



## Implications of the GATS Agreement on Financial Inclusion in Iraq 2018-2022

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Received: 30/11/2024

Accepted: 23/2/2025

Published: 1/6/2025



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### Abstract:

The paper attempts to present the time and authority in the period between 2018 and 2022 concerning whether an accession of Iraq to the World Trade Organization under the aegis of GATS would establish an impact on financial inclusion. The objective is to find how service liberalization in conformity with GATS may influence financial inclusion in terms of access, use, and depth of banking services. The paper adopts a descriptive-analytical and deductive approach by considering factors such as banking density, spread of electronic payments, acceptance of mobile transactions, and credit-to-GDP ratio. The findings revealed that financial services liberalization at the GATS level has led to an expansion of digital infrastructures, including ATMs, POS terminals, and mobile payment systems, thereby enhancing banking access and lessening financial exclusion. Still, problems remain, especially in rural areas with insufficient infrastructure, limited trust in financial systems, and financial literacy. In the end, the study points out that while liberalization under GATS can propel the general financial inclusion agenda, restructuring of Iraq alone, working on digital trust, and fostering innovation are essential for Iraq to capitalize on the benefits. This research value-adding lies in making an interconnection between international trade agreements and financial development inside a country and offering a strategic roadmap to policymakers for aligning banking reforms with international standards for inclusive economic development.

**Keywords:** Services Trade, CATS Agreement, Financial Inclusion, Banking Services, Electronic Payment Systems.

## 1. Introduction:

At the outset, the naming of the term 'financial inclusion' has varied among specialists in financial studies, with terms such as financial inclusion, financial integration, comprehensive financing, financial inclusion, financial deepening, and financial incorporation being used. However, all these names revolve around the same purpose: focusing on the development of financial and banking institutions (Hussein & Al-Haidari, 2021).

The term financial inclusion first appeared in 1993 in a study by Leshyon and Thrift (1993) that examined the impact of the closure of a bank branch in southeast England on the ability of the region's population to access banking services (Al-Taraji & Al-Khazraji, 2020); (Tawfiq & Jassim, 2022).

Financial inclusion is a crucial problem in banking and finance since the loan application procedure necessitates careful consideration of the likelihood of repayment. (Mhlanga, 2021). Financial inclusion is the process of ensuring that individuals, especially poor people, have access to basic financial services in the formal financial sector (Ozili, 2021). The availability and equality of possibilities to access a variety of suitable financial services, including risk management, credit, savings, and payment products, is known as financial inclusion or "Comprehensive access to banking services (Chen & Yuan, 2021). Financial inclusion is all about inclusiveness in the provision of affordable formal financial services to all individuals and businesses (Ozili, 2022). Financial inclusion is the capacity to access financial institutions and services that are especially created to satisfy the needs and preferences of people and society to improve their well-being (SARATIAN et al., 2022). One of the most important instruments for reducing poverty is comprehensive financial access, also known as financial inclusion, which is defined as the capacity to use and obtain financial services (Khan et al., 2022). According to (Cicchello et al., 2021), comprehensive financial access, also known as financial inclusion, is when people and communities have access to enough formal financial services, such as credit cards, payments, and savings. Another definition of financial inclusion is any action done to promote financial services access in underserved communities. Financial inclusion is also a strategy for reaching economic objectives and a way to make decisions (Khan et al., 2022).

Financial inclusion and its application to attain more economic features and advantages in developing nations have received increased attention in recent decades (Barajas et al., 2020); (Ifediora et al., 2022). Financial inclusion has emerged as a key strategy and practical economic instrument in many developing nations, helping to lower poverty and create a society that is more financially inclusive (Aziz & Naima, 2021). Since financial inclusion is a tactic used by many nations to try to boost economic growth, it became a topic on the political agenda worldwide at the turn of the 20th century (Ratnawati, 2020). Financial inclusion has been viewed in developed nations as a dynamic way to achieve comprehensive economic growth and multifaceted economic stability, which in turn lowers poverty levels and achieves income equality (Omar & Inaba, 2020). Financial inclusion is not only a top priority for developed countries but also for developing countries because it is crucial to fostering sustainable development in all nations (Nguyen, 2020).

