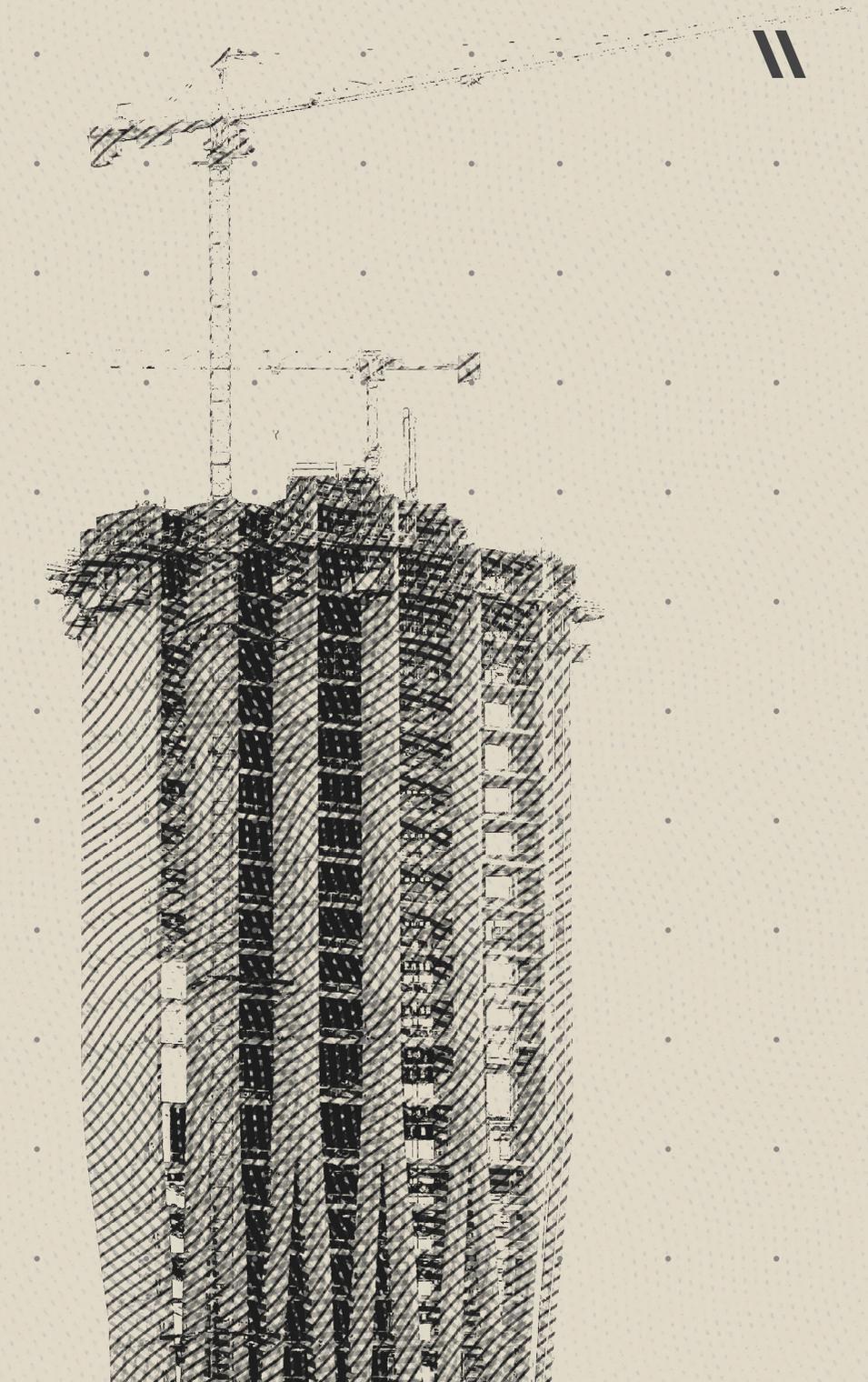


Iraqi Banking Sector and Financial Infrastructure Overview



Iraqi Banking Sector and Financial Infrastructure Overview

This report is a collective effort
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KAPITA's Research team deeply thanks and appreciates GIZ for being an outstanding enabler for us.

August, 2022
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Abbreviations

APS	Arab Payment Services
ATM	Automated Teller Machine
CBI	Central Bank of Iraq
CFI	Corporate Finance Institute
CSO	Central Statistical Organization
GDP	Gross Domestic Product
FBSA	Federal Board of Supreme Audit
FIB	First Iraqi Bank
IMF	International Monetary Fund
IQD	Iraqi Dinar
IRIS	Institute of Regional and International Studies
MENA	Middle East and North Africa
APS	Arab Payment Services
MoF	Ministry of Finance
OPEC	Organization of the Petroleum Exporting Countries
POC	Point of Cash
POS	Point of Sale
PSOB	Private Sector-Owned Banks
QR	Quick Response Code
SME	Small and Medium Enterprises
SOB	State Owned Banks
SOC	Security Operation Center
TBI	Trade Bank of Iraq
UAE	United Arab Emirates
USD	United Stated Dollar

Executive Summary

One of the most important elements of a modern economy is a fully-functioning and robust financial sector. In terms of banking services and technology, Iraq is getting close to keeping up with global trends.

Nevertheless, some aspects must be addressed. Iraqis are still dependent on cash payments, and according to the World Bank, a mere 23% of them owned a bank account in 2017. Issues such as the lack of confidence in the banking sector and inadequate knowledge of cashless-payment methods have slowed down financial progress.

In this report, we dive deep into the financial sector in Iraq, covering Iraqi banks, government structure and spending, electronic and cashless payments, and recent developments in the Iraqi financial scene, as well as the main issues noted.

This report's key findings and discussion points are as follows:

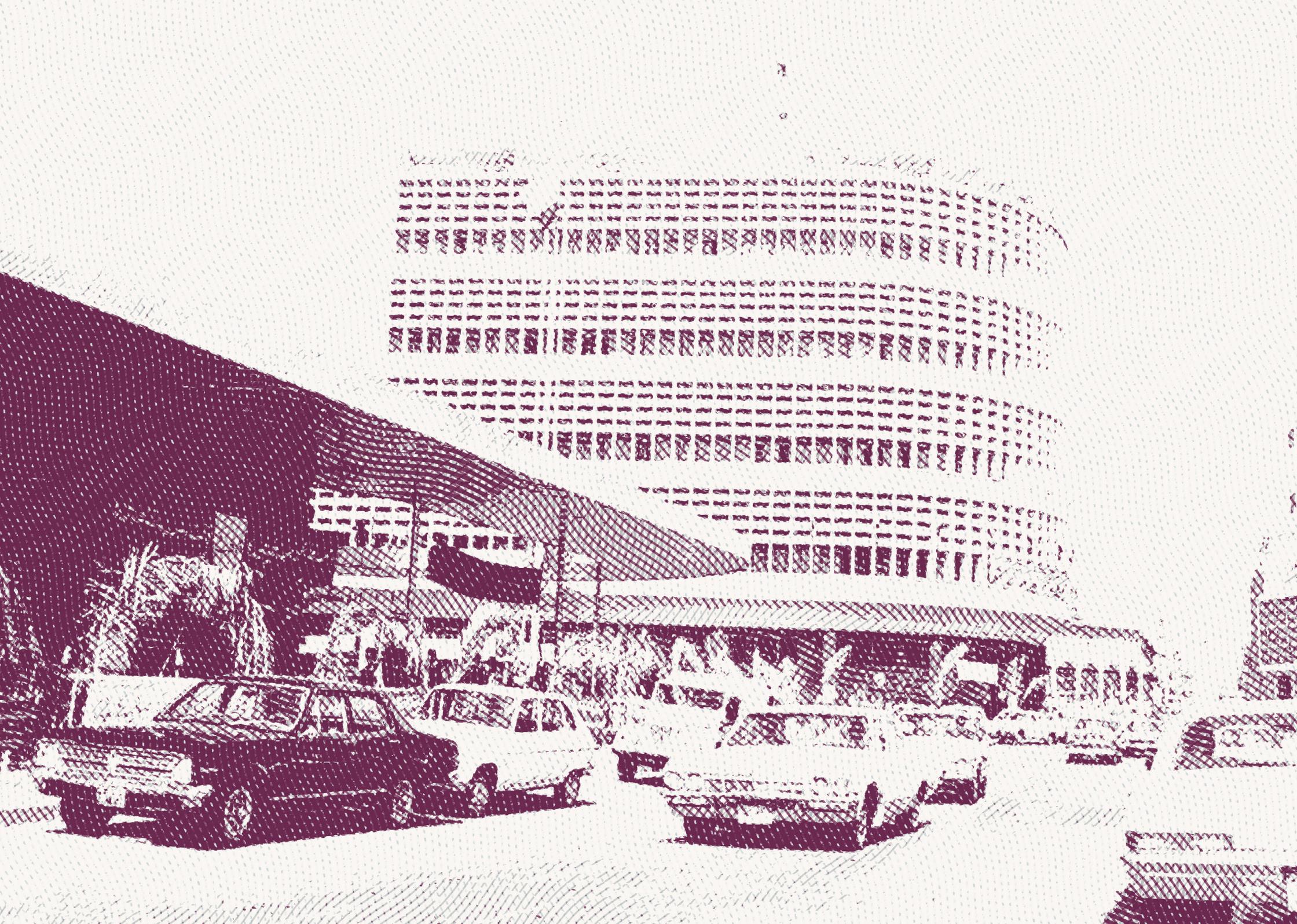
- **The Iraqi Banking System:** Iraq has 74 banks with 904 branches spread out across the country, mainly concentrated in Baghdad and Basra. These banks are divided into 7 state-owned banks (SOB), 53 private sector-owned banks (PSOB), and 14 branches of international banks.
- **Elevated Numbers of Bank Accounts:** The number of bank accounts has expanded, which may be attributed to the implemented efforts to promote financial inclusion and the introduction of electronic banking. Specifically, savings accounts have experienced exponential growth throughout the years, culminating in a 517% increase from 2017 to 2021.
- **Public Budget Expenditure:** The Council of Ministers received 6.334% of the total budget allocated to major governmental institutions. The public budget is unbalanced across the Iraqi ministries, as the Ministry of Finance and the Ministry of Interior receive significantly higher allocations when compared to what is allocated to the Ministries of Agriculture, Transportation, and Water Resources combined.
- **A Surge in Digital Payment:** With the CBI's authorization of mobile wallets such as ZainCash and AsiaHawala in 2016, as well as the initiation of the Salary Domiciliation Project, the number of issued electronic cards has grown exponentially since 2017, with over 16.2 million cards issued by the end of 2021.
- **The Iraqi Dinar Devaluation:** In 2021, the Iraqi government was compelled to reduce the Iraqi dinar's value against the US dollar from 1,182 IQD to 1,470 IQD in an attempt to fix its budget inflation rapidly. This has allowed the government to pay wages and pensions while increasing the competitiveness of the domestic product against imports. It did, however, result in an increase in the cost of living.
- **Salary Domiciliation Project:** In an attempt to promote cashless transactions and digital transformation, the government started to pay state employees' salaries using cards issued by Iraqi banks; the project was launched in February 2017. Currently, 36 banks are participating in this initiative. However, user behavior has not shifted significantly as most users visit points of cash (POC) on a monthly basis to withdraw their paychecks.

- **Investments Led by the Central Bank of Iraq:** In 2021, the CBI allocated around 42 trillion IQD towards the development of mainly the industrial and transportation sectors. While in comparison, the education and agricultural sectors received the least amount of the investment budget.
- **Banking Sector's Major Issues:** There are numerous issues to be addressed in the banking sector, some of which are technical, such as the inadequate infrastructure for electronic payments, and others related to the professionalism and reputation of the sector, as a lack of public confidence prevents many Iraqis from securing their assets within banks.
- **Developments and Opportunities:** Several measures are being implemented to improve the banking sector's contribution to the economy, including the CBI's sponsorship of renewable energy power-producing plants, its three-trillion-dinar housing finance package, and the One Trillion Dinar initiative, among others. Financial inclusion and electronic banking are also being encouraged with the Salary Domiciliation Project and the surge in electronic payment service providers. At the same time, the market still has an opportunity for expansion, and this may be accomplished through the supply of services that are both convenient, secure, and enticing for the average Iraqi.



Introduction





History

In 1931, following World War I and the establishment of the British Mandate, the Iraq Currency Board was founded in London, with the responsibility to issue notes and maintain reserves for the Iraqi dinar (IQD). During that time, the Iraqi dinar had great value as it was held in parity with the British Pound (Welk, 1949).

As a result of the dominance of British banks and the limited capabilities of conventional domestic money dealers, the government founded the Agricultural and Industrial Bank in 1936 as a single institution that was later divided into two distinct entities, namely the Agricultural Bank and the Industrial Bank. Al-Rafidain Bank was formed in 1941 as Iraq's principal commercial and central bank (History of the CBI, 2022).

The Iraq Currency Board was abolished in 1947, after the inception of the government-owned National Bank of Iraq, which assumed the former's responsibilities. As the economy expanded, numerous state-owned banks were formed, including the Real Estate Bank, the Mortgage Bank, and the Cooperative Bank, in addition to the opening of several other Iraqi and foreign banks as the economy flourished (History of the CBI, 2022). In 1956, the National Bank of Iraq became the Central Bank. It oversaw currency issu-

ance and administration, foreign exchange control, as well as banking regulation and supervision. It was in charge of the government's accounts and loans. Over time, the Central Bank's authority has risen dramatically. In 1959, a peg to the United States Dollar (USD) was initiated, with 1 IQD equaling 2.8 USD. By 1987, the banking system had grown to include the Central Bank, Al-Rafidain Bank, and the Agricultural, Industrial, and Real Estate Banks (History of the CBI, 2022).

The Gulf War of 1991 imposed an economic blockade, and the previously accessible technology for creating currency notes ceased to exist, necessitating the creation of a new inferior quality note issuance. The dinar rapidly devalued as a result of the government's excessive printing of the new notes until, in late 1995, 1 USD was worth 3,000 IQD (History of the CBI, 2022).

With the conclusion of the Gulf War in 1991, the Iraqi government finally permitted private banks to open for business. The first two private banks in Iraq were founded, namely, the Iraqi Investment Bank and the Middle Eastern Bank (IRFAD, 2014).

Following the conclusion of the Iraq War in 2003, the Banking Law was enacted on September 19, 2003. The law conforms Iraq's banking regulatory structure to international

standards and strives to foster confidence in the banking system by forming a safe, sound, competitive, and accessible banking sector. Between October 15, 2003, and January 15, 2004, the Coalition Provisional Authority (CPA) issued new Iraqi dinar coins and notes, the latter of which included improved anti-forgery methods.

The Central Bank of Iraq Law, enacted on March 6, 2004, established the Central Bank of Iraq (CBI) in its current form as Iraq's autonomous central bank (History of the CBI, 2022).

