ISSN 2664-3995 (Print) & ISSN 2664-6757 (Online)
South Asian Research Journal of Business and Management
Abbreviated Key Title: South Asian Res J Bus Manag

| Volume-6 | Issue-4 | Jul-Aug- 2024 | **DOI: https://doi.org/10.36346/sarjbm.2024.v06i04.007**

Original Research Article

Analyzing and Measuring the Impact of Financial Policy on Bank Credit in Iraq

Sura Shaker Hamad[1*], Prof. Assis. Dr. Amer Same Moner[1]

[1]Faculty of Administration and Economics, Tikrit University, Iraq

***Corresponding Author:** Sura Shaker Hamad
Faculty of Administration and Economics, Tikrit University, Iraq

Article History
Received: 27.06.2024
Accepted: 01.08.2024
Published: 06.08.2024

Abstract: This study dealt with the basics of government spending, public revenues, and public loans as indicators of financial policy and bank credit, in addition to explaining the relationship between these variables in Iraq for the period (2005-2021), by analyzing the reality of the study variables economically and analogically, the descriptive approach was used in analyzing Data for financial policy indicators and bank credit, where bank credit (BC) was analyzed as a dependent variable, and public spending (GS), public revenues (GR) and public loans (GL) were analyzed as independent variables, and according to the Dickey-Fuller test (ADF), it was found that the degree of integration of the study variables is A mixture of type (0)I and type (1)I, and thus the model was estimated according to the autoregressive distributed lag (ARDL) methodology, thus, the model was estimated according to the autoregressive distributed lag (ARDL) methodology, and according to the bounds test for co-integration, it was revealed that there was a co-integration relationship for the model, and the estimated model was successful in all standard goodness tests (autocorrelation, heterogeneity of variance, normal distribution of residuals), in addition to that it was Stable according to the CUSUM and CUSUM SQ tests. The most important results of the study were that the relationship of both public revenues and public loans in the two terms to bank credit was positive, but the relationship of government spending in the two terms was inverse, and that all of these relationships were significant. The credit provided to the public sector witnessed a continuous increase throughout the study period, while the percentage of credit provided to the government was increasing at the expense of a continuous decrease in the percentage of credit provided to public institutions, the percentage of credit provided to the public sector witnessed a decline compared to the increase in the percentage of credit provided to the public sector out of total credit. Cash, both public revenues and government spending in Iraq were negatively affected by the financial, security and health crises, but bank credit was positively affected by the same crises. The study came out with a set of recommendations, the most important of which was: Iraq should work to diversify its sources of income and reduce its dependence on crude oil and its revenues in forming its public revenues and public spending, which fluctuate with the fluctuation of global oil prices, increasing with its rise and decreasing with its fall, Iraq must work to increase the proportion of investment spending to Total government spending, Iraq must also work to reduce dependence on its oil revenues and work to increase the ratio of non-oil revenues to total public revenues.

Keywords: Analyzing and measuring - financial policy on bank credit.

INTRODUCTION

Fiscal policy is considered one of the main tools that the government uses to influence the national economy. This policy includes a set of measures taken by the government to influence the level of economic activity. Bank credit is considered one of the most important functions of central banks because it relates to the liquidity of banking and non-banking institutions as well as the government sector. That is, it relates to cash and the monetary system, credit policy and government debt and the monetary position of the government in general, and in the field of public spending and revenues (such as taxes). As for bank credit, which refers to loans and financial facilities provided by banks to individuals and companies, fiscal policy can influence It affects it in several ways. Below are some of the main effects of fiscal policy on bank credit in Iraq, government spending and public financing. If the government increases spending on infrastructure projects and public services, this may lead to increased demand for loans by companies seeking to take advantage of opportunities. New to the market, fiscal policy often works in parallel with monetary policy administered by the central bank. Stable and predictable fiscal policies may boost investor and consumer confidence, which encourages banks to make loans and encourages individuals and businesses to borrow. Unstable or ambiguous fiscal policies can lead to... Banks' reluctance to provide credit due to high risks and challenges in Iraq. In general, fiscal policy has a significant impact on bank credit in Iraq, as decisions related to government spending, taxes, public debt management, and monetary policy can shape the financial and economic environment in which banks operate.

The First Section: Research Methodology

First: The Research Problem:

The problem of the study, which can be formulated by asking the following question:
Does fiscal policy have an impact on bank credit in Iraq?

Second: The Importance of Research:

The importance of the study is highlighted through:

1. Knowing the role of financial policy and how to influence bank credit in Iraq.
2. The lack of topics that dealt with the subject of the study on financial policy and its impact on bank credit and the economic effects that result from that.

Third: Research Objectives:

The relationship between fiscal policy and bank credit at the Iraqi level is still low, as there are few local studies that have addressed this topic. Therefore, the research aimed to fill this gap by analyzing and measuring the role of fiscal policy and its impact on bank credit in Iraq.

Fourth: Research hypothesis:

The study is based on the hypothesis that: (Government intervention in economic activity within the boundaries of the Army Curve has a positive impact on the rate of economic growth).

Fifth: Limits of research:

1- Time limits: The study covers the time limits for the period (2004 - 2022), as this period was characterized by the transformation of the Iraqi economy from a market economy (dynamic mechanism) to a planned economy (market economy).
2- Spatial boundaries: The spatial boundaries include (Iraq). 2, time limits for the period (2004 - 2022).

Sixth: Research Methodology:

This methodology is based on:

1- The inductive approach: This approach tracks and traces the phenomenon historically and interprets it considering the ideas of predecessors, through multiple historical readings.
2- The deductive approach: This approach is based on issuing decisions on details based on the overall results achieved.

The Second Section: Financial Policy and Government Intervention

The First Requirement: The Concept of Financial Policy:

Fiscal policy is defined as the use of government spending and taxes to influence demand, employment, and the price level in a country (271 Tucker 2008). It is also known as "the use of public revenues, public expenditures, and public debt to achieve balance between the two sides of the state's general budget and to achieve high levels of total production and prevent economic inflation (Salman *et al.*, 2000: 267). It is also known as the program that the state plans and implements, intentionally." By using its revenue sources and spending programs to create desirable effects and avoid undesirable effects in all variables of economic, social and political activity in order to achieve the goals of society (Nassif, 2006: 137). Fiscal policy in this definition is a program planned and implemented by the state intentionally through the use of financial policy tools to achieve Positive changes in economic variables and to avoid their negative or undesirable effects. Here, policy is considered a program through the state controlling public spending and drawing appropriate plans for this spending by directing consumer spending.

