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THE ROLE OF DIGITAL CURRENCIES IN THE GLOBAL FINANCIAL SYSTEM AND THEIR IMPACT ON FINANCIAL STABILITY AND MONETARY POLICIES

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Abstract:
The main goal of this study was to examine how digital currencies influence the global financial system. It focused on their effects on financial stability and monetary policies. The research aimed to better understand this topic and explore what the future might hold. A descriptive analytical method was used to review the key ideas about digital currencies in finance. The study then looked at how these currencies affect stability and policy decisions. It found that central banks follow very strict monetary policies. At the same time, many countries are adopting digital currencies. The participants in the research consider the financial system to be fairly stable. According to these results, the research suggests establishing an appropriate economic setting for digital currencies. This is essential for their smooth and effective use in the Iraqi economy.

Keywords: Digital currencies - Financial System - Financial Stability - Monetary Policies

INTRODUCTION

Digital currencies are increasingly essential in the global finance scene. They impact the movement of money and the functioning of financial markets. These currencies can alter how nations handle their economic policies. Their existence could lead to financial systems being either more adaptable or more risky. It is important for authorities to consider the potential effects of these currencies on economic stability. Additionally, they must determine how to create regulations and governance frameworks for finance. The emergence of digital currencies presents challenges to conventional methods of managing money. This transformation can introduce new risks and possibilities for economies around the world. To sum up, digital currencies influence the security of financial systems as well as the regulations that oversee them.

Over the past two decades, the worldwide financial system has undergone significant transformations. A crucial change in this landscape is the emergence of digital currencies, which present both opportunities and challenges. The introduction of Bitcoin, the very first digital currency, occurred in 2009. Since that time, numerous digital assets have been actively traded on the internet. These assets have had a profound effect on how nations handle their finances and maintain economic stability. There is a diverse variety of digital currencies in existence today. This includes decentralized cryptocurrencies such as Bitcoin and Ethereum, stablecoins associated with traditional assets, and Central Bank Digital Currencies (CBDCs). CBDCs are designed to enhance the financial environment by making payment systems quicker and more efficient. This diversity illustrates the potential for digital currencies to transform the structure of global finance. As the prevalence of digital currencies increases, it becomes essential to analyze their prospective roles in the future. Will they continue to be perceived as high-risk investment assets, or will they evolve into widely accepted means of payment and units of account? Their influence on financial stability and monetary policy will be crucial areas for observation.

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Methodological framework of the research.

Research methodology

Research problem.

Financial technology has transformed the manner in which financial transactions are conducted by eliminating the necessity for intermediaries to ensure security and trust. This technological innovation is referred to as blockchain. A primary application of blockchain technology is Bitcoin. The rise of stablecoins can be attributed to significant price variations seen with Bitcoin and other similar cryptocurrencies. These stablecoins utilize the same blockchain technology, but they are tied to systems designed to maintain a steady value. The frequent price changes lead to concerns about their effect on the stability of the global financial system. As these digital currencies increasingly integrate with conventional banks and financial markets, these concerns intensify. Digital currencies represent a significant shift in the way value is traded and how money is managed in the modern era. They offer levels of openness and decentralization that were previously unattainable. Many banks are now exploring and discussing strategies to adapt to the growth of these digital currencies. The central focus of this research is to understand how digital currencies influence traditional financial systems. It is also crucial to assess their effects on financial stability and the success of international monetary policies. The situation is further complicated by their ambiguous nature, erratic prices, the challenges they pose to monetary tools, possible systemic risks, and the varying regulatory approaches addressing financial stability and legal matters across different regions.

The primary research inquiry centers on the effects of digital currencies on the global financial system, especially in terms of financial stability and monetary policy. Several related questions emerge from this main inquiry. Initially, what role do digital currencies play in the international financial framework? Following that, how do they influence general financial stability? Lastly, what impact do digital currencies have on the strategies employed by central banks?

Research targets.

The main aim of this study is to explore how digital currencies affect the worldwide financial system. It examines the effects these currencies have on financial stability and monetary policies. The goal is to understand this trend better and think about what it might mean for the future.

Alongside this main goal, there are specific smaller goals. The first goal is to understand how digital currencies work in the worldwide financial system. The next aim is to look into the difficulties and benefits that these currencies bring to central banks and financial organizations. The third goal is to evaluate how well monetary authorities manage these changes. This evaluation includes looking at how digital currencies could affect the enforcement of monetary policies and their role in keeping the economy stable.

