

The Central Bank of Iraq and its role in promoting financial inclusion in Iraq: An Analytical Study for the Period (2012-2022)

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Abstract : The research aims to highlight the most Important initiatives undertaken by the Central Bank of Iraq in its ongoing efforts to promote financial inclusion at the local level, given their significant impact on improving opportunities for growth, sustainable development, financial stability, and financial sustainability. This is achieved by developing and implementing specific strategies and initiatives for this purpose, which work to provide financial and banking Advanced services for various segments of society at reasonable costs and expand the scope of beneficiaries of services and products.

To achieve the research objectives, the researchers used the descriptive analytical approach to analyze the research variables, relying on official data and available academic sources on this topic.

One of the most important findings of the research is that financial inclusion indicators in Iraq have not risen to the desired level, despite the Central Bank's initiatives aimed at enhancing them. This confirms the real and actual need to strengthen and develop these indicators and expand the scope of financial inclusion to reach the largest number of excluded segments of the population.

Introduction: Financial inclusion is an issue that has received significant attention from many countries around the world. This is due to Its importance in achieving financial stability within banking systems, on the one hand, and social stability within countries, on the other, as it seeks to integrate all segments of society into the financial system. Therefore, central banks in various countries have adopted a set of strategies, plans, and initiatives to raise levels of financial inclusion. This includes the Central Bank of Iraq, which has launched several initiatives in this regard aimed at achieving financial stability and sustainable development goals.

First: The importance of The research is based on the fact that financial inclusion is a topic that has received the attention of central banks and financial institutions worldwide. This is because it contributes to achieving financial stability and economic growth by providing Financial and banking services for all segments of society (individuals and companies) and improving access to them to expand the scope of beneficiaries. It also contributes to combating poverty and improving the standard of living for citizens by providing financing at reasonable costs.

Second: Research Problem: The research problem is highlighted in the following question: ((What is the reality of financial inclusion in Iraq? Have the Central Bank of Iraq's initiatives contributed to enhancing it?))

Third: Research Hypothesis: The research is based on the hypothesis that The reality of financial inclusion in Iraq not reached the desired level, despite the initiatives launched by the Central Bank of Iraq to enhance it.

Fourth: The research seeks to achieve the following objectives:

1. Identify The concept of financial inclusion, its goals and importance important indicators for measuring it.
2. Shed light on the emergence of the Central Bank of Iraq and its most important functions.
3. Studying the reality of financial inclusion in Iraq during the period (2012-2022)
- 4 .Identify the most important initiatives of the Central The Iraqi bank working to strengthen financial inclusion in Iraq.

Fifth: Research Methodology:

To achieve the research objectives and verify Its hypothesis, The descriptive analytical method was used to study and analyze the developments in the indicators addressed in the research, relying on data and information available in official academic sources

First Requirement: The Concept of Inclusion, Its Objectives, and Key Indicators for Measuring It

First: The Concept and Objectives of Financial Inclusion:

Financial inclusion is a development goal that all countries strive to achieve, given its broad importance in achieving financial stability and sustainable development goals. This is achieved through its role in attracting surplus savings to

the formal financial system, which contributes to enhancing liquidity and directing it toward productive and consumer sectors, positively impacting both financial stability and sustainable development goals.

Researchers have addressed this topic with some interest, creating a theoretical framework that has led to the development of various concepts. Reis defined it as access to and use of financial services. Financial inclusion is described as the broader use of formal accounts, as well as the removal of barriers that prevent the poor from accessing fair and low-cost financial services (Reis, 2021: 1). Al-Khazraji believes that financial inclusion is "access to financial services and credit in a timely and adequate manner when needed for low-income groups at a reasonable cost." (Al-Khazraji, 2020: 262). While the World Bank defines financial inclusion as "the proportion of individuals and firms using financial services," the Asian Development Bank defines it as "easy access for households and firms to affordable financial services." (Mohammed et al., 2024: 115). The Financial Action Task Force (FATF) defines financial inclusion as ensuring access to affordable financial services in a fair and transparent manner. For the purposes of combating money laundering and the financing of terrorism, it is important that These financial products and services are offered by: appropriately regulated financial institutions in line with the Financial Action Task Force recommendations. (Attia & Benson, 2018: 23)

When discussing The goals of financial inclusion are: noted that the Central Bank generally seeks to achieve a set of goals, including its contribution to promoting economic development, improving citizens' living standards, reducing unemployment rates, and financially empowering youth and women through: (Helms, 2006: 5) (Al-Shammari, 2017: 30) (Guest, 2020: 477) (85: 2024, Mahmoud)