Because they will have access to basic banking services like savings, which are fundamental human rights and significantly improve people's quality of life, it is expected that increased financial inclusion will lead to fewer unbanked people or those without bank accounts (Saratian et al., 2022). However, most subsequent studies have moved away from the foundational idea of financial inclusion and into either endogenous or exogenous models in recognition of the significance of financial inclusion for economic growth (Azimi, 2022). Financial inclusion is noted as being important for its ability to enhance the ability of societies to contribute in an integrated manner to the development of societies (Hassan & Al-Azzawi, 2023). The first and only multilateral trade agreement to address trade in services is GATS. It seeks to create "a multilateral framework of principles and rules for trade in services," as stated in its Preamble.

Financial services, broadly defined as "any service of a financial nature," are also covered by the GATS's main tenets (Weber, 2024). There is a set of principles that are considered general obligations imposed on all member states of the organization, including the principle of transparency (Delimatsis, 2013). The principle of non-discrimination between member states or non-preferential treatment of any state at the expense of another state is stipulated in paragraph 1 of Article (2) in addition to the principle of the first-favored nation. This is because all states are equal in terms of competition and international legal procedures, and there is no discrimination between foreign service providers with regard to market entry and conditions of service operation (Al-Ani & Al-Faisal, 2019).

Article 17 lays out the clauses pertaining to national treatment, or the idea that locally made and imported goods should not be treated differently, whether in terms of local taxes like sales tax or terms of policies or legislation. This idea is predicated on the idea that goods and services are equal regardless of the nation that produces or renders them (Shiab & Mokhif, 2021). The progressive liberalization principle, in addition to the earlier ones, seeks to achieve balanced benefits for all members of the organization by eliminating or minimizing any negative effects on trade in services that impede effective access to markets, as stated in the agreement's preamble (Hamid et al., 2018). Lastly, one or more of the six categories of limitations outlined in Article 16 may apply to the market access principle, which is a unique duty assumed by participants in particular industries. The number of service providers, the type of services, the number of workers in a sector, the value of transactions, the legal structure of service providers, or the proportion of foreign capital participation are a few examples of restrictions that may be placed (Nazmi, 2018).

The WTO Agreement has a multinational trade agreement called the GATS attached to it. The GATS creates a multinational legal framework with the goal of promoting trade in services "under conditions of transparency and progressive liberalization," as stated in its preamble (Dobhal & Jimenez, 2024). The General Agreement on Tariffs and Trade (GATT) is a legal agreement that minimizes trade barriers by removing or reducing quotas, tariffs, and subsidies while maintaining important regulations. It was signed on October 30, 1947, and went into effect on January 1, 1948 (Oraegbunam & Onwuatuegwu, 2023). The rules governing international trade in services referred to as the first set, which is called the General Agreement on Trade in Services (GATS) (Vaitkus, 2020).

Through the developments that have occurred in the banking sectors through the expansion of financial inclusion, in addition to the adoption of international standards and openness to global competition, the banking sector in Iraq suffers from a significant weakness in the size and level of financial and banking services provided to individuals, and consequently the decline in banking performance compared to banking sectors around the world, and this appears clearly especially in issues related to financial inclusion and the extent of commitment to the GATT agreement, in addition to benefiting from the benefits resulting from the GATT agreement.

Considering the globalization of banking services, the liberalization of banking services and the increase in their transactions have prompted many countries to focus on liberalizing their banking services. The GATT Agreement represents a watershed in the development of the banking sector, and the level of response to the provisions of the GATT Agreement is of utmost importance, taking into account the economic effects of the agreement and the degree of achieving financial inclusion. Therefore, harmonizing local laws in Iraq with the GATT Agreement can be achieved through the level of adoption of financial inclusion and allowing individuals and institutions of different sizes to access a variety of financial services.

The banking sector in Iraq, which is largely dominated by the state, suffers from weak supervision and transparency, a lack of modern infrastructure, and a lack of banking innovation. Despite the reforms adopted by the Central Bank of Iraq, which came based on an in-depth study on the level of financial inclusion, the Iraqi banking sector is working to adopt appropriate openness that is in line with the requirements of banking globalization. It is expected that upon obtaining membership in the GATT agreement, Iraq will commit to liberalizing its banking services, removing restrictions, and opening financial markets. In addition, Iraq will allow foreign individuals to enter the Iraqi financial market and commit to the principle of non-discrimination between foreign and local individuals. This could lead to improved banking services and broader access across society if the banking sector adapts to the requirements and standards of global banking systems and becomes a comprehensive banking system.

