Ishtar Journal of Economics and Business Studies (IJEBS), Volume 2 (1) – (2021) ISSN: 2708-6186

The Development of the Banking Sector's Contribution to the Iraqi Economy: Subject Review

Dr. Mazin Dawood Salman
College of Administration and Economics, University of Baghdad
Dr. Amr Husham Mohammed
Al-Mustansiriyah Center for Arab and International Studies, Al-Mustansiriyah University

Abstract
The Iraqi economy witnessed what is known as a double economic shock in the second half of 2014, which lasted more than two and a half years, and since this economy requires reconstruction and the release of its potential that restores it to normal, it needs more than other economies to have a financial and financial sector characterized by efficiency, efficiency and high flexibility. Therefore, we are trying to shed light on the situation of the Iraqi banking sector and the importance of its contribution to GDP through key banking indicators and compare the situation of some Iraqi banks with their counterparts in the region. The research reached a major conclusion that, although the contribution of the banking sector in the race improved from 1% to 2%, it is still lagging behind some Arab countries, and is still far from the rest of the Arab oil countries, where the ratio of the banking sector to GDP is between 3 and 4%.
Keywords: Banking Sector's, Iraqi Economy.

Introduction:

Given the multiple problems in the Iraqi economy, some of which are inherited from the previous era (such as external indebtedness and structural imbalance), some of which are new and linked to the conditions of the world economy such as low oil prices and financial corruption or what is known as a double economic shock after 2014. It needs, more than other neighboring economies, a highly efficient, effective and flexible financial and banking sector, enabling it to meet the requirements of reconstruction and the release of its potential that restores it to normal and deserved position among the countries of the world.

Many global experiences at the level of developed and outgrowth, countries alike have shown that the efficient banking sector mobilizes and expands available savings instruments, reduces the cost of financing and develops risk management, facilitates the flow of goods and services, supports the capacity of the national economy to cope with unexpected financial crises, and maintain macroeconomic stability.

Research's Methodology:

Research's problem:

The mobilization of financial resources is a necessary condition for the start of the process of economic development, which is the basis of any economic recovery that a country can experience, and the existence of an active banking sector is a major reason for the success and continuity of this start, so the weakness of Iraq's banking sector could undermine any potential economic renaissance.

Research's hypothesis:

Achieving the efficiency of the banking system and activating its contribution to economic development is based not only on the completion of reforms, but also on its openness to foreign competition and the presence of international banks in domestic financial markets.

The structure of research:

the research consists of three axes: the first, the conceptual framework of the role of the financial sector in development, and the second axis, the performance of the Iraqi banking sector and the most important economic indicators. The third axis focuses on the relative importance of the banking sector in the Iraqi economy, leading to conclusions and recommendations.

The first topic: the conceptual framework of the role of the financial sector in economic development

It can be said that although the financial system consists of different elements, it is largely interrelated; the elements of the financial system can be divided into three main parts: infrastructure (legal systems, payment systems, settlement systems, accounting systems); financial institutions (banks, securities companies, investment institutions); markets (stocks, bonds, cash, derivatives) (Shinassi: 2005, p4).

One of the tasks of particular importance to the financial system in a market economy is to help mobilize the savings of society and direct it towards the most efficient types of investment. As direct control of credit, interest rates and fiscal restraint policies has resulted in ineffectiveness and inaccuracy in resource allocation, many outgrowth countries have begun to reform their financial systems, liberalize financial markets distorted by financial restraint and remove capital restrictions..

Developing countries suffer from fundamental weaknesses in their financial structures, namely, the absence of prudent supervision, rudimentary regulatory structures of financial intermediaries, corrupt lending practices, insufficient bank capital, poor regulatory experience, and the absence of sound deposit insurance schemes, and these and other factors contribute to the result with a rapid accumulation of useless loans resulting in banking crises in these countries. Developing and strengthening sound financial sectors and reforming dilapidated financial systems become a necessary condition for enhancing financial stability and a strategy needed to support sustainable growth.

A- Financial development and growth:

There are many opinions that there is a causal relationship between financial development and growth, and if financial development pre-growth is ahead of growth, then an active fiscal policy is needed to stimulate growth. On the contrary, financial development occurs in that case itself when the economy grows, requiring a greater focus on developments in the real economy.

