

-RESEARCH ARTICLE-

THE ROLE OF EXTERNAL INDEBTEDNESS OF THE ECONOMIC AND FINANCIAL DEVELOPMENT IN IRAQ

Jasim Mohammed Mushib

University of Baghdad / College of Administration and Economics

Email: jasim.m@coadec.uobaghdad.edu.iq

ORCID ID: <https://orcid.org/0000-0002-2769-217X>

—Abstract—

The imperative of achieving financial stability has transcended national boundaries, necessitating heightened attention from both researchers and policymakers. Consequently, this article delves into an examination of the impact of government debt and public debt on financial development within the context of Iraq. The study employs monetary policy, interest rate, inflation, and population growth as control variables to prognosticate financial development. Utilizing data extracted from the World Development Indicators (WDI) spanning the period from 1995 to 2022, the study employs the dynamic autoregressive distributed lag (DARDL) approach to scrutinize the associations under investigation. The findings underscore a negative association between government debt and public debt, while revealing a positive association between monetary policy, interest rate, inflation, population growth, and financial development. Consequently, the study provides valuable insights to policymakers, offering guidance for the formulation of regulations aimed at enhancing financial development through the mitigation of indebtedness.

Keywords: Government Debt, Public Debt, Financial Development, Monetary Policy, Interest Rate, Inflation, Population Growth

INTRODUCTION

The global landscape is undergoing rapid and profound transformations, impacting all facets of a nation. The challenges that were encountered by economies in the past are now fundamentally different and adverse. The pace of these changes necessitates swift and adept responses from countries to maintain stability. Failure to do so results in exclusion from the developmental trajectory. The paramount objective of every nation is to enhance the standard of living for its citizens. The differentiating factor between

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developed and developing economies lies in their respective standards of living. To elevate this standard, countries aspire to achieve robust economic development (ED), recognizing that the standard of living is contingent upon the economic conditions prevailing within the nation. Each country relies on its core sectors, akin to the Middle East's dependence on oil. Accordingly, concerted efforts are undertaken to ensure stability in this specific sector, thereby uplifting overall economic performance.

Iraq, with its substantial oil reserves, stands as a notable economic entity in Asia. However, the nation has grappled with a multitude of adversities, including warfare, pandemics, and other influential factors, which have had detrimental repercussions on its economic landscape (Yehia et al., 2022). Nevertheless, the nation's endeavours to attain economic stability have persisted. The vital economic sustenance for the country emanates from its oil reserves. While global oil markets exhibit a gradual recuperation, thereby contributing to Iraq's economic revival, substantial risks persist due to entrenched structural obstacles. These risks encompass constraints on the management of public investments, impeding the delivery of public services, as well as the protracted resolution of outstanding debts and sovereign risk (Hadi, 2023). The fragility of the political environment, inadequacies in the healthcare system, and pervasive corruption contributing to widespread discontent further compound these vulnerabilities. Notably, in 2021, government revenue experienced a substantial surge of 73% in comparison to the preceding year, primarily attributable to elevated oil prices that escalated by 78%, reaching an average of US\$68.3 per barrel on a year-over-year basis (World Bank, 2020).

The complete alteration in the fiscal equilibrium, resulting in a surplus amounting to 5.3% of the Gross Domestic Product (GDP) in 2021, can be attributed to the augmented inflow of revenue from oil. This occurred despite the persistence of elevated recurrent expenditures, notably the wage bill, which stood at 29% of GDP (Lahmoud, 2023). In the fiscal year 2021, the current account deficit translated into a surplus equivalent to 8.3% of the GDP, contributing to the augmentation of the central bank's official reserves. Following the dual shocks of the oil market downturn and the COVID-19 pandemic in 2020, the economy is gradually recuperating. A notable contraction of 11.3% in real GDP was observed in 2020, yet an anticipated recovery of 1.3% is projected for the year 2021. This rebound is attributed to the resumption of domestic economic activities facilitated by an increase in oil output and the relaxation of pandemic-related restrictions (World Bank, 2020). The non-oil economy witnessed a year-over-year surge exceeding 6% (Attia & Al, 2022). One noteworthy determinant of an economy is its indebtedness. In 2022, the government debt of Iraq constituted 43.30% of the GDP (Hasan & Abdulhameed, 2022). According to authoritative data, Iraq's government debt as a percentage of GDP attained its pinnacle at 344.30% in 2004 and achieved a record nadir of 32.00% in 2013 (Hadi, 2023), spanning from 2004-2022, the average government debt as a percentage of GDP stood at 86.84%. This elevated level of indebtedness poses a concern for the ED of the country.

