https://doi.org/10.26682/hjuod.2022.25.2.33

Journal of University of Duhok.,Vol. 25, No.2 (Humanities and Social Sciences), P 608-618 , 2022

THE ROLE OF FINANCIAL INCLUSION IN PROMOTING THE ASSET GROWTH OF A SAMPLE OF BANKS LISTED AT THE IRAQI STOCK EXCHANGE

MOWAFFAK **A**HMED **A**LI* and **S**ARDAR **S**HAKER **I**BRAHIM**

*Dept. of, Financial and Banking Sciences, Cihan University, Kurdistan Region-Iraq

**Dept. of , Financial and Banking Sciences, College of Administration and Economics, University of Duhok, Kurdistan Region-Iraq

(Received: September 26, 2022; Accepted for Publication: December 5, 2022)

ABSTRACT

The purpose of this paper is to examine the extant role of financial inclusion at enhancing asset growth from a sample of 17 private banks in Iraq. Seventeen listed banks out of the existing forty-six private banks were selected for the study. The period of the study was 2010 to 2020. Multiple regression and Anova test were carried out to determine the impact of financial inclusion as independent variables through usage and access indicators and bank growth through asset growth as a dependent variable. The finding of this study indicates that the independent variables in this model explain only 2% of the variance in the dependent variable. Moreover, the null hypothesis will be rejected and the alternative hypothesis will be accepted which indicates that there is a significant effect of the independent variable (financial inclusion) on the dependent variable (asset growth) at the study's (0.05) level. The study recommends that Iraqi banks especially banks listed in the Iraq Stock Exchange should have an integrated network of banking branches, and their spread should be in a way that covers all regions of the country, no matter whether these outlets are electronic or human.

KEY WORDS: Financial inclusion, Asset growth, Deposits, Financial access, financial usage.

1. INTRODUCTION

It is an undeniable fact that financial inclusion is one of the main factors of asset growth of banks and though financial inclusion becomes a necessary goal for improving assets for various banks. Moreover, it is clear that most banks have an interest in promoting their assets through financial inclusion all over the Iraq and world. There is however still a need for improvement, its concepts, methods of improvement as well as diagnosing the obstacles and the most important strategies for enhancing their roles in the asset growth of banks. In this study, the following topics will be clarified:

1.1 Importance of the study:

The importance of this study is arrived at by highlighting a set of points as follows:

- This study highlights the impact of financial inclusion in promoting assets growth of a sample of banks listed at the Iraqi stock exchange.
- The importance of this study is due to the lack of previous studies that talked about the role played by financial inclusion and its reality may be reflected in its role in the development of financial stability and the growth of the Iraqi banks assets.

1.2 Problem statement:

Financial inclusion has become an essential term that most developed and developing countries are interested in. Despite the countries' interest in financial inclusion and also the existence of attempts to pay attention to it by the Central Bank of Iraq, it is not at the required level compared to other countries. This is because of the weak role of Iraqi banks in providing basic services to customers such as loans in general and the weak level of financial and banking awareness. It is known that the level of financial inclusion in Iraq is low because of the many challenges facing its indicators. It is possible to put the main question that constitute the problematic subject of the main study as follows:

What is an impact of financial inclusion in promoting the asset growth of Iraqi private banks?

1.3 Hypotheses of the study:

This study contains two main hypotheses, as follows:

H0:- There is no impact and relationship of financial inclusion in promoting asset growth of Iraqi private banks.

H1:- There is an impact and relationship of financial inclusion in promoting asset growth of Iraqi private banks

1.4 Study Objectives:

The main aim of this study is to evaluate the role played by Iraqi banks to improve financial inclusion and also to find or adopt a clear strategy to enhance financial inclusion among members of Iraqi society. In addition evaluating the efforts of Iraqi banks in promoting financial inclusion is included. Finally, this study also aims to identify the impact of financial inclusion and expanding the base of banking activities and services provided to customers in growth of bank assets.

2. THEORETICAL BACKGROUND 3. OF STUDY

2.1 Concept of financial inclusion and its beginnings:

A key component for enhancing several sectors such as economics, politics and social sectors in different countries is financial inclusion. Moreover, financial inclusion discourages informal sources of credit and all other services which may have an impact on the financial system and economic stability of countries (Mutua, 2018: 12). The concept of financial inclusion for the first time appeared during (1993-1994) especially when retail banks were established and their services became popular. The prospector of this term (Leyshon and Thrift) suggested that banks have to reorganize their structures to obtain more profits after which banks became more risk-averse than before. More interestingly, the main result of their study led to reconsidering the methods of dealing with individuals, especially the poor and marginalized groups from financial services (Leyshon and Thrift, 1994: 268). On the other hand, Ozili (2020: 3) stated that talking about financial inclusion began when the researcher (Ayres) criticized strongly the strategies and methods the World Bank used to improve economics and how some of its strategies helped rich people to become richer and poor ones to become poorer arriving at the inequality phenomenon. After the strong criticism, the World Bank introduced financial inclusion and its agenda in (2000) to improve the economic welfare of countries. After the financial crisis (2008) this term became an essential economic issue that has a relationship with financial stability, reducing risks, enhancing deposit base, and using appropriate monetary policies (Estu et al., 2019: 8-9). It is interesting to see that The Alliance for Financial Inclusion (AFI), established by policymakers at 60 developing countries in 2008, launched its works in 2009 to help millions of poor people to use financial services and invest in it. The very next year the G20 countries implemented the agenda of financial inclusion (Polloni-Silva et al, 2021:2).