King & Levine:1993 is a proponent of the premise that funding comes first (King & Levine, 1993 52), while Demetriades & Hussien:1996 support the opposite view. There is a third conciliatory view that the relationship depends on the level of development; when the level of income is low, financial development increases the rate of income growth until it reaches a regular level (or meeting level), and at the later stage financial development is determined by the external rate of regular income growth.(Demetriades & Hussein , 1996 , 55)

However, this conciliation is also important, as recent studies, most notably Greenwood & Jovanovic:1990, Bencivenga & Smith:1991 and Levine:1993, have shown that financial institutions can increase the overall productivity of production and marginal capital productivity by motivating savers to invest a larger portion of their wealth in productive assets, and in higher risk but higher productivity financing. The end result is that financial development can have lasting and lasting effects on the rate of regular income growth (Balbal et al.: 2004, p. 4-5).

The important question remains, if financial development has a continuing impact on growth, is this done by deepening the existing financial structure or attempting to expand it or both?

To answer this question in the case of developing countries, the question arises as to whether it is intended to deepen the structure dominated by commercial banks (e.g. strengthening competition, supervision, inclusiveness, etc.) or to encourage stock markets besides them.
Both views have both supporters and opponents, but there is a conciliatory trend between the two previous opinions, and this conciliatory view goes beyond the distinction between the banking and market platforms, but emphasizes the following (Balbal et al: 2004, p. 6):
-The importance of the quality of financial services - such as reducing the cost of transactions and information, better risk management, etc. - which both sectors must provide.
- Financial development is a multifaceted process, which, as well as the regulatory and supervisory aspects of monetary policy, financial openness and institutional capacity, includes, as well as aspects of regulation and supervision.
- Attention to legislative and regulatory reforms aimed at strengthening the rights of creditors and applying accounting agreements and practices.

B- The impact of financial reform on economic growth:

Before determining the type of relationship between financial reform and economic growth, some of the problems facing the financial sector in developing countries must be addressed. The absence of sober credit markets in developing countries is the first obstacle to sustainable growth. Banks in developing countries lend modest proportions of their deposits to the private sector, and an important part of deposits remain in liquid assets such as currency, interbank loans, central bank debt and government. In the United States, these liquid assets account for 6% of the deposit volume, while liquid assets in developing countries account for 50% or more (Ali: 2009, p137).

Other obstacles, such as the dominance of governments in developing countries in this sector, can also be monitored at the expense of competition and increase administrative corruption and thus hinder the development of the financial sector. In addition to the weak legal and judicial environment does not reassure banks and financial institutions, the lack of information on banks and lenders generates a reluctance on the part of these entities to lend to the private sector and all those factors and others make the credit market weak and unable to take the lead in the growth process.

Financial sector policy affects financial liberalization or financial restrictions on the contours of the financial structure, which in turn relies on two main factors - financial institutions, i.e. banks, insurance companies, pension funds and mutual funds; the second factor is financial markets, which rely on traditional instruments such as ordinary stocks, premium stocks and bonds, or on derivatives such as options, receivers and secured bonds. The type of financial structure, in turn, reflects the nature and size of the financial services or functions offered and provided, which in turn affect long-term economic growth. This series can be explained in a simplified manner as follows:

Financial functions (financial services) Economic growth

These ideas make it clear that a sound and efficient financial system is a prerequisite for long-term economic growth. Although financial systems have evolved in different ways, the banking sector has dominated the development of financial systems in some countries, such as Germany and Japan, and the focus has been greater on financial markets in the systems of other countries such as the United Kingdom and the United States.

Despite the obvious differences between financial systems, factors can be identified in which all relatively successful financial systems are involved and in different countries. These factors include fundamental economic principles based on various macroeconomic indicators, an acceptablely developed legal framework, a relatively advanced level of accounting and auditing that suits international standards, a skilled workforce and competencies capable of developing the financial sector, limited government intervention in the allocation of funds, a proper regulation infrastructure and careful supervision of financial intermediaries, and a widespread application of information technology in the financial sector. Some studies have attempted to provide evidence of the link between finance and growth and to clarify the structure of a successful financial system. The most important factors can be limited to the following (Ali: 2009, p. 16):

1- The total size of the financial system is calculated by depth variable, defined as cash owned outside financial institutions plus on-demand deposits and liabilities including interest on banks and non-bank financial institutions, or monetary supply (M3), divided by GDP.
2- The importance of banks relative to the Central Bank in the allocation of credits; It is measured by dividing bank credits by bank credits plus central bank credits .
3- The relative importance of private sector credits versus public sector credits; It is measured by the variable that represents the credit issued to private sector companies divided by the total credits.
4- The quantitative importance of financial institutions except banks, measured by the ratio of assets - excluding banks - to GDP
5- The level of development of the stock market measured by a composite measurement of different variables reflecting the liquidity of the market and the degree of its integration with the global capital markets.

