

## Monetary Policy and Its Role in Facing Financial Crises in Government Banks

**Suhair abd Aulawi**

Media and communications commission

[suhairabd5@gmail.com](mailto:suhairabd5@gmail.com)

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### Abstract:

The Monetary Authority in Iraq has set a set of foundations and rules aimed at reforming the Iraqi economy and resolving financial crises in government banks, and has taken many measures in this aspect on the monetary level, the aim of which was to protect and strengthen the Iraqi economy. And monetary stability in order to create an economic environment that depends on the mechanism of demand and supply, and the main goal of the Central Bank of Iraq was behind striving to achieve and maintain price stability and work to create a competitive financial system based on a market economy, the goal of the Central Bank was also to promote sustainable growth, with an evaluation view For the banking monetary policy in Iraq, there has been (relative) success achieved with regard to its primary goal, which is to maintain a stable domestic price, but the process of promoting sustainable growth, employment and prosperity remained outside the range of capabilities, and the reason is due to the lack of response of economic activity to benefit from this relative stability Before the bank controlled the change in commodity economic activity due to the lack of an economic policy in the literal sense known in economic monetary policy, in which monetary policy is one of its tools as well as fiscal policy, trade policy, planning, employment policy, agricultural, industrial, oil, investment and private sector policy

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### Introduction

A study by Boatroos Abdel-Haq Sebti Mohamed, entitled (Monetary Policy and the Current Financial Crisis), which concluded that the crisis had spread to the entire financial system due to infection, in which the securitization technique was the main factor in it. Where the securitization or (securitization) process takes place in two steps, the first is collecting similar assets of an illiquid nature with the knowledge of the original creditor in a reference portfolio, then transferring its possession to a special

purpose company that, in the second step, finances the acquisition of these assets by issuing transferable securities. To trade with the guarantee of these assets, which are sold to investors in the money market (banks, hedge funds, insurance institutions, pension funds, investment funds).

Falah Hassan Thuwaini's study entitled (Monetary Policy and Economic Policy in Iraq), which concluded that the central bank should arrive as a governmental institution that exercises its functions within the general framework of the state, but this institution has its own specificity in making independent decisions with regard to monetary policy that must be consistent with The general economic policy of the state, because the bank is the one who issues and manages the currency, and it is the government's bank, agent and financial advisor. It is the fund in which the state keeps its cash and financial reserves and payments. A kind of overlap, conflict or lack of clarity in any of the powers of all relevant parties (legislative and executive), as this happens in most countries of the world if not in all of them and is assumed not to be reflected in the stability of the general level of prices and the exchange rate of the national currency against foreign currencies.

Ahmed Khalaf Ibrahim Alo Al-Jarjari and Aws Fakhr Al-Din Ayoub Al-Jujati (the role of taxes in the effectiveness of monetary policy in Iraq for the period 1990-2020), which concluded that the tax policy is one of the important and main tools through which countries can implement their financial policies according to their motives and objectives. Therefore, the classic view that existed in the minds of researchers, writers, or most citizens is no longer that taxes are limited to collecting the necessary tax revenues to bridge the deficit in expenditures. The general tax policy of the state, especially after the developments it witnessed (the tax policy), rather the tax policy took a broader concept represented by the state's use of it in order to create a social balance between the rich and poor classes of society, as well as its intervention in restoring the economic balance during economic cycles such as recession or economic stagnation.

## 1. LITERATURE REVIEW

Monetary policy represents a set of measures taken by the central bank aimed at supplying money and/or interest rates in order to control monetary stability using monetary means, which allows it to control inflation rates and provide the appropriate place for sustainable economic growth in order to achieve economic goals. The authority can control the general price level and the money supply.

Monetary policy can be defined as several measures taken by the monetary and financial authorities to manage the exchange of money, the exchange rate, the interest rate, and the influence on credit conditions aimed at running economic affairs. There is no doubt that monetary policy aspires to achieve several goals in national economies, regardless of the level of progress. Or the economic backwardness that you are experiencing, perhaps the most important of these goals is to achieve stability in the general level of prices by controlling inflation rates in addition to promoting economic growth by encouraging investment and consumption and achieving high employment rates aimed at raising the efficiency of the financial system and maintaining its integrity in addition to addressing imbalances in Balance of payments by maintaining a certain value of the national currency "exchange rate"

Monetary policy in Iraq operates as an institutional and legislative framework represented by the Central Bank of Iraq Law No. 56 of 2004, and its most basic or main objectives are represented in achieving price stability and a stable financial system, as well as promoting sustainable development and providing job opportunities. Article (3) of the law stipulates the basic objectives have "The main objective of the Central

Bank of Iraq is to strive to achieve and maintain domestic price stability and to promote and maintain a stable, competitive and market-based financial system, and accordingly the Central Bank also promotes sustainable growth, employment and prosperity in Iraq."