1. Enhancing access to financial services for all segments of society, especially vulnerable and weak groups, and the need to educate individuals about the importance of these services, how to access them, and how to benefit from them.
2. Improving the living conditions of individuals, especially the poor, and working to reduce poverty levels by enhancing individuals' ability to start projects and businesses.
3. Raising awareness and educating consumers of financial services and products, and increasing their knowledge of their rights and obligations when using these services and products, to protect their rights.
4. Supporting the transition from reliance on cash payments as a means of settling financial and commercial transactions to a modern system based on electronic banking settlement, to encourage the entry of informal activities into the formal sector, reduce illicit activities, and combat money laundering.
5. Enhancing the understanding of banking professionals and policymakers of financial inclusion concepts.
6. Promoting innovation and new partnership initiatives by providing non-financial services, comprehensive and effective infrastructure, and supplying micro-enterprises. Providing emerging micro, small, and medium-sized enterprises (MSMEs) with access to financial services and enhancing their integration into the formal economy.
7. Increasing and securing banking services, encouraging savings, and expanding the use of digital financial services.
8. Financial sustainability of institutions, ensuring continuity of service provision, and improving the investment climate.
9. Safe and sound regulation of institutions so that the provision of these services is governed by clear performance standards.

Second: The most important indicators for measuring financial inclusion

The development of the concept of financial inclusion has highlighted measures and dimensions of financial inclusion, including the Financial Inclusion Strategy Reference Framework prepared by the World Bank at the 2012 G20 Summit in Malaysia. Alliance for Financial Inclusion (AFI) established a working group for Financial merger data. After During the discussion of the dimensions of financial inclusion during the conference, it was concluded that financial inclusion has three basic dimensions: ease of access to financial services, use of financial services, and improving the quality of financial services. (AFI, 2013: 8), whichh can be summarized as follows:

1. Access to Financial Services

This refers to the ease with which individuals can access financial services in terms of geographical area and proximity to service locations. It is usually the responsibility of the supply side and includes physical banking infrastructure, the availability of bank branches, ATMs, and points of sale, or access to digital infrastructure. This scale helps measure the size of the banking population, or ability to use financial services and products within the framework of a comprehensive financial system. Financial services, such as banks, branches, outlets, automated teller machines (ATMs), bank agents (BASs), or In some countries, correspondent banking (BCs), provide banking services to the population. Access to services is measured by the number of ATMs per 1,000 km², electronic money accounts (Al-Haddad et al., 2012: 23), the number of access points per 10,000 adults, the number of bank branches per 1,000 km², and other indicators.

2. Use of financial services:

This indicator Indicates the extent of customers' ability (individuals, households, and businesses) use the financial services provided by banking institutions. This indicator includes a set of sub-indicators, including the following, which will be focused on In this research: (Central Bank of Iraq, Annual Financial Stability Report, 2020: 81)

A) Loan volume relative to GDP.

b) Deposit volume relative to GDP.

c) Number of loan accounts relative to the adult population

In addition to other indicators such as the percentage of adults with a regular deposit, the percentage of adults with a regular credit account, the number of individuals with insurance per thousand adults, and the number of payment transactions via mobile phones, electronic cards, and electronic wallets, etc.

3. Quality of Financial Services Indicators

This dimension is difficult to measure due to the variation in the quality of financial services provided from one country to another, in addition to the presence of There are several factors that influence the quality of financial services.

It is worth noting that some entities add a fourth dimension, which is healthy Competition among service providers to provide choices to customers. These indicators reflect the ability of financial and banking services to satisfy the desires of end consumers for financial services, such as transparency, disclosure, convenience, security, and others. There are also several factors that can affect the quality of this quality, such as the cost of the service, customer awareness, associated costs and compensation, dispute resolution, and others.

It Is possible to use the main and sub-indicators of financial inclusion to build and compile a digital index (Aggregate) for financial inclusion using specific statistical methods by determining weights for each sub-indicator through which these indicators are combined to obtain a specific numerical indicator that expresses the level of financial inclusion and its general trend. It can be used to determine the extent of development of financial inclusion in different countries as well as to compare them (Yas, 2022: 44) (Imad et al., 2024: 92)

Section Two: An Overview To the Central Bank of Iraq and Main Functions

1. Establishment of the Central Bank of Iraq:

After the establishment of the Iraqi government in 1920, it was necessary to establish a central bank to issue The Iraqi currency was used as a tool for achieving political and economic independence. However, the question of who would issue the paper currency was raised at the time. Initially, the management of the Iraqi currency was assigned to a London-based body. This idea was met with opposition from the public and the project was neglected At that time. In the year 1927, the authority proposed establishing a national bank to undertake the issuance task, but the project was not implemented due to disagreement over the basis on which the new currency would be based. In 1930, an Iraqi committee was formed to issue the currency and the dinar was considered the standard used to estimate value. In 1931, the first issue of the Iraqi dinar was completed. Its content changed several times due to the change and development of the monetary basis in the country and due to the turmoil in the financial situation in the world and Britain's withdrawal from the gold standard. Iraq's monetary legislation was amended in December 1931, making its value equivalent to one British pound. This made the Iraqi dinar fully pegged to the British pound, bolstering confidence in the Iraqi currency both domestically and internationally until World War II, which disrupted the monetary system. (Al-Shammari, 1989: 342). In 1939, a law was issued requiring the government To participate in the establishment of a private bank pursuant to Law No. 27 of the same year.

