

Features Of Iraqi Banking System ((Evaluation Government And Private Commercial Banks In Iraq, And Comparing Iraqi Banks To Some Banks Of Neighboring Countries))

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Abstract – The efficiency of the banking system in any country is an indicator of a healthy economy in which the banks maintain the balance between saving and investment to finance various economic activities (industrial/commercial/ agricultural) and improve the economy in any country. The main problem in Iraq that its banking system is weak and limited to contribute to the economic development of the country and the Iraqi banking system lags far behind neighboring countries in many steps without mentioning the banking systems of the developed countries. This study aims to point out the main problems of the Iraqi banking system and provide the best possible solutions. The results are shocking in a way that requires reconsideration of the status of Iraqi banks and the services provided by them, the level of technology (online services) adopted by these banks, and in terms of capital. The banks of neighbor countries exceed overwhelmingly and sometimes one bank reaches (30) times the capital of any Iraqi bank. And one neighbor country's bank has branches more than all the banks operating in Iraq combined

Key words

Iraqi banking system, capital of banks, financing economic activities, online services, banks branches.

1 INTRODUCTION

Commercial banks are one of the engines of economy in any country. The economic strength of the country is measured by the efficiency of its banking system, the number of banks and the services provided by these banks and the branches they possess. Countries are different in the efficiency of their banking systems. The developed countries have an efficient and effective banking system that adopts the latest technology available to facilitate and simplify its transactions. There is no need for many visits to bank branches for conducting transactions like (withdrawal, deposit, transfer ... etc.) but through Internet and ATMs deployed in all public places, commercial complexes, recreational areas... etc. These devices are operating 24/7.

In contrast, most developing countries don't have a compatible banking system matches with the technological development of banking systems in the world, and its banking transactions often require visits to the bank branches. And the number of branches of these banks is relatively small compared with the amount of the population of those countries.

In Iraq the banking system is lagging behind some Arab and developing neighbor countries like (Jordan, Egypt, Lebanon, Syria, Kuwait, Turkey, Iran, etc.). As the services of Iraqi banks do not rise to the level of ambitions, as most banks have established or expanded after (2003) and the number of branches of these banks is not compatible with the population in the country, and Iraqi banks (government and private) were mostly depending on Manual work (paperwork) in their transactions until (2010) and gradually began to adopt technology in their work.

One of the main problems in the Iraqi banking system is the negligence of the government to the private sector and the lack of adequate support for those banks, as the deposits of ministries and government departments goes to government banks only (Rafidain and Rashid), which makes these government units deal with the outputs of those banks only (certified cheques, letters of guarantee) and thus monopolize those banks dealings with government agencies and thus achieve large profits and deprive private banks from participating in those profits. In spite of the issuance of laws that oblige ministries and government agencies to deal with private banks and accept certified cheques and other instruments, these laws remained ink on paper in light of the refusal of these ministries and agencies to deal with private banks and limit their dealing only with government banks. The reason that ministries and government agencies don't deal with private banks to the weakness of private banks and few of them are actually suffering from financial difficulties and put some under the custody of the Central Bank.

1-1 Problem of the Study

The government banks differ from the private banks in Iraq in terms of capital and the number of branches inside the country, both of them are still limited to providing services of high technological level to customers on the one hand, covering wider areas and serving as many customers as possible.

It is clear to all that the banking system in Iraq is one of the weakest banking systems in Middle East, its much less than the banking systems of developed countries in terms of technology used, diversity of services, number of customers and banking facilities provided to customers, as well as the contribution of Iraqi banks in supporting various economic activities (commercial / industrial / agricultural) is very shy contribution and does not rise to the minimum level of ambition.

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1-2: Importance of the Study

The importance of this study is reflected in its ability to answer the following questions:-

- 1- Has the Iraqi banking system achieved a good level of adoption of technology compatible with the modern technological developments?
- 2- Is the number of branches of banks in Iraq good or even satisfactory to cover the population density in the country?
- 3- Is the capital of banks in Iraq (government and private) relatively good if compared with the banks of neighboring countries?
- 4- Do banks support the economic development process in the country by granting loans to finance various economic sectors (industrial/ agricultural/commercial)?