Banks are considered one of the most important pillars of the financial system, and the financial stability of this system depends on achieving stability in the banking system and working to solve financial crises through it, and there are several reasons that led to its instability, the most important of which is the emergence of several financial innovations as well as the globalization of financial markets that led The feasibility or effectiveness of tools that maintain stability in banking systems.

The Central Bank of Iraq represents the oldest central bank in the region, and it adopted monetary policy in the light of its last law of 2004 for the year No. 56 (), and this can be seen through indicators and indications of financial independence and its repercussions on monetary policy.

The Central Bank of Iraq must operate as a governmental institution that exercises its functions within the general framework of the state, but this institution has its own privacy and independence in making decisions related to monetary policy and that it is compatible with the general economic policy of the state, because the bank is the one who issues and manages the currency and it is the government bank and its financial advisor and agent. The fund in which the state maintains its financial and monetary reserves and payments, and it is the first and last resort for lending, the regulator of credit, and the preserver of the integrity of the financial position of banks, as it is the bank of banks Younus, A. M. (2021).

There is no doubt that the strength of the independence of the Central Bank of Iraq and the durability of its operations gain a high degree of continuity commensurate with the degree of consultation and coordination with other authorities, especially the financial authority, to reach the goals of strengthening economic development activities and the overall stability that monetary policy in general and financial policy aspire to)

Second / the monetary policy followed in Iraqi banks Ahmed, M. (2022).

The monetary authority in Iraq has set a set of foundations and rules aimed at reforming the Iraqi economy and resolving financial crises in government banks, and has taken many measures in this aspect on the monetary level, the aim behind which was to protect and enhance economic and monetary stability in order to create an environment and an economic place based on a mechanism Demand and Supply The primary objective of the Central Bank of Iraq was behind the move to achieve and maintain price stability and to work on creating a competitive financial system based on a market economy, and the objective of the Central Bank was also to promote sustainable growth ().

- Stability in the exchange rate ( ) of the currency: This is done by keeping the exchange rate of the dinar constant and controlling the occurrence of important gaps between the official exchange rate and the parallel market. The dollar in order to control the sale of the dollar and maintain the exchange rate as well as consolidate compliance with the rules of combating money laundering and terrorist financing. These standards led the banks to advance in this regard and build organizational, technical, and technical units and capabilities to strengthen their systems and internal control, whose mission is to preserve banks from financial crises and avoid it happening. ( )

The Financial Stability and Risk Management Unit was created to control the exchange rate and take the required measures as a precaution at the macro and partial levels supported by the early warning system, crisis resolution and financial stability through the development of mathematical models that

enable it to determine the ability of the administrative and financial system to control crises and implement capacity tests and bearing annually Younus, A. M., Tarazi, R., Younis, H., & Abumandil, M. (2022).

The balance of payments represents one of the most important factors affecting the exchange rate, as it expresses the relationship of the country concerned with the outside world, as it reflects the operations between the outside world and its payments to the state, a direct relationship between the state of the balance of payments after which it is one of the important sources for dealers in the exchange markets and the exchange rate. The receipts side of the balance of payments reflects the total supply of foreign exchange, while the payments side represents the total demand for foreign exchange Ahmed, M. (2021).

## 2. RESEARCH METHODOLOGY

The research method in the library depends on the method of surveying and analyzing topics by comparing the collected information with economic assumptions, jurisprudence, and objective administrative phenomena.

- 1- Clarifying the impact of monetary policy in the face of financial crises.
- 2- 2- Explanation of cases of deviation from the basic objectives of monetary policy to solve banking crises.
- 3- 3- Attracting the attention of other researchers for the scientific study of other angles and dimensions of the subject.

### 2.1. Research questions

The main question

How is monetary policy directed to solve crises in government banks?

