Journal of Global Scientific Research 8 (5) 2023/ 3085-3093

Contents lists available at www.gsjpublications.com

Journal of Global Scientific Research
in Business Management and Economics

journal homepage: www.gsjpublications.com/jgsr

Impact of the Central Bank's Initiatives in Raising Financial Inclusion Indicators in Iraq, an Analytical and Comparative Study with Selected Arab Countries for the Period 2017-2021

Ahmed Abdulkareem Mohammed Al-Yaseen

College of Administration & Economic, University of Basrah, Basra, Iraq.

ARTICLE INFO

Received: 3 Apr 2023,
Revised: 5 Apr 2023,
Accepted: 15 Apr 2023,
Online: 13 May 2023

Keywords:
Financial inclusion, inclusion indicators, financial education, financial depth, liberalization and financial braking

ABSTRACT

This study attempts to determine the impact of the initiatives adopted by the Central Bank of Iraq in 2015 to raise financial inclusion indicators. This study focused on clarifying the effect after the five-year initiative period (2017-2021) by relying on access indicators and usage indicators in the analysis. The study found that there was a positive impact of these initiatives during the study period. However, this effect was evident at the local level, while Iraq still has a significant margin of coverage indicators compared to some selected Arab countries.

1. Introduction

Access to financial services is vital for global development And having a bank account makes it easy to invest or engage in any business, In turn, it helps families manage economic emergencies that may cause access to poverty and financial inclusion ", Governments, financial and regulatory bodies and international development agencies have therefore paid particular attention to financial inclusion and included it in their most important work at a time when the international community's efforts to achieve sustainable development are united.

Financial inclusion has emerged on the international scene after the 2008 financial crisis, and has become one of the main objectives pursued by international organizations and that the development of thoughtful strategies is the first step towards the delivery of financial services to the broadest possible segment of society, It, therefore, set out a vision and future objectives, identified efforts on the one hand and avoided duplication of actions and resources on the other's part, thereby reaching its goal of financial inclusion.

The international community has a significant and effective role to play through the Group of 20 (G20), the Monetary Fund (IMF) and the World Bank Group in developing and collecting its own

Corresponding author:
E-mail address: ahmed.alyseen@uobasrah.edu.iq
doi: 10.5281/jgsr.2023.7930381

data and trying to devise the best ways to improve its levels, aiming to raise economic growth rates and achieve a high level of financial stability.

Research problem: The research problem lies through the following questions:

- Has the CBI succeeded in reaching acceptable rates of financial inclusion through the range of initiatives it has launched in the few years leading up to the study period?
- Are the Central Bank's ratios in financial inclusion acceptable compared to selected Arab countries?

Research objective: The study seeks to achieve the following:

- Clarify the basic concept of financial inclusion and related terminology.
- The impact of the Central Bank's initiatives on financial inclusion indicators.
- An account of the development of financial inclusion indicators during the study period.
- To indicate Iraq's position on financial inclusion compared to Arab countries.

Research hypothesis: The study assumes no impact of the Central Bank's initiatives on access and uses indicators for financial inclusion.

First: Concept and indicators for financial inclusion

Concept of financial inclusion

Although there are many concepts of financial inclusion, they are defined as the introduction or integration of financially marginalized or low-income groups of individuals who cannot operate the banking system by dealing with the digital business system, i.e., making all financial transactions electronically which in turn provide low-voltage and cost financial services (Gopalan & Kikuchi, 2016). It has been known to provide affordable financial services by official financial systems to excluded individuals, especially those with low incomes (Mitchell & Scott, 2019:17). The United Nations Department of Economic and Social Affairs defined financial inclusion as universal and affordable access to a wide range of financial services provided by a variety of financial institutions (Mohammed & Uraguchi, 2018).

The Arab Monetary Fund (AMF) has also defined that every member of society should have access to all financial services that meet their needs easily and affordably through official, responsible and sustainable channels (IMF, 2020).

So simply, financial inclusion can be expressed as attracting the largest number of individuals in a country among whom financial transactions take place through the banking system, which in turn may eliminate or reduce the transactions of individuals with paper money or cash, and therefore the State is fully informed of the financial transactions between these individuals. Thus, the right application of financial inclusion aims to control the informal economy (parallel economy).

It is worth mentioning that there are key conditions for reaching the state of financial inclusion of them (Bhowmik & Saha, 2013):

- Individuals from all strata of society must have access to formal financial services.
- There should be no barriers to obtaining official credit.
- A sufficient amount of credit must be provided in a timely manner.
- Poor and low-income people must be targeted.

