

# Comprehensive Banking and A Competitive Advantage in Iraqi Commercial Banks: An Applied Analysis of A Bank Sample (2010 – 2024)

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## Abstract

This study examines the impact of comprehensive banking adoption on competitive advantage in Iraqi commercial banks through an applied analysis of a sample of fifteen banks over the period (2010–2024). The study employs a mixed-methods approach integrating quantitative techniques—questionnaires, composite indices, correlation analysis, and multiple regression models—with qualitative insights derived from semi-structured interviews with bank managers and financial experts. Secondary data were obtained from official reports issued by the Central Bank of Iraq and the Iraqi Securities Commission.

The findings reveal a strong and statistically significant relationship between comprehensive banking dimensions—digital transformation, service diversification, microfinance, financial literacy, and geographical outreach—and competitive advantage indicators, including ROA, ROE, market share, customer satisfaction, and service innovation. The regression model explains approximately 88% of the variance in competitiveness, with digital transformation and service diversification emerging as the most influential determinants.

The study contributes theoretically by integrating resource-based and dynamic capability perspectives into the analysis of banking modernization in a developing economy. Practically, it proposes policy-oriented recommendations focused on legislative reform, digital financing, regulatory incentives, and human capital development to enhance sustainable competitiveness in the Iraqi banking sector.

**Keywords:** Comprehensive Banking; Competitive Advantage; Digital Transformation; Financial Inclusion; Iraqi Banks; ROA; ROE.

## 1. Introduction

The Iraqi banking sector has undergone significant structural and regulatory changes since 2016, driven by financial inclusion initiatives, digital payment reforms, and the gradual modernization of supervisory frameworks. These developments have intensified competition among banks, compelling them to move beyond traditional intermediation functions toward more integrated and diversified banking models. Within this evolving context, comprehensive banking has emerged as a strategic approach that combines digital channels, diversified financial services, institutional integration, and outreach-oriented inclusion mechanisms.

Despite the growing policy emphasis on banking modernization in Iraq, empirical evidence linking comprehensive banking practices to competitive advantage remains limited. Most existing studies focus either on digital transformation or on financial performance indicators in isolation, without capturing the systemic nature of comprehensive banking as an integrated organizational and technological framework. This study addresses this gap by empirically testing how comprehensive banking adoption enhances competitive advantage in Iraqi commercial banks over a long-term period (2010–2024), thereby providing both academic insight and policy relevance.

## 2. Research Problem, Questions, and Hypotheses

The central research problem concerns the extent to which comprehensive banking practices contribute to strengthening competitive advantage in Iraqi commercial banks operating within a transitioning regulatory environment.

Accordingly, the study addresses the following research questions:

- How does digital transformation within comprehensive banking affect the competitive advantage of Iraqi commercial banks
- To what extent does service diversification beyond traditional lending improve financial and non-financial performance indicators?
- Are there significant institutional differences in the impact of comprehensive banking between public, private, and mixed banks?

Based on these questions, the study formulates the following

Hypotheses:

H<sub>1</sub>: Digital transformation has a positive and statistically significant effect on competitive advantage.

H<sub>2</sub>: Service diversification positively influences competitiveness indicators.

H3: Microfinance, financial literacy, and geographical outreach exert moderate but significant effects on competitiveness.

H4: The strength of these effects varies across bank ownership structures.

### 3. Theoretical Framework

This research is grounded in an integrated theoretical framework drawing on three complementary perspectives. The Resource-Based View (RBV) explains competitive advantage as a function of valuable, rare, and inimitable resources, such as advanced digital infrastructure and institutional capabilities. The Dynamic Capabilities approach emphasizes banks' ability to reconfigure resources in response to technological and regulatory change, highlighting innovation and adaptability as core drivers of sustainability. In parallel, the Technology–Organization–Environment (TOE) framework contextualizes digital transformation within organizational readiness and regulatory conditions. Within this framework, comprehensive banking is conceptualized as an integrated system that transforms banks from traditional financial intermediaries into multifunctional financial platforms capable of sustaining competitiveness through innovation, diversification, and inclusion.