2.2 Financial inclusion definitions:

Akileng et al. (2018: 50) revealed that one definition of financial inclusion is not generally acceptable because it has a multitude of meanings and each one defines according to their levels of economic, social and financial improvements in their country. To know more about financial inclusion concepts and their meanings more clearly some ideas of various authors is discussed in the table below.

Table (1): Financial inclusion definitions

n.	Author (s) name	Definition
1	(Le et al., 2019:310) (Omar and Inaba, 2020: 1)(Al-Hariri, 2021: 878)	It is the process of providing financial services to all adults in a community who can access all financial services when they need them at affordable prices.
2	(Oz-Yalaman, 2019: 107)	It is the condition where all individuals and companies can access financial services and products continuously at reasonable prices and via appropriate methods including payments, credit, insurance, savings, etc.
3	(Lotto, 2018: 1-2)	There is no popular definition of financial inclusion across the world and each country defines it according to its market conditions. Moreover, the author states that financial inclusion is a crucial pillar for improvement in the banking sector and it helps to improve economics.
4	(Adil and Jalil, 2020: 1)	Attracting individuals who lack access to formal financial services is known as financial inclusion.
5	(Sayed et al, 2020: 380)	It is a tool that countries utilize to improve their economics and it reduces the cost of capital.

After looking at the above definitions it can be concluded that financial inclusion is not a new term but interest in it has risen lately with countries attempting to improve it to better their economics. In Iraq and Kurdistan region though there is an interest in this topic, but it is still not as the desired extent and it might be necessary to improve financial inclusion to improve asset growth of banks. Thus, financial inclusion can be defined as the availability and usage of financial services by all individuals including low income and it is the opposite of financial exclusion. In other words, each individual can use financial services when they need them at affordable prices. So it is a tool that has many advantages such as economic growth, enhancing deposits, reducing unemployment, preventing money laundering and other benefits.

2.3 The importance of financial inclusion

Financial inclusion has several benefits to all individuals in society and especially for the poor and low-income individuals. The first benefit to note is that the number of bank users would be increased by financial inclusion. For instance, Ozili (2018: 331) stated that the number of people who use formal banking services will grow when they have access to financial services through holding formal banking accounts and this will lead to decrease in poverty and increased economic growth. Furthermore, another benefit might be the stability of economics and this may have a positive impact on achieving the well-being of an individual’s life in society. Authors like (Oz-Yalaman, 2019: 107; Ratnawati, 2020:79; Isukul and Tantua, 2021: 43; Omar and Inaba, 2020: 1; Ab Aziz et al, 2021: 5) believe that financial inclusion is one of the crucial elements in obtaining wellbeing of society by decreasing poverty rate, achieving economic stability in a country and allowing income parity for the whole country.

Another advantage of financial inclusion might be the effective usage of monitory policy tools and asset diversifications for the banks because bank deposits will be increased through financial inclusion. According to Ratnawati (2020:76), financial inclusion may have positive or negative effects at the same time in financial stability. The positive effect includes increased efficiency in utilizing monetary policy, increased stability in deposit movements and diversification of bank assets. However, the negative impact consists of a decrease in credit standards, bank reputation risks and inconvenient procedures and policies. Finally, Siddik and Kabiraj (2018; 34) stated that a high level of financial inclusion decreases the risks of bankruptcy of financial institutions. Similarly, Vo et al (2021: 36) believe that financial inclusion leads to bank stability and this leads to a high market price for financial institutions and mitigation of risks. Additionally, if a country improves its financial inclusion, foreign direct investment in that country may increase. It can be concluded that financial inclusion is a goal to achieve many benefits, not only for banks and governments but also for all groups and individuals within a country.

2.4 Financial inclusion theories

There are several different opinions about who should obtain financial inclusion benefits. For instance, Bhandari (2018: 15) believes that banks might focus on poor individuals and help them to obtain financial services. On the other hand, other authors believe that there could be an attention to the young, the elderly, the disabled and people excluded from the financial sector (Kim et al, 2018: 1). It can be concluded that there are four theories of financial inclusion beneficiary according to Ozili (2020: 5-8) including: (Public good theory of financial inclusion, Dissatisfaction theory of financial inclusion, Vulnerable group theory of financial inclusion and Systems theory of financial inclusion).