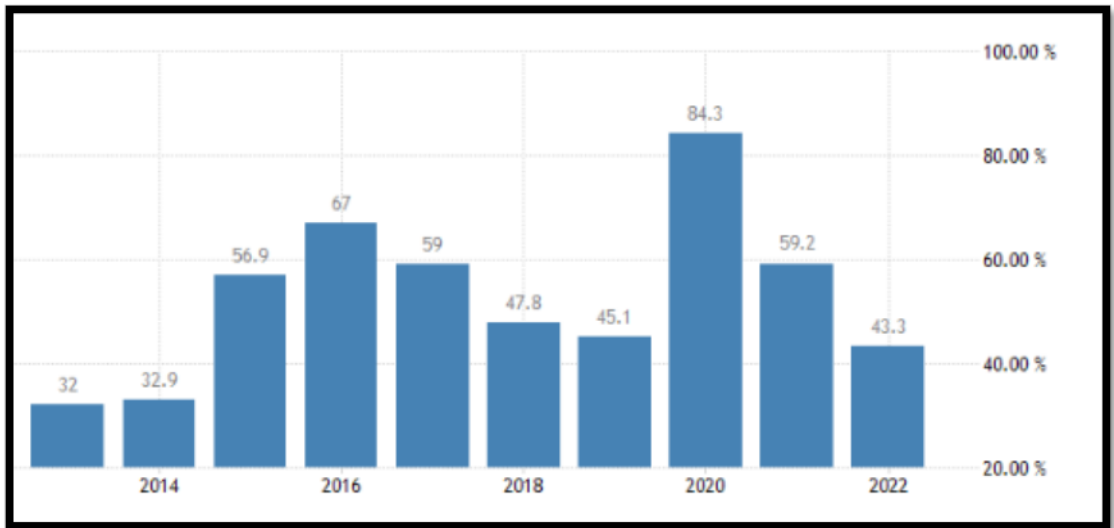


Figure 1: Government Debt to GDP in Iraq

Source: Trading Economics

This work is to bridge existing gaps in the literature, particularly the absence of recent exploration regarding a comprehensive model encompassing variables such as ED, government debt, public debt, fiscal policies, interest rates, inflation, and population growth, specifically within the context of Iraq. Further, 1) [Yusuf and Mohd \(2021\)](#) and [Jacobo and Jalile \(2017\)](#), delves into the correlation between government debt and ED. Furthermore, the investigation extends to encompass additional factors, including public debt, fiscal policies, interest rates, inflation, and population growth, within the specific context of Iraq, 2) [Thao \(2018\)](#) and [Fetai et al. \(2020\)](#), examines the interconnection between public debt and ED. Additionally, the inquiry extends to investigate the same relationship by incorporating factors such as government debt, fiscal policies, interest rates, inflation, and population growth, within the specific context of Iraq, 3) [Tan et al. \(2020\)](#) and [Oseni and Oyelade \(2023\)](#), investigates the correlation between fiscal policies and ED. Moreover, the examination extends the relationship by introducing factors such as government debt, public debt, interest rates, inflation, and population growth within the context of Iraq, 4) [Matarr and Momodou \(2021\)](#) and [Hossin \(2020\)](#), scrutinizes the correlation between interest rates and economic development. Furthermore, the examination extends to investigate the same relationship with the inclusion of factors such as government debt, public debt, fiscal policies, inflation, and population growth in the specific context of Iraq, 5) [Tien \(2021\)](#) and [Adaramola and Dada \(2020\)](#), examines the interrelation between inflation and ED. Additionally, the investigation extends to explore the same relationship by incorporating factors such as government debt, public debt, fiscal policies, interest rates, and population growth within the context of Iraq, 6) [Alemu \(2020\)](#) and [Bala et al. \(2020\)](#), investigates the relationship between population growth and Economic

