

Analysis of The Financing Activities of The Iraqi Housing Fund and Its Role in Supporting The National Economy: An Applied Study in The Housing Fund\ Diyala Branch

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Abstract:

The present research studies the role of the housing fund and its role in financing the housing sector in Iraq by analyzing the fund's financing activities for the period from 2005 to 2017, as the research problem was represented in the level of meeting the housing sector requirements in Iraq, and the annual economic bulletins issued by the Central Bank of Iraq and the Housing Fund were used. To collect data, data were analyzed using analysis tables. The research reaches a set of conclusions, the most important of which was the increase in the activities of the Housing Fund in providing financing after 2012, in order to grant loans without interest, but it is still below the level of ambition to meet the requirements of the housing sector in Iraq. The research ends with a set of recommendations, including finding new and innovative financing tools. It contributes to providing financing for projects that produce housing units with high speed and flexibility, such as increasing the ceiling for loans to high-income segments, and granting loans according to completion rates.

Keywords: housing fund, housing finance, housing sector

I. Introduction:

The housing issue occupies a special importance because of its direct and mutual impact with the economic, social and political aspects in society, and housing has become one of the main axes for drawing the state's general policies in order to be able to provide housing to the largest segment of society, especially the low-income population whose economic conditions and purchasing power stand still. Ltd. to prevent them from owning a home. In this study, the focus was on supporting housing finance provided by the Iraqi Housing Fund, and the study dealt with the topic starting with the concept of housing finance, then analyzing the housing fund's financing activities in Diyala Governorate, which expresses the state's contribution to providing the increasing

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need for housing, and the study concluded A number of findings and recommendations that can be used to develop housing policy in Iraq.

First: The Problem of Research:

In order to gain familiarity with the topic of research and study it in its various aspects, the following problem arises:

In light of the increasing activities of the housing fund in providing financing to grant loans, does this financing meet the requirements of the housing sector in Iraq?

Second: The Importance of Research:

That the conditions of comprehensive economic development that Iraq needs and aspires to at the present time were a major reason behind choosing this topic, which derives its importance in the current circumstances through the fact that it needs a broad and exceptional interest in the housing sector, to advance the reality of this vital sector after the successive crises that the country went through in Recent decades.

Third: The Objective of Research:

The research aims to analyze the activities of the Iraqi Housing Fund, Diyala Governorate Branch, for the years 2005-2017 and its role in meeting the requirements of financing the housing sector in the province.

Fourth: The Hypothesis of Research:

The financing program of the Iraqi Housing Fund has a role in resolving the housing crisis in Diyala Governorate

1 -The Concept of Financing:

The finance function is considered one of the most important functions of financial institutions as it provides to those with a financial deficit loans that loosen its tightness, thus increasing the movement of economic activity, and as the institution in charge of the project has to do a financial study of the project and estimate the amount of the need and how to obtain it. Of which:

1-1 that what is meant by financing is to provide the necessary financial resources to establish investment projects, or to create new capital and use it to build productive capacities in order to produce goods and services (Khoni, 2008: 95).

1-2 Finance is defined as searching for appropriate methods to obtain funds, selecting and evaluating those methods and obtaining the best combination between them in a manner that fits the quantity and quality of the financial needs and obligations of the institution. (Sacer, 2006: 14(

1-3 It also defines "a set of decisions about how to obtain the necessary funds to finance the Corporation's investments, and determine the optimal financing mix of borrowed financing sources, the funds owned in order to cover the Corporation's investments." (Al-Sheikhi, Al-Jazrawi, 1998: 20).

1-4 Finance can be defined as "the availability or provision of cash resources for the project at any time there is a need for it, according to which the real resources that are directed to the formation of new capital are provided, and the financing is by determining the best source of funds by comparison between its available sources." (Al-Azzawi, 2020: 2).

1-5 it is a supply process to meet the needs of individuals in the real estate field and contains the following elements: (Al-Qadi, 2012: 41):

1-5-1 Precisely identifying the need.

1-5-2 Searching for funding sources.

1-5-3 Studying the risks.

Where the request for funding is not limited to financial institutions only, but also to individuals, families and states, whether this financing is a large project or owning one of the real estate (Abdel-Hamid, 2002: 14).

Through the previous definitions, it can be said that finance is the provision or provision of monetary resources

For the project at any time there is a need for it, according to which the real resources that are directed to formation are managed

New capital, and financing is by determining the best source of funds by comparison between its available sources.