The second axis: selected indicators on the Iraqi banking sector and its role in economic performance

It goes without saying that the higher the banking reserves, the more this is due to the degree of development and banking awareness, which will work to achieve economic balance both internally and externally, as well as to encourage investment activity through its facilities and guarantees.

Table (1) Development of deposits and credit granted by commercial banks for 2011-2015 (Trillion I.D.

Year	Deposits with commercial banks	Total current deposits	Cash credit granted by commercial banks	Loans and advances
2011	56	43.7	20.3	15.3
2012	62	50.4	28.4	22
2013	67	56.2	29.9	24.7
2014	74.1	56.6	34.1	28.2
2015	64.3	46.3	36.8	23.4

Reference : Ministry of Planning, Iraqi Economy Report, Republic of Iraq, Baghdad, 2017, p. 56

Table (2) Total assets of all banks operating in Iraq for 2014 and 2015

Details	2014trillion I.D.	2015 Trillion I.D.	Percentage change%	Relative Importance % 2014	Relative Importance % 2015
Total assets	226.8	222.9	1.7-		
Assets of government banks	204.5	200.5	2-	90.2	90
Assets of private banks	22.3	22.4	0.4	9.8	10
GDP	259.8	192.4		87.3	115.8

Reference: Annual Financial Stability Report in Iraq 2015, Central Bank of Iraq, 2015, p. 14.

Table (3) Evolution of cash and GDP supply for 2012-2015 (Trillion I.D.)

Years	**View CashM1 (1)**	**M2 Cash View (2)**	**GDP (3)**	**Financial depth* 3/2 = (4) %**
2012	63.7	75.4	254.2	29.6
2013	73.8	87.7	273.5	32.1
2014	72.7	90.5	258.9	34.9
2015	65.4	82.6	191.7	43.1

Reference: Ministry of Planning, Iraqi Economy Report, Republic of Iraq, Baghdad, 2017, p. 45 and 32.
***Calculated by the researchers.**
Table (4) Cash credit for banks operating in Iraq 2014 and 2015

Details	**2014**	**2015**	**Percentage change%**	**The relative importance of credit types%**	**Cash credit/GDP% 2014**	**Cash credit/GDP% 2015**
Cash credit	34.1	36.8	7.9	100	13.1	19.1
Cash credit to government banks	26.9	29.1	8.2	79	10.3	15.1
Cash credit to private banks	7.2	7.7	6.9	21	2.8	4
GDP	259.8	192.4				

Reference: Annual Report on Financial Stability in Iraq 2015, Central Bank of Iraq, 2015, p. 15.

Table (5) Cash and Sector Pledge for 2014 and 2015 (Trillion I.D.)

Details	2014	2015	Relative importance	Percentage of change
Cash credit to the central government	8.4	10.9	29.5	29.8
Cash credit to government institutions	8	7.8	21.2	2.5-
Cash credit to the private sector	17.7	18.1	49.2	2.3
Total cash credit	34.1	36.8	100	7.9
Pledge credit to the central government	21.7	15.5	38.2	28.6-
Pledge credit to government institutions	14	10.9	26.8	22.1-
Pledge credit to the private sector	15.2	14.2	35.0	7.2-
Total pledge credit	50.9	40.5	100	0.4-
Total	85	77.3		
GDP	259.8	192.4		
Credit (cash and pledge) provided to the private sector / GDP	%12.6	%16.7		

Reference: Annual Report on Financial Stability in Iraq 2015, Central Bank of Iraq, 2015 p. 16

It can be said that the most important factors that lead to the reluctance of banks to grant credit are due to the following:

- Poor credit rating for borrowers, which are the most moral risk-averse category.

