
The Role of the Iraqi Company for Deposit Insurance in Reducing the Hoarding

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Abstract

The Iraqi Deposit Insurance Corporation was established in 2019 to protect the funds of small depositors in the event of a bank's insolvency or bankruptcy. Another goal of its establishment was to encourage Iraqi citizens to deposit their money in banks instead of hoarding it at home. The first section of the research methodology discussed the importance, objective, and hypothesis of the research, while the second section highlighted the role of deposit insurance companies, specifically the Iraqi Deposit Insurance Corporation, as well as its role in reducing the phenomenon of hoarding money outside the banking system. The third section compared two commercial banks focused on investment, namely the Iraqi Middle East Investment Bank and the Iraqi Investment Bank. Their final account data was analyzed, specifically the volume of deposits for the six years prior to the establishment of the Iraqi Deposit Insurance Corporation in 2019 and four years after its establishment. It was concluded that, to date, the Iraqi Deposit Insurance Corporation has not played a significant or clear role in increasing the volume of bank deposits. The fourth section addressed the most important conclusions and recommendations.

Keywords: Deposit Insurance Companies, Cash-Hoarding, Bank Deposit Volume.

Introduction

Trust in the banking system is fundamental to the stability of a country's financial economy, playing a vital role in facilitating financial inclusion and encouraging people to bank. In a number of societies, particularly in developing countries or those experiencing economic crises, there is a growing reliance on keeping cash at home, as individuals prefer to keep their money in cash rather than depositing it in banks. This is due to several interrelated reasons, most notably a lack of trust in banks and fear of losing money due to financial crises or bank collapses, in addition to a lack of awareness of the banking system's role in protecting and developing funds. Therefore, the importance of bank deposit insurance companies has emerged as a primary means of protecting depositors' funds and increasing their confidence in financial institutions. Deposit insurance companies are official or quasi-governmental organizations, usually established by governments or central banks, with the aim of safeguarding depositors' funds in the event that a bank fails to meet its obligations. These companies compensate depositors for their deposits up to a certain limit, ensuring the protection of small depositors first and foremost and reducing the risk of losing funds during crises. Deposit insurance not only protects individuals from financial losses, but also contributes to the stability of the banking system as a whole, preventing panic attacks that may result from sudden withdrawals of deposits during times of crisis. Therefore, an effective deposit insurance system enhances confidence and reassures people that their money is safe even in the worst economic conditions.

On the other hand, hoarding is a real challenge to the economy, as it hinders economic activity and reduces the funds available for banks to lend or invest. Money kept in households does not contribute to financing projects or promoting economic growth; rather, it remains outside the formal financial system, negatively impacting the state's ability to implement its monetary policies effectively. This behavior also

reduces individuals' opportunities to generate returns on their savings and deprives others from accessing these funds in the form of loans.

Therefore, the important relationship between the role of deposit insurance companies in reducing hoarding is clear. Promoting a banking culture based on trust and increasing awareness of effective deposit protection motivates individuals to transfer their money from households to banks. The more individuals know that an official entity guarantees their money, the more likely they are to use banking methods instead of keeping cash. This change in financial behavior is a fundamental step toward achieving financial stability and sustainable economic development goals. Accordingly, this research aims to highlight the effective role played by the Iraqi Deposit Insurance Corporation in enhancing Iraqi citizens' confidence in banks and to review the company's impact on reducing the phenomenon of hoarding, or keeping cash at home.

Chapter One: Research Methodology

First: The Research Problem:

The research problem here lies in citizens' reluctance to deposit their savings or surplus funds in Iraqi banks. This negatively impacts the level of liquidity in banks, leading to a decline in the volume of loans granted, including investment, industrial, commercial, and even personal loans. This, in turn, will cause an economic recession in the Iraqi market.

Second: The Importance of the Research:

Citizens' knowledge that an Iraqi company protects and guarantees their bank deposits will encourage them to deposit their money in banks, leading to increased cash liquidity, which is the most important factor for the success of any bank. This will enable them to invest these funds in stocks, bonds, or other types of investments, as well as lend them at interest rates to generate revenue for the bank. The widespread

phenomenon of hoarding, known as financial savings, will render banks unable to fully perform their role in the Iraqi financial market. Hence, the importance of the research.

Third: Research Objective:

The research sought to identify the role of the Iraqi Deposit Insurance Company in limiting or reducing the phenomenon of hoarding Iraqi currency at home instead of depositing it in banks. This phenomenon is one of the most significant phenomena affecting the Iraqi banking sector in recent years.