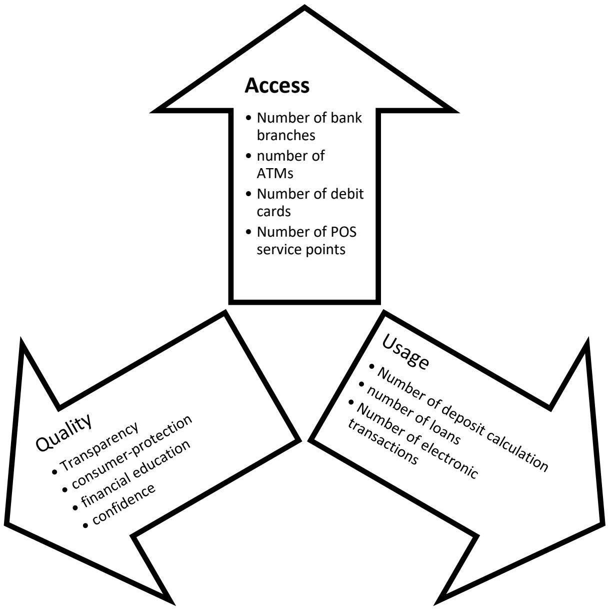
• Financial services must be cheap and affordable.

Financial inclusion indicators

In view of what financial inclusion plays two important aspects:

- Combating poverty
- Achieving the objectives of inclusive economic development

These two aspects have accelerated countries' focus on their own policies and initiatives, but there is difficulty in obtaining data of absolute reliability, which in turn covers key components and develops inclusion and achieves its ambitious goals, leading to the submission of the Global Financial Inclusion Partnership (GPFI) recommendation by G20 leaders to support international and national financial inclusion data efforts. Until 2012 G20 approved quantitative and qualitative indicators of financial inclusion provided by GPFI through the Cannes 2012 Summit as follows (Naumenkova & Others, 2019):-



Financial inclusion and related concepts

There are some financial concepts and terminology associated with financial inclusion. This link may result in either negative outcomes or positive outcomes. These concepts include:

The first concept is financial depth, which means an individual's ability to easily access financial services provided by financial institutions when they are able to create a service with low cost and sustainable returns (Koh & Bomhoff,2020). According to the World Bank, financial depth means an increase in asset inventory. This means the extent to which institutions are able to mobilize financial resources effectively to achieve economic development goals. In developing economies, it means easing the fragmentation of financial markets and thus setting prices with a high degree of accuracy and consistency (Wael and Kamal, 2021).

Financial braking can be defined as a set of policies, controls and laws whose output is constrained whether these restrictions are quantitative or qualitative and lead to tight government control, which in turn reduces the effectiveness of financial intermediation by fully utilizing the available capacity provided by financial inclusion through technology (Alnaquep 2021). The Government's policy is to introduce interest rate restrictions and bank credit restrictions. And there must be a distinction between financial braking and another term, financial restraint, which many researchers think is of one sense, but the truth goes to us to analyze the economic policies of developing countries, which means all forms of government intervention in the financial market for additional financial resources. The restriction can turn into a financial curb, but its transformation requires high rates of inflation (Omar, 2020).

In contrast, the term "anti-financial braking" is financial liberalization, which means lifting these government-imposed restrictions on interest rates, and bank credit restrictions, and easing government oversight and supervision of the banking system. This explains that financial liberalization is the perfect solution the curb and is an effective way to accelerate economic growth, especially in developing countries (Quder and Faghry, 2016).

Financial education is one of the key pillars of financial inclusion and is to spread awareness and teach skills to individuals in their choice of financial services and products in a successful manner. Individuals must have the ability to understand these products and services obtained through government authorities by providing awareness-raising, educational and transparent programs that enable the individual to know what information he possesses in comparison to what is available. Such awareness may be of utmost importance to the segment of recent consumers dealing with financial institutions, which in turn helps to manage and use funds correctly (Al-Zayadi, 2019).

In our view, depth and financial liberalization are fundamental concepts in the interest of achieving full financial inclusion. Braking and financial restraint have a negative impact on the achievement of the goals of financial inclusion or may hinder its achievement. Financial education is the primary and fully supportive means of financial inclusion and is a clear concept of financial inclusion.