### **1. Literature Review and Hypothesis Development:**

In a study conducted by (Nazmi, 2018) aimed to identify the implications of the GATS agreement and analyze the reality of the banking sector in Iraq and the most important problems it faces, it was concluded that the most important concerns, especially for developing countries, is that the presence of foreign banks will increase competition, which affects local banks and increases costs and may stop operating. The findings of the investigation carried out (Papaconstantinou, 2020) suggest that the liberalization of financial services may suffer from the considerable latitude granted to national regulatory agencies by trade law. According to the article's conclusion, the financial system's stability will not be in jeopardy, and the chances for global integration will grow if WTO members do not renegotiate their duties and responsibilities under the General Agreement on Trade in Services. The study (Al-Sufi & Wheeb, 2021) sought to inform the financial consumer about the protections available from banking and financial services, as well as to present and analyze the evidence of some indicators indicating the reality of financial inclusion in the Iraqi banking system. In a study conducted by (Sulehri et al., 2021), the results concluded that laws, legislation, and strict control procedures are necessary measures to protect consumer financial behavior. The study addressed clarifying the nature of the relationship between financial inclusion, financial liberalization, and the tax collection process in the black economy of developing countries. A study conducted by (Sarpong and Nketiah-Amponsah, 2022) highlighted the importance of economic and financial policymakers implementing innovative financial systems that are inclusive and sustainable and can fairly distribute the benefits of inclusive growth. Moderate lending rates, financial transaction fees, ease of access, overdrafts, credit cards, and even letters of guarantee all contribute to achieving and strengthening financial systems. The purpose of the study (Rahman & Khan, 2023) is to examine how the General Agreement on Trade in Services (GATS) has affected the investment activities of the insurance industry in Pakistan. The estimated findings show that the overall investment returns of the insurance industry in Pakistan have increased since GATS membership. A study conducted by (Abdul Hussein Jawad, 2024) aimed to measure the causal relationship between financial inclusion and financial flexibility, as the issue of financial inclusion has become one of the important topics that has received great attention from the whole world, especially the banking sector, as a result of the great development in the field of technology, so it has become necessary to keep pace with this development, and thus provide the best services to the individual at the level of all his needs, and the results showed based on the financial inclusion strategy that the financial sector contributed to reducing the spread of informal employment and strengthening financial inclusion channels by educating members of society to prevent them from resorting to informal channels and means that are not subject to the control and supervision of the Central Bank. In a study conducted by (Haddab and An-Nasrawi, 2024), it became clear that there is an inverse relationship between financial inclusion and some indicators of banking profitability. The results indicated that these relationships are in the short term among all study variables, in addition to the absence of long-term relationships.

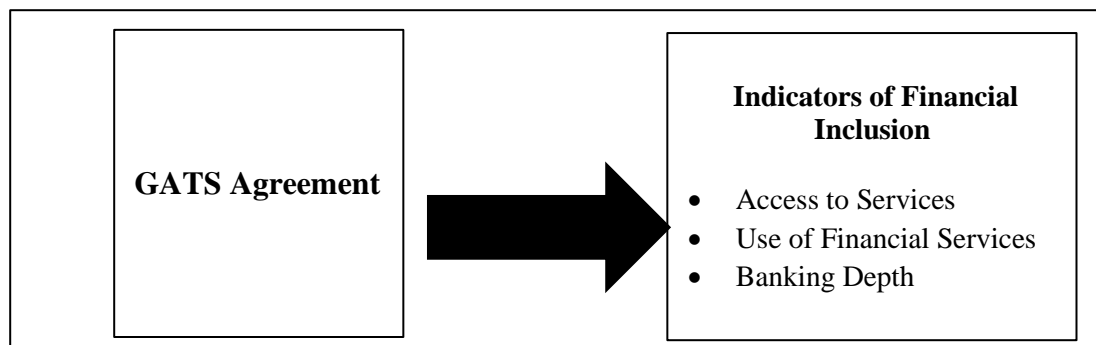
The study conducted by (Benkari et al., 2024) aims to estimate the impact of the financial liberalization policy on some financial inclusion indicators in Algeria during the period (2014-2021) using the multiple linear regression model. The results showed a statistically significant direct relationship between the internal financial liberalization indicator and both financial inclusion indicators.

In line with the findings of previous studies addressing financial inclusion and the liberalization of banking services, the current study is based on the following hypothesis:

The process of liberalizing banking services in accordance with the GATS agreement can have positive effects on financial inclusion in Iraq by expanding access to banking services for individuals and businesses.