Fourth: Research Hypothesis:

The research here is based on the hypothesis that the Iraqi Deposit Insurance Company, upon its establishment in 2019, has achieved an increase in the volume of bank deposits and a reduction in the phenomenon of hoarding. This increase in deposits will lead to an increase in the number of open bank accounts and citizens' use of most banking services provided by banks, which will achieve financial inclusion, a pillar of sustainable development.

Fifth: Research Methodology:

An analytical approach was adopted, which is to collect financial data on the volume of bank deposits of the Iraqi Middle East Investment Bank and the Iraqi Investment Bank for the period between 2013 and 2023. In other words, an analysis and comparison of the volume of deposits of the two banks above for a period of six years prior to the establishment of the Iraqi Deposit Insurance Company in 2019 and four years after its establishment.

Chapter Two: The Role of Deposit Insurance Companies in the Phenomenon of Financial Hoarding

First: Introduction to Deposit Insurance Companies:

The world's first bank deposit insurance system appeared in New York State in 1829. Several American states subsequently adopted this system. However, the lack of funds and liquidity, coupled with the subsequent financial crises, led to banks' inability to meet their obligations, leading to the bankruptcy of many. There was also a decline in the performance of the agricultural sector, one of the most important sectors in the United States at the time. These conditions highlighted the need for bank deposit insurance systems, which lacked adequate funding (Ibrahim and Naji, 2016: 110).

In 1933, following the outbreak of the Great Depression, the first formal deposit protection system was introduced in the United States. Specifically, in 1934, the United States established the Federal Deposit Insurance Corporation (FDIC), pursuant to the Banking Act passed by Congress in 1933. This corporation was created to address the problems that emerged in the global financial system after the Great Depression, as there was a limit on insurance for depositors that reached \$100,000 (Al-Araj, 2009: 30).

Subsequently, many countries implemented similar systems, whether mandatory or voluntary. In 1960, Turkey established a bank liquidation fund, which operated in a manner similar to deposit insurance funds. Several countries subsequently began establishing similar funds to protect depositors' money, particularly after the collapse of Bank Herschel. In Europe, Germany established a fund in 1974, followed by the UK in 1979, and then France after the collapse of Banque Saudi Fransi.

In the Arab world, Lebanon was the first country to undertake deposit insurance, but the UAE's experience is considered more significant. In 2008, it approved the

guarantee of depositors' money in all UAE banks, as well as depositors' money in branches of foreign banks within the UAE, with the aim of protecting the banking system. Bahrain established a deposit insurance fund in 1993, followed by Sudan in 1996, and Jordan established a deposit insurance corporation in 2002 (Ibrahim and Naji, 2016: 111). In Iraq, after the government realized that the public no longer trusted banks and that most funds were held outside banks and other financial institutions, it decided to propose the idea of establishing a deposit insurance company in 2008. However, this company was not officially established until 2016, and implementation began in 2018 under the name of the Iraqi Deposit Insurance Company (Eidi, 2016: 5). This company will be discussed in detail in the fourth section of this section. Deposit protection companies, or deposit insurance systems, are organizations typically established under specific legislation in each country. Its purpose is to ensure the safety of customers' funds in banks and financial institutions in the event of total or partial losses resulting from the bankruptcy or failure of these institutions (Demirgüç and Kane, 2002: 185). There are several definitions of deposit insurance companies, for example: (Demirgüç, Kane, and Levine, 2020: 9)

They are bodies established in accordance with local laws to provide comprehensive or partial protection for bank deposits in the event of bank failure or bankruptcy, in order to enhance public confidence in the banking system.

Another definition is that it is an official body with the legal authority to compensate depositors in the event of a bank failure, and it is part of the financial safety net aimed at maintaining the stability of the financial system.

While Ingber et al. defined it as an institutional arrangement for distributing risk, ensuring the protection of savers by compensating them for losses on their deposits up to a certain limit determined by law in the event of bank failure. Or a final definition: It is an independent or governmental body that works to regulate the deposit insurance system and compensate individuals in the event of a bank's

bankruptcy, which helps maintain the stability of the banking system and protect depositors with small savings (Mishkin, 2019: 13).

