



The Phenomenon of Money Laundering and Its Impact on Economic Growth in Iraq

Asst. Lect. Muhammad Nawzad Ali

Darbandikhan Technical Institute,
Sulaimani Polytechnic University /
Sulaimani, Kurdistan Region, Iraq

muhammad.nawzad@spu.edu.iq

Lect. Amanj Mohamed Ahmed

School of Economics & Regional Sciences,
Hungarian University of Agriculture and
Life Science, Hungary

ahmed.amanj.mohamed@phd.uni-mate.hu

Abstract

The purpose of this study is to assess the impact of money laundering on banking activities in Iraq by using the descriptive method to describe the money laundering problem and its effect on the Iraqi economy, specifically its impact on the economy and the banking sector. After that, we discussed the most recent steps taken into consideration by the government of Iraq to overcome this issue. The data in this study is based on secondary data collected from the annual reports of the Central Banks of Iraq (CBI) during (2021-2022). The collated data were statistically analyzed through the SPSS method. The results show that money laundering has a significant and negative impact on the Iraqi economy and causes structural damages to local currency in short- and long-term periods. Finally, the study recommends that serious government actions must be taken to overcome money laundering in Iraq and the banking sector in particular.

Keywords: Money laundering, Economic growth, Banking sector, Iraq

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1. Introduction:

1.1 Background of the study

Historically, money laundering has a significant influence on economic growth, is one of the leading drivers of terrorism in numerous countries around the world, and poses a danger to the reputation of the banking industry in the country as a whole (Oleiwi, 2019). Global interest in the subject of money laundering has grown over the past 20 years since it was considered a crime. However, the majority of the research has emphasized money laundering from the point of view of both developed and developing economies. As a result, international policies, legislation, regulations, and attitude have all been constructed with developed country requirements as their primary focus to prevent the issues behind money laundering.

Money laundering can be defined as the criminal procedure in the era of the digital economy for transferring substantial amounts of cash obtained through criminal activities. It is also a real challenge for financial and business institutions, as well as a challenge for the financial regulations and laws applied in confronting criminal activities and combating their patterns. When the phenomenon of money laundering is seen as a subsequent crime for a group of illegal activities that generated illegal financial returns “dirty money”, then the money laundering process comes to include it within the official financial channels and convert it into legitimate money.

Moreover, interest has increased recently among many countries including Iraq to confront illegal money laundering operations. The reason for the growth of this phenomenon is the lack of monitoring by governments, specifically in less-developing countries, such as Iraq. Another reason is the escalation of the information and communication revolution, the absence of transparency in commercial transactions, and disobeying the rules and regulation that is established by the government to reduce money laundering.

The banking environment remains the most targeted site for carrying out money laundering activities. This is because banks provide different kinds of financial services, such as exchange operations, cash transfers, checks, money transfers, credit cards, loyalty, clearing process, investment portfolio management, currency and stock trading, and mostly by electronic surface. Therefore, banks must have a strategic and effective plan to combat and control the concept of money laundering.

Previous studies have investigated the effect of money laundering on economic growth in both developed and developing countries, but to our knowledge, very few studies have examined this effect on Iraq and particularly in the banking sector. Therefore, this research will fill the gap and enrich the present literature by providing empirical evidence on the impact of money laundering on economic growth in Iraq. The study also seeks to investigate the actions and challenges taken by banking institutions in Iraq in controlling money laundering as well.

1.2 Research Problem:

The concept of money laundering was classified as one of the economic crimes, and it grew in Iraq after 2003 due to the unstable financial system and lack of monitoring and weak rules and regulations. This causes to prepare a suitable environment for the growth of this phenomenon, particularly after 2014, which is the emergence of the terrorist organization ISIS in Iraq. Thus, money laundering has been exacerbated significantly due to its negative economic and social effects, particularly in light of the weak laws and regulations and the weak banking procedures taken to address it.



This study is tried to answer the following questions:

1. What is the impact of money laundering on the Iraqi economy and society?
2. What is the impact of money laundering on economic growth in Iraq?