And investment towards achieving community requirements. It is also defined as the use of government spending, taxes, and borrowing to increase or reduce aggregate demand as required by the economic situation at the time and to achieve the goals of economic growth, reduce unemployment rates, and redistribute income as equitably as possible (Bach (1971)).

From the Above Financial Policy: A set of rules taken by the state to manage financial activity efficiently, through the use of public financial tools, with the aim of creating a desired effect and avoiding undesirable effects on all variables of economic and social activity in order to achieve the desired goals.

2- Objectives of Financial Policy:

The prevailing economic, social, and political conditions in the country play a major role in determining the objectives of the fiscal policy that must be implemented. In fact, the objectives of fiscal policy do not differ in developed countries from those in developing countries, but the means of achieving these objectives differ because they are affected by the level of progress and backwardness existing in the country. In general, the objectives of financial policy can be defined as follows:

Optimal Allocation of Resources: Optimal allocation of resources means the exploitation of all economic resources, which were not created by previous or present human work, and which enable humans to produce the goods and services that society needs to satisfy its needs (Abdul Wahid, 2000: 314). From this definition, we find that economic resources Available to society are used to satisfy both public and private needs. Public needs are the ones that receive the attention of all of society, so the state satisfies them by providing public goods and services, while the other part of economic resources is used by the private sector to produce goods and services that satisfy private needs. Community individuals.

In this regard, it must be noted that the economic resources available to any society are not sufficient to satisfy all public and private needs in society. Therefore, the following question arises: How much economic resources should we direct to each use? Or in other words, how much resources are needed to satisfy public needs and, in return, how much resources are left to satisfy private needs (Al-Tahir, 1992: 73).

Hence, we find that the optimal allocation of resources must be concerned with equal marginal productivity of all resources in their different uses, so that it is not possible to transfer any unit of them from one use to another without causing a decrease in the production of the use transferred from it, that is, if one unit is transferred Economic resources from one specific use to another, which led to a decline in national product and a slowdown in economic growth rates. This means that directing resources towards optimal use includes the state using those economic resources in its possession in the most efficient manner possible from society's point of view, that is, distributing economic resources between uses. The different public will be according to the priorities of society with the aim of achieving the maximum public benefit or the least possible harm (Al-Batriq *et al.,* 2000: 18).

2- Achieving Economic Stability:

The concept of economic stability includes preventing fluctuations in production levels and prices, as well as ensuring high growth rates, as well as achieving balance in the balance of payments, all with the aim of achieving economic balance that the market system was unable to provide. This means stability

The economic plan includes several specific objectives, including the following:

- Achieving full employment.
- Achieving stability in the general level of prices.
- Achieving stable economic growth.
- Achieving balance in the balance of payments.

Hence, economic instability means the imbalance of these goals or one of them, that is, it involves the presence of unemployment or inflation in society, instability in growth, or imbalance in the balance of payments.

3- Achieving Full Employment:

This goal of achieving full employment has become increasingly important since the Great Depression of the 1930s, as attention has focused on creating conditions conducive to the full employment of economic resources, especially human resources. Therefore, countries at the present time consider themselves responsible for using all practical means that are consistent with their needs and obligations, in addition to exploiting all their resources in order to create conditions that provide abundant job opportunities and maintain those conditions that would reach the level of full employment (Abdullah Al-Wahid, 2000: 338).

2- Achieving Stability in the General Level of Prices:

The goal of achieving stability in price levels is an important matter, and the state seeks to solve the problem of inflation due to its negative economic, social, and political effects. The most important of these effects is imposing a burden on members of society by reducing their real incomes, especially those with fixed incomes, as this results in bad In the distribution of income and wealth against this group of society, inflation also leads to money losing its purchasing power, that is, it becomes unacceptable to members of society, so each individual tries to get rid of it before its value decreases further, so money is replaced with in-kind goods, and this increases the wave of rising prices. In addition, the occurrence of an inflationary wave in the economy prompts workers to demand increased wages in order to maintain their real income level, which leads to higher production costs and then higher prices, i.e. more inflation (Abdul Wahid, 2000: 349-350).

Accordingly, it can be said: Public spending is represented by what the state or one of its public bodies pays to obtain productive resources of goods and services that it needs to carry out its activity, such as paying the salaries and wages of workers, paying the dues of suppliers and contractors, spending on the army and security, and spending on services, facilities and public works. Public spending, including payment of installments and interest.

The Second Requirement is Financial Policy Tools:

1- Spending policy:

It is the agreed program that is based on the nature and roles of the state in political, social and economic life, aiming to confront the expenditures of the government and its local bodies. The spending policy varies from one country to another according to the nature of the existing economic system. In capitalist countries, the spending policy aims to achieve economic stability and then reduce unemployment rates, combat inflation and expand the market. Local, while in developing countries, it aims to build an advanced industrial production system and provide basic consumer goods to the population, based on the deposits of both developing countries and capitalist countries (Bakhit and Matar, 19, 2009).

2- Tax policy:

Taxes are currently considered one of the most important types of public revenues, whether in terms of their absolute size or their percentage of total public revenues. In most countries of the world, whether in developed or developing countries, the importance of taxes has increased as a result of the development that has led to a change in the role and objectives of the state. Its financial activity in traditional thought is based on providing the necessary resources to the treasury to carry out limited expenditures, as it is prohibited from interfering in economic activity and the principle of tax neutrality and its lack of influence on economic and social conditions prevails. While tax has now become an important role and a tool to influence economic and social conditions, through it it is possible to contribute to achieving economic stability and social justice in the distribution of income and changing the economic structure.

Taxes have also become an important role in strengthening and implementing political thought in the society in which they operate. There are many types of taxes through which the state can control the movement of the national economy. If the goal, for example, is to protect local industries from foreign competition, it can impose (custom taxes). Also, taxes affect the growth rate through their impact on saving and investment, and the use of tax policy to achieve fiscal policy objectives depends on the appropriate timing for the intervention of this tool, as well as the provision of a safe and highly efficient tax apparatus, as well as the presence of appropriate tax legislation.