As for housing finance, it is the investment of capital in the various housing construction processes, and the importance of invested capital lies through the increase in housing needs on the one hand and the continuous rise in the cost of materials on the other hand.

2 -Financing The Housing Sector in Iraq

The housing sector represents a special importance for the economy, and thus providing the necessary financing for it will increase its ability to contribute to meeting a large amount of the needs of the local market by providing housing for the citizen with appropriate financing terms in addition to operating a large proportion of the workforce that works in this vital important sector on Macro economic level. Despite the existence of several sources of housing finance in Iraq, such as the housing fund and the real estate bank in addition to commercial banks, and despite the role they have played, their role is limited in financing housing at the individual level, which led to an increase in the housing deficit and the accumulation of housing need. The real estate bank is considered one of the financial institutions that finance the housing sector in Iraq, as this bank was established under Law No. 18 of 1948 and began its work in 1949 with a capital of one million dinars (reb-

iraq.com), and work in this bank was suspended for a certain period of time due to lack of Repayment of the loans granted, but after review and work, he was able to grant real estate loans to citizens of approximately 172 billion Iraqi dinars and contributed to building at least 8,600 housing units until 2008. The loans granted by him to the construction sector for the period from 2012 to 2017 amounted to about (5,518,336) trillion dinars.

In order to develop the housing finance sector and the real estate sector in general, the Housing Fund Department was established. A law was issued establishing a fund called (The Iraqi Housing Fund). The fund aims to lend citizens and real estate companies with an interest-free loan, and lend to licensed banks for the purpose of enabling citizens and real estate companies to buy and build housing units. In accordance with a legal mechanism determined by the fund, loans granted to the fund are exempt from all taxes and fees.

2-1 -A demographic view of Diyala Governorate:

Diyala province is one of the central governorates of Iraq, as its area is (17685) km², thus representing (4.1%) of the total area of Iraq, and it comes in sixth place, as its population constitutes 5.1% of the total population of Iraq (Central Bureau of Statistics, 2007 , 2006).

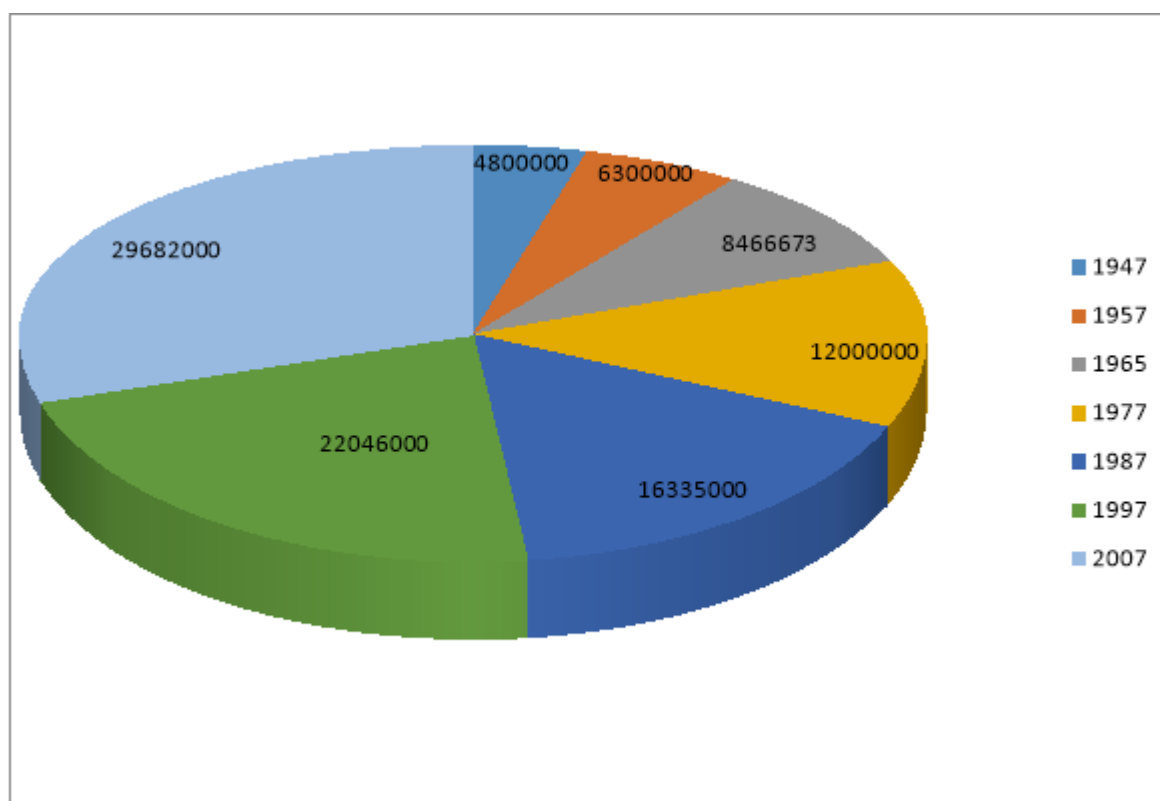
The following table shows the population of Iraq in general and Diyala Governorate in particular for the period from 1947-2007 according to the general population censuses that the Central Bureau of Statistics conducts every ten years (no general census of the population has been conducted since 1997, but rather the population numbers were estimated according to the method of projections used by the Central Agency).