1-3: Objectives of the Study

This study aims to achieve a number of objectives, the most important of which are:-

- 1- Defining of the concept of commercial banks, types, importance and the most important characteristics of those banks.
- 2- Highlighting the Iraqi banking system and its most important features.
- 3- Stating the differences between government banks and private banks in terms of capital and number of branches.
- 4- To know the extent of modernity of the systems applied by Iraqi banks and their level of online services.
- 5- Stating of the most important financial and technological differences between the Iraqi banks and the banks of neighboring countries.

1-4: Hypotheses of the Study

This study is based several hypotheses:

- 1- There is no significant difference between government and private commercial banks in terms of capital.
- 2- Although the huge number of banks working in Iraq, still their branches don't suit the population in the country.
- 3- Iraqi banking system lays far behind the banking systems of developed countries, and significantly lagging behind the banking systems of neighboring countries.
- 4- The capital of Iraqi banks is relatively large compared to the capital of the banks of neighboring countries.

1-5: limitations of the Study

The researcher has encountered many difficulties and challenges to complete this study. Although there are some information about local banks, the problem is to obtain information about the banks of neighboring countries. The challenges faced by the researcher are:

- 1- The period for the preparation of the study extended from (Feb 1st) to (July 20th) 2019, the period of (6) months is relatively narrow to cover all aspects of the study, and because of the difficulty to obtain some information that required months to collect.

- Lack of data on local banks, especially government banks.
- 2- Difficulties to obtain information about the banks of neighboring countries, especially Arab banks, which forced the researcher in some cases to count branches and ATMs of some banks on the map of the distribution of these banks.
- 3- Lack of studies and books that dealt with the Iraqi banking system, or its difference to the banking systems of neighboring countries

1-6: Data collection

During this study, the researcher relied on various sources to obtain primary and secondary data as shown:

- 1- **Primary data:** It's the data obtained from the commercial banks' websites and central banks' websites, and have been analyzed for obtaining the results of this study.
- 2- **Secondary data:** It's the data obtained from different books, researches, and science journals.

2-1 Commercial Banks

Bank defined as the place where the currency is exchanged (selling cash in cash). Banks are one of the most important and oldest intermediary financial institutions. Their main function is to accept current and savings deposits of individuals, projects and public administrations and to reuse them for their own in granting credit, investment and other financial transactions.

It's known as a credit institutions that are not specialized in financing a particular activity, receive deposits and aim to achieve profits at the least acceptable risk, by providing banking services to its clients.

The Iraqi law of banks No. (94) in (2004) defines the bank as an entity holds a permit or license under this law to conduct banking business. **(Hayawi, 2015,page 9)**

It was defined by the law Central Bank of Iraq No. (56) in (2004) as an entity that has a license or a permit under the banking law authorizing it to participate in banking activities. From the former definitions we can understand the following:

- 1- Commercial banks accept all types of deposits and thus provide savers with diversified opportunities to invest their savings. Current deposits, savings, and certificates of deposit represent short-term investment opportunities.
- 2- Commercial banks provide their banking services to all customers, i.e. they are not limited to serving a particular sector without the other sectors, banks not assigned to serve certain group of individuals.
- 3- Commercial banks are granting different types of loans, short, medium or long term, which provides various opportunities for borrowers.
- 4- Commercial banks are free to finance a variety of industrial, agricultural, commercial and service projects.
- 5- In addition to banking services, commercial banks can offer a variety of other services, banks also offer a number of non-traditional services such as automated services, feasibility studies, financial advices, personal services to customers and others.

2-2: Banking Risks

Commercial banks operate in a risky environment, i.e. they face a number of risks while operating the financial intermediation. These risks are as follow:

1- Market risk

These are the risks to commercial banks as a result of market interest rate fluctuations, inflation and falling stock prices, which are called investment risks.

2- Credit risk

The risks to commercial banks arising from the inability of borrowers to repay the loans or interest of loans obtained from commercial banks are due to general, economic or private circumstances, and are expressed by banks in the risk of default.

3- Operational risk

These risks to commercial banks are due to the inefficiency of systems applied in those banks that are required to carry out their functions, such as computer systems, networks and the performance of bank's personnel. (Heffernan, 2005, page 156)

2-3: Characteristics of Commercial Banks

There are several characteristics that characterized commercial banks from other banks and financial institutions as follow:

1- Commercial banks, like other intermediary financial institutions, collect savings of customers in the form of deposits, whatever type of deposit, the depositor is considered a creditor and the bank is indebted. However, commercial banks are the only intermediaries that allow their creditors to keep their deposits in the form of current deposits (on demand) that can be withdrawn by cheques and can be transferred to a third party through the use of cheques.

