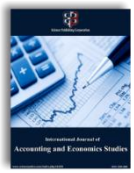
International Journal of Accounting and Economics Studies, 13 (1) (2026) 536-545

International Journal of Accounting and Economics Studies

Website: www.sciencepubco.com/index.php/IJAES
https://doi.org/10.14419/vsh1d579
Research paper



Analysis of The Reality of Sustainable Finance In Iraq, for The Period (2009 – 2023)

Haider Saeed Haji *, Dr. Ali Falah Hamza

University of Babylon / College of Administration and Economics
**Corresponding author E-mail: bus933.haider.saeed@student.uobabylon.edu.iq*

Received: December 3, 2025, Accepted: December 29, 2025, Published: January 28, 2026

Abstract

The objective of this study is to investigate the existence or nonexistence of sustainable finance in Iraq from 2009 to 2023 through exploring the development of financial policy, institutional framework, and banking business for sustainability. The study look after the role played in sustainable and responsible finance transitions, in terms of its response to: economic challenges, political instability and reconstruction demands, and environmental calamities. The research questions this paper poses are on two levels: - How far has sustainable finance come in light of the number of recent pressures? And if it continues to lag, what are monetary authorities doing here as Central Bank: commanders in this transition?

The research methodology follows a descriptive approach using official financial and banking data, policy papers, and sustainable finance-related indicators. The results indicate that despite recent advances toward sustainable finance in Iraq, particularly post 2020, the country's progress is slow and its policies are hampered by low institutional capacity, weak regulatory compliance mechanisms, and structural economic weaknesses. New measures have helped develop new instruments of green finance and raised awareness of it, but the framework as a whole is in its infancy.

The article concludes that in order to have sustainable finance in Iraq, it needs a robust regulatory structure, capacity building, and more embedding of sustainable principles into financial decision-making. The results add to the rich body of literature on sustainable finance in emerging and resource-extractive economies.

Keywords: *Sustainable Finance; Banking Sector; Economic Development; ESG; Iraq.*

1. Introduction

Sustainable finance is one of the most important modern policies to reshape financial systems as an effective tool to balance economic development, water, and social growth. Sustainable finance instead means that only short-term profitability is no longer the singular criterion for decision-making, but includes environmental, social, and governance (ESG) considerations as part of financial decision-making to foster long-term economic strength and inclusive economic growth.

Over the last decade, awareness of environmental degradation, climate change, and social disparity has increased globally, with governments and financial institutions striving to secure sustainable financing. Among these are green bonds, sustainability-linked loans, and responsible investment programs, which are supposedly directing capital flows towards environmentally beneficial activities. Consequently, there is now a significant emphasis on sustainable finance as one of the key drivers for international development, underpinning the United Nations' Sustainable Development Goals (SDGs) and Paris Climate Agreement.

The repercussions of credible transnational funding mechanism Vis a vis IFFs (as source and destination) for conflict-induced damage have realized in the case of Iraq in view of its overwhelming reliance on oil receipts, susceptibility to environmental degradation, and receptivity to economic and political instability. Denominated in abundant natural and human resources, Iraq remains structurally challenged by environmental degradation (including pollution, soil salinity and inadequate supplies of potable water), high unemployment rates (10-15% or higher) including underemployment, a dysfunctional centralized command economy dependent on declining oil revenues, low institution capacity for government service delivery due to a pre-2003 overdependence on its state-owned enterprises as the generator of employment "The financial sector has been hobbled by years of rampant inflation and sanctions. These challenges have heightened the requirement for a financial system that is responsive to sustainable development and economic pluralization.

Since 2009, Iraq has made incremental attempts to include sustainability in its financial and banking system. These efforts have included projects led by the Central Bank of Iraq, cooperation with international financial institutions, and policies to support green projects, renewable energy, and sustainable investment. But in reality, sustainable finance has been rolled out only on a small scale, typically due to weak institutions, regulatory holes, and flimsy politics.

For this reason, this paper aims to analyze the trajectory of sustainable finance in Iraq from 2009 to 2023, with emphasis on how financial policies, banking practices, and institutional reforms have played a part in advancing sustainability-driven financing. Through examination

Copyright © Haider Saeed Haji, Dr. Ali Falah Hamza. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

of financial indicators, policy regime, and banking developments, this paper seeks to build a picture of the state-of-play in sustainable finance in Iraq and key challenges facing its successful introduction.
This study makes a number of contributions to the literature by offering an in-depth, yet systematic, analysis of sustainable finance in Iraq over an extended period (2009–2023) that encompasses both institutional analysis as well as financial and banking level indicators. This approach contrasts with some of the existing studies that concentrated on individual initiatives or short periods in time, providing a holistic view on the developments, challenges, and policy implications of green finance within a resource-based economy.

1.1. Research problem

Use in the Iraqi banking system is still very limited and uneven. Although the Central Bank of Iraq has introduced a few programs and incentives intended to foster social responsibility-based financing, their actual effect on bank policies and economic progress is not clear. The real issue is the gap between announced policy and its real execution. While there are some regulatory frameworks and some strategic plans for banks in Iraq, a number of the country's banks still operate on traditional forms of financing that do not have a full inclusion of environmental, social governance (ESG) factors into loan decision-making. In addition, a lack of tangible measurement tools, weak institutional capabilities, and inadequate regulatory sanctions have impeded the efficacy of sustainable finance programmers.
Thus, the primary research issue can be summarized as:
How far has sustainable finance evolved in Iraq following the period (2009–2023), and what are the economic, institutional, and regulatory determinants affecting its ability and efficiency?