- The difficulty of assessing collaterals that are adequate and appropriate for the granting of credit, which is the result of the impact of inflationary expectations or so called market risk.
- Most banks, particularly private banks, do not have a high solvency that enables them to expand their credit activity, as deposits tend to be short-term, and the total capital of all banks (10.1) is 10.1 trillion dinars. While the structure of deposits is divided into (55.2) trillion dinars for government banks distributed between Rafidain Bank by (31.2) trillion dinars, and The Bank of Rasheed acquired (14.4) trillion dinars, while the second part of the deposits, which is estimated at 9.1 trillion dinars, was the share of private banks.

-- Although Rafidain and Rasheed banking acquired 55.2 trillion dinars out of 64.3 trillion dinars in 2015, or 85.5%, the capital adequacy ratio remained low 4% for Rafidain Bank and 10% for Al-Rasheed Bank, which is below the standard 12%, but the capital adequacy ratio of all banks is more than double the standard rate mentioned. This fact indicates that public confidence remains higher in government banks than in private banks, especially after the collapses and stumbles experienced by some private banks after 2014 (Annual Financial Stability Report in Iraq 2015, p. 16).

- The outstanding debt of about 3.1 trillion Iraqi dinars was a burden on the banking system, with the credit default rate of government banks amounting to 67.1% and (2.1) trillion dinars, while private banks amounted to 32.9% and more than 1 trillion dinars worth of credit. The main reasons for the stumble are the weak situation in Iraq, the low financial capacity of borrowers, the decline in the value of guarantees, the migration of many borrowers outside Iraq, and the trend towards safe investments, especially with the Central Bank of Iraq, and adopted in providing more secure credit, including the opening of documentary credits and the issuance of letters of guarantee of 40.5 trillion dinars to finance and support foreign trade activities(Annual Financial Stability Report in Iraq 2015, p. 18).

-Cash credit provided by banks increased in 2015 to 36.8 trillion dinars from the previous year of 34.1 trillion dinars in 2014, an increase of about 7.9%, and the sectoral distribution of this type of credit focused on the community services sector by about 39%, then the construction sector by 22.8%, followed by wholesale and retail trade, restaurants and hotels by 14.2%.

If we move to other indicators of financial inclusion (which reflects the extent to which financial and banking services reach as many people as possible), we focus on the following :

-The volume of banking spread and bank ing intensity did not change much during the period 2011-2016 and its level remained low hovering around 3 or slightly less, and this decrease is reflected in the table (6).

- Banking depth index compared to the size of loans and deposits again to GDP, this index increased in its first two parts from 5.2% to 9.2% and the second part from 8.4% to 12.1% between 2011 and 2016, as shown by table 7. However, this percentage is still low compared to some Arab countries, which reach more than 50 percent, such as Lebanon, the UAE and Kuwait. It reflects weak demand for basic banking services such as deposit or credit services.

Table (6) Banking proliferation and banking density in Iraq

Years	Population (1) 1million people	Number of bank branches (2)	Bank density (3)* =1/2 1,000 inhabitants/branch	Banking** (4) = 2/1
2011	33,338	929	35.9	2.78
2012	34.207	990	34.6	2.89
2013	35,095	1042	33.7	2.96
2014	36,004	1204	29.9	3.34
2015	36,933	1213	30.4	3.28
2016	37,883	1068	35.5	2.81

Reference : Financial Stability Report 2016, Central Bank of Iraq, 2017, p. 78.
Bank density = population (1,000) / number of branches*
Banking prevalence = number of branches / population (population 100,000)**

Table (7) Measuring the level of banking depth in Iraq (trillion dinars, percentage)

Years	Loans to the private sector (1)	Private sector deposits (2)	Gross domestic product (GDP) (3)	Bank depth index% (3/1)	Bank depth index% (3/2)
2011	11.3	18.1	217.3	5.2	8.4
2012	14.6	21.1	254.2	5.7	8.3
2013	16.9	24.4	273.5	6.2	8.9
2014	17.7	24.7	258.9	6.8	9.5

2015	18.1	23.6	191.7	9.4	12.3
2016	18.1	23.7	196.5	9.2	12.1

Reference: Financial Stability Report 2016, Central Bank of Iraq, 2017,

The third axis: the relative importance of the banking sector in the Iraqi economy

The Iraqi economy, like any rentier economy, is the dominant sector, the most influential in economic activity and the acquisition of gdp, so the rest of the sectors appear to be less contributing and influential, but the comparison with the Arab oil economies becomes more logical and scientific, and in general shows the weak contribution of the banking sector to the Iraqi economy, which does not reach 2% at the best conditions, which is in 2012 and 2013.