Second: The Importance and Objectives of Deposit Insurance Companies:

Deposit insurance companies are an important part of a country's financial system. Their importance and objectives lie in (Cole, Senbet, and Sorge, 2005, 49) and (Yoanidou, 2019: 1132):

- 1. Increasing Confidence in the Banking System:** Depositors feel safe when placing their money in banks because they know that in the event of bankruptcy or loss, the deposit insurance company will be on their side and will return their money to them, acting as a guarantor between them and the banks.
- 2. Avoiding Banking Anxiety:** Deposit insurance reduces customers' desire to withdraw their money collectively when rumors spread about problems at a particular bank. In other words, it reduces banking panics and financial problems. Financial crises often begin due to people's collective fear of banks. Deposit insurance companies help alleviate this anxiety by providing reassurance to depositors.
- 3. Assisting in Financial Stability:** By providing a structured approach to resolving the problems of struggling banks, deposit insurance reduces volatility in the banking sector and makes shocks less severe, helping to maintain overall economic stability. In other words, the role of deposit insurance companies goes beyond providing compensation; it also includes assisting in the reorganization or temporary management of banks.
- 4. Protecting Small Savers:** Insurance often focuses on small deposits, which represent a large number of individuals and families. Most deposit insurance companies have certain limits for insuring bank deposits, and these limits are reasonable for small or perhaps middle-income depositors, to encourage them to deposit their money in banks instead of keeping it at home.

Third: Deposit Insurance Companies in Terms of Funding Sources:

Abu Bakr (2002:28) explained that the capital of deposit insurance companies consists of the following items:

- 1. The Institution's Capital:** This consists of the basic contributions that participating banks must pay. These contributions are determined based on the percentage of each bank's deposits at the end of a specific year prior to the institution's establishment. These contributions represent the paid-up capital. This method of financing provides fixed funds to the Deposit Protection Fund, strengthening the company and increasing depositor confidence. These funds also allow for the formation of additional balances that can be drawn upon when participating banks encounter financial difficulties.
- 2. Deposit Insurance Premiums:** These are the annual premiums paid by member banks in exchange for the company insuring their deposits against the risk of bankruptcy. This premium is paid at the beginning of each year based on each bank's deposit balance.
- 3. Profits from Investing the Company's Funds:** These profits can come from investing funds in local public debt, such as government bonds or treasury securities, or from purchasing high-quality stocks.
- 4. Grants and Donations:** These are funds the company receives from banks or financial institutions to support its efforts to stabilize the financial and banking system.
- 5. Any funds the company borrows from others to meet a sudden compensation obligation, such as the collapse of several banks due to an emergency financial crisis, as occurred during the recent global financial crisis.**

Fourth: The Iraqi Deposit Insurance Company:

The Iraqi Deposit Insurance Company was established on June 27, 2019, pursuant to the provisions of Article 39/Third of the Companies Law No. 21 of 1997, as amended. It is a mixed joint-stock company headquartered in Baghdad with a capital of 100 billion Iraqi dinars, divided into 100 billion shares, with a value of one Iraqi dinar per share. 55% of the shares, equivalent to 55 billion Iraqi dinars, are held by the company's founders. This percentage was distributed as follows: 25% is held by government banks, 30% by commercial banks, foreign bank branches, the National Retirement Fund, and the National Insurance Company. The remaining 45% of the company's capital, equivalent to 45 billion dinars, was offered for public subscription in accordance with the procedures set forth in Article 39 above. (Iraqi Deposit Insurance Company's Founding Subscription Statement, 2019: 1)

The primary objectives of the Iraqi Deposit Insurance Company are to protect citizens' savings. The company aims to protect depositors' funds in banks recognized by the Central Bank of Iraq, whether in local currency (Iraqi dinars) or other foreign currencies.

Reducing the phenomenon of hoarding or storing cash in homes is also one of the roles of the Iraqi Deposit Insurance Company. The company seeks to reduce the amount of money stored in homes by reassuring people that their deposits are safe in the event of a bank failure or insolvency. This reduces monetary isolation and stimulates the movement of money in the financial system.

Another primary objective is to increase confidence in the banking system in general through media awareness campaigns and announcing mandatory bank subscriptions to the Iraqi Deposit Insurance Company. The company seeks to promote a culture of banking in society and increase citizens' reliance on banks for savings. By offering partial or full guarantees for small deposits, the company encourages the transfer of

funds from households to bank accounts, increasing the deposit base and improving liquidity in banks.

Fifth: The Phenomenon of Financial Hoarding:

According to the financial hoarding theory, which defines a model of money movement across three domains, including firms (excluding financial institutions), households, and financial institutions. Firms and households constitute the real economy, while financial institutions are considered part of the virtual economy. The flow of money in the money cycle is directly related to actual economic activity. The amount not related to money cycles is also known as "financial hoarding." The "financial hoarding theory" focuses on studying the movement of money between different economic sectors over a specific period. It focuses on the concept of flow, which differs from traditional macro analysis, which looks at stocks at specific points in time. However, the concept of stocks is not in conflict with the concept of flows; rather, they are evaluated from different perspectives (Benswanger, 1997: 112). In the economic cycle, households' spending plans are based on disposable income. After the spending plan is implemented, the remaining amount of income becomes the household's savings. Households can divide the money into cash and bank deposits. They need cash to meet their daily needs, while depositing it in a bank can provide additional interest income. If they have money in a bank, they can earn interest that helps them purchase more goods and services later. Similarly, after deducting expenses from income, businesses generate institutional savings. They can also decide how much money to keep and how much to deposit in the bank. Thus, household and business savings are pooled in the financial sector, becoming collective savings. At the same time, some households and businesses need more cash, so they turn to banks. Financial institutions then become the means to provide financial services, moving money from those with surpluses to those who need it. People who hold cash earn interest, while others receive the cash they need, thus

enhancing all forms of social support. In addition, there is other money that does not enter this cycle. Some of it is used for investment in various assets to earn profits from changes in their prices, while others are allocated for emergencies to ensure the stability of the financial system. Furthermore, the money held in the bank also earns interest (Lu, Huang, and Mossoff, 2015: 45). In the study of the money cycle, not all savings go into financial circulation. Some money remains outside this cycle and becomes financial savings as it passes through the financial sector. Based on the method of calculating the net increase in financial savings, the size of financial savings depends on three factors. First, the greater the savings, the greater the total amount of financial savings, and vice versa. When households and businesses earn more money, or when they postpone some spending for a better future, the surplus money is deposited in the bank. This portion of the money will be deposited or used to purchase financial products. Second, if the level of investment increases, the amount of financial savings will decrease, and vice versa. If a company plans to invest more, it will need to borrow from the bank. In good market conditions, companies will increase their investments if they anticipate positive outcomes. When the total amount of money in the market does not change immediately, this leads to a rise in the interest rate. When the interest rate reaches a high level, the money in financial savings will return to the real economy in the form of investment due to the desire for profit, which is the use of money. Third, if the total money supply increases, the volume of financial savings will also increase. When the money supply increases, the gap in demand for money is filled, making more money available. However, this money does not become an investment, but rather enters the virtual financial economy (Perospide, 2013).

We can therefore conclude that the change in the volume of financial savings depends primarily on the return on investment in the real economy and the return on investment in financial assets. When the return on investment in financial assets is

greater than the return on real economic projects, the sector typically has more financial assets, meaning the volume of financial savings increases, and vice versa. The impact of financial saving on the economy, whether positive or negative, depends on different economic and time conditions. Although financial saving reduces liquidity in the money cycle, leading to a reduction in corporate investment, the reality is not so clear-cut. When investments in the real economy increase, returns decline, and capital shifts toward financial savings, correcting unsuccessful investments in the system. At the same time, financial savings are invested in various types of financial products to generate greater profits. Finally, through the wealth effect, household consumption increases. This money will be returned to the monetary cycle, not reducing available funds. Therefore, financial savings may not have a negative impact on non-financial sectors. In some ways, they may even contribute to stimulating economic growth. Furthermore, some of the funds can be used to address emergencies, helping reduce market volatility and providing a more stable environment for economic growth (Kang, Huang, Song, 2018: 99).

Sixth: Causes of the Financial Hoarding Phenomenon:

Since 1997, the renowned Swiss economist Binswanger proposed the concept of "financial hoarding," focusing on the issues of resizing and innovation within the financial sector. He offered a new perspective on the relationship between finance and economic growth. Binswanger (1997) suggests that a portion of money in an economy temporarily shifts away from monetary circulation and toward the financial sector ("financial hoarding"), linking it to both real and digital economies. Furthermore, the difference between savings, net investment, and net currency issuance leads to the emergence of financial hoarding. Changes in financial hoarding significantly affect the equilibrium rate of return in both the real and virtual economies (Lu, Huang, and Mossov, 2015: 2).

In other words, when the profit rate in the real economy is lower than the profit rate in the virtual economy, financial saving will increase. When the relative profit rate is higher, financial saving will break out of its stagnant state and return to monetary circulation. Therefore, it remains to be seen whether the overall effect of money shrinkage has a positive or negative impact on economic growth. According to this idea, changes in money shrinkage reflect changes in the financial sector, and net money creation somewhat reflects the creativity of financial institutions. However, it is important to note that Binswanger (1997) considers net money creation as an increase in the quantity of money. He considers this figure exogenous, but does not address the internal creativity of financial institutions, which may lead to some neglect of the relationship between the financial sector and the real economy (Lu, Huang, and Mossoff, 2015: 3).