1.2. Research objective

The goals of this study are to:
1) To study the transformation of sustainable finance in Iraq (2009–2023) and to highlight significant trends and structural changes.
2) To evaluate the contribution of the Central Bank of Iraq and other financial institutions toward sustainable finance.
3) To study the correlation of sustainable finance with some important economic and financial variables in Iraq.
4) To determine the principal institutional, regulatory, and economic barriers to further development of sustainable finance.
5) To make policy-related recommendations that contribute to supporting an efficient and sustainable FS in Iraq.

1.3. Research hypothesis

“The growth of sustainable finance in Iraq is largely affected by the economic, institutional, and regulatory environment. Efforts implemented by the Central Bank of Iraq have had a positive impact in advancing sustainable finance, they are limited by mechanisms for implementation and economic structure in place during 2009–2023.”

1.4. Research methodology

The descriptive–analytical method is applied in order to meet the objectives of this study. This methodology enables the study of qualitative and quantitative dimensions of sustainable finance in Iraq.
The study relies on:
- Secondary data: official reports of the Central Bank of Iraq, the Ministry of Planning, and other international financial institutions.
- Banking-activity, credit growth, and sustainable-finance indicators statistics (2009–2023).
- Analysis tools: Trend analysis, comparative analysis, etc., to assess trends in finance and compare Financial Ratio ID over a period.

Its framework allows a comprehensive investigation of policy progress, institutional performance, and financial development, which serves as one package to understand how sustainable finance evolved in Iraq.

1.5. Operational definition of sustainable finance

In this work, sustainable finance is operationalized as the aggregate volume of credit and financing targeted or channeled toward environmentally- and socially-focused projects that are recognized, reported, or designated by the Central Bank of Iraq. This applies to funding for renewable energy, sustainable agriculture, water resource management, environmental conservation, and green or social infrastructures. All amounts are in billions of Iraqi dinars and quoted from Central Bank of Iraq reports and statistical releases.
Spatial and temporal boundaries of the research
The research area in our study is Iraq, and the time range covered extends from 2009–2023.

1.6. Research structure

This Research restricted the Republic of Iraq, and tried to deal with the national bank system and finical by technical side.
The time span (2009–2023) is significant as it represents a period at the post-conflict recovery stage, during which countries have adopted economic reforms and oil prices have experienced high volatility, combined with growing attention to sustainable development policies

2. The Theoretical Framework of Sustainable Finance

2.1. The concept of sustainable finance

The push for sustainable finance is a new one, having been born out of increasing economic, environmental, and social challenges in the era of modern-day economies. It refers to the deployment of capital to sustainable activities and projects that seek financial returns combined with environmental, social, and governance (ESG) consideration or investment for long-term sustainable development.
Sustainable finance departs from conventional financial thinking by recognizing environmental risks and climate change, social inequality, and poor corporate governance as material to the stability of financial returns and the long-dated nature of risk-averse investment. Thus,

it is no longer only short-term profitability criteria that play a role in financing decisions, but also the capacity of a project or institution to create economic, social, and environmental value in balance.
In this regard, sustainable finance is a strategic instrument to help facilitate the transition towards a low-carbon economy and ensure more efficient resource allocation as well as achieve financial inclusion, especially in developing countries facing structural imbalances in their economies.

2.2. The importance of sustainable finance

Structural, environmental, and social issues in a bigger context. It is an approach that strategically seeks to improve the capacity of financial systems to capture long-term considerations and better integrate such factors into decision-making. Through this way, sustainable finance helps to address systemic risks from climate change, environmental degradation, and social instability while at the same time promoting inclusive and equitable economic growth.
Sustainable finance also serves an important role in supporting social and financial inclusion through the allocation of financial resources to marginalized groups, underserved areas, and developmental projects. By incorporating transparency, accountability, and responsible management principles in financial practices, the institutional credibility increases, and the effectiveness of financial markets at large is enhanced.
The significance of Sustainable Finance can be explicated using the following critical dimensions:

2.2.1. Supporting sustainable economic development

Sustainable finance supports long-term economic growth by allocating capital to productive and environmentally sustainable projects. Focusing on investments that increase the efficiency of resource use and cut environmental destruction, it encourages sustained economic growth with less pollution compared to traditional models.

2.2.2. Reducing financial and non-financial risks

Adopting Environmental Social Governance (ESG) as part of investment decision-making is better for institutions to identify and manage non-financial risk and opportunities. These can be climate-related risks, but also regulatory unpredictability and social disruption that, if not mitigated, can have profound impacts on both financiers' bottom lines and systemic stability.

2.2.3. Promoting innovation and clean technologies

Promotion of sustainable finance is crucial to stimulating technological innovation by directing investment in renewable energy, improved energy efficiency, sustainable infrastructure, and green technologies. Those investments not only shrink environmental strains but also spur job growth and bolster economic competitiveness.

2.2.4. Enhancing economic and financial efficiency

Projects that are built to sustainability criteria generally have more efficient operations, lower long-term costs , and greater resiliency against economic disruptions. In addition, businesses that perform well on sustainability indicators often enjoy enhanced access to finance, lower cost of capital, and greater confidence on the part of investors.

2.2.5. Supporting alignment with international frameworks

With sustainable finance, it is possible to meet global standards, such as the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement. Compliance with frameworks such as these would serve to underpin countries in their access to international financial resources, reinforce policy coherence, and enhance the ability of countries to fulfil environmental and social objectives.