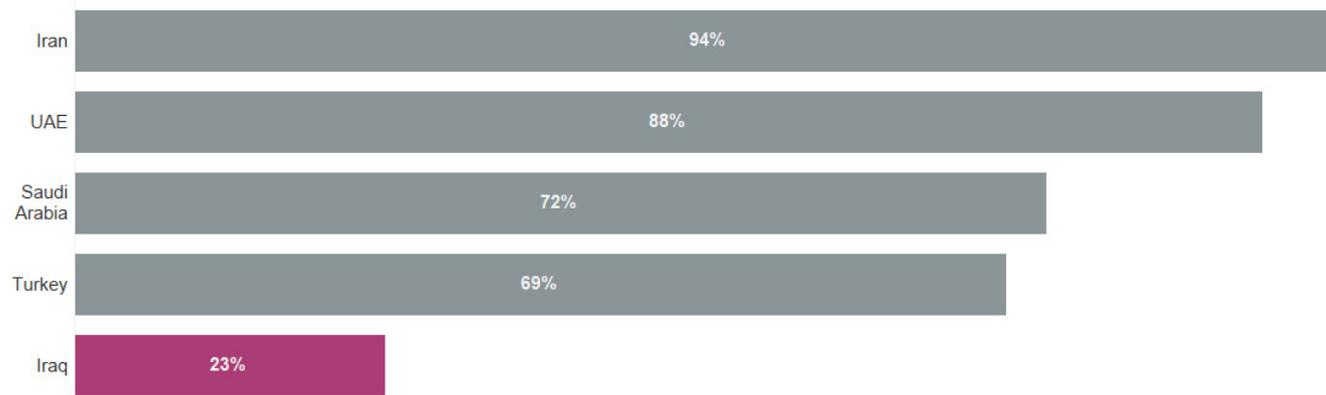
In 2003, the existing government banks (Al-Rasheed and al-Rafidain) lacked the necessary competence and international connections to handle import-export trading activity. In addition, Iraq's existing financial institutions were preoccupied with reestablishing basic banking services and had limited capability for specialized trade services.

As a result, the Trade Bank of Iraq was founded and began operations in November of that year to provide expertise and a point of contact within Iraq in order to raise the trust of trading partners that they would get payment for provided goods (CPA, 2003).

The Current State of Iraqi Banks

Iraq's economy remains primarily cash-based. According to the World Bank (2017), only 23% of adults in Iraq own a bank account, a figure that lags behind neighboring economies; this percentage amounted to 72% in Saudi Arabia, 88% in the UAE, 69% in Turkey, and 94% in Iran (World Bank, 2017).

Banked Individuals by Country



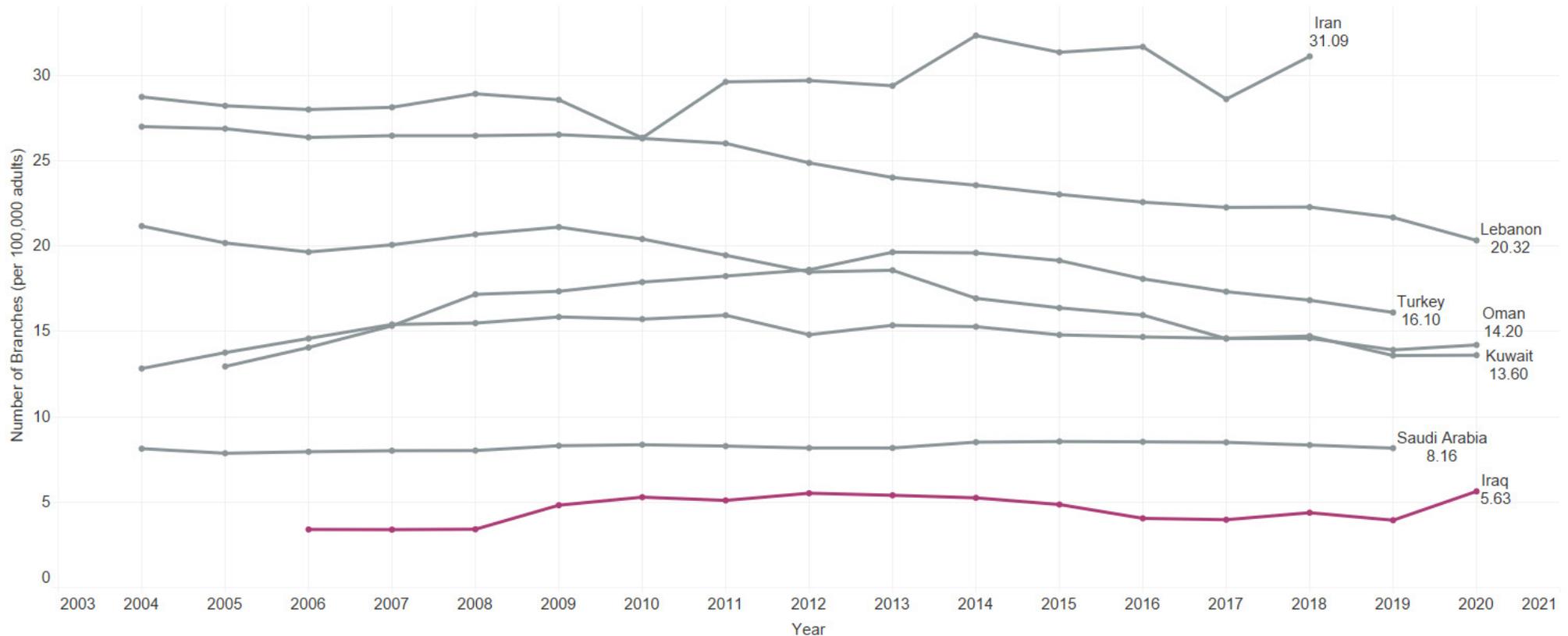
Source: World Bank, 2017. Copyrights: KAPITA Business Hub, 2022.

This is due to the Iraqi public's lack of confidence in the banking sector and the commonality of financial illiteracy, as a mere 27% of the Iraqi adult population is financially literate (GFLEC, 2021). While banks play a critical role in the provision of credit and the operation of payment systems worldwide, banks in Iraq are overshadowed by cash (IRIS, 2022).

Iraq now has 7 state-owned banks (SOB), 53 private sector-owned banks (PSOB), and 14 branches of international banks (CBI, 2021a). This brings the country's total to 74 banking institutions. 52 out of the 74 existing banks commenced operations after 2003, with the conclusion of the country's economic sanctions enforced in 1991.

Iraq's banking sector has been growing steadily since that year, intending to reach global banking standards. The CBI has taken several initiatives to improve the competitiveness of the banking system and attract Arab and international organizations. As such, it has granted a number of Arab and foreign banks business permits to engage in banking activities in Iraq, which has increased their numbers significantly. Other Arab banks also moved to become stockholders in local banks (UAB, 2020).

Commercial Bank Branches per 100,000 people

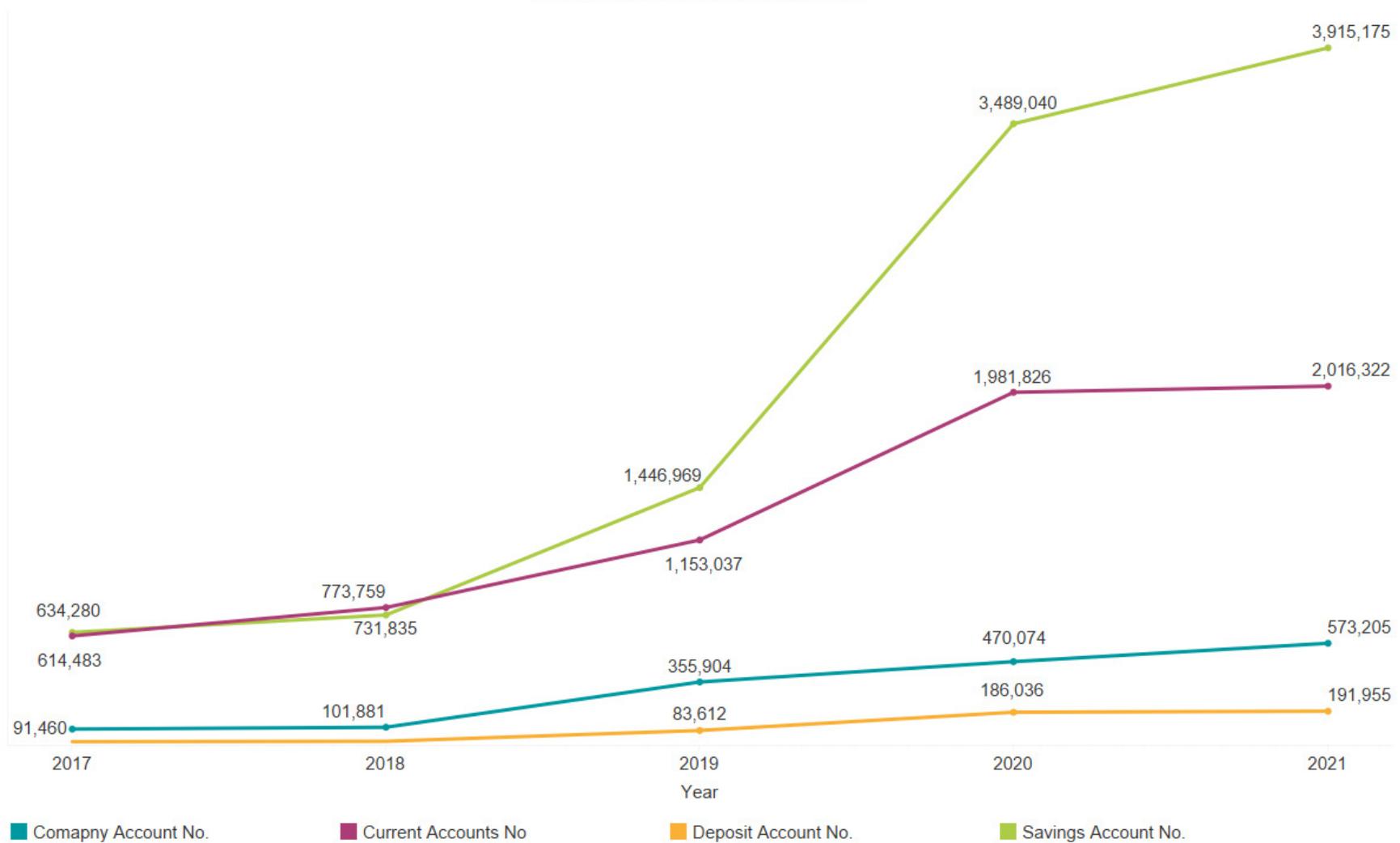


Source: World Bank, 2022. Copyrights: KAPITA Business Hub, 2022.

Iraqi banks are deemed relatively inadequate since their services fall short of international banking standards. One reason for this dates back to the pre-2003 period when the regime exercised oligopoly control over the banking system through its six banks. Each of these banks served a distinct purpose and was mainly employed to implement government schemes. Therefore, they were entirely reliant on government support. This left no opportunity for development, as there was neither competition nor the incentive to enhance services, not to mention the lack of demand following the country's 1990 sanctions, which left Iraq financially isolated from the rest of the world (KAPITA, 2021a).

This limited the banks' economic development role in financing initiatives and aiding different sectors. Iraqi banks have a low capital basis compared to their neighbors since the minimum capital requirement is 50 million USD. Furthermore, they have only recently begun to provide mobile and online banking services, with the bulk of banks still relying on in-person visits to supply their services (Alsudany, 2019).

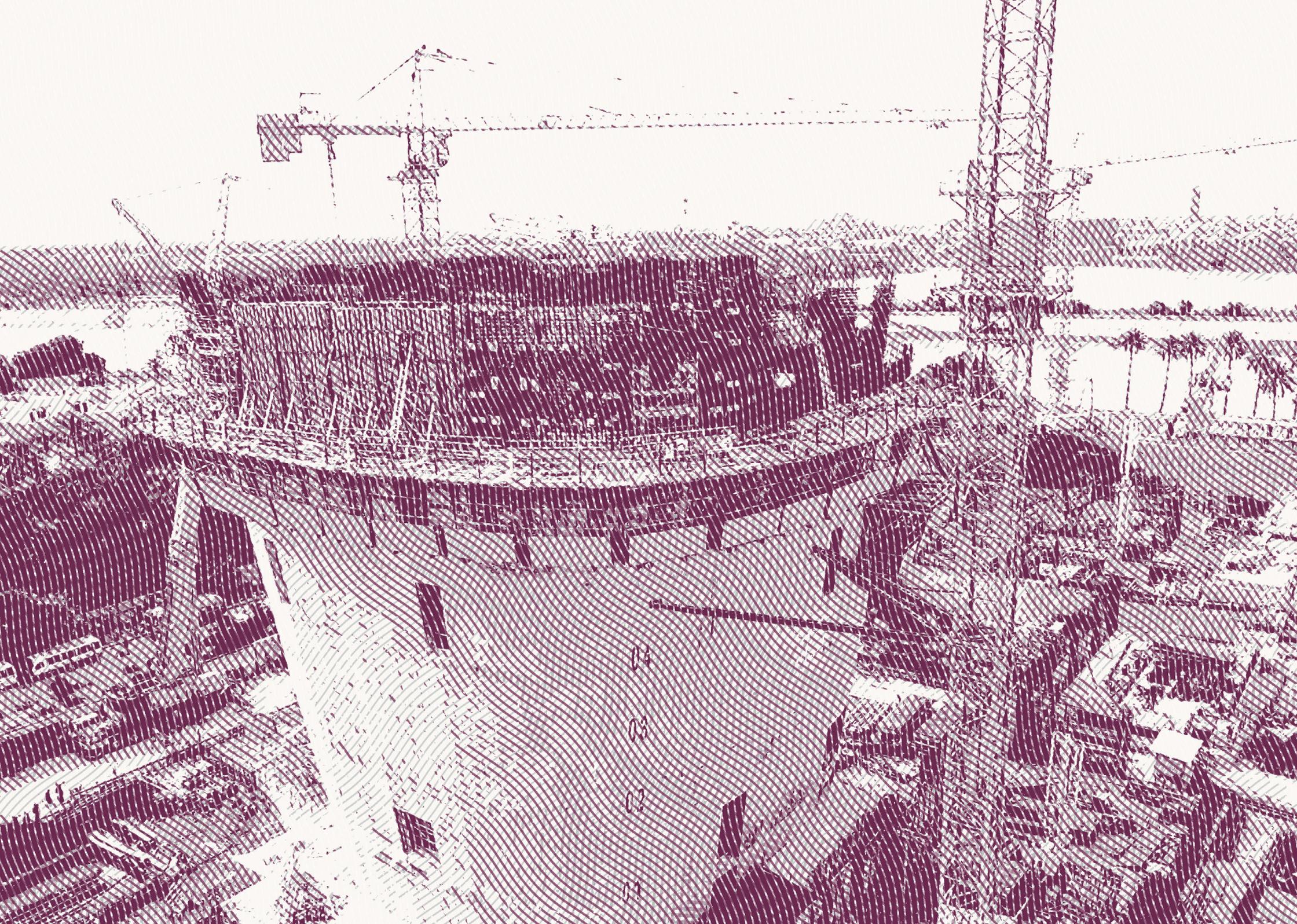
Bank Account Numbers



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

However, the number of bank accounts has expanded, which may be attributed to the implemented efforts to promote financial inclusion and the introduction of electronic banking. Specifically, savings accounts have experienced exponential growth throughout the years, culminating in a 517% increase from 2017 to 2021. Similar claims may be made about current accounts, which increased by 228% between 2017 and 2021. The numbers of deposits and company accounts are also witnessing a steady climb. This is indicative of a positive shift toward financial inclusion.