Sub questions

- 1- What does the exchange rate mean?
- 2- What is the situation of the Iraqi economic system for the period 2003-2020?
- 3- What are the tools used to face the financial crisis in Iraq?
- 4- How are Iraq's economic goals consistent with its monetary policy in government banks?

### 2.2. Research hypothesis overall answers to research questions.

### Research Importance

- 1- Examining and analyzing the theories of experts as a necessity that is considered one of the administrative and economic sources in the current situation, and this requirement is one of the distinguishing features of the Iraqi economy.
- 2- It can determine the extent to which the Iraqi monetary policy is able to solve the financial crises in banks.

### 2.3. The Relationship Of Digital Systems With The Development Of Iraqi Financial Markets

Since 2003, the Central Bank of Iraq has faced many great and serious challenges represented by the problem of accumulated debts on Iraq, high inflation rates, as well as the instability of the general price level, which leads to a deterioration in the exchange rate of the local currency against foreign exchange rates, in addition to the presence of high levels of banking liquidity. The monetary authority seeks to increase its effectiveness to control these challenges through the expansion of the use of its tools as well as its reliance on some banking reforms and procedures such as electronic payment systems and modern settlement methods due to the importance of these procedures in the economies of countries despite the difference in their monetary policies due to the existence of a direct relationship linking them to sophistication, modernity and development being One of the products of advanced information and communication technology, including payment systems. The Central Bank has sought to possess the best electronic payment systems since 2006 to implement the system as a major step for the development of the Iraqi banking sector in order to increase its efficiency and effectiveness in achieving monetary stability in the country by trading money electronically, which leads to reducing dependence on paper circulation. Payment systems, however, always have the same goal, which is to provide the opportunity to transfer funds from one bank account to another bank account, even if it is in another bank, to ensure the continuation of the work of these systems in a manner consistent with the requirements of the participants, with the least possible risk and at a nominal cost Younus, A. M., & Zaidan, M. N. (2022).

### 3. RESULTS AND DISCUSSION

Establishing a financial stability and risk management unit to control the exchange rate and take the required precautionary measures at the macro and partial levels supported by an early warning system, crisis resolution and financial stability through the development of mathematical models that enable it to determine the ability of the administrative and financial system to control crises and implement endurance tests in a manner annual

The balance of payments represents one of the most important factors affecting the exchange rate, as it expresses the relationship of the country concerned with the outside world, as it reflects the operations between the outside world and its payments to the state, a direct relationship between the state of the balance of payments after which it is one of the important sources for dealers in the exchange markets and the exchange rate. The receipts side of the balance of payments reflects the total supply of foreign exchange, while the payments side represents the total demand for foreign exchange. It is true that if the received payments exceeded it, a distinction must be made between short-term and long-term changes in the balance of payments and the difference in their impact on the exchange rate. The long-term deficit in the balance of payments affects the exchange rate by decreasing Younus, A. M., & Zaidan, M. N. (2022).

#### **The International Monetary Fund (IMF) reserves estimates were in its March 2015 report:**

The end of 2015 40 billion dollars

End of 2016 \$29 billion

End of 2017 \$20.6 billion

While the actual precautions amounted to the following ():

End of 2015 \$53.7 billion

End of 2016 \$45.3 billion

End of 2017 \$46.5 billion

This indicates the central bank's success in achieving a balance between meeting the demand for dollars and maintaining the level of adequacy of reserves considering the sharp decline in imports of dollars from oil as a primary source. About the money supply in Iraq, the money supply has recorded a value of (10149) million dinars in the narrow sense at the end of the year (2004). Dinars, after it was (7163) million dinars in 2004, while the annual rate of change in the money supply amounted to (12.3%), while the year (2006) witnessed a change in the money supply by (35.6%), while the ratio of the currency in circulation to the money supply witnessed a clear decrease, amounting to (71.0%) compared to the year (2005), while the percentage of current deposits to the total money supply reached (29.0%). (40.5%), while the year (2008) witnessed.

