



ANALYSIS OF THE IMPACT OF BANKING REFORM PROGRAMS ON THE IRAQI BANKING SYSTEM FOR THE PERIOD 2004-2024

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Article history:	Abstract:
Received: 6 th June 2025	Iraq witnessed radical changes in multiple areas after 2003, and the banking sector was one of the sectors most affected by these changes. With the implementation of economic reform programs imposed by political and economic developments, the need to restructure the banking system increased to achieve financial stability and support sustainable economic growth. Economic reform programs in Iraq during the period from 2004 to 2024 focused on improving the performance of banks, both public and private, and enhancing their role in financing economic projects and stimulating the credit market. There was also an emphasis on developing monetary and supervisory policies to ensure monetary stability and activate the banking sector's role in financing economic development, despite the challenges these programs faced, such as security crises, oil fluctuations, and administrative corruption. This study will analyze the impact of banking reform programs on the Iraqi banking system during the period from 2004 to 2024, by examining the extent to which monetary and financial policies succeeded in improving the effectiveness of Iraqi banks, whether in the areas of digital transformation, enhancing competitiveness, or interacting with local and global economic variables. In this study, we will focus on understanding how reform programs affect financial efficiency, the transition to a market economy, and the impact of this on the stability of the banking system in Iraq and its role in promoting economic development in light of the challenges facing the banking sector.
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Keywords: Banking reform , Monetary stability.

FIRST :- THE IMPORTANCE OF THE RESEARCH: Analyzing the impact of banking reform programs on the Iraqi banking system is particularly important given the economic challenges facing Iraq in light of the current financial and political conditions. The importance of this analysis in the Iraqi context is highlighted in two ways:-

1. Explaining the role of banking reform in enhancing monetary stability in Iraq and improving the efficiency of the banking system.

2. Explaining the role of banking reform in supporting economic development, stimulating the private sector, and attracting foreign investment.

SECOND: THE FORM OF THE RESEARCH: Despite the efforts made to develop the Iraqi banking system after 2003, the impact of economic reforms remained limited in light of the ongoing political and economic challenges. The reform process requires more integrated steps, including improving the business environment, expanding financial inclusion, strengthening the role of private banks, and technological innovation.

THIRD: RESEARCH HYPOTHESIS: Economic reform programs significantly impact the performance of the banking system in developing countries, as they contribute to improving bank efficiency, enhancing the stability of the financial system, and increasing the competitiveness of the banking sector by improving the legislative framework, diversifying banking products and services, and stimulating technological innovation, which leads to enhanced economic growth.

FOURTH: RESEARCH OBJECTIVE: Analyzing the impact of economic reform programs on the banking system requires a deep understanding of banking and economic policies. These programs aim to improve banking performance, enhance monetary stability, and achieve economic growth. These programs may include improving financial management, enhancing transparency, and strengthening banking laws and regulations.



CHAPTER ONE

The Conceptual and Theoretical Framework of Banking Reform

First Section: The Concept of Banking Reform and Its Objectives

Economic reform encompasses all measures taken by countries to address imbalances they suffer from, such as a general budget deficit ¹. It also includes declining reserves, a trade deficit, high unemployment or inflation, high external debt, irregular and backward tax systems, low production in public projects, dysfunctional banking and trade sectors, and other imbalances that have negative impacts on the national economy and exacerbate social problems in society ². It also involves rationalizing the use of capital investment and human resources, accelerating scientific and technical progress, developing workers' productivity, and increasing production efficiency by improving the work-based pay system to enhance economic incentives for workers ³. It impacts the overall measures and policies aimed at changing the economic situation from one state to a better one, maximizing the use of economic resources and human energies, both material and moral, in various economic fields ⁴. In general, it can be said that economic reforms are a package of rules, procedures, and measures followed by the government in a particular country suffering from internal and external imbalances. The mission of this package is to work to stabilize the economy and make structural corrections to achieve specific goals that can be summarized in restoring balance at the micro and macroeconomic levels. Banking reform is defined as a process that leads to a radical and fundamental change in the laws, legislation, and policies related to banking operations of all types and forms, leading to improved performance and adaptation to the changes taking place globally. Therefore, an evaluation of all these measures must be conducted to ensure that they are properly evaluated and properly described ⁵. Banking reform can also be defined as a set of measures that address increasing the role of market forces in determining interest rates, allocating credit, and determining the general direction of financial intermediation with the aim of improving the efficiency and stability of the banking system⁶.