3- Borrowing policy:

It is the second basic tool of revenue policy in fiscal policy, and the state resorts to this tool because of two reasons: the first: taxes are at their maximum level and the second: taxes have violent social reactions. There are many types of loans, some of which are internal and some of which are external, and both represent a burden on the national economy because the principal of the loan (debt) must be returned along with the interest resulting from it. Also, external loans are often linked to certain political conditions, so the state must exploit This loan is ideal for financing investments and building the production system. The government can obtain other revenues such as revenues from its properties (private and public domains), fees, grants and subsidies.

The third requirement: The concept and importance of bank credit

Credit in economics means the ability to lend, and technically it is the commitment of one party to another party to borrow or lend. In the modern economy, credit is defined as the period that the lender grants to the borrower to repay the debt, and the borrower must adhere to this period of time, as it is a financing and investment process on which it depends. Banks of all kinds (Al-Daghim, 2006: 194).

Credit is defined as the process of exchanging a current value in exchange for a promise of a future value equal to which this value is money. There are two parties in the credit process: the first party is the credit giver and is called the lender or creditor, and the second party is the person who receives the credit and is called the borrower or debtor, and in some Sometimes an additional amount called interest is added to the credit amount, which is paid to the creditor in the future in exchange for him giving up the current value. Credit and debt can be viewed as two sides of the same coin. The lender gives credit and loans, and it is assumed that he must commit to the debt and repay these loans with their interest and according to the agreed upon period (Rabiha, 3:2011).

It is also known as the trust that the bank gives to its customer in offering a specific value of money so that he can use it for a specific purpose and in a specific period, and it is fulfilled under certain conditions in exchange for an agreed-upon financial value (Al-Awadi, 2011:3).

Credit is also defined as a monetary relationship between the owner of the money, who is the lender, and the borrower, which works to sacrifice present values during a specific period of time in exchange for obtaining greater values at a later time, with the aim of using that money in various activities, such as developing productive sectors or increasing the beneficiary's consumption. This, in turn, affects economic activity (Kanaan, 2011: 15). Credit is created when a person borrows money and agrees to repay it. The money can be obtained through a bank or other institution, and there is usually a specific agreement that sets the repayment schedule and determines the amount that is charged. (Thompson, 2017, 1).

From the definitions above, the comprehensive definition of credit can be formulated as granting a loan or providing facilities to a specific customer or facility in exchange for a payment in the future in addition to paying the interest resulting from it because of granting the loan. There are many concepts that have a close relationship with credit, which are:

1. **Credit policy:** Credit policy can be defined as a general framework and specific standards that credit officials use when making decisions related to granting or not granting credit, and also as a means used in determining, planning, and monitoring credit. The purpose of the credit policy is to use it in performing various credits at various stages, which It cannot be dispensed with or departed from except through orders, instructions, and recommendations from the competent authorities (Saeed, 2018: 199)
2. **Creditworthiness:** The concept of creditworthiness refers to the financial solvency, that is, the fulfillment ability of the borrower to the borrower and the extent of its ability to fulfill its financial obligations to others. The concept of creditworthiness refers to the ability of the borrower to fulfill its obligations in the face of lenders or the risk of non-payment to lenders issuing bonds from Fulfilling its obligations represented by the value of loans and their interest to borrowers (Al-Jubouri, 2011: 14).

The credit plan is the limits that banks set in exchange for granting their clients loans (debtors). It means the maximum credit that the bank can grant to the client, so that the bank cannot exceed this limit except with the approval of the credit department, or it represents setting a total limit for lending to different sectors (companies and individuals) (owned, 23:2014).

1. **Credit management:** It is the process of linking the relationship between the bank (creditor) and the borrower (debtor) and documenting it through credit contracts, as they clarify the obligations and rights of the debtor and creditor. Examples of this are the promissory note, savings account books, bond, Murabaha contract, and others) (Rabiha, 4:2014)
2. **Credit facilities:** These are the facilities that the bank works to provide to its customers, whether individuals or companies, so that it is allowed to use them for a specific period, and within specific rules and laws that are agreed upon in advance between the bank and its customer, and these facilities are bound by contracts and bonds signed between the two parties, the creditor and the debtor. (Najm 10:2011).
3. **Commercial papers:** They are short-term, unsecured bonds issued by strong financial companies at the local level. They are bonds with a very short maturity period. The funds are used to purchase inventory or manage the daily capital needs of the company. Commercial papers are considered a low-risk investment or It is safer, and the return on this investment is symbolic (Apostolik, 2009: 106)

Credit analysis depends on five items to obtain good lending, which is particularly related to lending to small and medium-sized companies, because these companies do not have the ability to access the financial markets to issue stocks and bonds, and these items are capital, personality, collateral, and ability conditions (Apostolik, 2009 ,124).

Second: The economic importance of bank credit:

Bank credit has great importance in contemporary economic life by increasing the efficiency of the process of allocating resources, whether in the field of production or in the field of consumption, or in the field of settling trades, and the most important functions of bank credit: (Saeed 2013, 187 188)

A- Production financing: Credit transfers economic resources to producers who have a high effectiveness and efficiency in exploiting those resources in the production process. This credit does not only restrict the producer but also benefits the saver who saves money but does not manage the process of exploiting that money himself. Through banks and various institutions, it is possible to mediate between loan officers and loan applicants to achieve benefits for both parties and reduce risks.

B - Consumption financing: through financing provided to individuals with the intention of financing their consumer needs and purchases, especially durable goods such as cars, refrigerators, etc., and this type of credit includes credit cards, that is: exchanging money for credit cards that are guaranteed by banks and used by consumers to purchase everything. Their needs, but he must assign the value of those goods to the banking institution within a certain period in exchange for interest or a commission, and that banking institution settles the consumer's accounts in favor of the institutions he dealt with and purchased from.

C- Settlement of exchanges: The money in the borrower's hand is no longer the only means of exchange. Rather, there are many other credit instruments such as contracts, promissory notes, and bonds. This has made the exchange operations for goods and services take place quickly and in a volume larger than the volume of money. This has led to Avoiding many of the difficulties that arise due to the use of money, credit has greatly helped in expanding and facilitating foreign exchange operations by opening documentary credits, which leads to an increase in the volume of international trade.

D - Distribution of financial and credit resources to various economic activities: Credit works to help distribute monetary and credit resources to various sectors, make optimal use of them, and work to flow those resources to all projects according to their needs to achieve balanced economic growth aimed at serving the state's economic and credit policy.

E- Operating working resources: Working funds are operated temporarily through short-term financing. Thus, the borrower will benefit from using these funds in temporary activities, as these activities will generate profits for the borrower, and in return, the lender will receive a good income in return for lending those funds. (Al-Barzanji 2018, 79-80).

