

Financial analysis of iraq



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Access to financial services

Accessibility to financial services, such as ATMs and bank branches, is low in Iraq. Around 900 bank branches serve the whole Iraqi population of 33 million, totalling one branch per 36, 000 people. Network of ATMs is also highly limited, as there are merely one ATM for every 100, 000 people in the country, while MENA's average is more than 30 times higher. Furthermore, most ATMs are not connected to the national system, making customers of one bank unable to use such ATMs, if they belong to another bank.

United States Agency for International Development is implementing Iraq Financial Development Project, which includes advancements that should enhance accessibility to financial services, such as the National Switch and the Iraq Interoperable Mobile Payment System (IIMPS). The National Switch would connect all operating bank branches, ATMs and point of sale terminals to one system, enabling customers of one bank to use financial services of another bank. The IIMPS would allow customers to use financial services like making payments, money deposits and withdrawals with their mobile phones at retail stores. Such a system would utilize a vast mobile network in Iraq and save banks large amounts of funds, required to establish a nation-wide ATMs network.

Bank deposits and loans

Lending is soaring in Iraq together with overall banking sector. Yet lending remains a secondary activity for many Iraqi banks. The activity is hindered by some factors. Lending requirements are commonly highly strict, as many banks request collateral valued twice as much as the loan. Additionally,

interest rates are very high. For instance, average medium-term lending rate stood at 12% at end-2012. Difference between borrowing and lending rates in the country are among the highest in the MENA region, standing at around 8%, while MENA average is close to 5%.

Bank cards

Credit cards are available to Iraqis, yet hardly any shops accept them. The first credit and debit cards in Iraq were issued in 2005, hence paying with cards is still a rather new phenomena. During the first two years, merely 15,000 of credit cards were issued. The cards are mostly used when traveling abroad or to complete transactions online.

Low prevalence of credit cards in Iraq is induced by several factors.

Infrastructure, such as POS terminals, is underdeveloped. Credit services are accessible only to a tiny fraction of population, as most Iraqis are not considered eligible for the services.

Consumer Foodservice

Finding a place to eat, especially if you are local, is not hard in Iraq. Most commonly one will find more fast food places than gourmet restaurants, while clubbing can be complemented with alcohol, which, unlike other Muslim countries, is legal in Iraq.

A number of international fast-food chains such as Burger King, McDonald's, Pizza Hut and Subway have established in Iraq after 2003 invasion. Most of those fast-food chains were opened to serve American and British military troops. However, establishment of international fast-food chains does not

reflect well the habits of the local population. For example, the first (and last) McDonald's fast food restaurant was opened in Baghdad in 2006.

Even though due to the ongoing military conflicts in the country international fast-food chains have not settled to serve the local population, the locals have opened their own international-like chains such as MaDonal's.

2012 marked a considerable increase in establishment of non-Iraqi food-serving places in Baghdad as entrepreneurs and investors from Iraq and nearby countries satisfy the demand for new tastes. And even though going out to eat in Iraq and especially in Baghdad can be risky, as public places are chosen for brutal attacks, Iraqi do enjoy going out.

Iraqis like dressing up and sitting down in a quiet, clean and relatively fancy place with their families, away from the usual chaos of Iraqi cities. This is something that brings people together. Therefore, the traditional Arabic restaurants now are facing competition from a wave of new American-style restaurants, such as Florida Fried Chicken, Mr. Potato, Pizza Boat, Burger Friends and others. These trends prove the fact that food deprivation in Iraq is falling. It fell from 7% in 2007 to less than 6% in 2011.

Apart from popular fast-food restaurants, there is also a wide range of other eating venues. Erbil has a variety of restaurants with different types of cuisine. For example, Erbi International Hotel offers Asian and curry dishes and such restaurants as Sajalreef Restaurant or Tarin Restaurant are especially popular among locals. In addition, sandwich shops can be widely found in bazaar areas.

Finding a bar or lounge is also rather easy in Iraq. However, nightlife in Baghdad is rather restrictive and the majority of bars are members-only and usually underground.

