

## The Role of Bank Liquidity in Supporting Credit to the Private Sector in the Iraqi Economy For the Period (2010-2024)

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**Abstract:** The research aims to analyze the role of bank liquidity in supporting credit granted to the private sector in the Iraqi economy during the period (2010-2024). This is achieved by studying the time trends of both variables and analyzing the nature of the relationship between them in light of the economic and financial developments witnessed in Iraq during that period. The importance of this stems from the vital role bank liquidity plays in enabling banks to perform their credit functions, in addition to the fact that directing credit towards the private sector is one of the most important requirements for achieving sustainable economic growth. The research relied on a descriptive analytical approach, drawing on official data issued by the Central Bank of Iraq and analyzing indicators of banking liquidity and credit granted to the private sector over a period of fifteen years. This allowed for an extrapolation of the relationship between liquidity availability and the level of lending in the Iraqi banking system. The results showed that banking liquidity levels in Iraq were relatively high in most years of the research period, reflecting the abundance of financial resources available to banks. However, this did not translate into a parallel expansion in credit granting to the private sector. Furthermore, the relationship between the two variables was positive but weak.

**Keywords:** Banking liquidity, bank credit, credit granted to the private sector, Iraqi banking sector.

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### Research Structure

The research is divided into Three Axes as follows:

#### Three Axes (Themes):

#### **First Axis: The Conceptual and Theoretical Framework of Bank Liquidity and Credit Granted to the Private Sector**

This section addresses the theoretical and conceptual foundations of the two research variables by clarifying the nature of both bank liquidity and bank credit, outlining their determinants and importance in economic activity, and reviewing the theoretical relationship between them in light of economic and financial literature.

#### **First Requirement: The Conceptual Framework of Bank Liquidity**

##### **First: The Concept of Bank Liquidity and its Importance**

Bank liquidity is defined as a bank's ability to meet its short-term obligations to depositors and borrowers on time and without incurring losses. It includes assets that can be quickly converted into cash, such as readily available cash, balances held with the central bank, and marketable financial instruments. Mishkin views liquidity as the ability of financial institutions to convert assets into cash with minimal loss in their market value (Mishkin, 2019, p. 45). Rose and Hudgins (2018) define it as the ability to cope with sudden withdrawals or unexpected demands for funds without disrupting banking operations. Therefore, bank liquidity is a fundamental concept in modern financial and banking theory. It reflects a bank's ability to meet its short-term financial obligations to depositors and beneficiaries of banking services without incurring significant losses in the value of its assets or affecting the continuity of its normal operations (Hassan and Al-Imam, 2019, p. 130). Furthermore, it is a cornerstone of the confidence enjoyed by the banking system, representing the bank's ability to manage its cash resources in a way that ensures it can meet its obligations in the future. Short and achieving a balance between security and profitability requirements (Kazar, 2023, 44), liquidity acquires special importance in the banking system as it represents an element of security and financial stability, as it ensures the continuity of banking activity, avoids cash deficits, enhances depositors' confidence and the stability of the financial system, as well as fulfilling the legal and mandatory reserves imposed by the central bank, and responding to lending and investment opportunities in a timely manner.

##### **Second: Determinants of Bank Liquidity**

Bank liquidity is affected by a range of internal factors related to the bank's own performance, and external factors related to the economic environment and macroeconomic policies, as follows:

### **Internal Determinants:**

These include the structure of deposits, which is one of the most important factors affecting liquidity. The higher the proportion of current deposits, the greater the instability of the bank's cash resources, necessitating the maintenance of higher liquidity (Al-Anbari, 2022, p. 117). Lending policies also play a role; excessive credit expansion reduces available liquidity, while tight lending leads to the accumulation of idle liquidity. Profitability and risk are also important factors. Highly profitable banks tend to maintain relatively lower liquidity levels due to their stable cash flows, while banks more exposed to risk tend to maintain higher levels of precautionary liquidity (Kazar, 2023, p. 49). Furthermore, the nature and size of the bank's activities are significant. Large banks with a broad customer base are less susceptible to liquidity crises, unlike smaller banks, which are more easily affected by market changes. External Determinants

These are represented by the central bank's monetary policy, as open market operations, interest rates, and reserve requirements all affect the amount of liquidity within the banking system. When reserve requirements or interest rates are raised, the liquidity available for lending decreases. General economic conditions also play a role; periods of economic recession lead to increased liquidity due to decreased demand for loans, while periods of growth lead to decreased liquidity due to increased demand for financing (Mishkin, 2019, p. 326). Furthermore, security disturbances lead to cautious behavior among depositors. The regulatory and legal framework also plays a role; a strong supervisory system and transparent financial disclosure rules contribute to improved liquidity management and reduced risk (Rose & Hudgins, 2018, p. 224).

