order to meet certain anticipated requirements such as depreciation or to renew the decline in asset value .

#### **Section Two: External Sources: These are the amounts that the Islamic bank receives from non-contributing individuals and include:**

**A- Current account : Also known as (demand deposit),** it is an amount deposited by bank customers that can be withdrawn in full or in parts at any time the depositor wishes, using checks. The individuals' goal is to protect and preserve their funds, and they do not receive any returns on it, as these deposits do not generate profits and do not incur any losses, since the bank accepts them on the basis of safekeeping rather than investment. (Al-Tajkani, 1990: 53)

**B- Savings Account:** It represents a partnership contract between the depositor and the investment bank, with the aim of encouraging small depositors to save surplus funds. These deposits are characterized by the ability to deposit and withdraw according to the terms of the contract, and by the small amount and increase in the number of depositors. Therefore, the Islamic bank seeks to attract surplus funds from small clients and individuals. Its importance lies in the possibility of investing these funds in medium- and long-term projects. There are two types: a savings account with authorization for the bank to invest and a savings account without authorization for the bank to invest. (Al-Khawaldeh, 2007, 33)

#### **C- Investment Account (Investment Deposits):**

It is a contract between the bank and the client, where the latter is considered the owner of the funds and the Islamic bank acts as the investor. The Islamic bank does not guarantee this deposit or its profits unless there is negligence or wrongdoing on its part, or in the case of a violation of the contract terms. Profits are distributed according to actual results and the agreed-upon ratio in the contract, while losses are borne by the depositor if they occur, provided that the bank has not shown any negligence or violated the contract terms.(Al-Rifai, 2004,102).



**D- Investment Sukuk:** They are documents of equal value representing a common share in the ownership of services, benefits, assets, or a specific investment activity. These sukuk are utilized after their values are collected and the subscription period is closed (Talib et al., 2016, p. 166). Their types are: (Al-Shammari, 2008, p. 47).

\*(A specific investment certificate for a particular project, investment certificates that the bank allocates for a specific activity, general investment certificate).\*

**H-Islamic financing securities:** They are issued by Islamic banks with the aim of Islamic financing in accordance with Sharia rules, in order to provide financial resources that assist the Islamic bank in achieving its goals and completing planned projects. (al-Ajlouni, 2008, 197)

**E- Islamic savings accounts:** These are a type of savings deposit in an Islamic bank, where deposits and withdrawals can be made at any time, and they offer an annual return based on the actual performance of the bank's activities. (Hassnawi and Sharia, 2019, 156)

**F- Deposits for Islamic Financial Institutions:** For the purpose of cooperation among banks, some Islamic banks take the surplus funds they have and deposit them in Islamic banks that are experiencing a liquidity shortfall. This deposit can either be in the form of investment deposits that yield returns or as demand deposits that do not generate any returns. (Student and others, 2016, 165)

**G- Depository receipts:** These are sources of medium-term funds and are issued in various denominations to suit the income levels of all depositors. Their duration ranges from 1 to 3 years, and the funds are used to finance medium-term projects. They provide monthly returns or distribute the yield at the end of the term (Ahmad, 2001, 352)

**H- Investment Funds:** These funds represent investment vehicles that meet the demands of depositors who wish to invest their money in suitable projects, whether domestic or international, in order to achieve high returns. The Islamic bank establishes an investment fund for this purpose and offers it for public subscription to depositors, and the Islamic bank receives a common percentage of the profits in exchange for managing the fund. Often, it is entrusted

to a specialized entity for management in exchange for a specified fee. Its types include (closed funds, open funds, specialized funds). (hassani, 1999, 24)

## **Chapter Two: Financing Tools (Credit Activity) in Islamic Banks**

Islamic banks use tools to finance their investments, including:

### **First - the financing tool through speculation .**

It is an investment financing tool of great importance, and it is a contract between three parties: the bank's clients who deposit money for speculation, the businessmen who speculate with the funds, and the third party, which is the bank acting as the intermediary between them. (Musa, 2012, 104) The investor provides all the required capital to finance the project, while the entrepreneur contributes their efforts and expertise. In the end, there is a liquidation process, and if profits are generated as a result of speculation, they are distributed according to the agreed-upon ratios specified in the contract beforehand by the financial institution and the project owner or intermediary (the bank). If the project fails, the capital provider will lose their money, and the entrepreneur will lose their effort. (Szczepanowicz, Andrzejdominik, 2011, 77) This tool is divided into:

- According to the participants: binary trading or (private), collective or multiple trading.
- According to the trader's freedom to act: general (or unrestricted) trading, and restricted trading.

