

## ANALYSIS OF THE REALITY OF BANK CREDIT AND UNEMPLOYMENT IN THE IRAQI ECONOMY FOR THE PERIOD 2004-2020

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### Abstract

The subject of bank credit is one of the most important topics in economic life in general and banking life in particular, by providing the necessary funds to investors; providing the liquidity that the Iraqi economy needs; The study is based on the financing provided by commercial banks to both local and foreign investors; The importance of the study lies in the banking ability to secure a suitable climate for the employment of manpower. The objective of the study revolves around the extent of the impact of bank credit on the unemployment rate and the jobs performed by bank credit in relation to this variable; The study concluded that bank credit is linked with the unemployment rate prepared for the study through the existence of a long-term equilibrium relationship (joint integration) between unemployment as a dependent variable and monetary credit and monetary pledges as independent variables, that is, the monetary variables and unemployment integrate in the long term and it is possible to address the problem of unemployment through changes cash. As well as the existence of a relationship between the monetary current in the Iraqi economy, and the commodity current represented in the demand for labor, and this means that it is possible to activate and revitalize the commodity sectors through monetary credit and monetary pledges. The researcher has come up with some recommendations because unemployment is a big and complex problem, so fighting it is the responsibility of all institutions that deal with money, which makes commercial banks contribute to reducing the unemployment rate, and bank credit should be a catalyst to reduce unemployment in Iraq, which is increasing.

**Keywords:** bank credit, unemployment, Iraq

### Introduction

Bank credit has an important role in the national economy; As a financial intermediary between depositors and investors; The function of bank credit is also the main and basic function of commercial banks to achieve profitability. achieve its other objectives; As the largest contributor to the revenues of commercial banks, bank credit is a marketing process for bank funds that leads to safety; Through the available guarantees, controls and rules followed by the management of banks; It includes returning funds to banks without losses. As for economic growth, it is the main objective of economic policies in the countries of the world, and occupies a central position in economic policies. Unemployment is an economic phenomenon that appears significantly with the development of industry. Hence, economists began to care about the relationship between inflation and unemployment and the impact of credit on them. The situation that the Iraqi economy is going through has negatively affected various aspects of social, economic and political life, so it has become necessary to provide an appropriate environment for the banking system in order to raise the reality of its work more than it was

and to work harder to move towards a market economy and create the appropriate conditions, perhaps the most important of which is providing the necessary credit for the success of This transformation has highlighted the importance of bank credit and its ability to provide loans to investment opportunities in Iraq, and this is what leads to addressing the unemployment that Iraq seeks to reach.

### **The first topic: the theoretical framework for bank credit and unemployment**

#### **The first requirement: the definition of bank credit**

Bank credit is defined as (a measure of the ability of a legal legal person to obtain current values (money) in exchange for deferring payment (cash) to a certain time in the future). In the future, and just as credit represents a right to deliver the loaned money at a later time on lending it, so is the debt, and both of them accompany a promise to pay in the future, i.e. after the time of borrowing or borrowing has expired (), and bank credit is defined as (those services provided to customers under which individuals, institutions and establishments are provided in the community with the necessary funds, provided that the debtor undertakes to pay those funds, their interests, and the commissions owed on them and the banks in one go, or in installments on specific dates. There are theories that explain bank credit and the most important of these theories are:

#### **First: The theory of commercial loans (English theory)**

This theory is based on the need to use bank funds, except for primary reserves, in profitable assets that take the form of short-term credit instruments that consist of commercial transactions during the movement of ready-made goods and services from producers to consumers, as well as short-term industrial transactions through which producers can market their services and purchase raw materials. Payment of other dues for seasonal reasons.

#### **Second - Expected Income Theory**

This theory is based on the fact that one of the duties of the commercial bank is to focus on the expected income when the bank carries out its lending activity, i.e. granting loans to all economic sectors, as these loans are in the form of successive installments derived from the normal income of business establishments or individual borrowers, and thus the bank can rely To a flow of cash flowing to him in an orderly manner resulting from the repayment of the loans he granted, and this is what helps him to face the withdrawals Regular renewal and renewal of granted loans, as well as meeting requests for granting new loans