Research hypotheses.

The main idea is that digital currencies play a crucial role in affecting the stability of global finances and how central banks develop their monetary policies. This idea includes several important points. First, digital currencies are increasingly becoming important in the international financial system. They are now a vital part of many business and financial dealings. Second, the natural instability of digital currencies, along with a lack of strong regulations, presents a danger of rising financial instability. Third, digital currencies might change how people use traditional money. This change could make it harder for central banks to manage inflation effectively.

Research methodology and community:

To meet the research goals and address the problem, it used a descriptive and analytical method. The descriptive part explains the main ideas of digital currencies. It then looks at how these currencies affect the global financial system, economic stability, and monetary policies. The study focuses on central banks, financial authorities, and policymakers. It also includes banks and financial institutions that deal with digital assets, as well as regulatory bodies that create laws for digital markets. A random sample was chosen to represent different groups. It included central bank officials and financial experts to understand their views on digital currencies. It also looked at legal and economic experts to see how laws and rules are affected. Investors and traders in digital currencies were studied to learn about their behaviors and how currencies impact financial markets.

Previous studies

1- The study conducted by Mansour Ali Mansour Shata in 2022 aimed to understand the role of encrypted virtual currencies and how they might influence the future of transactions. It explored what these currencies are, where they came from, their main features, and the problems they face. The research also looked at whether virtual currencies will be widely used in the future or not. The study relied on a descriptive analytical method to gather information. Its findings show that most people do not accept virtual currencies very much. Only a small group of tech-savvy users and professionals deal with them. Many countries and organizations do not have the right infrastructure or rules to use virtual currencies as an official form of money. Based on this, the study suggests that virtual currencies should meet certain standards similar to traditional or electronic money before they are officially

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accepted. It recommends the creation of new types of currencies called "smart" or "centrally encrypted" currencies. These should be issued by central or global authorities to ensure their legitimacy and stability.

2- The study by Mohamed Mahmoud El-Demerdash in 2023 looked at how cryptocurrencies, especially Bitcoin, affect the way central banks control money and credit. The study employed analytical methodologies, emphasizing both inductive and comparative techniques. The findings revealed that Bitcoin represents a private and decentralized currency system grounded in economic principles. The investigation perceives Bitcoin as an innovation that contests conventional perspectives concerning the government's influence in regulating money and credit, particularly from a Keynesian standpoint. It was suggested that central banks work to lessen the impact of cryptocurrencies by making their official currencies more stable and attractive. To do this, they can strengthen the position of fiat currencies as reliable measures of value and safe stores of wealth.

3- The study by Al-Qasir Latifa and Al-Hadi Khalidi, released in 2023, is called "The Global Financial System Considering the Dispute between Traditional Currencies and Digital Currencies." This investigation centers on the current contest between conventional currencies, digital currencies, and cryptocurrencies. The researchers implemented an analytical methodology, which is consistent with prevalent approaches in this field. The findings of the study indicate a rapid increase in the adoption of cryptocurrencies, accompanied by a corresponding decline in the utilization of traditional currencies. This transition is resulting in a diminished significance of central banks. The study posits that central virtual currencies could contribute to the stabilization and security of monetary systems. Furthermore, they facilitate greater oversight by authorities regarding the volume of money in circulation. Based on these findings, the research supports stronger rules for the creation and exchange of digital currencies. It is important to make sure that these rules set by central banking institutions are followed.

A review of previous studies related to this topic and its related factors shows that digital currencies are a modern issue in the field of global finance research. The concept itself is relatively novel, which accounts for its limited exploration thus far. Nevertheless, numerous academics and researchers are striving to comprehend the nature of digital currencies, their operational mechanisms, and their implications for financial and political stability. This investigation expands upon this existing literature by emphasizing the functions that digital currencies may serve within the global financial system. Furthermore, it assesses the impact of these currencies on initiatives aimed at attaining financial stability and their influence on the formulation of monetary policies.

Chapter One: The theoretical framework of digital currencies and the global financial system.