The second problem is how to define financial hoarding in modern economics. Binswanger (1997) distinguished between financial hoarding and cash hoarding. He suggests that the former, the concept of flow, is temporarily separate from currency trading but still flows into the financial sector, i.e., the type of money that investors withdraw from currency trading when purchasing financial assets (stocks). Cash hoarding, a concept of stocks, is the type of money actually stored in currency trading. However, in the modern economy, financial hoarding does not actually depart from currency trading; rather, this type of hoarding moves from the real economy to the virtual economy (i.e., the financial sector). Therefore, we redefine financial hoarding as the long-term flow of capital associated with the financial sector, i.e., an additional type of asset in the form of money (Lu, Huang, and Mosov, 2015: 3).

There are two types of currency exchange in the current economic system: the exchange of domestic currency within the spheres of production and finance, and the general exchange of currency with the spheres of consumption. In general currency

exchange, savings come from disposable income after deducting expenditures. A portion of these savings is directed to the spheres of production, forming a pool of productive capital; economic output is the primary source of disposable income. Other savings, in addition to the increase in currency, go to the financial sector and become financial savings, creating an increase in financial output thanks to the internal innovation of the financial sector. This can boost disposable income and influence economic growth. At the same time, economic growth can also influence the amount of financial savings.

From a psychological perspective, the phenomenon of hoarding here includes the criteria of the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition, for obsessive-compulsive personality disorder, characterized by hesitant spending behavior toward oneself and others; money is viewed as something to be saved to avoid future crises (American Psychiatric Association, 2013: 679). Although this text links attachment to money and financial behavior, research on these two concepts is limited. Compulsive hoarding has been defined as a financial problem that involves not only collecting and storing things, but also includes positive behaviors such as excessive and unhealthy saving (Klontz & Brett, 2012: 14).

On the other hand, Tollin (2011) believes that thinking deficits, unhealthy beliefs, and negative habits are the main causes of pathological hoarding. People who suffer from hoarding have problems in specific areas of the brain associated with executive functions, managing emotions, and understanding the value of rewards. Vulnerability factors that vary across families and environments have also been identified as being linked to hoarding. About half of individuals with hoarding can identify a close relative with the condition, and twin research suggests that half of the variance in hoarding prevalence can be attributed to genetic factors (American Psychiatric Association, 2013).

Research has shown that hoarding develops due to emotional reactions linked to

certain thoughts and beliefs (Grisham, Frost, Steketee, Kim, & Hood, 2006). Individuals with hoarding often fear parting with their possessions, particularly their money, leading to anxiety and avoidance of decisions about disposal or saving. These individuals may exhibit excessive hoarding behavior, fueled by the positive feelings associated with collecting possessions and money. Several factors have been identified as contributing to hoarding, including information processing, beliefs about emotional attachment to objects, distress, and escape behaviors (Grisham et al., 2006). Hoarding may appear as a personality phenomenon, where saving becomes part of a person's identity. Individuals with hoarding disorder are typically single and lack personal contact with others, leading to a strong attachment to their money (Gresham et al., 2006). Some individuals with the disorder indicate that hoarding behaviors began due to a stressful event in the past, something they found difficult to cope with, while others indicate that they developed slowly throughout their lives (Gresham et al., 2006). Hoarding behaviors often begin to appear in early adolescence and gradually worsen, with clinical problems peaking in the mid-thirties (American Psychiatric Association, 2013). While the hoarder may have had a childhood filled with abuse, poverty, and emotional deprivation, Klontz (2009) hypothesized that compulsive hoarding is an expected response to financial trauma or an early life filled with poverty. From the researcher's perspective, the phenomenon of saving money at home and not depositing it in banks has been passed down from generation to generation. Many children of war-torn families have become lax and unproductive, following their parents' financial methods and behaviors.

Seventh: The Risks of Financial Hoarding:

Hoarding behavior represents a serious public health issue, entails significant social costs, and places stress on families. Hoarding can significantly impact an individual's health and well-being. Despite its prevalence and association with severe distress and

impaired functioning, studies on it remain relatively few (Frost, Steketee, & Tolin, 2012).

Hoarding disorder is defined as excessive accumulation of items and difficulty disposing of them. This disorder is not only a mental health problem; it also interests psychologists and psychotherapists, as it is considered a financial disorder that directly impacts financial planners, financial planning, financial treatment, and the financial well-being of clients. Although few studies link hoarding to financial behaviors, these relationships can be leveraged to resolve financial problems such as risk tolerance and financial conflicts between spouses and families. Understanding the financial dimensions of hoarding may help financial professionals detect signs of hoarding behavior and implement effective strategies for their clients (Frost & Gross, 1993: 369). Hoarders hold exaggerated beliefs about their responsibility for their assets, including their money. This responsibility is reflected in their need to be prepared for any emergency. They are reluctant to part with their money and feel guilty if they deposit it in a bank. Savings are not limited to their own money; even the items saved are new and previously unused. The problem is that this phenomenon prevents most hoarders from sharing their money or possessions, even with close relatives, such as family or friends (Frost et al., 2012).