#### **Third - Transitional Theory (Substitution or Transformation)**

The theory indicates that the financial position of the commercial bank is stable if it is not able to maintain the volume of liquidity that it has through what is known as transferring or exchanging what it has from secondary reserve in the form of short-term securities included in the stock portfolio and usually discounting commercial papers. This theory, in its view, is that the commercial bank should not neglect the employment of assets, by expanding lending and investments in the open market and stimulating and diversifying its portfolio of securities without fear that its financial position will budge in the event that depositors return to withdraw their deposits. Notable in banking thought to reflect the development of economic life, especially in small enterprises

#### **Fourth: The theory of liability management**

This theory is considered one of the modern theories as it focused on the interest in justifying the activity of commercial banks, as the commercial bank depends in the exercise of its activities on the size of the structure of assets and the size of the liabilities available to it, in order to provide the necessary liquidity to meet the needs of depositors in terms of providing money and liquidity to them, as well as providing money to applicants. The borrowing and whose loans represent the main source of profits for the donor banks. The liabilities theory believes that the banks can, if needed, go to the money market to secure their needs of liquidity by offering bonds and certificates of deposit and lending from other banks, that is, not only resorting to the traditional method of providing liquidity and representation by selling government papers And getting rid of commercial papers by re-discounting those papers and establishing them, and on this, banks can enter into many important projects and get a lot of the necessary funds through the aforementioned methods and methods

#### **The second requirement: the theoretical framework for unemployment**

##### **First, the concept of unemployment**

The problem of unemployment is no longer a problem of developing economies only, but has become one of the most serious problems in countries with the difference in causes, results and solutions. No country in the world can achieve full employment for all its children, and this serious problem is behind multiple reasons that may be internal or external, but the most important Those reasons are the low level of education and health, the backwardness of training and rehabilitation programs, the weakness of economic activity and the inability of the national economy to absorb the largest possible amount of national manpower the concepts of unemployment have varied due to the failure to achieve the purpose of work in societies, so we present some definitions of unemployment, including:

1. The International Labor Organization (ILO) defined that the unemployed person ((is every person who is able and willing to work and who searches for and accepts him at the prevailing wage level, but to no avail))
2. The United Nations Organization (UNU) defined unemployment as “every person who has reached a specified age and does not do any work, neither paid nor free, even though he is available for work and makes an effort to search for him ”
3. Unemployment is defined as ((the difference between the amount of work supplied and the amount of work used in society during a period of time at prevailing wage levels)). Hence, the size of unemployment is represented in the size of the gap between each of the quantity demanded and the quantity supplied at a certain level of wages.

##### **Second: Forms of unemployment**

###### **Underemployment**

Disguised unemployment can be defined as (some people joining certain jobs, for which they receive wages as a result of their contribution to the productivity of work, and abandoning them does not affect the volume of production It arises when the marginal product of the labor factor is zero or negative, and this type of unemployment rises in countries that depend on the agricultural sector because this does not mean that it does not exist in the government sectors

of developing countries, and the solutions offered to address it lie in transferring workers from the sectors in which they crowd to Other sectors, or creating a new job opportunity for them, especially in the private sector, that this type of unemployment has the most impact on the labor market because it is not visible. Disguised unemployment spreads in countries with a large population size in countries that suffer from the inflexibility of the production system

### **Cyclical unemployment**

Unemployment resulting from the failure of economic activities to proceed at one or regular pace in different periods of time, but these activities witness periodic rise and fall periods. Expansion in which the volume of production, employment and income levels tend to increase until the expansion reaches its end by reaching the top, and then the crisis begins to occur at a turning point, after which the volume of national activity goes to the stage of deflation until the descent reaches its end, reaching the bottom of the deflation point, and immediately after that the recovery begins again and the economic activity begins to expand Again, the demand for labor rises in times of expansion (boom) and decreases in times of decline (contraction)

### **Structural unemployment**

It is more severe than cyclical unemployment and generally extends for a period of time and results from policy failure and economic stagnation. The solution to this type of unemployment requires the recovery of the cumulative demand for labor and the targeting of certain skills and the spread of this type of unemployment in different countries is due to the existence of the phenomenon of availability of hands An untrained female worker compared to the other factors of production, namely natural resources, capital and organization, and the low level of national income and the low per capita share of it led to a disproportion between the various factors of production and the labor element on the other hand

### **Seasonal unemployment**

This type of unemployment often occurs in one of the sectors of the economy as a result of changing conditions Economic or climatic conditions in some seasons, which leads to stagnation in one of these sectors, as this type appears more in the agricultural sector during non-harvest seasons. It is more prevalent in the countryside than in the urban areas, and seasonal unemployment shares with periodic unemployment in that both arise from fluctuating demand for work, but seasonal fluctuations are more regular, and the impact of seasonal unemployment can be reduced through measures that reduce the seasonality of production, in the tourism sector, for example. It can be activated outside the regular seasons through the revitalization of medical and religious tourism....etc