Advances in technology and communication have caused big changes in how financial and business transactions are made. This is especially true for payment methods. In the last twenty years, cryptocurrencies have appeared and quickly spread around the world. They became popular fast because they offer clear benefits over regular money. These benefits include being controlled by no one, offering high security, and allowing transactions to happen quickly. As a result, both individuals and financial institutions have shown growing interest in cryptocurrencies. (Suniya, 2024, p. 3)

The concept of digital and types currencies

Digital currencies are a broad term that covers all types of money that exist online, including electronic, virtual, and encrypted forms. Their main feature is that they are only available in digital form and do not have a physical shape. This means you cannot hold them in your hand, unlike cash or coins (Shatta, 2023, p. 1788).

The concept of digital currencies

Digital currencies are electronic money that is traded online without a physical form. They differ from traditional money, which is issued and regulated by a central authority. Digital currencies are not controlled by any single organization; instead, they rely on encryption and decentralized systems to keep transactions secure and trustworthy. People can use these currencies to make online payments or convert them into regular money through various trading platforms. This gives digital currencies flexibility in today's financial system.

The European Central Bank describes digital currencies as electronic stores of value stored digitally. They are often used to pay others without needing a bank account. In many cases, they act like prepaid mobile cards, making digital payments easier and more flexible (Zahry & Al-Saeed, 2021, p. 510).

Cryptocurrencies are digital assets that are traded online. It does not has a physical form and exist only in electronic form. These assets use encryption technology to keep transactions secure and trustworthy. Most cryptocurrencies operate on decentralized networks. This means they are not controlled by any government or central bank.

Types of digital currencies.

1- Cryptocurrencies like Bitcoin, Ethereum, Ripple, and Litecoin are based on blockchain technology. This technology makes sure that transactions are clear and safe. It allows different parties to trade securely without fear of fraud or mistakes (Abu Habib, 2019, p. 5).

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2- Central bank digital currencies (CBDCs) are digital forms of money issued directly by central banks. They serve as an electronic alternative to the traditional paper currencies issued by governments (Bouazneh and Hamdoush, 2023, p. 92).
3- Virtual currencies are used within certain platforms like online games or social networks. These currencies exist only in the virtual space of these programs. They are bought and sold online, serving as a form of digital exchange within these environments (Al-Aryani, 2021, p. 114)

The global of financial system and its components.

The global financial system is made up of laws, financial institutions, and economic groups that manage money flows across countries. This system helps with investments and trade between nations. Over time, it has grown to include central banks, markets, and international groups that control and stabilize financial activity. Keeping this system stable is important to protect the global economy from crises. Ensuring its stability is a key goal for countries and organizations around the world (Latifa and Khalidi, 2023, p. 377).

Components of the global financial system.

The global financial system has several important parts.

1- Central banks, like the US Federal Reserve and the European Central Bank, set monetary policies and interest rates.
2- Financial markets include stock and bond markets, which help companies and governments get money they need.
3- International organizations such as the International Monetary Fund and the World Bank offer financial aid to countries and work to keep economies stable.
4- International trade relies on worldwide payment systems that make it possible to send money between countries and businesses.

Chapter Two: The Impact of Digital Currencies on Financial Stability.

Financial technology has changed how financial transactions happen. It removes the need for a third party to verify exchanges between parties. This shift is made possible by blockchain technology, a key innovation in digital finance. Blockchain uses encrypted digital ledgers to record data securely. These ledgers are made up of linked, sequential blocks. This system makes transactions transparent and hard to alter. Technological progress has helped this technology grow beyond the role of traditional banks. It offers an alternative to central record systems used for tracking financial activities. As a result, users gain more control and trust in the process (Ali, 2020, p. 407).

The role of financial technology in promoting the use of digital currencies.

The Fourth Industrial Revolution has led to major changes in banking and finance. Many central banks around the world are working on issuing digital currencies controlled by the government, known as CBDCs. The goal is to fulfill a set of strategic aims outlined by the Bank for International Settlements (BIS). These goals include making payments safer and more efficient, which helps improve financial stability. They also aim to include more people in the financial system by offering services to those who are not served by traditional banks. Additionally, digital currencies are meant to make payment systems quicker and more reliable, making transactions easier for users. Finally, they help improve how governments manage the supply of money, supporting overall economic stability (Bouzaneh and Hamdoush, 2023, p. 91).

Financial technology has been very important in helping digital currencies become more common. It creates easy-to-use trading platforms and safe digital wallets. These tools make it simpler for people and companies to buy, sell, and store digital currencies. Financial technology also helps develop new payment methods that use these currencies. This makes digital money more attractive for everyday business deals. Additionally, financial technology improves security and transparency in online transactions through technology like blockchain. This builds trust in digital currencies and encourages their use around the world..