Table (1) Population in Iraq and Diyala Governorate and the annual growth rate for each of them for the period 1947-2007

Census year	The population of Iraq	Growth rate %	The population Of Diyala	Growth rate %
1947	4800000	-	197834	-
1957	6300000	6.2	287616	8.3
1965	8466673	2.3	397363	1.4
1977	12000000	2.3	587754	3.3
1987	16335000	1.3	804719	2.3
1997	22046000	1.3	1135223	5.3
2007	29682000	1.3	1560621	2.3

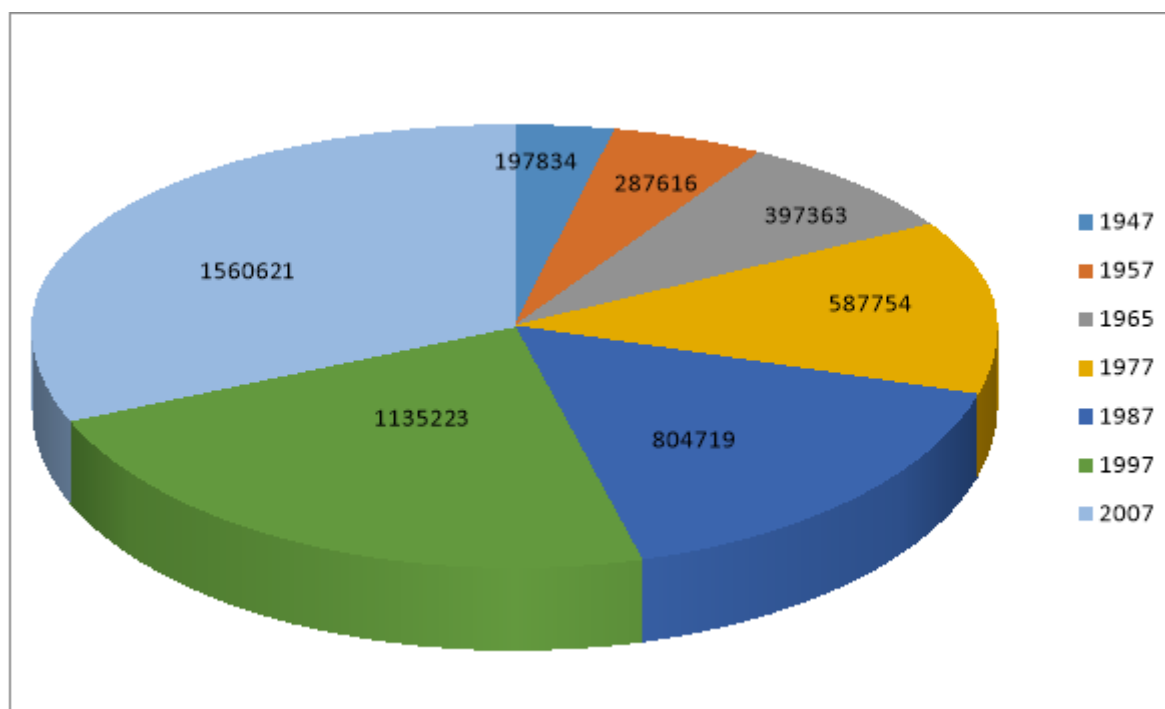
Reference: Central Statistical Organization, Statistical Collections for Various Years