### **Conditions of partnership: (Al-Hassanawi, Al-Shar'a, 2019: 171)**

#### **• Conditions related to the capital of speculation are:**

- The capital must be in real cash and can be in the form of offers.
- The capital for speculation should not be a debt owed by the person conducting the speculation.
- It must be known in terms of quantity, quality, and type at the time of the contract.
- It is required to deliver the capital of the investment to the investor.

#### **• Conditions related to profits**

- That the share or portion of the profit is known to each party.
- That the share or portion is common from the profit.

### **Secondly - the tool of participatory financing and its types.**



It is a contract between the bank and the client to work on a project with the aim of achieving profit, carried out through participation in the project's capital and management. It represents any form that involves the element of labor and capital to invest capital in exchange for participation in this investment. The role of Islamic banks here is to provide capital to owners of significant economic projects, monitor these projects, and offer them technical and financial consultations. (defensive, 2013, 36). The financing through participation in Islamic banking is divided into several types, including. (Hassnawi and Al-Shar, 2019, 173)

**- Diminishing partnership ending in ownership:**

It is a partnership in which the share of both the client and the bank in the project's capital is defined. If the project starts to generate profits, the Islamic bank gradually relinquishes its share in the capital and sells it to the client until, after an agreed period, the project becomes the client's property. (Cahf, 2004, 57)

**- A fixed and long-term partnership:** It is a partnership between two or more parties with a specific and defined share in a newly established or previously existing project. Each party has a share in the profits according to their contribution to the project's capital, and they can transfer their share and sell it to another party after a certain period of time.

**- Variable participation:** In this, financial payments are made to the client based on their needs, and then they are deducted throughout the year from cash profits. Thus, it serves as an alternative to current account financing.

**Thirdly - the financing tool through Murabaha.**

It is the commitment of the two parties to the contract, the seller and the buyer, the buyer and the seller, where the former sells the latter a certain item or commodity for a specified and known price, adding a profit margin to it. Among its types are simple murabaha and murabaha for a purchase order (compound). (The Speech, 2000, 233-259)

**Conditions of Murabaha :**

- The murabaha contract must be valid; otherwise, the contract is void.
- The price of the item should be known.
- The profit taken on the item must be known.

**Fourth - The financing tool is the Salam sale.**

It is an agreement between two parties regarding a specific commodity with defined price, specifications, and quantity. Payment is made immediately, while the

receipt of the goods or merchandise occurs at a later time. Islamic banks use the Salam contract to finance the agricultural sector with various means of production in exchange for a specified quantity of the crop. This financing supports agricultural activities to obtain working capital or to purchase necessary machinery and equipment. (Mohamed Boudjellal, 1992, 153-160)

**Fifth - the financing tool in agriculture.**

It is an agreement between the landowner or the authorized person to manage it and the farmer to cultivate it in exchange for a share of the harvest. In the case of a loss, it is divided between them according to each person's contribution. (Ajoulouni, 2008, 273-283)

**Sixth - the financing tool of musaqa.**

It is an agreement aimed at renewing and restoring the trees, which involves giving the trees to someone who will take care of them, focusing on pollinating, cleaning, watering, and guarding them. It is stipulated that the fruits of the trees will be divided between the owner of the trees and the caretaker, according to the specified shares agreed upon in the contract. (Al-Wadi, Samhan, 2010: 253-255).

**Seventh - the financing tool through outsourcing**

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It is an agreement aimed at purchasing what is produced by the manufacturer, with the amount and work being provided by the manufacturer. (Sheikhoun, 2002, 167)

**Eighth - The financing tool through deferred sale (in installments) .**

It is an agreement to sell a specific commodity and deliver it to the customer, but at a price that is paid to the seller at a later agreed-upon time, along with an agreed-upon profit.