### **Third: Bank Liquidity Measurement Indicators**

Banks rely on several ratios and indicators to measure liquidity, the most important of which are:

The ratio of liquid assets to total assets.

The ratio of liquid assets to total deposits.

The loan-to-deposit ratio as an inverse indicator of liquidity.

The ratio of bank credit to deposits.

The ratio of reserves to deposits.

High liquidity indicators indicate the bank's ability to meet its obligations, but they may also indicate weakness in the deployment of funds and low profitability.

### **Second Requirement: The Conceptual Framework of Credit Granted to the Private Sector.**

#### **First: The Concept of Credit Granted to the Private Sector and its Importance.**

Bank credit is one of the most important financial tools used by banks and financial institutions to provide the necessary funds to individuals, companies, and various institutions in order to achieve diverse economic objectives. Bank cash credit is defined as the cash amounts that banks provide to customers, whether individuals or companies, for a specific period of time, with the commitment to repay them in the future, usually with agreed interest (Mishkin, 2019, 45). Cash credit represents a link between savings and investment, and constitutes a central tool in promoting economic development and sustainable growth (Cecchetti & Schoenholtz, 2021, 78). From this perspective, cash credit is seen as an important tool for achieving price stability, stimulating economic growth, and promoting financial inclusion (Levine, 2005, 23). As for credit granted to the private sector, it is the money or financing provided by financial institutions, usually commercial banks, to individuals and companies outside the public sector with the aim of financing various economic activities, whether investment or consumption. This type of credit is a fundamental part of any country's monetary policy, as it represents a key channel for directing liquidity towards productive activities and promoting economic growth (Mishkin, 2019, p. 45). It can be considered an intermediary tool between savings and investment, as it transfers financial resources from economic units with a financial surplus to those that need financing to expand their productive activity (Cecchetti & Schoenholtz, 2021, p. 78).

The importance of credit granted to the private sector is evident through its function of allocating financial resources. Monetary credit works by converting uninvested savings into profitable productive channels, thus improving macroeconomic efficiency (Mishkin, 2019, 34), stimulating investment and production, financing investment projects, increasing the productive capacity of companies, and creating new job opportunities. It also facilitates the movement of money between individuals and companies, thus improving payment and commercial transactions, and supports financial and monetary stability by controlling the volume of loans granted and the quality of risk management (Mishkin, 2019, 56). It expands the base of beneficiaries of formal financial services, reduces reliance on informal finance, and increases the efficiency of the financial system (Beack et al, 2007, 45).

### **Third Requirement: The Theoretical Relationship Between Bank Liquidity and Credit Granted to the Private Sector**

Economic literature indicates that the relationship between bank liquidity and bank credit is generally direct. Increased liquidity in banks enhances their capacity to extend credit and finance economic activities.

This relationship is based on the theory of credit money creation, which posits that banks' function is not limited to financial intermediation. They also contribute to money creation through lending; that is, every loan creates a new deposit, increasing liquidity in the financial system.

The relationship between bank liquidity and credit granted to the private sector is one of the most important theoretical pillars in financial economics. From a theoretical perspective, bank liquidity represents the upper limit of banks' lending capacity, which directly impacts the volume of loans granted to the private sector, whether for investment or operating financing. Financial theories indicate that any increase in a bank's available liquidity enables it to expand its lending base, while any shortage of liquidity restricts the bank's activity and limits its lending (Mishkin, 2019, p. 85). High levels of liquidity in a bank mean the availability of assets that can be quickly converted into cash, which can then be directly used to provide loans to the private sector. For example, if a bank has a high proportion of cash and government securities, it can easily finance new projects without having to reduce existing loans. This has a positive impact on the private sector through the financing of productive and expansionary projects (Cecchetti & Schoenholtz, 2021, p. 110). Increased liquidity enhances borrowers' confidence in the bank's ability to meet its financing obligations and also boosts regulatory confidence in the bank's stability. Consequently, the bank becomes more willing to grant larger and longer-term loans, supporting private sector investment expansion (Diamond, 1984, p. 80). Furthermore, high liquidity enables the bank to manage potential lending risks, including the risk of default or borrower financial distress. With sufficient liquidity, the bank can distribute risks across multiple projects without jeopardizing its financial stability, thus increasing the volume of loans granted to the private sector (Mishkin, 2019, p. 45). In addition, there are indirect effects of liquidity on credit, including:

Increased liquidity means a greater capacity for the bank to provide financing to the private sector, leading to higher investment and production levels, thereby improving purchasing power and increasing aggregate demand. In the economy, this rise in economic activity enhances borrowers' ability to repay, encouraging banks to expand lending.