### 4. Literature Review and Research Gap

Existing Iraqi and regional studies emphasize digital banking adoption, competition strategies, or financial performance independently. International literature, however, demonstrates that banks adopting integrated or universal banking models achieve greater income stability and resilience to shocks through diversification and digital integration. The research gap lies in the absence of a longitudinal, empirically grounded study that links comprehensive banking dimensions to competitive advantage within the Iraqi context. This study fills this gap by combining quantitative measurement with qualitative interpretation over fourteen years.

### 5. Methodology

The study adopts a mixed-methods design. Quantitative data were collected through standardized questionnaires administered to bank employees and clients, employing Likert-scale items converted into composite indices ranging from 0 to 100. Qualitative data were obtained from semi-structured interviews with senior managers and financial experts to interpret institutional differences and contextual factors. Secondary data were sourced from annual reports of the Central Bank of Iraq (2019–2024), the Iraqi Securities Commission, and the Association of Private Banks. Statistical techniques included Pearson correlation, multiple regression analysis, and composite index construction. The sample comprised fifteen commercial banks selected based on activity size, digital readiness, and data availability.

### 6. Applied The Results of Comprehensive Banking

The empirical results indicate significant variation in organizational transformation and institutional integration among banks. Banks with unified digital infrastructures record higher composite scores, reflecting stronger readiness for comprehensive banking adoption. Non-traditional activities, including investment services, insurance, and advisory functions, have expanded steadily, accounting for approximately 52% of total non-traditional banking activities by 2024.

#### 6.1. Organizational transformation and institutional integration

The degree of organizational transformation and administrative–digital integration reflects the readiness of banks to adopt the comprehensive banking model. Empirical measurement indicates that banks with unified digital infrastructures achieve higher levels of operational readiness compared with banks that continue to rely on traditional administrative structures.

**Table 1:** Degree of Organizational Transformation and Institutional Integration

| Bank             | Restructuring % | Activity Diversification % | Digital / Administrative Integration % | Overall Average % |
|------------------|-----------------|----------------------------|--|-------------------|
| Rafidain         | 92              | 85                         | 88                                     | 88.3              |
| Rasheed          | 86              | 78                         | 72                                     | 78.6              |
| TBI              | 95              | 91                         | 93                                     | 93.0              |
| Baghdad          | 90              | 84                         | 86                                     | 86.6              |
| Iraqi Investment | 89              | 86                         | 84                                     | 86.3              |
| Gulf Commercial  | 90              | 89                         | 91                                     | 90.0              |
| Mansour          | 83              | 74                         | 77                                     | 78.0              |
| North            | 156.4           | 62                         | 58                                     | 61.6              |

Source: Authors' calculations based on survey data (2010–2024).

The results indicate a clear institutional gap in favor of large and mixed-ownership banks, which possess stronger capabilities in organizational restructuring and digital integration.

#### 6.2. Development of non-traditional banking activities (2010–2024)

Trend analysis reveals a gradual transformation in the structure of banking activities in Iraq, as traditional operations declined in favor of investment services, bancassurance, and advisory activities.

**Table 2:** Trend of Non-Traditional Banking Activities (2010–2024)

| Activity Type                 | 2010 % | 2016 % | 2020 % | 2024 % |
|-------------------------------|--------|--------|--------|--------|
| Traditional Lending & Trading | 78     | 65     | 54     | 48     |
| Investment & Asset Management | 12     | 18     | 26     | 31     |
| Insurance & Advisory Services | 10     | 17     | 20     | 21     |

Source: Central Bank of Iraq, Annual Financial Stability Reports, Directorate of Statistics and Research, various years.

The data shows that non-traditional activities account for approximately 52% of total non-traditional banking operations by 2024, supporting income sustainability and reducing sensitivity to financial shocks

### 6.3. Comprehensive banking implementation index

To assess the actual level of comprehensive banking implementation, a composite index was constructed incorporating service diversification, asset management, advisory services, and institutional integration.

**Table 3: Comprehensive Banking Implementation Index**

| Bank             | Diversification % | Asset Management % | Advisory % | Institutional Integration % |
|------------------|-------------------|--------------------|------------|-----------------------------|
| Rafidain         | 45                | 36                 | 22         | 82                          |
| Rasheed          | 38                | 28                 | 17         | 70                          |
| TBI              | 52                | 45                 | 30         | 89                          |
| Baghdad          | 49                | 40                 | 24         | 81                          |
| Iraqi Investment | 50                | 41                 | 26         | 84                          |
| Gulf Commercial  | 53                | 46                 | 28         | 90                          |
| Mansour          | 27                | 24                 | 12         | 59                          |
| North            | 45                | 36                 | 22         | 82                          |

Source: Authors' composite index.