**Ninth - The financing tool through leasing.**

It is considered a long-term process aimed at financing capital assets, machinery, and equipment. According to this agreement, the lessee specifies the machinery or capital assets for the Islamic bank to finance. The Islamic bank then purchases these machines and assets from the distributor or the manufacturers, and subsequently leases them to the client for an agreed-



upon period in accordance with Islamic law. ( 2011:2 , Kettell )

### **Chapter Three : Analysis of the Credit Activity of Islamic Banks in Iraq**

We will analyze the credit activity of Islamic banks in the Iraqi banking sector during the period. ( 2004 - 2023 )

#### **First: Analyzing the credit activity of Islamic banks in the Iraqi banking sector during the period. (2004-2022)**

We will analyze the credit activity of these banks throughout the study period, which mainly includes (current accounts, deposits), as shown in the table. (1)

The total credit activity in Table (1) for Islamic banks in the Iraqi banking sector was low at the beginning of the study, as this total activity reached (7559 million, d. a. In 2004) this was due to the credit activity of the Iraqi Islamic Bank, as it was the only one operating that year. After that, the total activity of the operating Islamic banks increased, reaching ( 22,837 million. d. a. In 2005) after the Islamic Bank of Kurdistan began operations, activity increased, and the total reached (74,701 million. d. a. In 2006) as a result of another bank entering the market, this indicates the development of Islamic banking activity in Iraq.

The activity continued to increase, reaching a total of ( 95,006 million. d. a. In the year 2007) it increased further to reach ( 257,420 million. d. a. In 2008) the credit activity of Islamic banks continued to rise until it reached( 405,149 million. d. a. . In 2009) it then reached (475,155 million. d. a. In 2010) after another bank joined the credit activity following the stabilization

of the country's security and economic situation, the total activity continued to increase, reaching (1,109,993 million. d. a. In 2011) due to the joining of two other banks to engage in Islamic banking, namely (Jihan Bank and the National Bank).

The credit activity of Islamic banks continues to increase, reaching (1,841,754 million. d. a. In 2012) after the joining of another bank to engage in banking activities, the total activity continued to increase, reaching (2,087,511 million. d. a. In 2013) the total then decreased to (1,691,864 million. d. A. In 2014) due to the entry of terrorism into the country, which negatively affected the banking sector in particular and the economic sector in general, it then reached (1,653,528 million. d. a. In the year 2015).

The total credit activity continued to decline to (1,229,757 million. d. a. In the year 2016) (1,342,430 million. d. a. In the year 2017) and (1,783,051 million. d. a. In 2018 ) the total credit activity of Islamic banks increased, reaching ( 2,063,170 million. d. a. In 2019) the total activity reached( 2,034,610 million. d. a. In the year 2020) .

Then the total credit activity increased, reaching (2,550,553 million. d. a. In the year 2021) the increase continued, reaching a total credit activity of ( 3,012,157 million. d. a. In 2022) there was a significant increase in the total credit activity of Islamic banks in Iraq compared to the beginning of our research years. This is attributed to the rise in credit activity following the joining of several Islamic banks in the banking sector, such as Asia Islamic Bank, Al-Rajhi Islamic Bank, Al-Mustashar Islamic Bank, and Al-Qurtas Bank. This development is a result of the improvement in the country's security situation, which positively impacted the economic and banking activities, among others.



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Table ( 1 )

The total credit activity of Islamic banks in the research sample within the Iraqi banking sector for the period (2004 – 2022)

Unit of measurement ( million. d. a. )

Years worth millions of dinars.																The name of the bank.	T			
2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007			2006	2005	2004
502787	293622	245026	281969	162345	115751	141222	187272	183007	196174	173067	190311	25488	32042	26651	19481	17084	13806	7559	Iraqi Islamic Bank for Investment and Development	1
704957	605068	606752	547263	549228	320684	272587	428321	517064	563953	574717	347610	324315	253713	166777	57824	50837	9031		Kurdistan International Islamic Bank for Investment and Development	2
-	-	34624	33020	38509	43419	43317	77087	87704	165329	228359	176161	69462	89318	63992	17701	6780			Dijla and Euphrates Bank for Development and Investment	3