2- Commercial banks are characterized by generating new deposits under demand through the lending and investment processes in various securities and the new current deposits (derivatives). However, most of deposits in commercial banks are traded like cash.

3- Current deposits in commercial banks constitute a major source of their funds. These deposits are readily withdrawable without prior notice. In other financial institutions, most of their sources of funds do not take the form of demand-bearing deposits, and commercial banks become more vulnerable to risk in its processes. (Saeid, 2017, page 67)

2-4: The origin of Commercial Banks

The emergence of commercial banks has historically been linked to the development of the activity of goldsmiths. Since long ago, jewelers (money exchangers) kept the money deposited of traders, businessmen and anyone who wished to keep their money from loss or theft. Jewelers and goldsmiths kept the money in their safes, and gave the depositors a receipt of the amount of money deposited, thus the first traditional function of banks (deposit of funds) was originated.

The depositor, if he wanted to deposit, gives the goldsmith or the jeweler receipt and takes the deposit. Over time, the individuals accepted the receipt among themselves as a mean of exchange and kept the money or gold stacked in the coffers of goldsmiths, and they noticed to this fact and they lent that money and gold for interest, here the second function of banks was originated (lending).

The generation of currency arose when the loan took the form of a goldsmith's receipt (instead of gold or money) and gave it to the borrower, especially after individuals became trustworthy in these receipts because they could be exchanged for gold at any time they wished, as evidenced by their experience in dealing with goldsmith. Commercial banks are no longer intermediary financial institutions between lenders (savers) and borrowers (investors) but also financial institutions that have the exclusive ability, to influence the supply of money through their ability to generate bank credit. (Rzkh, 2009, page 96)

2-5: Objectives of Commercial Banks

Commercial banks seek to achieve three main objectives: profitability, liquidity, and safety.

1- Profitability

Management of banks always seeks to achieve the maximum possible profit for the owners of the bank, as the basic criterion of the efficiency of management is the profits

achieved, the more profit made the more efficient the management, and the main function of the management of a commercial bank is to make profits. Its revenues should be greater than its expenses. The Bank's income includes the following:

- Letters of guarantee income.
- Documentary credits income-
- Interest on credit facilities.
- Commissions charged for bank's services to others.
- Fees of services provided by banks not related to the nature of banking work, such as providing economic and financial advice and preparation of feasibility studies.
- Foreign exchange earnings i.e. profit from the difference between buying and selling prices. (Sirafi, 2007, page 18)
- Other income such as returns on investment in securities, and any capital gains resulting from the sale of an asset by the bank at a price higher than its carrying amount.

2-Liquidity

Liquidity in banks means the bank's ability to meet its obligations to face depositors' withdraw and to meet credit requests and any other financial demands or needs. This means that commercial banks must maintain a liquidity ratio that enables them to meet their obligations at any moment. Commercial banks cannot, like other business enterprises, delay payment of their dues even for some time, a simple rumor about inability the bank to pay for its clients can blow up the confidence of depositors and suddenly push them to withdraw their deposits, which may expose the bank to bankruptcy. (Sirafi, 2007, page 19)

3- Safety

Commercial banks cannot absorb losses over the owned capital. Any losses of this kind means that part of the depositors' funds are taken and the commercial bank is thus bankrupt. Commercial banks are therefore keen to provide the highest degree of safety to depositors by avoiding high-risk projects. Management tries to diversify its areas because this leads to different customers (depositors and borrowers) and their activities, also a difference in the sensitivity of these activities to the general economic conditions. In short, the branches contribute to diversifying the bank's deposits and loans, which reduces the possibility of sudden large withdrawals that could expose the bank to financial distress.



Figure No.(1) collision of banks objective

In light of the above, there seems to be a clear contradiction between the three objectives of banks, which is the problem of banking management, for example, the commercial bank can achieve a high degree of liquidity by maintaining a huge amount of cash in its vault, but that negatively affect the goal

of profitability. The stagnant cash in vault does not generate any returns, when the bank is required to pay interest on customer deposits. (Shiha, 1998 page 139) Same way, the commercial bank can direct its funds to investments that generate high returns and thus approach the goal of profitability. However, these investments are accompanied by high-risk level, which may result in large capital losses, which destroys the third target which is already sought by commercial banks, securing depositor funds.