1.3 Objectives of the study:

The current study aims to achieve the following objectives:

1. Recognizing the concept of money laundering and its methods, which are called the money laundering cycle.
2. Identifying the impact of money laundering on the financial sector in Iraq.
3. Analyzing the concept of money laundering in Iraq, its effects on the Iraqi economy and society, and the procedures that are applied to control it.
4. Studying the relationship between the concept of money laundering and Iraqi economic growth.

1.4 Importance of the study:

The significance of the study is evident in the importance of the subject, and the growing phenomenon of money laundering at the global and Arab level as well. This requires identifying the reasons for the exacerbation of this phenomenon and also the negative side of the country's economy, and the ways to confront and reduce it.

2. Literature Review:

2.1 Theoretical approach

There is no one method for money laundering, and experts are uninformed of the most efficient methods. Techniques for cash laundering vary from purchasing, selling and collectables to exchanging cash through an intentionally complex framework. Cash washing has both large-scale and miniaturized scale levels. At the large-scale level, there are three particular stages placement, layering, and integration (Demetriades, 2020 Elgin, 2018).

2.1.1 Placement

The primary aim of the washing cycle is to bring cash into the monetary framework, retailing it, or sneaking it out of the nation. The objective of this phase is to evacuate money from the point of securing and change it into another shape of riches to maintain a strategic distance from revelation by specialists and the consideration of other offenders. The foremost troublesome arrangement within the cycle is cash launderers confront changing over little sums of cash into more sensible budgetary rebellious or resources. If they envision a million-dollar mediate bargain each week in fifty-dollar bills, the 10-foot-tall stacks that cash launderers store can deliver a few money launderer issues. Fair storing that kind of cash in your bank account each week doesn't raise doubt. To overcome these issues, cash launderers utilize smurfing. Then again, you most likely have accessories at your bank or stock/commodity broker who can assist you oversee your reserves. Then again, authentic businesses can wash cash by underbilling and cheating deals. 80-85% of sedate cash streams into the troubled economy through these channels, while the remaining 15-20% is carried into seaward banks with bank mystery laws. It would be a wrongdoing for a bank to reveal data approximately its customers]. Switzerland. An assessed 1.5 tons of outside money arrives at



the Zurich aeroplane terminal each day and is ordained for Swiss banks (European Parliament and Board. 2001).

2.1.2 Layering

This stage starts when money is changed over into another asset. Layering or “solid bubbling”. The reason for layering is to isolate unlawful reserves from their criminal sources by intentionally making complex systems of money-related exchanges pointed at obfuscating review trials and the root and proprietorship of the reserve. Shifts are ordinarily made by keeping and pulling back reserves using Electronic Reserves Exchange (EFT) into and out of a carrier share shell company’s seaward bank account. Given that there are more than 500,000 exchanges estimated at over \$1 trillion each day, most of them are genuine and unveiled sufficient data to determine where the money came from. No (subsequently the address of whether it’s clean cash or grimy cash). These give a fabulous way to move grimy cash. Another shape is taking part in a complex arrangement of exchanges with stock, product and prospects brokers. The unnatural level of anonymity here leaves a bounty of room for alteration. This is often since given the sheer volume of day-by-day exchanges, the chances of your exchanges being followed are irrelevant (Cotoc, 2020).

2.1.3 Integration

The ultimate arrangement of the method is the union of illegal stores or “spin-drying”. The integration of “cleansed” cash into the economy is finished by making it show up really earned, and done so securely that specialists cannot address its provenance. His one strategy of combination is for companies to erroneously exaggerate their trades and undervalue their imports to move cash from one firm or nation to another. Another simple way is to exchange money (via EFT) from a bank claimed by the cash launderer to a legitimate bank. This can be because numerous assess safe houses can purchase “off-the-shelf” banks (Christine, 2013).

More worryingly, cash launderers are progressively utilizing money related markets to solidify and stratify their stores. For illustration, a modern company can issue several offers claimed by the head of the cash launderer through various seaward teach. These offers are forcefully promoted and sold to the unsuspecting public whereas cash launderers get their cash clean.

Incidentally, maybe the foremost productive way to wash cash is to “pay” the right charges. Usually since in case the recipient saddled it, it would be exceptionally troublesome for the organization to claim that the sum constituted criminal continues. The most column of money washing is the role played by the money related framework in cash washing. The money-washing industry postures certain dangers to budgetary education. This hazard is exacerbated by governments around the world’s progressively extreme position against banks colluding to wash cash (Christine, 2013).