The Governing Entities of the Iraqi Financial and Banking System



The Central Bank of Iraq

- Implementing Iraq's monetary policy and exchange rate policy.
- Managing and holding Iraq's gold and foreign exchange reserves.
- Issuing and managing the national currency of Iraq, the Iraqi dinar (IQD).
- Overseeing the payment system along with regulating and supervising the banking sector.



The Ministry of Finance

- Managing and regulating state money.
- Governing the public treasury
- Directing the system of customs taxes.
- Developing civil service and retirement legislation.
- Advising state agencies and the public sector on financial, monetary, credit, banking, and insurance matters and training accounting and financial staff.



The Federal Board of Supreme Audit

- Controlling and auditing the finances of parties subject to oversight.
- Uncovering evidence of corruption, fraud, wasting, and inefficiency in receiving, expending and dealing with public wealth.
- Examining and reporting on the spending of public funds.
- Implementing mechanisms and processes to serve as Iraq's highest auditing body.
- Providing technical assistance to audit and control fields.
- Reporting all allegations of malpractice.

Source: The Federal Board of Supreme Audit, 2017. Copyrights: KAPITA Business Hub 2022.

The Federal Board of Supreme Audit

The Federal Board of Supreme Audit (FBSA) of Iraq was founded in 1927. It is a financially and administratively autonomous entity. In accordance with Article 103 of the Iraqi Constitution of 2005, it is the highest financial oversight authority, which reports to the Iraqi Council of Representatives.

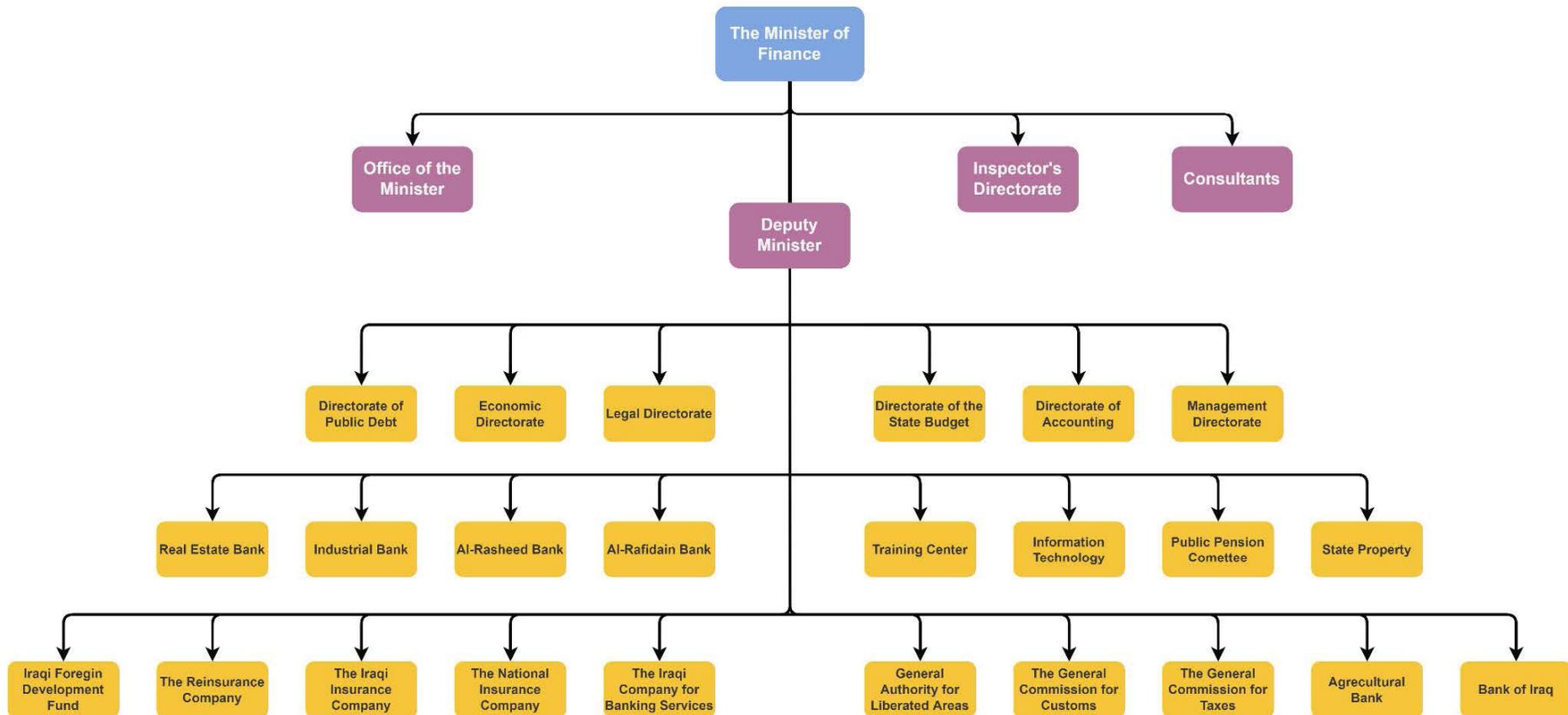
The main responsibilities of the FBSA include:

- Controlling and auditing the finances of parties subject to oversight and ensuring compliance with financial rules, regulations, and directives.
- Through audits and performance evaluation, finding evidence of corruption, fraud, waste, mismanagement, and inefficiency in the receipt, expenditure, and management of public funds.
- Examining and reporting on the spending effectiveness and usage of public funds as mandated by the national legislative authority.
- Reporting all allegations of corruption, fraud, waste, improper use, or inadequacy in the expenditure or usage of public funds to the General Inspector of the relevant Ministries or, if considered appropriate, directly to the Integrity Commission.
- Implementing mechanisms and processes to serve as Iraq's highest auditing body.
- Providing technical assistance in the audit and control domains (FBSA, 2017).

The Iraqi Ministry of Finance

The Iraqi Ministry of Finance was established in 1920; it is responsible for overseeing all elements of Iraq's public finance and banking laws. The Ministry of Finance's mission is to lay the groundwork and set the direction for the state's financial planning, to define the broad and detailed framework for the financial plan's elements within the context of the state's overall policy and development projects, and to organize the means for implementing the plan (MoF, 2022).

The Organizational Structure of the Ministry of Finance



Source: The Iraqi Ministry of Finance, 2022. Copyrights: KAPITA Business Hub 2022.

The Ministry seeks to accomplish its objectives by taking the following actions:

- Managing and regulating state money and ensuring their safe disposal, including maximizing available cash flow for investment purposes or selecting the characteristics and components of usage.
- Banking and insurance administration and regulation, as well as the linkage of credit and insurance programs to the state's financial and development plans.
- Governing the public treasury and expanding its sources.
- Directing and improving the system of customs taxes.
- Developing civil service and retirement legislation in accordance with the state's overarching civil service, public service, and social security policies.
- Advising state agencies and the public sector on financial, monetary, credit, banking, and insurance matters and training accounting and financial staff to ensure the precise and efficient use of accounting systems.

The Central Bank of Iraq

According to the Central Bank Law No. 56, issued in March 2004, the Central Bank of Iraq is the national bank of Iraq. The bank's main headquarters is located in Baghdad and has four branches in Basra, Mosul, Sulaymaniyah, and Erbil.

Article 103 of the Iraqi constitution declares the CBI financially and administratively independent of the government (The Iraqi Constitution, 2005). It is responsible for setting monetary policy, issuing and managing national currency and foreign reserves, and monitoring and auditing the activity of local banks. It is the official representative of Iraq in international financial and monetary institutions, including the IMF and the World Bank. It also determines money supply and demand by establishing interest rates. The CBI also receives oil sales deposits, manages the state's financial reserves, and controls the value of the national currency (CBI, 2004).

The Finance Committee

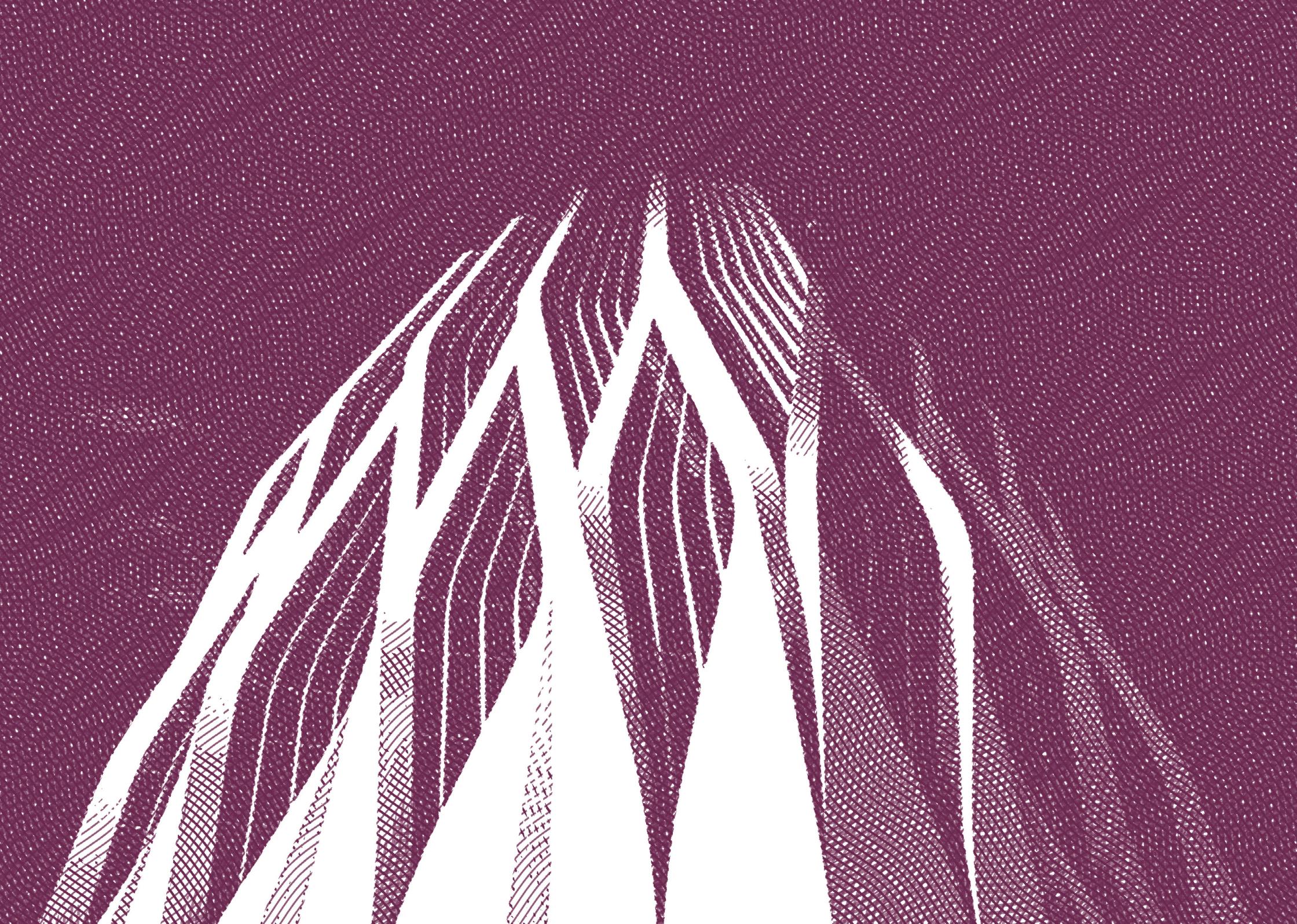
The Finance Committee is one of the committees within the Iraqi Council of Representatives. It is composed of at least five members, including the President, the Secretary-General, the Director-General, or the Director of the Chamber. It discusses the speculative budget and the final budget in the light of the Chamber's financial policy and submits its recommendations to the Council of Representatives. Its main duties include:

- Review the state's public budget and debate its components.
- Proposing legislation on customs, taxes, and fees.
- Monitoring of banks, credit, loans, and insurance.
- Supervising the preparation of the Council of Representatives' budget.
- Monitoring the debt relief and restitution placed on the Iraqi people.
- Follow-up on the fiscal policy by the different ministries and state Institutions (The Council of Representatives, 2007).



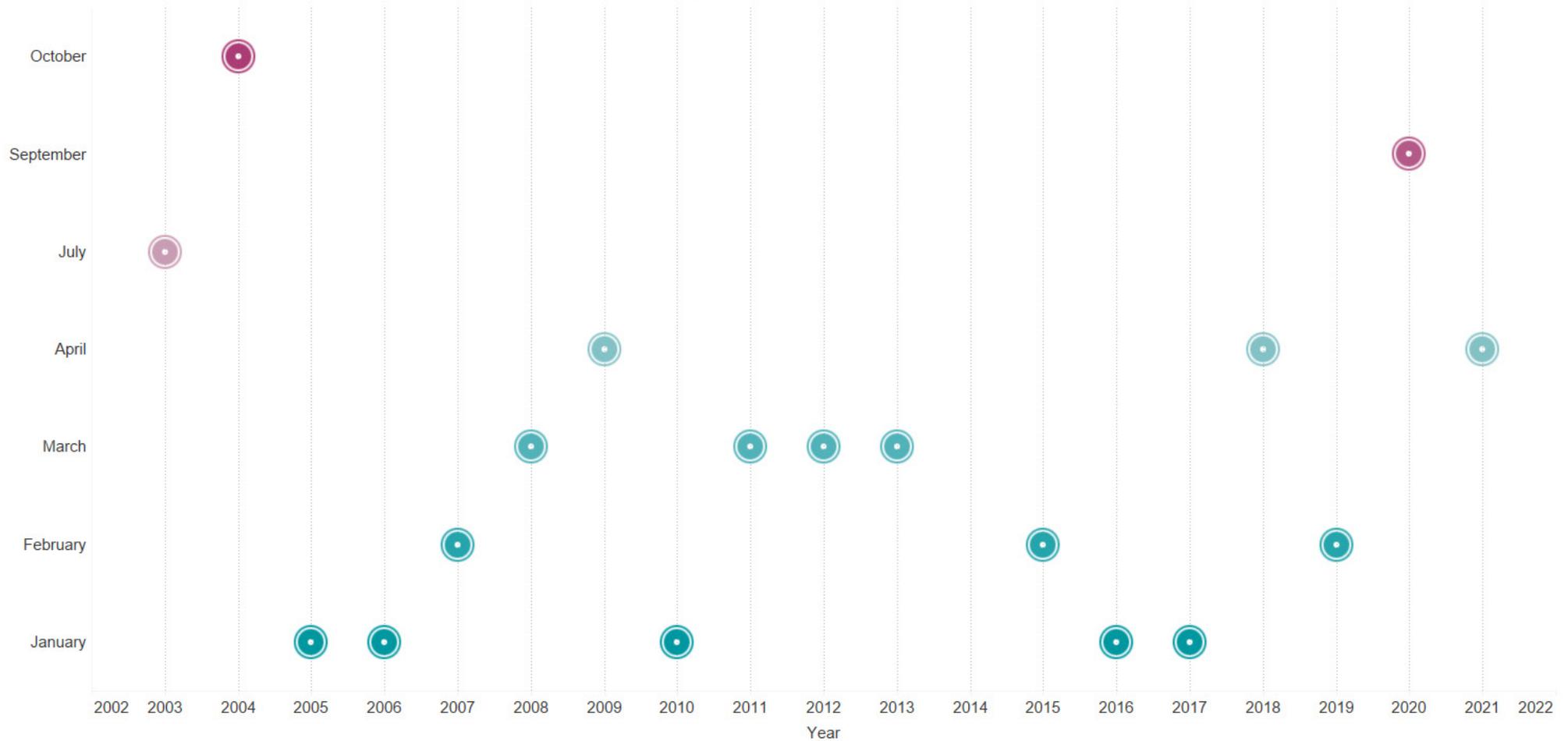
Iraqi Public Budget Expenditures





The Iraqi public budget for 2021 was approved on the 8th of April of the same year. The budget exhibits 129 trillion IQD (88 billion USD) in expenses and a record deficit of 28 trillion IQD (19 billion USD). 87.3% of the proposed budget income is derived from oil revenues (CBI, 2021a).