Sharma and Kushwaha (2017) explained that hoarding cash at home poses several risks:

- 1. Decrease in Purchasing Power:** Due to inflation, people keep their money without investing it or depositing it in banks, which leads to a loss of some of its real value over time.
- 2. Lack of Financial Returns:** Holding money without investing it deprives people of any interest or profits they could have earned if they had deposited it in savings or investment accounts.

3. **Increased Risk of theft or Loss:** Keeping cash at home exposes it to the risk of theft, fire, or loss.
4. **Negative Impact on the Macroeconomy:** Excessive saving reduces the liquidity available in the banking system, reducing banks' ability to lend money and negatively impacting economic growth.
5. **Psychological Effects:** Excessive saving is sometimes associated with anxiety disorders and excessive fear of the future.

Chapter Three: The Applied Aspect of the Research

This section will study final account data, specifically banking activity (bank deposits of all types), for a time series spanning six years prior to the establishment of the Iraqi Deposit Insurance Company in 2019 and another four years after its establishment. The study period will span between 2013 and 2023. Two commercial banks, established within the Iraqi banking community and specifically specializing in investment, were selected. They were established at approximately the same time in 1993 and currently have an equal capital of 250 billion Iraqi dinars. These banks are the Iraqi Middle East Investment Bank and the Iraqi Investment Bank.

As for the Iraqi Middle East Bank, it was established in 1993 after obtaining a certificate of incorporation from the Ministry of Trade/Companies Registry Department and a banking license from the Central Bank of Iraq. It commenced its banking operations on May 8, 1994, with a capital of 400 million dinars. The bank's current registered and paid-up capital is 250 billion, a 625-fold increase over its initial level. This increase was achieved through the capitalization of annual profits, with the remaining portion paid by shareholders since the bank's inception. The bank has been ranked first among Iraqi private banks according to the global CAMEL system for four consecutive years (2007-2008, 2009-2010), and received a 3A rating in 2017. The bank also has a Money Laundering and Terrorist Financing Reporting

Department in accordance with Law No. 93 of 2015 and the instructions of the Central Bank of Iraq. It also received a B+ rating in the Central Bank of Iraq's assessment of the bank's compliance with the rules and compliance standards for combating money laundering and terrorist financing (Source: Middle East Bank of Iraq website). The Iraqi Investment Bank was established and registered in the Companies Registry under No. M.Sh/5236 on July 13, 1993, by the Companies Registrar Department at the Ministry of Trade, with a capital of (100) million Iraqi dinars, in accordance with the provisions of Companies Law No. 36 of 1983, as amended. Subsequently, the Central Bank of Iraq issued a license for the bank to operate as a licensed banking institution under Banking License No. S. 5/942/3/10 dated September 28, 1993, in accordance with the provisions of the Central Bank of Iraq No. (64) of 1967, as amended. It commenced its banking operations on September 29, 1993, through its main branch. The bank has 16 branches in Baghdad and the rest of Iraq's governorates, in addition to other specialized offices, including brokerage offices for buying and selling financial shares, and an office for buying and selling foreign currencies. All offices specialize in providing banking services. Over the course of the bank's distinguished history, its capital has grown to (250) billion Iraqi dinars (Source: Iraqi Investment Bank website). The table below shows the volume of bank deposits for the two banks mentioned above, for the period before and after the establishment of the Iraqi Deposit Insurance Corporation, to see whether there has been a positive or negative change in the volume of bank deposits since the company's establishment in 2019.