2.2 Financial system

Since the measure of the worldwide cash washing industry is obscure, the greatness of the dangers to the money related framework can as it was being assessed. Be that as it may, the liquidation of a few budgetary teach by past cash launderers appears that the chance is tall. At a large-scale level, cash washing undermines certainty within the money related framework and it educates as well. In case the budgetary framework was to be seen as a criminal cash launderer, “the integrity and certainty of the complete monetary framework may well be genuinely imperilled, in this manner disintegrating open certainty”. We work to guarantee that London keeps up its notoriety as a ‘clean’ monetary centre. Given that fame and notoriety are fundamental to pulling in and holding commerce within the budgetary industry, it’s difficult to suppose the collapse of a respected money related center indeed in case it gets to be synonymous with washing criminal continues. isn’t troublesome. In this manner, the significance of belief and the requirement for straightforwardness within the money related framework cannot be belittled. Particularly since belief contributes altogether to the net national item of a given nation (Ferwerda, 2020).

2.3 Financial institution

Not as it were is the monetary framework likely to be at the chance, so are person monetary educate that intentioned or inadvertently wash cash. Note that this discourse centres on banks and comparative circumstances apply to other monetary teach such as stockbrokers, life guarantees and so on.

Banks are helpless to cash washing dangers on a few fronts. Nowadays, there are exceptionally few steps between suspecting a monetary institution being utilized for cash washing and being criminally included in this action. Banks found to be washing cash are most likely to confront costs related to the ensuing misfortune of trade and lawful expenses. At the exceptionally slightest, in case a bank is found to be washing cash for the sake of hoodlums, it can deliver the bank a negative notoriety.

Banks moreover a chance of being arraigned for cash washing, whether they know the stores come from hoodlums or not. The American Safe Cash Washing Revision Act of 1990 forces legitimate commitments on bank executives to report suspicious exchanges. On the off chance that it finds a bank abusing these laws, the U.S. government has the proper to require control of that monetary institution, detain its executives, and fine the bank. This applies to all budgetary teaching within the United States. Everything can be charged if you suspect cash washing anyplace within the world. Comparative laws apply within the EU. Person representatives and their bosses (counting company executives) confront individual punishments of detainment in case an Irish budgetary institution helps a cash launderer and comes up short to take after a sensible course set by the EU. confront great or both (Deloitte, 2017).

In most cases, bank chiefs are ignorant that their institution is being utilized for cash washing. Representatives who collude with offenders ordinarily thwart bank guardianship methods to wash cash. In any case, banks are capable of the activities of their workers. It is in this manner critical that banks receive and execute modern lawful methods for tolerating stores and entirely control the workforce who may be valuable in washing cash.

Here are the two clashes of intrigue that will hose the excitement of banks to comply with such laws. To begin with, bank workers are beneath the weight to create modern commerce and increment benefits. Bosworth and



Saltmarsh say cash washing administrations keep many Western banks lively. Within the case of Bank of Credit and Commerce Worldwide (BCCI), banks are required to form a profit to cover colossal misfortunes on advances, and exchanging and cash washing is given a straightforward way to do this. The moment strife is that certain banks or nations have a competitive advantage in giving private keeping money administrations. H. Client Privacy. Bank mystery laws exist in 50 nations around the world and for such banks, these are imperative to draw in clients.

Securities market

A last zone of hazard to the money related framework is that of securities markets, especially subordinates' markets. The complexity, liquidity, and day-by-day exchanging volume of a few subordinate items make these markets exceptionally alluring to proficient cash launderers as they can darken cash streams. exercises posture critical dangers to these markets (Teichmann, 2020).

To begin with, brokers utilized to execute orders for the sake of cash washing clients can be held criminally at risk for helping and encouraging cash washing. Control could be a concern. On the neighbourhood prospects trade, people planned to require fitting brief and long positions to pay off clean cash obligations with messy money, but with clean cash benefits. One such case has developed within the Unused Orleans prospects advertise. Due to the collaboration of capital and status, they have moreover purposely controlled showcase costs in the past. If the advertising isn't seen as straightforward and the estimating framework isn't seen as exogenous to the activities of person players, members may pull back from the market, in this manner diminishing the allotment productivity of the advertise (Szetela, 2021).

