THE IMPACT OF BANK CREDIT IN SOME ECONOMIC DEVELOPMENT INDICATORS IN IRAQ THE PERIOD (2005-2021)

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Abstract

The research aims to stand on the reality of bank credit and then analyze and estimate the indicators of economic development in Iraq, as well as showing the impact of bank credit on some indicators of economic development in Iraq (GDP growth rate, average per capita), and the research problem centers on the ineffectiveness of credit What is the impact of bank credit on some indicators of economic development? Which of the indicators had the most impact on bank credit during the study period (2005-2021), and the research stems from the hypothesis that bank credit had a positive or negative role in some indicators of economic development in addition to the existence of a short or long-term equilibrium relationship (joint integration) that results in a relationship Causality between bank credit and indicators of economic development in Iraq during the study period, and for the purpose of accessing the research methodology, the researcher used statistical programs (EViews12) for the purpose of estimating the standard model for indicators of economic development, and the effectiveness of the role played by bank credit in the development of economic and social activities was reached, and that the relationship There is a direct relationship between bank credit and GDP. The increase in bank credit and lending operations by banks to economic activities and sectors leads to stimulating investment demand, which leads to a significant increase in GDP.

Introduction

Banks occupy a great importance in the economic scene, due to their important impact in stimulating the overall supply of money, as they do not only accept deposits but also create them, and the banking system is meant as a group of institutions that deal with credit, and it includes the central bank, specialized banks and commercial banks, and most of the revenues come from And the profits of banks from credit activities and their benefits, and it must be one of the duties of the bank to take care of the credit function, considering that the financial position of any bank is affected in particular by the credit portfolio (loans) and that the integrity of this portfolio depends on achieving high profits for the bank at the lowest possible levels of risks associated with the decision to grant The concept of economic development emerged as an alternative to the traditional concept of development after it became difficult to change development within the economic concept while leaving out or ignoring non-economic considerations, because economic forces are not natural forces or mechanical devices or systems, but rather they are part of an integrated system consisting There are many economic, social, political, cultural and environmental factors that affect and are affected by it, and modern development thought seeks to find the best way to satisfy The needs and desires of societies

without wasting the right of future generations to achieve this, by establishing the parameters of economic development as a system based on the bilateral outcome of economic and social development, and that its embodiment requires changing the policies and strategies adopted by banks, especially in the field of granting loans (credit facilities) in order to support The process of economic development, in general, and Iraq is part of this system.

Research Importance

The importance of the research on the study of bank credit in Iraqi commercial banks is evident and it seeks to explain the impact of bank credit on some indicators of economic development by analyzing the relationship between bank credit and indicators of economic development, represented by the growth rate of gross domestic product (GDP) and average per capita share (PCY)

Research problem

The research problem is summarized in (the ineffectiveness of bank credit in some indicators of economic development, what is the impact of bank credit on some indicators of economic development in Iraq during the study period (2005-2021)? Which of the indicators was more affected by bank credit)

Research Hypothesis

The research stems from the hypothesis that (bank credit in Iraq had a positive or negative impact on some indicators of economic development in Iraq during the research period, the existence of a short or long-term equilibrium relationship (joint integration) that results in a causal relationship between bank credit and indicators of economic development)

Search Objective

The research aims to (determine the reality of bank credit in Iraq, estimate and analyze indicators of economic development in Iraq, show the impact of bank credit on some indicators of economic development in Iraq during the research period)

Search Limits

1. Spatial limits: The research included data on the Iraqi economy, especially bank credit and indicators of economic development.
2. Temporal limits: they are represented by the time period covered by the research, which is seventeen years from (2005) to (2021)

Research Methodology

To achieve the objectives of the research and to test the hypotheses, the inductive method was relied on to study the total facts and through the formulation of economic analysis in a descriptive manner with the use of modern standard tools in economic analysis.