### **The third requirement: the effect of bank credit on the phenomenon of unemployment**

Bank credit is an important factor for creating small and medium enterprises that provide job opportunities for the unemployed, but the effect of bank credit is not as strong on economic activities. Unemployment, but when new investments are created, they will need the labor component. Here, bank credit affects unemployment towards the employment of new workers in these projects, which leads to a reduction in unemployment rates in society. When unemployment decreases, this is due to a rise in real GDP growth and vice versa because An increase in real GDP will lead to an increase in employment (employment), and productivity

may increase when an increase in output occurs. Unemployment is inverse, so the effect of bank credit on unemployment depends on the joint relationship between the banking sector and the government. Accordingly, bank credit is an important factor in stimulating medium and small enterprises that provide job opportunities and support for the unemployed.

### **The second topic: Bank credit and unemployment in Iraq for the period (2004-2020)**

#### **The first requirement: the distribution of bank credit in Iraq for the period 2004-2020**

The activity of the Iraqi banking system for the period (2004-2020) can be clarified by observing the efficiency of commercial banks when granting cash credit, as this stage witnessed a radical change in the instructions and controls in granting cash credit by raising credit ceilings, whereby commercial banks grant cash credit as being low risk. As well as to reduce the impact of the unstable political and economic conditions in Iraq, commercial banks prefer this type of (short-term) credit because banks do not want to grant credit for investment purposes that last for a long period, which exposes them to credit risks, economic and political instability, inflation risks and other risks. It is possible to know the development that took place in the cash credit balance granted by commercial banks operating in Iraq for the period 2004-2020, as it is noted from the results of Table (1), which shows the sectoral distribution of cash credit to the two sectors (public and private) that the total cash credit amounted to (824673) million dinars in (2004), and the credit granted to the public sector constituted (25%) of the total cash credit, while the private sector constituted (75%). The cash credit granted continued to increase. In (2006) the total credit amounted to (2664898) million dinars, compared to (1717450) million dinars in (2005), due to the banks granting advances to their affiliates and providing housing and consumer loans to a large segment of citizens, and most of the credit provided goes to the private sector, where the credit balance provided to it recorded (1881014) million dinars, i.e. a contribution rate of (71%) of the total credit in (2006) compared to (950287) million dinars, i.e. a contribution rate of (55%) in (2005), while the credit amounted to (783884) million dinars and a contribution rate of (29%) compared to (767163) million dinars and a contribution rate of (45%) in (2005). Commercial banks also continued their activity in granting credit to all economic sectors. This is due to the Central Bank keeping its interest rate of (6%) as part of its monetary policy, which one of its objectives is to stimulate economic activity by reducing the cost of money on banks and thus encouraging them to provide financing for various economic activities. The two years (2013-2014) witnessed a remarkable increase in the volume of credit, as the total balance of cash credit during the year (2014) recorded (34123067) million dinars, compared to (29952012) million dinars in (2013). The credit provided to the public sector amounted to (16377926) million dinars, with a contribution rate of (48%) in (2014), while the value of credit provided to the public sector amounted to (13004479) million dinars with a contribution rate of (43%) in (2013). As for the value of credit provided to the private sector, it amounted to (1,7745,141) million dinars, with a contribution rate of (52%) in (2014), while the value of credit provided to the private sector was (1,6947533) million dinars, with a contribution rate of (57%) for the year (2013). The balance of cash credit granted continued to increase during the years (2018-2019-2020), as its balance amounted to (38486947-42052511-51777952) million dinars,

respectively. The reason for the increase in the volume of cash credit is the recent policy of the Central Bank of Iraq, which contributed to banks increasing lending For citizens and projects. Table No. (1) also included the annual growth rates of total cash credit during the study period to illustrate the rates of increase and decrease of total cash credit. To further clarify, Figure No. (1) has been drawn to illustrate the sectoral distribution of cash credit (government sector, public institutions, the private sector) for the period (2004-2020). It is noted that the private sector has a more important and prominent role than the public sector and for all years of study. Central pile As for public institutions, they were characterized by their volatility during the study period.