Furthermore, another noteworthy hazard emerges from the utilisation of seaward banks that will wash cash through the subordinate's showcase. As these banks are outside banks, they don't have to follow the same rules as residential financial specialists concerning excessively revealed risk-taking and can be exceptionally unsafe in connection to organization estimates. If there's a misfortune from such a position, the risk may not be paid in full as the contract obtained may be fair one step in a complex and untraceable chain of cash washing. I have. True blue financial specialists can therefore possibly endure colossal misfortunes, which can harm the subordinates' advertising (Simsler, 2013).

Political relevance

A fundamental prerequisite for anti-money washing arrangements is solid worldwide participation. Something else, proficient cash launderers essentially move to nations with remiss cash washing laws. Must be upheld around the world. This requires the foundation of a worldwide organization modelled after the FATF (Şcheau, 2017).

The regions where specialists show up to be most compelling in battling cash washing are where they hold huge sums of cash. This more often than not happens amid the situation stage. You would like to put in put a "know your customer" approach. This allows the bank to know the precise nature of its customers' exchanges, keep records of all exchanges and accounts for a long time, and report all suspicious exchanges and exchanges that surpass certain limits. In parallel with such policies (Raza, 2020), proceeded instruction and preparation of staff is required to recognize cash washing by clients and colleagues to avoid bank machination. At long last, banks must moreover be



permitted to report suspicious movement from client accounts without being held mindful of breaches of keeping money mysterious (Qureshi, 2017).

All of these are as of now EU-wide laws beneath the EU Cash Washing Order (1989). Within the 1980s, US Treasury Secretary Donald Reagan proposed a more radical arrangement. The sudden desire is that all dollar bills will be recoloured, all ancient-coloured dollar bills will be unusable, and people will be able to trade ancient dollars for modern dollars at banks, but all exchanges over \$1000 will be recorded. Weekly announcements. Most of the cash launderers' cash is squandered since the US dark economy works totally on cash. In any case, empowering such arrangements requires ongoing enforcement and noteworthy exchange costs. The extreme arrangement may well be a move to a cashless society. Enrolling all exchanges postures a genuine issue for cash washing experts. Anything arrangements are embraced, they must be reliable (Primorac, 2018).

2.6 Prior studies

A study by Fakhri et al. (2016) examined the impact of money laundering on growth through Gulf countries during 1980-2014. The findings show that the main policies in matter of fight against money laundering "suspicious transaction reporting, anti-money laundering law, and the criminalizing of terrorist financing" have significant and positive impacts on raising the possibilities to realize more economic growth. The results also demonstrated that policies have a significant and positive impact on the increase of the degree of openness of the whole sample.

Another study (Jamil, 2011) on the economic and social effects of the phenomenon of money laundering and the role of banks in combating it. The study used a sample of Iraqi banks. The findings illustrated that there is a slapping in the controls that give the banks the right to inquire about the sources of funds and banking operations. Additionally, it shows that there is dishonest exploitation of technology in money laundering operations, and the widespread of banks in Iraq is exacerbated by this phenomenon.

Another study by (Rasheed and Abdul Qadir, 2016) dealt with an analytical study of the phenomenon of money laundering in Iraq. The findings demonstrated that there are a lot of illegal activities that exacerbate the phenomenon of money laundering, and many banks are considered the main tool for controlling money laundering. They also found that the Iraqi government has announced strict rules and regulations to combat this concept, but it still collides with many obstacles, on top of which is corruption and great competition between banks.

Barakat (2017) explored the phenomenon of money laundering and its economic and social effects at the global level. The results concluded that one of the reasons for the spread of this phenomenon is the deficiency of the legislative aspect and the absence of cooperation between those concerned. Due to the exacerbation of this phenomenon, international and regional efforts have increased to combat it through conventions and the issuance of new legislation.