These changes are part of a broader shift toward digital technology in global financial systems. Modern tools are now crucial in shaping the future of digital banking and finance. The Bank for International Settlements suggests that central digital currencies could improve how monetary policy works. They also say these currencies could help central banks in developed countries lower the problem of reaching the lowest interest rates. (Heba Abdel Moneim, 2020, p. 5)

The impact of digital currencies on cash liquidity.

Digital currencies are a virtual money system that runs alongside the global financial system. Their goal is to support international trade by going beyond national laws and rules of local and global banks. (Al-Demerdash, 2023, p. 6). These currencies are available for transactions all day and night, unlike traditional money systems that usually work only during bank hours. Using digital currencies gives central banks several benefits. These include easier and faster transactions, increased access, and greater regulation options. (Koumbarakis & Dobrauz-Saldapenna, 2019).

1- The elevated adoption of central bank digital currencies facilitates improved financial inclusion by enabling electronic cash transactions without necessitating intricate routine procedures (Ernest G., 2018).

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2- The implementation of central bank digital currencies diminishes banks' dependence on the clearing system for financial transactions, thereby facilitating cost efficiencies related to clearing transactions.
3- The capacity of banks to facilitate transactions around the clock, without limitations imposed by specific business hours.
4- The capacity to store value efficiently and securely, as central bank digital currencies are more economical than physical cash due to the elimination of production, storage, transportation, and disposal expenses.
5- The capacity to augment competition, as competition within payment systems necessitates innovation to entice bank deposits for assets that might otherwise be converted to currencies.
6. Digital currencies may serve as a direct instrument of monetary policy if they accrue interest, thereby facilitating more immediate oversight of the money supply.
Digital currencies enable central banks to offer short-term liquidity support, including on public holidays, thereby mitigating the risk of individual institutions initiating chain reactions.
Digital currencies have a direct effect on monetary liquidity by changing how money flows in markets. They offer a new way to make payments online, reducing the need for cash. As more people use these currencies, demand for physical banknotes could fall. This shift may cause central banks to rethink their monetary policies to keep financial markets stable. Cryptocurrencies like Bitcoin are known for their high price swings. These changes can influence how much liquidity is available and affect the actions of investors and banks. On the other hand, digital currencies issued by central banks might help boost liquidity. They can make payments faster and safer, which improves how liquidity is managed worldwide. Overall, the broad use of digital assets, especially cryptocurrencies, can bring more stability to the financial market and help lower market volatility (Latifa and Al-Khalidi, 2023, p. 378).

The impact of cryptocurrency fluctuations on economic stability.

Digital currencies are helping shape the future of the world's economy by making it easier for people to access financial markets and be included in the financial system. People and businesses in developing countries can use digital currencies to get around restrictions from traditional banks. This allows them to take part more actively in the global economy. These currencies expand financial inclusion by addressing two main goals (Bouzanah, Hamdoush, 2023, p. 95).
Using these currencies does not cost much. They are simple, affordable, and last longer as a way to exchange value. They help people and organizations of all sizes make payments, settle accounts, and transfer funds easily. This includes small businesses, medium-sized firms, and very small entities.
Central bank digital currencies often work better than cash for people who do not use banks. They make transactions more convenient and offer better value. While digital currencies have different features from traditional money, their price changes mainly impact international stability. This raises worries about how they might affect economic health as a whole.

1- Significant fluctuations in cryptocurrency valuations undermine the confidence of both users and investors. When the value of a coin experiences a steep decline within a brief period, it becomes challenging to regard it as a reliable means of saving or transacting for goods and services. This situation diminishes its viability for regular commercial use and lessens its attractiveness for long-term investment. In summary, these swift alterations adversely impact the development and stability of cryptocurrencies.
2- Large changes in cryptocurrency values can create doubt in the overall economy. When many people's money or investments are linked to these unstable assets, sudden drops or rises can influence how consumers and businesses think and make choices. As a result, this can lead to instability in economic activities.
3- As digital currencies become more common and are integrated more into finance, their high volatility could threaten financial stability. Rapid drops in value can lead to significant losses for investors and banks that hold these digital assets. These losses can then spread to other areas of the financial system. When banks take part in cryptocurrency transactions, they also face risks linked to these ongoing changes in value. For example, if an investor suffers losses from their cryptocurrency investments, they might need to move money from their regular accounts to cover those losses.
4- Major changes in the values of cryptocurrencies can make it harder for central banks to control the economy successfully. When people view cryptocurrencies as a dependable option, it gets more difficult to handle inflation and set interest rates. In these situations, traditional methods of managing money may not work as well.

