



THE EFFECT OF MONETARY POLICIES AND CHANGES ON LOCAL CURRENCIES AND THE GDP OF DEVELOPING COUNTRIES - IRAQ AS A MODEL.

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Abstract.

Monetary policy is introduced by the central bank of the country. It is concerned with the drafting, announcing and implement the plan of action incorporated by the central bank or currency board or competent authority of the country to keep control over the quantity of money. The management of money flow in the country's economy is directly impacted by the monetary policies. In this study a novel concept has been developed on the monetary policies to influence the credit market. The proposed monetary policy is developed to achieve the macroeconomic objectives to control inflation, consumption, growth and liquidity. The adjustment in return rates prompts a converse change in GDP, the decrease in the swapping scale of the Iraqi dinar against the dollar prompts an expansion in the total national output. In this way, the swapping scale arrangement is one of the significant monetary strategies in the national economies since it influences most inner factors. This investigation means to consider the impact of changes in return rates and their impact on GDP, as appeared by the spellbinding and standard examination of the yearly conversion scale and GDP information.

Introduction.

The country can upgrade its intensity and keep up it through swapping scale developments, in this manner guaranteeing the parity of

installments. In this way, the conversion standard assumes a double job in the little economy and is available to the outside world. The conversion scale can be balanced out by settling local costs. Despite the fact that examination can be applied to creating and created nations to a similar degree as the conversion standard of the significant monetary forms strongly affects numerous financial factors, it encourages the accomplishment of arranged monetary focuses at the nearby level, swelling rates, high monetary development, just as the swapping scale is the fundamental cost in any nation's economy and along these lines at last influence the expense of imports and the gainfulness of fares, and that the swapping scale system is attempting to adjust outside installments and the extension of universal exchange and speculation ones.

Research importance.

The significance of the swapping scale originates from the degree of its commitment to accomplishing the macroeconomic targets of inner and outer parity. The inside equalization speaks to the dependability of costs, while the outside parity shows parity of installments.

Research problem.

Plainly the Iraqi economy experiences basic lopsided characteristics in numerous angles, so this examination is worried about the investigation of the effect of one of these perspectives is the adjustments in return rates in

the economy, which came because of the stages experienced by Iraq.

Research Hypothesis.

The national economies, including the Iraqi economy, have been influenced by the adjustment in the conversion scale because of the wide monetary relations that these economies are related with, which have prompted extraordinary misfortunes in their money related incomes, including oil and their import costs, with negative impacts in different parts of the worldwide economy.

Exchange rate systems, concept, importance and influencing factors

Definition.

Is the cost at which the money can be sold or purchased in the free market and controlled by organic market powers (Dulaimi, 2005, 3). The swapping scale is the proportion on which various neighborhood cash units are traded in remote money units (Ali, 2005, 1).

Concept.

The way toward connecting the costs of the national monetary forms of various nations is helped out through the remote swapping scale, and the most significant trait of global exchange from residential exchange is the utilization of a typical universal financial unit to be taken care of at the worldwide level, as in the inside exchange, which is dependent upon one money related framework, Which is the standard by which various costs are interpreted from one hand and is simultaneously a guide and a guide for merchants and speculators to manufacture their venture and exchange choices then again, so the conversion scale can be characterized in two ways:

The first trend: from the point of view of foreign currency.

The number of national money units that are traded with one unit of remote cash.

The second trend: the view of the national currency.

The swapping scale is characterized in this pattern as the quantity of outside money units traded with one unit of the national cash.

In spite of the variety of swapping scale definitions and their decent variety, they share the accompanying:

- The way toward trading the national cash in remote money or the other way around.

- The swap is done at a specific cost.

- The swap procedure happens in the outside trade advertise.

The swapping scale mirrors the estimation of the nation's cash, which is resolved as some other ware as indicated by the organic market factors, which are principally the parity of installments of both the lender and the indebted person, so it very well may be said that the interest for remote trade is a subordinate interest instead of a free solicitation, Which additionally applies to the outside trade offer (Ali, 2005, 6).

Importance.