Research Structure

In order to accept or reject the hypotheses of the research and to achieve its objectives, the research was divided into three sections, the first section of which dealt with the conceptual framework of bank credit and economic development through the demanders. Indicators of economic development, as for the second topic, the analysis of the reality of bank credit and indicators of economic development in Iraq for the period (2005-2021) was discussed. It deals with the impact of bank credit on some indicators of economic development in Iraq for the

period (2005-2021). In it, it addressed the measurement and analysis of the relationship between bank credit and some indicators of economic development in Iraq for the period (2005-2021). Conclusions and recommendations.

The first topic: the conceptual framework of bank credit and economic development

The first requirement: the concept of bank credit and economic development and some of its indicators

First: The concept of bank credit

Bank credit is one of the mainstays that depend on the economy of countries, as well as its use by members of society by purchasing what they need of goods and services in easy and fast ways. The commercial business represented in buying and selling operations. Despite all that, bank credit and all that is characterized by it is not without risks, especially in the event of its misuse by all kinds of institutions, establishments and individuals, which leads to bankruptcy and causes many problems. There are many concepts that dealt with bank credit, and some of them can be identified. Bank credit has been defined as "the loans granted by commercial banks to their customers from individuals, institutions and other banks, and bank credit represents the most attractive investment areas for banks due to the high returns generated by it. Bank" (1), as defined by Joseph & David as "the supply of money from the bank." To the borrower or the lending ability provided by the banking system in the form of loans to the individual, government, company or business organizations"(2), and thus bank credit is originally "the replacement of a present value with a forward value, i.e. an exchange of a present value in the hope of obtaining a higher forward value when repaying The loan amount on the agreed future date.

Second: The concept of economic development

The concept of economic development is one of the most important and vital global concepts due to its multiple dimensions and its handling of the most intimate corner of human life, as well as the comprehensiveness of many other concepts such as progress, planning, production, economics and sociology (4). The term economic development after the end of World War II meant " Approximately the growth of per capita GDP for developing countries" (5), and the issue of economic development is one of the most important topics that occupy the minds of economists, whether in countries whose economies have reached a high degree of progress or that are still newly developed, given that economic development is a complex process that usually involves On the establishment of new economic activities in addition to the development of productive sectors and the employment of old activities in radically different modern ways (6), and development can be defined as "a new stage or the stage of change in itself, and what is implied here is a positive stage experienced by human societies, which occurs as a result of some procedures approved by the authorities for development events at various levels" (7), and it is also known as "the process in which the real income of the individual increases." country over a long period of time in addition to reducing poverty and reducing inequality in society in general" (8)

Third: Economic Development Indicators

Measuring economic development is of great importance to determine development trends and

judge the extent of the success of economic planning to achieve development goals in a country. The following is a brief summary of each indicator:

Gross Domestic Product Growth Rate

It is one of the most important traditional economic indicators that measure economic growth, the higher this indicator is, the more it is an indication of the country's economy progress (9), and the GDP represents the total value of the gross product of goods and services excluding the value of the intermediate consumption of commodity and service requirements, as it includes a set of values The total added achieved in economic activities within the regional borders of the country and with the contribution of local and total production factors (10), and the growth rate of the GDP is defined as "an indicator that measures the percentage change in the value of the gross domestic product at constant prices between two time periods to measure the development that has been achieved at the level of a country's economy During a specified period, and if the rate of GDP growth at constant prices increases, this means an improvement in the level of economic performance of this country, but if it decreases, it means a decline in the level of economic performance of the state (11) and the growth of (GDP) is evidence of the community mobilization and mobilization His efforts with the growth of the economy to become more organized society (12)