The rise in popularity of cryptocurrencies is driven not only by their role as a means to trade but also by their unpredictable prices and increasing attractiveness. This situation has turned them into tools for speculation and the chase for quick profits. As a result, the U.S. Securities and Exchange Commission has decided to create a Bitcoin investment fund. The growing acceptance of digital currencies is leading to a larger gap between the real economy and the financial markets. It is possible that the size of the financial market could soon surpass that of the actual economy. This situation highlights the potential dangers linked to the rapid spread of these currencies, which can threaten monetary stability and the reliability of local currencies.

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The widespread use of these currencies by businesses and families presents a danger to the future worth of the country's local currencies. When people prefer digital currencies, it makes it harder for the government to control the economy using monetary policy. This scenario affects the government's power to oversee the money supply and successfully maintain the stability of the national currency.

Digital currencies operate beyond the limits of individual countries. They can freely move into and out of a nation without oversight from the central bank. This situation creates challenges in tracking money movements and understanding how these transfers affect the country's balance of payments.

The future of monetary policy in light of the spread of digital currencies.

The upcoming path of monetary policy faces major obstacles because of the rise of digital currencies. These new types of currency challenge central banks' power to control the money supply and manage inflation. With the growing popularity of cryptocurrencies like Bitcoin and Ethereum, it is getting harder for regulators to track financial transactions. This scenario could lead to significant changes in how traditional tools are used for managing the economy.

Many central banks are now working on creating their own digital currencies, known as central bank digital currencies or CBDCs. The goal of this project is to keep control of the financial system and to improve the management of money. These digital currencies offer a safer and more efficient way to make online payments. They might also improve how banks handle liquidity and reduce the need for physical cash. However, there are serious regulatory challenges to address. It is necessary for governments to create rules that will help ensure financial market stability and protect investors from sudden changes in prices. Without a common global regulatory system, different countries may set their own specific rules. This variation could potentially lead to instability in the financial system as a whole.

Digital currencies play a vital role in the worldwide financial system today. They influence the stability of different economies and shape monetary strategies in several countries. As their adoption grows, they change how payments and financial exchanges occur. This change has led central banks and financial organizations to rethink their approaches to keep the market stable. These currencies offer benefits including faster transactions, improved security, and a decreased need for physical cash. However, they also bring about difficulties, such as legal and regulatory issues, handling sudden changes in value, and managing economic risks.

In the years to come, it is expected that digital currencies will keep impacting financial systems. Authorities will need to find ways that encourage innovation while ensuring stability. Creating strong regulations and policies will be crucial. Furthermore, central bank digital currencies are likely to help in creating new methods for handling money flow and improving the effectiveness of monetary policy. As these changes happen, the ability of countries to manage digital money will significantly influence how effectively global financial systems adjust to new technologies.

Chapter three: Applied study.

The study used a descriptive analytical approach because it best fits the research type. Descriptive analysis helps to identify key economic variables. The analytical approach also aids in understanding how the independent variable affects the dependent variable. This is done by testing hypotheses and determining what factors influence these variables.

Study community

The study community includes individuals who are interested and knowledgeable about banking and financial issues in Iraq. Because a full count of all members is difficult, the study used a simple random sampling method to collect data. The sample size was 179 people, all of whom responded to an online questionnaire.

Statistical methods:

The study applied several statistical methods with the SPSS program. Cronbach's alpha was used to check the reliability of the study tool. Pearson's correlation coefficient measured the internal consistency and validity of the tool. Frequencies and percentages described the characteristics of the participants. The average scores and standard deviations explained how the participants responded to the questions. A simple linear regression analysis was used to assess how the study variables affected each other.

Study tool

The questionnaire included three groups of statements. The first group focused on digital currencies within the global financial system and had five statements. The second group addressed financial stability and also contained five statements. The third group dealt with the monetary policies used by central banks, with five statements as well. Participants responded to each statement using a five-point Likert scale. The options ranged from strongly agree (5), agree (4), neutral (3), disagree (2), to strongly disagree (1).