Budget Approval Dates



Source: Ministry of Finance and Coalition Provisional Authority (CPA). Copyrights: KAPITA Business Hub, 2022.

When reviewing the 2021 public budget's expenditures, certain numbers stand out. First, the Council of Ministers received the largest allocation among the major governmental institutions, accounting for 6.334% of the entire budget (35,220 billion IQD).



Public Budget Expenditures for 2021 (Percentage of Total Budget)



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

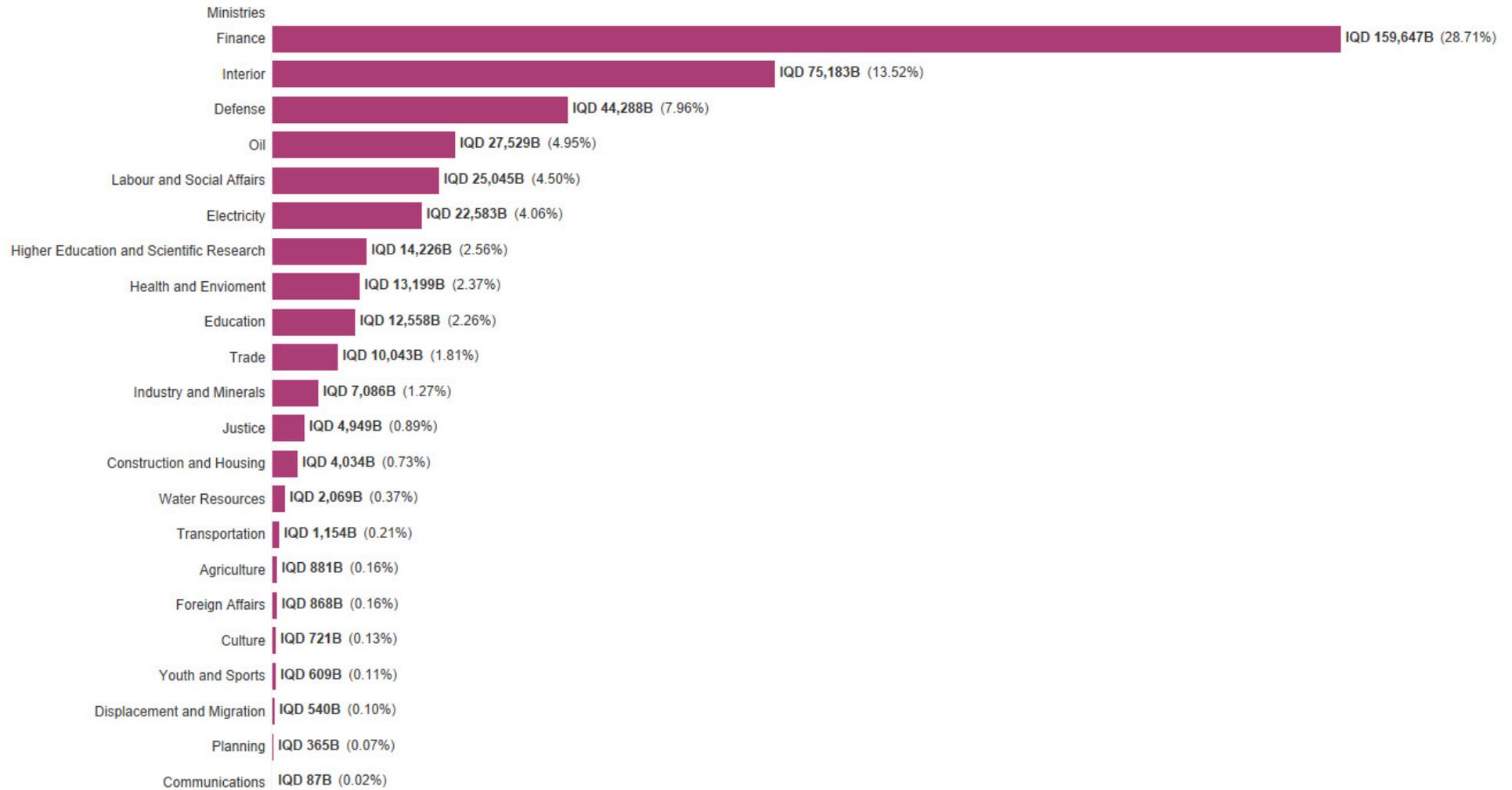
Second, the allocations of the public budget appear to be unbalanced across the Iraqi ministries. For example, the Ministry of Finance and the Ministry of Interior receive significantly higher allocations compared to the remainder, with a designated 28.71% and 13.52% of the total budget, respectively.

Meanwhile, the ministries that are indispensable to the people's vitality and quality of life appear to be neglected; the Ministries of Agriculture, Transportation, and Water Resources were allocated 0.16%, 0.21%, and 0.37% of the total budget, respectively, all of which are sectors in dire need of attention from the government.¹

¹ More information regarding agriculture, transportation, and water resources can be found in KAPITA's previously published research papers and reports.

Public Budget Expenditures for Ministries in 2021

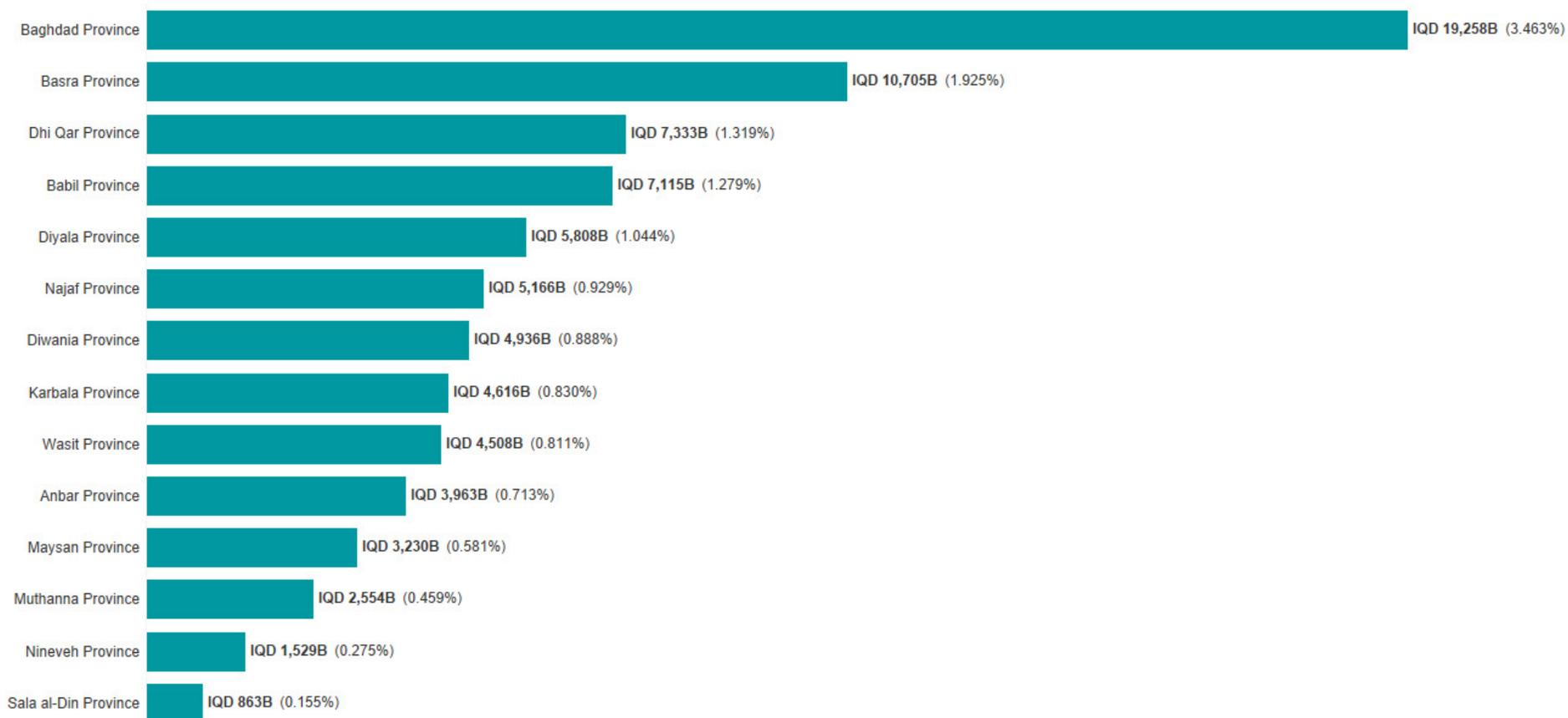
(Percentage of Total Budget)



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

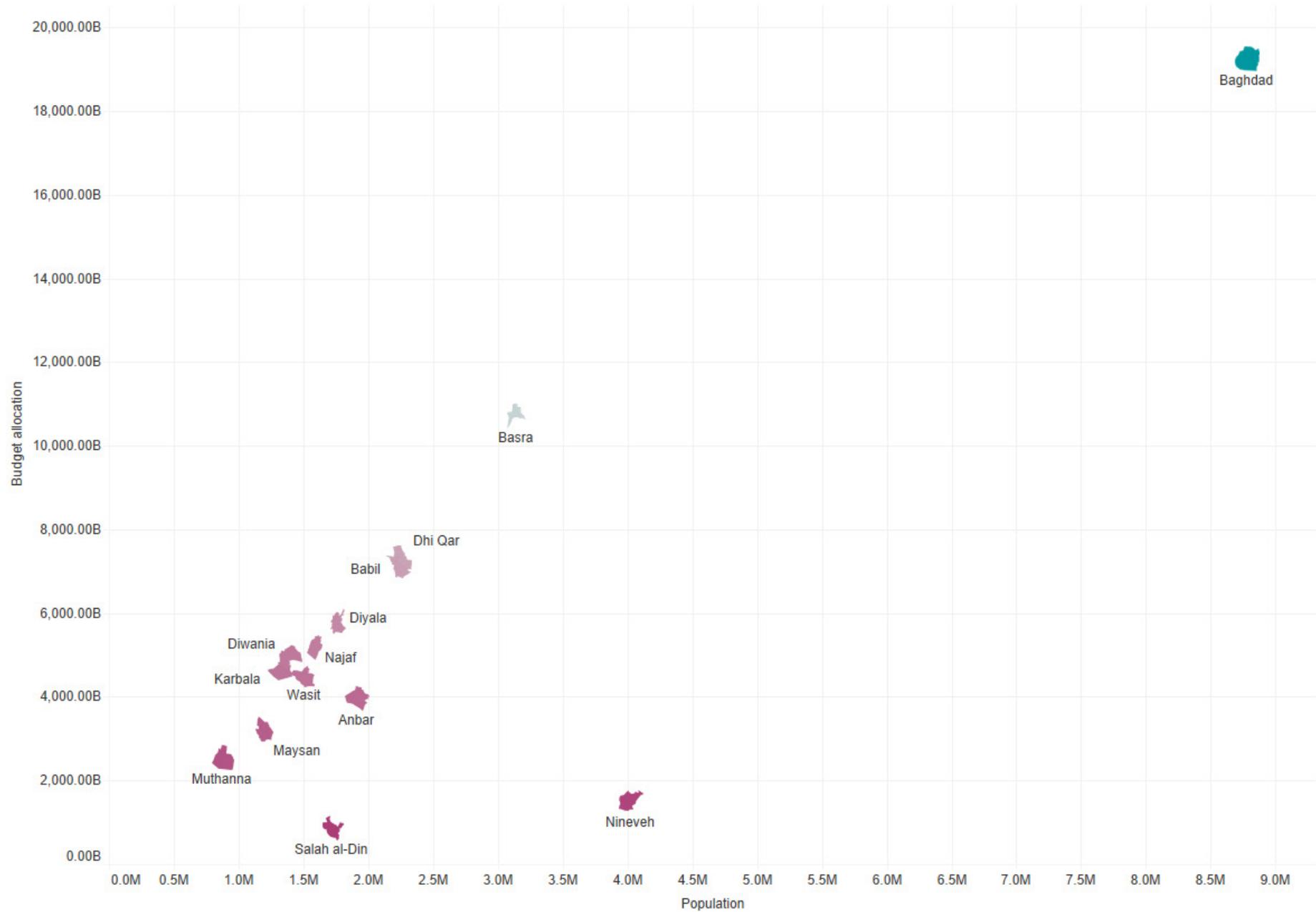
In terms of provinces, Baghdad received the largest share of spending, reaching 19,258 billion IQD (3.463% of the total budget). It is unfortunate to witness that the provinces that have suffered the most as a result of the Islamic State's invasion have not been given enough consideration; Nineveh and Salah Al-Din, the provinces that incurred the most damage, received only 0.275% and 0.155%, respectively, of the total budget, the least amount amongst all the provinces

Public Budget Expenditures for Provinces in 2021 (Percentage of Total Budget)



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

Budget Allocation by Governorate



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.



State-Owned Banks

SOBs are the banks under the governance of the Iraqi Ministry of Finance and the CBI. SOBs have the public sector as holders of their deposits and extenders of credit. Furthermore, they also deal with the private sector's loans and deposits. As a result, SOBs own 78.6% of the banking sector's assets, control 84% of cash credit extended, and have 87% of the total deposits. This could be because of their extensive branch network throughout the country (as they currently constitute 45.5% of total bank branches in the country) as well as the fact that they are government-guaranteed. However, they constitute only 9% of the total number of banks in the country (7 out of 74 banks) (CBI, 2021a).

Name	Year Founded	Equity Capital (IQD)
Agricultural Cooperation Bank	1935	100.6 Billion
Al-Rafidain	1941	226 Billion
Industrial Bank	1941	175 Billion
Real Estate Bank	1948	50 Billion
Al-Rasheed	1988	50 Billion
Trade Bank of Iraq	2004	3.546 Trillion
Al-Nahrain Islamic Bank	2015	150 Billion

Following years of IMF pressure and demands, the Ministry of Finance is implementing SOB reform, beginning with Al-Rafidain Bank, one of Iraq's oldest and largest Iraqi banks. These restructuring plans have been in place since 2006 but have only recently been implemented (Al-Tarafi, 2021).

This propulsion has been set forward following the United Nations' (UN) Security Council Committee's decision of the removal of Al-Rafidain Bank from their "list of Individuals and Entities subject to the assets freeze set out by paragraphs 19 and 23 of Security Council resolution 1483 (2003) adopted under Chapter VII of the Charter of the United Nations" on December 16th of 2020 (UN, 2020).

The plan includes the appointment of a new board of directors and the separation of the bank from the Ministry of Finance. This proposal will also result in an increase in the bank's capital, which is currently 226 billion IQD, dwarfed by the bank's massive deposits (most of which are government-owned), which total 30-40 trillion IQD. These changes would allow the bank to obtain flexibility in its foreign dealings and help it overcome the sanctions imposed due to the actions of the previous regime (Al-Tarafi, 2021).