The table (9) shows that there are Arab countries such as Algeria, where the economic situation and economic policy are similar to Iraq and its economy show weakness in the contribution of the banking sector. The group of oil countries (Saudi Arabia, UAE, Qatar and Kuwait) shows similar proportions at 4% of GDP, and these percentages increase to between 6-7% in non-oil countries (Morocco, Lebanon and Jordan), while Bahrain is the center of the Islamic banking industry globally, with a contribution of 17-18% of GDP. As it appears from table (9).

Table (8) Contribution of the banking and insurance sector to GDP for 10-2015 (billion dinars)

Year	2010	2011	2012	2013	2014	2015
Banks and insurance	2064.2	2794.7	4225.2	5044.1	3116.1	2308.9
GDP	162064.6	217327.1	254225.4	273587.5	258900.6	191715.8
Relative importance%	1.3	1.3	1.7	1.8	1.2	1.2

Reference: Iraqi Economic Report 2016, p. 101-103.

Table (9) Percentage of the contribution of the banking sector to the GDP of selected Arab countries.

States	Local Currency Banking and Insurance 2015	GDP in local currency 2015	The relative importance of the banking sector 2015	Local currency banking and insurance sector 2016	GDP in local currency 2016	The relative importance of the banking sector 2016
Iraq	2308.9	191715.8	1.2			
Jordan	1,930	37,570	5.13	2,069	38,709	5.34
U.A.E	12,434	370,296	3.35	12,689	365,882	3.46
Bahrain	5,340	31,126	17.15	5,694	31,858	17.87
Tunisia	1,053	43,141	2.44	987	42,078	2.34
Algeria	828	165,152	0.50	981	156,050	0.62
K.S.A	28,479	654,270	4.35	29,578	646,438	4.57
Qatar	6,766	164,641	4.11	7,421	152,469	4.86
Kuwait	4,783	114,534	4.17	3,796	110,899	3.42
Lebanon	3,850	49,427	7.79	3,901	50,723	7.69
Egypt	15,436	332,699	4.64	12,912	268,122	4.81
Morocco	7,226	101,187	7.14	7,199	103,601	6.95

Reference: United Arab Economic Report 2017, Abu Dhabi, UAE, p. 285 and 286.

Through selected indicators, we can compare the development of the Iraqi banking sector with its Arab counterparts, and although Iraq continues to suffer from a weakness in banking depth compared to those of other Arab economies, this percentage declined in 2016 from the previous year, as a result of the fall in oil prices and the pressures of military expenditures that cast a shadow on the Iraqi economy.

Table (10) Index of banking depth for Iraq and selected Arab countries for the year 2015 and 2016

Arab countries	Gross Domestic Product /GDP	
	2015	**2016**
Jordan	108.7	108.7
UAE	94.4	100.3
Bahrain	99.6	98.6
Tunisia	54.7	55.5
Algeria	53.6	50.3
K.S.A	65.4	66.7
Sudan	10.9	11.5
Iraq	42.6	35.5
Oman	71.3	78.7
Qatar	94.0	98.0
Kuwait	112.9	121.8
Lebanon	248.9	261.2
Libya	249.5	344.1
Egypt	77.7	101.3
Morocco	94.0	94.5

Reference: United Arab Economic Report 2017, Ayew Abu Dhabi, UAE, p. 360.

Table (11) shows the geographical distribution of these banks and data collected by country by the end of the third quarter of 2016. Saudi banks' assets in the top 50 Arab banks make up 24.2% of the total assets of the top 50 Arab banks, while uae banks account for 21.4%, Qatar 13.2%, Kuwait 7.6%, Iraq 7.1%, Egypt 6.3%, Lebanon 4.9%, Bahrain 4.8%, Morocco 4.4%, Algeria and Jordan 2.1%, Oman 1.2%, and Libya 0.8%.