Table (1) Response levels to the study tool statements

Degree	Level
1.79-1	Very Low
2.59-1.8	Low

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3.39-2.60	Medium
4.19-3.40	High
5.00 – 4.20	Very High

The reliability of the study tool

The reliability of the questionnaire statements was assessed by examining their correlation coefficients. All of these coefficients were found to be statistically significant at the 0.01 level. This indicates that the tool is highly reliable and suitable for the purpose of the study.

Stability of the study tool

Table (2) Reliability coefficient of the questionnaire topics

Topics	**study tools**	**Cronbach's coefficient**
Digital Currencies in the Global Financial System	**5**	**0.763**
Financial Stability	**5**	**0.710**
Monetary Policies Followed by Central Banks	**5**	**0.741**
Total Survey Form	**15**	**0.898**

The Alpha reliability coefficient was found to be above 0.7 for all parts of the questionnaire. This shows that the study tool is highly reliable. Because of this high reliability, the tool can be confidently used for the study.

Characteristics of the study sample

Table (3) Distribution of the study sample according to personality characteristics

Characteristics	**Categories**	**number**	**percentage %**
Gender	Male	122	68.2
	Female	57	31.8
Age Characteristics	Under 30	21	11.7
	30 to 40	65	36.3
	40 to 50	49	27.4
	50 years and older	44	24.6
Gender	Bachelor's	77	43.0
	Master's	70	39.1
	PhD	32	17.9

Analysis of the study types

Digital currencies in the global financial system:

Table (4) The arithmetic average, standard deviation, Arrangement, and level of agreement on the statements of the topics of digital currencies in the global financial system

Topics	Arithmetic average	Standard deviation	Arrangement	Level of approval
Digital currencies contribute to increasing global trade exchange rates.	4.19	0.92	1	Very high
Cryptocurrencies provide a high degree of security for traders.	4.06	0.80	4	high
Digital currencies contribute to finding solutions to many of the problems facing the global financial system.	4.10	0.86	3	high
Digital currencies provide privacy and confidentiality in financial and economic transactions.	4.15	0.69	2	high
Digital currencies increase the resilience of the global financial	4.03	0.71	5	High

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system to financial and economic changes and developments.				

The importance of statements related to digital currencies in the global financial system was ranked based on their average scores. The research indicated that the assertion "Digital currencies assist in elevating global trade exchange rates" was regarded as the most significant, achieving an average score of 4.19 accompanied by a standard deviation of 0.92. This result conveys a substantial degree of consensus among the participants. Conversely, the statement "Digital currencies enhance the capacity of the global financial system to manage financial and economic fluctuations" was deemed the least significant, garnering an average score of 4.03 and a standard deviation of 0.71. Respondents generally agreed strongly with all the statements about digital currencies' role in the global financial system. The overall average score for these statements was 4.11, with a standard deviation of 0.80, showing that digital currencies are viewed as highly applicable in the global financial system by those studied.

Financial stability:

Table (5) The arithmetic average, standard deviation, Arrangement, and level of agreement on the statements of the financial stability topics

Topics	Arithmetic average	Standard deviation	Arrangement	Level of approval
International financial organizations are concerned with preparing a report on the financial situation at regular intervals and on an ongoing basis.	4.02	0.76	4	high
International financial organizations work at every stage to provide a margin of safety that achieves financial stability.	4.09	0.75	3	high
International financial organizations are working to provide sufficient liquidity to meet potential risks.	3.89	0.90	5	high
International financial organizations are concerned with the effectiveness of decision-making, which contributes to avoiding financial failure.	4.26	0.63	1	Very high
International financial organizations continuously monitor and follow up on the level of financial performance.	4.23	0.60	2	Very High

The phrases related to financial stability were ranked based on their average importance according to the study participants. The most important statement was that "international financial organizations focus on making better decisions, which helps prevent financial failure," with an average score of 4.26 and a standard deviation of 0.63. This shows there is strong agreement among respondents. The least important phrase was that "international financial organizations work to ensure enough liquidity to handle potential risks," scoring an average of 3.89 with a standard deviation of 0.90. Still, there was a high level of agreement on this point.

Monetary policies followed by central banks:
Table (6) The arithmetic average, standard deviation, Arrangement, and level of agreement on the statements of the axis of monetary policies followed by central banks.