Second / Central Bank of Iraq's initiatives in raising financial inclusion indicators

2- Central Bank of Iraq Initiatives

Central banks often have the most prominent role in developing the policies they have initiated and developing financial and banking services for the purpose of achieving financial inclusion. The Central Bank of Iraq has had several initiatives, including:

The Central Bank of Iraq has contributed significantly to the promotion of financial inclusion in Iraq through several initiatives, including the Small and Medium Enterprises Finance Initiative with a balance of 1 trillion dinars and large enterprises with a balance of 5 trillion dinars that has been in operation since 2015 to provide funding for the largest possible segment of the population and to increase employment and reduce poverty in Iraq, The Central Bank of Iraq sought to develop payment systems and settle electronic exchanges through the development of salary payment mechanisms for employees of state departments and retirees electronically (In addition to the Central Bank's contribution to the settlement of State salaries, they receive their salaries through the Q Card that started with CBI employees with the participation of a number of private banks by providing automated payment devices (ATM) as well as encouraging the Central Bank of Iraq to open more branches to provide financial services to the largest possible segment of society and their inclusion within the formal financial system. Another major initiative by the Central Bank of Iraq in promoting financial inclusion in Iraq in 2015 and 2016 (CBI, Annual Financial Stability Report, 2016).

1- Activate electronic payments to collect the dues of ministries and government departments.
2- Zain Iraq & Asia Portfolio License for Mobile Payment Services.
3- Al Taif Financial Transfer Company's license to act as an electronic payment service provider (issuance of cards).
4- Develop financial markets by activating the secondary market by acquiring the Trading System.
5- Implementation of an internal clearing system between one bank branch IBCS.
6- Settlement of State employees' salaries at State and private banks.
7- Licensed as an electronic payment service provider.
8- Iraq Gateway Company's license for electronic payment to serve as an electronic payment service provider.

3- Financial inclusion indicators evolved during the study period.

Access and utilisation indicators will be relied upon as quantitative indicators, while quality indicators are excluded as qualitative indicators, which are complex, challenging, unclear, and lack transparency when measured.

A- Development of access indicators:

Table 1 and Table 2, which show the banking spread (per 1000 km2 and per 100 thousand adults) showed a gradual decline in the five years (2017-2021) The number of bank branches that came due to the strict control procedures of the central bank and international sanctions that led a group of banks, which in turn led to a decrease in the growth rate in the number of banks, but there is a rise in the number of ATM. This indicates an essential indicator in raising financial inclusion indicators as relative importance is in increasing the services provided by branches and not in increasing their numbers.

Table No. (1) Bank deployment (per 1,000 km2)

years	Number of banks branches	Growth rate	Number of ATM	Growth rate
2017	2.27	-	1.5	-
2018	2.26	-0.004	2.0	0.333
2019	2.25	-0.004	2.3	0.150
2020	2.21	-0.018	2.7	0.174
2021	2.20	-0.005	3.6	0.333

Source: From the researcher's preparation based on CBI data, Annual Financial Stability Report https://cbi.iq

Table No. (2) Bank deployment (per 100 thousand adults)

years	Number of banks branches	Growth rate	Number of ATM	Growth rate
2017	4.05	-	2.38	-
2018	3.97	-0.020	2.85	0.197
2019	3.95	-0.005	3.65	0.281
2020	3.94	-0.003	4.16	0.140
2021	3.85	-0.023	5.35	0.286

Source: From the researcher's preparation based on CBI data, Annual Financial Stability Report https://cbi.iq

B - Evolution of indicators of use

Table 3 shows the proportion of deposits and loans from GDP in 2017 compared to 2018 a marked increase in deposit and loan accounts due to the central bank's initiatives in 2015, but in the subsequent four years there was a fluctuation between the decrease and the rise in deposit and loan accounts, but in the latter, the proportion has stabilized much more compared to 2017 and also the prolonged impact of the central bank's initiatives.

Table (3) Outstanding deposits& loans with commercial banks (% of GDP)

years	Deposit accounts	Growth rate	loan accounts	Growth rate
2017	24.25	-	11.63	-
2018	20.18	-0.168	8.19	-0.296
2019	34.04	0.687	15.23	0.860
2020	43.92	0.290	22.67	0.489
2022	36.25	-0.175	17.57	-0.225

Source: From the researcher's preparation based on CBI data, Annual Financial Stability Report https://cbi.iq

Table (4) shows the value of mobile cash transactions, we note that there is a gradual increase in the five years (2017-2021) due to the Central Bank's initiative in granting telecom companies a license for mobile payment services in the portfolio of Zain Iraq and Asia Hawala.