A clear decrease in the annual rate of change, reaching (29.8%). The money supply increased again during the year (2009), reaching (37,300) million dinars, at an annual rate of change, reaching (32.3%). The currency contributed in circulation by (58.4%) in its formation, while Current deposits contributed by 41.6%, while the rate of change of the money supply in 2010 recorded an increase of (38.7%), and the percentage of currency in circulation witnessed a clear decline, reaching (47.0%) compared to (53.0%) for current deposits. ( ) In 2011, the money supply increased to reach (62474) million dinars, at a rate of change of (20.7%). Money supply (4.3%), ( ) In the year (2012) the increase in the money supply was slight, with a growth rate of (2.02%). (34187) million dinars at the end of the year (2011), while the percentage of currency in circulation increased when it reached (480) compared to (45.3) in the year (2011), while the percentage of current deposits decreased from (9654.7) in the year (2011) to (52.0%) in the year (2011). 2012), and the money supply increased by 15.8% at the end of the year (2013) to record an amount of (73832) million dinars, compared to (63736) million dinars at the end of the year (2012), while the year (2014) witnessed a decrease in the money supply by (1.5%) ) as a result of the decline in most of the economic activities at the end of the year (2014) to record an amount of (72692) million dinars, and this is due to the decrease in current deposits to (50.4%) compared to (52.6) in the year (2013), while the percentage of currency in circulation increased, reaching (49.6). %) compared to (47.4%) in the year (2013), which reflects the high percentage of the currency's contribution to circulation in the money supply due to the state of stagnation in the level of economic activity, especially the drop in international oil prices in the second half of the year (2014).

Table 1. oil prices in the second half of the year (2014).

الجدول (1) تطور عرض النقد بالمعنى الضيق في العراق للمدة (٢٠٠٤-٢٠٢٠) (مليون دينار)  
وبالأسعار الثابتة (٢٠٠٧=١٠٠)

السنوات	الودائع الجارية *	صافي العملة في التداول	عرض النقود بالمعنى الضيق	معدل التغير السنوي لعرض النقود %	نسبة الودائع الجارية إلى عرض النقود %	نسبة العملة في التداول إلى عرض النقود %
	(1)	(2)	(3)	(4)	(5)	(6)
2004	2986	7163	10149	-----	29.4	70.6
2005	2286	9113	11399	12.3	20.0	80.0
2006	4492	10968	15460	35.6	29.0	71.0
2007	7490	14232	21722	40.5	34.5	65.5
2008	9697	18493	28190	29.8	34.4	65.6
2009	1524	21776	37300	32.3	41.6	58.4
2010	27401	24342	1743	38.7	53.0	47.0
2011	34187	28287	62474	20.7	54.7	45.3
2012	33142	30594	63736	2.02	52.0	48.0
2013	38836	34996	73832	15.8	52.6	47.4
2014	36621	36072	72692	(-1.5)	50.4	49.6
2015	30580	34855	65435	(-10.0)	46.7	53.3
2016	33449	42075	75524	15.4	44.3	55.7
2017	36643	40343	76986	2.0	47.6	52.4
2018	37330	40498	77828	1.09	47.9	52.0
2019	39132	47638	86771	11.4	45.09	54.9
2020	43366	59987	103353	19.1	41.9	58.0

While the exchange rate recorded: There are many drawbacks to liberalizing the exchange rate, the most prominent of which is the rise in prices, and the reason for this is the increase in the prices of goods and services, in addition to the fact that most of the products that have been consumed are imported products, in addition to that the higher the price of the dollar is reflected in the price of imported products, and although this is not without The matter stems from a number of positive aspects, the most important of which is that the dollar does not exit and circulate outside the banking system, which leads to preserving the cash reserve from International reserves: The foreign currency reserves of Iraqi governmental banks are represented by the monetary authorities and central banks in the first world in general (cash deposits and bonds protected from risks to a large extent, in addition to gold, special drawing rights, and the reserve position of the central bank at the International Monetary Fund. ( ) These foreign reserves are assets used to support the needs of Iraqi banks in general and the Central Bank of Iraq in particular at the time of financial crises. ( ) And because the system of exchange rates used in Iraqi banks is one of the systems close to the concept of the flexible exchange system, although it is a strongly managed system in a way that allows the Central Bank to sell the local currency (it still represents that currency to its bearer as a creditor to Iraqi banks), and the ultimate goal of this It is to maintain the stability of the financial value of the local currency and get rid of financial crises. In December 2004, the requirements of the Iraqi legal cash reserve were determined by the monetary authority represented by the Central Bank at a rate of (25%) of the total deposits, provided that the bank maintains (20%) of its deposits with the Central Bank and a rate of (5%) in its treasury. In order to stabilize the monetary policy and to avoid sudden withdrawals by clients, in addition to withdrawing part of the high liquidity in the financial market that the economic sector in Iraq suffers from, and this percentage remained unchanged from 2004 until 2009, and in implementation of the monetary fiscal policy ( ), the In 2010, the Central Bank of Iraq reduced the legal reserve ratio twice, as the percentage decreased from (25%) to (20%) and then (15%) on bank deposits,

whether governmental or private sector deposits alike, thus retaining a rate of (10%) With the Central Bank of Iraq and (5%) kept in the bank's vaults for more than