Average per capita GDP

It is an indicator that refers to per capita output, which is an expression of the value of goods and services produced by a single individual in a country and is equal to the gross domestic product divided by the population.The per capita GDP is the most widely used measure to determine the level of development in a country (13) and then this indicator measures the quality of life that the individual obtains by determining his share and the extent of his contribution to the formation of this product or income, and is also a measure of economic well-being. For members of society because the welfare function is increasing for the average income (14), and despite that, the shortcomings of its use as an indicator of economic development, including the problem related to distortions in the exchange rates, appeared at an early stage. The value of (currency exchange rates) and its lack of representation of the relative purchasing power (15). Also, this indicator hides how the income is distributed to the different social groups and therefore it is nothing but an arithmetic average that blurs the nature of the distribution of output to members of society. Finally, the comparison of the average per capita share of (GDP)) In different countries, it involves an insignificant amount of arbitrariness and arbitrary estimation, as it is difficult to determine the level of income that separates progress and backwardness conclusively (16)

The second requirement: the impact of bank credit on some indicators of economic development

The effect of credit on the growth rate of Gross Domestic Product (GDP)

Gross domestic product means "the final values of goods and services produced in a particular economy during a certain period of time" (17), and it is measured at constant prices, where the real values of goods and services produced are measured after removing the effect of the general level of prices (inflation) in order to know the real production of the country, and the other

measure The output is at current prices or market prices, and it measures the final values of goods and services at their current market price, i.e. with price fluctuations. Therefore, this measure is misleading for the actual volume of production due to price estimates. Therefore, researchers often resort to measuring output at fixed prices (18). Bank credit has a role Effective in the development of economic, social and commercial activities, and the relationship between credit and national output is a direct relationship because the increase in credit granting and lending operations by banks to commercial activities and various economic sectors leads to stimulating aggregate demand as a result of the increase in both investment and consumption demand, meaning that the services that Granted by the Bank, it helps to implement productive and investment projects, which leads to an increase in the national product It affects him greatly (19)

The effect of credit on the average per capita output

The per capita GDP represents the amount of goods and services produced by the community during a certain period, usually one year, and this indicator reflects economic growth and thus achieving economic development. The national product may increase without increasing the average per capita income in the event that the rate of increase in the population exceeds the rate of increase in the national product, which leads to a decrease in the rate of per capita income, or when the rate of increase in the population is equal to the rate of increase in the national product, so the rate of per capita income remains constant, and the The banking sector provides credit facilities to individuals, which leads to an increase in their incomes and consequently an increase in their purchasing power on goods and services and thus improving the level of welfare in society, as there is a positive impact of bank credit on the average per capita share, so there is a direct relationship between bank credit and the average per capita share, and thus this is reflected To raise the rates of economic growth as well as to achieve economic development (20)

- The second topic: analysis of the reality of bank credit and indicators of economic development in Iraq for the period (2005-2021)
- The first requirement: the development of bank credit and indicators of economic development in Iraq for the period (2005-2021)

First: The development of bank credit in Iraq for the period (2005-2021)

It is noted from the data of Table (1) that bank credit during the period (2005-2008) witnessed a continuous rise due to the increase in the volume of direct cash credit provided by commercial banks in Iraq, which amounted to (1717450) million dinars in (2005), and in (2008) it amounted to (1717450) million dinars. (4587454) million dinars, and the year (2009) witnessed a significant increase in the total bank credit and amounted to (51761906) million dinars, due to the increase in the volume of pledge credit, which amounted to (46071845) million dinars, and the bank credit decreased to (51512436) million dinars in (2010). Due to the decrease in the undertaking credit, then the increase in the bank credit during the period (2011-2014), where the lending activity of banks in (2011) witnessed a slight increase in the volume of bank credit amounting to (59376537) million dinars compared to the year (2014), which witnessed a remarkable expansion in the volume of credit and reached The total credit granted by

commercial banks to various sectors is about (85030693) million dinars at the end of the year (2014). The increase in total credit provided to all sectors, especially the central government, is due to the deterioration of the security situation and the increase in military spending in the war against the terrorist gangs of ISIS, which is the highest amount of total bank credit during the study period. It is noted that bank credit decreased significantly again for the period (2015-2018). Because of the decrease in the volume of pledge credit provided during that period, it is noted that the amount of bank credit for the year (2015) became (77285834) million dinars, while the bank credit amounted to (63823570) million dinars in (2018), and after the year (2018) it witnessed The total bank credit increased significantly, amounting to (80615681) million dinars for the year (2021). This increase came as a result of the increase in the volume of cash and pledge credit granted by commercial banks operating in Iraq.