Efforts to establish an Iraqi central bank continued after the end of World War II. The National Bank of Iraq was established pursuant to Law No. (43) of 1947, with a capital of five million dinars, half of which was used to establish the bank, while the remainder was a reserve guaranteed by the government. In the same year, The Iraqi Currency Board Law was amended in 1931 (Al-Azzawi, 1919: 78). The Board began its work in 1949 by issuing Iraqi currency for a specific cover, which can be classified into two categories:

-The first type consists of gold, foreign currencies, and foreign bonds. There are no balance controls when offering any of the aforementioned assets, provided that this category does not constitute less than 70% of the total coverage.

-The second type represents Iraqi government bonds, provided that they do not exceed 30% of the total cover. This diversity in cover added flexibility to monetary issuance, a feature not present in the previous structure. This flexibility is due to the addition of Iraqi government bonds to the currency cover, paving the way for the bank to influence the money supply through open market operations to adjust imbalances in economic activity. (Basri, no year of publication: 171).

As for the concept of a central bank, Majid defined it as: "The bank that is responsible for issuing the country's currency, performing the government's banking operations, and supervising the integrity of the monetary, credit, and banking system, thus contributing to the regulation of the national economy" (Majid, 1979: 147).

Sayers defined it as a member or part of the government that undertakes to manage the government's financial operations and, through managing these operations, can influence the behavior of financial institutions to align them with the country's economic policy (Roland, 2014: 4).

Jauncy defined the central bank as "the one that is considered its principal clearinghouse." Here, it becomes clear that the function of settling bank accounts is the basis for its definition (Ahmed, 2024: 126).

2. Functions of the Central Bank:

A follower of the emergence of central banks notes that the definition of their functions and responsibilities has undergone a gradual evolution, similar to the economic and intellectual development that has extended over a long period of time. After World War II, and given the enormous capital that is required to rebuild destroyed economies, it is to achieve the goals and tasks of central banks have evolved from an intermediary role, represented by issuing money and regulation of commercial banks' operations, to a developmental role supported by the economic literature of the time, particularly that issued by international institutions such as the World Bank and the International Monetary Fund (Hashhad, 1999: 41). In general, the most important functions performed by central banks are as follows:

First: Issuing banknotes: The function of issuing banknotes is considered the primary function of a central bank. The central bank's exclusive privilege of issuing banknotes was one of the fundamental factors that distinguish it from commercial banks. Based on this mission, the central bank's status increased when the issued banknotes became legal tender with unlimited legal tender and when banks used them as reserves against their deposits. The issuance function went hand in hand. As the central banking system evolved, the central bank was the cornerstone for distinguishing this type of bank from others until the beginning of the current century, when the central bank became known as the issuing bank.

Second: The central bank serves as the government's banker and financial advisor. This function stems from the central bank's primary mission, which is to issue currency. Among the most important functions performed by the central bank are the following: (Sayyid, Al-Essa, 2004, 364) are:

- a) Regulating the accounts of government companies and projects, and working to safeguard the deposits of these companies.
- b) Providing emergency loans during crises and times of war.
- d) Implementing the monetary policy pursued by the state and advising the government on the country's financial and economic policy.
- c) His role is to monitor foreign exchange and external transfers.

Third: The central bank is the bank of banks: Legal tender money is created by the central bank. Given its monopoly on this privilege, it represents the last resort for lending, to which commercial banks turn if they cannot find liquidity elsewhere. Therefore, it is called the bank of banks. This currency is also used by commercial banks as a reserve against the deposits they create. Therefore, the importance of the central bank has increased in the commercial banking system (Ismail, 1990: 288).

This function includes the following:

- a) Maintaining the balances of commercial banks.
- b) Acting as a bank of last resort.
- c) The central bank acts as a creditor.

Fourth: The central bank supervises and monitors clearing operations between commercial banks in order to settle accounts between these banks on a daily basis. Representatives of commercial banks meet in a special hall at the central bank to determine the amount of checks drawn on a particular bank and the amount of checks deposited in favor of that bank. The final result is either a single bank being a creditor or a debtor. All banks with creditor accounts are then identified, and these must be equal to the accounts of the debit banks.

Fifth: The Central Bank controls and regulates the money supply through the monetary policy tools it uses, namely open market operations, the discount rate, and the legal reserve ratio (Al-Qaisi, 1964: 268).

Third Requirement: Analysis of the Reality of Financial Inclusion in Iraq during the Period (2012-2022)

The banking sector is the center of gravity of the financial system in Iraq. Therefore, as a result of the effort to maximize the role of this sector in economic activity, and as a result of responding to the World Bank's calls to adopt the requirements for achieving financial inclusion and advancing it to acceptable levels comparable to those of developed countries, financial inclusion indicators in Iraq for the period (2012-2022) have witnessed numerous changes. In light of the expanding concept of financial inclusion, its multiple dimensions, and the diversity of its indicators, a set of key indicators was selected based on the latest published data. The research attempts to present some indicators of financial inclusion in Iraq according to its dimensions of access and use, which reflect the above (Al-Dabbagh, 2023: 159).