This approach will also challenge the Trade Bank of Iraq's (TBI) dominance over the banking sector since the government relies on it as the sole window through which it can conduct foreign dealings. Creating a strong competitor will improve the health of the Iraqi banking sector (Al-Tarafi, 2021).

More recently, Al-Rasheed bank has also been removed from the Security Council's list of economic sanctions on the 18th of April 2022. This step would lead to the restoration of the global banking system's and international financial markets' trust in the bank, as it has removed one of the major obstacles that have been in place (UN, 2022).

Private
Sector-Owned
Banks



The majority of banks in Iraq are privately owned, accounting for 90.5% (67 out of 74 banks) of the total number of banks. While SOBs control the majority of the banking sector's assets (which consist of everything the bank owns or is owed, including the cash in its vaults, bank branch buildings, government bonds, and numerous financial products, with the biggest proportion of assets entailing loans) PSOBs make up the vast majority of the banking sector's capital, accounting for 75.5%, owing to their greater number and adherence to the central bank's directive of having a minimum capital of 250 billion IQD (CBI, 2021a).

However, as previously stated, these banks are heavily overshadowed by SOBs, accounting for only 13% of total deposits, 16% of extended cash credit, and 21.4% of the banking sector's assets (CBI, 2021a).

Name	Year Founded	Equity Capital (IQD)
Bank of Baghdad	1992	250 Billion
Commercial Bank of Iraq	1992	250 Billion
Iraqi Middle East Investment Bank	1993	250 Billion
Investment Bank of Iraq	1993	250 Billion
Basrah International Bank for Investment	1993	75 Billion
United Bank for Investment	1994	300 Million
National Bank of Iraq	1995	250 Billion

Name	Year Founded	Equity Capital (IQD)
Credit Bank of Iraq	1995	250 Million
Dar-Al Salaam Investment Bank	1999	150 Billion
Babylon Bank	1999	250 Billion
Economy Bank for Investment & Finance	1999	252 Billion
Sumer Commercial Bank	1999	250 Billion
Gulf Commercial Bank	2000	300 Billion
Al-Warka Bank for Investment & Finance	2000	105.1 Million
Mosul Bank for Development & Investment	2001	252 Billion
North Bank for Finance and Investment	2004	300 Million
Union Bank of Iraq	2004	252 Billion
Ashur International Bank for Investment	2005	250 Billion

Name	Year Founded	Equity Capital (IQD)
Al-Mansour Bank for Investment	2006	250 Billion
Iraq Trans Bank	2006	264 Billion
Region Trade Bank for Investment and finance	2007	250 Billion
Al- Huda Bank	2008	250 Billion
Erbil Bank	2010	265 Billion
International Development Bank for Investment and Finance	2011	250 Billion
Hammurabi	2020	201 Billion



Electronic Banking and Payment in Iraq





The global community is undergoing a paradigm shift toward an electronic world. In an era of digitization, due to the numerous advantages that electronic payment provides, it is a prominent and critical aspect. For instance, as a result of people's efforts to minimize contact with others during the pandemic, digital payment usage surged in 2020. It is anticipated that by 2024, digital wallets will account for 51.7% of worldwide e-commerce transactions (Fiserv, 2021). From increasing transparency and security to lowering costs and expanding financial inclusion, e-payment is a vital tool in today's modern society.

Following 2003, the CBI began its efforts to reinvigorate the Iraqi banking sector to match the evolving global banking scene. With a gradual transformation, the CBI started implementing the Cash Automated Clearing House and the Real-Time Gross Settlement System in 2006 to replace manual operations. In 2007, a partnership was established between the public sector (Al-Rafidain and Al-Rasheed banks) and the private sector entity Iraqi Electronic Payment Systems to create QiCard, which is currently used to deliver public pensions to over 7.4 million Iraqis (KAPITA, 2020a).

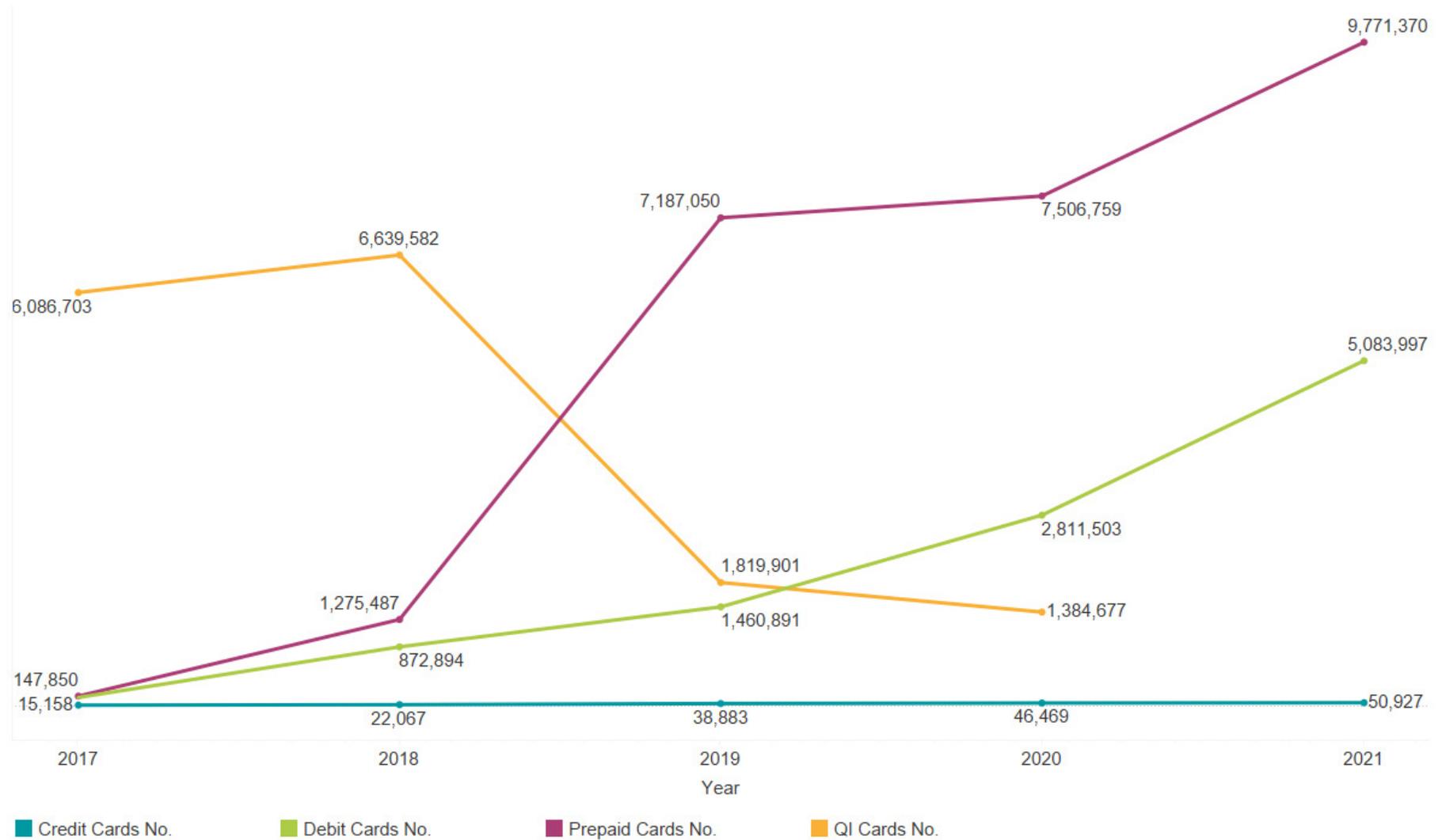
In 2014, regulations governing retail payments were introduced. The first transaction occurred in 2016 when the CBI implemented the Iraq Retail Payment System Infrastructure, which included a mobile payment system and the Iraqi National Retail Switch. This infrastructure enables transactions between e-payment providers and banks via points of sale (POS) and automated teller machines (ATMs).

Furthermore, the CBI authorized mobile wallets such as ZainCash and AsiaHawala in 2016 as well, which proved to be very beneficial during the trying times of COVID-19 as government grants were received through them. They also enabled online shopping and elevated the use of e-commerce platforms (KAPITA, 2020a).

The number of issued electronic cards has grown since 2017. Prepaid cards, in particular, have grown exponentially in popularity, with over 9.7 million cards issued by the end of 2021. This seeming preference is due to the ease of their use and the simplicity with which they can be obtained without the requirement to create a bank account.

It is interesting to note that the number of issued QiCards is declining; this may be due to the fact that in 2019, the Ministry of Finance has shifted from using the prepaid QiCard to roll out pensions to using the MasterQi card, which is a debit card issued with authorization from MasterCard. The Ministry has stated that it would continue to distribute pensions into existing QiCards, and changing the card will not be necessary. However, all newly issued cards will be MasterQi cards (Qi Card, 2019).

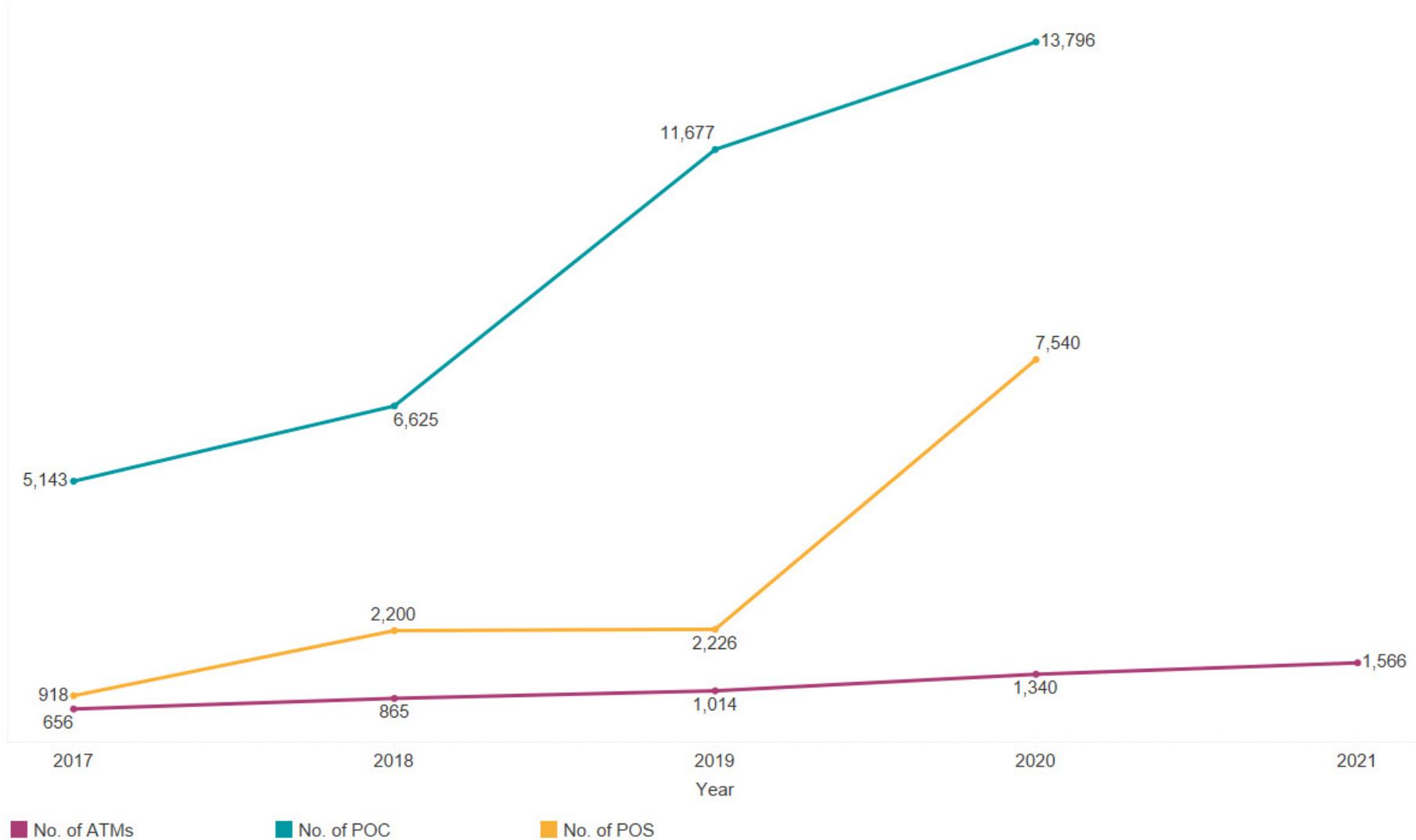
Electronic Card Numbers



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

At the same time, banking solutions are lagging behind the ever-growing quantity of electronic cards. ATMs and POS terminals are not expanding at a rate that facilitates the convenience associated with electronic payment options. Rather than that, it creates an imbalance and necessitates the cardholder to withdraw cash to enable daily transactions.

Banking Solutions



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

Meanwhile, the significant increase in Points of Cash (POC) is consistent with the increase in debit cards, particularly QiCards. These POC reflect several points distributed throughout the country, be it a small store or a currency exchange location, equipped with a device that reads QiCards and enables cash withdrawals for its holder.