Development (ED) in Iraq. It extends this examination to include factors such as government debt, public debt, fiscal policies, interest rates, and inflation. The significance of this research lies in its contribution to 1) emphasizing the necessity and relevance of ED for Iraq's prosperity, 2) augmenting the existing literature on ED, government debt, public debt, fiscal policies, interest rates, inflation, and population growth specifically in Iraq, and 3) facilitating professionals in finance and economics to comprehend the significance of government debt, public debt, fiscal policies, interest rates, inflation, and population growth for economic prosperity.

LITERATURE REVIEW

The economy of a nation is multifaceted, encompassing various determinants. While each factor holds significance, certain elements, such as debt, emerge as particularly pivotal for economic prosperity. The strategic management of debt assumes a crucial role in shaping the trajectory of a nation's economic well-being. Particularly for developing economies, the substantial accumulation of debt stands as a significant impediment to prosperity. Existing literature posits that debt exerts a discernible impact on economic dynamics. In this context, [Yusuf and Mohd \(2021\)](#), delves into the correlation between government debt and ED within the context of Nigeria. Employing a quantitative approach, the study utilizes a sample dataset spanning 38 years, covering the period from 1980 to 2018. The analytical framework employed for investigating the aforementioned relationship is the ARDL analysis. The outcomes derived from this analysis distinctly suggest a significant association between government debt and ED in Nigeria. Latin America holds recognized importance in the global context. To investigate the nexus amid government debt and ED, [Jacobso and Jalile \(2017\)](#) conducted an investigation. Using a 55-year quantitative dataset spanning 1960 to 2015, the study employs the GMM analysis to investigate the relationship between government debt and ED. The results indicate a discernible nexus between government debt and ED. This underscores the significance of debt, not only for developed economies but also for smaller and developing nations. To investigate its effect in small economies [Gounder et al. \(2023\)](#) conducted an inquiry into the relationship between government debt and ED, focusing specifically on Small Island economies. Utilizing a quantitative dataset spanning 38 years (1980 to 2018), the study employed the ARDL analysis approach to examine the relationship. The recorded parameters indicate a significant association between government debt and ED in Small Island economies. Similarly, [Baidoo et al. \(2021\)](#), examining the correlation between government debt and ED, this study adopted a quantitative approach, utilizing a 37-year dataset spanning from 1980 to 2017. Employing the ARDL analysis, the results propose a distinct nexus between government debt and ED, specifically in Ghana.

Various manifestations of debt, such as debt-to-GDP ratio or internal debt within financial sectors, are pervasive in the economy. Irrespective of form, debt is universally