90 82 2	35 07 8	24 97 5	49 58 3	85 22 8	70 88 1	64 82 9	18 89 33	88 77 4	11 22 73	12 29 63	14 72 30	55 89 0	30 07 6						<b>Ilaaf Isla mic Bank</b>	4
13 30 74	70 68 6	87 10 1	92 80 0	15 67 78	26 03 77	16 99 98	37 62 36	24 37 19	31 68 19	29 83 78	12 96 78								<b>The Nati onal Isla mic Bank</b>	5
78 95	12 13 8	56 18 6	13 58 54	90 75 0	14 84 6	58 7													<b>Isla mic Arab Bank</b>	6
19 64 54	20 80 26	92 50 6	68 20 4	35 33 7	19 82 8	12 33 6													<b>Isla mic Inter natio nal Bank</b>	7
10 62 2	47 82	10 07	18 49 5	40 57 9	49 12	41 78 9													<b>Noor Iraq Isla mic Bank Inve stme nt and Fina ncin g</b>	8
26 40 2	21 01 5	25 87 9	41 55 2	96 02	27 85														<b>Zain Iraq Isla mic Bank for Inve stme nt and Fina ncin g</b>	9



14 09	71 3	21 66	11 09 9	17 07 6	18 74															<b>Al-Qabd Islamic Bank for Investment and Financing</b>	1 0
42 88 49	47 20 43	38 06 04	30 33 29	32 87 65	25 65 18	26 51 93	19 78 90	24 62 22	34 63 06	22 40 42	11 90 03									<b>Jihan Bank Islamic Investment and Finance</b>	1 1
56 78 3	61 65 3	93 78 5	14 48 51	15 36 29	17 08 50	20 42 77	19 77 89	32 53 74	38 66 57	22 02 28										<b>Albilad Islamic Bank for Investment and Financing</b>	1 2
39 25 5	32 99 5	66 96 4	10 97 2	10 67 4	38 07 6	70 70														<b>world Islamic Bank</b>	1 3
10 36 48	11 03 85	30 93 4	78 20 2	76 51	52 09															<b>International Islamic Trust Bank</b>	1 4



20602	61115	28414	32518	22093	105															<b>Asia Islamic Bank of Iraq</b>	15	
12863	22154	12089	11058																		<b>Amin Islamic Bank of Iraq</b>	16
220225	182564	77164	38890																		<b>Isla mic Spec trum Bank</b>	17
28750	21326	18112	4522	5987																	<b>Mash req Arab Isla mic Bank</b>	18
933	8278	3321	11191	20552																	<b>The Ansa ri Isla mic Bank .</b>	19
260995	170689	88124	65968	17413	8956	6552															<b>Isla mic Sout h Bank</b>	20
80519	34320	33654	36105	9263																	<b>Isla mic Advi sor Bank for Inve stme nt and Fina ncin g</b>	21



90 06	46 03 1	21 96 0	99 29	18 70 2	50 25														<b>Al Qurt as Isla mic Bank</b>	2 2
75 30 7	75 87 2	32 63	35 79 6	28 90	23 34														<b>Al- Rajhi Isla mic Bank</b>	2 3
30 12 15 7	25 50 55 3	20 34 61 0	20 63 17 0	17 83 05 1	13 42 43 0	12 29 75 7	16 53 52 8	16 91 86 4	20 87 51 1	18 41 75 4	11 09 99 3	47 51 55	40 51 49	25 74 20	9 5 0 6	7 4 7 0 1	2 2 8 3 7	7 5 5 9	<b>Total credi t for each year.</b>	

Source / Based on the researcher's work relying on data from Iraqi Islamic banks at the Central Bank of Iraq. ( 2004 –



**Secondly: An analysis of total credit in Iraqi Islamic banks and the growth rate for each year of the study period.(2004 – 2022)**

**Table ( 2 )**

**The total credit for Islamic banks in the research sample in Iraq for the period. ( 2004 – 2022 )**

Growth rate %	Total credit (million dinars)	The year	T
6.9 -	7559	2004	1
202	22837	2005	2
227	74701	2006	3
27	95006	2007	4
171	257420	2008	5
57	405149	2009	6
17	475155	2010	7
133.6	1109993	2011	8
65.9	1841754	2012	9
13	2087511	2013	10
19 -	1691864	2014	11
2 -	1653528	2015	12
25-	1223205	2016	13
9	1342430	2017	14
32.8	1783051	2018	15
15.7	2063170	2019	16
1.4	2034610	2020	17
25	2550553	2021	18
18	3012157	2022	19

Source : The percentage is based on the researcher's work relying on data from Islamic banks at the Central Bank of Iraq.