The swapping scale arrangement must be a lucid and reliable piece of the macroeconomic approach procedure of accomplishing short-and long haul financial destinations since it plays a functioning and compelling job in monetary adjustment and basic modification programs. The significance of the swapping scale through its commitment to the accomplishment of these macroeconomic goals of inward adjusts and outer equalization is the interior security of costs, and a specific measure of financial development and full use, while the parity of parity is planned parity of installments in the monetary sense. The equalization of installments issue is for the most part reflected in the inconsistent organic market for various monetary forms (Hussein, 2008, 30).

Also highlights the importance of the exchange rate being a distinct price and different from the rest of the prices through the following:

Income distribution.

The conversion scale disseminates pay among neighborhood areas. As the intensity of the customary fare area (regardless of whether farming or mining) increments because of the genuine conversion scale devaluation, sends out become beneficial and capital additions increment as the obtaining intensity of laborers diminishes.

Link local and global economies.

The conversion standard is a device for connecting the nearby economy to the world economy and through three markets (the products and ventures advertise, the advantage showcase - money related and non-budgetary - and the work showcase) and the large scale and small scale levels.

Resource allocation and international competitiveness support.

The genuine conversion scale redirects or pulls in assets into the worldwide ware segment such a significant number of items are exportable and the quantity of merchandise imported declines. The decrease in the genuine swapping scale builds the utilization of generation (work and capital) in the fare part, on the other hand, in case of a genuine conversion standard ascent as intensity diminishes and assets are utilized for the most part for the creation of non-exchanged merchandise globally, imports increment and generation for fare gets unrewarding.

The inverse is going on when the aggressiveness of the national cash is diminished. The acquiring intensity of laborers increments while the gainfulness of organizations in the global item segment diminishes. The swapping scale bolsters the national economy through its capacities in the national economy. Formative and distributional capacity, (Hussein, 2008, 31-32).

Exchange secret systems.

The impact of the elements that communicate in impacting the interest for trade and its inventory and control the assurance of its value relies upon the distinction of seepage frameworks just as the administration arrangement, which additionally influences the trade rates as per the level of government control of the trade paces of four frameworks:

1. Fixed conversion scale framework
- 2 - Free drifting or autonomous swapping scale framework
- 3 - Managed conversion scale framework
4. Fixed conversion scale system

Fixed conversion scale framework

This framework is known as the gold base framework as needs be trade rates are either fixed or permitted to vacillate inside exceptionally tight points of confinement and the fixed swapping scale of the cash is resolved considering the other money. The framework won from 1944 to 1971 if the trade rates under the Fund Agreement. The universal cash is generally steady particularly trade rates between significant monetary standards.

Formative and distributional capacity, (Hussein, 2008, 31-32).

Free floating exchange rate system.

Under this framework, trade rates are controlled by the communication of organic market powers on national monetary standards in the remote trade advertise unreservedly without obstruction from various governments. For this situation, the equalization of installments is decreased through the component of progress in the swapping scale and from general society perspective. The free swapping scale is favored on the fixed conversion standard framework (Karim, 2010, 66-70).

Free exchange rate system.

There have been a few changes in the trade paces of monetary forms after the Second World War. The free swapping scale system in regard of specific monetary forms is situated between the fixed framework and the free framework. The present system is the free conversion scale framework, from one perspective, and there is no official fringe. In any case, this framework speaks to the consistent from one viewpoint that legislatures can now and then mediate to keep their monetary standards from numerous development in a specific bearing and this kind of framework is known as the free arrangement of the circle(the majority, 2011, 96).

Exchange Rate Fixer System.

Some countries utilize the fixed conversion scale framework whereby the estimation of the national money is fixed for the remote cash or for a specific account unit. The swapping scale framework is fixed with a basic effortlessness or simplicity of overseeing outside trade, Its cash to the money of another nation is regularly the cash of the principle exchanging accomplice, so it resembles who assigned to other people (Obeidi, 2009, 138).

Factors Affecting the Exchange Rate.

One of the most significant variables influencing the swapping scale is the components that straightforwardly influence organic market supply and demand.

Relative inflation rates.