It would be more appropriate to say that the third theory might be the best one because that one focuses on poor groups and that theory explains that there should be more attention paid to poor groups and low-income people. This is because other groups may have bank accounts previously or they may have used financial services in previous years. To conclude there should not be neglect to any group and it might be necessary to focus on all groups to achieve financial inclusion effectively. There is also a big argument among authors about who should finance for financial inclusion expenditures of individuals. To clarify this disagreement, there are three theories for the financing of financial inclusion, which are as follows:

- Theory of financial inclusion through Private money.
- Theory of financial inclusion through Public money.
- Theory of financial inclusion through an Intervention fund.

It is clear from the above theories that each one emphasizes on a special sector for financial inclusion expenditures. So the first one focuses on the private sector, the second one focuses on the public sector and the last one focuses on a fund for intervention. It is to be pointed out that the second theory of financing through governments might be the appropriate method to finance projects for financial inclusion in developing countries; this is because the capabilities of governments in those countries might be greater than the capabilities of the private sector. Moreover, governments in those countries intervene in all areas and sectors of the economy and they have greater capabilities than the private sector in terms of means available to the state. The most important features of financial inclusion can be explained through the following figure:

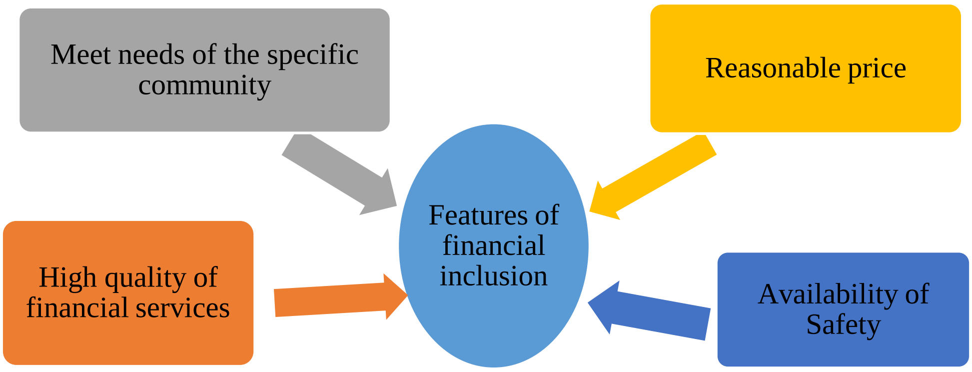

Fig. (1): Features of Financial inclusion

Source: Authors 2022.

2.5 Financial inclusion dimensions

Recently, the topic of measuring financial inclusion has become a controversial subject for most researchers, governments and policymakers in all countries across the world. Setting indicators of financial inclusion might not be easy because of several conditions such as appropriate interest, availability of sufficient data, and flexibility. For instance, several researchers emphasized that financial inclusion is measured through three main dimensions (AL Humairi et al., 2020: 10192) and are as follows:

1- **In terms of access to financial services (Access)**: This dimension is one of the most essential that is used by many countries in the world because obtaining and accessing financial services might be one of the important aspects of financial development and usually, the focus is on expanding the base of providing services to individuals and poor families. According to Iqbal and Sami (2017: 646-647), the most factors that may affect the process of accessing financial services are as follows (place to live, lack of legal identity, gender base, lack of knowledge, bank fees, income level, terms of services and conditions, and activity type).

1. **In terms of using financial services (Use):** This is the process of using financial products and services by members of society. Pham and Doan (2020: 50-51) confirmed that there are several indicators of usage of financial services, which are as follows:

2. **Loans (credit)**: It acts as a significant indicator for supporting economic growth through intermediary channels. However, the researchers (Dienillah et al., 2018: 429) believe that instability in financial inclusion comes from borrowers with less merit as well as from informal borrowing activities.

3. **Savings**: This is one of the important factors to enhance financial stability through direct and indirect channels.

4. **Bank Accounts**: Opening accounts with official financial institutions has a positive impact on financial flexibility and they may encourage enhancing efficiency in the financial intermediation process thereby reducing related costs.

5. **Payments**: Increasing digital payment platforms such as mobile phones and personal computers facilitate easy payments and transactions.

2- **In terms of quality and ways of providing financial services (quality):** Indicators related to the quality of financial services might consist the following (transparency, ease and comfort, affordability, customer protection, indebtedness and financial behaviour, financial education and financial barriers).

It has commonly been assumed that measuring financial inclusion is not easy, but it can be measured through three main indicators including access to financial services, usage of financial services and quality of financial services. This is because through these indicators financial inclusion can be measured in a way that describes the level of success and effective financial inclusion.