2.3. Sources of sustainable financing

Sustainable finance is an overall approach to mobilize capital for environmentally and socially responsible economic activities. Its efficacy is predicated upon diverse and informed financing tools that can sustain long-term sustainability goals. These sources can be categorized into financial instruments, investment vehicles, institutional arrangements, and regulatory frameworks that enable the channeling of capital into projects with sustainable development objectives as a whole.

2.3.1. Sustainable financial instruments

Financial instruments of a sustainable nature. The financial instruments are the primary channels for capital to be invested in projects that adhere to environmental and social criteria. These are financial instruments made for matching financial returns with sustainability outcomes, and they come in the form of:

2.3.1.1. Green bonds

Green bonds are a type of debt instruments which companies issue in order to fund projects that have positive environmental impacts, such as renewable energy, energy efficiency, low-carbon transport, and pollution control. One distinctive characteristic of green bonds is the demand for transparency and regular reporting on the use of proceeds related to the environmental benefit; this kind of reporting is contributing to building investor confidence and accountability.

2.3.1.2. Social bonds

Social impact bonds are structured to fund projects that produce clearly identifiable social returns, such as affordable housing, health care, education, and job programs. They are key to the fight against social inequalities and inclusive economic development

2.3.1.3. Sustainability-linked bonds

Unlike what happens with project-specific instruments, in the case of a sustainability-linked bond, financing conditions are tied, from the issuer's side, to the fulfilment of agreed-upon sustainability performance targets. Missing these targets usually leads to monetary penalties, so an incentive is created to improve environmental and social performance indefinitely.

2.3.1.4. Green and social loans

The loans are used to support environmentally and socially sustainable projects, and they typically come with more favorable terms, such as lower interest rates or longer maturities than other types of loan provided the borrower complies with certain environmental and social standards.

2.4. Sustainable investment funds

Sustainable investment funds represent a critical channel for large-scale capital to be shifted into sustainability-related investments. The monies are aggregated from institutional and retail investors and deployed with environmental, social, and governance (ESG) considerations.

2.4.1. Environmental, social, and governance (ESG) funds

They invest in companies with strong ESG records only, promoting responsible corporate behavior and the creation of long-term value.

2.4.2. Impact investment funds

Impact funds are those that seek some social or environmental impact alongside financial returns. Their performance is measured not just by financial returns, but by measurable development impact—whether it's better access to clean energy or vital services.

2.4.3. Climate funds

Climate-aligned funds invest in projects that contribute to climate change solutions such as renewable energy infrastructure, water management, and climate resiliency.

2.5. Innovative and hybrid financing mechanisms

Creative and feed-in finance mechanisms (e.g., hybrid) are a key part of the solution to bridge this funding gap for sustainable investment in the developing and emerging markets. These instruments pool public and private funds to mitigate investment risk and enhance project bankability.

2.5.1. Blended finance

It is a way of pairing concessional public money with private capital to reduce risks on investments, and allay the fears of private investors so that they don't bypass sustainable projects that fit perfectly within our 2030 targets.

2.5.2. Financial guarantees

Guarantee facilities funded by development banks or multilateral financial institutions reduce credit and political risks and facilitate private lenders to finance environmentally and socially sound investments.

2.5.3. Climate risk insurance

Climate risk insurance products insure investments against climate-related risks such as droughts or floods, building resilience of agricultural and infrastructure projects to these stresses.

2.6. Institutional and regulatory frameworks

The performance of sustainable finance is closely related to the robustness of the institutional and regulatory environment. The enabling environment is determined primarily by the actions of governments and regulatory bodies, which include:

a) Developing well- defined sustainability standards and disclosure requirements.
b) Incorporation of environmental and social risk assessment in financial oversight.
c) Promote transparency and accountability in financial markets.
d) Integrating Domestic Financial Policies with International Sustainability Frameworks.

Important global frameworks that underlie responsible financing are the Paris Agreement on Climate Change, the United Nations Sustainable Development Goals (SDGs), the Task Force on Climate-related Financial Disclosures (TCFD), and the Principles for Responsible Investment (PRI). Activities are better aligned with such frameworks, which helps (i) maintain coherence of public policy measures; (ii) connection to and access to international financial means, and (iii) development toward long-term economic resilience.

These instruments play to the harmonization of ideas and standards, bring about more transparency and accountability, and lead global investment toward sustainability.

3. Analysis of the Reality of Sustainable Finance in Iraq for the Period (2009–2023)

3.1. The reality of sustainable finance in Iraq

Major structural and institutional problem faced by the financial industry. For decades, the Iraqi financial system has been characterized by a race to underpin an oil-based national economy, with little concern for the environment or future sustainable development goals. With growing environmental challenges and the necessity to diversify the national economy, there has been a slow move towards incorporating sustainable finance as a strategic policy tool, though.

Against this background, the Central Bank of Iraq has taken a number of important steps to support green finance. One of these initiatives is the creation of a national roadmap for sustainable finance in line with the 2023–2029 long-term plan, which has been designed jointly with the IFC. The Central Bank has also released environmental, social, and governance (ESG) requirements, used performance measures to evaluate banks for adherence to sustainable criteria, and incentivized green financial instruments like green loans or sustainable bonds. In addition, some instrumental entities got licensed as the Bank of Sustainability and Riyada Bank. This is an institutional step towards incorporating sustainability in the financial system.

