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The Role of Financial Institutions in Promoting Sustainable Development in Babylon Governorate, Iraq

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ABSTRACT

This research focuses on the role of financial institutions in promoting sustainable economic development in the current era that is witnessing various environmental, economic and social challenges. The research aims to study the impact of financial innovations, sustainable finance, and financial education in supporting sustainable development. The research used a sample of 48 employees working in financial institutions operating in Babylon Governorate. In order to achieve this goal, descriptive and analytical approaches were utilized to analysis the research model and hypotheses, to explore and understand the logical relationships between the research variables using the SPSS program to measure the impact of the dimensions of financial institutions (financial innovations, sustainable finance, and financial education) in sustainable economic development. The research found that there is a significant impact of the dimensions of financial institutions (financial innovations, sustainable finance, and financial education) on sustainable development. It also concluded that financial institutions have a vital role in accomplishing sustainable development by enhancing investment in infrastructure by supporting projects that can improve economic growth and achieve sustainable development. The research also recommends the need to pay attention to the dimensions of financial institutions (financial innovations, sustainable finance, and financial education) because of their major role in achieving sustainable economic development.

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INTRODUCTION

Financial institutions are closely linked to promoting sustainable development through their vital role in directing financing towards projects and activities that promote sustainable economies and achieve a balance between economic, social and environmental dimensions (Jadah & Al-Husainy, 2025). In our current era of increasing environmental, economic and social challenges, sustainable development has become essential to ensure the future of our planet and its sustainable life. The banking sector and other financial institutions can play great role in supporting this type of development. These institutions work to direct financing towards projects and activities that contribute to the advancement of local economies and enhance the quality of people's lives, thus achieving permanent prosperity without compromising the earth's resources and environmental balance.

The role of financial institutions in promoting sustainable development includes directing investments towards renewable energy, sustainable agriculture, green infrastructure, and financing social projects that work to promote equality and improve the quality of life (Jadah et al., 2020). In addition, financial institutions seek to develop innovative financial products and mechanisms that promote sustainable development, such as loans on easy terms for environmental and social projects.

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PROBLEM STATEMENT

The research seeks to address a research problem that includes the role of financial institutions as tools to promote sustainable economic development in light of the surrounding competitive challenges and pressures by analyzing the reality of financial institutions and their practices and studying the management structures and regulatory legislation governing financial institutions, as well as their practices regarding sustainable financing, green investments, and participation in achieving sustainable development goals. Accordingly, the research problem specifically attempts to answer the following main questions:

a. How does the financial approach of financial institutions affect supporting sustainable economic development?
b. Are there innovative financial policies or investment programs aimed at promoting economic sustainability?
c. Does sustainable financing affect sustainable economic development?
d. Does financial education have an impact on sustainable economic development?

RESEARCH IMPORTANCE

Financial institutions play a vital role in directing investments towards projects and activities that promote sustainable development, such as renewable energy, clean technology, and sustainable infrastructure. In addition to their role in providing the necessary financing to implement environmental and sustainable projects, such as solar and wind power plants, recycling projects, and environmental improvement. Accordingly, financial institutions play a vital role in promoting sustainable development by directing investments, financing environmental projects, promoting sustainable business practices, developing policies and standards, and providing sustainable financial products.

RESEARCH OBJECTIVES

The research intends to achieve the following:
1. Study the impact of banks' financial approach in supporting sustainable economic development.
2. Study the impact of innovative financial policies or investment programs in promoting sustainable economic development.
3. Study the impact of sustainable financing in promoting sustainable economic development.

RESEARCH HYPOTHESES

Based on the research problem, the following hypotheses were developed:
Main Hypothesis: There is no significant influence relationship between financial institutions in achieving sustainable economic development.

The following sub-hypotheses emerge from it:
a. There is an insignificant association between financial innovations and achieving sustainable economic development.
b. Sustainable financing policies have an insignificant association with sustainable economic development.
c. Financial education has an insignificant association with sustainable economic development.