Table (1) The total bank credit in Iraq for the period (2005-2021) million dinars

bank credit (1)+(2)	pledge credit(2)	cash credit(2)	the year
1717450	——	1717450	2005
2664898	——	2664898	2006
3459020	——	3459020	2007
4587454	——	4587454	2008
51761906	46071844	5690062	2009
51512436	39790901	11721535	2010
59376537	39032461	20344076	2011
72612873	44174185	28438688	2012
83618730	53666718	29952012	2013
85030693	50907626	34123067	2014
77285834	40533154	36752680	2015
70461730	33281607	37180123	2016
65604207	27651378	37952829	2017
63823580	25336633	38486947	2018
67322333	25269822	42052511	2019
75267062	25450156	49816906	2020
80615681	27644173	52971508	2021

Sources: Columns (1) and (2) / Central Bank of Iraq / Department of Statistics and Research, Annual Statistical Bulletin, (2005-2007, p. 20), (2008, p. 24), (2009, p. 15), (2010, p. 30), (2011-2021, p. 29)

Second: The evolution of economic development indicators in Iraq for the period (2005-2021)

Gross Domestic Product (GDP)

Table (2) shows the GDP at constant prices and current prices for the period (2005-2021), as it is noted that the GDP at constant prices amounted to (103551403) million dinars in (2005) and (109389941) million dinars, with a growth rate of (5.6%) in the year (2006) and continued to rise until (2016) when it reached (208932109) million dinars, with a growth rate of (13.8

percent). This increase in the value of GDP at constant prices is due to the increase in oil exports and the growth of the government services sector. At current and constant prices, it shows us the large gap between them, which indicates the runaway inflation that the country's economy was suffering from at the time, then the GDP decreased at constant prices to (205130066) million dinars and a negative growth rate of (-1.8%) in (2017), and in (2018). The gross domestic product rose to (210532887) million dinars with a growth rate of (2.6%), and in (2019) it continued to rise to (222141229) million dinars, with a growth rate of (5.5%), while in (2020) the output decreased again. To reach (196985514) million dinars, with a negative growth rate of (-11.3%) due to a decrease in Oil prices as a result of the spread of the virus (Covid 19) in the world and the interruption of the course of economic life, which negatively affected the Iraqi economy, and in the year (2021) the gross domestic product rose at constant prices to reach (202468281) million dinars and a growth rate of (2.8 percent) as a result of the gradual rise in oil prices In this year compared to the previous year, as for the gross domestic product at current prices, it amounted to (73533598) million dinars in (2005) and continued to rise during the years (2006-2013), reaching (95587954) million dinars in (2006) with a growth rate of % (30) and amounted to (273587529) million dinars in (2013) with a growth rate of (7.6%), while in the years (2014-2015) it decreased to (266332655-194680971) million dinars with a negative growth rate of (-2.7, 26.9%) over respectively, due to the entry and occupation of some Iraqi provinces by ISIS terrorist gangs, which led to the confusion of the security situation and consequently the decrease in the gross domestic product at current prices, then the output gradually increased during the years (2016-2019) to reach (196924141) million dinars in (2016) and with a growth rate (1.2%) and amounted to (276157867) million dinars in (2019), and at A growth rate of (2.7%), but in the year (2020) it declined again to reach (219768798) million dinars with a negative growth rate of (-20.4%) due to the repercussions of the (Covid 19) virus, which negatively affected the growth rate of GDP in prices In the year (2021), the output rose significantly, reaching (301439533) million dinars, with a growth rate of 37.2 percent due to the rise in oil prices globally and its positive impact on the Iraqi economy in general and the GDP in particular.