Diagram(1) Population in Iraq



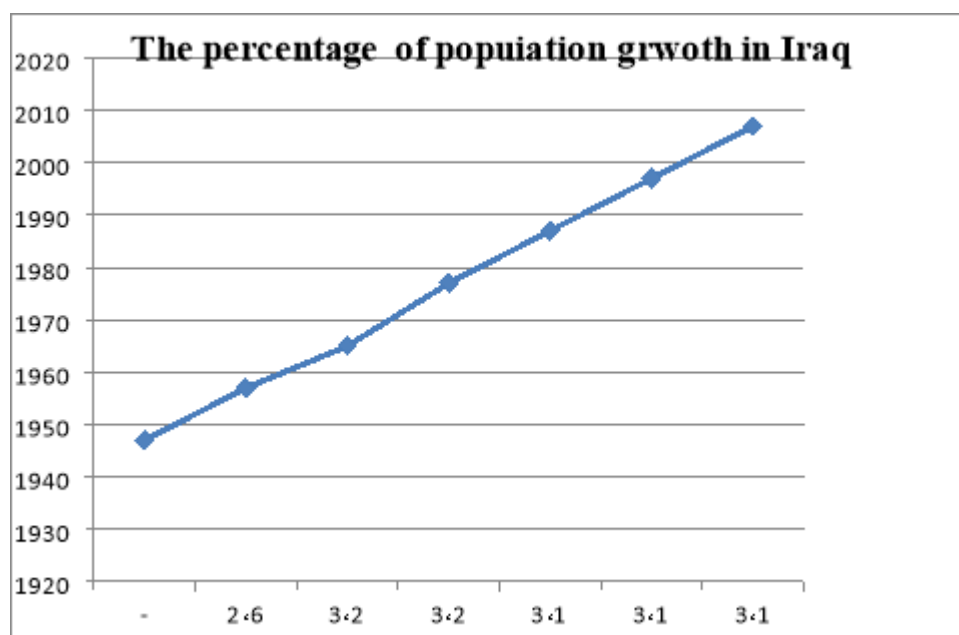
Reference: Prepared by researchers based on Table No(1)

Diagram(2) Population in Diyala



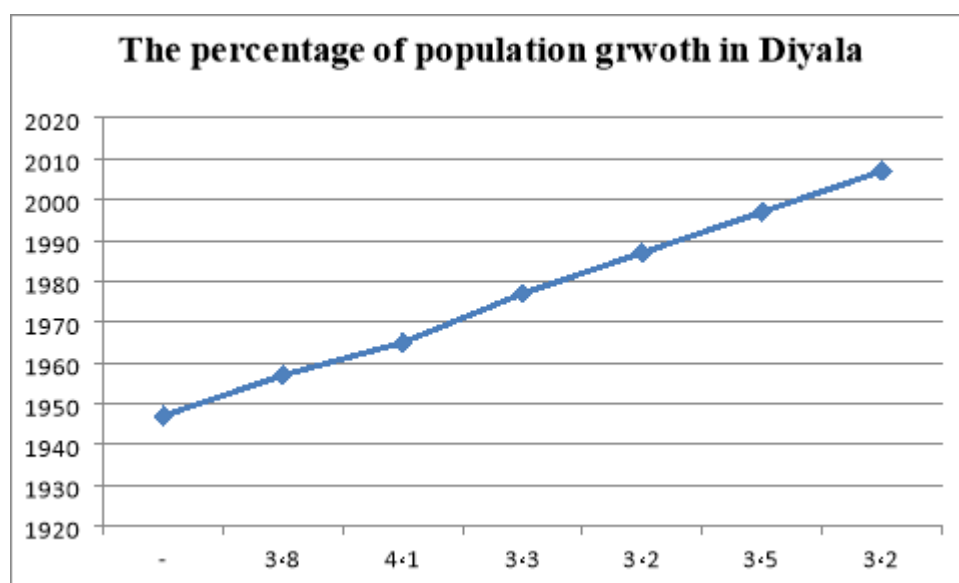
Reference: Prepared by researchers based on Table No(1)

Diagram(3)The percentage of popuiation growth in iraq



Reference: Prepared by researchers based on Table No(1)

Diagram(4) The percentage of population growth in diyala



Reference: Prepared by researchers based on Table No(1)

From the above table, we notice that the population of Diyala Governorate has doubled over the past sixty years (7,9) times, while the population of Iraq has only doubled during the same period (6.1) times, after the number of the governorate's population was (197834) people in 1947, it reached (1560621 (People in 2007), and this explains to us that the average annual growth rates for the population of the governorate reached (3.5%), which is higher than the average annual growth rates for the population of Iraq, which amounted to (3%), as the population of Iraq reached (29682000) people in 2007 after that It was (4,800,000) inhabitants in 1947.