First: Indicators of Access to Financial Services:

-Banking Density and Spread: This is an important indicator in measuring the level of financial inclusion and reflects the extent of banking services in the economy. This primarily depends on the number of bank branches and their geographical scope., allowing for the creation of the necessary components to increase the degree of individual interaction with banks due to their proximity and the increase in services provided to the public.

To track this indicator in Iraq, one can review the data in Table (1) and Figure (1), which illustrate the banking density index and the banking and geographic spread in Iraq for the period (2012-2022). The period between 2012 and 2017 indicates that these two indicators were below the required level. This may be attributed to the decline in bank branches from (990) branches in 2012 to (843) branches in 2017, accompanied by a decline in the banking and geographic spread index, from (2.27%) in 2017, after it was (2.89%) in 2012. Geographic spread, meanwhile, declined from (2.28%) to (1.92%) over the same period. Meanwhile, banking density increased from (34.6%) in 2012 to (44.05%) in 2017, reflecting a decline in the number of bank branches compared to the high population growth witnessed in Iraq. This is likely to absorb any real increase in the number of bank branches being opened. As for the period between (2018-2021), there was no noticeable development during this period in the number of bank branches that was commensurate with the population growth, which led to a decrease in banking penetration rates from (2.26%) in 2018 to (2.2%) in 2021, while the geographical penetration rate increased from (1.97%) to (2.06%) during the same period. In 2022, it is noted that this indicator was calculated according to the number of economically active population, which was reflected in the decline of this indicator, as the percentage of banking and geographical spread reached (20.7%) and (2.04%) respectively, as well as the banking density, which recorded a percentage of (27.25%), which is the lowest percentage during the research years. This may be due to the noticeable decline in the number of bank branches due to the withdrawal of some banks from the Iraqi market (Al-Dhabawi and others, 2024: 2188).

Table (1) Banking density index, banking and geographical spread in Iraq for the period (2012-2022)

The year	Population (per person)	Number of bank Branchs	Banking Density	Banking spread	Anaumber of branches per 1000 square kilometers
2012	34.207	990	34.6	2.89	2.28
2013	35.095	1042	33.7	2.96	2.39
2014	36.004	1204	29,9	3,34	2.77
2015	36.933	12013	30.4	3.28	2.79
2016	37.883	1068	35,5	2.81	2.45
2017	37.140	843	44.05	2.27	1.92
2018	38.200	865	44.16	2.26	1.97
2019	39.300	888	44.25	2.25	2.03
2020	40.150	891	45.06	2.21	2.03
2021	41.190	905	45.51	2.2	2.06
2022	*23,870	876	27,25	2.07	2.04

Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Stability Division, Multi-Year Financial Stability Report
Economically active population (15-64) (*)

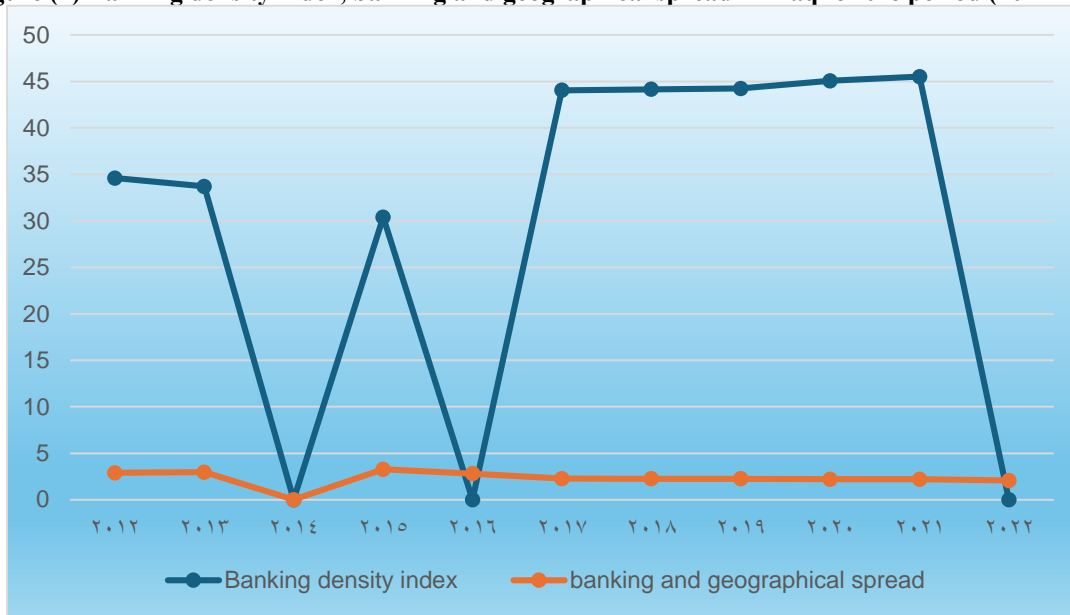
Figure (1) Banking density index, banking and geographical spread in Iraq for the period (2012-2022)