regarded as an economic burden, influencing other financial indicators like interest rates, which, in turn, contribute to inflation. Inflation, considered detrimental to society, results in elevated commodity prices, impacting the common populace. Existing literature posits that debt exerts an influence on ED. In this context, [Thao \(2018\)](#), investigated the correlation between public debt and ED through the adoption of a quantitative approach. The analysis was based on a 20-year dataset, spanning from 1995 to 2015, utilizing the GMM analysis approach. The outcomes of the analysis suggest a distinct nexus between public debt and ED within the selected ASEAN economies. Europe, acknowledged as a global business hub and one of the developed regions, attracts numerous individuals from developing economies annually. Notably, European economies have demonstrated a more adept management of debt when compared to their Asian counterparts. In this context, [Fetai et al. \(2020\)](#), examined the relationship between public debt and ED within European transition economies. Employing a quantitative approach, the study utilized a 22-year dataset spanning from 1995 to 2017. The Ordinary Least Squares (OLS) and GMM analysis approaches were employed to scrutinize the aforementioned relationship. The findings derived from the analysis distinctly propose a significant nexus between public debt and ED in the selected economies. Additionally, [Hameed and Quddus \(2020\)](#), examined in this study is the interconnection between public debt and ED within the context of four SAARC economies. A quantitative methodology was employed to investigate this relationship, utilizing a sample comprising 38 years of quantitative data spanning the period from 1980 to 2018. The analytical framework adopted for scrutinizing the relationship was the ARDL analysis approach. The findings by analysis indicate a discernible correlation between public debt and economic development in the specified SAARC economies. Moreover, [Kur et al. \(2021\)](#), delved into the intricate relationship between public debt and ED by scrutinizing 38 years of quantitative data spanning from 1981 to 2019. The outcomes of the analysis unequivocally suggest a pronounced correlation between public debt and economic development, with particular emphasis on the context of Nigeria. Finally, [Sani et al. \(2019\)](#), posited within this academic investigation is the assertion of a distinct correlation between public debt and ED, notably within the economies of Sub-Saharan Africa. The quantitative examination was conducted over a span of 14 years, encompassing the period from 2000 to 2014.

The initial and paramount phase in a nation's trajectory toward prosperity is the formulation of its monetary policy, serving as a guiding framework delineating the path to economic success. During the crafting of monetary policy, a nation conscientiously directs its optimal endeavours, recognizing that any divergence in this policy can significantly impact the overarching success trajectory of the economy. Existing literature contends that monetary policy exerts a discernible influence on ED. In this context, [Tan et al. \(2020\)](#), investigated the interconnection between monetary policies and ED, focusing on Malaysia, Singapore, and Thailand. Employing a quantitative approach, the study utilized a sample dataset spanning 37 years, covering the period

from 1980 to 2017. The examination of this relationship was conducted through the FMOLS analysis approach. This suggests a discernible nexus between monetary policies and economic development. Furthermore, the study posits that the impact of debt is more pronounced in the economies of developing countries as opposed to developed economies. To investigate this statement [Oseni and Oyelade \(2023\)](#), sought to examine the relationship between monetary policies and ED, with a specific focus on Nigeria. Employing a quantitative approach, the research utilized a sample dataset spanning 39 years, encompassing the period from 1981 to 2020. The investigation of the relationship was conducted through the employment of the LR analysis approach. The outcomes derived from the analysis strongly indicate a distinct correlation between monetary policies and economic development in the context of Nigeria. Additionally, [Wen et al. \(2019\)](#), delved into the interconnection among crude oil, monetary policies, and ED, focusing on China. Employing a quantitative approach, the study utilized a sample dataset spanning 21 years, covering the period from 1996 to 2017. The investigation of the relationship was conducted through the application of the VAM analysis approach. The outcomes derived from the analysis strongly suggest a distinct correlation between monetary policies and economic development in the context of China.

The economy comprises micro and macro elements, each pivotal for prosperity. Interest rates, particularly in external debt scenarios, tend to be high, placing significant pressure on developing economies and impacting overall economic dynamics. A nexus exists between interest rates and the economy. In this context, [Matarr and Momodou \(2021\)](#), investigated the relationship between interest rates and ED within the context of Gambia. Employing a quantitative approach, the study utilized a sample dataset spanning 24 years, covering the period from 1994 to 2017. The examination of this relationship was conducted through the application of the VECM analysis approach. The outcomes derived from the analysis strongly suggest a discernible correlation between interest rates and economic development in the specified Gambian context. Similarly, [Hossin \(2020\)](#), scrutinized the interconnection between the deregulation of interest rates and ED. Employing a quantitative approach, the study utilized a sample dataset spanning 34 years, covering the period from 1980 to 2014. The examination of the aforementioned relationship was conducted through the application of the Error Correction Model (ECM) analysis approach. The outcomes derived from the analysis strongly suggest a discernible correlation between the deregulation of interest rates and economic development.