The overall average index (66%) remains below the Arab benchmark (80%), with the gap appearing most prominently in advisory services.

## 7. Regulatory Framework and Digital Transformation

The regulatory analysis reveals partial progress toward modernization, particularly in governance and supervisory practices. However, weaknesses persist in e-payment legislation and banking insurance frameworks, constraining full integration of comprehensive banking. Digital transformation indicators show higher adoption rates and IT expenditure in private and mixed banks compared with public banks, contributing to observable competitive disparities.

### 7.1. Assessment of the legal and regulatory environment

The legal and regulatory framework directly affects the speed and depth of comprehensive banking implementation, particularly in the areas of electronic payments and banking insurance

**Table 4: Legal Framework Elements Affecting Comprehensive Banking**

| Element                        | Progress % | Observed Impact   |
|--------------------------------|------------|---|
| Central Bank Law               | 80         | Supervisory foundation without explicit integration clauses |
| Banking Law No. 94 (2004)      | 72         | Primary focus on lending and deposit activities             |
| E-Payment Legislation          | 45         | Weak level of implementation                                |
| Governance Instructions (2021) | 66         | Improvement in managerial practices                         |
| Banking Insurance              | 38         | Absence of a clear legal framework                          |
| Supervision and Oversight      | 74         | Gradual improvement with limited coordination               |

Source: Al-Obaidi, A. F. (2023). The regulatory framework of comprehensive banking in Iraq: A critical reading. *Journal of Financial and Banking Sciences*, 15(2), p. 50.

### 7.2. Digital transformation and e-services indicators

Digital transformation indicators highlight disparities in technological adoption and IT investment among Iraqi banks, reflecting differences in readiness for comprehensive banking.

**Table 5: Digital Transformation Indicators (Selected Banks, 2010–2024)**

| Bank            | Digital Clients % | IT Spending % of Operating Costs |
|-----------------|-------------------|----------------------------------|
| TBI             | 68                | 3.9                              |
| Gulf Commercial | 66                | 3.8                              |
| Ashur           | 64                | 3.7                              |
| Rafidain        | 42                | 2.1                              |

Source: Iraqi Securities Commission (2023), p. 49.

## 8. Competitive Advantage Measurement and Analysis

The composite competitiveness index demonstrates a consistent upward trend, increasing by 25 points between 2010 and 2024. This improvement is driven primarily by service innovation and customer satisfaction gains following 2018. Cost efficiency, service differentiation, and financial-technological innovation constitute the main sources of competitive advantage.

### 8.1. Composite competitiveness index trend

**Table 6: Competitive Advantage Index (2010–2024)**

| Year | Customer Satisfaction | Service Innovation | Composite Index |
|------|-----------------------|--------------------|-----------------|
| 2010 | 41                    | 35                 | 49              |
| 2016 | 50                    | 45                 | 57              |
| 2020 | 56                    | 58                 | 63              |
| 2024 | 64                    | 72                 | 74              |

## 8.2. Financial and technological innovation

**Table 7:** Financial and Technological Innovation Index

| Bank             | Digital Services % | App Usage % | Innovative Products | Innovation Score |
|------------------|--------------------|-------------|---------------------|------------------|
| TBI              | 85                 | 72          | 8                   | 82               |
| Iraqi Investment | 78                 | 68          | 7                   | 79               |
| Gulf Commercial  | 88                 | 74          | 8                   | 84               |
| Baghdad          | 75                 | 63          | 6                   | 77               |
| Rafidain         | 48                 | 30          | 4                   | 58               |

## 9. Relationship between Comprehensive Banking and Competitiveness

Regression analysis confirms a strong positive relationship between comprehensive banking dimensions and competitive advantage, with an explanatory power of  $R^2 = 0.88$ . Digital transformation and service diversification emerge as the most influential variables, while microfinance and financial literacy exert moderate effects. Institutional segmentation highlights the superior performance of private and mixed banks due to greater digital readiness and innovation capacity.