Bank credit has great importance on the economic level due to its effective role in stimulating the economy by performing the following functions: (Al-Husseini, Al-Douri, 2008 (45-46-47)

1. Credit is an appropriate means of transferring the use of capital from one person to another. Through it, the savings of individuals and companies can be transferred to those who need them and can exploit them in production and distribution. Accordingly, bank credit helps in the process of increasing the productivity of capital.
2. Bank credit helps savers invest their money through the bank acting as an intermediary between them and companies or establishments through the credit activity of those banks.
3- Bank credit helps businesses provide capital for use in various economic opportunities, as well as in carrying out production that requires large capital.
4- Corporate bank credit is adapted or modified according to varying operating requirements.
5- Bank credit works to avoid the accumulation of large sums of money in the hands of people.

Fourth requirement: The relationship between financial policy and bank credit

Fiscal policy is concerned with how governments raise and spend money, and it has a major impact on bank credit in several aspects:

1. **The effect of a fiscal deficit or surplus:** When the government follows an expansionary fiscal policy and spends more than it collects in taxes, a fiscal deficit result. To fill this deficit, governments may resort to borrowing from the financial market, which may lead to higher interest rates and reduce the credit available to the private sector, which is known as the "displacement effect" or "the private sector crowding out" of the credit market.
2. **Government spending and its impact on demand:** On the other hand, government spending can increase aggregate demand in the economy. This may boost economic growth and lead to increased bank credit, as companies need to finance expansion to meet growing demand.
3. **Taxes and their impact on saving and investment:** Tax policies that reduce the tax burden on individuals and companies may increase purchasing power and private savings, and this may lead to an increase in loans and bank credit in general, since individuals and companies have more capital to spend and invest.

Economic Confidence: A stable and predictable fiscal policy builds confidence in the economy. This can encourage the expansion of bank credit as financial institutions become more willing to lend money. The relationship between fiscal policy and bank credit is complex and influenced by many other factors within the economy. However, it is important for governments Balancing financial policies so that they achieve the desired goals without creating negative side effects on the availability of credit to the private sector, In general, the relationship between fiscal policy and bank credit can be summarized.

The relationship between fiscal policy and bank credit is intertwined and influenced in many ways, with each affecting the other as follows:

Fiscal Policy: Fiscal policy relates to government decisions regarding public spending and taxes. In cases of massive government spending, this can lead to increased demand for bank credit, as the government seeks to finance its projects.

Bank Credit: Bank credit refers to the ability to borrow from banks and financial institutions. Banks tend to increase credit when their policies are more lenient, which can lead to economic growth, when fiscal policy is expansionary, with an increase in government spending or a reduction in taxes. This can increase economic activity and enhance demand for loans. In turn, the need for bank credit may decrease if the government follows a contractionary fiscal policy that raises taxes and reduces public spending. In addition, the impact of fiscal policy on interest rates can also affect the costs of bank credit. If the government increases spending significantly, it may need to borrow from the financial market, leading to higher interest rates and increasing the cost of credit for individuals and companies. If we look at the bigger picture, fiscal policy and bank credit work hand in hand to manage the macroeconomy, as they share in the common goal of achieving economic stability and promoting growth.

This research will include an analysis of the reality of financial policy tools (government spending, public revenues, public loans) in Iraq during the period (2005-2021), as follows:

1- Analysis of the Reality of Government Spending in Iraq for the period (2005-2021):

Government expenditure consists of (operating expenditures, investment expenditures), which are detailed as in Table (1), with the relative importance of each and calculating the annual growth rate of total government expenditure. We note that operational expenditures varied throughout the study period, but in general they were increasing. Its lowest value was at the beginning of the study period, at (23,154,309 million dinars) in 2005, with a relative importance of (87.7%), due to the unstable security conditions that Iraq witnessed in the same year, although its value was high compared to 2004. And before, its highest value was at the end of the study period, amounting to (89,526,703 million dinars) in 2021, with a relative importance amounting to (87%), due to the increase in the salaries of government employees (employee compensation), the increase in those covered by (social welfare), and the receipt of A continuous increase in (grants, subsidies, debt service, commodity supplies, service supplies, asset maintenance, special programs, and capital expenditures).

We also note that investment expenditures varied throughout the study period, but we note that their highest value was (106,873,027 million dinars) in 2013, with a relative importance of (33.9%), due to the increase in the number of investment projects, especially after the improvement of the security situation. It is mentioned That Iraq achieved large oil revenues during the same year thanks to the significant rise in global oil prices and consequently investment expenditures rose. As for its lowest value, it was (3,208,977 million dinars) in 2020, with a relative importance of (4.2%), due to the repercussions of the spread of the virus. Corona and most investment projects stopped working due to the closure measures taken by most governments of countries, including Iraq, in addition to reducing government investment spending for all sectors due to the decline in public revenues (Annual Economic Report of the Central Bank of Iraq, 2020, 46-48).

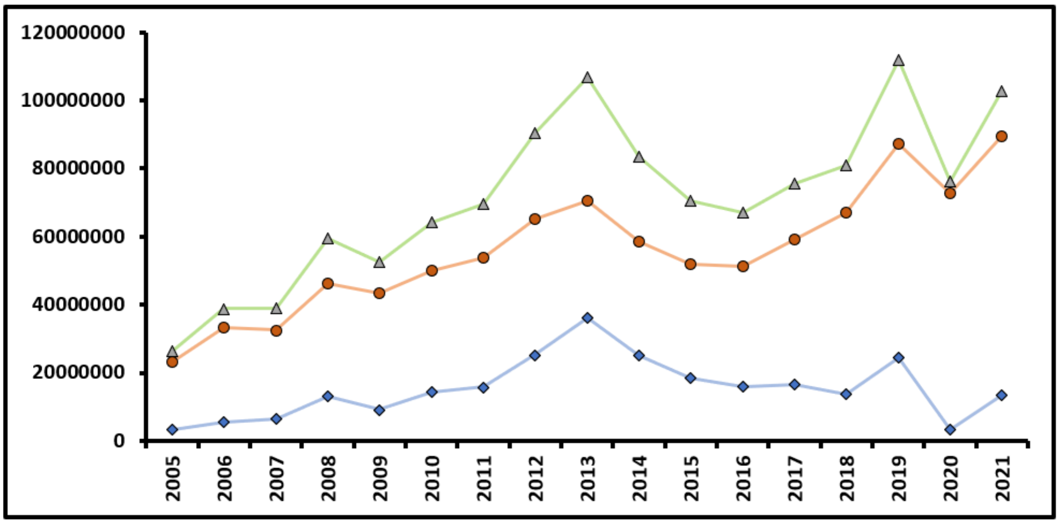

Figure 1: Developments in government spending in Iraq for the period(2021-2005)