### 1. Research Methodology:

To achieve the research objectives and prove the validity of his hypothesis, the researcher adopted the deductive approach using descriptive tools to study the reality of the banking sector in Iraq for the period (2018-2022) in light of the liberalization of services. This approach aims to reach conclusions and recommendations to enhance financial inclusion. To study the reality of financial inclusion in Iraq for the period (2018-2022), the researcher analyzed the main indicators such as the index (access to services, use of financial services, and banking depth index). We will review the data from recent years to provide a comprehensive picture of the progress made in the level of financial inclusion in Iraq. Figure (1) shows the relationship between the research variables:



**Figure 1:** Hypothetical research plan

**Source:** Prepared by the researchers

Financial inclusion indicators can be calculated through the following:

#### 1. Access to Services Indicator

One of the indicators of financial inclusion indicates the extent to which banking services reach individuals and companies, represented by the number of access points per 10,000 adults and the number of ATMs. The infrastructure is the main aspect of this indicator:

It includes the following (Khader & Al-Zubaidi, 2021)

#### 1. Banking density and spread index

Banking density is the most important indicator of financial inclusion and is calculated according to the following ratio (Banking density = population \* (1000 people) / number of bank branches. This allows us to understand the extent of the spread of banking services. The lower the density, the greater the access to financial services.



As for banking spread, it refers to the number of bank branches in the country. The higher the percentage of branches, the greater the financial services. Banking spread = number of bank branches/population (100,000 people)

1. Spread of electronic payment services (ATM), (POS) and (POC) per (1000) km<sup>2</sup>

2. Indicators of the use of financial services

3. Spread of mobile payment services:

4. Contribution of financial companies (processing, issuing, and collection companies) to financial inclusion

5. Banking Depth Index

This index is measured by using two variables: (the ratio of credit provided to the private sector to the GDP and the ratio of private sector deposits to the GDP)

#### 1. Results:

#### 4.1 Access to Services Indicator:

Table (1) shows the banking penetration and banking density in Iraq for the period (2018-2022):

**Table 1:** Banking Penetration and Banking Density in Iraq for the Period (2018-2022)

Years	Economically Active Population Aged (15-64) (thousands)	Number of Bank Branches	Banking Density	Banking Penetration
2018	22,696	864	27.26	3.81
2019	22,090	888	24.88	4.02
2020	22,668	891	25.44	3.93
2021	32,255	904	25.72	3.89
2022	23,870	876	27.25	3.67

**Source:** Prepared by the Researchers - CB of Iraq, Statistics and Research Department, Monetary and Financial Statistics Division.

#### 4.1.1 Analysis of Banking Density Indicators:

According to Table (1), it is evident that there was a slight decline in 2018 and 2019, which indicates a decrease in the number of bank branches relative to the economically active adult population. This could be attributed to an increase in the population and a lower number of bank branches. However, in the subsequent years, from 2020 to 2021, a slight increase was observed, indicating a rise in the number of bank branches relative to the economically active population aimed at expanding the banking service network. As for 2022, banking density increased significantly to 27.25. This notable increase reflects a significant rise in the number of bank branches compared to the economically active population, indicating an improvement in the availability of banking services.

By offering necessary financial services, financial institutions have been instrumental in advancing financial inclusion. Among these services are the provision of bank accounts for both individuals and businesses, money transfer facilitation, electronic payment methods, credit cards, loans, and insurance. By facilitating access to and efficient use of financial services by both individuals and businesses, the provision of these services improves financial inclusion.

Payment systems facilitate the development of banking services, and the expansion of these systems—such as ATMs, points of sale, phone payments, and others—will help reach the greatest number of people, improving the financial inclusion index. Ultimately, the expansion of electronic payment systems will increase the efficiency of the banking system. In addition to being a significant step in the GATS agreement, it facilitates the liberalization of banking services and the development of a fair, competitive environment between domestic and foreign financial institutions, allowing consumers to take advantage of a variety of options and services.

#### 4.1.2 Analysis of Banking Penetration:

From Table 1, it is evident that in 2019, there was an increase in banking penetration, reaching (4.02). This indicates a rise in the number of people per bank branch. However, in the subsequent years, the trend remained stable with slight variations, signifying an increase in the number of bank branches relative to the population. This is a positive indicator of individuals benefiting from banking services and an improvement in the level of financial inclusion.

This increase likely reflects a significant expansion in the network of bank branches, contributing to enhanced access to banking services and promoting financial inclusion within the banking system.