Table (2) shows the growth rate of credit activity for Islamic banks in Iraq over the duration of our study from (2004 – 2022). It started with a growth rate of (-6.9%) in 2004, which is a weak rate due to the poor security situation in the country at that time. Then, the growth rate reached (202%) in 2005, marking a significant increase in the activity of Islamic banks due to the improvements that began to emerge in the country's security and economic conditions.

In 2006, the growth rate of activity reached( 227%) but then the growth rate of credit activity declined to( 27%) in 2007 due to a decrease in bank activity resulting from the deteriorating security situation in Iraq. After that, the growth rate of credit activity increased again, reaching (171%) in 2008, and then it stood at ( 57%) in 2009.

In 2010, the growth rate of activity reached (17%) and in 2011, it increased to (133.6%) indicating the development of Islamic banking activity. In 2012, the growth rate reached ( 65.9%) then it dropped to (13%) in 2013. Subsequently, the growth rate of credit activity for Islamic banks declined to (-19% ) in 2014, due to a decrease in banking activity caused by the rise of terrorism in Iraq, which negatively impacted the development of credit activity for Islamic banks.

The growth rate of activity continued to decline to (-2%) in 2015, reaching (-25%) in 2016. After that, the credit activity rate rose to (9%) in 2017, then increased to (32.8%) in 2018. Subsequently, the rate dropped to (15.7%) in 2019. In that year, the COVID-19 pandemic emerged, sweeping across the world and impacting economic and banking activity. The rate continued to decline to (-1.4%) in 2020. Then, the growth rate of credit activity for the banks in the study sample increased to (25%) in 2021, reaching (18%) in 2022. It is noticeable that there is a variation in the growth rate of credit activity for these banks due to the differences in their operations according to the country's conditions.



**Thirdly: Analyzing the credit activity ratio of each Islamic bank to the total credit activity in the year (2022).**

**Table (3)  
The contribution percentage of each Islamic bank to the total credit for the year. ( 2022 )**

The % ratio ( 2 / 1 )	Total credit activity	Credit activity for each Islamic bank	The year	The name of the Islamic bank.	T
16.7	3012157	502787	2022	<b>Iraqi Islamic Bank for Investment and Development</b>	1
23	3012157	704957	2022	<b>Kurdistan International Islamic Bank for Investment and Development</b>	2
0	3012157	-	2022	<b>Dijla and Euphrates Bank for Development and Investment</b>	3
3	3012157	90822	2022	<b>Ilaaf Islamic Bank</b>	4
4	3012157	133074	2022	<b>The National Islamic Bank</b>	5
0.26	3012157	7895	2022	<b>Islamic Arab Bank</b>	6
6.5	3012157	196454	2022	<b>Islamic International Bank</b>	7
0.35	3012157	10622	2022	<b>Noor Iraq Islamic Bank Investment and Financing</b>	8
0.88	3012157	26402	2022	<b>Zain Iraq Islamic Bank for Investment and Financing</b>	9
0.05	3012157	1409	2022	<b>Al-Qabd Islamic Bank for Investment and Financing</b>	10
14.2	3012157	428849	2022	<b>Jihan Bank Islamic Investment and Finance</b>	11
1.89	3012157	56783	2022	<b>Al bilad Islamic Bank for Investment and Financing</b>	12
1.3	3012157	39255	2022	<b>world Islamic Bank</b>	13
3.44	3012157	103648	2022	<b>International Islamic Trust Bank</b>	14
0.68	3012157	20602	2022	<b>Asia Islamic Bank of Iraq</b>	15
0.43	3012157	12863	2022	<b>Amin Islamic Bank of Iraq</b>	16
7.31	3012157	220225	2022	<b>Islamic Spectrum Bank</b>	17
0.95	3012157	28750	2022	<b>Mashreq Arab Islamic Bank</b>	18