Banks with sufficient liquidity are less vulnerable to sudden liquidity crises, which strengthens the stability of the financial system as a whole. There is less concern about exposure to the risks of bankruptcy or economic recession, and the likelihood of directing credit towards productive sectors increases (Mishkin, 2019, p. 90). High liquidity reflects the strength of the banking system and its ability to meet monetary needs, which encourages the private sector to request more loans. Investors feel more confident in banks that provide the necessary liquidity to finance projects (Levine, 2005, p. 32).

### **Second Axis: General Trends in Liquidity Indicators and Bank Credit Extended to the Private Sector**

#### **First Requirement: General Trends in the Banking Liquidity Index**

The banking liquidity index is one of the most prominent indicators of the banking sector's performance efficiency, and it is measured as the ratio of bank credit to total bank deposits. The index reflects the banking system's ability to convert deposits into productive loans. A higher index indicates greater efficiency in utilizing available financial resources to expand credit activity. Data in Table (1) shows that the banking liquidity index in Iraq has followed a long-term upward trend, with cyclical fluctuations linked to economic conditions and monetary policies. The index rose from 24.4% in 2010 to 59.8% in 2024, reflecting a relative improvement in the utilization of deposits in credit activity during the period under study. The overall average of the index reached approximately 38.9% during the period 2010–2024, a moderate level by international standards, but demonstrating clear progress compared to the period before 2010. During the period 2010–2013, there was an initial gradual improvement in the banking sector, with the index rising from 24.4% to 43.5% as a result of increased deposits and improved economic stability following the 2008 crisis. Private banks also contributed to this improvement. The expansion of commercial and consumer lending operations led to an improvement in the liquidity index during this period, driven by increased business activity and higher demand for short-term financing (Al-Shammari, 2022, p. 87). During the period (2014–2017), despite the decline in oil prices and public revenues, the index rose from 46.1% to 56.6%, as banks opted to maintain liquidity rather than expand lending due to risk aversion. However, this increase does not necessarily reflect credit expansion but rather indicates “idle liquidity” resulting from weak credit confidence (Abdullah & Aboud, 2023, p. 110). During the period (2018–2020), there was a degree of banking recovery and resource reallocation. After the

index fell to 40.5% in 2018, it rose again to 58.7% in 2020 thanks to the Central Bank of Iraq's development lending initiatives and support for small and medium-sized enterprises. The period (2021–2024) was characterized by stability. Structural improvement resulted in the ratio stabilizing between (50–60%), reflecting an improvement in the management of financial resources and a balance between liquidity and lending. Therefore, the rise of the index in some periods reflects an increase in the volume of credit compared to deposits, meaning that banks have begun to invest their money instead of hoarding it. As for its temporary decline in some years (such as 2018 and 2022), it is related to an increase in economic risks and a decrease in credit demand from the private sector.

It can be said that the banking liquidity index in Iraq during the period (2010–2024) reflected the following trends:

A gradual improvement in credit efficiency and an increased ability of the banking system to convert deposits into loans.