2-2 -Analysis of the activities of the Housing Fund / Diyala Branch

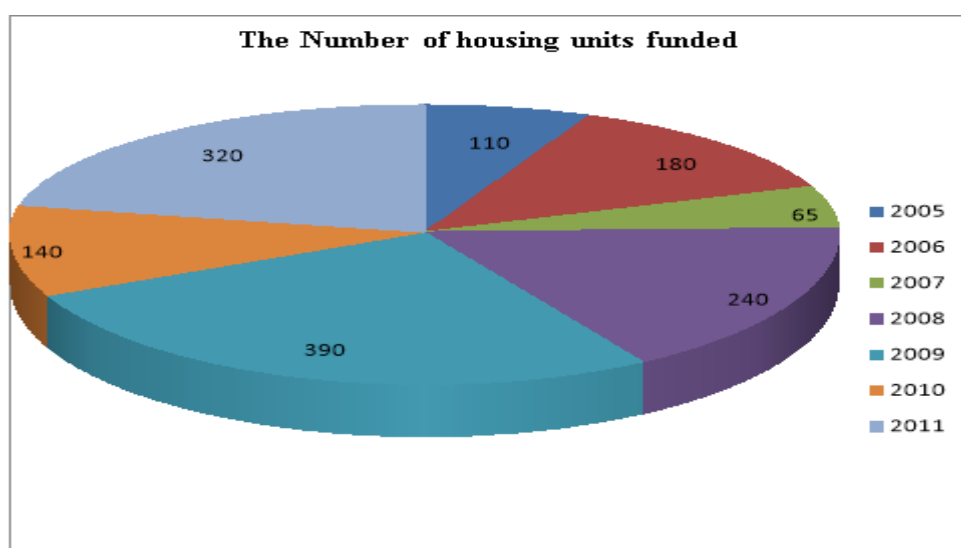
The Iraqi Housing Fund is the largest real estate financing entity in the Republic of Iraq, as the Iraqi Housing Fund, Diyala Branch, gives loans from 2005 to 2011 with interest (2%, 4%, 6%). The loan amount is determined on the basis of the net nominal salary of the employees only. The housing units funded for this period are (1445) units, with an amount of (12282.5) billion Iraqi dinars, as shown in Table (2):

Table (2) the number of housing units that were Financing it for the period 2005-2011 (million dinars)

the years	Number of housing units	Type of housing units	Amounts	Relative weight
2005	110	residential	935	7.6 %
2006	180	residential	1530	12.5%
2007	65	residential	552.5	4.5 %
2008	240	residential	2040	16.6%
2009	390	residential	3315	27 %
2010	140	residential	1190	9.7 %
2011	320	residential	2720	22.1%
Total	1445	-	12282.5	100%

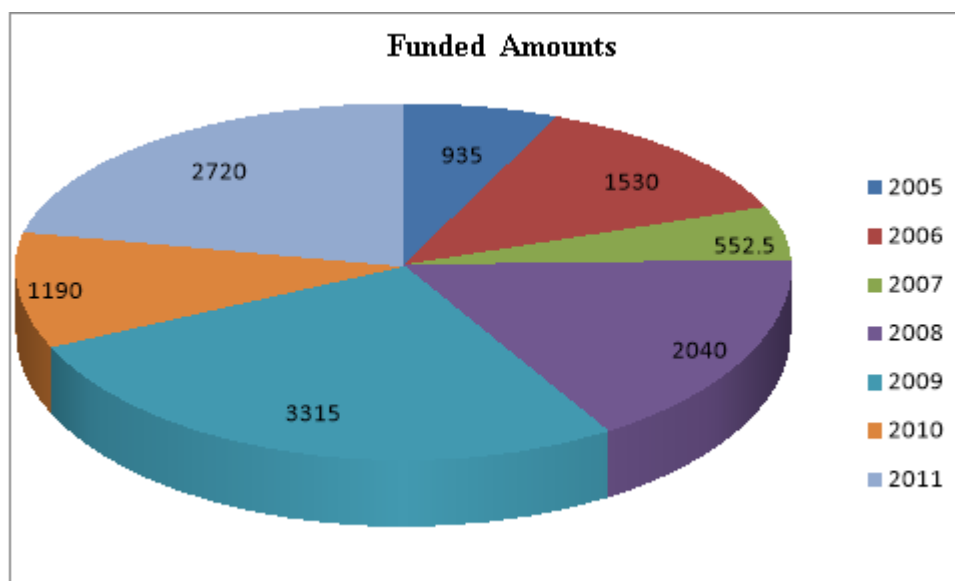
Reference: Prepared by researchers, depending on the housing fund data, Diyala branch