The most popular type of cafes are located in the downtowns. They serve mainly only tea, and people go there to play dominos and other games. This type of cafes is popular among the middle age and old men and the prices are low. Cafes that serve variety of drinks, shisha, fast foods and snacks are usually visited by young men and rarely couples. Moreover, there are also cafes that opened in a very western style where they serve many non-alcoholic drinks, in rare cases alcohol and fast food and snacks. However, prices of these places are high.

The foodservice sector has expanded significantly with new and foreign foodservices and restaurants; however, regardless of these changes, most of the local people still eat out in traditional places serving local food and the desire for the new places just exists among young educated people.

Leisure

Religion plays a vital role in Iraqis daily lives. Muslims gather at the mosque each Friday afternoon for prayer. Ramadan is celebrated in the ninth month of the Muslim calendar and involves fasting from all food, drink, and activities such as smoking during daylight hours. Id al Fitr is celebrated on the first day of the tenth month and is known as the end of the fast. Another celebration – Id al Adha takes place on the tenth day of the 12th month and is a sacrificial festival. These holidays last for 3-4 days and people dress up, visit each other and cemeteries, and also exchange gifts.

Religion, playing a significant part in the country, is not the only thing that determines Iraqis lifestyle. Living conditions and environment play an important role as well. Approximately close to 2, 000 square kilometres of land is contaminated with landmines and explosive remnants of war, blocking access to agricultural areas, slowing recovery efforts and constraining the development of new oil and gas fields. Because of that and increasing frequency of sandstorms and droughts, more and more people are moving from rural to urban areas.

In the country communities tend to be close. Many evenings it is common to find men socialising out in public and women together at home. However, due to widely available alcoholic drinks and Western-style entertainment, traditional relationships, family placing in the first place, are under pressure.

Alcohol and Smoking

Though alcohol is legal, it is still rarely consumed. Aniseed-flavoured Arak is the most popular drink in the country. Alcoholic drinks are usually sold by a wide range of shops. However, in most cases store owners offer only wine and Turkish beer.

There are restrictions on drinking in public and the minimum age for drinking is 18.

Smoking is widespread across the country. It used to be common to smoke in government buildings, hospitals, restaurants and cafes, before boarding plane, at weddings or funerals. In order to cut down the number of smoking related deaths in the country, government has banned smoking in public places. Although smoking has almost stopped in certain areas, such as <https://assignbuster.com/financial-analysis-of-iraq/>

government offices and public transport, the law has never really been enforced.

Health

Until 1991, health care in the country was free, welfare services were expanding, investment in housing for the poor was rising and domestic water and electrical services were improving. Iraq had high quality medical personnel and only in rural areas shortages of physicians were felt. There were good hospitals, clinics and dispensaries and major infectious diseases were largely controlled.

However, Persian Gulf War, American invasion in 2003 and other social and political unrests significantly damaged the infrastructure and impacted on the severe shortage of physicians – around half of them had left the country. As a result, the country witnessed higher rates of mortality and rising number of malnutrition.

The declining quality of health care and loss of medical personnel especially from hospitals has a strong effect on the care of patients. In 2012, the UN High Commissioner for Refugees estimated that there were more than 3 million people in Iraq that needed assistance, and more than 1 million that were internally displaced. Those displaced people have unsatisfactory access to health services.

Health facilities and medical personnel are unevenly distributed throughout the country. There are more than 200 hospitals in Iraq and close to 100 private hospitals are mainly located in the major population centres. Around 2, 500 primary health care centres provide primary health care. However,

half of these centres do not have a medical doctor. These centres are usually preferred by the poorer households, while wealthier people are more likely to use private clinics.

Communicable diseases continue to outbreak. In 2012, northern Iraq witnessed a major cholera outbreak that followed previous outbreak affecting many areas of southern Iraq, including Baghdad. Hepatitis E was reported in Baghdad in 2011, while tuberculosis also continues to be a major problem.

The number of infant deaths has been dropping by average 2% per year over 2011-2013, while infant mortality rate (per 1, 000 live births) has been declining by 3% on average. Nevertheless, around 15% of all new-born babies have low birth weight and neonatal deaths constitute half of all deaths of children up to 5 years.