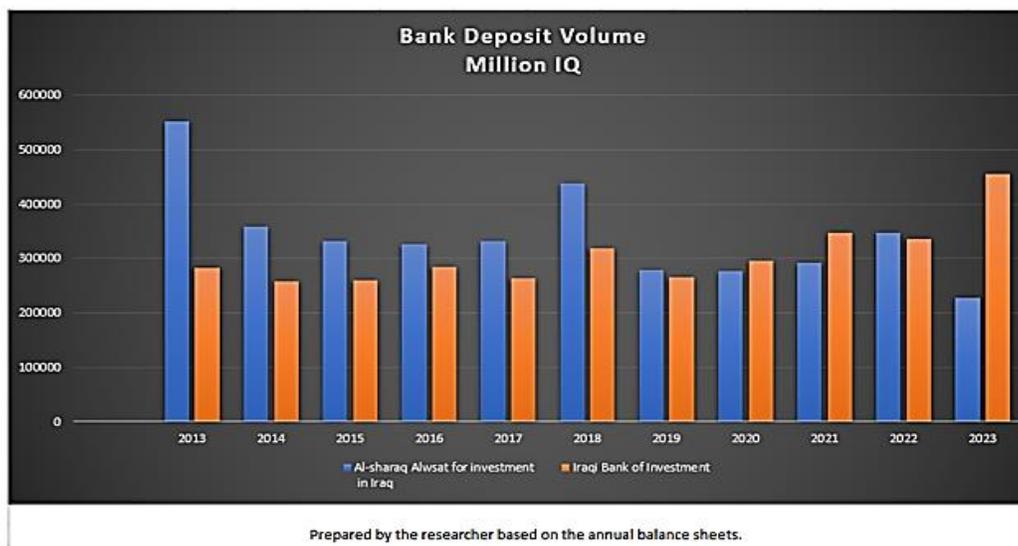
Bank Deposit Volume (Million Iraqi Dinar)											
Bank Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Al-sharaq Alwsat for investment in Iraq	551,856	358,118	331,666	326,517	332,579	437,921	279,215	276,181	291,328	347,495	227,266
Iraqi Bank of Investment	283,288	257,808	260,109	283,975	263,857	319,194	266,431	296,597	346,478	335,821	455,605

Source: Prepared by the researcher based on the annual balance sheets.

From the table above, we note that the Middle East Bank, prior to the establishment of the Iraqi Deposit Insurance Company, witnessed a significant increase in its deposits. In 2013, its deposits amounted to 551.856 billion. In 2018, the volume of deposits witnessed a significant recovery, amounting to 437.921 billion, following a four-year decline from 2014 to 2017, during the war in Iraq against the terrorist organization ISIS. All sectors in Iraq experienced a decline and recession, including activity in the banking sector. Then, in 2019, the year the Iraqi Deposit Insurance Company was established, and the four years that followed, leading up to 2023, we see that the establishment of the Iraqi Deposit Insurance Company will not have a clear or significant impact on the volume of bank deposits at the Middle East Bank. Rather, the volume of deposits was very normal and did not differ significantly from the volume before the company's establishment. On the contrary, we see that in 2023, deposits at the Middle East Bank decreased to 227.266 billion Iraqi dinars. The Iraqi Investment Bank will not differ much from the Middle East Bank during the six years prior to the establishment of the Iraqi Deposit Insurance Corporation. The same scenario is repeated: a period of recovery in 2013, before the war against ISIS, and in 2018 after the war ended, with a slight and equal decline in deposit volume from

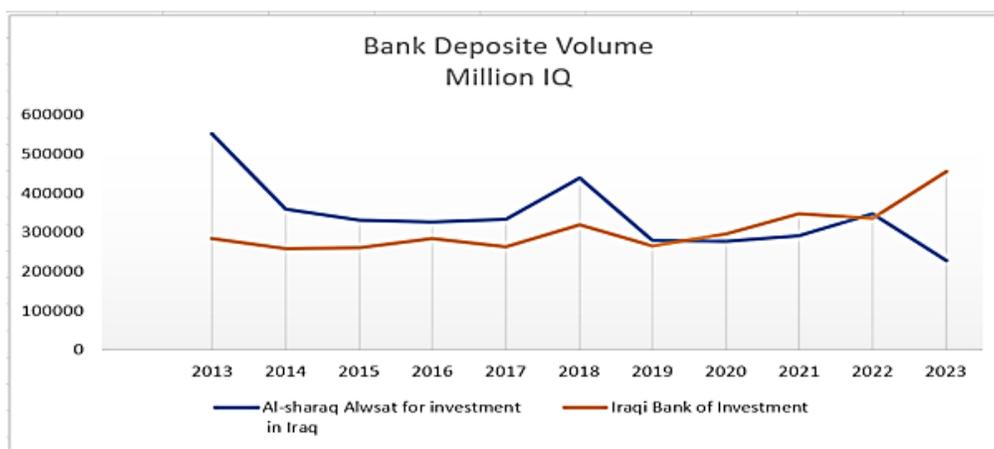
2014 to 2017. However, in 2019, the year the company was established, and the four years that followed, deposit volume witnessed a gradual decline, followed by a slight increase until 2023, when it witnessed a very significant increase of 455.605 billion Iraqi dinars.