Figure: Prepared by the researcher based on data from Table (1)

1 -Banking and geographical spread of ATMs in Iraq during the research period:

Iraq witnessed a remarkable development in the number of automated teller machines (ATMs). Data in Table (2) and Figure (2) show an increase in the number of ATMs per 100,000 adults, from (2.2) machines in 2012 to (9.3) machines in 2022. The same applies to the number of ATMs, which increased from (467) machines in 2012 to (2,223) machines in 2022, after having been (1,340) machines in 2020. The number of ATMs per 1,000 square kilometers was (1.07) in 2012, increasing to (5.1) in 2022. It is worth noting that ATMs in Iraq are limited to malls, commercial centers, some government departments, corporate lending offices, and bank branches. There are no ATMs spread throughout public areas, especially commercial areas.

Despite the high rates of this indicator during the study period, when compared to the rates of Arab countries, Iraq ranks low on this indicator. Therefore, it is imperative that Iraq increase the number of ATMs in order to provide better services to the public, which will help increase the number of individuals entering the financial system.

Table (2) Banking and Geographical Spread of ATMs In Ir For the period (2012-2022)

The year	Number of ATM	Number of ATMS per 100,000 adults	Number of ATMS per 1000 km ²
2012	467	2,2	1.07
2013	647	3,1	1.49
2014	337	1,5	0.77
2015	580	2,6	1.33
2016	660	2,9	1.52
2017	656	1,6	1.5
2018	865	2,4	2.08
2019	1014	4,6	2.3
2020	1340	5,9	2.7
2021	1566	6,7	3.6
2022	2223	9,3	5.1

Source: Central Bank of Iraq, Department of Statistics and Research, Monetary and Financial Stability Division, Multi-Year Financial Stability Report

Figure (2) The banking and geographical spread of ATMs in Iraq for the period (2012-2022)

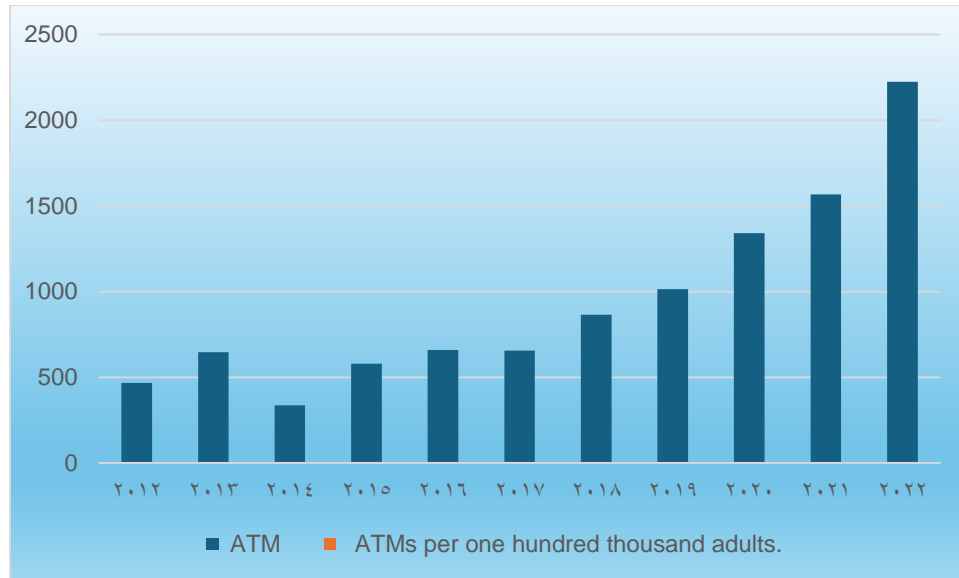


Figure: Prepared by the researcher based on data in Table (2)

It is worth noting that ATMs are not found in public areas, especially commercial areas. This can be attributed to the public's low financial awareness of their importance, as well as the high cost of protecting these machines from theft or vandalism in those areas. (Imad et al., 2024: 96)

Second: Indicators of the Use of Banking Services

The Indicator is used to measure the level of financial inclusion and the ability of adults to use financial and banking services. This indicator also relies on a number of sub-variables, called banking depth indicators. These rely on a set of sub-indicators, the most important of which are the size of deposits to GDP and the size of loans to GDP. Together, these are referred to as banking depth, which reflects the level of development of banking intermediation by facilitating access to banking services, reducing their costs, and expanding the use of various banking institutions and tools, which facilitate the promotion and support of the development and investment process. Three sub-indices will be adopted to reflect the level of banking depth in the Iraqi banking system: (Al-Dhabawi et al., 2024: 2192) (Youssef, 2024: 97)

Table (3) Banking Depth Index in Iraq for the period (2012-2022)