Table (1) The cash credit granted by commercial banks in Iraq for the period (2004-2020)  
million Iraqi dinars

Rate %private sector contribution	Rate Public Sector Contribution%	Annual growth rate of CC %	Total Cash Credit CC (3)	Cash Credit to the Private Sector (2)	Cash Credit to the Public Sector (1)	public institutions	The central government	the year
75	25	–	824,673	620267	204406	190336	14070	2004
55	45	108.3	1,717,450	950287	767163	631409	135,754	2005
71	29	55.1	2,664,898	1881014	783884	759439	24445	2006
69	31	29.8	3,459,020	2387433	1071587	1054992	16595	2007
87	13	32.6	4,587,454	3978301	609153	575382	33771	2008
82	18	24	5,690,062	4646167	1043895	644506	399389	2009
73	27	105.9	11,721,535	8527131	3194404	886022	2308382	2010
56	44	73.5	20,344,076	11356308	8987768	1637817	7349951	2011
52	48	39.8	28,438,688	14650102	13788586	6120523	7668063	2012
57	43	5.3	29,952,012	16947533	13004479	6626795	6377684	2013
52	48	13.9	34,123,067	17745141	16377926	8010217	8367709	2014

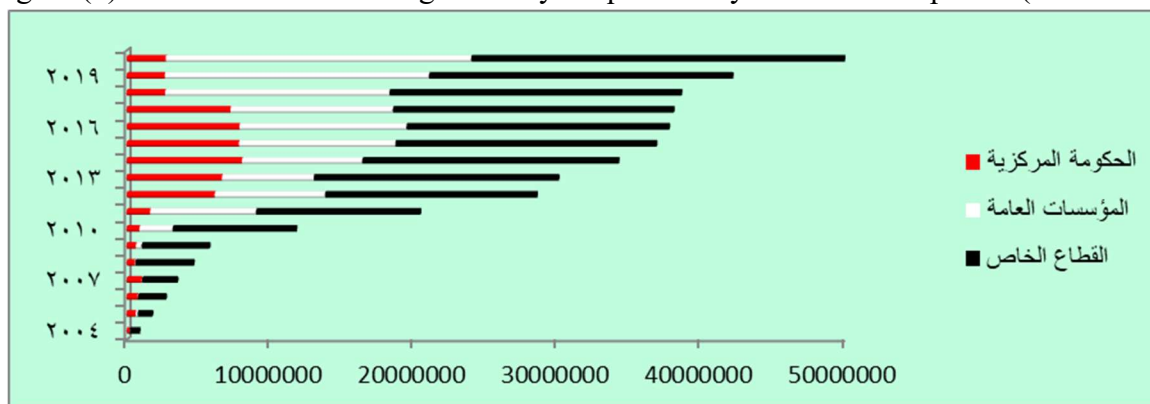
49	51	7.7	36,752,680	18070058	18682628	7802727	10879901	2015
48	52	1.1	37,180,123	18180970	19454153	7838184	11615969	2016
51	49	2.08	37,952,829	19452293	18500536	7221255	11279281	2017
53	47	1.4	38,486,947	20216073	18269599	2674220	15595379	2018
50	50	9.26	42,052,511	21042213	21010298	2654868	18355430	2019
54	46	18.4	49,817,737	25866704	23951085	2717075	21234010	2020

Source: - Years (2004-2019) Central Bank of Iraq, General Directorate of Statistics and Research, annual bulletins, miscellaneous issues. - Year (2020) Central Bank website www.cbiraq.org.

The relative importance of each sector for bank credit was extracted through the following equation:

(The relative importance of the sector for a particular year = the amount of cash credit granted to the sector for the year ÷ total cash credit for the same year)

Figure (1) The structure of credit granted by Iraqi banks by sector for the period (2004-2020)



The scheme was prepared by the researcher based on the data in Table (1)

The second requirement: Analyzing the reality of unemployment in Iraq for the period 2004-2020

The labor element is the main element for creating economic benefits, which contribute to raising the standard of living for the individual and society, and it is a means for development to achieve its goal. Unemployment during the study period was characterized by lack of security and stability and the accompanying structural imbalances in the economic level, low growth rates and high numbers of those in the labor market with the lack of job opportunities for them as a result of the suspension of many service and industrial projects for the private and public sectors, which were accommodating many The unemployed, which led to the spread of unemployment and rose clearly and continued to this day for many economic, social and

political reasons. The problem of unemployment is one of the most important challenges facing the growth and development process of the Iraqi economy because of this problem of profound repercussions on the economic and social conditions. The continuation of the unemployment rate is determined on both sides of demand and supply. .