Years	Value of tele transactions	Growth rate
2017	13.77	-
2018	32.04	1.327
2019	44.55	0.390
2020	47.27	0.061
2021	48.03	0.016

Table (4) Value of mobile money transactions (during the reference year) (% of GDP)

Source: From the researcher's preparation based on CBI data, Annual Financial Stability Report https://cbi.iq

4- Comparison of Iraq's financial inclusion indicators with selected Arab countries:

Through Table No. (5) and No. (6) showing the number of bank branches and the number of ATMs per 100 thousand adults for a number of Arab countries compared to Iraq, we note by calculating the five-year average that Tunisia topped the list in the number of branches, while Kuwait topped the number of ATMs, in both cases, Iraq came at the end of the list.

Table (5) Number of commercial bank branches per 100,000 adults

State/Year	2017	2018	2019	2020	Average
Tunisia	21.7	22.08	22.23	22.32	22.12
Kuwait	14.59	14.72	13.58	13.6	14.59
Jordan	14.42	14.53	14.39	14.09	14.26
UAE	11.27	10.74	9.53	7.98	9.424
Qatar	9.12	7.19	9.44	10.09	8.868
KSA	8.5	8.35	8.16	7.78	8.034
Egypt	4.88	4.99	6.64	6.76	6.012
Iraq	4.05	3.97	3.95	3.94	3.952

Source: Prepared by researcher depending on the International Monetary Fund data https://data.imf.org and Excel outputs.

Table (6) Number of ATMs per 100,000 adults.

State/Year	2017	2018	2019	2020	2021	Average
Kuwait	65.98	73.26	81.07	78.56	81.21	76.02
KSA	74.1	73.96	73.34	69.8	62.04	70.65
UAE	65.37	64.48	60.91	52.49	51.7	58.99
Qatar	56.95	55.55	54.84	53.66	52.41	54.68
Tunisia	29.99	30.72	32.21	32.94	33.22	31.82
Jordan	27.5	29.41	26.13	30.56	31.48	29.02
Egypt	17.71	18.72	20.07	22.06	27.56	21.22
Iraq	2.38	2.85	3.65	4.16	5.35	3.678

Source: Prepared by researcher depending on the International Monetary Fund data https://data.imf.org and Excel outputs.

Tables 7 and 8 also showed the ratio (deposits and loan ratio) From the gross domestic product (GDP) where we note by calculating the average value for five years that the United Arab Emirates topped the list in the ratio of deposits at the top of the list the State of Qatar in the ratio of loans. In both cases, Iraq ranked last, but nevertheless, it was somewhat closer to Saudi Arabia in the ratio of deposits, but there was a significant difference between Egypt and Iraq in the ratio of loans.

Table (7) Outstanding deposits with commercial banks (% of GDP)

State/Year	2017	2018	2019	2020	2021	Average
UAE	114.91	113.23	122.06	142.99	151.49	128.936
Jordan	112.92	111.04	111.74	118.58	123.03	115.462
Qatar	111.19	94.61	101.52	131.15	115.48	110.79
Egypt	95.51	85.69	79.34	88.43	101.45	90.084
Kuwait	73.26	67.33	71.66	102.38	105.96	84.118
Tunisia	61.5	60.52	61.41	68.79	68.16	64.076
KSA	62.7	54.25	58.63	58.01	59.72	58.662
Iraq	24.25	20.81	34.04	43.92	36.25	31.854

Source: Prepared by researcher depending on the International Monetary Fund data https://data.imf.org and Excel outputs.

Table (8) Outstanding loans from commercial banks (% of GDP)

State/Year	2017	2018	2019	2020	2021	Average
Qatar	134.32	121.86	140.9	186.76	161.58	149.084
UAE	111.59	106.81	114.78	134.99	136.12	120.858
Kuwait	93.09	85.78	90.08	119.54	127.22	103.142
Jordan	83.75	84.78	83.83	91.02	92.24	87.124
Tunisia	74.47	73.49	70.73	77.77	75.37	74.366
KSA	51.81	44.69	44.63	52.45	58.1	50.336
Egypt	42.17	40.89	35.52	42.59	48.87	42.008
Iraq	11.63	8.19	15.23	22.67	17.57	15.058

Source: Prepared by researcher depending on the International Monetary Fund data https://data.imf.org and Excel outputs.