Diagram(5) Number of housing units funded(2005-2011)



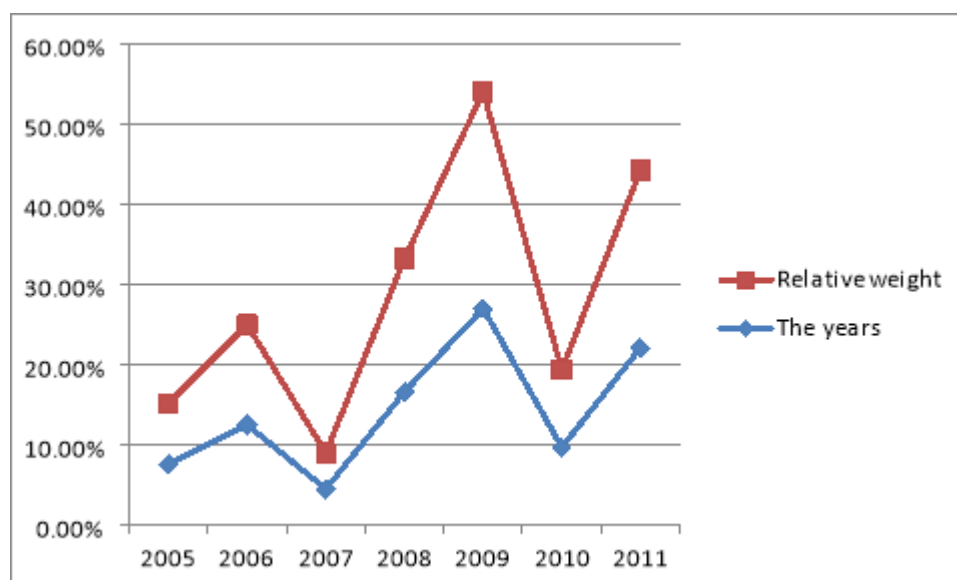
Reference: Prepared by researchers based on Table No(2)

Diagram(6) Funded Amounts(2005-2011)



Reference Prepared by researchers based on Table No(2)

Diagram(7) Relative weight of the amounts funded by years(2005-2011)



Reference: Prepared by researchers based on Table No(2)

From the above table, we note that the largest number of housing units financed by the fund was for the year 2009 by (390) housing units and an amount of (3,315) billion dinars, while the least financing was for the year 2007 by (65) housing units only at (552.5) Only one million dinars. The researcher believes that the security events in that period were a major reason behind the low funding for the housing sector during that period.

And after the approval of his law in the name of the Iraqi Housing Fund Law No. (32) for the year 2011 with a capital of (1000) billion Iraqis to cover all future aspirations and contribute to solving the housing crisis in