Ghazi (2017) conducted a study on the effects of the phenomenon of money laundering on the Iraqi economy and ways to address it. The study reached a set of conclusions about the role of banks in spreading this phenomenon in Iraq, in terms of the lack of official data about the amount of money that was laundered. The findings also illustrated that the financial markets are unstable because of fluctuations in the exchange rate of the Iraqi dinar, and therefore foreign currencies are bought or saved in external banks. Lastly, the study shows that confidentiality in banks contributes to facilitating money laundering operations in addition to limiting supervision, follow-up, and inquiries about the sources of funds that are deposited in Iraqi banks or transferred abroad.



Al-Hakim (2019) has also examined the crime of money laundering and its impact on the public interest. The study found negative effects on the public interest of the state economically, which leads to a decline in economic development and financial investments. Hence, the value of currencies is negatively impacted too. The study also concluded that the crime of money laundering hurts political stability, and causes the spread of political corruption through the use of money laundering and spreading it within the government sector in countries. Based on the above arguments we build the hypothesis as follows:

H1: The phenomenon of money laundering in Iraq has grown significantly and affected the Iraqi economy and society.

H2: There are serious policies and procedures at the level of the Iraqi government and banks to reduce money laundering.

H3: There is a fundamental impact of money laundering on economic growth.

3. Data and Method:

The study used secondary data from the published annual reports of the Central Bank of Iraq (CBI) over the period (2021-2022). In total, there were 50 observations. The study relied on a quantitative approach through the standard analysis of the relationship between the study variables to describe the phenomenon of money laundering and identify its cycle and risks to the financial sector in Iraq. In terms of analyzing the effect of money laundering on the Iraqi economy and society, and the role of Iraqi banks in controlling this concept, the study relied on secondary data and the official reports that issued by the Anti-Money Laundering Commission (AMLC) and the Central Bank of Iraq (CBI). Obtained data were statistically analyzed by testing the significance of the proposed model, and estimating the model's parameters by using the SPSS program.

4. Results and Discussion

4.1 How money laundering prevailing in Iraq

The essential source for Iraq's economy is in-hand cash (cash). It can be a small amount of information exist and claims about the Iraqi cash washing matter, but don't transparently uncover its primary causes (CBI, 2022).

Table 1: Recording Money Stream

	2021	2022
Notes	IQD million	IQD million
OPERATING ACTIVITIES		
Profit for the year	16,674,017	3,022,639
Adjustments for:		



Depreciation of property and equipment	6,923	7,916	
Amortization of intangible assets	1,901	1,558	
Revaluation of Gold Reserve	(2,916,424)	(883,296)	
Foreign currency translation (gains) losses	(11,786,094)	120,419	
Unrealized gains from financial assets at fair value through profit or loss		(123,040)	-
Allowance for credit losses	5,337	8,485	
Other income	(14,782)	-	
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES			1,847,838
			2,277,721
CHANGES IN ASSETS AND LIABILITIES			
Deposits with maturities of more than 3 months	(1,260,123)	(15,828,714)	
Due from governmental banks	933	-	
Financial assets at fair value through profit or loss	(430,176)		
Loans to governmental and commercial banks	(334,155)	17,528	
Due from the Ministry of Finance	(26,127,000)	1,953,189	
Other assets	(184,596)	68,777	
Currency issued	14,196,484	7,570,266	
Deposits of local banks and other financial institutions	(5,300,106)	3,575,804	
Due to foreign governments and banks	(922)	(6,049)	
Due to governmental institutions	(1,937,657)	(11,952,627)	
Other liabilities	15,468	41,639	
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(19,514,012)	(12,282,466)	
INVESTING ACTIVITIES			
Financial investments at amortized cost	22,930,152	(582,198)	
Purchase of property and equipment	(85,463)	(99,408)	
Purchase of intangible assets	(187)	(2,491)	
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	22,844,502	(684,097)	



FINANCING ACTIVITIES

Treasury bills	(331,362)	101,809	
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES	(331,362)		101,809
Net increase (decrease) in cash and cash equivalents	2,999,128	(12,864,754)	
Effect of foreign currency translation on cash and cash equivalents	1,434,091		(39,847)
Cash and cash equivalents beginning of the year	5,199,562	18,104,163	
CASH AND CASH EQUIVALENTS, END OF THE YEAR	33	9,632,781	5,199,562