2-6: Types of commercial banks

Commercial banks can be divided into several types, which are as follows:

1- Individual banks

They are relatively small banks owned by one or several individuals, often confined to a small area and usually invest their resources in high-liquidity assets such as securities, discounted and cash-convertible assets over a short period of time.

2- Banks with branches

These banks, which have a number of branches scattered in different regions and managed through a head office by one board of management, and each branch managed by manager acting under the powers conferred by the board. The branches, together with the headquarters, share primary and secondary reserves, loans, investments, and other banking processes.

3- Group banks

Group banks include several banks owned by a holding company. These banks may be individual or branch-based. Each bank is maintained, although the holding company, its board of directors and general manager. One of the most important advantages of the group banks is the similarity of its banking services in different regions.

4- Banks chain

banks of chains grew with the size of the commercial banks and the volume of their business. These banks derive their activities by an integrated chain of branches, which are separate from each other administratively but supervised by a main center, These banks are owned by one entity person or several natural entities, not a holding company. (Sirafi, , 2007, pages 25-30)

5- E-- Banks

Electronic banks are referred to as 21st century banks, which are terminals that provide banking services through computers. These units (as long as they are distant from the bank building) are considered as Outlets or branches, services that provided by the outlets are varied and they work 24/7 without manpower. (Saeid, 2017, page 289)

6- Islamic Banks

Islamic banks are defined as faith-based financial institutions that rely on Islamic rules and seek to legitimately accepted interests, collecting funds and directing them towards the public interest. They are also known as financial institutions that carry out banking business with their commitment to avoid dealing with (riba-based) banking as a forbidden transaction, and are defined as non-profit banks. (Al-Azzazi, , 2012, page

11)

2-7: Features of the Iraqi banking system

There is no doubt that the banking sector in Iraq is still small, Although, it consists of (77) foreign and domestic banks, but it seeks to be a major sector of the Iraqi economy, as its contribution to (GDP) and (GNP) does not exceed (1.5%) it's a clear evidence of the weakness of his contribution to the economic development of Iraq, and the sector suffers from structural imbalances and distortions that hinder its growth and its role in rebuilding Iraq. If this is a correct diagnosis, the hope of reforming it in order to enhance its role in the desired economic development of Iraq and increase its contribution to the composition of the (GNP) seems to be a vague hope.

A. Features of Iraqi banking system

- 1- The Iraqi banking system consists of (77) Iraqi and foreign banks distributed as follows: (7) government banks. (24) commercial banks locally, (11) Islamic banks and (18) banking company transferred to a bank. And (17) foreign commercial banks and (3) other banks under establishment.
- 2- The dominance of government banks on about (85-90%) of the deposits of the government and its departments leaving about (10-15%) only of these deposits for all Iraqi private banks.
- 3- The low credit ratio granted to GNP, which ranges from (9-10%) of compared to (55%) in the MENA group. If the amount of credit to the capital of banks and their sound reserves is not more than (1.2)) while the instructions of Central Bank of Iraq allow the banks to grant eight times the bank's capital and sound reserves (**Report of Financial Stability in Iraq, Journal of Union Arab Banks, 2014**)
- 4- The availability of high liquidity at banks up to (60%), which reflects the inability of the sector to invest its assets and deposits to serve the national economy on one hand, in other hand adversely affect the profitability of banks and wasting investment opportunities available.
- 5- Private banks have higher capital adequacy ratio than the (Basel II standard) of (8%) and exceed the CBE's limit (12%) which once again reflects the sector's inability to invest its assets.
- 6- There is a wide gap between the interest rates on the fixed deposits and credits in Iraqi banks. Interest rates on fixed deposits and savings range from (2-7%) while the interest rate on credit ranges from (10-15%) leaving a margin of 8% or more between the two rates. Which is large compared to the (5%) prevailing in the Middle East and North Africa. There is no doubt this rise in interest rates harms the volume of credit granted, it's an obstacle to borrowing for development purposes.
- 7- There is a small number of banking units relative to the population, the last number we have is (900) branches located in the center of provinces and the Kurdistan region and some major cities, while a high proportion of population to any type of banking services. Since the population of Iraq in was estimated at (37 million), the branch serves about (41) thousand people compared to (4) thousand people per branch in Lebanon. (**Report of Financial**

Stability in Iraq, Journal of Union Arab Banks, 2014)