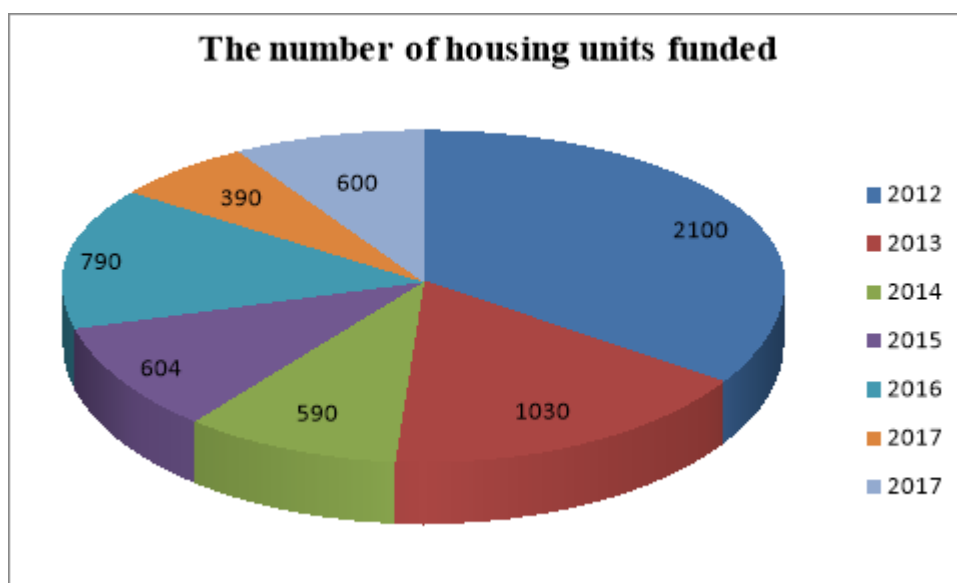
Iraq (sandoq.moch.gov.iq), as the Housing Fund gives the Diyala branch loans from From 2012 to 2017 without interest for all groups, with an employee sponsor only, and the number of housing units funded for this period (6104) units, and an amount (169568) billion Iraqi dinars, as shown in Table No. (3):

Table (3) The number of housing units and investment projects that were financed for the period from 2012-2017 (Million dinars)

The years	Number of housing units	Type of housing units	Amounts	Relative weight
2012	2100	residential	35700	21.1 %
2013	1030	residential	17510	10.3 %
2014	590	residential	10030	5.9 %
2015	604	residential	10268	6.1 %
2016	790	residential	13430	7.9 %
2017	390	residential	6630	3.9 %
2017	600	Investment	76000	44.8 %
Total	6104	-	16958	100 %

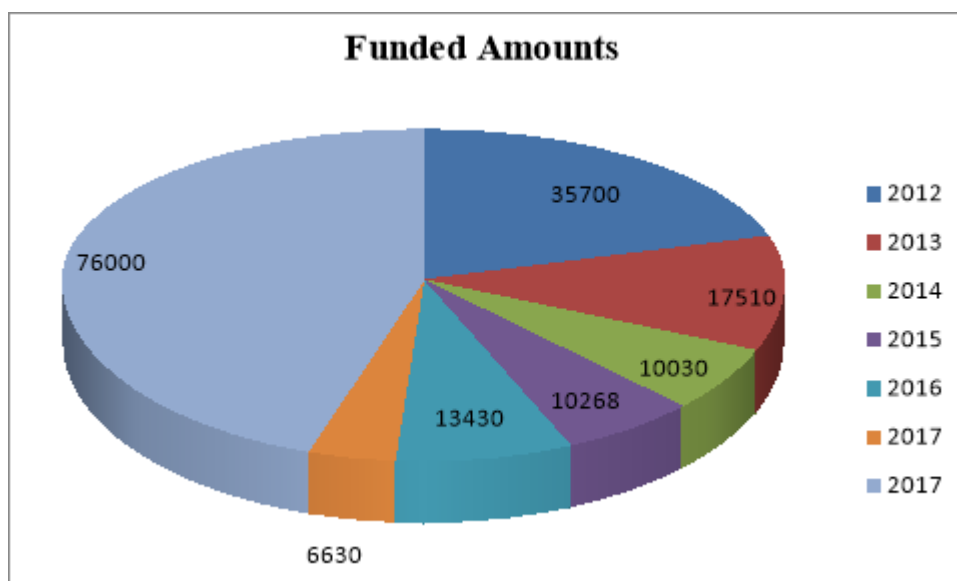
Reference: Prepared by researchers, depending on the data of the Housing Fund / Diyala Branch

Diagram(8) Number of housing units funded(2012-2017)