Table 2. drawbacks to liberalizing the exchange rate

الجدول (2) تطور أسعار الصرف في العراق للمدة (٢٠٢٠-٢٠٠٤) (مليون دينار)  
وبالأسعار الثابتة (٢٠٠٧=١٠٠)

المسنوات	سعر صرف الدينار في السوق الرسمي	معدل التغير السنوي %	سعر صرف الدينار في السوق الموازي	معدل التغير السنوي %	فرق ما بين الموازي والرسمي
	(1)	(2)	(3)	(4)	(5)
2004	1453	---	1453	---	0
2005	1469	1.10	1472	1.30	3
2006	1467	(-0.13)	1475	0.20	8
2007	1255	(-14.45)	1267	(-14.10)	12
2008	1193	(-4.94)	1203	(-5.05)	10
2009	1170	(-1.92)	1182	(-1.74)	12
2010	1170	0	1185	0.25	15
2011	1170	0	1196	0.92	26
2012	1166	(-0.34)	1233	3.09	67
2013	1166	0	1232	(-0.08)	66
2014	1166	0	1214	(-1.46)	48
2015	1167	0	1247	2.71	80
2016	1182	1.28	1275	2.24	93
2017	1184	0.16	1259	(-1.25)	75
2018	1183	(-0.08)	1209	(-3.97)	26
2019	1182	0	1196	(-1.07)	14
2020	1192	0.84	1234	3.17	42

Bank liquidity and through this increased its ability to grant loans and increase the investment ratio ( ) and the cash reserve in Iraq for the period 2006-2020 is shown in the table 3 below Price stability and curbing inflation: Taxes represent the most important financial tools for monetary policy, the aim of which is to control inflation by raising the value of the local currency against foreign currencies, and on the other hand, it works to reduce the available cash liquidity. Taxes imposed on the money of foreign residents (investors) negatively affect inflation, which leads to a reduction in foreign flows to the state, and thus an increase in the supply of the national currency and its exchange rate decreases accordingly. As for the taxes that are imposed on the funds of non-residents inside the country, they reduce the flow of foreign capital for internal investment, which leads to a decrease in the demand for the local currency, which leads to the deterioration of the value. The foreign currency of the national currency ( ) The government banks deliberately continue to reduce the inflation rate and reach the level of the lowest possible rate through its reliance on taxes. ( ) Taxes cover the various needs of the government, which is one of the government's most important sources of financing its needs. In periods of inflation, the impact on demand and supply in the economy, as well as working to protect society from unwanted supply of goods and products because they are harmful by imposing high taxes on them, such as taxes on cigarettes, in addition to supporting local industries and protecting them from foreign competition by imposing taxes on trade. International (customs) At the same time, taxes encourage the export of goods and services by canceling or reducing taxes imposed on exports, the aim of which is to enhance their competitiveness in the foreign market (global). Open market operations in foreign exchange: Open market operations represent the most important tools that the Central Bank resorted to after 2003 to achieve its objectives, as through it the Central Bank of Iraq can control the financial performance of commercial banks by