5. Conclusions

1- There was an evolution in the access index during the study period in terms of the number of services provided and the number of ATMs, although there was a decrease in the number of bank branches indicating a focus on the quality of services rather than quantity.
2- There was an evolution in the usage index during the study period in relation to the proportion of deposits and loans to GDP and also an evolution in the value of cash transactions during mobile phone use.
3- The impact of the Central Bank's initiatives in raising financial inclusion indicators is evidenced by the first and second conclusions and thus rejecting the hypothesis of the study based on nowhere.
4- The impact of the Central Bank's initiatives was at the local level, while when compared with selected Arab countries, there was a significant difference between Iraq's financial inclusion indicators and those of Arab countries.

6. Recommendations

1- To increase and develop Central Bank initiatives that will contribute to raising financial inclusion indicators.
2- Developing financial and banking infrastructure and focusing on the quality and diversification of financial services.
3- Facilitate procedures and instructions related to opening financial and bank accounts, reduce their complexity and make them flexible enough to contribute to raising access and utilization indicators.
4- The lack of exclusivity and focus on financial and banking services in cities must focus on rural areas and related issues and aspects.

7. References

[1]. Abdalamer, S. E., Sabbar, M. H., & Tanak, A. S. (2019). Corporate Governance and Firm Performance. Global Journal of Accounting and Finance, 2, 63-70.

[2]. Alnaquep, Dr. Anwar Mahmoud Abdel-Aal, 2021, Causal link between financial depth and economic growth: Case of Egypt, Scientific Journal of Financial and Commercial Studies and Research, Faculty of Commerce - Damietta University.

[3]. Al-Zayadi, Dr. Dalia Adil Ramadan, 2019. The impact of enhanced financial education on the effectiveness of financial inclusion (field study) Ain Al-Shams University - Faculty of Commerce.

[4]. Bhowmik & Saha, Sharit K. Bhowmik • Debdulal Saha, Financial Inclusion of the Marginalised,Springer New Delhi Heidelberg New York Dordrecht London,2013.

[5]. Dahash, Q. M., & Abdlamer, S. E. (2022). The Role of Environmental Accounting in Achieving Sustainability for Industrial Companies. Journal of Global Scientific Research, 7(5), 2261-2267.

[6]. Gopalan,Sasidaran & Kikuchi,Tomoo Financial Inclusion in Asia, National University of Singapore, , 1th ed, Pearson Education, Inc,2014.

[7]. Koh, S. G., Lee, G. H., & Bomhoff, E. J. (2020). The income inequality, financial depth and economic growth nexus in China. *The World Economy*, *43*(2), 412-427.

[8]. Mitchell&scottKen,Robert H.Mitchell&scott, Financial Inclusion, Taxation, and Development in South America,West Long Branch, NJ, USA, 2019.

[9]. Mohammed&Uraguchi,Essam Yassin Mohammed and Zenebe Bashaw Uraguchi,Financial Inclusion for Poverty Alleviation Issues and Case Studies for Sustainable Development,2018.

[10]. Naumenkova, S., Mishchenko, S., & Dorofeiev, D. (2019). Digital financial inclusion: Evidence from Ukraine. *Investment Management & Financial Innovations*, *16*(3), 194.

[11]. Sabbar, M. H., & Abdalamer, S. E. (2018). Value Engineering for the Role of Internal Audit Quality in Activating the Principles of Corporate Governance: A Case of Non-financial Firms on Iraqi Stock Exchange. International Journal of Engineering & Technology, 7(4.7), 145-147.

[12]. Wa 'el Kamal, Razqi, Dib., standard study of the impact and cause of financial depth on the real sector in Algeria for the period 1990-2019, 2021, Tipaza - Algeria – the University of Martyr Hamah Lakhdar Al-Wadi - Al Manhal Al-Ekmal Magazine, vol. 4 issue 3.

[13]. Ali, H. M., Hmood, S. J. (2022). Business Management and Economics Does Customer Loyalty Contribute to the Strategic Resilience of Banks? (An Analytical Study of a Sample of Iraqi Private Sector Banks). *Journal of Global Scientific Research*. 7(10), 2701-2712

[14]. Elden, S. M. G. (2023). Business Management and Economics Impact of Reinsurance Agreements on Assets and Liabilities Management of Property and Casualty Insurance Companies Applied in the Egyptian Insurance Market. *Journal of Global Scientific Research*. 8(3), 3020-3040.