The principal objective of any economy is to sustain an optimal inflation rate, aimed at assisting the general populace by mitigating the cost of goods. Existing literature posits that inflation exerts a significant impact on the economy. In this context, [Tien \(2021\)](#), examined the interconnection between inflation and ED. Employing a quantitative approach, the study utilized a sample dataset spanning 40 years, covering the period from 1975 to 2015. The investigation of the aforementioned relationship was conducted through the application of

the ECM analysis approach. The results obtained from the examination strongly indicate a noticeable correlation between inflation and economic development within the context of Vietnam. Similarly, [Adaramola and Dada \(2020\)](#), explored the relationship between inflation and ED. Employing a quantitative approach, the study utilized a sample dataset spanning 38 years, encompassing the period from 1980 to 2018. The analysis of the mentioned relationship was carried out using Multiple Linear Regression (MLR). The results obtained from the analysis strongly indicate a noticeable connection between inflation and economic development within the context of Nigeria.

Population growth stands as a prominent factor influencing the economy, with the primary objective of any nation being to secure a prosperous future for its citizens, a goal unattainable without a robust and healthy economy. [Alemu \(2020\)](#), investigation scrutinized the interrelation between population growth and ED, employing a quantitative approach. The study utilized a sample dataset spanning 39 years, covering the period from 1980 to 2019, and applied the ARDL analysis approach to examine the specified relationship. The outcomes derived from the analysis strongly indicate a discernible nexus between population growth and economic development, specifically within the context of Nigeria. Additionally, [Bala et al. \(2020\)](#), examined the interconnectedness among population, poverty, unemployment, and ED within the context of Nigeria. Employing a quantitative approach, the study utilized a sample dataset spanning 37 years, covering the period from 1980 to 2017. The analysis, conducted using the Eviews9 statistical software, aimed to explore the specified relationship. The results obtained from the examination strongly suggest a distinct nexus among population, poverty, unemployment, and economic development, particularly in the Nigerian context.

RESEARCH METHODS

This research article investigates the influence of government debt, public debt, monetary policy, interest rates, inflation, and population growth on financial development in Iraq. Data for the analysis were sourced from the World Development Indicators (WDI) spanning the period from 1995 to 2022. The study formulated a statistical equation (1) based on the specified constructs under examination:

$$ED_t = \alpha_0 + \beta_1 GD_t + \beta_2 PD_t + \beta_3 MP_{it} + \beta_4 IR_t + \beta_5 INF_t + \beta_6 PG_t + e_t \quad (1)$$

Where;

t = Time Period

ED = Economic Development

GD = Government Debt

PD = Public Debt

MP = Monetary Policy

IR = Interest Rate

INF = Inflation

PG = Population Growth

The primary variable in this study is economic or financial development, quantified by GDP growth (annual %). Additionally, two predictors, namely government debts (measured by central government debt, total (% of GDP)) and public debt (measured by short-term debt (% of total reserves)), were incorporated. The study further integrated four control variables: monetary policy (measured by broad money growth, annual %), interest rate (measured by real interest rate, %), Inflation, as gauged by consumer prices on an annual % basis, and population growth, measured through annual % population growth, are outlined in detail with specific constructs and measurements provided in [Table 1](#).

Table 1: Variables with Measurements

S#	Variables	Measurement	Sources
01	Economic Development	GDP growth (annual %)	WDI
02	Government Debt	Central government debt, total (% of GDP)	WDI
03	Public Debt	Short-term debt (% of total reserves)	WDI
04	Monetary Policy	Broad money growth (annual %)	WDI
05	Interest Rate	Real interest rate (%)	WDI
06	Inflation	Inflation, consumer prices (annual %)	WDI
07	Population Growth	Population growth (annual %)	WDI