#### 4.1.3 The Expansion of Electronic Payment Services (ATM, POS, POC)

The spread of ATMs per 1,000 km<sup>2</sup> shows a significant increase in the number of ATMs across Iraq's geographical area, rising from 2 ATMs per 1,000 km<sup>2</sup> in 2018 to 5.1 in 2022. The Central Bank of Iraq's efforts to enhance the accessibility and infrastructure of financial services are reflected in this expansion. The number of automated teller machines (ATMs) per 100,000 adults rose from 3.8 in 2018 to 9.3 in 2022, suggesting that citizens now have better access to ATMs and are depending more on electronic payments.

In 2022, there were 27.5 POS terminals per 1,000 km<sup>2</sup>, up from 5 in 2018. This rise demonstrates initiatives to expand access to digital points of sale in several areas, fostering e-commerce and lowering reliance on cash.

From 9.7 in 2018 to 44.9 in 2022, there were 44.9 POS terminals for every 100,000 adults, indicating a notable rise in the number of POS terminals in comparison to the adult population. This growth suggests that POS terminals are being used more frequently in everyday transactions, which helps to lower financial risks and expedite payment procedures.

POC terminals per 100,000 adults rose from 29.2 in 2018 to 73.8 in 2022, indicating that people are becoming more conscious of and receptive to electronic payment technologies. This illustrates the effectiveness of tactics meant to increase the adoption of these technologies and establish them as a viable substitute for conventional financial services. The penetration rate of electronic payment services (ATM, POS, and POC) per 100,000 people and 1,000 km<sup>2</sup> in Iraq during the 2018–2022 period is shown in table (2).

**Table 2:** Shows the penetration level of electronic payment services, including ATMs, POS terminals and POC devices, per 100,000 people and per 1,000 km<sup>2</sup> in Iraq during the period (2018-2022)

Years	The spread of electronic payment services (ATM, POS, and POC) across Iraq's area per 1,000 km <sup>2</sup>			The spread of electronic payment services (ATM, POS, and POC) per 100,000 adults		
	ATM	POS	POC	ATM	POS	POC
2018	2	5	15.1	3.8	9.7	29.2
2019	2.3	5.1	26.6	4.6	10.1	52.9
2020	2.7	8.9	29.5	5.9	33.3	60.9
2021	3.6	19	33.5	6.7	35.8	63.2
2022	5.1	27.5	40.2	9.3	44.9	73.8

**Source:** Created by the researchers, CB of Iraq, Monetary and Financial Statistics Division, Statistics and Research Department.

In line with the above, the General Agreement on Trade in Services (GATS) played a role in shaping financial inclusion in Iraq by fostering a competitive environment in the financial services sector. The agreement encouraged advances in digital financial infrastructure, such as ATMs, POS and touchpoint terminals, and promoted the integration of global best practices. However, challenges remain, such as low trust in financial institutions, low financial literacy, and uneven distribution of services, particularly in rural and underserved areas. Addressing these challenges is crucial for Iraq to fully reap the benefits of financial inclusion and comply with international standards.

Examining the banking industry and the financial inclusion reality in Iraq, which we have already discussed, we find that the industry faces a few difficulties and issues that have a detrimental impact on the financial inclusion reality. It is evident from examining other nations' experiences that following the guidelines for joining the World Trade Organization, particularly those outlined in the GATS agreement, can help to improve this situation. Therefore, increasing the degree of financial inclusion should be the primary objective of banking sector strategies in Iraq. To accomplish this, numerous essential changes and adjustments that adhere to global best practices must be made. Among the most crucial reforms Iraq needs to focus on are:

1. Restructuring the banking sector: Establishing a banking system that can mobilize local and international financial resources and bring about significant changes in the nature of the banking industry in line with global trends towards financial inclusion. The most important reasons for restructuring Iraqi banks and their response to the spirit of competition.
2. Supporting comprehensive banks is a systematic process through which banks aim to meet the greatest possible number of customers' needs in response to the continuous modernization of banking services that enhance financial inclusion. In return, it takes into account the trade-off between the elements of return and risk as well as the bank's capabilities in providing various services.
3. Privatization is a set of motives that push governments to privatize the banking sector, which aims to improve the quality and accessibility of banking services to segments of society at the time of these motives.
4. Merger and competition, which is a partial or complete union between at least two banks that leads to the emergence of a new entity or one of the banks taking full or partial control of the assets of the other bank.