**Table (1) Liquidity and Bank Credit Indicators Granted to the Private Sector in Iraq for the Period (2010–2024)**

Year	GDP At current prices	Bank deposits	Cash credit granted to the private sector	Total bank cash credit	Non-performing loans ratio/total loans %	The ratio of bank cash credit to bank deposits %	The ratio of credit granted to the private sector to GDP %	The ratio of credit granted to the private sector to total cash credit (%)
2010	162065	47947	8527	11722	2.8	24.4	5.3	72.7
2011	217327	56157	11365	20353	3	36.2	5.2	55.8
2012	254226	62006	14650	28439	2.2	45.9	5.8	51.5
2013	273588	68855	16948	29952	8.1	43.5	6.2	56.6
2014	266333	74073	17745	34123	8.4	46.1	6.7	52
2015	194681	64344	18070	36753	10.2	57.1	9.3	49.2
2016	196924	62399	18181	37180	10.9	59.6	9.2	48.9
2017	221666	67049	19452	37953	14	56.6	8.8	51.3
2018	268919	76894	20216	31146	15.7	40.5	7.5	64.9
2019	276158	82106	21042	42053	11.7	51.2	7.6	50
2020	215662	84924	25867	49818	10.3	58.7	12	51.9
2021	301153	96071	29578	52972	9.5	55.1	9.8	55.8
2022	415629	129083	35017	60576	8.4	46.9	8.4	57.8
2023	353780	133499	39548	69253	7.1	51.9	11.2	57.1
2024	363534	122883	43937	73461	8.1	59.8	12.1	59.8
Average					9.6	38.9	6.6	60.7

Source: Central Bank of Iraq, Annual Statistical Bulletins, Various Years.

**The second requirement: The general trend of the ratio of credit granted to the private sector to total bank lending.**

This indicator is one of the most important indicators of the efficiency of credit allocation within the banking system, and it measures the extent to which the private sector contributes to attracting bank loans as a percentage of total credit facilities granted. The higher this percentage, the greater the private sector's role in real economic activity and the higher the banking sector's confidence in it. Table (1) data shows that the index percentage fluctuated significantly, with a slight upward trend, during the period (2010–2024). It is evident that the percentage decreased from (72.7%) in 2010 to its lowest level at (48.9%) in 2016, then began to recover, reaching (59.8%) in 2024. This fluctuation reflects the impact of the economic, financial, and political volatility in Iraq during that period on the structure of bank credit,

in addition to the differing lending priorities between government and private banks. During the period (2010–2013), there was a relative increase in the percentage of credit directed to the private sector, averaging (59–73%). This is attributed to the stability of the economic environment and the expansion of commercial and service activity, particularly in private banks, which focused on short-term trade finance. This period represented a period of relative banking prosperity thanks to the opening of local markets. Demand for commercial and consumer financing increased (Al-Shammari, 2022, 89). However, during the period (2014–2016), a decline in credit confidence and weakness in productive lending were observed. The sharp decline in the index coincided with the financial crisis, the drop in oil prices, and the decline in public spending, which led to a contraction of credit granted to the private sector in favor of financing government activities. During this period, Iraqi banks tended to prefer dealing with government institutions and individuals with high financial solvency, which led to a contraction of the private sector's share of total credit to less than (50%) (Abdullah and Aboud, 2023, 11).

However, during the period (2017–2020), a partial recovery and rebalancing of credit was observed, with the ratio rising from (48.9%) in 2016 to (51.9%) in 2020. This increase resulted from improved banking liquidity and the implementation of the Central Bank's development lending initiatives, particularly those targeting small and medium-sized enterprises (SMEs).

During the period (2021–2024), the index continued its upward trend, rising from (55.8%) in 2021 to (59.8%) in 2024. This increase was attributed to the stability of monetary policy and the rise in banks' confidence in the private sector following the implementation of a package of regulatory reforms. This improvement is also linked to the banks' enhanced ability to assess creditworthiness and mitigate risks, which encouraged them to expand their borrower base from the private sector (Al-Ubaidi, 2022, p. 49).

It can be concluded from all of this that the fluctuation of the index reflects the dual role of banks in the Iraqi economy. On the one hand, it maintains high liquidity for financial security purposes, and on the other hand, it seeks to expand its lending base within the limits of credit safety. A decrease in the ratio during certain periods does not necessarily indicate weak liquidity, but rather reflects credit caution resulting from economic and political risks. The increase in the ratio in recent years indicates improved efficiency in the banking sector's management of credit risks and a growing contribution of the private sector to real economic activity.

**Third requirement: The general trend of the ratio of credit granted to the private sector to GDP.**

This indicator represents one of the most important measures of financial depth and the efficiency of banking intermediation, as it reflects the extent to which the banking sector is able to direct its credit resources to finance productive and service activities in the economy. The higher the ratio, the greater the contribution of bank credit to the gross domestic product, i.e., to driving the wheel of economic growth. The data in Table (1) above indicates that the ratio of credit granted to the private sector to the gross domestic product in Iraq has witnessed an upward trend in the long term with some periodic fluctuations as a result of changing economic and political conditions. It is clear from it that the ratio rose from (5.3%) in 2010 to (12.1%) in 2024, i.e., an overall increase of about 6.8 percentage points, which reflects a relative expansion in the contribution of credit directed to the private sector to overall economic activity. However, the increase was not stable over time, but rather witnessed a decline in some periods (2015–2018) due to financial and security crises, which led to a contraction in banking activity and weak demand for productive loans.

