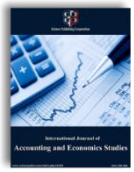
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Research paper



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_1: Digital transformation has a positive and statistically significant effect on competitive advantage.

H_2: Service diversification positively influences competitiveness indicators.

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H_3: Microfinance, financial literacy, and geographical outreach exert moderate but significant effects on competitiveness.
H_4: 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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