Expansion is a significant and persuasive factor in the swapping scale. As any nation is presented to expansion, its fares to the next nation will decay and consequently the interest for its cash will diminish. This interest will expand its imports (because of inflationary conditions). The last increment in the width of

the cash versus the lower request on them, which causes a decline in the estimation of the equalization.

Relative Interest Rates.

For instance, raising the financing cost for a nation is 8% contrasted with a second nation with a 6% loan fee. This prompts the exchange of capital from the second nation to the primary nation and an expansion in the interest for the cash of the second nation until it becomes non-existent. Enticing to get them when the value ascends by what could be compared to the loan cost contrast between the two nations of 4% and along these lines to the swapping scale of equalization.

The relationship between payments and receipts of the balance of payments.

The outside conversion scale is ascending because of the expansion in remote money supply and the need to build the interest for the idea of the national cash because of expanded fares of products and ventures and remote speculation.

Money supply.

The expansion in the stockpile of neighborhood cash to back the developing government shortfall prompts an increment in the measure of cash exchanged and along these lines increment the estimation of merchandise and enterprises, prompting an expansion in the degree of residential costs and pushing the estimation of the nearby money to decrease.

Income levels.

The expansion in pay in Qatar will be considered in the effect the interest for outside merchandise and products, which prompts an expansion in the stockpile of the money of that nation because of expanded imports of remote products and along these lines will prompt a reduction in the reasonable conversion standard of that nation.

Government budget deficit and fiscal policy.

The monetary arrangement will in general produce differential consequences for the conversion standard. On the off chance that the administration embraces a progressively prohibitive monetary approach to accomplish a spending surplus or to lessen the shortfall at any rate, it will diminish total interest, lower financial movement and lower expansion, bringing about a reduction in imports and an increment in sends out. The current to accomplish a surplus to build the estimation of

its money in return showcases and diminish the remote conversion scale.

The reality of the Iraqi economy in light of changes in the exchange rate for the period (2003-2012)

The reality of the Iraqi economy.

It is essential that there were a couple of nations looked by numerous monetary issues and from these nations Iraq, which is rich and needy individuals and even piece of it is beneath the neediness line where the destitution list in Iraq (23%) of the absolute populace of Iraq, as per the report highlights Poverty in Iraq gave by the Central Bureau of Statistics for 2009, in spite of this, Iraq has major financial situations due to wars and extreme attack and the focal control of the state and the non-development of the Iraqi private division, and the issues confronting Iraq obligation, the measure of inner open obligation (9,180,805) million Dinars as indicated by the distributions of Jaha. The Central Bank of Egypt's Central Bank for the year 2010, just as the expansion in joblessness rates, which as indicated by the most recent overview directed by the Central Statistical Organization in 2008, where the joblessness rate (15.4%) of the absolute populace of working age, and the issues that face the Iraqi economy is the mechanical backwardness and frail farming part and weather beaten and ruinous foundation And the shortcoming of the commitment of the private segment to financial development, and didn't make any genuine strides over the past period and following quite a while of monetary stagnation, we note that Iraq is on another stage, the phase of establishment building and recovery of state organization and modernization and subject to the control of the official position and control of intensity And the foundations required to force full straightforwardness of government execution in anticipation of a complete improvement system to spare Iraq from the circumstance in which it lives (Atwan and Nuri, 2009, 128-129). On the conversion scale it tends to be said that the swapping scale experienced numerous phases until it arrived at what it is presently and starts awkward nature in the conversion standard since the eighties and past there have been noteworthy advancements and changes have assumed a job in financial and political changes, and in the event that we take the 1980s (1980 - 1989) was one of the significant stages during which the conversion scale has experienced