It can thus be defined as a set of comprehensive and ongoing processes that include restructuring and developing systems, laws, and legislation to contribute to increasing the volume of lending and deposits and improving banking services, which positively impacts sectors of the national economy .

As for the objectives of banking reform, they are listed below ⁷ :

1. Mobilizing local savings, deepening the role of financial intermediation between savers and investors, and strengthening and strengthening regional and international trade, production, and investment partnerships.
2. Improving the efficiency of the use and allocation of capital resources in the national economy. Raising the effectiveness of financial markets to enable them to compete internationally, enabling them to open up foreign borrowing and financing sources, and creating new investment opportunities.
3. Using banking financial services in trade negotiations between several countries to liberalize foreign trade and create new relationships in local and foreign financial markets to attract funds to finance investments.
4. Restructuring banks, eliminating banking specialization, and transitioning from specialized banks to comprehensive banks, which carry out most banking activities.
5. Qualifying and training employees to meet the requirements of the new global banking industry, making them more efficient and productive.

¹ Yahya Saleh Mohsen, Economic Reform Policies in the Republic of Yemen, Arab Economic Research Journal, Issue 25, Year 10, 2001

² Ihsan Khadir, Reform Programs and Their Evaluation, Arab Planning Institute, Kuwait, 2002, pp. 1-9 ²

² Khalil Abdelkader and Boufasa Suleiman, Economic Reforms in Algeria within the Framework of Globalization: Specifications and Evaluation, Conference from 4 to 10 May 2006, Ahmed Bouguerra, Boumerdes, Economic Dimensions of the Second Generation in Developing Countries, First State University, Algeria, December 9, 2006. 4

³ Alaa Abdel Hamid - For Economic Reform with Reference to Iraq, Journal of Economic and Administrative Sciences, Volume 24, Issue 107, University of Baghdad, 2018, pp. 501 and 502

⁴ Baali Hassani, Possibilities of Improving the Efficiency of the Algerian Banking System in Light of Contemporary Economic and Banking Changes, Master's Thesis, Algeria, 2012, p. 71

⁵ Qadi Abdel Majeed, Introduction to Macroeconomic Policies: An Analytical and Evaluative Study, Office of University Publications, 2nd Edition, p. 280

⁶ Ubaid Al-Nasser Nasser: Policies for Economic Reform and Structural Stabilization Programs - The Case of the Arab Bank, Damascus, Arab Writers Union, 2001, p. 53



Second Requirement: Reasons, Motivations, and Requirements for Banking Reform.

First: Reasons for Implementing Banking Reform

The weaknesses of the banking system in countries seeking reform are among the most important reasons for banking reform. These are represented by the following¹:-

1. Weak financial positions of banking system units, a weak resource and savings base, and limited channels for attracting resources.
2. Difficulties resulting from the environment in which the banking system operates, such as high inflation rates and the erosion of the value of banking assets, as well as instability of exchange rates.
3. The small size of banks compared to foreign banks, whether in terms of capital, deposit volume, or the size of financing portfolios.
4. The problem of banking density, which raises the issue of mergers between local banks and across national borders.
5. Weak transparency and disclosure in banking data, and their disparities among banks in countries seeking reform, affect confidence in these banks, make comparisons with international banks difficult, and lead to weak oversight.
6. A shift in the nature of the economy, such as the transition from a controlled economy to a market economy, a qualitative shift in the structure of the economy, the entry of new resources, or the influx of foreign investment.
7. Weak use of modern technology and information systems in banking and the provision of competitive banking services.
8. Lack of administrative efficiency due to a significant shortage of human resources with extensive banking experience and a lack of training, particularly in the areas of risk assessment and credit portfolio management².

Second: Motives for banking reform

The motives for banking reform are divided into the following³

1. Monetary motives: Monetary motives emerged as a result of changes in the monetary system to keep pace with financial and monetary developments worldwide. Therefore, there is a need to reformulate them according to a banking reform policy that takes into account the monetary reality and the local environment and brings about changes that keep pace with monetary and banking developments on the global stage.