B- Iraqi banking system and project financing

We previously stated that the Iraqi banks are saturated with liquidity and that they have a capital adequacy ratio that exceeds the standard ratios. We conclude from this that they are able to contribute in project financing, but unfortunately cant for the following reasons:

- 1- The banks' deposits are of a short-term nature, Central Bank studies clarify that only (18%) of these deposits are fixed-term deposits (6 months to 1 year) and the remaining (82%) are current deposits. Expansion of long-term credit needed for development loans (long-term loans).
- 2- The high-interest rates charged by banks, ranging from (8-15%) annually on loans and facilities in dinars or dollars as development loans must be reduced (soft loans). This level of interest rates does not encourage borrowing for process.
- 3- The prevailing lending process requires slow procedures and prolonged routine work and mostly requires real estate guarantees or fixed assets to grant loans, which kills the borrowing process. .
(Report of Financial Stability in Iraq, Journal of Union Arab Banks, 2014)

First Axis: Evaluation government and private banks in Iraq

1-3: Iraqi banking system before and after 2003

Types of Banks	Banks Established Before 2003	Banks Established After 2003	Total
Government Banks	5	2	7
Private Banks	15	9	24
Islamic Banks	2	27	29
Foreign Banks	0	17	17
Total banks in Iraq	22	55	77

Table No. (1) Iraqi banks before and after 2003 by researcher

The table above shows that the number of banks working in Iraq increased by (250%) after 2003. Where the banks operating in Iraq were only (22) local banks, and after (2003) the number has been clearly increased and many Arab and foreign banks started working in Iraq.

2-3: Number of banks' branches and their distribution

Banks	Bank's ownership	Establishment	Total branches	Baghdad branches	Branches abroad
Al-Rafidain	Gov	1941	163	58	7
Rasheed	Gov	1988	138	61	0
TBI	Gov	2004	26	10	1
Nahrain	Gov	2015	5	3	0
Baghdad	Private	1976	34	13	0
Gulf	Private	2000	20	7	0
UBI	Private	2004	11	2	0
Elaf	Private	2001	15	6	0

Table No. (2) bank branches and their distribution in Iraq by researcher

In the above table a sample of (8 Iraqi banks) (4) government and (4) private. It is clear from previous data that government banks have more branches than private banks, and the common point between government and private banks is their major branches in the capital Baghdad, as we notice that (35%) of the branches of all banks are located in the capital Baghdad, while the rest of the branches (65%) located in (17) provinces throughout the country. The research has achieved the second hypothesis although the huge number of banks working in Iraq, still their branches don't suit the population in the country.

3-3: The capital of Iraqi banks

It is worth mentioning that the law of the Central Bank of Iraq imposes an amount of (50) million dollars minimum capital of the bank at the opening.

Banks	Ownership	Capital (million dollars)
Al-Rafidain	Gov	126
Rasheed	Gov	50
TBI	Gov	2.647
Nahrain	Gov	150
Baghdad	Private	250
Gulf	Private	300
UBI	Private	252
Elaf	Private	126

Table No.(3) Capital of Iraqi banks by the researcher

Previous table shows that capital of Iraqi banks is almost close, except for some banks who work at the minimum capital, and the trade bank of Iraq is the biggest among the Iraqi banks in term of capital. But compared with the banks of neighboring countries, the difference is very large as will be explained later. The research has achieved the first hypothesis, as there is no remarkable difference between

government and private banks in terms of capital with some exceptions.

3-4: Online Services Level

Prior to state the differences between Iraqi banks, we should clarify the electronic services in three levels:

1- **Informational Service:** It is service for customers to view information related to the bank, its services, its branches, etc.

2- **Communication services:** A higher level than the former as this service allows to contact the bank and to submit complaints and access to the personal account information of individuals.

3- **Interactive Services:** The highest level of electronic services that allows customers to carry out financial transactions such as withdrawal, deposit, and transfer online. it's also on several levels.

Banks	Online service level	ATMs owned
Al-Rafidain	informational	0
Rasheed	informational	0
TBI	communication	36
Nahrain	informational	0
Baghdad	Interactive (limited)	42
Gulf	Interactive (limited)	25
UBI	informational	2
Elaf	informational	15

Table No.(4) E-services level in Iraqi banks by the researcher

Based on data of the previous table, most Iraqi banks are still at the level of providing electronic informational services only, except for Baghdad and Gulf banks, which are provide limited interactive services. The number of ATMs in Iraqi banks without exceptions does not meet the minimum level of ambition, as the bank with the most possession of these devices has (42) devices only. The largest banks in Iraq in terms of branches and the number of customers (Rasheed and Rafidain) do not have any ATMs until July (2019). It is worth mentioning that the total number of Iraqi banks from ATMs does not exceed (20%) owned by one bank in Saudi Arabia as will be explained later.