Nevertheless, the use of sustainable finance in Iraq still faces constraints. Most banks have not yet integrated ESG into their credit policies and risk assessment models, as empirical studies indicate. In addition, the financing innovations from green bonds to sustainability-linked products remain relatively immature. Existing efforts are mostly limited to small-scale initiatives, also in the areas of recyclability of energy and waste-handling, as well as energy efficiency; they have not become part of mainstream finance.

There are obstacles that still prevent the efficient deployment of sustainable finance in Iraq. These consist of low technical and institutional capabilities in the banking industry, devoid of broader and enforceable rules and regulations as well as governance-related issues, which aerobatic bureaucratic inefficiencies and corruption. Further, awareness of the concepts of sustainable finance is not yet broad, and there is less demand for green financial products. This hinders healthy growth in the market.

Thus, Iraq is at a crucial juncture. It will have to either convert the existing policy commitments into specific, actionable provisions that make sustainable finance a reality for economic development or sit back and watch the sustainability narrative remain symbolic. Realizing such progress will require improving the capacity of institutions, promoting regulatory frameworks, ensuring transparency, and maintaining international cooperation in order to facilitate the financial sector's transformation towards sustainability over the long term.

3.2. The development of sustainable finance in Iraq for the period (2009-2023)

Interest in sustainable finance in Iraq began quietly, albeit sporadically, following 2009 when international organizations (the likes of the World Bank and UNDP) started funding related projects. These initial efforts focused primarily on the agricultural, water, and energy sectors, without a broad national finance plan. Sustainability financing during that time was thus still project-driven, rather than policy-supported.

Name of Country: Iraq BACKGROUND As one of the member States in the UN, Iraq is following international development and experienced Sustainable Development Goals (SDGs) after it was adopted in 2015. That was a step-change in the national consciousness about the need to incorporate environmental and social, as well as economic, factors into our country's economics. Hence, government bodies increasingly became involved with sustainability-focused actions and began working toward integrating environmental and social aspects into national development planning.

It was a more concrete change after 2020, when the Central Bank of Iraq stepped up to promote sustainable finance. An example of such initiatives was specialized programs where resources were allocated in support of green finance, renewable energy, and water efficiency. Accordingly, the Central Bank has prepared a roadmap on sustainable finance in Iraq (2023-2029) to implement and adopt principles of sustainability in banking business instructions through adaptation with international standards.

In this context, sustainable finance in Iraq has shifted from a fragmented and project-based sector to an organized and policy-directed area. While still at an early stage of development, this indicates a broader recognition that sustainable finance can be an instrumental tool to help achieve economic diversification, environmental preservation, and long-term socio-economic growth. This progress is shown in Table 1.

Table 1: Development of Sustainable Finance in Iraq for the Period (2009-2023) (Million Dinars)

Years	Sustainable financing	Rate of change for sustainable finance (%)
2009	40,600,000	----
2010	43,500,000	7.14
2011	52,200,000	20.00
2012	58,000,000	11.11
2013	60,900,000	5.00
2014	65,250,000	7.14
2015	79,750,000	22.22
2016	87,000,000	9.09
2017	91,350,000	5.00
2018	98,600,000	7.94
2019	104,400,000	5.88
2020	116,000,000	11.11
2021	123,250,000	6.25
2022	130,500,000	5.88
2023	137,750,000	5.56

Source: Central Bank of Iraq, Sustainable Finance Roadmap.

There was a slow growth of sustainable financing in Iraq during the (2009–2023) period, starting with (40.6 billion) in 2009 to reach (137.75 billion) in 2023, which is an increase by approx. (97.15 billion). This trend reflects increasing interest on integration of sustainability principles into economic projects.) In the first phase (2009–2010), funding was scarce and confined to relief, agricultural, and water development. It was valued at (40.6 billion) in (2009), and has grown by (7.14%). The years were also characterized by an uneven development when it comes to funding, where we can see that support reached (52.2 billion) in 2011, then reached (58 billion) in 2012, and peaked at (60.9 billion) in 2013, finally rising to reach (65 billion) in 2014 despite the security conditions. This indicates continued

international support for environmental and agricultural projects. In the (2015–2019) phase, there was a significant expansion in the adoption of sustainable development. Financing rose to (79.75 billion) in (2015), its (22.22%) increase, then to (87 billion) in (2016) and (91.35 billion) in (2017) (98.6 billion) in (2018) and finally to (104.4 billion) in (2019), driven by the expansion of renewable energy and sustainable agriculture projects. The final phase (2020–2023) represented an institutional transformation. Financing increased to (116 billion) in (2020), its (11.11%) increase as part of post-pandemic recovery plans. It then reached (123.25) in (2021) with the launch of green loans, (130.5 billion) in (2022) with the expansion of international partnerships, and finally (137.75 billion) in (2023), supported by the Sustainable Finance Roadmap (2023–2029) and Green Climate Fund projects.