Arab countries	Number of banks	Total assets	The relative importance of banks by assets%	Average bank size
K.S.A	11	574,050	24.1	52,186
UAE	8	508,961	21.4	63,620
Qatar	5	314,048	13.2	62,810
Kuwait	4	179,641	7.5	44,910
Bahrain	4	114,729	4.8	28,682
Lebanon	4	116,027	4.8	29,007

Iraq	3	167,820	7.1	55,940
Egypt	3	150,709	6.3	50,236
Morocco	3	103,944	4.3	34,648
Algeria	2	49,676	2.1	24,838
Jordan	1	49,232	2.1	49,232
Oman	1	28,236	1.2	28,236
Libya	1	19,289	0.8	19,289
Total	**50**	**2,376,362**		

Reference: Analysis of the performance of the top 100 Arab banks (30/08/2016), Union of Arab Banks - Department of Studies and Research.
www.uabonline.org/en/research/banking-
Noting that the three Iraqi banks (Rafidain-Rasheed- Iraqi Trade Bank) ranked among the top 50 Arab banks (www.uabonline.org/en/research/banking), rafidain bank achieved a high ranking of the top ten Arab banks according to this index during the years 14-2016, then Al-Rasheed Bank at 14th, and The Iraqi Commercial Bank at 25 in 2014, falling to 37th in 2015 due to the financial crisis in Iraq in general in mid-2014 and beyond. Only 10 Arab banks were reviewed in table 12 according to the asset index.

Table (12) ranking of the top 10 Arab banks by assets ($1 million)

Name of the Bank	End of Chapter 3 2016		2015		2014	
	Assets	Order	Assets	Order	Assets	Order
Qatar National Bank/Qatar	195,919	1	147,969	1	133,615	1
Emirates NBD/UAE	121,539	2	110,779	4	98,916	4
Alahli NCB/Saudi Arabia	117,013	3	119,824	2	115,968	2
National Bank of Abu Dhabi/UAE	113,058	4	110,780	3	102,479	3
Rafidain Bank**/Iraq	90,075	5	90,075	5	88,816	5
Al Rajhi Bank / Saudi Arabia	88,138	6	84,165	6	82,056	6
NBK/Kuwait	82,276	7	77,752	7	71,776	7
National Bank of Egypt*/Egypt	77,543	8	68,575	8	63,846	8
ADCB/UAE	69,395	9	62,198	10	55,591	13
Samba Financial Group / Saudi Arabia	63,550	10	62,731	9	57,973	10
Al-Rasheed Bank**/Iraq	52,889	14	52,889	14	50,378	14

Iraqi Trade Bank**/Iraq	24,856	39	24,856	37	31,885	25

Reference:: www.uabonline.org/en/research/banking/

The table (13) shows that the ranking of the three banks according to the capital index shows that they are at stable levels with the exception of the Iraqi Bank, which advanced in its ranking from 42 in 2014 to 38 in 2015, but noted a decline in the deposit, loans and profitability index of these banks, with the exception of the Iraqi Bank for Trade as well as the loans and profitability indicators.

Table (13) financial indicators to rank the three Iraqi banks among the top 50 Arab banks For 2014-2015

	Ranking of banks by capital among the top 50 Arab banks		Deposits (million 1$)		Loans (million 1$)		Profits (million 1$)	
	2014	2015	2014	2015	2014	2015	2014	2015
Rafidain Bank	**49**	**49**	**29,109**	**26,755**	**12,330**	**11,899**	**198**	**78**
Al-Rasheed Bank	**50**	**50**	**15,290**	**12,513**	**5,208**	**5,280**	**55**	**3**
Iraqi Bank of Commerce	**42**	**38**	**9,828**	**6,152**	**3,241**	**5,425**	**354**	**467**

Reference: www.uabonline.org/en/research/banking/Union of Arab Banks - Department of Studies and Research - Top 50 Arab Banks (15/12/2016)

Conclusions:

The research reached several conclusions, the most important of which are the following:

1- Although the contribution of the banking sector to GDP has improved from 1% to 2% and it has created jobs as a result of the expansion of this sector, there is still a lot of work to expand this sector and activate its contribution to the performance of the Iraqi economy.

2. If the contribution of the banking sector in Iraq is compared to some Arab countries, Iraq occupies a late salary, which is only algeria, which is still far from the rest of the Arab oil countries, where the banking sector's contribution to GDP is between 3-4%.

3- One of the indicators of the development of the Iraqi banking sector is the entry of three Iraqi banks (Rafidain, Al-Rasheed, Iraqi Bank of Commerce) to rank the top 50 Arab banks, according to indicators (assets, capital, deposits, loans, profits) for the period 2014-2016, and these three Iraqi banks account for more than 7% of the assets managed by the 50 Arab banks, which amount to approximately $2.4 trillion.