2.6 Principles of financial inclusion:

To achieve financial inclusion there should be several requirements and pillars. The most important of these requirements and pillars are the following**:**

1. **Infrastructure** :It might be necessary for the public and private sectors to encourage financial inclusion by paying attention to developing an environment that helps to grow the spread of financial inclusion (Isukul and Tantua, 2021: 47).
2. **Financial education**: In broad terms, this is exemplified in the work undertaken by (Akileng et al., 2018: 52) and (Lubis et al, 2019: 401) that financial awareness and financial culture are important factors in determining the process of accessing financial services by individuals. In other words, individuals must make an appropriate decision and know how much money they need to borrow from the money markets.

As aforementioned, it can be said that each researcher looks to the requirements of financial inclusion in a different way from others, but in the main they are based on the same requirements. Moreover, it can be said that in this field three principles should not be neglected by any researcher which are diversification, infrastructure development as well as knowledge. Also banks should keep in mind that customers are the point of interest and not the service itself.

2.7 Financial inclusion obstacles:

It can be said that several reasons may have an impact on financial inclusion and the research has reviewed the most important reasons agreed among most researchers which are the following**:** for instance, (Datta and Singh, 2019: 337) believes that in most cases, the poor classes face difficulties in opening bank accounts due to several reasons including lack of bank branches close to their homes, their lack of reading and writing, inability or ability to save and the inability to provide sufficient guarantees when requesting a loan. Furthermore, Beck (2020: 3) states that poor groups do not deal with banks because of the lack of official documents and lack of funds. In the same way, Venet (2019: 2) confirmed that banks require many documents when somebody wants to open bank accounts and this constitutes a major obstacle for some groups and potential customers may be excluded. One of the main issues for an individual to not open a bank account is poverty (Ibrahim and Olarewaju, 2019: 15). Finally, the existence of common trust between clients and banking institutions is necessary, especially in developing countries because in those countries clients do not have trust in their financial institutions. Furthermore, it might be very difficult to establish a financial relationship between clients and banks because there is a large gap in the level of trust between them (Ibrahim and Olarewaju, 2019: 15).

However, there are considerable tools that might be used by countries to treat low financial inclusion including digital finance technologies that may have an impact on reducing the gaps of financial inclusion. According to Tiwari et al (2019: 990), a potential solution to financial inclusion challenges is using digital technologies and it helps institutions to reach last-mile communities. Similarly, Ab Aziz et al (2021: 3) believe that digital banking services have a positive impact on financial inclusion. Moreover, one of the most important of these measures to address financial exclusion might be financial education and encouraging community members to deal with financial institutions through several strategies which work to redistribute income among members of society in a fair manner.

2.8 Financial inclusion and bank Asset growth:

It can be said that via using recent technologies firms and financial institutions could increase the growth of their assets and could help them to be able to compete other firms (Inyiama et al., 2017: 63). Moreover, it might not be exaggeration to say that financial inclusion might be a best way and easiest one for banks to improve their assets. For instance, Pandey et al., (2022) believe that in more cases, financial institutions may use financial inclusion in order to protect their assets from various financial shocks and more specifically external shocks. However, Banks can predict their macroeconomic activities through their assets growth (Cooper and Maio, 2018: 23). Hałaj (2013) believes that an interesting issue for most managements of banks is optimal structure of their bank assets, so that in some times banks decrease assets which have a negative impact on deposits. It can be noted that when banks want to know their financial situation, the rate of asset growth could be used by their managers. Because when this rate is high, it means banks doing well. Asset's growth rate is calculated as bellow equation:

Assets growth rate= Total Assets of current year- Total Assets of previous year/ Total Assets of previous year * 100

3. EMPIRICAL STUDY

3.1 Research methodology:

The role of financial inclusion in promoting the growth of assets of banks listed in the Iraqi Stock Exchange was the topic of this study which used an explanatory research approach. Based on the availability of required information on the factors under consideration, the study was conducted on 17 banks listed on the Iraqi stock exchange. Secondary data was gathered from financial statements and annual financial reports of Iraqi stock exchange-listed banks. The data was extracted from seventeen (17) out of forty-six (46) banks for the period of 2010 to 2020 and included both cross-sectional and time-series data. These banks include the Bank of Baghdad, Iraqi Middle East Investment Bank, The Investment Bank of Iraq, National Bank of Iraq, United Bank for Investment, Summer Commercial Bank, Credit Bank of Iraq, Gulf Commercial Bank, Babylon Bank, Iraqi Islamic Bank, Ashur International Bank, Commercial Bank of Iraq, Mansour for Investment, Mosul Bank for Development and Investment, Elaf Islamic Bank, Kurdistan International Bank and Cihan Bank. Data were collected and processed using SPSS 28 statistical software, descriptive statistics, correlation, and regression analysis was used to test the findings. Moreover, the major conclusions of the impact of financial inclusion on bank growth were obtained using the Anova test and simple entrance regression data estimate approach. As a dependent variable, financial inclusion has been chosen. Savings deposits, fixed deposits, current deposits, credit cash, ATMs, bank branches and bank growth are all independent variables that are determined by asset growth. It is clear to say that Log 10 of all variables taken to unify their units or measurements. The following models and variables were utilized in this study:

3.2 Model Specification

$$\mathbf{AG = a + \beta\,1\,(SD) + \beta\,2\,(FD) + \beta\,3\,(CD) + \beta\,4\,(CC) + \beta\,5(NB) + \beta\,6\,(NATM) + eit}$$

Where:

AG =Asset growth= Assets of the current year - Assets of the previous year / Assets of the previous year *100
SD =saving deposits
FD =fixed deposits
CD =current deposits
CC =cash credit
NB =number of bank branches
NATM =number of Automated teller machine
a_{it} = stochastic error terms
t = time period
i = cross section unit

3.3 Results and discussion:

3.3.1 Descriptive statistics:

It can be seen from the below table 2 descriptive statistics and it is interesting to note from the above table that all variables have a positive mean. It is also interesting that current deposits have the highest mean while bank ATMs have the lowest one. Moreover, all variables have a low standard deviation which is close to the mean but only fixed deposits data spread out over a larger range overvalue than others. It can be seen that all variables have a standard rate of Skewness which is between (± 2). On the other hand, fixed deposits, Asset growth and cash credit have a different number of Kurtosis from standard one (±3) and all other variables have the standard value. To conclude that the results from the descriptive statistics especially Skewness and all other variables from kurtosis without mentioned variables show that the Null hypothesis should be rejected and alternative hypothesis should be accepted.

Table (2): summary of descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Fixed deposits	187	2.85	10.24	7.4224	1.49440	2.233	-1.728	.178	3.163	.354
Saving deposits	187	5.81	9.94	7.9445	.64537	.417	-.352	.178	.043	.354
Current deposits	187	6.75	10.44	8.2431	.50984	.260	.231	.178	1.605	.354
Cash credit	187	4.84	9.27	8.0645	.67643	.458	-1.600	.178	4.283	.354
Bank branches	187	.60	1.65	1.1067	.22315	.050	-.072	.178	.012	.354
Number of ATMs	187	.00	2.04	.9615	.60984	.372	-.061	.178	-1.267	.354
Asset growth	187	-2.00	2.28	1.0226	.60600	.367	-1.225	.178	3.632	.354
Valid N (listwise)	187									

Source: author's computation 2022.

3.3.2 Correlations

Table 3 illustrates the relationships between dependent and independent variables. In other words, the degree and direction of connection between the variables are shown in Table 3. It might not be surprising to say that three independent variables, including fixed deposits, saving deposits and current deposits have a low negative correlation with asset growth. On the other hand, cash credit, number of bank branches and number of bank ATMs have a low positive correlation with Asset growth. Moreover, the highest correlation among variables is (0.356) between two independent variables which are fixed deposits and cash credit. Only asset growth has the strongest connection with number of bank ATMs which is (0.050).

Table (3): Correlations

	Fixed deposits	Saving deposits	Current deposits	Cash credit	Bank branches	Number of ATMs	Asset growth
Fixed deposits	1						
Saving deposits	.356**	1					
Current deposits	.280**	.631**	1				
Cash credit	.193**	.401**	.258**	1			
Bank branches	.030	.117	.137	.253**	1		
Number of ATMs	.321**	-.002	.181*	.040	.142	1	
Asset growth	-.039	-.086	-.077	.041	.037	.050	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: author's computation 2022.

3.3.3 Model summary

The model summary of the variables is shown in Table 4. It is clear from table 4 that the value of Durbin Watson is (1.576) which is between standard values (1.5 to 2.5). This shows that the data are not automatically linked. The correlation coefficient between the independent and dependent variables is the first statistic (R) and the value of (R) in this model is (0.140) indicating that the independent variable and the dependent variable have a substantial relationship. The following value, R Square (R2), is simply R squared. This term is typically used to characterize a predictor variable's goodness-of-fit or the amount of variance it explains. In this case, the value of (0.020) indicates that the independent variables in this model explain 2% of the variance in the dependent variable.

Table (4): Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.140[a]	.020	-.013	.60996	1.576
a. Predictors: (Constant), NATM1, SD1, NB1, CC1, FD1, CD1					
b. Dependent Variable: AG1					

Source: author's computation 2022.

3.3.4 Anova summary

The findings of an ANOVA that describes the overall effect accounted for in this model are shown in table 5. The F test result was (0.600), which is less than the critical value of F (2.15) with the degree of freedom and the estimated value of the sig. was (0.730) which is more than the default value (0.05). (6, 180). We reject the null hypothesis and accept the alternative hypothesis which states that there is a significant effect of the independent variable (X) on the dependent variable (Y) at the study's (0.05) level as indicated by a small F value and a high significance level.