	Arithmetic average	Standard deviation	Arrangement	Level of approval

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Monetary policies pursued by central banks work to provide monetary stability.	4.25	0.69	3	Very high
Monetary policies pursued by central banks regulate monetary growth.	4.30	0.70	2	Very high
Monetary policies pursued by central banks work to maintain the value of the national currency.	4.22	0.77	4	Very high
Monetary policies pursued by central banks work to achieve a good level of foreign exchange reserves.	4.36	0.57	1	Very high
Monetary policies pursued by central banks reduce liquidity levels in the markets.	4.19	0.92	5	High

The statements related to the monetary policies of central banks were ranked based on their importance, specifically by their average scores. The most significant statement was that central bank policies help to maintain good levels of foreign currency reserves, which received an average score of 4.36 and a standard deviation of 0.57. This indicates a very high level of agreement among respondents. The least important statement was that these policies aim to decrease cash liquidity rates in markets. It had an average score of 4.19 and a higher standard deviation of 0.92, but still reflected a high level of agreement.

Testing of study hypotheses

Hypothesis 1: There is a statistically significant impact of digital currencies on global financial stability.

Table (7) The relationship between digital currencies and global financial stability

Statistical significance	R	value F	value T	B
0.000	0.751	228.878	15.129	0.658

Table 7 shows a strong positive link between digital currencies and global financial stability, with a significance level of 0.01. It also indicates that digital currencies have a significant direct impact on global financial stability, again at 0.01 significance. The results show that a 1% increase in digital currency use leads to a 0.658% rise in financial stability. This supports the first hypothesis of the study.

Hypothesis 2: There is a statistically significant impact of digital currencies on the monetary policies pursued by central banks.

Table (8) The relationship between digital currencies and monetary policies followed by central banks

Statistical significance	R	value F	value T	B
0.000	0.841	426.092	20.642	0.757

Table 8 reveals a strong and statistically significant positive link between digital currencies and the monetary policies used by central banks, with a significance level of 0.01. This indicates that digital currencies have a direct and meaningful impact on how central banks set their monetary policies. When the level of digital currency use rises by 1%, the corresponding adjustment in monetary policy increases by 0.757%. This supports the second hypothesis of the study.

Study results

1. The members of the study sample observed that central banks are highly active in implementing monetary policies. They also noted the widespread use of digital currencies in the global financial system. Additionally, there is a strong sense of financial stability across the system.
2. The research demonstrates a distinct correlation between digital currencies and global financial stability. The effect is strong enough to be seen as important at the 0.01 level. A rise of 1% in the use of digital currencies is linked to about a 0.658% improvement in global financial stability. This finding supports the original idea of the research.
3. 3. The study shows a clear link between digital currencies and how central banks handle their monetary policies. This link is meaningful statistically, reaching the 0.01 level. The information indicates that a 1% rise in the use of

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digital currency leads to a 0.757% increase in the monetary policies of central banks. This result supports the second hypothesis of the research.

RECOMMENDATIONS

1- The goal is to create a safe and effective financial and economic setting for the use of digital currency in Iraq. This involves building suitable rules and frameworks to make sure that digital currencies are used properly. The focus is on fostering a space that encourages the correct implementation and use of these new forms of money. This effort aims to help Iraq's economy benefit from digital currencies while maintaining stability and confidence.
2- . Ensuring that the economy of Iraq aligns with the recent changes in the global financial landscape is essential. This requires adjusting policies and frameworks to meet international norms and practices. The country must focus on strengthening its financial institutions to better adapt to global trends. It is important to support the flow of capital and information between Iraq and other nations. This effort will help Iraq stay linked to international markets. These steps will contribute to economic stability and encourage growth. It is important for Iraq's progress to adapt economic strategies to these new global developments.
3- There are ongoing attempts to create financial rules that will help integrate digital currencies smoothly into Iraq's economy. These rules aim to make digital money more reliable and accessible for everyone. The goal is to support the growth of digital financial services and guarantee they work well within the country's financial system. Proper planning is important for safely and effectively using digital currencies in everyday transactions.
4- There is notable expansion in the study of digital currencies and their effects on the economy of Iraq. Additionally, new research is starting to focus on the factors that influence financial stability. Moreover, there is a growing amount of work looking into how monetary policies affect Iraq's economic environment.

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