The examination of constructs in this study involves a comprehensive analysis through descriptive statistics, which includes the computation of mean, standard deviation, number of observations, and the determination of minimum and maximum values. Furthermore, the study investigates the correlation between the variables under consideration by employing a correlation matrix. Additionally, the unit root is examined to determine the appropriate model, employing the Augmented Dickey-Fuller (ADF) and Phillips-Peron (PP) tests. The equation (2) is presented below for reference :

$$d(Y_t) = \alpha_0 + \beta t + \gamma Y_{t-1} + d(Y_t(-1)) + \varepsilon_t \quad (2)$$

Moreover, the research explores co-integration, a crucial step in determining the suitable model, and this aspect is assessed through the use of ([Westerlund & Edgerton, 2008](#)) approach. Therefore, the equations (3) for the test are provided below:

$$LM_\varphi(i) = T\hat{\varphi}_i (\hat{\varphi}_i/\hat{\sigma}_i) \quad (3)$$

$$LM_\tau(i) = \hat{\varphi}_i/SE(\hat{\varphi}_i) \quad (4)$$

Furthermore, the study employed the ARDL model to examine the relationships among variables. This method proves effective when certain variables are stationary at the

level, while others are in the first difference, facilitating the analysis of both short and long-term associations among variables (Zaidi & Saidi, 2018). It addresses autocorrelation & heteroscedasticity concerns in the outcomes (Nazir et al., 2018). The mathematical expression (5) is presented as follows:

$$\Delta ED_t = \alpha_0 + \sum \delta_1 \Delta ED_{t-1} + \sum \delta_2 \Delta GD_{t-1} + \sum \delta_3 \Delta PD_{t-1} + \sum \delta_4 \Delta MP_{t-1} + \sum \delta_5 \Delta IR_{t-1} + \sum \delta_6 \Delta INF_{t-1} + \sum \delta_7 \Delta PG_{t-1} + \varphi_1 ED_{t-1} + \varphi_2 GD_{t-1} + \varphi_3 PD_{t-1} + \varphi_4 MP_{t-1} + \varphi_5 IR_{t-1} + \varphi_6 INF_{t-1} + \varphi_7 PG_{t-1} + \varepsilon_t \quad (5)$$

The investigation presents the relationships between the variables of interest utilizing the DARDL approach. This recently devised method is employed to assess associations within time series data and was introduced by Jordan and Philips (2018). The mathematical expression (6) is provided as follows:

$$\Delta ED_t = \alpha_0 + \sum \delta_1 \Delta ED_{t-1} + \sum \delta_2 \Delta GD_t + \sum \delta_3 \Delta GD_{t-1} + \sum \delta_4 \Delta PD_t + \sum \delta_5 \Delta PD_{t-1} + \sum \delta_6 \Delta MP_t + \sum \delta_7 \Delta MP_{t-1} + \sum \delta_8 \Delta IR_t + \sum \delta_9 \Delta IR_{t-1} + \sum \delta_{10} \Delta INF_t + \sum \delta_{11} \Delta INF_{t-1} + \sum \delta_{12} \Delta PG_t + \sum \delta_{13} \Delta PG_{t-1} + \varepsilon_t \quad (6)$$

RESEARCH FINDINGS

The work explore constructs in detail through descriptive statistics, revealing mean, minimum & maximum values, number of observations, and standard deviation. Results indicate that ED averaged 6.855%, GD 24.821%, PD 3.415%, and MP 21.552%. Additionally, mean values for IR, INF, and PG were 7.809%, 23.404%, and 2.812%, respectively, as displayed in Table 2.

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ED	28	6.855	15.218	-36.658	53.382
GD	28	24.821	5.524	16.011	35.863
PD	28	3.415	1.693	0.672	6.158
MP	28	21.552	14.857	-9.100	40.896
IR	28	7.809	25.375	-28.486	60.877
INF	28	23.404	72.782	-16.117	387.311
PG	28	2.812	1.050	-0.850	4.665

Furthermore, the study investigated the correlation among the variables of interest using a correlation matrix. The results indicated a negative association between government debt and public debt, whereas monetary policy, interest rate, inflation, and population growth demonstrated a positive association with financial development. Detailed correlations in Table 3 are shown.