2. Technical Motives: These motives are a response to developments in the banking industry and technology. Therefore, legislation and laws must be enacted to support these modern technologies for the public good and to provide diverse services to customers.

3. Economic Motives: These are the basis for justifications for banking reform, as the mission of banking institutions is to contribute to creating the necessary credit for those seeking it to support the advancement and prosperity of society.

4. Regulatory Motives: These motives relate to the regulatory standards of the banking institution by introducing new ideas that reduce the deviation of those responsible for managing this institution and reduce red tape in the provision of banking services.

Third: Banking Reform Requirements

The development and reform of banking activity require comprehensive changes and reforms that go far beyond simply permitting the establishment of private banks. This requires comprehensive changes and reforms that eliminate any distortions in the economy and then begin reform processes so that banks can define their reform programs. Despite the differences in the depth and scope of reforms among different countries, they generally aim to rely on market forces and special incentives in the field of financial intermediation, focus on the soundness of the financial sector and strengthen its regulatory and legislative frameworks, improve institutions' ability to generate local savings, and increase competition among banks. This can be achieved by providing essential requirements, some of which are as follows:

1. Stable security conditions and development of basic infrastructure: The security situation, its stability, and the availability and development of infrastructure are at the forefront of reform requirements, whether economic or

¹ Sabir Muhammad Hassan, "A Presentation of Attempts to Reform the Banking System and its Role in Financing Development in Sudan," Bank of Sudan, Studies and Research Series, Issue 3, 2004, p. 14

² Naji Al-Tuni, "Banking Reform: Development Bridge Publications," Issue 17, Kuwait, Arab Planning Institute, 2003, p. 9

² Falah Hassan Adai Mu'ayyad Abd al-Rahman Abd Allah al-Duri, "Bank Management: A Contemporary Quantitative and Strategic Approach," 1st ed., Wael Publishing and Distribution House, Amman, Jordan, 2008, p. 75



social. Security stability encourages banking reform steps and ensures a safe environment for investors to engage in various economic activities, supporting the banking reform process in a sustainable manner ¹.

2. Qualifying, developing, and enhancing human resources and improving the quality of banking operations: This is achieved in line with global requirements by the banking and financial sector adopting international standards in the areas of oversight, risk management, accounting, auditing, and anti-money laundering².

3. Establishing a legislative and regulatory environment: This represents a profound turning point in the course of banking operations. The legal framework for banking activity consolidates the independence of the monetary authority by liberating it and enabling it to formulate and manage the country's monetary policy in accordance with market rules. This opens the way for the establishment of private banks and the opening of branches of foreign banks, which enhances competition between banks and develops their operations³.

4. Restructuring the public banking sector and introducing market mechanisms into its operations: This is achieved by encouraging banking diversification and expanding the scope of the local financial sector by encouraging the establishment of new banks, companies, investment funds, private insurance companies, and Islamic banks, and developing payment methods and tools to reduce reliance on cash in circulation in the economy ⁴.

Second Requirement: Stages and Procedures of Banking Reform

First: Stages of Economic Reform

The banking reform program has been divided or segmented, based on implementation priority, into five stages. This ensures that the banking reform program achieves coordination and organization in its procedures, avoids significant losses to the transforming economy, and prevents the economy from falling into the trap of misconceptions and confusion of banking and financial institutions in implementing the desired reform program. This comes at a time when the transforming economy needs to preserve as much financial resources as possible, which in turn supports the economic reform process as a whole. The phases are arranged according to their priorities as follows ⁵ :

Stage One (Restructuring of Public Banks): The reality of banks in developing countries necessarily requires a large-scale restructuring of the entire banking system. This requires restructuring to keep pace with developments in the global banking sector and the creation of comprehensive banks that combine various banking operations and financial and investment services. Bank restructuring also includes the infrastructure of the banking system, including its reference framework, regulation, oversight, solvency rules, liquidity, lending policy, and the establishment of relationships between banks and relevant government agencies.

Stage Two (Central Bank Independence): Central bank independence is one of the most important strategic factors driving monetary stability and economic growth. Therefore, central bank independence is the most important link in the success of the new formulation of the structural reform campaign for the banking system, enabling it to activate its credit activity within a sound and stable environment.