Digital Payment Systems



AsiaHawala

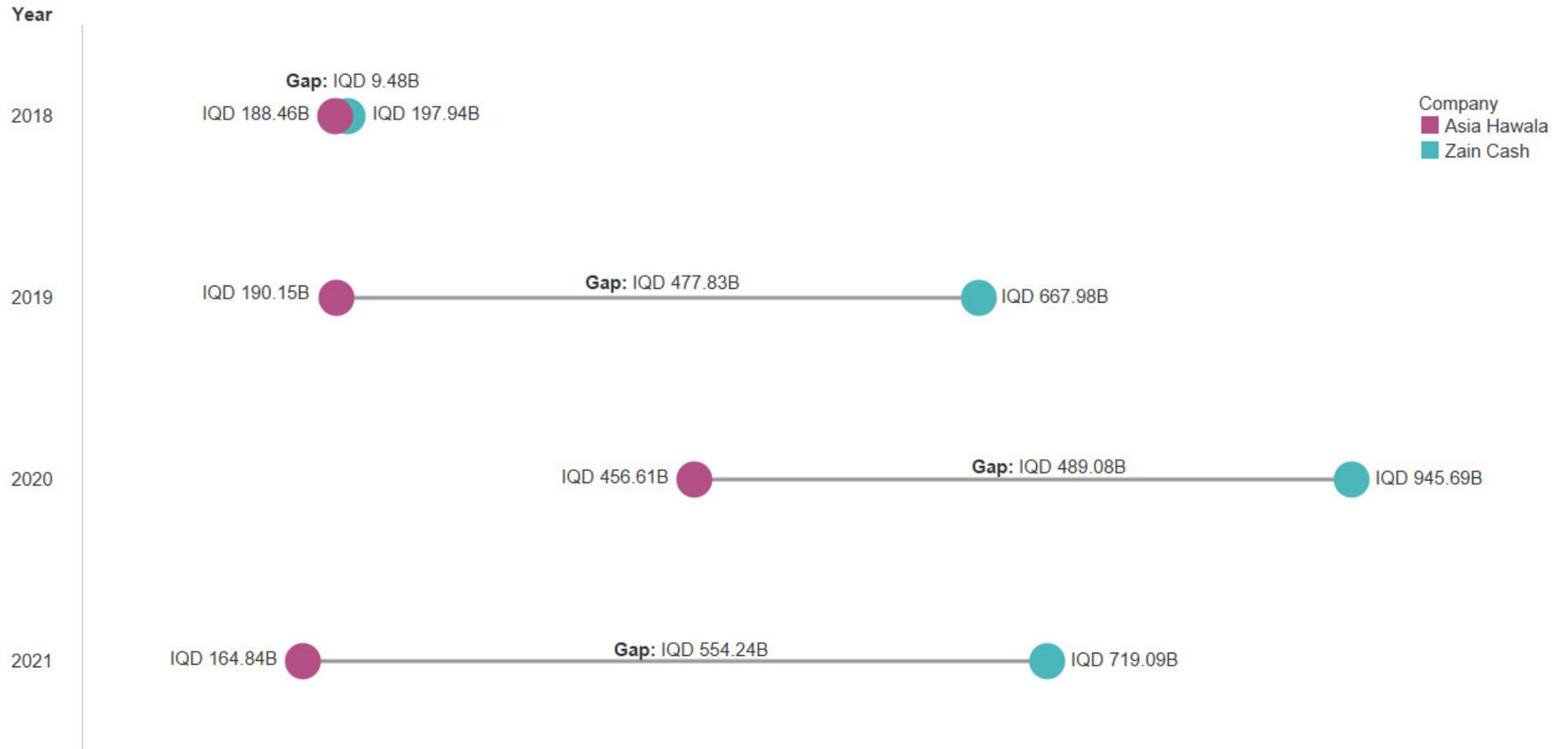
Is a multifaceted payment service provider that was established by Asiacell Telecommunications toward the end of 2015. It offers several services, including money transfers, transactions, bill payments, salary disbursement, and online shopping payments. It features a variety of wallets to meet the needs of its customers, including a temporary wallet that is valid for up to two months, a permanent one, and an excellence wallet for businesses (AsiaHawala, 2022). During the pandemic, AsiaHawala distributed government-issued emergency grants; they would send a message to recipients instructing them to pick up their funds at the nearest AsiaHawala location (AsiaHawala, 2020). AsiaHawala has had over 527.9 thousand transactions valued at 164.8 billion IQD in 2021 (CBI, 2021a).



ZainCash

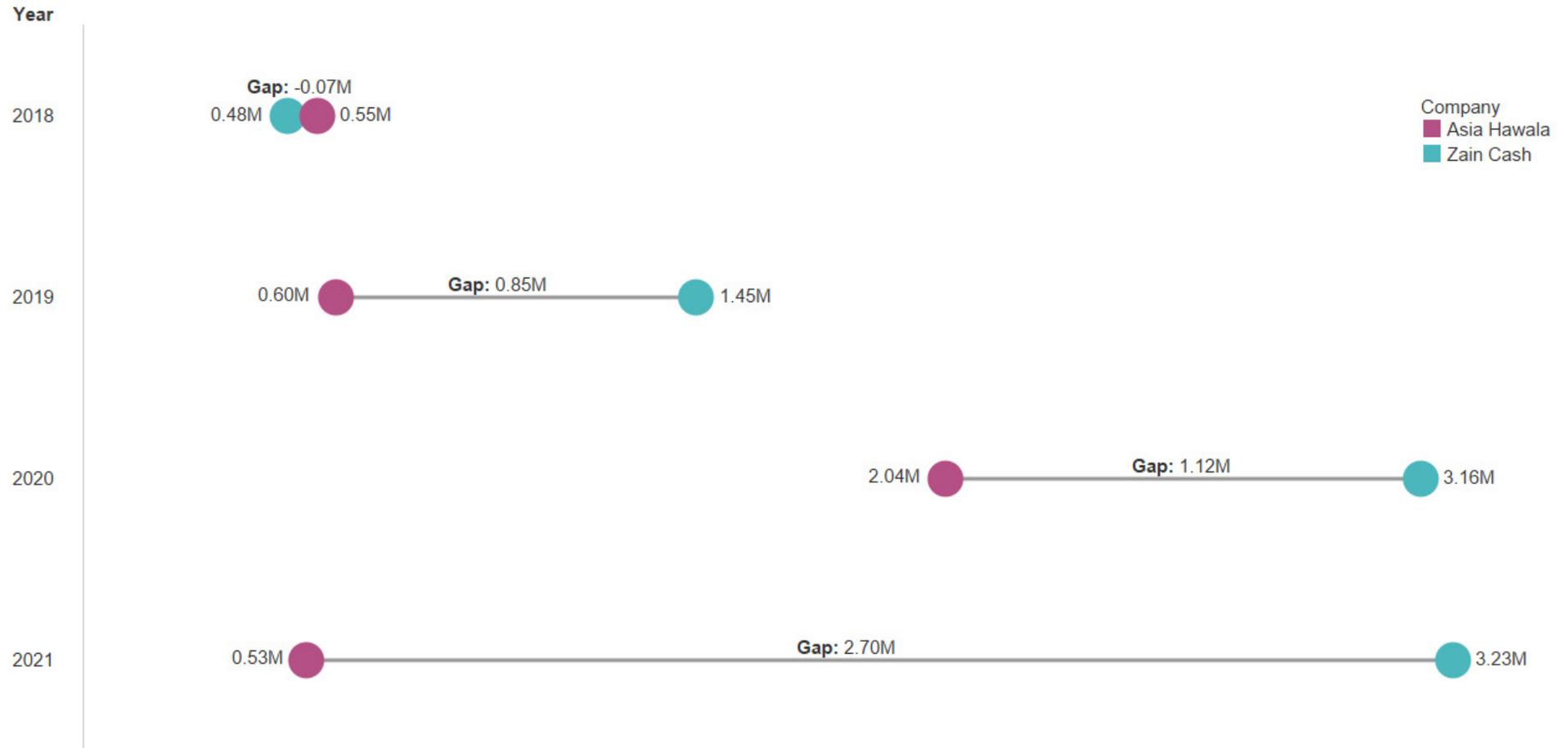
ZainCash is Iraq's leading mobile payment operator, with over 3 million transactions valued at 719 billion IQD in 2021 (CBI, 2021a). The firm, which was founded in 2015, is leading the market with its innovative solutions. The wallet allows the user to link their bank accounts, facilitating easier top-ups and more efficient financial management. Visa and Master cards may also be attached to the wallet to top it off. To assist all physical and online payments, ZainCash also provides the option of issuing a wallet MasterCard and their new virtual renewable Visa Card. It also supports money transfers, mobile phone recharges, and payment of government bills. ZainCash was also responsible for the distribution of the government-issued emergency grant handed out during the pandemic. ZainCash has also added the option of using QR codes to pay merchants and cash out from agents (ZainCash, 2022).

Transactions Value of Electronic Mobile Payment



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

Number of Transactions of Electronic Mobile Payment



Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.



Qi-Card

QiCard was founded in 2007 as a joint venture between the commercial sector, represented by Iraqi Electronic Payment Systems, and the public sector, represented by Al-Rafidain Bank. For over a decade, QiCard has been distributing biometric identity cards to citizens and delivering electronic banking services in Iraq. Prepaid cards issued by the corporation are among the most extensively used in the country, as they are one of the primary methods for the government to distribute pensions to the retirees and salaries to the employees.



Blue Pay

Blue, also known as Ishtar Gate, is a private shareholding company registered in Iraq in 2020. It is licensed to provide comprehensive services to enable Iraqi banks to implement all electronic payment projects, both technically and commercially, such as issuing and managing credit, prepaid, and debit cards, operating, installing, and managing ATMs, POS, and services to control operations and combat fraud. Most recently, they have launched, in partnership with Visa International, their new “Blue Platinum” card, which is the first multi-currency platinum prepaid card in the Middle East and Africa.



APS

Arab Payment Services is a privately held Iraqi company specializing in electronic payment and banking services. It is licensed to issue payment cards by both the CBI and MasterCard International. It is the first corporation in Iraq to have a local division and database dedicated to ensuring the confidentiality of data and information and preventing their leakage outside of Iraq. APS provides payment processing services to merchants, retailers, government agencies, banks, and other businesses, as well as other payment services through a diverse product portfolio. Among these services are the issuance of MasterCards, the provision of POS equipment, and an e-payment gateway.



NassPay

NassPay, founded in 2015 in Erbil, is a provider of online and offline payment solutions. The company offers merchant clients dependable and secure payment solutions that enable them to extend their customer base across the country. It provides alternative financial options to Iraq’s predominantly unbanked population, such as their multi-purpose MasterCard.



Switch

Iraq Electronic Gate for Financial Services Company (SWITCH) was established in 2016 with the mission of conducting, offering, and facilitating electronic payment services throughout the country. SWITCH is registered in Iraq as a national company and is licensed as an electronic payment service provider by the Central Bank of Iraq (CBI) under License No. 4, pursuant to the terms of Law No. 56 of 2004. SWITCH is also licensed by Mastercard International and Visa International, as well as MoneyGram as a primary dealer of international remittances. Their services include issuing cards, ATM and POS acquisition and management, money transfers, transaction processing, banking, licensing, compliance, and anti-fraud services.



neo

Founded in 2018 and headquartered in Baghdad, Neo is part of INC, a registered Iraqi company that holds a license to practice business in electronic payments from the Central Bank of Iraq No. (7) according to the Central Bank of Iraq Law No. (56) for the year 2004. The company provides virtual and physical prepaid VISA cards linked to their digital mobile app.



FastPay

Fast Pay is an e-payment service provider that was established in Kurdistan's Erbil in 2017. Through their mobile application, Fast Pay provides payment solutions for both personal and business usage. The service allows customers to deposit and withdraw money by visiting any of Fast Pay's stores or agents. Other services include online shopping, Internet recharge, and receiving money directly through their mobile wallet.



First Iraqi Bank

First Iraqi Bank (FIB) is the first bank in Iraq to begin operations using only digital technology. All its financial services are compliant with Islamic banking rules. It is Developed by ICS Financial Systems Limited (ICSFS) in 2021, the FIB application enables the user to quickly create a bank account using only their phone and ID. It provides several financial services, including online payments and money transfers within Iraq, as well as management of personal and business finances. The FIB currently operates only in Kurdistan region of Iraq.



Iraqi Dinar Devaluation





Causes

Iraq is the world's third-largest oil exporter, with oil income accounting for over 90% of the country's gross domestic product, a level of dependence that exceeds that of other MENA oil-exporting countries. Iraq and other members of the Organization of the Petroleum Exporting Countries saw a decline in oil prices before the end of 2019 (OPEC).

This drop was worsened further by the COVID-19 epidemic and the ensuing global quarantines. Oil averaged 68 USD/barrel in 2019 but plummeted to 21 USD/barrel by mid-2020, before rising slightly to 49 USD/barrel by the end of the year. In 2020, the average price per barrel was 38.7% lower than in 2019. Iraq's GDP declined by 11% in 2020, according to the International Monetary Fund's latest estimations, making Iraq the worst-affected OPEC member in terms of budget constraints (WFP, 2021).

Between 2014 and 2020, payroll expenses increased by around 60%. Payroll expenditure (wages and pensions) accounted for around 122% of projected oil income in 2020, compared to 88% in prior crises. The substantial disparity between essential expenditures and anticipated income would result in a massive budget deficit (The White Paper, 2021).

As a result of this, and to close the shortfall produced by rising budget inflation in 2021, the Iraqi government was compelled to reduce the Iraqi dinar's value against the US dollar from 1,182 IQD to 1,450 IQD when selling to the Iraqi Finance Ministry, 1470 IQD to the general public, and 1,460 IQD to other banks (Kullab, 2021).

Impact

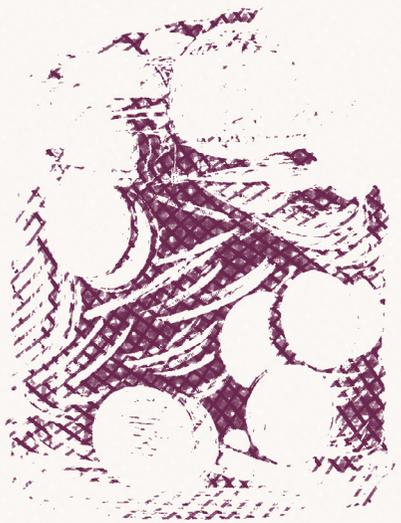
The upside of the dinar depreciation is that domestic products will become more competitive against imports. Particularly given that the majority of imports come from Turkey and Iran, two nations that have had their exporting abilities bolstered by their currency devaluations (World Bank, 2021). Additionally, this depreciation has resulted in the government saving almost 23% of its fiscal budget in terms of payroll costs; due to the fact that state employees and pensioners are paid in Iraqi dinars, and oil revenues are received in US dollars, this devaluation has enabled the government to maintain the same level of wages without cutting them to save the economy, despite the fact that doing so would have the same effect. Finally, the devaluation resulted in an increase in the Central Bank's reserves, which rose from 15 billion to 65 billion USD (Al-Dabagh, 2021).

On the downside, even with the government's capacity to make wage and pension payments, the devaluation step's biggest disadvantage is the increase of import prices for critical commodities and raw resources, resulting in an immediate rise in national inflation (WFP, 2021). The Central Bank's governor, Mustafa Ghaleb, indicated that the bank is prepared to initiate a package of initiatives targeted at attaining a healthy exchange rate balance in 2021. These include beginning a three-trillion-dinar plan to aid individuals with limited incomes, increasing the market's supply of hard currency, and increasing interest rates on Iraqi dinar-denominated bank accounts (Zidane, 2020).



Recent Developments





Salary Domiciliation

The salary domiciliation project was launched in February 2017, attempting to pay state employees' salaries using cards issued by Iraqi banks. The project's objective is to minimize the cost of payroll and reserve cash within the banking system. Workers who have access to a bank account can use all ATMs and points of sale in the nation and overseas, as well as any other financial services offered by banks (CBI, 2018).

A list of banks participating in this initiative is illustrated below.

State-Owned Banks

Al-Rafidain	Al-Rasheed	Trade Bank of Iraq
Agricultural Cooperative Bank	Industrial Bank	Al-Nahrain Islamic Bank

Private Banks

Middle East Bank	Region Trade Bank	Asia Al-Iraq Islamic Bank	Altaif Islamic Bank	Union Bank of Iraq
Trust Int. Islamic Bank	Islamic World for Investment and Finance	Al-Mustashar Islamic Bank	Mosul Bank for Development & Investment	National Bank of Iraq
Meab Bank	Al-Mashreq Al-Arabi Bank	Ameen Al-Iraq Bank for Islamic Investment and Finance	Al Janoob Islamic Bank	Iraqi Islamic Bank
Rajih Islamic Bank	Byblos Bank	Erbil Bank for Investment and Finance	Bank of Baghdad	Investment Bank
Iraq Noor Islamic Bank	Gulf Commercial Bank	Al-Mansour Bank for Investment	Al Qurtas Islamic Bank	Ashur International Bank

Among the benefits of this initiative is the added security provided by using cards rather than cash. It enables cashless payroll and provides increased deposits and liquidity to the banking sector, which in turn improves investment opportunities.

Additionally, it promotes competition among banks to provide the best services to their customers, as employees have the right to choose which bank to deal with. Finally, it prohibits fraud and double salaries within government institutions, effectively eliminating opportunities for corruption (KAPITA, 2021b).