The period (2010–2013) was characterized by a slow rise in the index from (5.3%) to (6.2%), as Iraqi banks began expanding commercial and consumer lending to the private sector, particularly private banks that benefited from increased deposits following the stabilization of the economic environment. This period marked the beginning of a gradual shift towards supporting credit activity in the non-oil sector, although contributions remained limited compared to other Arab countries (Al-Shammari, 2022, p. 88). Despite the economic contraction that Iraq experienced during the period (2014–2016) due to the decline in oil prices, the index rose from (6.7%) to (9.2%), reflecting relative resilience in the performance of the banking system and its ability to maintain a moderate pace of financing, especially since the Central Bank of Iraq pursued a moderate expansionary policy aimed at providing liquidity and encouraging banks to continue lending through rediscounting facilities and development financing initiatives. During the period (2017–2020), the percentage increased from From 8.8% in 2017 to 12.0% in 2020, driven by initiatives from the Central Bank of Iraq to finance small and medium-sized enterprises (SMEs) and housing projects, the ratio of lending to banks increased. These initiatives injected additional credit liquidity into the market. During the period 2021–2024, the ratio stabilized at relatively high levels, remaining between 9% and 12%. This reflects an improvement in the

efficiency of the banking system, but it remains below the Arab average of 25%–30%, according to estimates by the Arab Monetary Fund (2023) (Arab Monetary Fund, 2023, p. 70). Therefore, the increase in the ratio reflects an improved ability of banks to finance real economic activity, a positive indicator of the banking system's recovery after periods of decline.

### **Third Axis: Analyzing the Relationship Between Bank Liquidity and Private Sector Credit Indicators**

**First Requirement: Analyzing the Relationship Between Bank Liquidity and Private Sector Credit Indicators as a Relationship to Gross Domestic Product (GDP)**

The data in Table (1) above indicates that the relationship between the Bank Liquidity Index and the ratio of private sector credit to GDP during the period (2010–2024) followed a partially positive and relatively stable trend. The Bank Liquidity Index rose from (24.4%) in 2010 to (59.8%) in 2024, while the ratio of private sector credit to GDP increased from (5.3%) to (12.1%) during the same period. This reflects an improvement in the ability of Iraqi banks to convert liquidity into productive loans that finance real economic activity (Central Bank of Iraq, 2024, p. 57). The period (2014–2016) witnessed a temporary disconnect between the two, as liquidity increased due to the accumulation of government deposits in banks without a corresponding increase in the private sector. A similar increase in the volume of credit granted to the private sector is attributed to the high degree of credit caution of banks due to the repercussions of the war on terror and the decline in oil revenues, which prompted banks to maintain high liquidity without employing it in lending activity (Abdullah and Aboud, 2023, 110). After 2017, the relationship between the two indicators returned to a positive correlation, driven by the improvement of the monetary environment and the activation of the Central Bank of Iraq's development lending initiatives, which encouraged banks to recycle surplus liquidity towards financing small and medium enterprises. Al-Shammari's study (2022) shows that these initiatives represented a turning point in the role of the banking system towards the private sector, as they contributed to raising the credit-to-GDP ratio by about (3–4) percentage points during three years (Al-Shammari, 2022, 91). On the other hand, the increase in banking liquidity during recent years was not fully reflected in credit, as banks continued to suffer from a weakness in the efficiency of credit risk management and a lack of portfolio diversification, which made the relationship between the two indicators limited in strength and not ideal (Al-Obaidi, 2023, 50). Despite this, the overall analysis shows a positive general trend indicating that the increase in liquidity constitutes a basic condition - even if not sufficient - to stimulate lending to the private sector and enhance its role in GDP.

Based on the foregoing, it can be concluded that the relationship between the banking liquidity index and the ratio of credit extended to the private sector to GDP is a direct relationship in the long run, but a weak and fluctuating one in the short run.