A - The demand side of the labor force, the decline in the ability of the Iraqi economy to absorb the largest possible number of these forces, due to its inability to keep pace with the increase in the workforce that enters the labor market annually by creating job opportunities for them and its weakness as a result of the following reasons:

1. Most of the public sector establishments have stopped, as well as a significant decrease in the production capacities of some of them
2. The lack of political and security stability.
3. The state's programs focus on the transition to a market economy and the accompanying structural changes in the Iraqi economy and its delay.
4. The inability of the private sector to take an important role in the Iraqi economy due to the weakness of capital and the flight of many of it abroad, and its marginalization by the state and its inability to confront the flow of goods from abroad as a result of following the open door policy.
5. Administrative and financial corruption spread in state institutions.
6. The concentration of capital in the hands of a small group of citizens, most of whom prefer to invest abroad, and the openness to imported goods and the dumping policy that was followed in the Iraqi markets through neighboring countries led to the cessation of most small and medium industries and some local industries.

B - As for the supply side, the increasing population growth in Iraq, which is considered one of the most fertile countries, i.e. the annual increase in population growth, which exceeded 3%, is a major source for the increase in the supply of work, as there must be a condition for setting an optimum level of the population and it has a very strong relationship with economies of scale . Unemployment was considered a serious challenge and that its danger is more social than economic. The unemployment rate is increasing in the least developed economies, including all Arab countries and Iraq, especially as a result of a defect in the restructuring of the Iraqi economy. The Iraqi economy is characterized by a structural imbalance because oil constitutes the largest proportion of the gross domestic product and the budget. Its foreign currency returns exceed 95% of export earnings, and the economy suffers from a high problem of external indebtedness, limited investment exports, and the control of imported productive inputs, making it unable to cope challenges



Table (2) Evolution of unemployment rates and population for the period (2004-2020)

population growth rate	Unemployment rate %	Population ( million n attribute)	the years
-	26.8	27139	2004
3.0	17.9	27963	2005
3.0	17.5	28810	2006
3.0	11.7	29682	2007
7.5	15.3	31895	2008
- 0.7	15 <sup>th</sup>	31664	2009
2.6	14.5	32490	2010
2.6	12.2	33338	2011
2.6	11.9	34208	2012
2.6	16	35096	2013
2.6	10.6	36005	2014
- 2.2	15 <sup>th</sup>	35213	2015
2.7	10.8	36169	2016
2.7	10.9	37140	2017
2.6	11	38124	2018
2.6	13.8	39128	2019
2.6	13.8	40150	2020
	-3.83		Compound growth rate of unemployment

Source: Prepared by the researcher based on data from the World Bank and the Ministry of Planning and Development Cooperation, Central Agency for Statistics and Information Technology, Employment and Unemployment Survey, Baghdad, different years, multiple pages.

The unemployment rate equation was calculated by the official authorities as follows:

Unemployment rate = (number of unemployed people / number of labor force) \* 100

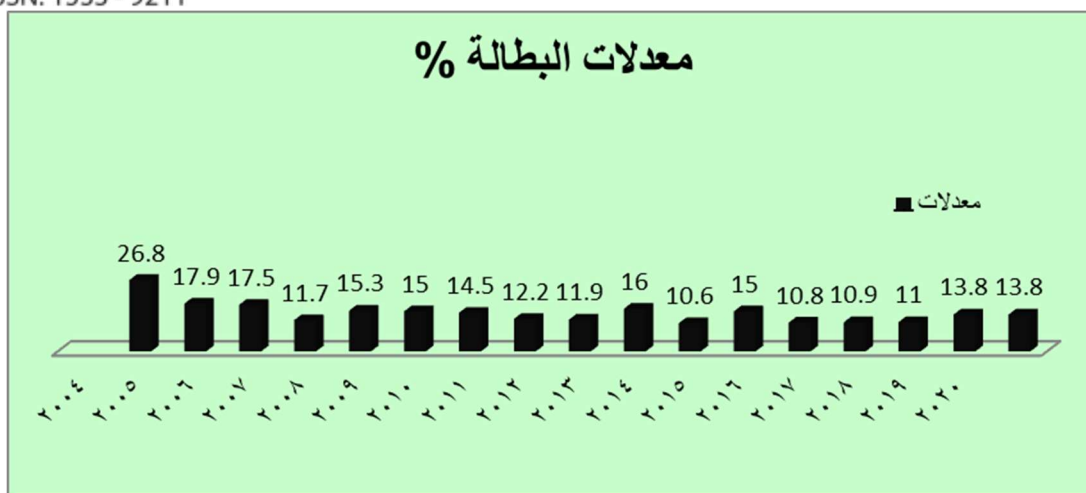
\*Calculate compound annual growth rate  $R = \left( n - 1 \sqrt{\frac{X_t}{X_o}} - 1 \right) \times 100 =$