Table (2) Evolution of the Gross Domestic Product (GDP)) at current and constant prices for the base year (2007 = 100) and its growth rate in Iraq for the period (2005-2021) million dinars

modified GDP growth% (4)	GDP at current prices GDP(3)	modified GDP growth% (2)	GDP at prices fixed for a year the foundation (1) (100=2007)	the year
---	73533598	---	103551403	2005
30	95587954	5.6	109389941	2006
16.6	111455813	1.9	111455813	2007
40.9	157026061	8.2	120626517	2008
-16.8	130643200	3.4	124702847	2009
24.1	162064565	6.4	132687028	2010
34.1	217327107	7.5	142700217	2011

17	254225490	13.9	162587533	2012
7.6	273587529	7.6	174990175	2013
-2.7	266332655	2.3	178951406	2014
-26.9	194680971	2.6	183616252	2015
1.2	196924141	13.8	208932109	2016
12.6	221665709	-1.8	205130066	2017
21.3	268918874	2.6	210532887	2018
2.7	276157867	5.5	222141229	2019
-20.4	219768798	-11.3	196985514	2020
37.2	301439533	2.8	202468281	2021

Source : Ministry of Planning, Central Statistical Organization, National Accounts Unit, for many years.

Average per capita gross domestic product (PCY)

It is noted from the second column of Table (3) below, which indicates that the population growth rate was high and caused an increase in internal and external economic pressures and an increase in demand for services, which constitutes an increasing burden on economic development. The population growth rate in Iraq witnessed an increase during the period (2005 -2021), while the population was approximately (28) million people in (2005) and continued to rise significantly to reach about (41) million people in (2021), and the third column refers to the average per capita share of the Iraqi GDP, where it reached (2.6) million dinars in (2005) and continued to rise during the years (2006-2008), reaching (3.3) million dinars in (2006), while it reached (5.1) million dinars in (2008), and in (2009) It decreased to (4.1) million dinars and this decrease came as a result of the global financial crisis and the decline in oil prices. 2013), and decreased during the years (2014-2016) to (7.6) million dinars in (2014) and (5.4) million dinars in (2016) due to the entry of gangs ISIS and the deterioration of the security situation, then increased in the years (2017-2019) to (6) million dinars in (2017) and (7.1) million dinars in (2019), then returned to decline in (2020) and reached (5.5) million dinars due to the pandemic (Covid 19) and the drop in oil prices, which led to a decrease in the average per capita share, but in (2021) it rose to (7.3) million dinars due to the rise in international oil prices and their positive impact on the Iraqi economy.

Table (3) Evolution of the average per capita GDP at current prices in Iraq For the period (2005-2021) million dinars

Average per capita GDP/N =PCY(3)	Population N (2)	Gross domestic product At current prices GDP(1)	the year
2.6	27962968	73533598	2005
3.3	28810441	95587954	2006
3.8	29682080	111455813	2007
5.1	30577798	157026061	2008
4.1	31664466	130643200	2009
5	32400205	162064565	2010

6.6	33088782	217327107	2011
7.5	33725178	254225490	2012
8	34304693	273587529	2013
7.6	34819301	266332655	2014
5.5	35212600	194680971	2015
5.4	36169123	196924141	2016
6	37139519	221665709	2017
7.1	38124182	268918874	2018
7.1	39127889	276157867	2019
5.5	40150174	219768798	2020
7.3	41190658	301439533	2021

Source: Ministry of Planning, Central Statistical Organization, National Accounts Unit, for many years.