LITERATURE REVIEW

Concept of Financial Institutions

Financial institutions are entities and structures that operate in the financial system and provide a variety of financial services and products to individuals and companies (Jadah et al., 2025). These entities include commercial and investment banks, insurance companies, investment funds, real estate finance companies, financial brokers, the financial market, and others. In general, financial institutions play a vital role in the financial system by providing services and products that meet the needs of individuals and companies in terms of financing, wealth management, financial risk protection, and facilitating trading in financial markets (Mohammed, 2025).

In addition, financial institutions play an important role in supporting economic growth, achieving financial stability, and promoting economic and social development. They also play a role in achieving the general economic goals of the state, such as directing investments towards vital sectors and supporting innovation and sustainable development (Mayer, 2012). In general, the basic concept of financial institutions represents a group of entities that operate in the financial system and provide various financial services and products with the aim of meeting the needs of individuals and companies and achieving economic and social goals (Al-Saeed, 2003).

The importance of financial institutions

Financial institutions play a crucial role in the economy in its various forms, and there are several reasons that make them important (Jordan, 2014):

a. Providing financing: Financial institutions help provide financing to individuals and companies, whether through investment loans, real estate financing, project financing, or other financial services.
b. Risk management: Financial institutions play an important role in managing and mitigating financial risks, whether through accident insurance, health insurance, or providing financial advice to achieve customers' goals with the least possible risks (Mohammed, 2016).
c. Stimulating investment and economic growth: By providing financing and various financial services, financial institutions encourage investment in the economy, thus contributing to achieving economic growth and creating job opportunities (Al-Husainy, 2025).
d. Facilitating commercial transactions and trade exchange: Financial institutions provide various means of payment and facilitate financial transfers and trade exchange between individuals and companies at the local and international levels.
e. Financial empowerment of the individual: Financial institutions help individuals manage their money effectively, and provide them with savings, investment, retirement, and insurance services, which contributes to improving the quality of their financial life.

Financial Institutions functions

Financial institutions jobs include a variety of roles and responsibilities that contribute to facilitating financial trading and providing financial services to individuals and companies. Here are some of the main functions of financial institutions (Rezaee, 2008):

a. Providing banking services: These services include opening current and savings accounts, providing loans and credits, issuing credit cards and direct debit cards, and facilitating money transfers.

b. Trading and investment: Financial institutions provide brokerage in trading in securities, whether stocks, bonds, or sukuk. They also provide investment and financial planning services to clients and companies.
c. Asset management: This function is concerned with managing clients' funds and investments, whether those investments are in stocks, bonds, real estate, or other commodities.
d. Insurance and investment coverage: Financial institutions provide insurance services to individuals and companies, whether those insurances are life, health, cars, or property and business insurance.
e. Financial and economic research: Financial institutions provide research and analysis services to clients and investors, to help them make informed investment decisions based on financial data and analysis.
f. Providing advisory services: Financial institutions provide consultations and advisory services in areas such as personal finance, debt management, financial planning, and wealth management.

The concept of sustainable economic development

Sustainable economic development is an approach that aims to achieve economic, social and environmental progress in a balanced and permanent manner in the long term. So that the needs of current generations are met without compromising the ability of future generations to meet their needs. This concept is a response to the challenges of comprehensive development and sustainability facing global societies in the modern era (Eurostat, 2013).

The concept of sustainable economic development depends on achieving a balance between the economic, social and environmental dimensions, and is considered a comprehensive model that aims to create an economic system that works to achieve comprehensive and sustainable development for societies, ensuring the sustainability of resources, preserving the environment and promoting social and economic justice (Abdul Redha, 2007).