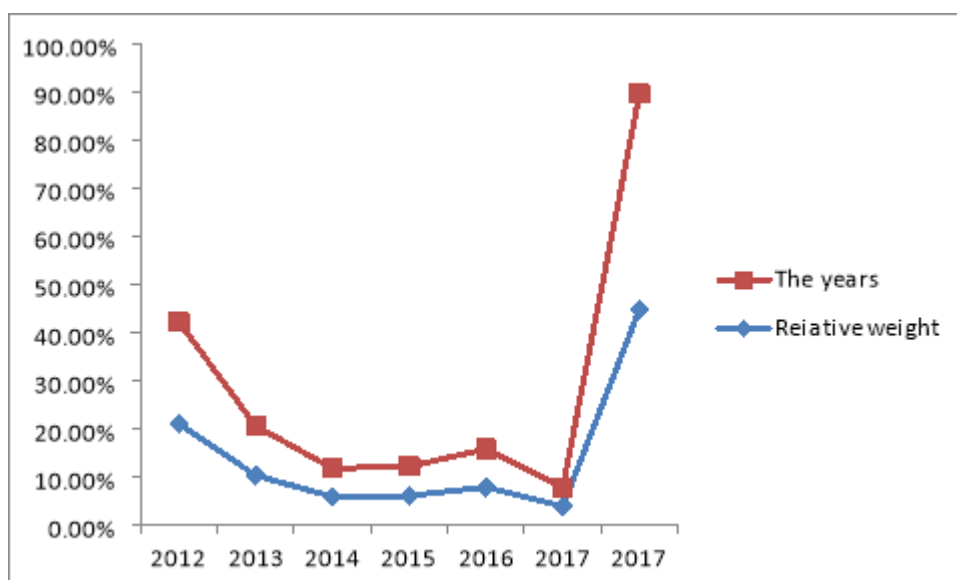
Reference: Prepared by researchers based on Table No(3)

Diagram(9) Funded Amounts(2012-2017)



Reference: Prepared by researchers based on Table No(3)

Diagram(10) Relative weight of the amounts funded by years(2012-2017)



Reference: Prepared by researchers based on Table No(3)

From the above table, we note that the largest number of housing units financed by the fund were for the year 2012 and 2013 by (2100) and (1030) housing units and the amount of (35,700) and (17,510) billion dinars respectively, while the funding decreased for the following years, as The lowest financing for the year 2017 was (390) housing units only, and the amount of (6,630) billion dinars only. The reason for this is due to the security and economic conditions that the country went through during that period represented by the events of 2014, when the security situation was unstable, and a large part of the country's resources were directed to the

war effort, reconstruction and resolving the issue of the displaced, in addition to the drop in global oil prices, which are considered the receptacle. The main factor in financing the state budget.

Table (4) Delinquent and paid loans for the period 2005-2017 (million dinars)

Type of loans	The years	Loan amounts	Relative weight
Paid off	2005-2011	115	3.7%
Paid off	2012-2017	1350	43.3%
Delinquent	2012-2017	1650	53%
Total		3115	100%

Reference: Prepared by researchers, depending on the data of the Housing Fund / Diyala Branch

From the above table, we note that the amounts of bad loans are greater than the amounts of amortized loans, as they amounted to (1650) billion dinars for the period 2012-2017, at a rate (53%), while the amounts of bad loans for the same period amounted to (1250) billion dinars, at a rate (43.3%) As for the lowest amounts for amortized loans and without bad loans, they were for the period 2005-2011, reaching (115) million dinars only, at a rate of (3.7%), and the reason is due to the strength of the guarantees required for this period and the high interest rate.

II. Conclusions:

1 -There are no future studies of the number of housing and investment units planned to be established by the concerned authorities, despite the continuous population growth and the need to establish these projects.

2 -Loans provided for housing and investment financing are complex loans that are not commensurate with the cost of the housing unit and at a relatively high interest rate, especially loans provided by the real estate bank and other commercial banks.

3 -Despite the increase in the activities of the Housing Fund in providing financing after 2012, in order to grant interest-free loans to all groups with an employee sponsor only, but it is still below the level of ambition to meet the requirements of the housing sector in Iraq

4 -The obsolescence and shortage in the infrastructure of many cities and public services such as roads, water networks, sewage and electricity services, which limits the urban expansion in the country.

III. Recommendations:

1 -Working on developing a comprehensive immediate and future governmental strategy for the advancement of the housing sector in Iraq and providing the necessary funding to make this sector a lever for economic activity in the country.

2 -Lifting all legislative, legal and procedural restrictions and providing the appropriate infrastructure for the development and growth of this sector.

3 -Supporting other national productive sectors such as cement, iron and bricks factories to strengthen ties and increase support for the housing sector.

4 -Finding new and innovative financing tools that contribute to providing financing for projects producing housing units with high speed and flexibility, such as increasing the ceiling for lending to high-income segments, entering the private sector as a financing partner, reducing financing costs for the beneficiaries, and granting loans according to achievement ratios.

5 -Establishing and activating the work of urban planning centers in all governorates to carry out all necessary planning studies regarding the housing sector.

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