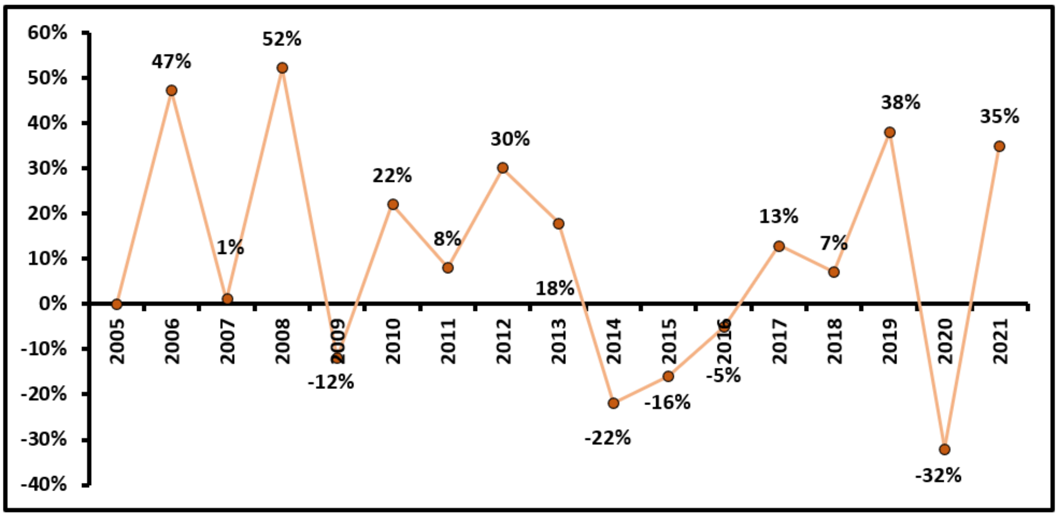

Figure 2: Developments in the annual growth rate of government spending in Iraq for the period (2005-2021)

We notice from the same figure, the total government spending in Iraq during the period (2005-2021), and it becomes clear that it was increasing during the period (2005-2008), as after it was (26,375,175 million dinars) in 2005, it continued to increase after that until it became (59,403,375 million dinars) in 2008, with a positive annual growth rate of (52%), which is the highest annual growth rate during the study period, due to the continuous increase in the quantities produced and exported of crude oil, as well as the continuous rise in its global prices, and this will certainly be a reason In increasing public revenues and thus increasing government spending (Annual Economic Report of the Central Bank of Iraq, 2008, 38-39).

2- Analysis of the Reality of Public Revenues in Iraq:

Table (2) shows the reality of public revenues with all their components (oil revenues, tax revenues, other revenues) in Iraq during the period (2005-2021), with the relative importance of each and calculating the annual growth rate of total government spending. We note that oil revenues have been increasing. During the period (2005-2008), after it was (39,480,069 million dinars) in 2005, which was its lowest value during the study period, and with a relative importance amounting to (97.5%), it continued to increase after that until it became (79,131,752 million dinars) in the year 2008, with a relative importance of (98.6%). The reason for this continuous increase in oil revenues is due to the increasing quantities produced and exported of Iraqi crude oil in addition to the continuous increase in global oil prices. However, in 2009, oil revenues decreased to (51,719,059 million dinars). With a relative importance amounting to (93.7%), the reason for this decline is due to the repercussions of the global mortgage crisis. During the period (2010-2013), oil revenues in Iraq increased continuously and at an increasing pace, after becoming (66,819,670 million dinars) in the year 2010, with a relative importance amounting to (96.1%), and after that it continued to increase until it reached its highest value in 2013, amounting to (116,597,076 million dinars), with a relative importance amounting to (97.3%), after the continuous increase in global crude oil prices and reaching a level of more than ($100). per barrel).

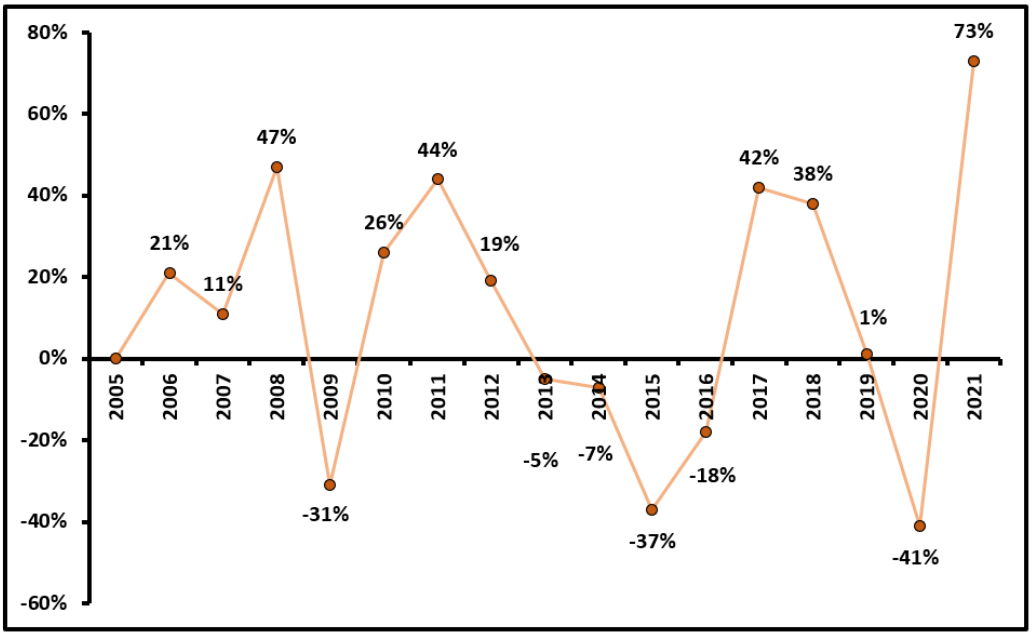

Figure 3: Developments in the annual growth rate of public revenues and their components in Iraq for the period (2005-2021)