0.03	3012157	933	2022	<b>The Ansari Islamic Bank.</b>	19
8.66	3012157	260995	2022	<b>Al-Janoob Islamic Bank</b>	20
2.67	3012157	80519	2022	<b>Islamic Advisor Bank for Investment and Financing</b>	21
0.30	3012157	9006	2022	<b>Al Qurtas Islamic Bank.</b>	22
2.50	3012157	75307	2022	<b>Al-Rajhi Islamic Bank</b>	23

**Source/ The contribution rate of the researcher based on data from Islamic banks at the Central Bank of Iraq.**

Table (3) shows the contribution rate of credit activity for each Islamic bank in relation to the total credit for the year 2022 only. It is clear that the Iraqi bank's contribution rate reached (16.7%), followed by the Kurdistan bank with a rate of (23%), which are both high percentages. After that, the Dijla and Al-Furat bank did not witness any activity this year, followed by the Elaf Islamic bank with a rate of (3%).

After that, the National Islamic Bank at a rate of (4%), then the Arab Islamic Bank at a rate of (0.25%), followed by the International Islamic Bank at a rate of (6.5%), and then Noor Iraq Islamic Bank for Investment and Finance at a rate of (0.35%), which is a low rate. Next is Zain Iraq Islamic Bank for Investment and Finance at a rate of (0.88%), and finally, Al-Qabd Islamic Bank for Investment and Finance at a rate of (0.05%), which is very weak.

Then, the Jihan Islamic Bank with a rate of (14.2%), which is also a high percentage compared to other banks. Following that is the Al-Bilad Islamic Bank for Investment and Financing with a rate of (1.89%), then the Islamic World Bank (1.3%), and the International Trust Islamic Bank with a rate of (3.44%). After that is the Asia Iraq Islamic Bank with a rate of (0.68%).

Then, the Amin Islamic Bank of Iraq with a rate of (0.43%), followed by Al-Tayef Islamic Bank with a rate of (7.31%), then the Al-Mashreq Arab Islamic Bank with a rate of (0.95%), and after that, the Al-Ansari Islamic Bank with a rate of (0.03%), the Al-Janoob Islamic Bank with a rate of (8.66%), the Al-Mustashar Islamic Bank for Investment and Financing with a rate of (2.67%), followed by the Al-Qurtas Islamic Bank with a rate of (0.30%), and finally, the Al-Rajhi Islamic Bank with a rate of (2.50%).

**THE CONCLUSION.**

The main conclusions are as follows :

1- The number of Islamic banks in the Iraqi banking sector has increased, reaching (23) Islamic banks operating in 2022.

2- The increase in the total credit activity of Islamic banks operating in Iraq during our study , reaching (3,012,157 million. d. a. In the year 2022) after it was (7559 million. d. a. In 2004) as a result of the increasing number of Islamic banks in the banking sector.

3- The growth rate of credit activity was fluctuating during our research period, reaching its highest growth rate of ( 227%) in 2006. It then varied between increases and decreases, amounting to (18%) in the final year of the study.

4- Most Islamic banks in Iraq are relatively new to the banking sector due to the state's delayed approach in promoting this Islamic banking culture and the issuance of the Islamic Banking Law in 2015.



- 5- I found the highest contribution rate for credit activity, which belongs to the Iraqi Islamic Bank at (16.7%), the highest contribution rate when compared to other banks in the year 2022.
- 6- There is a role for Islamic banks in financing the Iraqi economy and achieving development.

### **THE RECOMMENDATIONS.**

- 1- Encouraging Islamic banks to develop their investment activities by diversifying Islamic financing methods and increasing their role in the process of development and economic growth.
- 2- Attention to banking staff and the development of their skills by involving them in development and training centers, and enhancing their expertise to keep pace with advancements and achieve a high level in Islamic banking services.
- 3- Encouragement and education to engage with Islamic banks in Iraq, and attracting deposits of all types, especially investment deposits that enhance their capacity to contribute to investment.
- 4- Emphasizing the disclosure and transparency in the reports published by Islamic banks so that investors can make their investment decisions clearly and correctly.

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