### **Second Requirement: Analysis of the Relationship Between the Banking Liquidity Index and the Ratio of Credit Extended to the Private Sector to Total Banking Credit (2010–2024)**

The data in the preceding table indicates that the banking liquidity index experienced significant fluctuations during the study period, rising from 24.4% in 2010 to 59.8% in 2024. Meanwhile, the ratio of credit extended to the private sector to total banking credit ranged between a minimum of 51.5% in 2012 and a maximum of 72.7% in 2010, with an average of approximately 60.7%. This general trend reflects a moderately positive relationship between the two indices. The more efficient the banks' liquidity management, the greater their capacity to extend credit to the private sector as a percentage of their total loan portfolio.

In the years 2010–2013, the liquidity ratio gradually increased from 24.4% to 43.5%, accompanied by banks maintaining high levels of credit directed to the private sector, exceeding 55% of total credit. This can be explained by the tendency of private banks to primarily finance commercial and construction activities, taking advantage of the availability of surplus liquidity (Al-Jaafari & Abdul Wahid, 2022, p. 9). However, in the period 2014–2016, the private sector's share of total credit declined to about 49% due to the financial and security crisis and the decline in oil revenues, which prompted banks to maintain high levels of liquidity without converting it into productive loans (Abdullah & Aboud, 2023, p. 112). At this stage, the phenomenon of "idle liquidity" emerged within the banking system, where banks preferred to invest their funds in safe, short-term instruments instead of taking risks in commercial lending (Al-Obaidi, 2023, 49). During the years (2017–2024), the two indicators improved together in parallel. Liquidity increased from 56.6% to 59.8%, and the ratio of credit granted to the private sector to total credit rose from 51.3% to 59.8%, reflecting the recovery of the banking sector and the gradual restoration of credit confidence. This result is attributed to the Central Bank's stimulus policies through development lending initiatives and financing for small and medium-sized enterprises (SMEs), as well as the role of regulatory reforms in

strengthening the financial position of banks (Central Bank of Iraq, 2024, p. 63). Therefore, the relationship between the two indicators can be considered weakly to moderately positive. The availability of liquidity in banks does not necessarily lead to a direct increase in the ratio of credit granted to the private sector unless risk management tools are activated and the legal environment that guarantees lenders' rights is strengthened. Despite their ample liquidity, Iraqi banks remain cautious in granting credit, which is reflected in the slow growth of this ratio compared to the development of liquidity.

## **Conclusions and Recommendations**

### **First: Conclusions**

1. There is a weak positive relationship between bank liquidity and credit granted to the private sector. Analysis of the period (2010–2024) reveals that the rise in bank liquidity levels in Iraq did not always translate into an expansion of credit directed to the private sector. The relationship between the two variables remained weak and fluctuating due to economic and institutional factors.
2. A conservative approach to liquidity management within banks is prevalent. Data shows that most Iraqi banks, especially government-owned ones, tend to maintain high levels of liquidity without deploying it for lending, due to weak credit risk management and the absence of effective borrower evaluation tools.
3. The period (2014–2016) witnessed a clear decline in bank credit as a result of the financial crisis and the drop in oil prices, leading to a contraction in lending to the private sector and an increase in the volume of unutilized liquidity.
4. There has been a gradual improvement in the relationship since 2017 as a result of the activation of the Central Bank of Iraq's development lending initiatives and financing for small and medium-sized enterprises (SMEs). These programs have contributed to redirecting some of the excess liquidity towards actual economic activity.
5. The financing gap between banking capacity and economic needs persists. Despite improvements in macroeconomic indicators, the volume of credit granted to the private sector remains below the level required to achieve sustainable development, reflecting the weakness of the financial depth in the Iraqi economy.

### **Second: Recommendations**

1. The need to activate liquidity and credit management tools in Iraqi banks. Early warning systems and daily liquidity management should be developed to enhance the banks' ability to convert excess liquidity into productive credit.
2. The need to strengthen the legal and institutional environment for bank credit, with the aim of developing the credit guarantee system and bankruptcy and debt recovery legislation to protect banks and encourage them to increase lending to the private sector.
3. It is advisable to increase the volume of loans directed to small and medium-sized enterprises (SMEs) and expand their geographical coverage to support real economic activity and reduce unemployment.
4. The necessity of training banking staff in modern financial evaluation and credit analysis methods to reduce the volume of non-performing loans and improve the quality of the loan portfolio.
5. Encouraging financial inclusion and expanding the borrower base by facilitating access to banking and credit services for small businesses and individuals through financial innovation and digital transformation, thereby strengthening the relationship between liquidity and real credit.

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