Stage Two (Central Bank Independence): Central bank independence is one of the most important strategic factors driving monetary stability and economic growth. Therefore, central bank independence is the most important link in the success of the new formulation of the structural reform campaign for the banking system, enabling it to activate its credit activity within a healthy and stable environment.

Stage Three (Eliminating Financial Repression): Financial repression refers to state intervention through taxation or other financial and monetary instruments, such as setting ceilings on interest rates and intervening in the use of credit (credit guidance) in financial activity. This distorts market mechanisms, deviates them from operating in accordance with considerations of supply and demand for funds available for lending and investment, and diverts the financial sector from the requirements of economic efficiency.

¹ Ahmad Safar, Electronic Payment Systems, Al-Halabi Legal Publications, 1st ed., Beirut, Lebanon, 2008, p. 64

² Salem Tawfiq Al-Najafi, Economic Stabilization and Structural Adjustment Policies and Their Impact on Arab Economic Integration, Bayt Al-Hikma, Baghdad, 2002

³ The same source

⁴ Thuraya Al-Khazraji, Monetary Policy in Iraq Between the Accumulations of the Past and the Challenges of the Present, Journal of the Baghdad College of Economic Sciences, University, Issue 23, 2010, p. 18

⁵ Thuraya Al-Khazraji, Monetary Policy in Iraq Between the Accumulations of the Past and the Challenges of the Present, Journal of the Baghdad College of Economic Sciences, University, Issue 23, 2010, p. 18



Stage Four (Bank Mergers and Acquisitions): A bank merger represents a union between two or more institutions under a single management. Therefore, a bank merger may occur through a combination, whereby a new bank is created to replace the two merged banks, or through a merger, whereby one bank merges with another and declares its legal dissolution ¹.

Stage Five (Privatization): This is the final stage of banking reform, and involves the transfer or conversion of ownership or management of public banking institutions, partially or completely, to the private sector. This is within the framework of reducing the state's role in economic activity in general and the banking system in particular, and expanding and revitalizing the role of the private sector in the process of economic and social development ².

Second: Banking Reform Measures

Comprehensive banking reform measures require a clear reform of fiscal and monetary policies as a prelude to launching banking reform. Economic reform cannot be achieved without fiscal and monetary reform. Both the World Bank and the International Monetary Fund (IMF) emphasize the need to define a timetable, economic indicators, and objectives for banking reform, utilizing all financial and monetary tools to achieve a balance between supply and demand. The most important measures for banking reform can be summarized, according to the program adopted by the IMF in its banking reform prescription, as follows³ :

1. A policy of reducing the state's budget deficit, which leads to a reduction in public spending.
2. Liberalizing interest rates to be consistent with inflation, growth rates, profitability, and GDP growth rates.
3. A policy of liberalizing prices, liberalizing costs, and reducing the amount of subsidies provided to some sectors to bring local prices closer to global prices.
4. Liberalizing wages to bring them closer to social costs and encouraging government institutions to set wages commensurate with skills and experience.
5. Reducing the state's role in public company ownership and moving toward selling some institutions or offering them for investment.

These measures, taken together, constitute a recipe for banking reform, which cannot be divided or separated from one another.

Chapter Two

Banking Reform in the Iraqi Banking System for the Period 2004-2024

First Section: The Origin and Development of the Iraqi Banking System

The Iraqi banking sector is a fundamental link in the Iraqi economy. The Iraqi economy suffers from multiple and complex problems, both those related to legislation, regulations, instructions, and the limitations of central economic management, as well as those related to economic instability and the security situation that Iraq has experienced from 2003 to the present ⁴. In general, the emergence and development of the Iraqi banking system can be divided into two phases, as follows⁵:

The First Stage : Before 2003

The Iraqi banking sector underwent significant developments, and its roles diversified according to the economic and political changes and developments it underwent. The early emergence of banks in Iraq witnessed the dominance of foreign banks, distributed among the main centers (Baghdad, Basra, and Mosul). The central government had little oversight role, and neither did state-owned banks. Foreign banks carried out all government banking activities until the establishment of the state-owned Rafidain Bank in 1941. The Eastern Bank was also assigned to act as an agent for the Currency Issuance Committee, which was established in London in 1931. This situation continued until the establishment of the National Bank of Iraq (the Central Bank of Iraq) in 1947. This period witnessed the issuance of the Iraqi Currency