So, R = compound growth rate, X<sub>t</sub> = value of the variable in the last year, X<sub>o</sub> = value of the variable in the first year, n = number of years.

Including the challenge of the problem of unemployment, and the problem of unemployment in Iraq appears through Table (2), the high rate of unemployment in 2004 to (26.8%) and the population was (27139%) people. It is considered a large percentage of what Iraq witnessed during this period, a change in the economic system As a result of taking decisions by the coalition authority to dissolve many government and security institutions and many ministries, and this change did not reduce the phenomenon of unemployment because this period was

characterized by security and political instability and the increase in sabotage and terrorism operations, which targeted the state infrastructure and public money institutions, especially industrial institutions that stopped their production. Which numbered 192 governmental industrial companies, which were accommodating (500,000 workers), as well as the power outages for long hours and the scarcity of fuel played a major role in paralyzing the economic life of many factories and production factories for the private sector and the inability of production costs to compete with the imported goods that entered Iraq after the conquest. The border crossings after 2003, which led to the demobilization of large numbers of workers, which leads to the escalation of this problem, and it decreased in the subsequent years slowly and gradually. As a result of their assimilation into the work of the security services, the state adopted a program to provide soft loans to small income-generating projects and transform a number of the unemployed into producers to improve their standard of living, as well as the opening of employment and vocational training centers, which enhanced employment opportunities and trained the unemployed in many of the professions required in the labor market. In 2006, unemployment rates decreased and reached (17.5%) due to the relative stability of the new regime in Iraq and the practice of some workers' work despite terrorist operations, displacement and violence. Unemployment rates continued to decline. Individuals who were dismissed from their jobs, including soldiers and workers, whether in the security departments or in the ministries, returned to their jobs. After that, the state took some measures that were aimed at reducing unemployment rates and increasing their unemployment rates, and among these measures, the state took some measures. Job opportunities and the state's provision of loans to citizens. Small projects. All of this led to a decrease in unemployment to (9.11%) in 2012, and that the decrease in unemployment in Iraq in (2014-2016-2018) was not a real decline, as governments took reservations about unemployment rates and did not announce them accurately, as the rates reached Unemployment in these years (10.6%, 10.8%, 11%) respectively, but in 2020, the unemployment rate increased (13.8%) as a result of an unprecedented drop in crude oil prices in addition to the outbreak of the Corona virus and the curfew. These high percentages indicate the deterioration of the Iraqi economy after the occupation, due to the government's tendency to militarize the Iraqi economy and direct spending to the military sector due to the deterioration of the security situation. Provides huge resources and exploding budgets.

Figure (2) Unemployment rate in Iraq for the period 2004-2020



Source prepared by the researcher: based on the data in Table (2)

The third topic: analyzing the relationship between bank credit and unemployment in Iraq for the period 2004-2020 The first requirement: the reality of government bank credit and its impact on unemployment It is possible to know the changes in unemployment rates in the Iraqi economy for the period (2004-2020) by noting the data in Table (3), as it witnessed a clear fluctuation during the study period. In 2004, unemployment rates reached (26.8)%

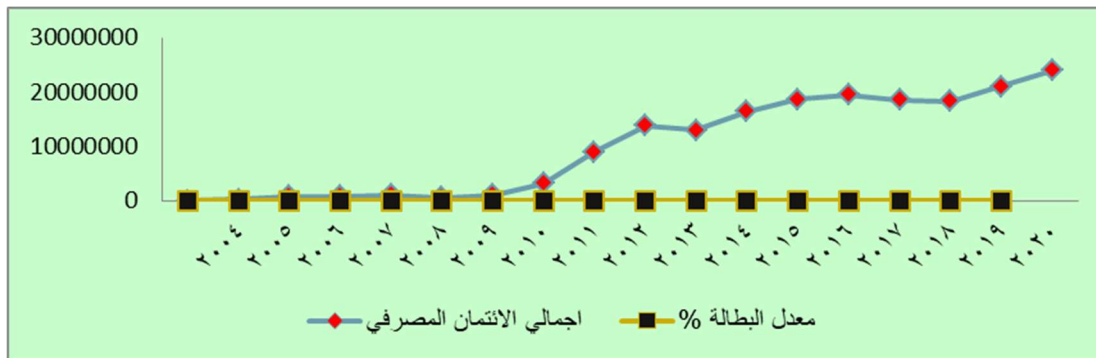
Table (3) Government bank credit and its impact on unemployment in Iraq for the period 2004-2020:

Unemployment rate%	The percentage of the government sector's contribution to total credit	total bank credit government	the years
26.8	25	204406	2004
17.9	45	767163	2005
17.5	29	783884	2006
11.7	31	1071587	2007
15.3	13	609153	2008
15th	18	1043895	2009
14.5	27	3194404	2010
15.2	44	8987768	2011
11.9	48	13788586	2012
16	43	13004479	2013
10.6	48	16377926	2014
15th	51	18682628	2015
10.8	52	19454153	2016
10.9	49	18500536	2017
11	47	18269599	2018
13.8	50	21010298	2019
13.8	46	23951085	2020

Source: Prepared by the researcher based on data from the World Bank and the Ministry of Planning and Development Cooperation, Central Agency for Statistics and Information Technology, Employment and Unemployment Survey, Baghdad, different years, multiple pages. This is due to the economic and political conditions that Iraq went through after 2003, and in 2005 laborers with an agricultural background were attracted to another activity such as the police and the army, as we note the increase in government bank credit and a decrease in unemployment during the year, as government bank credit witnessed a clear increase compared to 2004. As it amounted to (767163) million dinars, which led to a decrease in the unemployment rate by (17.9%), and in 2006 the bank credit increased to (783884) million dinars, which led to a decrease in the unemployment rate and the result of this rise is the occurrence of significant changes in all situations in Iraq, including an increase. The volume of bank credit, as the Central Bank of Iraq has legislated many laws, the most important of which is the Iraqi Banking Law No. (94) of 2004, which resulted in the abolition of credit ceilings represented by liberalizing interest rates on deposits and granting credit, which contributed to the expansion of government banks in granting credit and creating competition. Among public banks, as well as an increase in the salaries of employees and the wages of workers in the economic sectors as a result of the increase in oil revenues, but in 2008 the government bank credit decreased. It amounted to (609153) million dinars, which led to an increase in the unemployment rate at a rate of (15.3%) as a result of the aforementioned financial crisis events, as well as the deterioration of the security, political and economic situation, and in 2009 a slight decrease in the unemployment rate at a rate of (15%) due to the employment of a number of The unemployed in state institutions, and in 2012 unemployment decreased by (11.9%) as a result of employment in the state sectors, but it increased in 2013 at a rate of (16%) despite the rise in bank credit as a result of bad economic and political conditions and fluctuations in oil prices. This led to the closure of many factories due to the drop in demand for local goods, and in 2014 credit continued to rise, reaching (16377926) million dinars, which led to a decrease in the unemployment rate by (10.6%) as a result of opening the door for appointment to the unemployed in the ranks of the security forces for the war on gangs. In 2016, government credit continued to rise by an amount of (19454153) and the unemployment rate decreased by (10.8%) compared to 2015, when the percentage was (15%), and this indicates the credit support provided by banks until 2018. The government sector, which led to a rise in the unemployment rate at a rate of (11%) as a result of the bad economic and political conditions and the decline in oil prices, and in the year 2020 the rate of credit granted by government banks increased. Despite that, the unemployment rate remained the same as it was from the previous year, as a result of Bad economic, political and social conditions, fluctuations in oil prices, and as a result of the outbreak of the Corona virus and the curfew, and we note through this that there is an inverse relationship between bank credit and the unemployment rate, that is, the more credit is granted, the greater the investor appetite for the labor market, which leads to a decrease in the unemployment rate, except in exceptional cases in which credit Banking is high, yet the unemployment rate remains high, such as wars or ill-considered decisions taken by the central bank sometimes that lead to high

unemployment in Iraq. Despite this, classical thought does not view unemployment as a major phenomenon that deserves special attention as long as the theory sees that the system The free economy is able to create job opportunities for everyone who wants to work at the prevailing wage level. A tool that works to end unemployment, but later it was completely different. The problem of unemployment is not a simple phenomenon that accompanies economic developments. Rather, it is a serious economic problem in addition to being a social as well as political phenomenon. Through this, the deficit appeared in state budgets, the tax rate increased, and imports were restricted. and re-export.