3-5: Other data about Iraqi banks

A- The oldest banks in Iraq

Banks	Ownership	Establishment
Rafidain	Gov	1941
Baghdad	Private	1976

Table No.(5) oldest banks in Iraq by the researcher

B- largest Iraqi banks in terms of capital

banks	Establishment	Capital (million dollars)
TPI	Gov	2.647
Gulf bank	private	300
North bank	private	300
United bank	private	300

Table No.(6) biggest banks in term of capital by the researcher

C- Banks with the smallest capital in Iraq

banks	Establishment	Capital (million dollars)
Rasheed	Gov.	50
Warka	Private	105

Table No.(7) smallest banks in term of capital by the researcher

D- The biggest foreign banks working in Iraq in terms of capital

Banks	Home country	Capital (million dollars)	Establishment in Iraq
City Bank	USA	751	2013
Persian Bank	Iran	59.2	2012
Melli Iran	Iran	58.7	2005

Table No.(8) biggest foreign banks in term of capital by the researcher

Second Axis: Comparing the Iraqi banking system with the banking systems of neighboring countries

In this axis I will be comparing a sample of two Iraqi banks one government and the other private (Rafidain and Gulf), the best among the Iraqi banks with two banks (random) from each of the neighboring countries.

3-6: In terms of branches and the countries in which banks operating.

Banks	Home country	Establishment	Branches	Its presence in foreign countries
Rafidain	Iraq	1941	163	7
Gulf	Iraq	2000	20	0
Riyad	KSA	1957	340	3
Al Rajhi	KSA	1957	570	3
Kuwait national	Kuwait	1952	170	15
Commercial bank	Kuwait	1960	54	0
Arab bank	Jordan	1935	600	31
Islamic bank	Jordan	1978	109	0
Commercial	Syria	1966	64	0

Table No. (9) Sample of Iraqi and neighboring countries banks and branches they have, and their presence in foreign countries by researcher

Notice from the table above that the difference is very clear between Iraqi and neighboring countries banks, and if we take the population in consideration, the Iraqi banks do not live up to the level of ambition. As one of the neighboring countries bank has more branches than the banks operating in Iraq combined.

3-7: In terms of capital

Banks	Home country	Capital (million dollars)
Rafidain	Iraq	126
Gulf	Iraq	300
Riyad	KSA	10.000
Al Rajhi	KSA	4.300
Kuwait national	Kuwait	1.700
Commercial bank	Kuwait	400
Arab bank	Jordan	8.700
Islamic bank	Jordan	282
Commercial bank	Syria	135
Cham bank	Syria	10
Ziraat bank	Turkey	13.500
Halk bank	Turkey	11.500
Melli Iran	Iran	64.000
Saderat bank	Iran	4.700

Table No. (10) The sample of banks and their capital by researcher

It is clear from the previous table that Iraqi banks are very far from the banks of neighboring countries in terms of capital. Except for the banks of Syria, we find that the capital of some banks in neighboring countries exceeds (40) times. The research hasn't achieved the fourth hypothesis because the capital in Iraqi banks is too limited and incomparable with the huge capitals of neighbor countries banks.

3-8: Online Services Level

Banks	Home country	E-services level	ATMs owned
Rafidain	Iraq	Informational	0
Gulf	Iraq	Interactive (limited)	25
Riyad	KSA	Interactive	2592
Al Rajhi	KSA	Interactive	4792
Kuwait national	Kuwait	Interactive	157
Commercial bank	Kuwait	Interactive	more than 50
Arab bank	Jordan	Interactive	400
Islamic bank	Jordan	Interactive	235
Commercial bank	Syria	Interactive (limited)	300
Cham bank	Syria	Interactive (limited)	14
Ziraat bank	Turkey	Interactive	5000
Halk bank	Turkey	Interactive	more than 3000
Melli Iran	Iran	Interactive	more than 1000
Saderat bank	Iran	Interactive	2000