1 Nabil Sukkar, previously cited source, p. 9 .

2 Shafiq Al-Akhras, Modernization of the Banking Sector in Syria: Strategy and Banking Policy, Journal of the Union of Arab Banks, Volume 21, Issue 44, 2001, p. 40

4 Hafez Kamel Al-Ghandour, Mergers and Acquisitions from an Egyptian Perspective, Union of Arab Banks, Beirut, 2000, p. 289

1 Nasser Obaid Al-Nasser, Reform Policies and Economic Policy Reform in the Arab World, Conference on Political and Economic Reform in the Arab World and the Role of Financial Markets in Economic Development, Supreme Council for the Care of Arts, Literature, and Social Sciences, Damascus, 2005

2 Seer Al-Nusairi, The Iraqi Banking Sector: Challenges and Opportunities for Reform, Papers on Economic Policy, Iraqi Economists Network, Baghdad, 2018, p. 1



Law in 1931, pursuant to Law No. (44) of 1931, which established the Currency Committee, headquartered in London. In general, until the 1920s, there were three banks: the Ottoman Bank (1893), the Oriental Bank Limited, which became the government bank, and the Imperial Bank of Iran (1916) (the British Bank of the Middle East) ¹.

In the 1930s, the Iraqi National Bank was established, as were Iraqi commercial banks. The establishment of the first government bank in Iraq, the Agricultural and Industrial Bank, was announced in 1935. It was later divided into two banks: the Agricultural Bank and the Industrial Bank. In 1941, the Rafidain Bank was established, as was the National Bank of Iraq, pursuant to Law (43) of 1947, for the purpose of regulating central banking. It commenced operations in 1948. In 1956, its name was changed to the "Central Bank of Iraq" pursuant to Law No. (72). The Real Estate Bank was also established in 1948². The sixties and seventies of the last century witnessed major developments in the banking sector, as the Nationalization Law No. (100) of 1964 was issued, which sparked controversy among specialists between rejection and acceptance, as the banks were divided under the Nationalization Law into four groups, namely (the Iraqi Commercial Bank Group, the Baghdad and Arab Bank Group, the Rashid Bank Group, and the Credit Bank Group), and then other mergers followed, which ended with the merger of the nationalized banks into one bank, which is Rafidain Bank, and that was in 1974, and the issuance of Law No. (52) regarding the establishment of Rafidain Bank in 1988, as Rafidain Bank was divided into two banks, which are Rafidain Bank and Rasheed Bank ³.

At the beginning of the 1990s, the shift from a banking monopoly to a government-led era of banking pluralism took place, by allowing the private sector to engage in banking activities under Law No. (12) of 1991, which stipulated the establishment of banks under Companies Law No. (36) of 1983. The banking system now includes (25) banks operating in the banking sector, including (6) government banks, and (18) private commercial banks, including one Islamic bank and one mixed bank ⁴. The financial sector now enjoys a space for discussion regarding the provision of financial services. On the other hand, in 1991, the Baghdad Stock Exchange was established, which entrusted banks with the task of mediation in the market by establishing offices to carry out the buying and selling of securities. Licenses were granted to practice financial investment in joint-stock companies based on the Financial Investment Companies System Law No. (5) of 1998 ⁵.

The Second Stage : After 2003

This stage began after the change in the regime in Iraq and the transition to a market economy. The Central Bank of Iraq Law No. (56) of 2004 was issued, granting the Central Bank complete independence from the government in implementing monetary policy under Article (26) of the same law. This phase also witnessed the issuance of Commercial Banking Law No. (94) of 2004, the Iraqi Stock Exchange Law No. (74) of 2004, the Commercial Banking Law No. (94), and Investment Law No. (13) of 2006. One of the most prominent banks established during this phase was the Trade Bank of Iraq, with a capital of \$100 million from the Development Fund for Iraq. This bank sought to help Iraq regain its international creditworthiness, in addition to strengthening the financial relations that Iraq suffered during the period of the blockade imposed at that time. Overall, this stage witnessed a series of reforms that can be summarized as follows ⁶.

1. Setting the limit The minimum capital for existing banks shall not be less than (250) billion dinars, or (50) million dollars, or its equivalent, at a rate of (30%) of the capital of local banks as operating capital for branches of foreign banks.