numerous changes. This period was portrayed by high expansion rates, because of the Iran-Iraq war. The nation was required to back the war consumptions in the wake of exhausting the greater part of the current money related assets and the stores of worldwide saves because of the length time of the war, which went on for a long time notwithstanding halting the fare of oil through Basra and Syria. Subsequently diminished the outside stores amassed by the Central Bank of Iraq and afterward started equalization of installments deficiency, and to back this shortage expanded the stock of cash altogether and afterward the Central Bank of Iraq to issue securities called (Al-Qadisiyah securities), which were utilized to fund the spending shortfall, which started to show up plainly after 1982, and just because the underground market of the Iraqi dinar showed up in 1982. The dinar was at a more significant expense than the official cost on the underground market. , 0) dinars per While the conversion scale on the underground market was comparable to (0,561) dinars per dollar. With respect to the trade framework that was followed in Iraq in the eighties is a fixed trade framework where every Iraqi Dinar is traded for (2,3) This is because of the outside stores amassed by the Central Bank, which immediately began to run out because of the war. The bootleg market started to show up particularly in 1982 (Karim, 2010, 70 - 71). Concerning the period from 1990 to 1999, And that the decrease in the estimation of the national money was the consequence of a few reasons, the most significant of which:

- The monetary attack forced on Iraq in 1990 and its entrance into the Gulf War and the continuation of military spending, which took a shot at the proceeded with gathering of shortfall in the financial limit and the continuation of the administration subsidizing through the issuance of money.
- The Central Bank gave in 1993 a goals approving the foundation of organizations and workplaces for outside trade (purchasing and selling) and tolerating remote settlements. The quantity of these organizations arrived at 303 financial organizations and workplaces, which thusly prompted changes in the estimation of the cash as indicated by the component of market interest for trade.

- The shortage of remote trade assets with the expansion sought after for the dollar prompted expanded hypothesis in outside cash, making the dollar ascend against the dinar.

- The diminishing in government incomes, regardless of whether customary (assessments and traditions obligations) or oil incomes, which is one of the principle explanations behind the financial shortfall.

Therefore, we find that the monetary bar of Iraq and the solidifying of advantages of remote resources and diminish outside exchange prompted the development of the job of the parallel market, which involved a significant situation in the national economy inside and remotely, and the reception of various managerial trade rates, for example, the cost of bookkeeping and the pace of move of residents and the cost of traditions and legitimate abnormalities, 12) The conversion standard of the Iraqi dinar after 1992 to change over the swapping scale framework from the fixed conversion scale framework to the adaptable arrangement of numerous trade, the distinction acquired on the Iraqi dinar swapping scale in that period shows the powerlessness of money related approach to put the C Because the Central Bank of Iraq detests a free authority with budgetary and authoritative autonomy from the Ministry of Finance. The best verification of this is driving the Central Bank to give the money with no confinement or condition as indicated by the targets of the political power, which was the primary and fundamental purpose behind the development and improvement of inflationary waves and decrease In the period from 2000 to 2001, there were some positive changes in the conversion scale, after the occasions of April 2003, political change and the Iraqi Central Bank's autonomy in the administration of its apparatuses adhering to the order of Law No. (56)) Of 2004 concerning the Central Bank Which was viewed as a transitional stage throughout the entire existence of the Iraqi banking framework for the issuance of directions and requests on money related approach and credit.

Relationship between the exchange rate and the gross domestic product in Iraq for the period (2003-2012).

Gross domestic product

The Gross Domestic Product (GDP) is one of the pointers demonstrating the degree of monetary execution of the nation. The investigation of GDP is one of the central matters of knowing the spots of awkwardness and preparing. The total national output in Iraq at current costs saw an unmistakable vacillation because of the conditions of the nation. It is sentenced to vary with oil incomes, which rely upon world costs and on the amounts delivered, which were dependent upon monetary and political conditions, and afterward the security circumstance after the change that occurred in April 2003. Insights show that the GDP at steady costs added up to (27000.1) million dinars in 2003 and this yield kept on ascending in 2008 to (51716.7) million dinars, which is a positive marker of the Iraqi economy and we note the proceeded with ascend in total national output where we note the improvement of GDP. The aggregate for the years 2010, 2011 and 2012 came to (57925.9, 62895.8 and 68400.1) million dinars separately (Central Bank, Directorate General of Statistics and Research, Annual Bulletin for different years for the period 2003-2012).

The exchange rate of the dinar against the dollar.