Banking Sector Assets, Deposits, Capital, and Credit

The assets of the banking sector developed and increased, reaching 159.4 trillion IQD in 2021, with a growth rate of 15.1% over the year 2020, attributable to the increase in the assets of SOBs by 15.3%, from 108.6 trillion IQD in 2020 to 125.3 trillion IQD in 2021. In addition to a 20% increase in the assets of local PSOBs, a rise from 20.7 trillion IQD in 2020 to 24.9 trillion IQD in 2021.

The deposits of the banking sector increased by 13.1%, from 85 trillion IQD in 2020 to 96 trillion IQD in 2021, due to a 16.7% increase in PSOBs' deposits and a 12.6% increase in SOBs' deposits.

Banks' capital climbed by 5.5% in 2021 to reach 17.7 trillion IQD, up from 16.9 trillion IQD in the previous year.

Credit granted by governmental and private banks increased by 7.1% in 2021, reaching 80.6 trillion IQD, compared to the previous year's figure of 75.2 trillion IQD (CBI, 2021a).

CBI and the Housing Sector

In 2021, the CBI injected additional funds into the economy by launching a new 20-year, three-trillion-dinar housing financing package through the Real Estate Bank and the Housing Fund. The Real Estate Bank lending cap is 125 million IQD for properties within residential complexes with a 5% administrative commission and 100 million IQD for units outside residential complexes with a 2% annual interest rate.

The Housing Fund, on the other hand, has a loan limit of 75 million IQD for the construction of housing units or the acquisition of a housing unit from the Ministry of Construction and Housing's residential complexes through an administrative commission of 4%. This program illustrates the CBI's purpose and primary mission of maintaining financial stability in the nation and promoting improved living conditions for the Iraqi population (CBI, 2020a).

CBI and the Energy Sector

In March of 2022, the Central Bank of Iraq announced regulations for funding renewable energy electricity generation plants, enabling citizens and other organizations to acquire electricity systems powered by renewable energy using bank funds. This program is consistent with the state's directives to adhere to the resolutions of the Paris Climate Conference, as the Central Bank encourages the transition to clean energy through this initiative (CBI, 2022).

The CBI's Goal of "Promoting Digital Transformation In The Central Bank And The Banking Sector"

This is one of the five strategic goals that the CBI has set for the period of 2021-2023 in its Second Strategic Plan is, which includes:

- Completing the development of the Central Bank's technical infrastructure and that of the banking industry in conformity with international standards, frameworks, and practices of global central banks;
 - Developing and completing the technical infrastructure and data center for the future Iraqi Central Bank building at Al-Jadriya.
 - Completion of critical data centers, disaster recovery, and branch data centers' infrastructure and technology adoption
 - Completion of the optical communications network through the use of optical cable technology.
- Advancing the Central Bank's technical environment for information security and cybersecurity operational events through developing the cybersecurity management center's (SOC) tools and systems and implementing an advanced strategy (CBI, 2021b).



Investment





Due to its underdeveloped infrastructure, Iraq presents a playground for investment ventures in a variety of economic sectors.

The Iraqi banking sector is keen on fostering these sectors by addressing underlying issues and providing a suitable environment to promote both domestic and international investment.

The Central Bank, in particular, contributes to the process of sustainable development by stimulating real investment through the enhancement of bank credit activity, channeling it toward development projects, and increasing the required financing volumes.

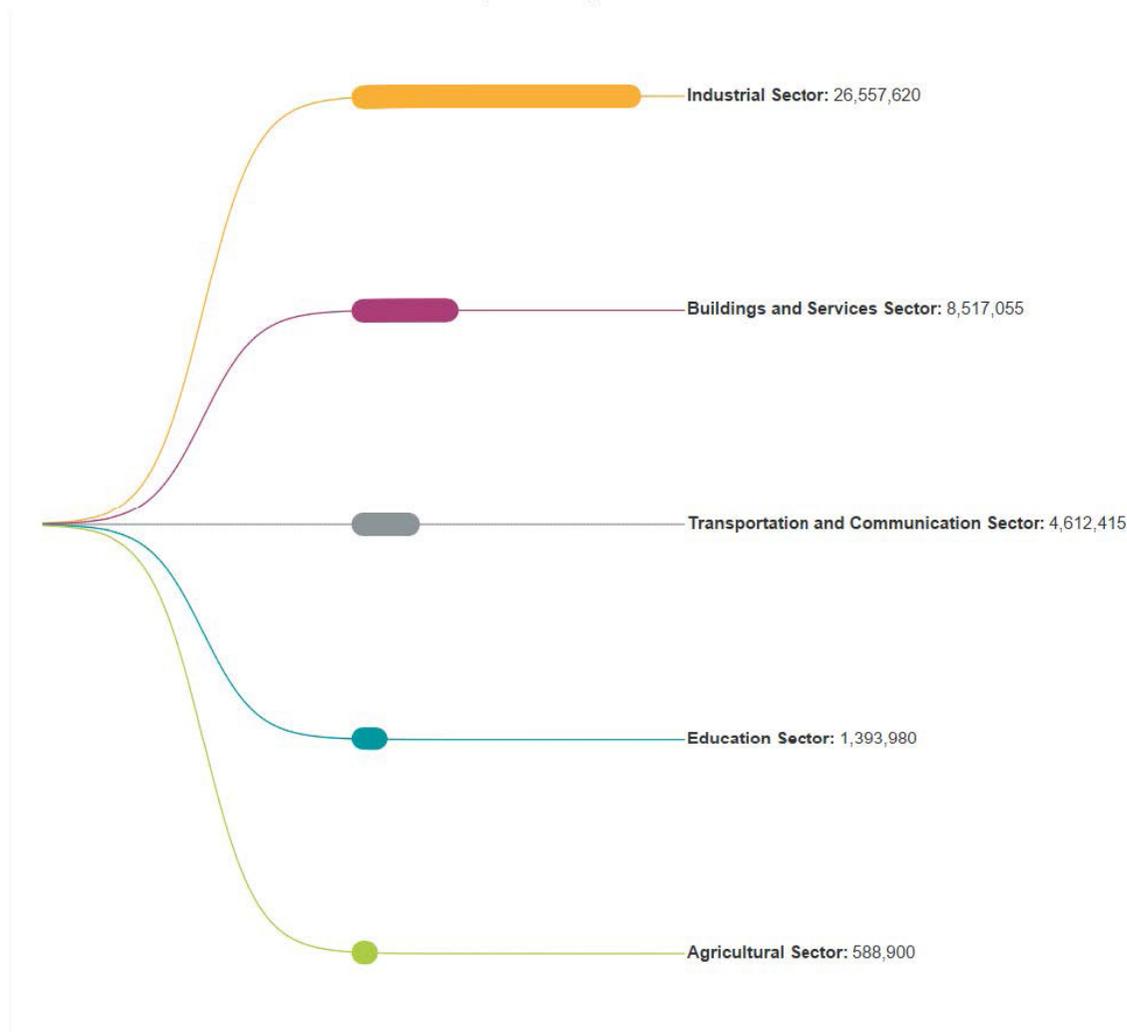
In 2021, CBI allocated around 42 trillion IQD towards the development of industrial, transportation, and a range of other sectors in an effort to tackle stagnation and encourage existing small projects.

However, it is also worth noting that the education and agricultural sectors received the least amount of the investment budget in comparison to the rest of the sectors, with approximately 1.394 trillion and 589 billion IQD, respectively.

With SOBs taking the lead in the sectoral investment scene, 2021 saw an increase of 11.4% in investment budgets from the previous year, which suffered financial ramifications brought forth by the COVID-19 epidemic. Additionally, private shared and local banks' investments skyrocketed in 2021, exhibiting an increase of around 183% and 77%, respectively, when compared to 2020.

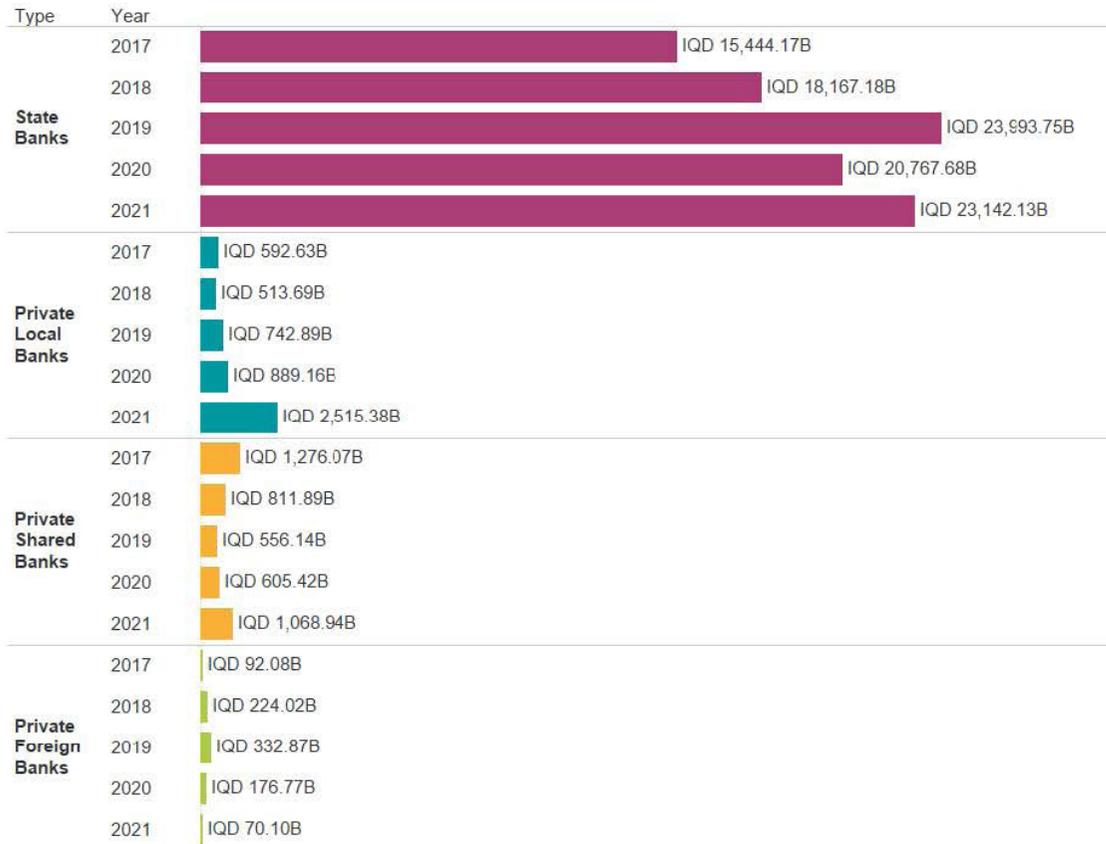
Private foreign banks investment, however, displayed a steep decline in 2021 of about 60% when compared to the previous year.

Investment Budget Expenditures by Sector (Million IQD) in 2021

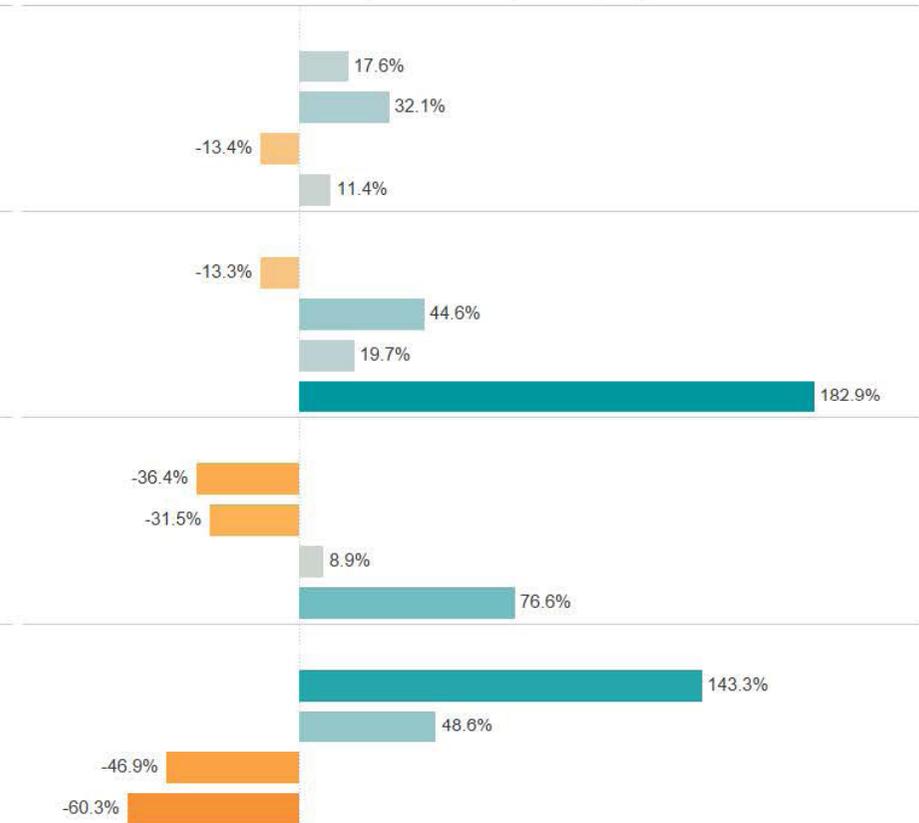


Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

Investment by Type of Banks



Change in Investment by Type of Banks (in comparison to the previous year)

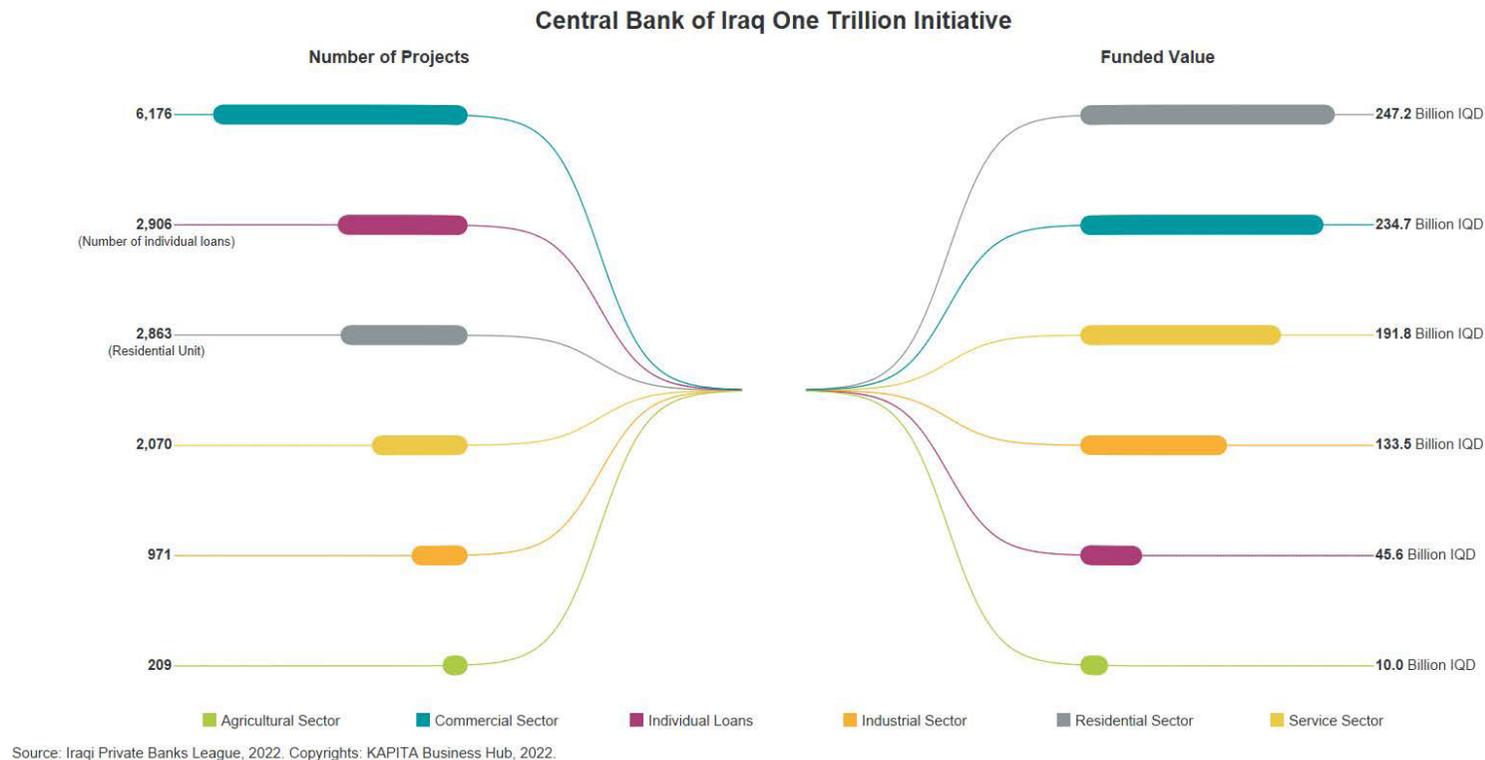


Source: Annual Statistical Bulletin, Central Bank of Iraq, 2021. Copyrights: KAPITA Business Hub, 2022.