Table 3: Correlations Matrix

Variables	ED	GD	PD	MP	IR	INF	PG
ED	1.000						
GD	-0.250	1.000					
PD	-0.248	-0.935	1.000				
MP	0.166	-0.763	0.802	1.000			
IR	0.279	0.831	-0.884	-0.746	1.000		
INF	0.059	-0.372	0.378	0.293	-0.344	1.000	
PG	0.115	-0.179	0.172	-0.100	-0.137	0.100	1.000

Furthermore, the investigation conducts a unit root analysis to determine the suitable model, employing the Phillips-Perron (PP) tests & Augmented Dickey-Fuller (ADF). The findings reveal that ED, GD, PD, PG and INF, exhibit stationarity at the level, whereas MP and IR demonstrate stationarity at the first difference. These results are presented in [Table 4](#).

Table 4: Unit Root Test

Series	ADF		PP	
	Level	First difference	Level	First difference
ED	-3.494***	-----	-5.464***	-----
GD	-4.398***	-----	-4.363***	-----
PD	-2.666***	-----	-3.771***	-----
MP	-----	-6.595***	-----	-4.363***
IR	-----	-5.901***	-----	-5.479***
INF	-4.363***	-----	-4.362***	-----
PG	-3.092***	-----	-4.567***	-----

Additionally, the research explores co-integration, an essential step in determining the appropriate model, utilizing the approach proposed by ([Westerlund & Edgerton, 2008](#)). The findings reveal t-values exceeding 1.96 and p-values below 0.05, indicating the presence of co-integration. These outcomes are detailed in [Table 5](#).

Table 5: Co-integration Test

Model	No Shift		Mean Shift		Regime Shift	
	Test Stat	p-value	Test Stat	p-value	Test Stat	p-value
LM _τ	-4.736	0.000	-5.473	0.000	-4.981	0.000
LM _φ	-4.653	0.000	-5.192	0.000	-4.390	0.000

The investigation examines the relationships among the variables of interest using the DARDL approach. The results indicate a negative association between government debt and public debt, while monetary policy, interest rate, inflation, and population growth demonstrate a positive association with financial development. Table 6 represent the associations in detailed.

Table 6: Dynamic ARDL model

Variable	Coefficient	t-Statistic	Prob.
ECT	-5.490***	-5.784	0.000
GD_{t-1}	-0.574***	5.478	0.000
GD	-0.464**	2.011	0.046
PD_{t-1}	-2.101***	4.599	0.000
PD	-1.092***	4.091	0.000
MP_{t-1}	2.918***	3.917	0.000
MP	1.765***	4.372	0.000
IR_{t-1}	1.983**	2.901	0.009
IR	0.654**	2.321	0.019
INF_{t-1}	0.454***	5.885	0.000
INF	0.455***	4.363	0.000
PG_{t-1}	1.982***	5.462	0.000
PG	1.009***	4.092	0.000
Cons	5.488***	6.509	0.000

R square = 65.029

Stimulation = 5000

DISCUSSION

The results suggest a positive correlation between public debt and ED. This aligns with the assertions made by [Alagba Ochuko and Idowu \(2019\)](#), positing that a rise in public debt enhances the financial resources available to the government, enabling the implementation of effective measures to stimulate economic innovation. The resultant advancements in the economy contribute to its expanded capacity for further development. These results are also supported by [Law et al. \(2021\)](#), by examining the role of public debt in ED, the study asserts that public debt serves as a catalyst, motivating the general populace to channel their funds into investments within the economy, thereby fostering its developmental trajectory over time. .

The findings reveal a positive correlation between government debt and ED. These findings align with [Yusuf and Mohd \(2021\)](#), assertion that government debt facilitates

funding for projects aimed at countrywide construction or infrastructure development, which significantly contributes to economic expansion and growth. [Sijabat \(2020\)](#), further supports these results, stating that increased government debt enables the implementation of strategic economic policies, thereby fostering higher levels of economic development.