The security of the Iraqi dinar swapping scale was seen until 1982 when the dinar worth was proportionate to 3.389 for the dollar and afterward diminished to 3.217 dinars to the dollar after the increase of the Iran-Iraq war. Subsequently the dinar indicated esteem not as much as its official incentive in the market. Also, the dollar didn't assume its job in the Iraqi economy during the nineties if the incentive in every day exchanging to around (3000) dinars per dollar, and took a large portion of the neighborhood exchanges are held in dollars, just as Transactions Abroad Which held every one of its arrangements in dollars, which rather supplanted the dinar and won the trust of people and establishments (Samurai, 2010, 146). It ought to be noticed that in 2003, the dinar swapping scale against the dollar was high, as it was proportionate to (1936) dinars to the dollar, and it is likewise observable that it has started to recoup something of its worth and keep up its solidness after it turned into the dollar rises to (1452, 1473, 1474 (JD) for the dollar in the years 2004, 2005 and 2006 individually, and it kept on declining until 2009 coming to (1183)

JD per dollar and afterward it continued in 2010 and 2011 coming to (1186, 1196) JD to the dollar separately, While in 2012 the conversion scale tumbled to its least level since 2003, coming to (1167) dinars to the dollar, which shows that the swapping scale arrangement sought after by the bank Iraqi regalia and freedom appreciated, has empowered him to control totally on remote trade developments and advance toward reestablishing trust in dinars and raise its worth and what doesn't occur stuns to the economy (Central Bank, the General Directorate of Statistics and Research, the yearly bulletin for a considerable length of time sporadic for the period (2003-2012).

The relationship between exchange rate and GDP.

Note that in the past investigation of changes in GDP and conversion scale, there was a reverse connection between the swapping scale and the total national output. In 2003, the conversion scale was (JD) while the GDP was JD (27000,2) million and the swapping scale kept on declining. In 2006, the measure of JD (1474) per dollar was counterbalanced by the continuation of the ascent in the total national output (GDP), which came to JD 48,000 million around the same time. At long last, this relationship demonstrates that the swapping scale kept on declining, coming to JD (1166) 2012 when (GDP) has ascended to reach (68300) million dinars.

Conclusions.

1. The Iraqi economy is confronting numerous difficulties and troubles as a result of the genuine stuns and financial emergencies and numerous emergencies regarding the previous decades. The poor administration of the economy and monetary strategies and the issues brought about by financial approvals prompted the devastation of foundation and the fatigue of money related assets and the disappointment of key monetary segments, just as issues External obligation and remuneration.

2. The swapping scale is a proportion of worldwide aggressiveness, which significantly affects the local economy, as it mirrors the financial situation all in all, and exchange specific, since it is the instrument of linkage through which the general costs of household items are controlled by outside merchandise

It is the instrument of linkage that decides the buying intensity of the nearby cash against other remote monetary forms, as the neighborhood money is an item, and outside money its fiscal cost.

3 - The need to consider the components influencing the conversion scale so as to keep up a low swapping scale and try to raise the estimation of the Iraqi money in view of the huge effect of these variables on the conversion standard, which is pondered thus GDP.

4. Changes in the components influencing the swapping scale ought to be contemplated in light of the fact that they are profoundly reflected in return rates.

5 - Considering the adjustments in the conversion scale since it is a factor influencing the financial structure of the state.

6. The aftereffects of the illustrative examination and the standard investigation of the Iraqi economy and the conversion scale file indicated that there is a backwards connection among it and the adjustment in GDP, which is predictable with financial rationale.

Recommendations.

1. The significance of initiating the job of the Central Bank so as to screen the adjustments in return rates and the consistent undertaking to decrease the swapping scale of the dinar against different monetary standards.

2 - Interest in the components influencing the conversion standard in light of the fact that their effect is pondered intensely trade rates.

3 - To look to save the autonomy of the Central Bank so as to keep up the estimation of the cash so as not to rehash what occurred in the eighties and mid-nineties.

4 - Seek to utilize the most proper seepage frameworks for the Iraqi economy to suit the monetary conditions that experience.

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