Health care system in the country relies heavily on donations from foreign countries and international aid organisations. Governmental health strategy still remains uncoordinated and weak. It mainly focuses on clinical services, while major health problems such as smoking, obesity, and non-communicable diseases are often ignored.

Nevertheless, government is increasing its expenditure for the health sector and some improvements can be seen. The government of Iraq has underlined the importance of health care and even proclaimed that it is one of its top prerogatives. It is expected that in the nearest future health care in Iraq will be emphasized even more. In 2014, the Government has announced allocation of US\$12 billion to healthcare sector expansion. This will include

building of 22 new hospitals and 15 health centres, and these building plans have been confirmed by the Ministry of Health. Furthermore, Iraqi Government has confirmed another 18 healthcare related projects that are going to be completed in the coming years, the estimated value of which is around US\$276 million.

Therefore, for example, as a result of a programme launched by the Ministry of Health in 2013, 2, 500 expatriate doctors have returned home.

In 2014, The Ministry of Health also seeks to provide one physician per 1, 000 population, one dentist per 5, 000 population, one pharmacist per 500 population, four nurses and five paramedical staff for each physician.

Literacy and Education

Iraq's education is comprised of four levels: primary, intermediate secondary, preparatory/vocational secondary and higher education.

Compulsory education commencement age stands at 6. Primary school lasts for 6 years, followed by intermediate secondary school for 3 years. After completion of the latter school, students are able to choose either preparatory secondary or vocational secondary institution for 3 years.

Finally, students may proceed further and study at Iraq's public or private university.

Literacy Rates

Due to the years of repression, economic sanctions and armed conflicts, Iraq's education system has been deeply affected with illiteracy reaching a fifth of population. Due to persistence of violence not only most adult and

non-formal education programs have stopped but some parents started to fear sending their children to school.

Primary and Secondary Education

In Iraq all citizens have a free access to education which is controlled centrally by two ministries. The Ministry of Education is responsible for primary and secondary education, whereas the Ministry of Higher Education and Scientific Research is responsible for higher education. There is clear evidence of state control, such as the closing down of schools for minority groups or the introduction of new subjects in all levels of education in order to raise citizens who see themselves first and foremost as Iraqis.

There are many challenges that education is facing at the household, community and structural level. First of all, school attendance needs to be increased. Almost one fifth of children, aged 10-14, were not attending school in 2010.

Though primary and secondary education is mandatory in Iraq, more and more families are unable to send their children to schools because of migration inside the country. Some citizens are forced to move to different regions because of the military actions without getting necessary documents for school transferring.

By 2013, there were nearly 15, 000 primary schools and more than 6, 000 secondary schools in Iraq. The number of primary school pupils stood at 5. 3 million, while this number in secondary schools fell significantly and amounted to 2. 4 million in 2013.

Higher Education

While the primary and secondary education is controlled by state and is free, higher education has a degree of autonomy. Private higher education institutions might charge tuition and can themselves design part of the content of academic programs. However, it is not enough as higher education institutions are still lacking the newest educational programs, management and teaching professionals. Iraq's professors and intellectuals have been isolated from the international academic community since the embargo in 1990. They are not invited to participate in international conferences and their requests for research materials are denied.

The lack of autonomy is not the only problem. There has been a shortage of academic materials, computers and other technology, not to mention electric and water supply.

Future Trends

Literacy impacts every aspect of life: employment, health, civic participation and social attitudes. Iraqis who cannot read and write have much less possibility to participate in their country's social and political life. Enrolment rates in education are still below their pre-war level. Therefore, UNESCO is playing a huge role in helping to change this situation by improving the quality of textbooks, strengthening teaching skills, even launching a satellite channel "Iraqi EduTV" and website with all Iraqi school curricula to increase access to education and support distance learning. With the literacy programs operated by UN and government, enrolment rates are predicted to grow. However Iraq's education system is still struggling with lack of policy

and department management. Therefore, it needs to improve its coordination skills in order to really reach better enrolment results.