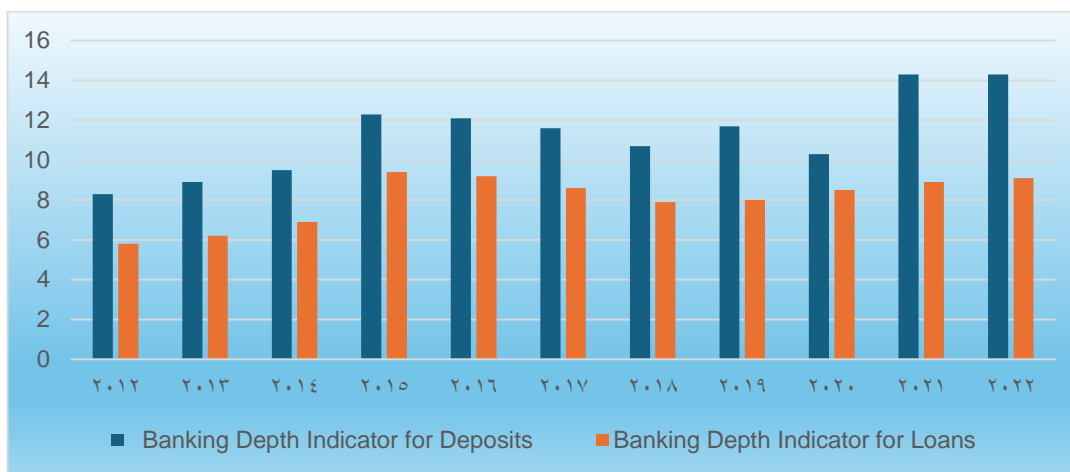
The year	Loans for the private sector million Iraqi dinars (1)	Deposits or the private sector million Iraqi dinars (2)	GDP at current prices, (3) million Iraqi dinars	Banking Depth (1/3) Index % Loans	Banking Depth Index % Deposits (2/3)
2012	14.650	21.115	254.225	5.8	8.3
2013	16.947	24.450	273.587	6.2	8.9
2014	17.745	24.702	258.900	6.9	9.5
2015	18.070	23.636	191.715	9.4	12.3
2016	18.164	23.697	196.536	9.2	12.1
2017	19.452	26.093	225.722	8.6	11.6
2018	20.216	27.364	254.870	7.9	10.7
2019	21.042	30.708	262.917	8.0	11.7
2020	25.866	35.920	215.661	8.5	10.3
2021	29.578	43.243	301.152	8.9	14.3
2022	35.016	54.893	383.064	9.1	14.3

Source: Prepared by the researcher based on the Central Bank of Iraq, Department of Statistics and Research: Annual Statistical Bulletin (2012-2022)

It is noted from Table (3) above and Figure (3) that the banking depth indicator, represented by the percentage of loans provided to the private sector, is gradually and continuously increasing. The ratio of credit loans to the private sector to GDP reached 5.8% in 2012, rising to 9.2% in 2016, then declining during the period (2017-2019), reaching approximately 8.0% in 2019, then rising slightly during the period (2020-2021), reaching 8.9% in 2021 and approximately 9.1% in 2022. This increase is due to the increase in the volume of credit provided to the private sector,

as the volume of credit provided to the private sector increased by 52% during the period (2017-2022). Private sector deposits to GDP ratio is generally similar to the private sector loans ratio. This ratio rose from 8.3% in 2012 to 12.3% in 2016, then declined during the period 2017-2019 to 11.7% in 2019 for the same reasons as before, as GDP growth rates were higher than private sector deposits during this period. It then rose during the period 2020-2022 to 10.3% in 2020 and then to 14.3% in 2022. The private sector deposits to GDP ratio rose from 11.6% in 2017 to 14.3% in 2022, as the deposits ratio increased by 65% during the period 2017-2022.

Figure (3) Banking Depth Index in Iraq for the period (2012-2022)



Source: Prepared by the researcher based on Table (3)

Third: The Aggregate Financial Inclusion Index in Iraq: The Aggregate Financial Inclusion Index in Iraq relies on two main indicators: access and use, to determine the progress achieved in the level of financial inclusion. This index is the tool that measures the progress achieved in the level of financial inclusion. The index value ranges between (0-1) or (0-100), so the closer the index value is to one or one hundred, the higher the level of financial inclusion, and vice versa. Regarding this indicator in Iraq, it has witnessed significant increases during the period from 2015 to 2022, rising from 11% in 2015 to 42% in 2022.

This may be due to several reasons, including: (Central Bank of Iraq, Financial Stability Report, Multi-Year, Multi-Page)

1. Work on implementing the "Financial Inclusion for a New Economic Beginning" project, launched by the Central Bank of Iraq, which aimed to enhance access to financial services for traditionally Disadvantaged groups, for example, the poor, women, youth, and small and medium-sized enterprises.
2. The Central Bank's policies in localizing employee salaries and increasing the opening of bank branches.
3. The Central Bank's support for the digital transformation process through electronic wallets, payment points, and ATMs.