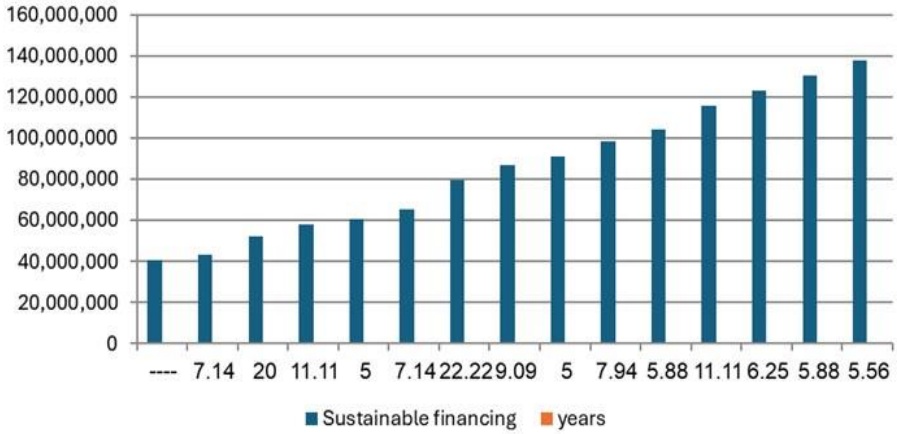


Fig. 1: Iraq's Development of Sustainable Finance from 2009 to 2023.

Source created by the investigator using the information in Table 1.

4. Examining Banking and Financial Measures Associated with Sustainable Finance

4.1. The development of the banking sector structure in Iraq

The organization governing the Iraqi banking sector changed between 2009 and 2023, reflecting both efforts to revamp the banking industry and enhance its performance as well as the political and economic shifts the nation experienced after 2003. The following table illustrates these developments in more detail.

Table (2): The evolution of the Iraqi financial system's structure between 2009 and 2023

Table 2: The Connection between Financial Sustainability Metrics and Capital Adequacy (2010-2023)

Years	Government banks	Number of branches	Local private banks	Number of branches	foreign banks	Number of branches	Total banks	Total branches
2009	7	175	30	150	6	7	43	227
2010	7	180	32	168	6	16	45	244
2011	7	185	33	170	10	17	50	252
2012	7	195	33	175	14	22	54	264
2013	7	200	32	180	15	26	54	275
2014	6	170	32	186	18	28	56	283
2015	7	215	32	190	18	30	57	300
2016	7	257	39	187	19	22	65	317
2017	7	270	43	195	19	34	69	329
2018	7	275	46	200	18	36	71	341
2019	7	290	48	210	18	38	73	353
2020	7	310	51	215	18	39	76	364
2021	7	330	53	230	14	40	74	375
2022	7	358	48	241	18	42	74	387
2023	7	381	51	257	21	23	79	856

Source: Central Bank of Iraq, General Directorate of Information and Research, Annual Statistical Publication, and other publications.

Table 2 shows several developments in the structure of the Iraqi banking sector during the period from 2009 to 2023. The number of government banks increased by 7 throughout this period, except in 2014 when it decreased to 6. This decrease is attributed to the merger of the former Iraqi Socialist Bank with Rafidain Bank. The number of branches also showed significant growth during this period, increasing to 381 branches in 2023, compared to only 175 branches in 2009. But in 2014, there were just 170 branches. This decline resulted from the Agricultural Bank losing thirty-one branches, Rashid Bank losing eight, and Rafidain Bank losing twenty-nine. Even though the number of local private banks rose from 30 in 2009 to 51 in 2023, this rise was accompanied by a parallel increase in their branches, which reached an astounding number: 257, when it had been only 150, hence a further increase of no fewer than 107 branches. This growth has been spurred by a growing demand for banking services as the population grows and economic activity spreads across all sectors. Local banks, including: making an effort to expand geographically so as they can offer accessible and flexible services to citizens and businesses in areas where the penetration of branches was before very low.

Regarding international banks, their number is also gradually rising: we had (6) in 2009 versus (42) in 2022. This increase was accompanied by a corresponding increase in the number of their branches, which also reached (42) branches, up from (27) previously, an increase of (15) branches. This is attributed to efforts to strengthen the Iraqi economy and revitalize the banking sector. Furthermore, this increase came within the framework of the state's endeavor to implement a set of economic reforms aimed at encouraging foreign investment and enhancing confidence in the local financial system. In addition to transferring knowledge and cutting-edge technology to the Iraqi banking

industry, the arrival of international banks aids in the growth of banking services as well as the supply of sophisticated financial products. This can be illustrated as follows:

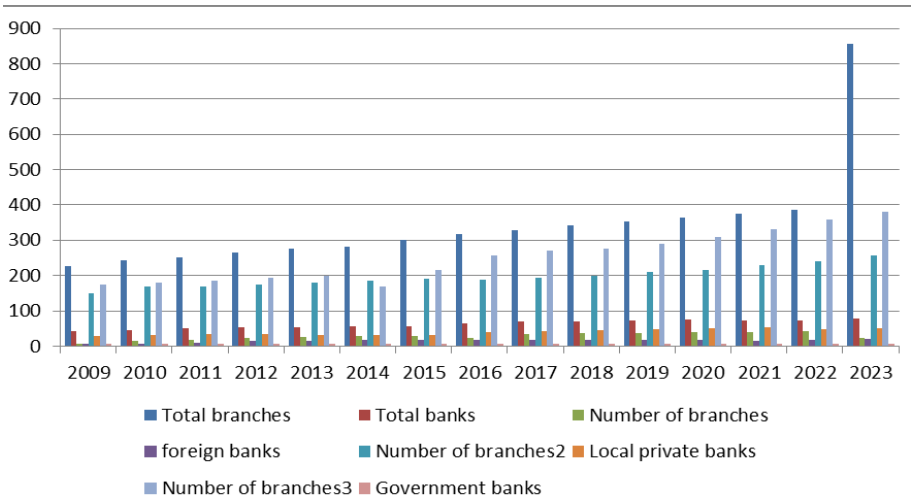


Fig. 2: Shows the Development of the Number of Iraqi Banks for the Period (2009-2023).