Table (5): The impact of financial inclusion on asset growth

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.338	6	.223	.600	.730[b]
	Residual	66.968	180	.372		
	Total	68.307	186			
a. Dependent Variable: AG1						
b. Predictors: (Constant), NATM1, SD1, NB1, CC1, FD1, CD1						

Source: author's computation 2022.

3.3.5 Coefficients summary

Table 6 shows the results of coefficients and significance tests for the simple regression with the enter method so that the regression equation model is $Y= 2.333+0.346\ X1 + 0.147\ X2 + 0.250\ X3 + 0.224\ X4 + 0.069\ X5 + 0.003\ X6 + e$.

Moreover, the standardized coefficients indicate that if financial inclusion dimensions including: fixed deposits, saving deposits, Current deposits, credit cash, bank branches and number of ATMs increases by one unit we can predict that Y will increase by (0.346), (0.147), (0.250), (0.224), (0.069), and (0.003) respectively. On the other hand, from the Beta coefficients for all variables we can see that these variables are predictive factors of Y but at weak and medium levels. According to the value of Sig. (0.000), (0.044), (0.000), (0.000), (0.031), (0.094) we conclude that there is an effect for independent variables on dependent variable (Y). This conclusion came with confirmation from the calculated value of the t-test of all variables which were more than its critical value (1.653) and with a degree of freedom (186). It can be concluded that there is an effect for these variables on Y and with a degree of freedom (186).

Table (6): The impact of financial inclusion dimensions on asset growth

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.738	2.223	2.333	1.222	0.215
	Fixed deposits	0.362	0.059	0.346	6.119	0.000
	Saving deposits	0.109	0.049	0.147	2.018	0.044
	Current deposits	0.251	0.219	0.250	4.408	0.000
	Credit cash	0.361	0.058	0.224	3.258	0.000
	Bank branches	0.344	0.340	0.069	1.711	0.031
	Number of ATMs	0.039	0.579	0.003	0.858	0.094

a. Dependent Variable: Asset Growth

Source: author's computation 2022.

It is clear that the results of this study are consistent with the results of the studies: Siddik and Kabiraj (2018), Estu et al (2019), Al - Adwey (2019), Pham and Doan (2020), Soyemi et al (2020), Shihadeh (2020), Nsiah et al (2021), and Vo et al (2021). Who found that there is an impact of financial inclusion dimensions on asset growth of private banks in different economics over the world. However, this result might not be the same as the Al Humairi et al (2020), who believes that there is no impact of some financial inclusions on asset growth of banks.

4. CONCLUSION AND RECOMMENDATIONS

It is known that financial inclusion has great importance and it is essential for the development of the country's economy but it is not possible to develop the Iraqi banking sector without developing other sectors although the banking sector is a strong pillar for development of the economy and its infrastructure. Also the decrease in the number of banking branches owned by the Iraqi banking sector makes the delivery of banking services to far and remote areas very difficult and thus many of the customers of those areas miss the opportunity to benefit from the banking services. In addition, the lack of confidence and sufficient security lead to Iraqi banks only putting ATMs at their main branches and perhaps there are no ATMs in many areas because of the fear of theft. Based on the analyzing data, the findings of this paper summarize as follows:

1- To conclude that the results from the statistics show that the Null hypothesis should be rejected and alternative hypothesis should be accepted.
2- It might not be surprising to say that three independent variables, including fixed deposits, saving deposits and current deposits have a low negative correlation with asset growth.
3- On the other hand, cash credit, number of bank branches and number of bank ATMs have a low positive correlation with Asset growth.
4- This conclusion came with confirmation from the calculated value of the t-test of all variables which were more than its critical value and this can be concluded that there is an effect for these variables on Y.
5- The findings of this study indicate that the surveyed banks did not generally obtain the necessary funding sources for investing them, particularly in assets. It is possible to infer that this is because of a lack of confidence or trust between the surveyed banks, their clients, and the general public.
6- It can be concluded that financial inclusion is a goal to achieve many benefits, not only for banks and governments but also for all groups and individuals within a country.

Therefore, it is necessary to pay attention to the following points:

1. The necessity of paying attention to the financial education of the population and organizing financial education offers in order to grow bank assets.
2. The necessity for Iraqi banks, especially banks listed in the Iraq Stock Exchange to have an integrated network of banking branches and their spread to be in a way that covers all regions

of the country whether these outlets are electronic or human (spatial).

3. The necessity of placing ATMs in many areas, not only at the bank and its branches and the necessity for managing money outside the banking system.

4. The necessity of developing complete banking systems in Iraqi banks and the banks in the study sample and working on the development of their services.