Table No.(11) E-services level the sample by the researcher

It is clear from previous data that Iraqi banks are still at the level of information and communication services except for two banks with a limited interactive level (see Table 4) while in neighboring countries, the level of electronic services is interactive, which is another difference between us and neighboring countries. The total of Iraqi banks' ATMs do not reach (15%) of what one bank owns in some neighboring countries. finally, our banking system is still decades behind

neighboring countries without mentioning developed world. And it's worth mentioning that most banks with ATMs charge their customers for repeated withdrawals or at certain amount of money being withdrew. The fees of issuing any card (master card/ visa card) ranging between (50-200) US dollars, and requires several weeks to be submitted to the costumers. The research has achieved the third hypothesis as the banking system in Iraq lags far behind the banking systems of neighboring countries in terms of online services and technology adopted.

Conclusions

- 1- Despite a huge number of banks operating in Iraq (77) and more than (900) branches, but they contribute only less than (2%) of the GDP.
- 2- Most of the banks operating in Iraq began work after (2003) i.e. after the end of the economic sanctions imposed on Iraq since 1991.
- 3- The limited number of branches in banks compared to the population of the country requires intervention by the Central Bank to urge banks to open more branches or attracting foreign banks to work in the country to fill up this gap.
- 4- Most branches of banks are located in Baghdad and Basra as they are economic centers, in a way that sometimes more than the rest of branches in all provinces combined.
- 5- The contribution of banks is very limited in economic development in terms of financing projects and supporting the various economic sectors (industrial/agricultural/ commercial).
- 6- Services provided by Iraqi banks are obsolete services do not live up to the level of technological progress in the world, as most of the banks are still in the level of informational and communication services, while most countries (even developing countries) adopt the interactive level of services.
- 7- The difference between the interest rate on loans and interest on deposits is very large, it isn't suitable for borrowers, which requires a serious review by Central Bank.
- 8- limited capital in Iraqi banks compared to neighbored countries banks, as the minimum capital required is only (50) million dollars.
- 9- As most of Iraqi banks still in informational or communication online services level, which appears in the lack of modern services. Even the banks who adopt good technology (in Iraq) still far away from neighbor countries banks, as we see in neighbor banks, for example, one bank has ATMs more than entire banks in Iraq combined.
- 10- In 21st-century customer still has to visit the branch that he has an account there, to conduct any withdrawal or transfer and is not allowed in other branches of the same bank especially in government banks.
- 11- Some banks charge their customers a certain amount for using ATMs more than 2 times in a month or at a certain amount of withdrawal.
- 12- The fees of issuing any card (master card/ visa card) ranging between (50-200) US dollars, and requires several weeks to be submitted to the costumers.

Recommendations

- 1- The necessity of urging banks to expand in areas of their work in all provinces and increase the number of their branches, where there are only (900) branches in Iraq, means each branch serves (41.000) people it's something shameful, compared to Lebanon each branch serves (4000) people.
- 2- Obligating the private banks to support various economic activities (industrial/ commercial/ agricultural) and contribute to economic growth and thus create work opportunities.
- 3- Shifting towards the level of interactive online services and adopt modern technology suited to the current technological development to reduce time, effort, and money.
- 4- Develop an effective mechanism to fill the gap between interest rates on loans and interest rates on deposits, commensurate with bank's goals to achieve reasonable profits and protect customers from unfair interest rates, which is one of the most important obstacles to the borrowing process.
- 5- Compelling banks to increase the number of their ATMs in proportion to the number of their customers, especially in public places, tourist places, and commercial places, to reduce the time and effort necessary to conduct withdrawals and reduce the number routine visits to banks branches.
- 6- Raising the minimum level of capital in banks commensurate with the economic requirements, as the minimum capital required in Iraq is (50) million dollars, while in Kuwait, the minimum is (125) million dollars, noting that the population of Kuwait is about (10%) Of Iraq's population.
- 7- Unite the accounts of customers at one bank in all branches, as today, the customer has to visit the branch that has an account in, and is not allowed to conduct any withdrawal or transfer from his account in other branches of the same bank. Government banks are unique in this tedious routine, as there is more flexibility in private banks.
- 8- Compelling banks not to charge their customers any fees for withdrawals from ATMs. As most of the banks that have ATMs take a certain amount of up to (3000) dinars for the repeated withdrawals in a month or at a certain amount of withdrawal.
- 9- Reducing the fees charged for bank's cards (visa card/ master card) as banks in Iraq charge their customers unbelievable amounts for these cards.

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