The second requirement: the impact of bank credit on some indicators of economic development in Iraq for the period (2005-2021)

Table (4) Percentages of bank credit growth and some indicators of economic development in Iraq for the period (2005-2021)

average per capita (3)	GDP growth rate (2)%	modified credit growth%(1)	the year
2.6	------ _	-------	2005
3.3	30	55. 2	2006
3. 8	16.6	29. 8	2007
5.1	40. 9	32.6	2008
4.1	-16.8	102.8	2009
5	24. 1	-0. 5	2010
6. 6	34. 1	15. 3	2011
7.5	17	22. 3	2012
7. 8	7.6	15. 2	2013
7.6	-2. 7	1. 7	2014
5.5	-26.9	-9.1	2015
5.4	1. 2	-8.8	2016
6	12. 6	-6. 9	2017
7. 1	21.3	-2.7	2018
7. 1	2. 7	5. 5	2019
5. 5	-20.4	11.8	2020
7.3	37. 2	7.1	2021

Source: prepared by the researcher based on data from tables (1-3)

First: Bank credit growth rate and Gross Domestic Product (GDP) growth rate

The data in Table (4), column (1) and (2) refer to the analysis of the impact of bank credit on economic development through (GDP). It makes a direct relationship between bank credit and (GDP), that is, the more bank credit increases (GDP), and the growth rate of bank credit and (GDP) continued to increase until the credit growth rate reached (55.2) and the (GDP) growth rate of (30%) in a year. (2006), as for the year (2007), the credit growth rate decreased to (29.8%) and the growth rate (GDP) to (16.6%) compared to the previous year, then increased in (2008) to reach the credit growth rate (32.6%) and the rate of credit growth (32.6%) Growth of (GDP)% (40.9) and this confirms the positive relationship between them for the previous years. As for the year (2009) the growth rate of (GDP) decreased until it reached 16.8%)) despite the increase in the rate of credit growth to (102.8%) for the same year, which This resulted in an inverse relationship between them as a result of the decline in oil prices and the continuation of the global financial crisis. The credit growth indicated (-0.5%) compared to the increase in the growth rate (GDP) to (24.1%), which makes the relationship inverse between them during this year as well. While the growth rate of (GDP) was (34.1)%, then the credit growth rate continued to rise in (2012) to reach (22.3) against a decrease in the growth rate of (GDP) to (17%) and the return of the inverse relationship between them as a result of the deteriorating economic conditions. (2013-2014-2015) both of them decreased, so the credit growth rate amounted to (15.2%, 1.7,9.1 percent) and the growth rate (GDP) to (-7.6, 2.7, - 29.9 percent) respectively. In the years (2016-2017-2018) the credit growth rate decreased to (-8.8-,6.9--2.7%) compared to the increase in the growth rate of (GDP) to 7%) 1.2, 12.6, 21.3) Here, we note the return of the inverse relationship between them as a result of the public's weak confidence in placing their money in banks and the inability of banks to attract deposits from customers, which negatively affected the ability of banks to grant credit in a way that suits them. The economic development progressed, and the inverse relationship continued during the two years (2019-2020), as the credit growth rate increased to (5.5,11.8 percent) accompanied by a decrease in the growth rate (GDP) to (-2.7,20.4%) respectively as a result of the rentier economy that is characterized by it. The Iraqi economy and the impact of the drop in oil prices due to the lack of global demand for it as a result of the spread of the (Covid 19) pandemic in the year (2020).) because of crowding out the public sector to the private sector in obtaining bank credit.