Source created by the investigator using the information in Table 2.

4.2. The size of bank deposits (their development)

Bank deposits are among the most important sources of financing for commercial banks, which are keen to develop them by encouraging savings and establishing a savings awareness in society, and by providing the public with the opportunity to save in banks by reducing the obstacles and procedures related to depositing or withdrawing funds, which determines the growth of deposits, procedures related to mobilizing savings and developing its mechanisms, which increases the ability of banks to grant credit, thus reflecting positively as an important source of financing in developing the banking system and the decisions of administrative bodies efficiently.

Table 3: An Examination of Iraq's Banking System's Metrics from 2009 To 2023 in Units of Million Dinars

Years	Total deposits	Total deposits growth rate(%)	Total bank credit	Total credit growth rate(%)
2009	45,961,330	---	8,702,620	---
2010	55,008,564	19.68	17,735,638	103.80
2011	65,292,123	18.69	24,728,651	39.43
2012	73,676,323	12.84	32,365,358	30.88
2013	87,004,404	18.09	32,674,466	0.96
2014	90,932,279	4.51	39,195,924	19.96
2015	76,418,631	(15.96)	45,704,775	16.61
2016	72,276,076	(5.42)	47,870,768	4.74
2017	73,060,348	1.09	52,182,944	9.01
2018	83,793,944	14.69	51,122,810	(2.03)
2019	88,540,964	5.67	53,418,176	4.49
2020	36,729,113	(58.52)	38,423,236	(28.07)
2021	96,071,378	161.57	52,971,508	37.86
2022	115,856,240	20.59	50,722,624	(4.25)
2023	23,901,786	2.23	80,241,325	6.45

Source: Iraq's Central Bank, the General Directorate of Information and Research, the Annual Statistical Publication, and other topics.

- Column (5-3) of the researcher's work
- The numbers within the brackets are negative
- The following formula was used to get the yearly growth rate: r = (Pt2-Pt1)/Pt1 × 100

As seen in Table 3, total deposits in Iraq perceptibly rose during the period (2009–2014), reaching between (45,961,330) and (90,932,279), having an annual growth rate varying among three levels (%) through four levels (%). The increase is due to a bright macro-economic picture following the 2003 economic restructuring that boosted confidence for both people and companies' desire to save money in banks. Thereafter, deposits decreased in 2015 and 2016 to (76,418,631) and (72,276,076) with negative growth rates of (-15.96%) and (-5.42%). This fall was caused by the global financial crisis and declining oil prices since mid-2014, which resulted in lower public revenues, diminished government spending, and tightened overall economic activities. This was exacerbated by higher levels of military expenditure as a result of the war with ISIS, which further stretched the budget and affected the banking sector.

Deposits' growth did, however, recover thereafter during 2017–2019, which varied [(73,060,348), (88,540,964)] and yearly rise rates [(1.09%), (5.67%)]. This improvement is attributed to the declaration of victory over ISIS in late 2017 and the improved security situation, which boosted investor confidence and attracted capital back into the banking system.

However, the COVID-19 pandemic caused total deposits to drop to 36,729,113 in 2020, showing a growth rate of -58.52%. Deposits significantly decreased as a result of lockdowns and the downturn in economic activity.

In 2021 and 2022, deposits rose again to (96,071,378) and (115,856,240) respectively, representing growth rates of (161.57%) and (20.59%). The rebound in oil prices & the increase in government income are credited with this increase. These factors had a favorable effect on liquidity as well as economic activity, which in turn led to an increase in bank deposits.

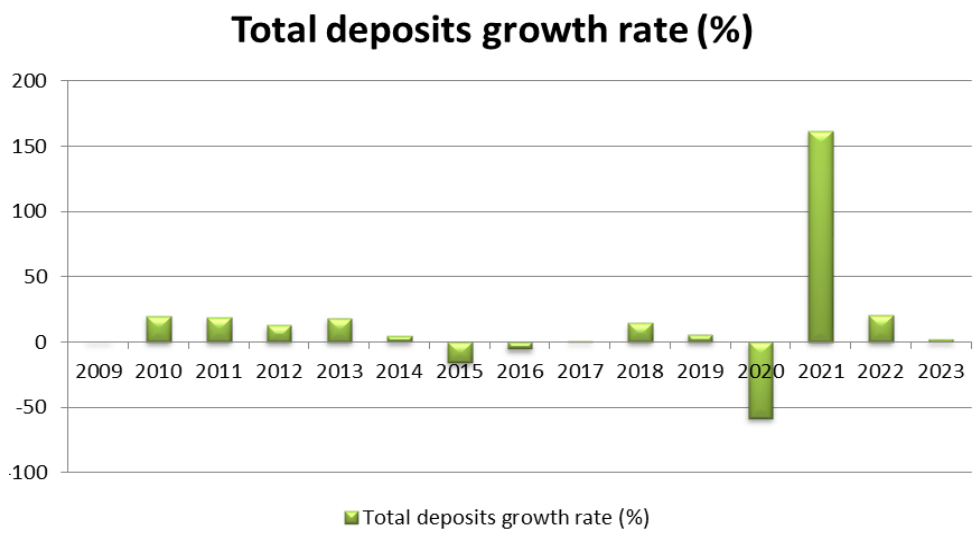


Fig. 3: Growth Rate of Deposits in Iraqi Commercial Banks for the Period (2009-2023).