2. Foreign banks shall be permitted to open branches and offices in Iraq and participate in the capital of Iraqi banks, regardless of the percentage, in order to enhance competition and develop banking operations, in accordance with Paragraph Six of Banking Law No. (94) of 2004.

3. Working to reduce the legal reserve requirement from (42%) to (25%), including (5%) in cash in the bank's vaults and (20%) to be retained at the Central Bank of Iraq.

3 Mona Hussein Obaid, Constitutional Reforms and the Future of Rights and Freedoms, Journal of the Al-Mustansiriya Center for Arab and International Studies, Issue 28, Al-Mustansiriya University, 2009, pp. 85-86

4 Abdul-Hain Jalil Al-Ghalibi Ahmed Hassan Atshan, The Banking System and Its Impact on Economic Stability Variables in Iraq, Al-Iqtisad Magazine

1 Al-Khaleiji, Magazine 20, Issue 17, University of Basra, 2009, p. 20

2 Ammar Yasser Abdul-Kazem Al-Abadi, The Modern Emergence of the Iraqi Banking System in Manat Al-Ilm, ARID 2020, p. 21

3 Ahmed Hussain & Faisal Ghazi, Index to measure the completion between in the Iraqi banking sector for the period 2011-2016, Tikrit Journal of Administration & Economic Science /Vol. 4/No. 44-Part 1, 2018, pp. 9, 10

4 Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, 2012, p. 33



4. Liberalizing bank interest rates and opening a foreign currency auction window contributed to improving and stabilizing the Iraqi dinar exchange rate.

5. Issuing a new Iraqi currency with the aim of achieving monetary stability.

In 2012, the Central Bank of Iraq took further measures to improve the performance of the banking sector and increase its efficiency by issuing instructions for payment services, issuing the Electronic Payment and Electronic Transactions Law, and increasing the capital of commercial banks to (150) billion Iraqi dinars, exchange companies to (500) billion dinars, and remittance companies to 45 billion dinars¹. During the period (2015-2019), the Central Bank of Iraq took a number of measures and issued several laws to keep pace with developments in the global economy and achieve financial and economic stability. Islamic Banking Law No. (43) of 2015 was issued to regulate the work of Islamic banks. A number of measures were also taken to regulate the work of banks, the most prominent of which was the implementation of the Basel Accords regarding credit risks, operational risks, and market risks².

In 2020, in order to confront the spread of the COVID-19 pandemic, mitigate its effects, and maintain financial and economic stability, the Central Bank of Iraq took a number of measures and legislation, the most prominent of which were³:

1. Issuing unified regulations for the (1) trillion initiative to finance large, medium, and small projects.
2. Issuing regulations for the Islamic Financial Safety Net.
3. Issuing a liquidity list for Islamic banks.
4. Issuing regulations for electronic payment service providers via mobile phones.

5. Issuing updated regulations to regulate the work of primary and secondary agents providing foreign remittance services⁴.

6. Preparing initiatives within the 2020-2025 strategic plan, which include monitoring individual debt in the banking system and enhancing control over cross-border risks.

Chapter Three

Analysis of Banking Reform Indicators and Their Impact on Some Monetary Stability Variables in Iraq for the Period 2004-2023

Banking reform is a key tool in achieving economic stability in general and monetary stability in particular in Iraq. This is because it represents a financial sector that maintains general liquidity in the economy. It is also one of the largest investment sectors in the stock market. It also represents a channel for transmitting monetary policy, which impacts economic growth rates and reduces inflation rates, thereby achieving monetary stability and maintaining a stable exchange rate. The banking sector has witnessed significant changes following economic and political transformations, particularly after the issuance of laws that contributed to granting the Central Bank the authority to implement and formulate monetary policy and the freedom to choose quantitative tools, thus enhancing the Central Bank's independence. The Central Bank has taken on the responsibility of combating inflation and strengthening the value of the Iraqi dinar as a primary objective, as stipulated in Central Bank Law No. 56 of 2004. Therefore, banking reform has played an important role in achieving economic stability by addressing high inflation rates, stabilizing interest rates and the exchange rate, and thus increasing the rate of economic growth. The following is an analysis of the impact of banking reform indicators on monetary stability variables in Iraq.