Second: Bank credit growth rate and average per capita share

It is noted from the data of Table (4), column (1) and (3), the effect of bank credit on the average per capita share, as the total credit in (2005) amounted to (1717,450) million dinars, while the average per capita share of (GDP) reached (2.6) million dinars for the same year, and in (2006) the credit growth rate amounted to (55.2%) while the average per capita share reached (3.3) million dinars, then the credit growth rate decreased to (29.8%) in (2007) against the increase in the average per capita share to (3.8) million dinars for the same year, and in the years (2008-2009) the credit growth rate increased to (32.6,102.8%) respectively, while the average per capita share increased to (5.1) million dinars in (2008) and decreased to (4.1) million dinars in (2009), and the reason for this decline is the decline (GDP) first and the increase in the population second, and in (2010) the credit growth rate decreased to (-0.5%) compared to the

increase in the average per capita share to (5) million dinars, then both of them increased During the years (2011-2012), the credit growth rate reached (15.3,22.3%) and the average per capita share (6.6,7.5) million dinars, respectively, during that period. As for the year (2013), the credit growth rate decreased to (15.2 %), while Corresponding to a rise in the average per capita share (8) ml yen dinars, then both decreased during the years (2014-2015-2016), where the credit growth rate amounted to (1.7,9.1-1.8 percent) and the average per capita share (7.6, 5.5, 5.4) million dinars. The reason for this decline is the deterioration of the security and economic conditions And the increase in military spending to combat ISIS terrorist gangs during that period, and in the years (2017-2018) the credit growth rate continued to decline to (-6.9-2.7%) compared to an increase in the average per capita share to (6,7.1) million dinars, respectively, while The credit growth rate increased in the years (2019-2020) to (5.5,11.8%) compared to the stability of the average per capita share of (7.1) million dinars in (2019), then it decreased to (5.5) million dinars in (2020), and this decrease is caused by the spread of the pandemic. (Covid 19), which negatively affected the average per capita share, and in the year (2021) the credit growth rate decreased to (7.1%) and the average per capita increased to (7.3) million dinars as a result of the increase in (GDP) during the same year compared to the previous year. The third topic: Estimating the standard model and analyzing the economic relationship between bank credit and indicators of economic development in Iraq for the period (2005-2021) In this topic, the economic relationship between bank credit and indicators of economic development in Iraq will be analyzed for the period (2005-2021) by applying statistical tests and measures using the program (EViews.12) to study the impact of bank credit in supporting the indicators of economic development in Iraq for time series data.

The first requirement: test the stability of time series

It was completed An (Augmented Dickey Fuller) test was conducted to determine the stability of the model variables. It was found from the results of Table (5) that all the original time series of the model variables did not stabilize at the level I(0) and for the three cases (with the fixed term, the presence of the fixed term and the general trend, without the fixed term). And the general trend (and to make the series of variables (bank credit (Bc), gross domestic product (GDP), average per capita (PCY)) stable, the first difference was taken for it, and the results of Table (6) showed that all the time series of the above variables have settled at The first difference I(1) at the level of significance %(1) and %(5)

Table (5) Results of the stability of time series at level I(0)

Without fixed limit and general direction				With a fixed term and a general direction				With a fixed limit				
The result	Prob	critical value	Statistical value	The result	Prob	critical value	Statistical value	The result	Prob	critical value	Statistical value	variable
Unstable	0.7199	-2.602185	0.129363	Unstable	0.5973	-4.110440	-1.986275	Unstable	0.3282	-3.538362	-1.9043541	BC

The result	Prob	critical value	Statistical value	The result	Prob	critical value	Statistical value	The result	Prob	critical value	Statistical value	variable
		-1.946072 -1.613448				-3.482763 -3.169372				-2.908420 -2.591,799		
Unstable	0.8543	-2.602185 -1.946072 -1.613448	0.651223	Unstable	0.1199	-4.110440 -3.482763 -3.169372	-3.080563	Unstable	0.5424	-3.538362 -2.908420 -2.591,799	-1.469614	GDP
Unstable	0.7766	-2.602185 -1.946072 -1.613448	0.325768	Unstable	0.1637	-4.110440 -3.482763 -3.169372	-2.919205	Unstable	0.2173	-3.538362 -2.908420 -2.591,799	-2.174986	PCY

Source: Prepared by the researcher using statistical software (Eviews)

Table (6) Stability results of time series when taking the first difference I(1)