#### **4.2 Use of Financial Services:**

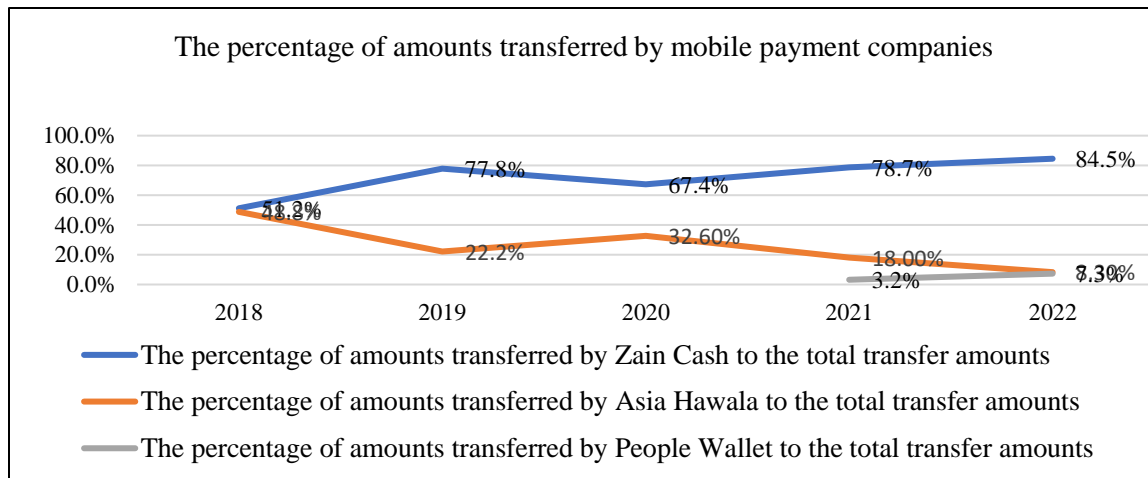
##### **4.2.1 The spread of mobile payment services:**

This indicator reflects the extent to which advanced payment technologies relying on mobile phones are used. These technologies include digital payment applications and electronic wallets, enabling individuals to perform financial transactions, send and receive money via mobile phones, pay bills, purchase electronic vouchers, top up prepaid lines, and carry out cash withdrawals to and from wallets through authorized centers.

This service contributes to providing easy and efficient access to financial services for various population segments. The CB of Iraq has licensed mobile companies to participate in the electronic payment process via mobile phones. The main reason behind this initiative is to facilitate the disbursement of public sector employees' salaries as part of an administrative effort, rather than due to societal familiarity with electronic payment culture.

The following figure (Figure 2) illustrates the percentage of funds transferred through mobile payment companies:





**Figure 2:** The Percentage of Amounts Transferred by Mobile Payment Companies

**Source:** The CB of Iraq, Department of Statistics and Research, Statistical Bulletin for the years (2018, 2019, 2020, 2021, 2022).

Transactions conducted through mobile phone electronic payments have started to constitute an increasing share of transfer operations. This is attributed to the growing number of mobile phone subscribers in Iraq and the advancements in technology supporting these devices, as shown in Figure (2). Additionally, the COVID-19 pandemic significantly impacted the country, boosting e-commerce transactions conducted via mobile electronic payments.

The table below presents the total number of mobile phone lines for the companies Zain, AsiaCell, and Korek in Iraq from 2018 to 2022. As shown in Table (3), the higher the percentage of mobile internet users, the higher the financial inclusion rates.

The General Agreement on Trade in Services (GATS) has implications for financial inclusion in Iraq, fostering an environment that promotes the development of digital financial infrastructure. The agreement supports the expansion of electronic payment systems, including mobile payment technologies. Integration of international standards into Iraq's financial system. Enhanced competition among financial service providers. However, challenges such as low financial literacy, limited trust in financial systems, and unequal access to digital services in rural areas continue to hinder broader adoption. Addressing these barriers is essential for Iraq to maximize the benefits of the GATS agreement and improve financial inclusion outcomes (Al-Tamimi, 2008).

**Table 3:** The total number of mobile phone lines for the companies (Zain, AsiaCell, and Korek) in Iraq from 2018 to 2022.