Source: CBI (Central Bank of Iraq) financial report

Carrying could be a basic reason for cash washing. Smoking, energy resources, and other custom products sneak into Iraq. Other causes could incorporate false money, mental rights of property infringement or seizing. Ruffians have money as a colossal sum of casualties and utilize it to support fearmongers. The most way for all this false action is Hawala organize. Inadequately money related Iraqi managing controls the account division lead to irritated debasement exercises, that's not fair and makes another forceful challenge for the economy of Iraq, moreover weakening the connect law authorization worldwide (U. S division of State, 2014). Shaikh (2017) unused Prime Serve "Haider Al-Abbadi" disposes of the Common Leader of equipped powers, which shaped the previous Prime Serve "Nuri Al-Maliki". Common Chief funds included 1 billion dollars debasement. Agreeing with Nuri Al-Maliki, who created on paper an army of ten thousand armed soldiers and officers. He wrote his relative's names, kin and tribe individuals to take advantage of armed forces stores. Beneath the guise of battling against fear-based oppression, he was literarily exploiting the state of crisis circumstance of the nation. After revealing the truth, the equipped strengths named an "Aliens □ army". This was the greatest case of debasement in history (Raza, 2020). It was the reason behind the disastrous disappointment of the Iraqi armed force protecting the moment enormous "Naynawa" opposes the fear monger of ISIS organization without indeed a fight. The psychological militant, for this reason, gotten to be capable to take over hundreds of machines and armed force vehicles utilized in psychological warfare bolster (discharged by Rahim Al-Ugaili, a commission of the leader) (Iraq Central News, 2014). Ibrahim, the Iraqi essayist and political investigator, has expressed that Iraq had come to an arrangement of debasement to the degree of covetousness included, in any case of budgetary gifts distributed for the uprooted families where they got to be citizens insulting sums of cash to the monetary awards in any case where debasement has ended up broad in each community. The Modern York Times affirms that found, within a dungeon in Beirut, \$1.6 billion which had been stolen after the USA occupation. In expansion, Stevered Bowen (the USA uncommon inspector in Iraq Reproduction), within the Center East daily paper uncovered the expansive sum of squandering in Iraq due to debasement. He 18 educated almost to Prime Serve Nuri al-Maliki, but he did not take any action against him, only to precise his outrage (Ibrahim, 2014). Abdul Basit Turki (the bad habit chairman of the Iraqi Central Bank) said that "Iraq is losing \$800 million a week as a result of cash washing. Interim, too, affirmed that previous defence serves Hazem Shalon and his agent Ziad Al Qazban included somebody within burglary and cash washing snuck out of Iraq. The sum of that washed cash was around \$1.2 billion. He confessed in a telephonic discussion joined Bayan Jabr in stealing a sum of money from a corporation with the current government (Ibrahim, 2014). Central Bank of Iraq forbids having more than 10,000 dollars when broad travelling. Although, the tuning head of the monetary



administrative framework (Ala Jawad al-Saadi) got caught with more than \$10,000 to go to the Hajj (we don't know what is the benefit of dispensing this huge cash within the Hajj). In any case, he managed to persuade aeroplane terminal authorities to let him go. Permitting more than ten thousand dollars in aeroplane terminal enters under the name of cash washing by appropriate laws (Iraq Central News, 2014). Four exchange zones in Iraq are called free exchange zones (FTZs). These zones are known as:

Felefil zone, the seaport of Basra/Khor al-Zubair, al-Qaim, and Naynewa Zakho region. These are found in numerous territories of Iraq and one of them is Western al Anbar. Trade operations performed beneath these exchange areas don't charge extra money, assessment or extra expense. This can be the reason for calling them Iraqi free exchange zones. Concurring to special free zones law, merchandise imported and traded through these zones will appreciate the advantages of taxes and take a free administration. Although, the ventures who can invest or create benefit or capital under FTZs will never be charged all through a whole venture, indeed as they are in their improvement and crucial points. The esteem of merchandise exchanged is additionally a considerable issue, but it is not fair for Iraq only but too for other closest locales. Modern rules improvement and execution are still in advance in Iraq (U. S office of State, 2014). Popular Iraq's budgetary news location (Iraq Central News) distributed money related to the Iraqi annual budget. There was news claiming that Iraq has saved cash improvement when starting 2013, that was around 18 billion, and about the conclusion of 2013 it got to be 10 billion, and within Admirable 2014 got to be 6 billion then after a month later it diminished to 3 billion. The 20 Back Since Committee draw a comment that the budget is almost empty at the moment and they, indeed, didn't pay for any of its areas. News, later on, states that there is a road in London known for its Iraqi rich owners □ road (Herak, 2022). Foremost of this road populace are the ministers of Iraq, who usually carry the sign of misuse of government cash and no one indeed pays any attention to it. In 2006, there was no register for budget utilization, as no one from the ministry submitted a finishing account book at the end of the year.