5. REFERENCES

Ab. Aziz, M.R., Jali, M.Z., Mohd, N., M. N., Sulaiman, S., Harun, M.S., and Mustafar, M. Z.I. (2021). Bibliometric analysis of literatures on digital banking and financial inclusion between (2014- 2020). *Library Philosophy and Practice (e-journal).* **https://digitalcommons.unl.edu/libphilprac/5322**

Adil, F., and Jalil, A. (2020). Determining the Financial Inclusion Output of Banking Sector of Pakistan—Supply-Side Analysis. *Economies*, 8 (2): 1-20. https://doi.org/10.3390/economies8020042.

Akileng, G., Lawino,G.M., and Nzibonera, E. (2018). Evaluation of determinants of financial inclusion in Uganda. *Journal of Applied Finance & Banking, SCIENPRESS Ltd*, 8 (4): 47-66. https://ideas.repec.org/a/spt/apfiba/v8y2018i4f8_4_4.html

Al Humairi, G.T.M., AL- Jbouri, A.D.A., and Mahmood, E.A. (2020). The effect of financial inclusion on enhancing financial stability in Iraq for the period (2004-2018). *PalArch's Journal of Archaeology of Egypt/ Egyptology*, 17(6): 10189-10203.

Beck, T. (2020). Fintech and Financial Inclusion: Opportunities and Pitfalls. ADBI Working Paper 1165. Tokyo: Asian Development Bank Institute. Available: https://www.adb.org/publications/fintech-financial-inclusion-opportunities-pitfalls

Bhandari, B. S. (2018). Life Insurance-Social Security & Financial Inclusion. *Bimaquest*, 18 (2): 1-16. http://bimaquest.niapune.org.in/index.php/bimaquest/article/view/22.

Cooper, I. and Maio, P. (2018). Asset Growth, Profitability, and Investment Opportunities. *Management Science*, 65(9): 1-49. https://doi.org/10.1287/mnsc.2018.3036

Datta, S.K., and Singh, K. (2019). Variation and determinants of financial inclusion and their association with human development: A cross-country analysis. *Iimb Management Review*, 31 (4): 336-349. https://doi.org/10.1016/j.iimb.2019.07.013

Dienillah, A., Anggraeni, L., and Sahara, S. (2018). Impact of Financial Inclusion on Financial Stability based on Income Group Countries. *Buletin Ekonomi Moneter Dan Perbankan*, 20 (4): 429-442.https://doi.org/10.21098/bemp.v20i4.859

Estu, W., Pindykurnia, S. and Nunik, N. (2019). Role of Financial Inclusion to Stability: The Case of Indonesia's Sharia Banking. *HOLISTICA – Journal of Business and Public Administration, Sciendo*, 10(1): 7-15. DOI: 10.2478/hjbpa-2019-0001

Hałaj, G. (2013). Optimal asset structure of a bank - bank reactions to stressful market conditions. Working Paper Series 1533, European Central Bank. Available at SSRN: https://ssrn.com/abstract=2246576 or http://dx.doi.org/10.2139/ssrn.2246576

Ibrahim, S.S. and Olarewaju, O.M. (2019). Higher Institution Students and the Un-banked Rate in Duhok City, Iraq? Evidence from a Survey Analysis. *International Journal of Finance & Banking Studies*, 8 (3): 13-20. https://doi.org/10.20525/ijfbs.v8i3.832

Inyiama, O.I., Ugbor, Oluchukwu, R., and Nnenna, C.V. (2017). Evaluation of the Relationship between Assets Growth Rate and Financial Performance of Manufacturing Firms in Nigeria. *International Journal of Managerial Studies and Research (IJMSR)*, 5(10): 63-73. http://dx.doi.org/10.20431/2349-0349.0510006

Iqbal, B.A. and Sami, S. (2017). Role of banks in financial inclusion in India. *Contaduaria y Administration*, 62 (2): 644-656. DOI: 10.1016/j.cya.2017.01.007.

Isukul, A., and Tantua, B. (2021). Financial Inclusion in Developing Countries: Applying Financial Technology as a Panacea. *South Asian Journal of Social Studies and Economics*, 9 (2): 42-60. https://doi.org/10.9734/sajsse/2021/v9i230237

Kim, D., Yu, J. and Hassan, M. K. (2018). Financial inclusion and economic growth in OIC countries. *Research in International Business and Finance, Elsevier*, 43 (C): 1-14. DOI: 10.1016/j.ribaf.2017.07.178

Leyshon, A., and Thrift, N. (1994). Access to financial services and financial infrastructure withdrawal: Problems and policies, 26 (3): 268-275.