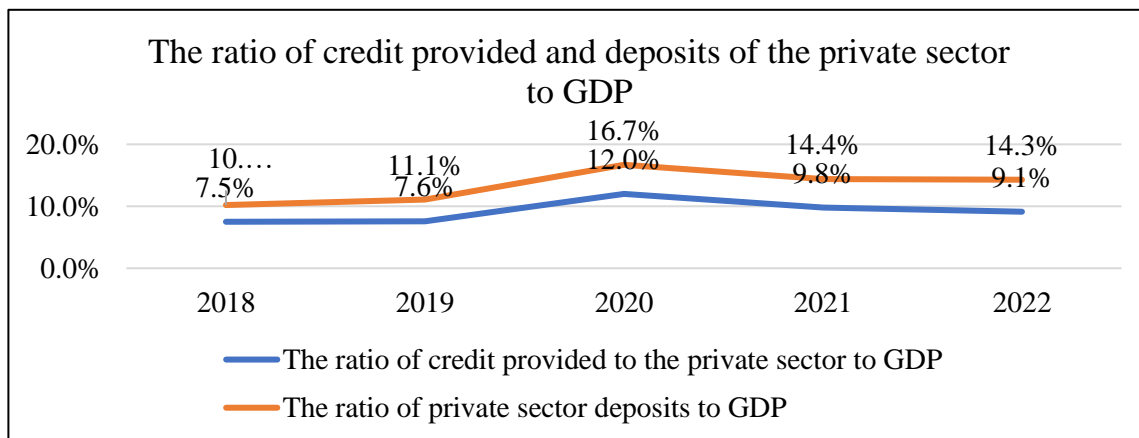
Years	The total number of SIM card for companies (Zain, Asia Cell, and Korek)	The total number of mobile internet subscribers (Zain, AsiaCell, Korek)
2018	20,548,838	15,297,411
2019	39,671,125	19,406,438
2020	39,281,711	19,848,101
2021	40,727,153	20,324,273
2022	44,146,973	20,548,838

**Source:** Prepared by researchers based on telecommunications and postal statistics for the years (2018-2022).

### 4.3 Banking Depth:

The banking depth index shows the level of development of banking mediation through ease of access to banking services, low cost, and expansion of various banking institutions and tools, which contribute to supporting the investment process, financing businesses and projects, and achieving economic development. This indicator is measured by using two variables: (the ratio of credit provided to the private sector to GDP, and the ratio of private sector deposits to GDP). Figure (3) shows that the ratio of credit provided to the private sector to GDP decreased from (9.8%) in 2021 to (9.1%) in 2022. This decrease was due to the increase in the GDP growth rate of 27.1%), which is a higher rate than the increase in credit provided to the private sector, which amounted to (18.3%) during the same period. As for private sector deposits, they witnessed stability at the level of (14.3%).

Hence, we conclude from the analysis of banking depth that there is a complex relationship between GDP growth and the development of credit granted to the private sector. Reliance on the rentier sector did not lead to an acceleration in credit granted to the private sector, assuming other factors are constant. However, it is worth noting that private sector deposits increased at a rate like economic growth, indicating increased confidence in the private banking sector.



**Figure 3:** The Ratio of Credit Provided and Deposits of the Private Sector to GDP

**Source:** Prepared by researchers.

The General Agreement on Trade in Services (GATS) has influenced financial inclusion in Iraq by encouraging reforms and modernization in the banking and financial sectors. However, its impact has been mixed, Positive Impacts: Promoted financial sector liberalization. Enhanced competition, fostering improved services and product offerings. Supported technological integration, enabling easier access to banking services. Challenges, the dominance of the rentier economy limits the banking sector's ability to expand credit to the private sector. Structural inefficiencies and limited trust in financial institutions hinder broader financial inclusion. Efforts to address these challenges, such as fostering a diversified economy and strengthening banking sector transparency, are crucial for fully realizing the benefits of financial inclusion in Iraq.

### 4-4 Reforms that Iraq must implement:

Developing financial services and products to meet the needs of the banking market, increasing the volume of cross-border electronic transactions, freeing the consumer from the constraints of time and place, reducing the use of traditional banking services, keeping pace with technological progress to meet the challenges of globalization, and setting laws to facilitate the application of communications technology and rehabilitating human capital, which pushes to improve banking services in line with global developments in providing more comprehensive financial services.

**The necessity of adopting modern financial innovations:** Iraqi banks have failed to achieve development goals, i.e., financing large projects and supporting investment. In addition, there is a lack of competition in developing banking services and their failure to meet all segments of society. A diversification policy must be adopted by expanding the scope of services, attracting the largest number of customers, and providing an advanced group of financial products.