influencing bank liquidity and short-term interest rates in the market There is no doubt that the new Central Bank of Iraq Law No. (56) of 2004 indicated the need to take a new direction in the practice and application of this tool, as the monetary authority can carry out open market operations with government banks or Licensed commercial banks or with banks that hold licenses issued by the Central Bank to buy or sell ( ) The freedom of external transfer does not exempt Iraqi banks from collecting transfer fees that represent rationalization in the use of foreign currency and saving in ways to use it, especially after the annual demand for foreign exchange has increased, with an average demand of about \$16 billion in 2007 to approximately \$34 billion annually in 2009. Where the majority of requests were directed to consumer imports of goods and services, at a rate ranging from 75% to 85% of the total requests, and the remainder was spent either for external saving purposes in the form of capital flowing periodically abroad, or for internal dollarization purposes, all of which are covered under various pretexts of demand. ( ) The article of the aforementioned law specified that “the Central Bank may, in order to achieve its objectives, carry out open market operations with licensed commercial banks and licensed intermediary financial companies, and this is what happened on 7/18/2004 when the Central Bank actually started using open market operations by selling And the purchase of treasury transfers at the rate of two monthly sessions and up to one billion dinars. In order to develop global financial markets, in a way that enhances financial depth, which leads to support for financial stability, the Central Bank has developed procedures to settle the results of trading operations in the global financial market through payment systems, the use of the system of buying and selling securities, and the development of effective mechanisms capable of strengthening central custody systems Settlement and work on the balance between the system of settlement of paper trading operations with payment systems.

Table 3. investment ratio ( ) and the cash reserve in Iraq

الجدول (3): الاحتياطي النقدي القانوني ومعدل التغير في العراق للمدة (2006-2020).  
(مليار دينار)

نسبة الاحتياطي النقدي القانوني % (3)	معدل التغير السنوي % (2)	الاحتياطي النقدي القانوني (1)	السنوات
25	----	6192	2006
75	95.16	12084	2007
75	65.45	19993	2008
50	- 52.90	9416	2009
45	- 24.01	7155	2010
15	9.21	7814	2011
15	10.37	8624	2012
15	11.62	9626	2013
15	9.87	10576	2014
15	- 11.21	9390	2015
15	- 7.27	8707	2016
15	- 25.29	6505	2017
15	60.02	10409	2018
	- 7.96	9580	2019
	- 2.50	9340	2020

The demand for foreign currency for the purposes of private investment activity has become only one of the few margins of the total main percentage in filling some development requirements and supplies or imported production inputs. In addition to the reflection of the societal consumer nature in proportion to the operational control of expenditures in the general budget and for the same, and that the scattering of private activity demand for foreign currency for the purposes of financing investment supplies did not differ significantly from the direction of government demand for the same purposes. As they are, for example, the lowest point in the country's development history, due to the exceptional and transitional circumstances that the country went through at the time, which helped Iraqi banks control the financial crisis they were exposed to (( The table below mentioned open market operations in Iraq and their annual rate of change:

Table 4. operations in Iraq and their annual rate of change

الجدول (2): عمليات السوق المفتوحة ومعدل التغير السنوي في العراق للمدة (2006-2020)  
(المبلغ بالمليار)

السنوات	عمليات السوق المفتوحة (1)	معدل التغير السنوي % (2)
2006	30227	---
2007	20054	- 33.66
2008	30861	53.91
2009	39770	28.87
2010	42320	6.41
2011	46563	10.02
2012	56724	21.82
2013	62067	9.41
2014	61452	- 0.99
2015	52721	- 14.20
2016	39893	- 24.33
2017	50219	25.88
2018	56088	11.68
2019	59764	6.56
2020	62754	5.01

Stimulating economic growth: Economic growth is the primary objective of monetary policy, and it is achieved through investment and the continuous movement of production capacities, which leads to stimulation of aggregate demand through an expansionary monetary policy aimed at increasing economic growth while maintaining moderate inflation rates. This policy affects One of the most important parts of economic growth is investment. In order to stimulate the economic situation in light of the presence of recession factors due to the large reduction in government expenditures, which results in an increase in unemployment in the presence of complex security and social conditions, the Central Bank in 2016 took the following initiatives: - ( ) - • Allocating an amount of 5 trillion dinars to support real activity through lending to specialized banks (industrial, agricultural, real estate housing fund) in order to lend projects to