4- The assets of the Iraqi banking system decreased from 226.8 trillion dinars to 222.9 trillion dinars from 2014 to 2015, and the assets of government banks account for 90% while 10% with private banks, loans and advances decreased from 28.2 trillion dinars to 23.4 trillion dinars between 2014 and 2015, while deposits decreased from 74.1 trillion dinars to 64.3 trillion dinars for the same year.

5- The financial depth index increased, from about 35% to 43% between 2014 and 2015 as a result of the decline of GDP and its contraction of the fall in oil prices between these two years, which improved the index.

6-In terms of financial inclusion, we focus on banking proliferation and banking intensity as follows:
- The volume of banking spread and banking density did not change much during the period 2011-2016 and remained low around 3 or slightly lower.
- The banking depth index compared to the size of loans and deposits again to GDP, this index increased from 5.2% to 9.2% and the second part from 8.4% to 12.1% between 2011 and 2016. However, this is still low compared to some Arab countries, which reach more than 50 percent, such as Lebanon, the UAE and Kuwait. It reflects weak demand for basic banking services such as deposit or credit services.

Recommendations:
1- Increasing interest in the Iraqi banking sector and developing it, to increase the added value generated by it, and thus increase its contribution to GDP, at the standard level among its counterparts from the Arab oil countries.
2- Ensuring the legal environment and enhancing the competitive environment for the development of Iraqi banks among their Arab counterparts.

3- Using technology to develop banking in Iraq and raise public awareness of the importance of banks.
4- Taking care of the human element and banking cadres by developing their skills and involving them in internal and external training courses.

References:
Annual Financial Stability Report in Iraq (2015), Central Bank of Iraq, Iraq Statistics & Research Dept. Financial Stability Division.(https://www.cbi.iq/documents/Financial).
Annual Financial Stability Report in Iraq (2016), Central Bank of Iraq, Iraq Statistics & Research Dept. Financial Stability Division.(https://www.cbi.iq/documents/Financial).
Annual Financial Stability Report in Iraq (2017), Central Bank of Iraq, Iraq Statistics & Research Dept. Financial Stability Division.(https://www.cbi.iq/documents/Financial).
Balbal, Ali Ahmed & Omran Mohammed Mustafa & Fath al-Din Ayten, (2002) ,: Development, Financial Structure and Economic Growth: The Case of Egypt, 1974-2002, Economic Policy Institute, Arab Monetary Fund, Abu Dhabi.
Brihi , Ahmed Ali,(2009) , The International Financial Crisis and its Impact on the World Financial Sector: Credit Courses, Institutional Change and Financial Markets, Beit al-Hikma, Iraq: Baghdad.
Demetriades Panicos & Hussein , Khaled A., (1996), Does financial development cause economic growth, Time-series evidence from 16 countries, Journal of Development Economics, 51, (2), 387-411.
Flayyih, H. H. (2013). Using Benford Law in Detecting Earnings Management and its Reflection on the audit quality: In application on a sample of listed companies in the Iraq stock Exchange. College of Administration and Economics University of Baghdad.
King, Robert G. & Levine, Ross ,(1993), Finance and Growth: Schumpeter Might Be Right Article (PDF Available) in Quarterly Journal of Economics 108(3):717-37 · August 1993, DOI: 10.2307/2118406 · Source: Re PEc.
Ministry of Planning,(2017) , Iraqi Economy Report, Republic of Iraq, Baghdad, (https://mop.gov.iq/).

Mreza, M. D., Bachay, I. R., & Flayyih, H. H. (2018). The Role Higher Education Quality in Achieving Sustainable development: Field Study from the perspective of Iraqi Universities Instructors. In The annual second conference.

Schinasi, Garry J. (2005), Safeguarding financial stability : theory and practice , Washington, D.C. : International Monetary Fund references and index. ISBN 1-58906-440-2.

Tamimi, A. H., and H. H. Flayyih. "The effects of Governance on the financial reporting quality of state-owned companies." In 8th international scientific conference, college of business and administrative. 2017.

Unified Arab Economic Report (2017), Chapter Seven Monetary and Banking Developments and Financial Market Developments in the Arab Countries, Abu Dhabi, UAE.

Union Arab Banks , UAB , Beirut, Lebanon www.uabonline.org- seminars