Lotto, J. (2018). Examination of the Status of Financial Inclusion and Its Determinants in Tanzania. *Sustainability; Basel*, 10 (8): 1-15. DOI:10.3390/su10082873

Lubis, A., Dalimunthe, R., and Situmeang, C. (2019). Antecedents Effect of Financial Inclusion for the People of North Sumatera. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 2 (4): 401-408. DOI: 10.33258/birci.v2i4.602

Mutua, P.N. (2018). The effect of financial innovation on financial inclusion in Kenya. Research project submitted to the University of Nairobi for the Master's degree. D61/8589/2016.

Nsiah, A.Y., Yusif, H., Tweneboah, G., Agyei, K. and Baidoo, S.T. (2021). The effect of financial inclusion on poverty reduction in Sub-Sahara Africa: Does threshold matter? Cogent Social Sciences, 7(1): 1-17. DOI: 10.1080/23311886.2021.1903138

Omar, M.A. and Inaba, K. (2020). Does financial inclusion reduce poverty and income inequality in developing countries? A panel data analysis. *Journal of Economic Structures, Springer; Pan-Pacific Association of Input-Output Studies (PAPAIOS)*, 9 (1): 1-25. DOI: 10.1186/s40008-020-00214-4

Ozili, P. K. (2020). Optimal Financial Inclusion. *International Finance Review*, 21: 1-18. Forthcoming, Available at SSRN: https://ssrn.com/abstract=3551463 or http://dx.doi.org/10.2139/ssrn.3551463

Ozili, P. K. (2020). Theories of Financial Inclusion. Available at SSRN: https://ssrn.com/abstract=3526548 or http://dx.doi.org/10.2139/ssrn.3526548

Ozili, P.K. (2018). The impact of digital finance on financial inclusion and stability. *Borsa Istanbul Review*, 18 (4): 329-340. https://doi.org/10.1016/j.bir.2017.12.003

Oz-Yalaman, G. (2019). Financial inclusion and tax revenue. Central Bank Review, Research and Monetary Policy Department, Central Bank of the Republic of Turkey, 19 (3): 107-113. https://doi.org/10.1016/j.cbrev.2019.08.004

Pandey, A., Kiran, R., and Sharma, R.K. (2022). Investigating the Impact of Financial Inclusion Drivers, Financial Literacy and Financial Initiatives in Fostering Sustainable Growth in North India. *Sustainability* 14 (17): 1-21.https://doi.org/10.3390/su141711061

Pham, M. H., and Doan, T. P. L. (2020). The Impact of Financial Inclusion on Financial Stability in Asian Countries. *The Journal of Asian Finance, Economics and Business*, 7 (6): 47–59.

Polloni-Silva, E., da Costa, N., Moralles, H.F. and Neto, M.S. (2021). Does Financial Inclusion Diminish Poverty and Inequality? A Panel Data Analysis for Latin American Countries. *Soc Indic Res*, 158: 889-925. https://doi.org/10.1007/s11205-021-02730-7

Ratnawati, K. (2020). The Impact of Financial Inclusion on Economic Growth, Poverty, Income Inequality, and Financial Stability in Asia. *The Journal of Asian Finance, Economics and Business*, 7 (10): 73–85. https://doi.org/10.13106/JAFEB.2020.VOL7.NO10.073

Sayed, M.N., Abbas, A., and Touny, M.A. (2020). The Impact of Financial Inclusion on GDP Growth in Egypt. *Scientific Journal for Economic and Commerce*, 50 (2): 379-400. DOI: 10.21608/jsec.2020.114124

Shihadeh, F. (2020). The influence of financial inclusion on banks' performance and risk: new evidence from MENAP. *Banks and Bank Systems*, 15 (1): 59-71. DOI: 10.21511/bbs.15(1).2020.07

Siddik, Md. Nur A. and Kabiraj, S. (2018). Does Financial Inclusion Induce Financial Stability? Evidence from Cross-country Analysis. Australasian Accounting, *Business and Finance Journal*, 12 (1): 34-46. doi:10.14453/aabfj.v12i1.3

Soyemi, K. A., Olowofela, O. E., and Yunusa, L. A. (2020). Financial inclusion and sustainable development in Nigeria. *Journal of Economics and Management*, 39 (1): 105-131. https://doi.org/10.22367/jem.2020.39.06

Tiwari, J., Schaub, E., and Sultana, N. (2019). Barriers to "last mile" financial inclusion: cases from northern Kenya. *Development in Practice*, 29 (8): 988-1000. DOI:10.1080/09614524.2019.1654432

Venet, B. (2019). FinTech and financial inclusion chapter in a book A Research Agenda for Financial Inclusion and Microfinance pp. 162–172. DOI: 10.4337/9781788114226.00024 .

Vo, D., Nguyen, N., and Van, L.T. (2021). Financial inclusion and stability in the Asian region using bank-level data. *Borsa Istanbul Review*, 21(1): 36 - 43. https://doi.org/10.1016/j.bir.2020.06.003