Intellectual analysis of the concept of sustainable economic development

Sustainable economic development is a concept that aims to achieve economic, social and environmental progress in a balanced and sustainable manner in the long term. This concept is considered a fundamental pillar in modern economic policies, as it seeks to achieve development in a way, that ensures meeting the needs of current generations without affecting the ability of future generations to meet their needs. Analytically, sustainable development includes the following dimensions (Chile, 2014):

a. **Economic dimension**: It is related to achieving economic growth that works to increase productivity, enhance job opportunities and improve the standard of living for the population. Here comes the importance of developing sustainable economic sectors such as sustainable agriculture, renewable energy and green industries.
b. **Social dimension**: It focuses on providing equal opportunities for education, health and social care, promoting equality and social justice, combating poverty and achieving comprehensive development for all segments of society.
c. **Environmental dimension**: It aims to protect and preserve the environment by using natural resources sustainably, reducing harmful emissions and preserving biodiversity (Taha & Abbas, 2023; Hashem, 2011).
d. **Balance and integration**: Balancing and integrating these dimensions is crucial to ensuring success and continuity in the path of sustainable economic development.

Characteristics of sustainable development

Sustainable development means meeting the needs of people today without reducing tomorrow's ability to meet the needs of people yet to be born. Sustainable development has several characteristics, including (Waas et al., 2010):

a. Balance between economic, social and environmental dimensions: Sustainable development aims to achieve a balance between achieving economic growth, improving the standard of living, protecting the environment and preserving natural resources.
b. Integration and comprehensiveness: The interaction between economic, social and environmental dimensions is essential in sustainable development, which requires integration between different policies and programs to achieve development goals.
c. International cooperation: International cooperation plays an important role in achieving sustainable development, as countries must work together to address global environmental, economic and social challenges.
d. Respect for local cultures: Respect and appreciation for local cultures and traditional practices are an essential part of sustainable development, as development processes must take into account local cultures and values.
e. Generational responsibility: The current generation must bear responsibility towards future generations by preserving resources and the environment and providing equal opportunities for all without compromising the capabilities of future generations.

Sustainable Development Goals

They are a set of goals set by the United Nations to achieve sustainable development globally by 2030. These goals are known as the "Sustainable Development Goals" or "United Nations Sustainable Development Goals" (SDGs).
These goals consist of 17 main goals, which are:

1. Eliminate poverty worldwide in every form.
2. End extreme poverty; guarantee access to food, improve nutrition and agri-cultural production to boost food availability.
3. Promote sustainable forestry management and conservation of landscapes and seascapes, and address health issues at all ages.
4. Provide high-quality education for everyone with equal access to educational chances to foster skills.
5. Achieve gender equality and empower women.
6. Ensure the availability and accessibility of infrastructure for clean water, safe sanitation and hygiene.
7. Ensure universal and equal access to affordable, reliable, perpetual, and renewable energy for all.
8. Promote sustainable and inclusive economic growth and employment, as well as sustainable development and a green economy and society.
9. Build robust infrastructure and promote industries and innovation.
10. Reduce gaps within and between countries, and promote equality between countries.
11. Achieve sustainable cities, equality between cities and adequate housing for all.
12. Promote sustainable patterns of consumption, production, and living.
13. Act urgently to fight climate change and address its effects.
14. Protect and responsibly use oceans, seas, and marine life.
15. Safeguard, restore, and sustainably manage land-based ecosystems.
16. Foster peaceful and inclusive societies, provide access to justice and build effective institutions.
17. Strengthen global partnerships to achieve the goals.
    These goals constitute a comprehensive framework for action towards sustainable development, and reflect everyone's commitment to working together to build a better and more appropriate world for current and future generations.

Framework of the research

To the extent needed to support the findings of this research, descriptive statistical analysis of the research variables is presented utilizing various standard statistical procedures including means, variability, coefficient of variation, correlation and influence between independent and dependent variables and hypothesis testing:

METHODOLOGY

The present study is based on Quantitative approach, where the study is achieved through survey method by using questionnaire. The study is carried out on mA sample of 48 employees working in (5) banks (which are Al Taif Islamic Bank, Economy Bank for Investment and Finance, Gulf Bank, National Bank of Iraq and International Development Bank, Baghdad Bank) and (2) insurance companies (National Insurance Company and Iraq Insurance Company) operating in Babylon Governorate was selected. The data was collected within a period of 30 days from (11/20/2025-12/20/2025).