Table (4) Iraq's Comprehensive Financial Inclusion Index for the period (2015-2022)

The year	2015	2016	2017	2018	2019	2020	2021	2022
Aggregate Financial Inclusion Index	11	10.4	21	22.09	25.4	33.1	36.9	41.7

.Source: Central Bank of Iraq, Multi-Year Financial Stability Report, Multi-Pages

The fourth section: The most important initiatives of the Central Bank of Iraq to enhance financial inclusion in Iraq.

Financial inclusion has become a priority for the Central Bank of Iraq, which seeks to achieve its goals of ensuring the promotion of a stable, competitive financial system, along with achieving sustainable economic growth. Therefore, the Central Bank of Iraq seeks to increase the level of financial inclusion in the country through numerous measures and initiatives it continuously takes to enhance financial inclusion, develop the banking sector, increase financial services provided to the public, attract the largest number of individuals and savings within the banking sector, and reduce the volume of currency in circulation.

The Central Bank of Iraq adopted the Financial Inclusion Project for a New Economic Beginning, which aimed to improve financial inclusion sustainably in partnership with the Ministry of Planning and in cooperation with the Arab Monetary Fund, leveraging the expertise provided by them and their strategic partners, such as the World Bank, the Alliance for Financial Inclusion (AFI), and the German Development Agency (GIZ) (Central Bank of Iraq Annual Financial Stability Report, 2020: 142). The Central Bank of Iraq also launched several initiatives to enhance financial inclusion, including:

1 .Supporting small and medium-sized enterprises: The Central Bank provides credit facilities to small and medium-sized enterprises through the "Riyada" initiative, which helps empower these projects and create job opportunities. Therefore, since 2015, the Central Bank of Iraq has launched an initiative to finance large, medium, and small investment projects with the aim of driving the Iraqi economy towards supporting financial stability on the one hand, and developing the payment system and enhancing financial inclusion on the other hand, in addition to a range of other benefits. These initiatives have encompassed all aspects of the economy and the various economic sectors that make up the Iraqi economy. This initiative works to finance small and medium-sized enterprises, and the amount allocated to it was approximately (1) trillion. Dinars, through which loans are granted by banks operating in the Iraqi banking sector for these projects, at a low interest rate that does not constitute a burden on the beneficiaries, through a set of instructions issued by the Central Bank of Iraq, which are still being amended to serve the national economy (Central Bank of Iraq 2020: 148). (42) private banks and one government bank, represented by the Industrial Bank, participated in this initiative, contributing to the financing of (4,659) projects between 2015 and 2020 (Zubon et al., 2025: p. 163).

2 .Launching the State Employees' Salary Domestication Project in 2016, which stipulated the domestication and payment of salaries for all state employees through cards issued by banks operating in Iraq, in cooperation with financial payment companies that prepare and supply these cards to banks and supervise their various operations provided to employees. This project aims to reduce the overall cost of the salary payment process and maintain cash within the banking system, as well as benefit from the various banking and financial services provided by banks. The Central Bank of Iraq's strategy is to create a safe, competitive environment for banks to offer their various products and services. Furthermore, the Central Bank of Iraq has established the National Central Switchboard, an electronic money transfer system between banks and electronic payment service providers via ATM points of sale. This system reduces the cost of withdrawals and deposits for individual employees and enhances financial inclusion and financial depth in the Iraqi economy. By 2021, (37) banks had contributed to the localization system (Youssef et al., 2024: 95). The number of employees whose salaries were localized in 2021 reached approximately (3,985,608) employees, compared to (1,861,129) In 2020. These numbers are continuously increasing until all government employees are localized. This number increased to (6.6) employees and retirees in 2022, contributing to an increase in the number of bank accounts and electronic cards (Central Bank of Iraq, Financial Stability Report 2023: 40).

3 .The initiative to develop dealing with (ATMs), which urged various banks to purchase automated teller machines (ATMs) to support and develop financial services. The Central Bank launched several initiatives to encourage the use of electronic payments, such as the "We Will Reach You" initiative, which aims to facilitate access to electronic payment services for individuals and merchants in various Iraqi cities.

4 .Renewable Energy Support Initiative (2021) aims to promote and develop renewable energy operations, as emphasized by the G20 group of countries and other global financial and banking institutions, to promote clean energy projects, green development, climate improvement, and the development of the technological infrastructure necessary to implement and enhance digital financial inclusion (Munir, 2021: 171).

5 .Cooperation with the International Labor Organization and the Afaq Program to develop the ILO's Financial Inclusion Strategy in Iraq (2020-2023) as an entry point for decent jobs. This innovative partnership model operates through three main levels: the demand and supply of financial services, and the regulatory level, with the aim of improving decent work outcomes, as follows: (ILO, 2021: 4).

A- On the demand side: The ILO will train targeted groups of youth and entrepreneurs who wish to work and develop their businesses, by providing them with the financial education necessary to better manage their financial affairs and their relationships with banks or financial institutions. This will then be implemented. They will be referred to the nearest partner bank branch in their location to benefit from the financial services they need through the One Trillion

Initiative, or in the case of refugees, they will be referred to microfinance institutions to launch or develop their businesses.