Table (1) is devoted to showing the development of data on economic stability variables in Iraq for the period 2004-2024. As for Table (2), by studying its data, the relationship between economic stability variables (shown in Table (1) and banking reform indicators, the most important of which are the volume of deposits and the volume of credit can

1 For more details, see the Central Bank of Iraq Annual Reports, various issues Privatization in Jordan, Amman Stock Exchange, 2007, Jordan, website, p. 2. <http://www.ase.com.jo>

Mona Hussein Obaid, Constitutional Reforms and the Future of Rights and Freedoms, Journal of the Al-Mustansiriya Center for Arab and International Studies, Issue 28, Al-Mustansiriya University, 2009, pp. 85-86

2 Mu'ayyad Abdul Karim Makhif, The Role of the Banking Sector in Achieving Economic Stability in Selected Countries with Special Reference to Iraq, previous source 100

3 Samira Hussein Al-Khazraji, Governance and the Central Bank of Iraq, Journal of Economic Studies, Issue 27, Bayt Al-Hikma, Baghdad, 2012, p. 124

4 Ali Mohsen Al-Alaq, The Ancient Political Relations in Facing Challenges for the Period 2015-2016, Central Bank of Iraq, 2016, p. 3



be observed. The most important of these relationships is the relationship between the GDP variable and banking reform indicators, as the data shows an increase in GDP rates during the first years from 2004 to 2008, where the GDP rate at current prices reached (53235359, 73533599, 95587955, 111455813, 157926062), and this is due to the increase in bank credit and the growth of bank deposits in the banking system, while the year 2009 witnessed a decrease in GDP, amounting to (130643200), and this decrease is due to the global financial crisis, the slowdown in economic activity, and the decrease in commodity prices, including imported ones. Then GDP rebounded from 2010 to 2013, but declined in 2014 and 2015 due to a significant decline in oil prices, as well as the events that took place in Iraq due to terrorist gangs occupying some Iraqi provinces and seizing control of some oil fields. It then began to rise from 2017 to 2020 due to the improvement in oil prices, which led to increased exports, positively impacting Iraq's GDP. It remained fluctuating between increases and decreases until the first half of 2024, as shown in the following tables :

Table (1)

Development of some banking reform indicators in Iraq for the period 2004-2024

Volume growth rate Credit)4(Total bank credit)3(Deposit growth rate)2(Total deposits)1(Year
/	1039542	/	3946668	2004
179.68	2907431	153	10009010	2005
64.47	4781980	88	18897338	2006
45.31	6948710	50.92	28519558	2007
6.57	7405327	31.50	37501909	2008
17.52	8702620	22.55	45961330	2009
103.80	17735638	19.68	55008564	2010
39.43	24728651	18.69	65292123	2011
30.88	32365358	12.84	73676323	2012
0.96	32674466	18.09	87004404	2013
19.95	39195924	4.51	90932279	2014
16.61	45704775	15.96-	76418631	2015
4.73	47870768	5.42-	72276.76	2016
9.01	52182944	1.08	73060348	2017
2.03-	51122810	14.69	87393944	2018
4.49	53418176	5.67	88540964	2019
28.7-	38423236	58.5-	36729113	2020
25.00	92000000	40.69	54000000	2021
8.70	100000000	9.26	59000000	2022
10.00	110000000	6.78	63000000	2023
8.00	118000000	4.08-	54500000	2024

Source: Columns (1) and (3) are from the Central Bureau of Statistics data for the years mentioned. Columns (2) and (4) are from the researcher's work.

Table (2)

Some Economic Stability Variables in Iraq for the Period 2004-2024 at Current Prices

Unemployment Rate	Economic Growth Rate	Inflation Rate	Gross Domestic Product	Year



			GDP	
26.8	4.8	37	53235359	2004
17.97	1.7	30.8	73533599	2005
17.5	5.6	31.7	95587955	2006
11.7	1.9	19.3	111455813	2007
15.2	3.4	6.9	130643200	2008
18.23	8.2	12.7	157926062	2009
15.2	6.4	2.9	162064566	2010
11.1	7.5	5.4	217327107	2011
11.9	13.9	5.6	254225491	2012
13	7.6	2.4	273587529	2013
23	0.7-	2.2	266332655	2014
25	2.5	1.4	194680972	2015
20.4	15.2	0.5	186542703	2016
22	-2.5	0.2	207621134	2017
22.6	-0.1	0.4	249574276	2018
23	4.4	0.6	254443953	2019
40	12.1-	0.8	219768798	2020
14.2	1.5	6.0	206601930	2021
13	7.6	5.0	249574276	2022
13.5	2.9	4.4	184073051	2023
12.2	3.4	5.7	200758608	2024

Source:
Bureau of
Table (3)
The

Central
Statistics.