The CBI's One Trillion Initiative

The Iraqi youth have been undergoing a fundamental transformation. As more small and medium-sized enterprises (SMEs) and startups emerge and gain popularity, the need for financial contributions increases. In response to the increasing demand, the CBI launched the One Trillion Initiative in 2015 to spark interest in establishing SMEs and contribute to the national economy's growth by supporting socio-economic development and creating employment opportunities. The number of banks participating in this initiative reached 36 in 2019. These banks are in charge of distributing the loans across the different sectors. Payments vary between 5 million and 50 million

IQD, with the possibility of increasing to one billion IQD. As stated by the CBI, the annual amount given to these banks since the start of the initiative is a total of over 98 billion IQD. 60% of this total has been allocated to the commercial sector, 25% to the services sector, 11% to the industrial sector, and 4% to the agricultural sector. Additionally, the CBI has allocated a portion of the One Trillion Initiative's funds to provide property loans based on a demand for housing developments (KAPITA, 2021b). This initiative has been a positive step forward as it has aided 3235 different projects and generated employment for no less than 5000 individuals (CBI, 2019).



Regulations for banks wishing to participate in this initiative state that the CBI can advance the bank up to, but not exceeding, 2 billion Iraqi dinars, to be allocated for loans of up to 100 million Iraqi dinars. For loans between 100 million and 1 billion IQD, the bank is entitled to an advance of the combined amount of loans that were requested, up to 5 billion IQD (KAPITA, 2021b).

The guidelines for the loans are as follows:

1. The loan payback duration is 5 to 7 years, subject to CBI clearance. When recovering the advance, if a loan has multiple terms within a single advance, the CBI will adopt the period granted for the majority of the loans.
2. The CBI allows borrowers a 6-month grace period before beginning payment on loans under 100 million IQD, and the bank must grant borrowers the same grace period.
3. The CBI gives a six-month grace period for loans between 100 million and 500 million IQD, and a one-year grace period for debts between 501 million and 1 billion IQD.
4. The CBI will automatically deduct the advance installments from the bank's open account quarterly. For loans of 1 to 20 million IQD, the CBI commission is 5000 IQD, the guarantor's interest is 6600 IQD, and the bank's interest is 2.9%. For loans between 21 million and 1 billion IQD, the commission charged by the CBI is 5000 IQD, the guarantor's interest is 6000 IQD, and the bank's interest is 3.4%. Taking into account that the bank's interest rate is optional or fixed, depending on the bank's and CBI's policies, the commission is non-refundable under all circumstances (KAPITA, 2021b).

In light of the economic struggles encountered in early 2021, the CBI has decided to cut interest rates on the one trillion IQD initiative loans in the following manner:

- Reduction of the CBI's interest for large projects to be 1% rather than 2%.
- Bank interest on residential loans will be reduced to 2% instead of 4%.
- Changing the Central Bank's commission for housing loans to be 5 per thousand instead of 7 per thousand.
- All benefits to banks and guarantor companies will be reduced (CBI, 2021b).



Major Issues



The Lack of Public Trust

Public trust is a fundamental aspect of any banking system. It allows for the system to flourish and prosper. It is the reason why, globally, banks race to provide the best services and offers to draw in depositors and investors.

The Iraqi people do not trust their banking institutions, nor do they view them as a secure place to shelter their finances. High interest rates, tremendous collateral requirements, and burdensome guarantee demands are just a few of the factors that have discouraged individuals and businesses from approaching local banks for financial services (ILO, 2021a).

Another cause of doubt is the fact that the majority of Iraqi banks were established after 2003, following many years of financial sanctions that separated Iraq from the rest of the world, as well as the bank lootings that took place after the war, which caused the loss of many people's deposits as banks were emptied of their vaults. This likely left an impression on the minds of the Iraqi people, making them wary of entrusting their money to banking institutions. Furthermore, due to the calamities that Iraqis have witnessed, with thousands of people displaced from their homes, the Iraqi individual has conceptualized that keeping their money in cash hidden safely in their homes is a guarantee for its security and availability in a time of crisis and need (ILO, 2021b)

Religious Concerns and Islamic Banks

Islamic banking encompasses the provision of financial services under the principles of Islamic sharia law. It prohibits certain aspects of traditional banking, such as interest on loans (Riba), short sales, and sponsoring activities that Islam views damaging to society (IMF, 2017). In a largely Muslim nation such as Iraq, the devout prefer to avoid entrusting their assets to conventional commercial banks due to their religious reservations. Hence, Islamic banks began to develop progressively from the founding of the first state-owned Islamic bank in 1993, namely, Al-Nahrian Islamic Bank.

However, numerous challenges impede the functioning of Islamic banks in Iraq, including insufficient expertise and the absence of an Islamic financial market. However, one of the most serious concerns is inadequate legal protection, since the Islamic Bank Law No. (42) was only enacted in 2015, without defining its instructions, which has led to inconsistency in the operation of these banks. Moreover, the subjection of Islamic banks to the CBI in terms of the proportion of legal reserves hinders funds for investment, reduces project attraction, lowers profitability, and favors commercial banks over Islamic banks in terms of competitiveness (Yas & Jameel, 2020)

Dependence on Cash

One of the greatest impediments to the growth of the banking system in Iraq is the dominance of cash in the economy. Cash is the primary store of value, be it as currency outside the banks or as reserves within them. It is also the biggest instrument of economic exchange.

In addition, the significance of cash is also tied to the stability of the economy, owing to the greater usefulness of cash during crises as well as the need to withdraw it from accounts to support spending. As a result, the relative importance of cash increases during economic calamities and diminishes during periods of economic stability (IRIS, 2022).

There is a significant lack of trust in the banking sector among the Iraqi public, which is why Iraqis prefer to hold their money in the form of cash in private safes. In regards to loans, Iraqis are much more likely to borrow money from personal connections than turn to banks for such endeavors. High interest rates, fees, and collateral required by banks are the main deterrent factors (ILO, 2021b).

One reason cash has this importance is the heavy influx of money supply resulting from the state's immense dependence on oil to generate revenue. Essentially, the money supply is generated through the creation of new Iraqi dinars by the CBI when it exchanges oil revenues received in US dollars.

Those Iraqi dinars are put into bank accounts or distributed in cash as the government pays for wages and pensions, products, services, and

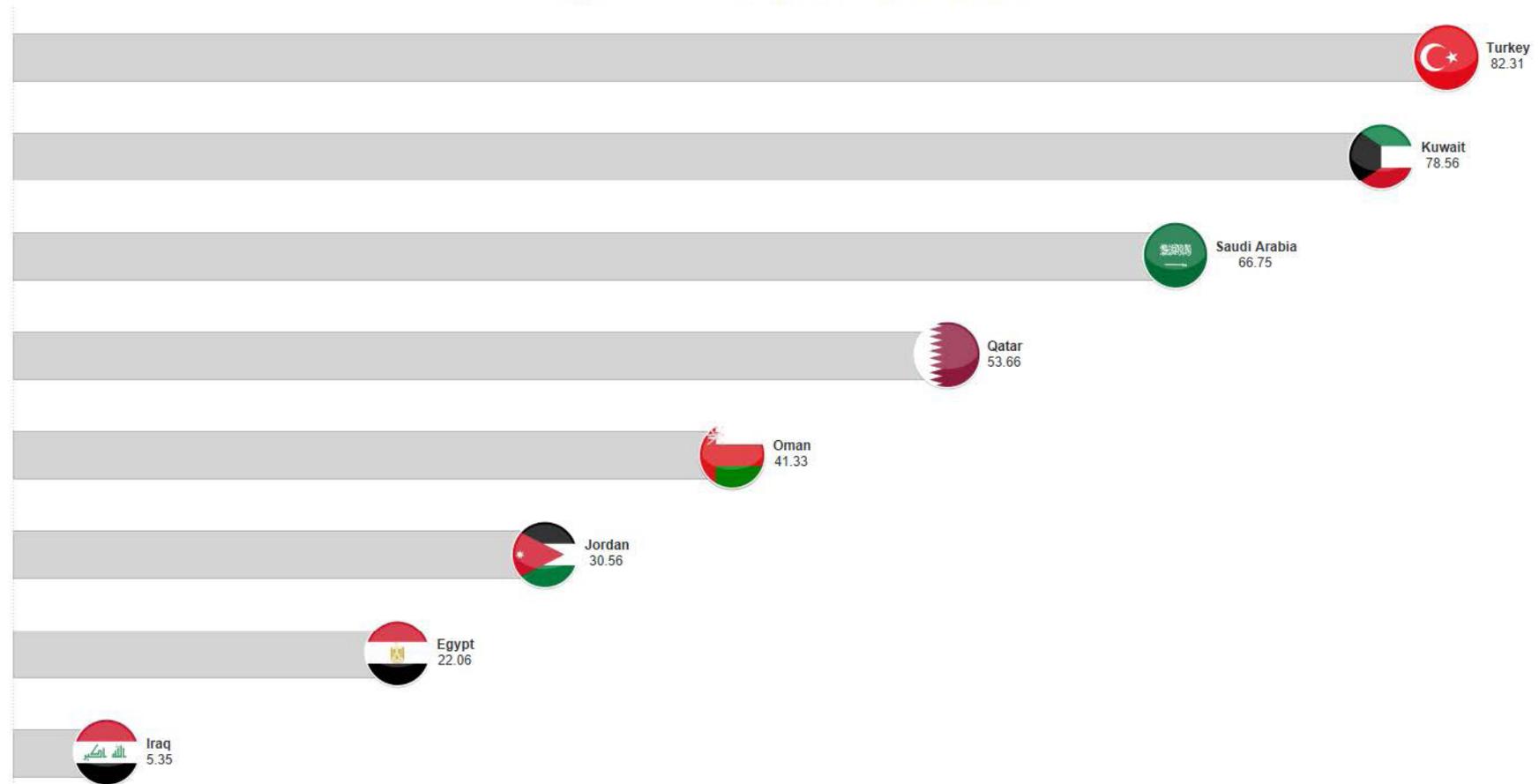
domestic infrastructure. It also comes in the form of commercial bank money through their acceptance of deposits and the issuance of credit. This issue continues to highlight the constrained role of the banking sector, especially in the formation of commercial bank money and as a means of economic exchange (IRIS, 2022).

To reclaim the public's faith in the financial sector, more incentives aimed at reducing reliance on cash must be implemented. Payments for critical public services such as energy and water, for example, can be made electronically rather than in cash. Another point of contribution is encouraging banks to enhance their services to make them more appealing to the public and expanding electronic points of sale.

Insufficient Electronic Payment Infrastructure

The increasing implementation and issuance of electronic payment cards, especially with the salary domiciliation initiative, is creating a tremendous imbalance. Since issued cards are seldom used in daily life owing to a lack of acceptability, there is pressure on salary withdrawals in cash, preventing the payroll cycle from continuing electronically (KAPITA, 2021b). This is due to an insufficient number of automated teller machines (ATMs) and points of sale (POS); their numbers are not increasing at a rate sufficient to accommodate the shift to electronic payment.

ATMs per 100,000 Adults in the MENA Region



Source: World Bank, 2020. Copyrights: KAPITA Business Hub, 2022.

To elaborate further, the ATM density per 100,000 adults was 5.35 in 2020 (World Bank, 2020). By comparison, this figure corresponded to 82.31 in Turkey, 78.56 in Kuwait, 53.66 in Qatar, and 66.75 in Saudi Arabia in the same year (World Bank, 2020). There were 13,796 POS throughout Iraq by the end of 2021 (CBI, 2021). In comparison, Saudi Arabia had 700,000 POS in the same year, while Egypt had 149,500 POS.



Recommendations

- Increasing the reach and number of bank branches across Iraq to enhance accessibility and promote financial inclusion.
- Requiring banks and electronic payment service providers to acquire integrated and advanced electronic systems, as well as to automate all processes in compliance with quality standards to avoid becoming vulnerable to intrusion and malicious program planting gateways.
- Maintain and renovate the buildings of banks, such as Al-Rafidain and Al-Rashid banks, in order to offer the requisite environment for these institutions to fulfill their financial responsibilities to the general public.
- Gain the public's trust in the Iraqi banking sector through cultivating a culture of customer reliance and diversifying services to fulfill all demands.
- Enacting measures that promote the shift away from cash, such as increasing the rate at which POS and ATM systems are implemented so as to keep up with the adoption of electronic payment methods without creating an imbalance that cancels out the benefits and convenience these means entail.
- The legislation of specialized laws for the operation of Islamic banks and finance in order to unify their functions in accordance with Islamic Sharia law, particularly with regard to legal reserve requirements. In addition to fostering their growth via research, technical advancement, and human resource development.
- QR codes became a popular digital payment method all over the world following the onset of the pandemic. It has numerous advantages, including ease of use (it only requires a smartphone), cost-effectiveness, and security. According to Juniper Research, the number of QR payment users is expected to exceed 2.2 billion by 2025, accounting for nearly 29% of all mobile payments. Because of the widespread use and availability of smart phones, its implementation in Iraq could result in rapid adoption of the method, which has been recently introduced by ZainCash.



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KAPITA Business Hub

KAPITA is a private sector development company that aims to empower small and medium-sized enterprises (SMEs) through investment, research, incubation/acceleration, and market development programs.





Our Services

- Acceleration and Incubation Programs

We partner with global organizations to provide acceleration and incubation programs

- Investment and fundraising

We sit at the heart of entrepreneurship ecosystem in Iraq and is actively looking to facilities investments.

- Research and professional services

We have strong market insights into The Iraqi market and work to transform Iraqi private sector to a data-driven one