B- Supply-side level: Capacity building through training programs that help banks and microfinance institutions design products and services that sustainably meet their clients' needs. Training for business service providers, including UNICEF partners, is also provided to train their staff to enable them to continue providing skills development services to their target client segment, and then guide them to benefit from financial services. T- Regulatory level: Close cooperation with the Central Bank of Iraq and the Iraqi Company for Bank Guarantees (ICBG) aims to:

- Take advantage of the One Trillion Initiative launched by the Central Bank of Iraq, with guarantees provided by the Iraqi Company for Bank Guarantees and the Afaq Project, to reduce potential financial risks by establishing entrepreneurial savings accounts. This constitutes a sustainable start to the relationship between banks and entrepreneurs, enabling them to build a sound credit history.

- The International Labor Organization (ILO) provides technical support to the Financial Inclusion Committee at the Central Bank of Iraq, contributing to the development of new policies or amendments to existing ones to promote financial inclusion in Iraq.

6. National Financial Inclusion Strategy: The Central Bank issued a comprehensive national strategy for financial inclusion with the aim of: achieving specific objectives for the years 2024-2026. This strategy focuses on three main axes: expanding access to financial services, improving the quality of financial services, and reducing the cost of financial services.

7. The Central Bank launched the National Bank Lending Strategy (2024-2029) in cooperation with the German Development Agency (GIZ) in 2024. This strategy includes initiatives to support small and medium-sized enterprises (SMEs) and the launch of Riyadh Bank, supported by Central Bank and Private Bank shareholder (the Iraqi Finance Company, <https://icfsme.iq>).

8. The Central Bank of Iraq developed a roadmap for adopting central bank digital currencies by forming a working group, attending seminars, preparing studies for central bank digital currencies, and contracting with a consulting firm to conduct market research and collect data for the requirements for preparing the Request for Information (RFI).

9. Completion of the project to establish a banking network operating using optical cable technology by signing a contract with a solid company and testing and operating the project (Central Bank of Iraq's Third Strategic Plan, 2025: 9-11).

Conclusions and Recommendations

First: Conclusions

Through the research, several conclusions were reached, the most important of which are presented as follows:

1. The weakness of financial inclusion indicators in Iraq and the low values of its various indicators underscore the real and actual need to strengthen and develop these indicators, expand financial inclusion indicators, and deliver them to the largest possible number of excluded population groups.

2. The high value of the banking density index, on the one hand, and the low value of the banking penetration index in Iraq On the other hand, indicate the underdevelopment of the banking system, which is reflected in the decline in the quality of banking services and the deterioration in the efficiency of banking performance.

3. The delay In achieving the requirements of financial inclusion, as a result of the weakness of the banking density and banking penetration indicators, is due to the failure to expand the financial and technological infrastructure to reach the largest possible number of individuals, particularly the poor and marginalized groups.

4. The financial and banking sector infrastructure in Iraq, especially in rural areas, Is unable to provide the financial and banking services that would enable a more inclusive and stable system.

5. The banking density and banking penetration rates in Iraq for the period (2012-2022), as indicators From access to financial inclusion, it is weak compared to the actual and economic need To improve access to financial services. A low banking penetration rate coupled with a high banking density rate limits access to financial and banking services and weakens the ability to accumulate savings.

6. Based on the above, it became clear that two factors constitute constraints on achieving the requirements of financial inclusion in Iraq: the financial infrastructure and technology, and the lack of widespread financial awareness among individuals and the lack of skill in choosing financial products. This has led to a lack of digital banking culture among Iraqis, in addition to a lack of confidence in financial transactions in this context, due to the prevalence of hacking, fraud, and deception.

Second: Recommendations: In light of the conclusions reached, the following recommendations can be made:

1. Expand the implementation of the electronic payment services system by providing online financial services and account-to-account transfers. This ensures the provision of financial services that meet all community needs and provides effective communication channels between banks and customers. This will attract a greater number of new customers and enhance levels of financial inclusion.
2. The need for banks to increase the number of branches opened in various governorates, districts, and sub-districts to raise the banking penetration index and cover a larger area of the country to enhance financial inclusion.
3. The Central Bank of Iraq should continue to support and promote financial inclusion through investment project financing initiatives, prioritizing investment projects in productive sectors and coordinating fiscal and monetary policies to ensure the success of the Central Bank's initiatives to promote financial inclusion.
4. Encourage the participation of educational institutions, both in schools and higher education, through educational and awareness programs. It is essential To make them understand the importance of financial inclusion to achieve comprehensive sustainable economic development, which in turn will encourage them to automatically participate in the financial system.
5. Work to provide a supportive and nurturing environment to encourage modern financial technology companies by providing the best services at the lowest costs, in order to raise and increase levels of financial inclusion, thus supporting economic development and prosperity .

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