Relationship Between Monetary Stability Variables and Banking Reform Indicators in Iraq for the Period 2004-2024

Unemployment Rate	Economic Growth Rate	Inflation Rate	Credit Growth Rate	Deposit Growth Rate	GDP Growth Rate	Year
26.8	4.8	37	/	/	/	2004
17.97	1.7	30.8	179.68	153	38.32	2005
17.5	5.6	31.7	64.47	88	32.70	2006
11.7	1.9	19.3	45.31	50.92	29.73	2007
15.2	3.4	6.9	6.57	31.50	36.88	2008
18.23	8.2	12.7	17.52	22.55	7.96	2009
15.2	6.4	2.9	103.80	19.68	0.31	2010
11.1	7.5	5.4	39.43	18.69	24.61	2011



Source:

11.9	13.9	5.6	30.88	12.84	19.27	2012
13	7.6	2.4	0.96	18.09	7.29	2013
23	0.7-	2.2	19.95	4.51	29.56	2014
25	2.5	1.4	16.61	15.96-	2.91	2015
20.4	15.2	0.5	4.73	5.42-	14.70	2016
22	-2.5	0.2	9.01	1.08	14.44	2017
22.6	-0.1	0.4	2.03-	14.69	12.88	2018
23	4.4	0.6	4.49	5.67	0.30	2019
40	12.1-	0.8	28.7-	58.5-	0.00	2020
14.2	1.5	6.0	25.00	40.69	209.89	2021
13	7.6	5.0	8.70	9.26	286.64	2022
13.5	2.9	4.4	10.00	6.78	250.84	2023
12.2	3.4	5.7	8.00	4.08-	120.76	2024

Prepared by the researcher based on Tables (1) and (2) .

From the previous tables, which show the development of data for each of the monetary stability variables represented by the GDP growth rate, the economic growth rate, the inflation rate, and the unemployment rate, and in contrast, the development of data for banking reform indicators represented by the deposit growth rate and the bank credit growth rate, a significant convergence is observed over a large number of years between the development of data for each of these two aspects, whether up or down. This indicates the depth of the relationship and impact between these two aspects, which collectively impacts the achievement of economic stability in the country. Meanwhile, there were other years that witnessed opposing changes in both aspects, indicating the presence of other factors affecting monetary stability variables in Iraq beyond the banking reform indicators adopted in this research.

CONCLUSION

In conclusion, this research demonstrates that economic and banking reform are essential elements for achieving economic stability. It has been shown that the developments witnessed by the Iraqi banking sector during the period 2004-2024 were not sufficient to achieve the desired stability. Despite the efforts made, there are ongoing challenges related to the weakness of the banking infrastructure, the impact of economic fluctuations, and the heavy reliance on the government sector for banking activity.

Conclusions

1. The analysis shows that banking reform in Iraq has partially contributed to improving some indicators of monetary stability, but it has not been sufficient to achieve comprehensive banking development.
2. The Iraqi banking sector continues to suffer from weak banking credit to the private sector, which impacts economic growth.
3. There is a need to develop banking legislation to enhance the business environment and attract foreign investment.
4. Weak confidence in banking institutions has led to a decline in deposit rates, limiting banks' ability to finance development projects.

RECOMMENDATIONS

1. Enhancing independence and transparency. This means strengthening the independence of the Central Bank and increasing the level of transparency in banking operations, which will enhance investor and depositor confidence.
2. Developing the banking infrastructure, i.e., introducing modern technology into banking services to expand financial inclusion and increase operational efficiency.
3. Increasing financing for small and medium-sized enterprises (SMEs) by directing reforms toward supporting SMEs to create job opportunities and stimulate the local economy.



4. Enhancing banking supervision by developing banking oversight mechanisms to ensure compliance with international standards and reduce financial risks.

5. Reforming the banking structure, i.e., reducing the dominance of government banks and enhancing the role of private banks through incentive policies.

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