Figure (3) The effect of government bank credit on the unemployment rate for the period 2004-2020



The scheme was prepared by the researcher based on the data of Table No. (3)

The second requirement: ways to advance the private sector in Iraq

Perhaps strengthening the role of the Iraqi private sector and motivating it to occupy its leading position can invigorate the national economy and relieve the financial bottleneck that the country suffers from. This can be clarified through a package of reforms represented by the following:

1. Expanding the circle of bank lending by financing small and medium enterprises.
2. Opening the door for foreign participation by establishing a partnership contract between the regional company on the one hand and the local private sector companies in the country targeted for investment on the other hand, by enacting legislation that attracts it and easing restrictions on the foreign investor
3. The necessity to establish a national fund to support and encourage private investment, or to establish a bank for the development of the private sector, or both, to ensure private investment, especially in productive projects that contribute to the employment of the largest possible number of workers. For the bank, it must have branches in all regions of Iraq whose mission is to finance projects There is a need for special care for such projects, as private activity in Iraq is dominated by the small, unorganized individual sector.
4. Establishing special economic zones centered around a specific sectoral activity that provides them with security protection and provides them with the requirements of basic services
5. Building a banking system that operates with a clear mechanism in terms of facilitating the financing and lending process and speeding up delivery (especially in financing

- small and medium enterprises) and providing more services, especially in the field of clearing and documentary credits on easy terms and avoiding red tape and administrative corruption
6. The necessity of carrying out traditional procedures, which are binding on any country wishing to build a dynamically developed economy. These procedures are to prevent the dumping of imported goods in local markets, and not to import goods that compete with the local product as long as it has the same specifications and acceptance rates, and not to allow imports in excess of the annual need.
  7. The state shall assist the local producer in the process of exporting his products in order to ensure the continuity of the production process, for example establishing a higher council for the development of exports, and assisting the producer in obtaining the necessary information on potential foreign markets, as well as establishing a fund to support exports.
  8. The National Investment Commission and the governorate authorities must find a mechanism to launch a program to attract immigrant scientific competencies and capital, support their participation, submit their bids and experiences in building and developing the performance of the private sector.
  9. Eliminating red tape and bureaucracy, working in a single window in investment agencies, activating serious and professional investment law No. 13 of 2006 and its amendments, eliminating redundant administrative circles, and adding other encouraging articles to the investment law, such as expanding tax and customs exemptions, granting land by owning rather than investing, and granting citizenship to a foreign investor, as is the case in countries that It has succeeded in developing its economies, and all of this expands credit and secures its directions, which will serve to reduce unemployment rates in Iraq

## Conclusions

1. Bank credit has an important and effective role in financing projects, especially for investment projects that require huge amounts of capital to achieve economic development.
2. One of the causes of unemployment is the weak influence of bank credit during the period (2004-2020), which is due to the weak banking awareness of individuals and the failure of the banking sector to keep pace with modern administrative and technological systems, as well as not encouraging depositors to deposit in order to apply low interest rates.
3. The effect of bank credit on unemployment is weak, which is not in line with the logic of economic theory.

## Recommendations

1. The necessity for the Central Bank of Iraq, in particular, to direct support to the bank credit sector directly, as it played an active role in revitalizing the various credit sectors.

2. - 2The need for the relevant authorities (the Central Bank, the Ministry of Planning, the Ministry of Finance). Paying attention to the accuracy of studies that contribute to facilitating the mechanism of granting loans and cash credit for its prominent role in motivating, operating and raising the awareness of beneficiaries in the economic sectors that are ineffective for the employment of Iraqi manpower through the use of monetary policy tools
3. Giving more importance to the supervisory role on the bank credit granted to the debtor to ensure his ability to pay what he owes and the success of the funded project through the formation of committees that follow up on the project completion stages and payment timings.
4. Develop a long-term monetary policy strategy to address economic problems based on monetary credit and monetary pledges.
5. Reducing the bank credit provided to some economic sectors or unsuccessful projects with poor economic feasibility, which ensures economic stability within the country to reduce the level of inflation and maintain balance.
6. International and regional cooperation to combat corruption and other phenomena related to corruption such as organized crime and money laundering, and to ratify agreements and treaties related to corruption.

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