Without fixed limit and general direction				With a fixed term and a general direction				With a fixed limit				
The result	Prob	critical value	Statistical value	The result	Prob	critical value	Statistical value	The result	Prob	critical value	Statistical value	variable
stable at the)%(1 an	0.0083	-2.602185 -1.946072 -1.61	-2.672429	Unstable	0.1364	-4.110440 -3.482763 -3.16	-3.014941	Unstable	0.0501	-3.538362 -2.908420 -2.591	-2.907475	BC

d %(5) level		3448				9372				,799		
stable at the % level (5(	0.0164	-2.602185 -1.946072 -1.613448	-2.414268	Unstable	0.2914	-4.110440 -3.482763 -3.169372	-2.578178	Unstable	0.0867	-3.538362 -2.908420 -2.591,799	-2.660258	GDP
stable at the % level (5(	0.0103	-2.602185 -1.946072 -1.613448	-2.590877	Unstable	0.2697	-4.110440 -3.482763 -3.169372	-2.628201	Unstable	0.0768	-3.538362 -2.908420 -2.591,799	-2.716899	PCY

Source: Prepared by the researcher using statistical software (Eviews).

The second requirement: the co-integration test

The co-integration test for the model variables was conducted by following the (Johansen) methodology, and from the results of Table (7) it is noted that the methodology discovered that there are no vectors of co-integration, according to the results of the Trace test and the Maximum Eigen Value test, and this indicates that there are no co-integration vectors. The long-term equilibrium relationship between the model variables.

Table 7 (Johansen Test Results)

		Date: 07/26/22 Time: 19:45
		Sample (adjusted): 2005Q4 2021Q1
	Included observations: 62 after adjustments	
	Trend assumption: Linear deterministic trend	
		Series: GDP PCY BC
	Lags interval (in first differences): 1 to 2	
	Unrestricted Cointegration Rank Test (Trace)	

Prob.**	0.05 Critical Value	Trace Statistic	Eigenvalue	Hypothesized No. of CE(s)
0.0838	29.79707	27.78663	0.262031	None
0.3702	15.49471	8.947720	0.089468	At most 1
0.0765	3.841465	3.136669	0.049333	At most 2

Trace test indicates no cointegration at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon - Haug - Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Prob.**	0.05 Critical Value	Max-Eigen Statistic	Eigenvalue	Hypothesized No. of CE(s)
0.1016	21.13162	18.83891	0.262031	None
0.6376	14.26460	5.811051	0.089468	At most 1
0.0765	3.841465	3.136669	0.049333	At most 2

Max-eigenvalue test indicates no cointegration at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon - Haug - Michelis (1999) p-values

Source: Prepared by the researcher using the statistical program (Eviews)

Conclusions

1. Bank credit reflects the degree of financial progress of the country in general and banking development in particular, in terms of the volume of offered loans and the process of distributing those loans to include all segments of society and the various economic sectors.

2. The effectiveness of the role played by bank credit in the development of economic, social and commercial activities, and that the relationship between bank credit and GDP is a direct relationship. Increase (GDP) dramatically.

3. The highest rate of bank credit growth in the Iraqi economy during the research period was (102.8%) in (2009)

Recommendations

1. The necessity for the Central Bank to legislate special laws to direct bank credit towards the productive economic sectors, as it has become an urgent need for the credit policy of banks to take into account the necessity of linking the contribution of economic sectors to the gross domestic product and the credit decision and focus on the necessity of distributing bank credit in a fair manner.

2. A union of the efforts of the Central Bank and its commercial banks in Iraq together to create a suitable climate for bank credit by dealing responsibly with all factors affecting credit on the supply and demand side, compatibility between financial and monetary policy and not differing in the objectives of each of them by following a financial policy that leads to An adequate display of savings and an adequate demand for investment.

3. Reducing the bank credit provided to some unsuccessful economic sectors with not good economic feasibility, which ensures the achievement of economic development within the country.

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