During the period (2014-2016), oil revenues recorded a continuous and unprecedented decline during the study period, after becoming (97,072,410 million dinars) in 2014, with a relative importance amounting to (92.1%), and they continued to decline after that until they became (44,267,063 million dinars). in 2016, with a relative importance amounting to (81.4%). The reason for this decline is due to the repercussions of the events of June 9, 2014. Despite these repercussions that continued for four years, the Iraqi economy had to bear the consequences of the decline in crude oil prices. Global oil revenues also recorded a positive and continuous improvement during the period (2017-2019), after reaching (65,071,929 million dinars) in 2017, with a relative importance of (84.1%), they continued to increase after that until they became (99,216,318 million dinars). In 2019, with a relative importance amounting to (92.2%), after the recovery in oil prices in addition to the increase in the quantities exported from it. However, in 2020, oil revenues decreased to become (54,448,514 million dinars), with a relative importance amounting to (86.2%), due to the repercussions of the spread of the Corona virus and the decline in global oil prices due to the decrease in demand for it as a result of the cessation of economic and industrial activity. As for the year 2021, oil revenues recorded a recovery to reach (95,270,298 million dinars), with a relative importance amounting to (87.3%), after the partial and gradual return to economic activity. Globalization and the return of many factories in countries of the world to work, causing the demand for oil to increase again.

We note from the same table, tax revenues in Iraq for the period (2005-2021), and we note that they were increasing during the period (2005-2007), after they were (495,282 million dinars) in 2005, which is their lowest value during the study period. With a relative importance amounting to (1.2%), it continued to increase after that until it reached (1,397,991 million dinars) in 2007, and a relative importance amounting to (2.6%). The reason for this large and continuous increase is that taxes in Iraq before 2004 were almost non-existent. It gradually increased after the issuance of legislation regulating tax collection. In 2008, tax revenues decreased to (985,837 million dinars), with a relative importance of (1.2%). However, in the years 2009 and 2010, tax revenues recorded a significant increase to become (3,334,809 million dinars). and (1,532,438 million dinars), respectively. The reason for this increase is due to the Iraqi government's enactment of the Iraqi Products Protection and Anti-Dumping Law No. 11 of 2010, as well as the increase in corporate tax (Sabri, 2013, 236-237).

Analysis of the Relationship between Financial Policy Tools and Bank Credit

First: The Relationship of Government Spending to Bank Credit in Iraq:

Figure (3) shows the relationship between government spending and bank credit in Iraq during the period (2005-2021), and we note that the relationship between the two indicators was positive throughout the study period, as the increase in government spending led to the increase in bank credit granted by Banks, with the exception of their negativity in 2009, due to the global mortgage crisis, as total credit remained increasing while government spending declined slightly, and also during the period (2014-2016), the relationship was also inverse, and the reason for this is due to the repercussions of the events of the ninth of September. June of 2014, which lasted for three years coinciding with the significant decline in global oil prices, as total credit continued to increase while government spending declined significantly, and the relationship was also inverse in 2020, due to the repercussions of the spread of the Corona virus, so government spending decreased significantly, While bank credit was increasing, it is worth noting that both total bank credit (public and private) and total government spending (operating and investment) were generally increasing, but government spending was greatly negatively affected by crises, whether financial, global, security, or However, bank credit was positively affected by these crises, as follows:

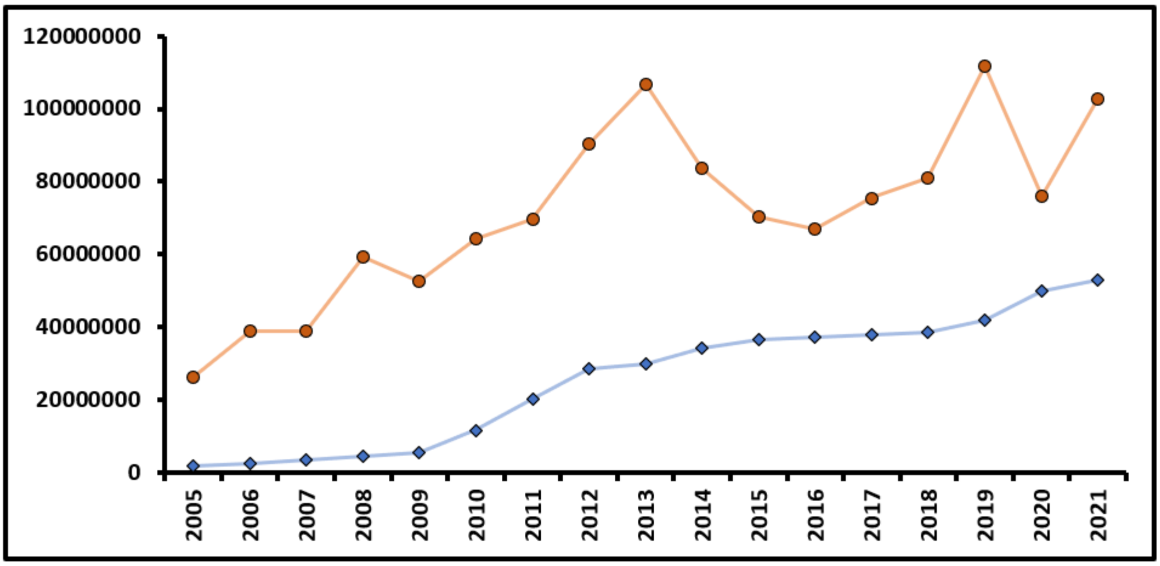

Figure 4: The relationship of government spending to bank credit in Iraq

Second: The relationship of public revenues to bank credit in Iraq:

Figure (4) shows the relationship between public revenues and bank credit in Iraq during the period (2005-2021), and we note that the relationship between the two indicators was positive throughout the study period, as the increase in public revenues led to the increase in bank credit granted by Banks, with the exception of their negativity in 2009 due to the global mortgage crisis, as total credit remained increasing while public revenues declined significantly due to the decline in global oil prices and the deterioration of oil revenues. Likewise, during the period (2013-2016), the relationship was also inverse, and the reason for this is that This is due to the repercussions of the events of June 9, 2014, in addition to the significant decline in global oil prices, as total bank credit continued to increase while public revenues declined significantly until at the end of the period it reached half of what it was in 2013, and the relationship was also inverse in In 2020 due to the repercussions of the spread of the Corona virus, public revenues declined very significantly after the demand for crude oil collapsed, while bank credit was increasing. It is worth noting that public revenues were negatively and significantly affected by the crises (financial, security, health), and as follows:

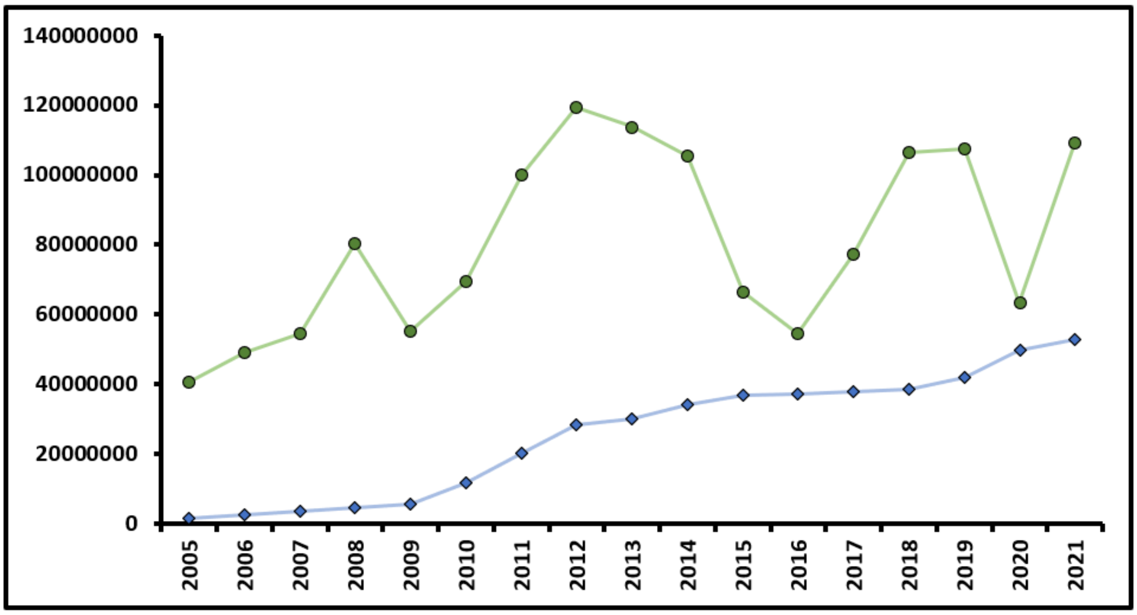

Figure 5: The relationship of public revenues to bank credit in Iraq

Third: The relationship of public loans to bank credit in Iraq:

Figure (5) shows the relationship between public loans and bank credit in Iraq during the period (2005-2021), and we note that the relationship between the two indicators was positive throughout the study period, and we note that the time paths of the two indicators were identical, except that the total bank credit was at a higher level than Public loans: This is normal because bank credit granted to the central government and public institutions (private credit) is part of the total credit. We also note that the gap between the two-time series was almost constant during the period (2005-2010), but that gap began to increase continuously during the period (2005-2010). The period (2011-2019), but during the years 2020 and 2021 it decreased slightly, as follows:

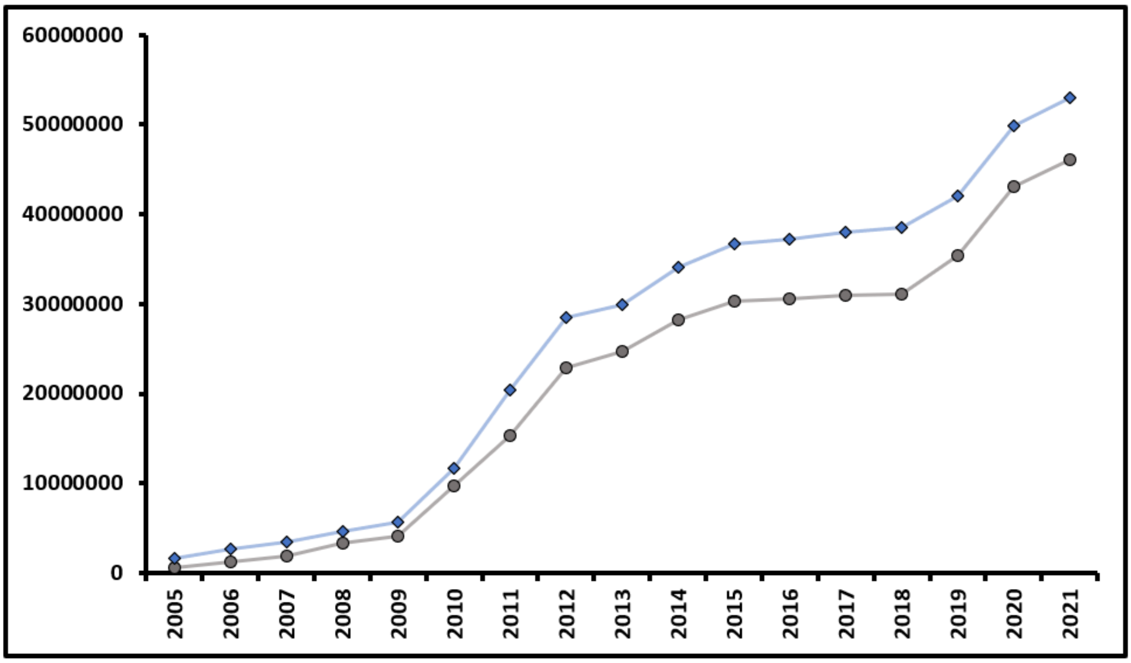

Figure 6: The relationship of public loans to bank credit in Iraq

CONCLUSIONS

1. Iraq still suffers from a major imbalance in the structure of its exports, as it depends on oil revenues to a very large extent, and the oil sector also contributes a very large percentage to the formation of the gross domestic product.
2. The increase in government spending depends largely on the increase in public revenues.

3. The ratio of current spending to total government spending is much greater than the ratio of investment spending to total government spending.
4. The year 2010 was a major turning point for public loans. Before that, they were at a low level, although they were generally constantly increasing. However, after that, they witnessed a significant increase, reaching at the end of the period five times what they were in 2010.
5. The credit provided to the public sector witnessed a continuous increase throughout the study period, while the percentage of credit provided to the government was increasing at the expense of a continuous decrease in the percentage of credit provided to public institutions.
6. The percentage of credit provided to the public sector witnessed a decline compared to the increase in the percentage of credit provided to the public sector out of total monetary credit.
7. Both public revenues and government spending in Iraq were negatively affected by the financial, security, and health crises, but bank credit was positively affected by the same crises.