The results suggest a positive correlation between monetary policy and economic development ED [Qingquan et al. \(2020\)](#). This study suggests that the implementation of an effective monetary policy enables control over prices of products and services within a market. Consequently, this control extends to economic activities and production, potentially fostering higher levels of economic development. These findings are corroborated by [Chishti et al. \(2021\)](#), who elucidate that a positive monetary policy facilitates the allocation of government funds for public welfare, thereby contributing to an enhancement in ED.

The results suggest a positive correlation between interest rates and ED. This aligns with existing literature [Susilawati et al. \(2020\)](#). As per antecedent research, the strategic management of interest rates enables business firms to gain access to credit facilities. The augmented financial resources thus obtained empower firms to conduct their operations in accordance with the evolving market demands, thereby making a substantial contribution to ED. These results are also supported by [Mohieldin et al. \(2019\)](#), which suggests that the interest rate serves as an indicator of financial development within the nation and acts as a catalyst for accelerating ED.

The results disclose a positive correlation between inflation and economic development ED. This aligns with the research conducted by [Khan and Hanif \(2020\)](#), asserting that inflation is associated with increased market activity and a surge in economic activities, consequently contributing to economic development. Additionally, these results are substantiated by [Adaramola and Dada \(2020\)](#), who contend that during periods of inflation, construction and progressive activities peak, leading to heightened levels of economic development.

The results suggest a positive correlation between the growth of the population and ED. This aligns with the research conducted by [Wang et al. \(2022\)](#), asserting that in countries with higher population growth rates, development initiatives are more prevalent, thereby contributing to elevated levels of economic development. These results are also supported by [Jie et al. \(2023\)](#), which underscores that an increase in population growth ensures the development of human resources, contributing to higher levels of economic development ED.

IMPLICATIONS

This study holds the potential to shape academic research conduct significantly, contributing substantially to the existing literature. It scrutinizes the influence of public

debt, government debt, monetary policy, and interest rates, incorporating control variables such as inflation and population growth, on Economic Development (ED). The findings extend beyond academic realms, offering a guideline for countries aspiring to enhance their ED. The study underscores the imperative for governments to prioritize public debt for the successful execution of developmental projects, ultimately fostering ED. Additionally, it advocates for the encouragement of government debt as a means to bolster ED. The article contends that meticulous oversight and adept design of monetary policy are crucial for expediting ED. Managing interest rates in alignment with economic and financial requisites emerges as a key recommendation to augment ED. Furthermore, effective administration of inflationary periods is proposed as a measure to enhance ED. The study underscores the importance of judiciously managing population growth to improve overall economic growth. In essence, it serves as a guide for policymakers, aiding in the formulation of regulations geared towards enhancing financial development by mitigating indebtedness.

CONCLUSION

The study aimed to assess the impact of public debt, government debt, monitoring policy, interest rate, inflation, and population growth on ED using statistical data from Iraq. The analysis revealed a positive correlation between these factors and ED. Increased public debt was associated with augmented financial resources, enabling the government to conceive and execute developmental projects, thereby fostering ED. Similarly, the issuance of government debt facilitated the continuity of ongoing developmental programs, contributing to heightened levels of ED. The study concluded that effective alterations in monetary policy could result in the mobilization of adequate government funds for ED initiatives. Furthermore, setting an interest rate conducive to borrowing could generate additional financial resources, promoting expanded economic practices and, consequently, increased ED. Additionally, periods of inflation and substantial population growth were found to coincide with a proliferation of developmental projects, thereby positively influencing ED.

LIMITATIONS

Nevertheless, the present study is encumbered by certain constraints. Suggestions are proffered to researchers for requisite modifications. Initially, the examination encompasses a limited set of financial variables, encompassing public debt, government debt, monitoring policy, and interest rates, to gauge their impact on ED. Subsequent investigations should encompass a broader spectrum, incorporating legal, organizational, and managerial factors that may exert influence on ED. Secondly, the research implications are confined solely to the economy of Iraq, rendering it a small-scale analysis. It is advised that future researchers validate the research equation within the milieu of a larger economy.

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