the private sector, and this represented the largest lending initiative in the history of Iraqi banks. • Allocating an amount of 1.5 trillion dinars to private banks to lend to small projects, with the Bank's willingness to enlarge and expand this initiative, and an organizational unit was established in the Central Bank specialized in microfinance for small projects in order to control any financial crisis. The Central Bank of Iraq law allowed lending to banks that are licensed or that have a license by the bank according to Banking Law No. 2003 of 94, “which suffer from financial crises with several restrictions, the most important of which is that these loans are necessary to maintain the stability of the financial system in these banks and that these banks are able to Performing its obligations from the point of view of the Central Bank by providing a guarantee commensurate with the credit granted to it by the Bank. • The bank's initiative to propose paying the dues of contractors, farmers, and processors more than 5 trillion dinars, which caused great damage to the activity of the private sector and the government banking sector, as the government agreed to issue bonds proposed by the Central Bank and organized their preparation and disbursement in coordination with government banks in order to control the financial crisis. ( ) - Supporting financial stability at the level of sustainability of public finances and the stability of the banking sector: to face the sharp drop in government revenues and the emergence of a major financial crisis in light of the special circumstances the country faced at the time and the difficulty of adapting to the sharp and emergency drop in oil prices, the Central Bank supported the stability and sustainability of public finances and averted the risks that It could have resulted from the financial crisis (the government's revenues reached in some months of 2016 less than covering less than 50% of salaries) and the Central Bank played a pivotal role in overcoming the crisis by purchasing treasury transfers issued by the Ministry of Finance (with an amount of 16 trillion dinars between the years 2015 and 2016, as well as allowing banks to purchase treasury transfers using 50% of the mandatory reserves of banks held by the Central Bank. The remittances that were purchased from these amounts amounted to more than 4 trillion dinars, and thus the support provided by the Central Bank to the government through indirect financing of the budget provided the ability To pay the dues of international oil companies in order to sustain oil production and export, and failure to pay them poses a serious threat to the state's resources, which makes it face a financial crisis that cannot be easily overcome. ( ) In the aftermath of the dot-com collapse, many central banks cut interest rates to counter recession, which in turn is monetary policy, as there were many successes.

business in Iraq and to regulate the practice of supervision over banks and their branches , by conducting a comprehensive survey and review of the conditions of banks and identifying banks that need assistance in managing their financial situation, as they face special difficulties in the situation Urgent programs and procedures to address them, and the conditions of the vast majority of them have been recovered in order to provide financial stability in banks and avoid falling into the risks of illegal and suspicious transactions. Especially within banks, it specializes in combating violations, risk management, and compliance. The Central Bank made significant historical strides during the years 2015 and 2016 in promoting and strengthening procedures and regulations related to this, which were supported by relevant international organizations, including the Financial Action Organization.

- Building an integrated and broad program that provides a modern and developed database to protect the banking sector from credit risks, to be at the disposal of all banks to inquire about borrowers to take appropriate decisions on the matter of borrowers in order to ensure and stabilize the financial system. Risk-based control systems have been strengthened in accordance with the best international goals and

practices issued by Basel Committee on Financial Supervision.

- Reducing the risks that clients are exposed to in their financial dealings by setting a comprehensive framework for the policies and procedures that must be applied in their regulatory, legislative, awareness-raising, educational and supervisory dimensions. An organizational unit has been established to undertake these tasks.

Strengthening the governance system in the banking sector and issuing the first guide to corporate governance in the banking sector, which includes the principles, concepts and rules of governance in accordance with the latest international developments and practices aimed at developing the sound performance of banks and providing a sound framework for banking management that separates ownership and management and protects the rights of shareholders and stakeholders and provides an appropriate framework For disclosure, transparency and oversight.

And with an evaluation view of the banking monetary policy in Iraq from the year 2003-2020, (taking into account the security conditions and their effects) and what has been achieved and what has not been achieved of its objectives, we can say that there has been (relative) success achieved with regard to its primary goal, which is maintaining the price of Stable local, but the process of promoting sustainable growth, employment and prosperity remained outside the scope of capabilities and the reason is due to the lack of response of economic activity to take advantage of this relative stability before the bank is in control of the change in commodity economic activity and this is because there is no economic policy in the literal sense known in financial and economic policy Monetary policy is one of its tools, in addition to fiscal policy, trade policy, planning, employment policy, agricultural, industrial, oil and investment policy, and the private sector.

#### 4. CONCLUSION

Monetary policy in Iraq operates as an institutional and legislative framework represented by the Central Bank of Iraq law. The banking institution is considered one of the most important pillars of the financial system, and the stability of this system depends on achieving stability in the banking system and working to solve financial crises. Taxes represent the most important tools of fiscal policy, the aim of which is to control inflation by improving the value of the local currency against foreign currencies. The Central Bank worked to solve the financial crises by adopting various monetary policies, represented by the stability of the exchange rate, control of inflation, openness to the open market, and support.

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