Let us translate the above analysis into the following chart to facilitate comparison between the deposit volume of the two banks and for the period before and after the establishment of the Iraqi Deposit Insurance Corporation:



The objective of establishing the Iraqi Deposit Insurance Corporation is very clear: to protect the funds of depositors in commercial banks by encouraging small depositors through the provision of a guarantee for their deposits. However, by comparing the above data for the Iraqi Middle East Bank and the Iraqi Investment Bank, we will not find a significant or clear role or impact on the volume of bank deposits after the establishment of the Iraqi Deposit Insurance Corporation in 2019 and the years that followed. On the contrary, in the Middle East Bank, there was a very significant decline in 2023, and conversely, an increase in the same year for the

Iraqi Investment Bank. This reflects the performance of the management or the internal policies of the two banks in terms of their attraction of depositors or not, and not the role of the Iraqi Deposit Insurance Corporation.



Therefore, the researcher believes that the decline in deposits in 2019 and 2020 for banks was due to the COVID-19 pandemic, and perhaps also in 2021. However, the 2023 decline in deposits at the Middle East Bank was a setback compared to the previous ten years. Therefore, the researcher's analysis indicates that the culture of an Iraqi company guaranteeing bank deposits is not widespread or well-known among most citizens. In addition, the high exchange rate of the US dollar against the Iraqi dinar has caused the high cost of basic commodities for Iraqi families, and the failure to raise the salary scale for 15 years has led to a decline in the value of the currency. Therefore, the amount of surplus cash that banks target as deposits has decreased and even become non-existent, as employees' salaries barely last until the end of the month, whether they are public or private sector employees. Therefore, it is possible that the Iraqi Insurance Company has fulfilled its role, but the country's economic situation does not allow for an increase in deposits. Meanwhile, another scenario is that money is being hoarded in homes due to volatile global news, such as predictions of wars, crises, or news of a lack of liquidity in banks. These rumors

lead to a decrease in bank deposits, which in turn leads to a decrease in investments and an increase in interest rates on loans, significantly impacting the Iraqi economy. Therefore, based on the above data, the hypothesis upon which this research was based—that the Iraqi Deposit Insurance Corporation played a key role in increasing bank deposits and reducing hoarding—will not be fully realized, or its role will be minimal and not clearly noticeable.

Chapter Four: Conclusions and Recommendations

First: Conclusions:

The researcher reached several conclusions regarding the role of the Iraqi Deposit Insurance Company in encouraging or increasing bank deposits and reducing hoarding of cash at home:

1. The Iraqi Deposit Insurance Company is still a young company, with only approximately five years of operation. This is insufficient time to implement all the plans and objectives for which it was established.
2. Hoarding money at home and not depositing it in banks is not always due to a lack of trust in the banking system. Rather, there is a psychological aspect or psychological complexes that some individuals have about hoarding anything valuable, whether cash, metals, foreign currencies, or even household items.
3. Hoarding cash by Iraqi individuals has another reason: the wars and unstable political conditions that Iraq has experienced, in addition to the COVID-19 pandemic, which has led Iraqi citizens to think with the mentality of their forefathers, by storing food, local and foreign currency, and even fuel, to avoid any crisis.
4. The rest of the population does not have any surplus cash to deposit in banks.

5. The decline in bank deposits may also be due to the bank's internal policies, management plans or decisions, or the low interest rates granted on various types of deposits.

Second: Recommendations:

1. The media plays a significant role in informing Iraqi citizens of the role of the Iraqi Bank Deposit Insurance Company and its ability to protect their funds in the event of bankruptcy. This is because a large portion of Iraqi citizens are unaware of this company, and even if they do know about it, most of them are not aware of its primary role.
2. Increasing interest rates granted on various types of deposits plays a significant role in encouraging citizens to save their money in banks instead of hoarding it at home.
3. Publishing articles or even short videos in newspapers and on social media about the decline in the value of frozen or hoarded currency, as depositing this money in banks increases its value to counteract the decline in the value of hoarded currency.
4. Activate the role of the Ministry of Interior or National Security in tracking down unofficial or fake social media pages that spread alarming news, such as a lack of liquidity in banks, the bankruptcy of a bank, a potential war, demonstrations, sit-ins, a viral pandemic, and other news that spreads chaos and anxiety, prompting savers to withdraw their deposits from banks and hoard them at home to protect them from potential risks.
5. Offer small discounts on purchases and payments by Iraqi citizens for a period of one year, for example, as a trial. The discounts should be borne by the government, in coordination with the Central Bank and banks, if citizens use

electronic cards (MasterCard or Visa) instead of cash. This will increase the amount of money deposited in banks.

6. The Central Bank should require commercial banks to publish simple, sponsored advertisements targeting citizens between the ages of 50 and 70, stating that depositing money in banks instead of hoarding or circulating it in cash will protect them from theft, robbery, or possession of counterfeit currency.

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