4.2 The impact of the phenomenon of economic growth on Iraqi economic growth:

To show the type of relationship between (money laundering) and (economic growth) at an error ($\alpha \leq 0.05$), a set of hypothetical models was studied to indicate the type of relationship, and the results were as follows:

Table (2): Estimating the different regression models and comparing them

Model Summary and Parameter Estimates

Dependent Variable: economic growth

Equation	Model Summary		Parameter Estimates						
	R	Adjusted R Square	F	df1	df2	committed an error.	Constant	b1	b2
Pearson's law square b 3									
Linear	.759	.666	1660.077	1	526	.000	-.308-	1.022	
Logarithmic	.722	.622	1363.399	1	526	.000	-1.297-	3.731	
Inverse	.666	.555	1048.514	1	526	.000	7.147	-12.807-	



Quadratic	.793	1002.739	2	525	.000	4.092	-1.375-	.309	
Cubic	.795	1019.577	2	525	.000	2.613	.000	-.099-	.038
Compound	.696	1202.369	1	526	.000	1.151	1.331		
Power	.673	1081.231	1	526	.000	.862	1.053		
S	.633	905.643	1	526	.000	2.245	-3.649-		
Growth	.696	1202.369	1	526	.000	.141	.286		
Exponential	.696	1202.369	1	526	.000	1.151	.286		

The independent variable is money laundering

Source: Analysis of respondents' answers using SPSS

From Table (2), we note that the value of the coefficient of determination (Pearson square law) takes its largest value when the direction function equation (Cubic) is equal to (0.953), which is the highest value, and we also note that the value (0.00 = committed error) which is less than the level of significance (Thus, the coefficient of determination of the effectiveness of representation is statistically significant, and the equation of the directional function (Cubic) takes the following form:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2$$

Table 3: Pearson's law and its square

R	Pearson's law square	Adjusted Pearson's Law box	committed error
.892	.795	.794	.482

Source: Analysis of respondents' answers using SPSS

From Table (3), we notice that the value of the correlation coefficient is equal to 0.89, which is an average relationship, the value of the determination coefficient is equal to 0.795 and the value of the corrected coefficient of determination is equal to 0.794, meaning that the independent variable (money laundering) explains 79.4% of the variance of the dependent variable (economic growth).

The significance of the model representation

Table (4): Significant representation of the proposed model

The sum of Squares	df	average answers Square	F	committed error
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Regression	474.492	2	237.246	1019.577	.000
Residual	122.163	525	.233		
Total	596.655	527			

Source: Analysis of respondents' answers using SPSS

From Table (4), we note that the value of (the committed error) is equal to 0.00, which is less than the significance level of 0.05, and therefore the model is acceptable to represent the relationship between the two studied variables. Thus, we reject the hypothesis "there is no effect of (money laundering) on (economic growth) at an error ($\alpha \leq 0.05$) and we accept the "hypothesis" there is an effect of (money laundering) on (economic growth) at an error ($\alpha \leq 0.05$).

Estimation of model parameters:

Table 5: Estimating the parameters of the proposed model

Unstandardized Coefficients		Standardized Coefficients T			committed an error.
B	Std. Error	Beta			
money laundering ** 2	-.099	.040	.660	2.513	.012
money laundering ** 3	.038	.007	1.549	5.893	.000
(Constant)	2.613	.188	13.921	.000	

Source: Analysis of respondents' answers using SPSS

From Table (5) we can deduce the coefficients of the studied model as all the values in the table are statistically significant:

$$Y = 2.613 - [(0.099x)]^2 + 0.038 x^3$$

Where y_x represents economic growth, and x is money laundering.