RECOMMENDATIONS

Based on the conclusions reached, several proposals can be clarified that could reduce the imbalances in the structure of Iraq's economy.

1. Iraq should work to diversify its sources of income and reduce its dependence on crude oil and its revenues in forming its public revenues and public spending, which fluctuate with the fluctuation of global oil prices, increasing when they rise and decreasing when they fall.
2. Iraq must work to increase the ratio of investment spending to total government spending.
3. Iraq must work to reduce dependence on its oil revenues and work to increase the proportion of non-oil revenues to total public revenues.

REFERENCES

First - Arabic sources:

1. Mez, A. (2024). *The Renaissance of Islam: History, Culture and Society in the 10th Century Muslim World*. Bloomsbury Publishing.
2. Salahddin, T. R., & Daoud, S. S. (2024). Analysis of Inflationary Burden Impact on The Consumption of Iraqi Households. *Journal of Economics & Administrative Sciences*, *30*(141).
3. Al-Ramli, Abdullah Muhammad Rashid, Economic Gaps, Their Measurement and Methods of Treating them, Dar Al-Doctor for Science, Al-Mutanabbi, Baghdad, 2020.
4. Lajbouri, . Khalaf Muhammad Hamad, Determinants of Sovereign Creditworthiness and Its Impact on Government Investment Spending, International Experiments with Reference to Iraq, PhD thesis submitted to the College of Administration and Economics, University of Baghdad, Baghdad, Iraq, 2017.
5. Al-Awadi, Shaima Jassim Hammoud, Analysis of Bank Credit for Specialized Banks in Iraq for the Period (1995-2008), Master’s Thesis Submitted to the College of Administration and Economics, University of Baghdad, Iraq, 2011 AD.
6. Al-Sheikhli, Hadeel Amin Ibrahim, the main factors determining the bank credit decision in Jordanian commercial banks, a master’s thesis submitted to the Faculty of Business, Middle East University, Amman, Jordan, 2012.
7. Ibrahim, A. O., & Ahmed, J. S. (2024). Analysis of the Impact of Commercial Bank Loans on The Gross Domestic Product in Iraq. *Stallion Journal for Multidisciplinary Associated Research Studies*, *3*(3), 17-29.
8. Al-Fakhri, Saif Sabah Hashem, Bank Credit and the Role of Credit Expansion in Banking Crises, Master’s thesis submitted to the Faculty of Administration and Economics, University of Aleppo, Syria, 2009 11.
9. Al-Mamlouk, Anas Hisham, credit risks and their impact on investment portfolios, an applied study on the Syrian private banking sector, a doctoral thesis submitted to the Faculty of Management and Economics, University of Damascus, Syria, 2014.
10. Issa, Amjad Ezzat Abdel Mazouz, Credit Policy in Banks Operating in Palestine, PhD thesis submitted to the College of Graduate Studies at An-Najah National University, Nablus, Palestine, 2004.
11. Saeed, Abdel Salam Lafta, 2013, Bank Management and the Privacy of Banking, First Edition, Al-Zakira Publishing and Distribution, Amman, Jordan.
12. Al-Barzanji, Ahmed Muhammad Fahmi Saeed, 2018, Introduction to Bank Management and Banking Operations, first edition, Doctor’s House for Administrative and Economic Sciences, Baghdad, Iraq.
13. Al-Husseini, Al-Douri, Falah Hassan, Moayed Abdel-Rahman, 2008, Banking Department, Fourth Kaaba, Dar Wael for Publishing and Distribution, Amman, Jordan.
14. Al-Shammari, Nazim Muhammad Nouri, Money and Banks, Dar Al-Kutub Directorate for Printing and Publishing, first edition, Baghdad, Iraq, 1988.
15. Saeed, Abdul Salam Lafta, Banking Management and the Privacy of Banking, Kuttab Publishing and Distribution Press, third edition, Baghdad, Iraq 2019.

16. Hashish, Adel Ahmed, Fundamentals of Monetary and Banking Economics, A Study of the Initiative Governing the Economics of Money, Banking, and Credit, New University Publishing House, First Edition, Alexandria, Egypt, 2004.
17. Issa, Muhannad Hassan, 2019, Investment Portfolio Lectures, Part One, First Edition, Dar Al Raya for Publishing and Distribution, Amman, The Hashemite Kingdom of Jordan.
18. Al-Zubaidi, Hamza Mahmoud, 2002, Bank Credit Management and Credit Analysis, second edition, Al-Warraq Foundation, Amman, Jordan.

Second - Foreign Sources:

1. Barro, R. J. (1996). Determinants of economic growth: A cross-country empirical study.
2. Brundtland، (1987)، The World Commission on Environment and Development: Our Common Future، United Nations،
3. Clunies-Ross, A،, Forsyth, D،, & Huq, M، (2009)، Development Economics (First ed،)، London: McGraw-Hill ، pp، 111-115.
4. Clunies-Ross, A،, Forsyth, D،, & Huq, M، (2009)، Development Economics (First ed،)، London: McGraw-Hill ،
5. Domar, E، D، (1947, March)، Expansion and Employment، The American Economic Review, 34-55، Retrieved from http://www،jstor،org،
6. Haller, A،-P، (2012)، Concepts of Economic Growth and Development, Challenges of Crisis and of Knowledge، Economy Transdisciplinarity Cognition, 15, 66-71 ،
7. Harrod, R، F، (1939, March)، An Essay in Dynamic Theory، The Economic Journal, 14-33، Retrieved from http://www،jstor،org،
8. Hein, S، (1992, April)، Trade Strategy and the Dependency Hypothesis: A Comparison of Policy, Foreign Investment, and Economic Growth in Latin America and East Asia، Economic Development and Cultural Change, 495-521، Retrieved from http://www،jstor،org،
9. Hirschman, A، (1958)، The Strategy of Economic Development، New Haven: Yale University Press ،
10. Hoff, K،, & Stiglitz, J، E، (2000, December)، Modern Economic Theory and Development، Frontiers of Development Economics: The Future in Perspective, pp، 389، - 485

Government Reports:

1. Central Bank of Iraq Summary of economic indicators statistics Central Bank of Iraq, www, CBI, Org
2. Republic of Iraq, Ministry of Planning and Development Cooperation, Central Bureau of Statistics (2004-2022).