Source created by the investigator using the information in Table 3.

4.3. Analysis of the development of total bank credit for the period (2009-2023)

The overall amount of bank deposits increased significantly between 2009 and 2017, as Table 3 demonstrates. This increase is attributed to higher oil revenues resulting from increased oil prices during those years, which led to an expansion of liquidity within the economy. Additionally, Central Bank reforms improved the banking structure and strengthened confidence in the financial system, encouraging banks to expand lending.

Following this, the total number of bank claims decreased to 51,122,810 in 2018 at a negative rate of growth (-2.03%). The decline was ascribed to Iraq's political unrest throughout the elections and the post-election effort to establish a government. This instability impacted investor confidence, leading to the postponement of their plans and a decrease in loan demand. In 2019, bank credit rebounded, reaching its highest value during the research period at (53,418,176), with a growth rate of (4.49%). This was ascribed to more government revenue and better oil prices, which stimulated the economy and raised demand for borrowing.

During the period 2020–2023, total bank credit fluctuated between increases and decreases, ranging from (38,423,236) to (50,722,624), with negative growth rates ranging from (-28.07%) to (-4.25%). This reduction is explained by the fact that many international central banks raised interest rates in an effort to control inflation. This resulted in increased borrowing costs and stricter lending requirements in Iraq, which decreased the need for credit from both individuals and enterprises.

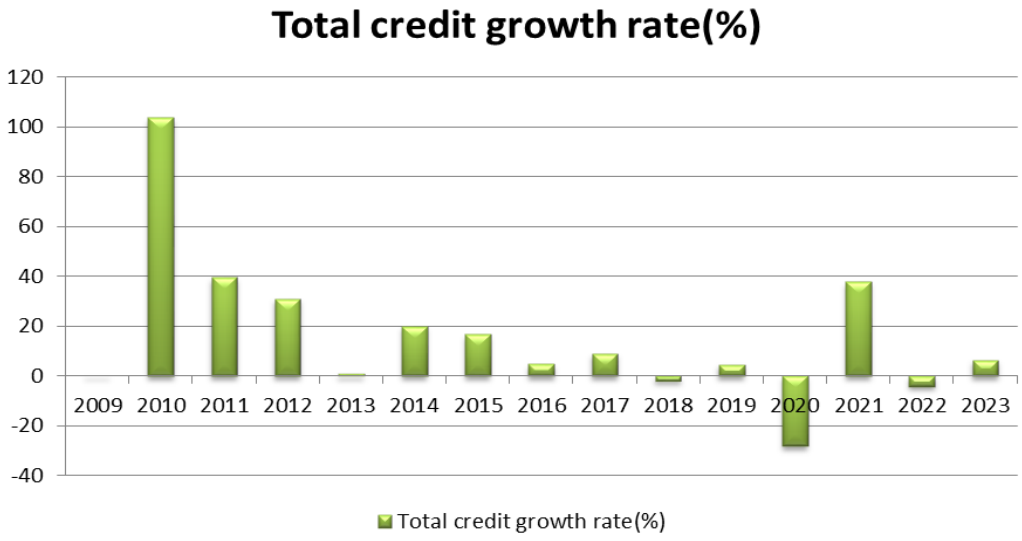


Fig. 4: Shows the Growth Rate of Bank Credit for Iraqi Banks for the Period (2009-2023).

Source created by the investigator using the information in Table 4.

5. Assessment of The Research Hypothesis

The empirical evidence presented in this study provides partial support for the research hypothesis that sustainable finance in Iraq has expanded in response to financial sector development and policy initiatives led by the Central Bank of Iraq. The upward trajectory in volumes of sustainable finance observed, especially from 2016 onwards, also reflects regulatory changes, the expansion of banking activities, and efforts to stabilize communities after conflicts. However, the uneven growth pattern suggests that expansion has been driven more by policy directives and institutional initiatives than by a fully embedded sustainability-oriented financial framework.

6. Conclusions and Recommendations

6.1. Conclusions

1) Data shows a clear development in the volume of sustainable finance between 2009 and 2023. However, this growth was not stable and was affected by economic and political fluctuations and oil price volatility. Financing shifted from limited initiatives before 2015 to more structured programs after 2020 as a result of Central Bank intervention.
2) According to the statistics in Table 1, Iraq's sustainable finance volume grew by 97.15 million dinars, from 40.6 million dinars in 2009 to 137.75 million dinars in 2023. This represents an overall growth rate of almost 239% throughout the research period. This increase indicates a general upward trend towards adopting sustainable finance, despite its annual fluctuations.
3) The annual growth rates of sustainable finance have fluctuated significantly, ranging from a minimum of 5% in several years (2013, 2017, 2019) to a maximum of 22.22% in 2015. This fluctuation reflects the fact that sustainable finance is affected by economic and security factors more than it is the result of a stable financing policy.
4) Data from 2020 to 2023 shows that sustainable finance has transitioned from a phase of limited initiatives to a more organized phase. The volume increased by 21.75 million dinars over the course of four years, from 116 million dinars in 2020 to 137.75 million dinars in 2023. This increase coincided with the Central Bank's initiatives and the Sustainable Finance Roadmap (2023–2029).
5) Despite the increase in the number of banks from 43 in 2009 to 79 in 2023, and the increase in the number of branches from 227 to 381 during the same period, the volume of sustainable financing remained relatively limited, indicating that the quantitative expansion in the banking sector did not translate into a qualitative expansion in sustainable financing instruments.