Supporting comprehensive banks is known as a systematic process through which banks aim to meet the greatest possible number of customers' needs in response to the continuous modernization of banking services that enhance financial inclusion. In return, it takes into account the trade-off between the elements of return and risk as well as the bank's capabilities in providing various services. These banks have gone beyond banking specialization as they now provide a wide range of services to all categories, individuals, and projects. Among the most important types of banking services provided by comprehensive banks are:

#### 5. Discussion of Results:

Iraq submitted a request to join as an observer in 2004, and in the same year, the organization's council unanimously approved the request. By obtaining observer status in the World Trade Organization (WTO), this acceptance indicates compatibility between Iraqi legislation and the requirements of the GATS, paving the way for full membership. This alignment enables Iraq to present strong arguments to WTO member states regarding its readiness to integrate into the global economy. In the case of liberalizing the banking sector and committing to providing services under WTO regulations,

Despite the development of financial inclusion in Iraq during the period 2018–2022, the country faces challenges that negatively impact the accessibility of banking services for individuals and companies. One of the main challenges is low banking density, currently standing at one bank branch per 35,000 people, which is significantly lower than the global standard of one bank per 10,000 people. This is due to a lack of mechanisms and technologies in the banking sector. Additionally, the use of ATMs in Iraq remains at a very underdeveloped stage compared to other countries. Moreover, there is a lack of financial literacy and a limited willingness to adopt innovative financial products among the population.

The study period was from 2018 to 2022. Iraq started financial inclusion in 2016–2017 and signed agreements with financial inclusion-focused organizations in 2021.

Although the number of ATMs and POS terminals has increased — with ATMs rising from 2 per 1,000 km<sup>2</sup> in 2018 to 5.1 in 2022 — this indicates improved availability, facilitating access to financial services.

However, many people still prefer to pay with cash. Even employees who receive their salaries via payment cards often convert them into cash, which limits the effectiveness of electronic payment systems.

Digital security is still insufficient for electronic transactions, and concerns about fraud or misuse of technology exist. Additionally, neither culture nor education fully comprehends the benefits of electronic payments. The expansion of electronic payments is still hampered by the cash culture that is prevalent in many remote and impoverished areas.

Iraq's rural and isolated areas continue to face infrastructure issues, making it impossible for locals to take advantage of mobile payment services due to inadequate internet infrastructure. Furthermore, most electronic payment service devices are found in urban areas, underserving other regions. This continues to be a significant obstacle to Iraq's financial inclusion.

One of the main issues affecting financial inclusion in Iraq is a lack of confidence in the financial system. This lack of confidence has a major effect on how involved people and companies are with financial institutions.

Mistrust may result from certain institutions' opaqueness regarding fees or fund management. This lack of trust deters people from engaging in the financial system, breeding feelings of insecurity and fear of exploitation. These obstacles make it more difficult for the financial industry to fully integrate all facets of society into the official financial system and attain broad inclusion.

## **1. Conclusion and Recommendations:**

### **6.1 Conclusion:**

Many academics have been drawn to the growing trend of pursuing the strategy of digital financial inclusion in many parts of the world in recent years. However, there has not been much research on GATT's effects and how it helps advance financial inclusion. The purpose of this study was to provide a deeper understanding of the connection between GATT and financial inclusion in developing nations such as Iraq.

From the above, studying the reality of financial inclusion in Iraq and analyzing its indicators reflects the banking sector's adaptation to globalization through increasing the use of electronic payment services and credit cards, in addition to using mobile payments, increasing the number of bank branches, and reducing financial risks using electronic payment systems. However, there is a challenge facing Iraq in promoting financial inclusion, which is the lack of development of the infrastructure and the lack of financial culture among a large segment of individuals.

Through the study, it became evident that the banking system plays a pivotal role in enhancing financial inclusion by providing financing, promoting trade, and offering financial advisory services. In the modern era, online banking has become a powerful tool for improving business efficiency and enhancing customer service. When analyzing the state of financial inclusion in Iraq, it was found that Iraqi banks primarily offer traditional services compared to the range of international banking services.

### **6.2 Recommendations:**

Iraqi banks must, therefore, improve their portfolio of banking services to align them with international standards and services. They must also offer advanced services such as digital lending and specialized financial advisory services.

Liberalization of services under the GATS subjects the banking sector to market mechanisms and the globalization of financial services. This fosters competition among banks and facilitates greater access to banking services, thereby improving financial inclusion.

Therefore, to maximize the benefits of trade liberalization under the General Agreement on Trade in Services (GATS), Iraq must work to strengthen regulatory frameworks, encourage innovations in digital banking, expand banking infrastructure to underserved areas, and facilitate the entry of foreign banks. These measures would increase competition, improve service delivery, support financial inclusion, and align the banking sector with global standards and market demands.

## **Authors Declaration:**

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved by The Local Ethical Committee in The University.

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