### 9.1. Multiple regression results

**Table 8:** Multiple Regression Analysis

| Independent Variable    | B     | Sig.  | Relative Effect % | Significance       |
|-------------------------|-------|-------|-------------------|--------------------|
| Digital Transformation  | 0.431 | 0.000 | 43.1              | Highly Significant |
| Service Diversification | 0.269 | 0.001 | 26.9              | Significant        |
| Microfinance            | 0.112 | 0.037 | 11.2              | Moderate           |
| Financial Literacy      | 0.069 | 0.045 | 6.9               | Moderate           |
| Geographical Outreach   | 0.051 | 0.058 | 5.1               | Weak               |
| $R^2$                   | 0.88  | —     | —                 | —                  |

### 9.2. Institutional differences

**Table 9:** Regression Results by Bank

| Bank             | B (Digital) | B (Diversification) | Total $R^2$ |
|------------------|-------------|---------------------|-------------|
| TBI              | 0.45        | 0.29                | 0.89        |
| Iraqi Investment | 0.46        | 0.30                | 0.90        |
| Gulf Commercial  | 0.45        | 0.30                | 0.89        |
| Baghdad          | 0.41        | 0.26                | 0.86        |
| Rafidain         | 0.36        | 0.25                | 0.83        |
| Rasheed          | 0.34        | 0.23                | 0.79        |

### 9.3. Correlation analysis

**Table 10:** Pearson Correlation Results

| Variable                | r    | Sig.  | Effect % |
|-------------------------|------|-------|----------|
| FinTech Adoption        | 0.88 | 0.000 | 42.1     |
| Service Diversification | 0.83 | 0.002 | 30.1     |
| Microfinance            | 0.69 | 0.021 | 11.7     |
| Financial Literacy      | 0.64 | 0.037 | 8.1      |
| $R^2$                   | 0.86 | —     | —        |

## 10. Discussion

The findings indicate that comprehensive banking represents a structural and digital transformation rather than a mere expansion of services. By integrating digitization, diversification, and service quality, banks enhance resilience, profitability, and market positioning. Public banks retain advantages derived from extensive branch networks and historical trust, while private banks excel in innovation and technological agility. Sustainable competitiveness thus depends on aligning digital transformation with regulatory reform and governance mechanisms.

### 10.1. Operational and digital dimensions

**Table 11:** E-Channel Adoption and Operational Performance

| Bank             | Digital Adoption % | E-Payments % | Operational Speed | ROA Contribution (bps) |
|------------------|--------------------|--------------|-------------------|------------------------|
| TBI              | 81                 | 72           | 86                | 37                     |
| Gulf Commercial  | 80                 | 73           | 85                | 36                     |
| Ashur            | 82                 | 74           | 87                | 39                     |
| Iraqi Investment | 79                 | 71           | 84                | 35                     |
| Baghdad          | 74                 | 66           | 80                | 29                     |
| Rafidain         | 63                 | 48           | 66                | 18                     |

## 11. Practical Implications and Policy Recommendations

The study recommends adopting a comprehensive legal framework for banking insurance and digital financing, implementing performance-linked regulatory incentives, establishing interoperable national payment platforms, licensing banking innovation centers under regulatory sandboxes, and investing in advanced digital skills development.

## 12. Limitations and Future Research

The study relies on composite indices and survey data; future research should incorporate detailed accounting data and causal identification techniques. Expanding the sample to include regional banks would enhance comparative analysis.

**Table 12: SWOT Summary**

| Dimension     | Description                       | Impact (0–100) | Implication     | ROA Contribution (bps) |
|---------------|-----------------------------------|----------------|-----------------|------------------------|
| Strengths     | Public base + private flexibility | 88             | Stability       | 37                     |
| Weaknesses    | Weak tech integration             | 65             | Efficiency loss | 36                     |
| Opportunities | CBI support + digital growth      | 91             | Expansion       | 39                     |
| Threats       | Legal gaps + competition          | 72             | Market pressure | 35                     |

## 13. Conclusion

The study confirms that comprehensive banking significantly enhances competitive advantage in Iraqi commercial banks through digital transformation, service diversification, and innovation. Closing legislative gaps, reinforcing regulatory incentives, and strengthening human capital are essential for sustaining competitiveness in Iraq's evolving financial landscape.

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