6.2. Recommendations

Based on the findings of the study and the analysis of the current state of sustainable finance in Iraq, the following recommendations are proposed to enhance the effectiveness of sustainability-oriented financial policies and practices:

6.2.1. Strengthening the regulatory and legislative framework

Clear, unambiguous, and legally enforceable legislation mandating financial institutions to include ESG in their lending and operations is desperately needed. In accordance with international frameworks, such as TCFD, which offers more responsibility and transparency in banking, this should be coupled with the use of similar disclosure requirements on financial as well as non-financial dimensions.

6.2.2. Capacity building and institutional development

The CBI, in coordination with the regulator and academic bodies, should design dedicated national training programs on environmental risk assessment, climate risks to financial stability, and sustainable finance instruments. Improvements in institutions and capacity building ensure that the banks are better able to develop, adopt, implement, and monitor successful green credit products.

6.2.3. Incentivizing sustainable financial instruments

In order to incentivise the development of sustainable finance, policy-makers could implement financial incentives by providing tax breaks and/or preferential interest rates or lower reserve requirements for banks that lend to environmentally and socially responsible projects. These motivations would contribute to the burgeoning issuance of green bonds and loans, and sustainable sukuk, and attract broader market participation.

6.2.4. Enhancing the role of private sector banks

The push for sustainable finance needs to go beyond public and regulatory entities. The private banks need encouragement to build their own sustainability and ESG strategy, incorporate ESG criteria in credit assessment, create innovative green financial products meeting market demand and environmental priorities.

6.2.5. Diversifying the economic and financing base

More funding for sustainable agricultural, industrial, and service-sector projects is critical to wean the country off its reliance on oil revenues. Diversification of funding to productive and environmentally friendly sectors will contribute to stabilising economic growth, reducing exposure to external shocks, and long-term economic sustainability.

References

[1] Muhammad Mustafa Naamat, Bank Management, Dar Al-Ibtikar for Publishing and Distribution, Palestine, 2016.
[2] Islam Jamal Al-Din Shawqi, Sustainable Finance: Methodology, Tools, and Decision-Making Strategies, 1st ed., Arab Group for Training and Publishing, Egypt, 2022.
[3] Khalaf, Wahida Jabr. Sustainable Finance in Iraq: Between Reality and the Central Bank's Roadmap 2023–2029. Iraqi Journal of Economic Sciences, Volume 23, Supplement 1 of Issue 85, Al-Mustansiriya University – Baghdad, 2025.
[4] Radhi, Afrah Khader, and Queen, Abdul Kadhim Mohsen. Iraqi Banks' Trends Towards Financing Sustainable Development. International Journal of Economics and Business, Volume 9, Issue 3, 2020.
[5] Zaki, Hussein, and Rashid, Zahra. The Sustainable Financial Dimension of Development: An Approach to the Significance of Indicators in the Iraqi Economy. Entrepreneurship Journal for Finance and Business, Volume 3, Issue 3, 2022.
[6] Abdul Karim, Manal Mahmoud. The Role of Green Finance in Achieving Sustainable Development in the Iraqi Economy. University of Babylon Journal of Economic and Administrative Sciences, Volume 29, Issue 4, 2021.
[7] Al-Hassani, Muhammad Abdul-Amir. The impact of the Central Bank of Iraq's initiatives on promoting sustainable finance. Journal of the Administrative Technical College, Baghdad, Volume 15, Issue 2, 2023.
[8] Mustafa Hussein Abdul-Ali Al-Gharbawi, The Impact of Financial Liberalization on Financial Stability Indicators in Iraq for the Period (2004-2019), Dissertation, College of Administration and Economics, University of Wasit, 2022.

[9] Bilal Nouri Saeed Al-Karawi, Risk, Liquidity, and Profitability Management and its Impact on Bank Value: A Study of a Sample of Foreign Banks and the Possibility of its Application in Iraqi Banks, Unpublished Dissertation, College of Administration and Economics, University of Baghdad, 2015.
[10] https://www.miqpm.com/2010/Document_Details.php?ID=84.
[11] Hatem Fahd Mahmoud Al-Obaidi et al., Measuring the Efficiency of the Iraqi Banking System Using Data Envelopment Analysis (DEA) on the website https://www.researchgate.net.
[12] Zioło, M., Fidanoski, F., Simeonovski, K., & Filipovski, V. Business & sustainability: Key drivers for business success and business failure from the perspective of sustainable development, 2015, Working Paper, I https://www.researchgate.net/publication/313644341.
[13] Central Bank of Iraq, Annual Economic Report on Financial Stability, General Directorate of Statistics and Research Iraq, 2023.
[14] Blocher, E. J., et al. Cost management: A strategic emphasis, Includes index, 2010.
[15] Bose, S., Dong, G., & Simpson, A. The Financial Ecosystem the Role of Finance in Achieving Sustainability. Switzerland: Springer Nature Switzerland ,2019. https://doi.org/10.1007/978-3-030-05624-7.
[16] Brigham, Eugene F. & Houston, Joel F , Fundamentals of Financial Management, 15th edition, Cengage USA,2019,76.
[17] Chemmanur, T. J., Paeglis, I., & Simonyan, K, Management quality, financial and investment policies, & asymmetric information,Journal of Financial & Quantitative Analysis, 44, 1045-1079,2009. https://doi.org/10.1017/S0022109009990299.
[18] Robert Mabro, on oil price concepts ford istitute for Energy studies, 1984.