From the previously shown equation, we find that an increase in money laundering by one degree will decrease economic growth by 0.099 degrees.

In the analytical aspect of the relationship between the phenomenon of money laundering and economic growth in Iraq, we reached the following results:

The value of the correlation coefficient between money laundering and economic growth is equal to 0.89, which is a medium relationship, and the value of the determination coefficient is equal to 0.795 and the value of the corrected determination coefficient is equal to 0.794, meaning that the independent variable (money laundering) explains 79.4% of the variance of the dependent variable (economic growth).



. Conclusion and Recommendations

5.1 Conclusion

Numerous consequences of money laundering are mentioned in the literature, however, there is currently little evidence to support these effects. Evaluating the effect of money laundering in Iraq is exceptionally troublesome, indeed on the off chance that it is troublesome to assess fair the degree of cash washing. Thus, distant, broad investigation and examination have concluded that cash washing not as it influenced Iraq's national income, but obstructed the development of its budget and other businesses. Cash washing produces carried pay, awkward nature of investment funds and utilization, and increments credit and obligation which endanger the economy of Iraq. Iraqi politics and trade fields have affirmed the existence of large-scale cash washing operations in Iraq. But frail observation frameworks and political clashes of intrigue make these operations clouded. The same circle is famous that the story of Iraq's part in cash washing in Syria needs compelling proof to bolster it. Cash washing exercises are carried out under the sponsorship of major state or nearby government authorities.

Rates are given to brokers who are agents of government authorities. At that point, there's the money paid by the champs in the shape of [bribes] to back state armies and outfitted bunches. Authoritative and money related debasement dwells in the state teach and can as it was be combated through a legitimate activity that requires proof. Degenerate authorities are modernizing innovation by utilizing the law to their advantage. Iraq does not miss cash washing data. Cash circulation is two-way. The primary is the exterior of the bank and the moment is inside managing an account control to validate these means. Financial flimsiness, fabricate generation, moo resident earnings, in addition to an introduction to made products are the foremost viable impacts of cash washing in Iraq. These impacts have not only demolished Iraq's economy but too influenced social life through expanded debasement and wrongdoing.

According to the previous literature, money laundering could hinder growth in the economy, undermine our banking system, and raise overall crime rates. Anti-money laundering legislation could readily cover its costs if it were to prevent all of this. The economic value of this global strategy cannot be evaluated as long as we are unaware of the extent to which this is the case. Therefore, we essentially keep the public in the dark right now about whether their tax dollars are being effectively utilized on anti-money laundering policies.

5.2 Recommendations:

Services, examiners, judges and the attorney general of Iraq ought to effectively back his AML enactment. Also, the need for administrative oversight, incapable deference by the Central Bank of Iraq (CBI), and the uncooperative attitude of Iraq's money-related insights administrations. About banks, the significant increase in the volume of cash deposits of individuals and companies must be verified within a short period, and the sources of local funds transferred or withdrawn in large flows to and from countries that are considered markets for illegal activities must be monitored.

Banking companies operating in Iraq must be regulated and a real and effective oversight mechanism should be found for their work to avoid money laundering. Banks and financial institutions should also be obligated to establish specialized anti-money laundering units to follow up on the purchase or sale of securities. Periodically conducting an analytical study on the extent of the impact of money laundering on economic growth, to find out the



extent of the benefit of reducing the phenomenon of money laundering in improving the level of economic growth.

We suggest the need for Iraq's representation in international organizations and participation in international conferences and workshops designated to combat money laundering. We also suggest that those concerned carefully study the reality of illegal financial transactions that take place through banks by conducting a field study in this regard and developing appropriate solutions. Lastly, we assume that those concerned study the extent of the success of the laws and regulations imposed by the Central Bank on the work of Iraqi banks and financial institutions in combating money laundering.

Lastly, the Iraqi government should issue anti-money washing law, which claims to screen the exercises of money related education and comply with the law to combat cash washing. AML laws exist to control genuine violations and illicit cash exchanges in Iraq, but they have not however overcome cash washing, demonstrating that the current structure isn't successful sufficient. Subsequently, by altering a novel AML, Iraq might fortify its legitimate setting.

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