To analyze data that obtained from the informants in this study, the researcher used Statistical Package for the Social Sciences (SPSS) software. This analysis consisted of the study of the relationship and interaction between variables with the significance level $p \leq 0.05$. The software used was SPSS version 24 to get true and reliable quantitative data which supported findings and conclusions in this research.

This research aims at identifying the impact of financial institutions in boosting sustainable economic development in Iraqi financial institutions operating in Babylon Governorate, which is one of the Iraqi governorates. This goal can be achieved through field research, using a suitable questionnaire, collecting data, validating and guaranteeing its content and reliability. Results indicate a positive correlation between the tool items and the study variables. Furthermore, the study tool is valid and reliable. The test of internal consistency obtained a very strong positive correlation between the items of the study tool and the study variables (financial institutions dimensions). The tool's overall coefficient of reliability (Cronbach's Alpha) equals 0.873. The coefficient of the dimension of financial institutions equals 0.868. Also, the coefficient of the dimension of sustainable economic development equals 0.878.

ANALYSIS AND FINDINGS

Description and diagnosis of the research variables

The content of this section is to present views diagnostics of the study sample. The section presents results of research carried out using a questionnaire and analyses of the obtained results in relation to variables related to financial institutions and sustainable economic development. Description and diagnosis of the opinions of the study sample on the dimensions of financial institutions.

Table (1) Descriptive statistics for the dimensions of financial institution

No	Financial institution	Number of terms	Coefficient of variation	Relative sufficiency	Standard deviation	Weighted mean
1	Financial Innovations	5	0.304	48%	84.70	4.30
2	Sustainable finance	5	0.256	86%	80.30	4.18
3	Financial education	5	0.240	86%	86.60	3.44

4	GPA	25	0.229	82%	80.49	3.85

Source: SPSS software outputs. N=48

The overall weighted arithmetic mean for all studied dimensions of financial institutions was 3.85, greater than the hypothetical mean equal to 3. The total standard deviation was equal to 0.887, which indicates great data homogeneity. Relative response adequacy of the sample amounted to approximately 84%, which means the sample's opinions reflected special attention to this variable. The answers provided for all items had a positive trend and their weighted arithmetic mean was higher than the hypothetical mean equal to 3.

Table (1) shows that financial innovation dimension was measured by five items. The agreement rate of this dimension was 84% which is a very strong degree of agreement indicative of the fact that all the procedures adopted by financial institutions in the research sample provide financial innovations accessible to all their members. In addition, what confirms these results is the value of the weighted arithmetic mean for this dimension, which reached (4.30), which is higher compared to the hypothetical arithmetic mean of (3), and the value of the standard deviation for this dimension reached (0.847). The results indicate high consistency between perceptions of sample members (coefficient of variation =0.304). This implies that financial institutions under study are able to adopt financial innovations in effective way. These innovations provide a variety of products and services that better meet the needs of individuals and companies, and at the same time enhance sustainable development by directing investments towards projects and activities that contribute to achieving a balance between the economic, environmental and social dimensions.

Table (1) reports the results for sustainable financing. The weighted mean for sustainable financing is 4.18, above the hypothetical mean of 3. The standard deviation of 0.803 indicates very low variability. The relative sufficiency for this variable is 86%. The Coeff Var for this variable is 0.256. Which means that the financial institutions under study are working effectively to adopt financial innovations and provide these innovations with a variety of products and services that better meet the needs of individuals and companies, and at the same time enhance sustainable development by providing green bonds and sustainable loans, and providing consultations and training on sustainable financing, financial institutions contribute to stimulating innovation and adopting sustainable financial practices.

Table (1) shows that the weighted average for financial education dimension was (4.34) which is greater than the hypothetical mean of (3). The relative sufficiency was (86%) and the coefficient of variation was (0.240). The standard deviation was (0.866). Hence, financial institution under study will focus on introducing financial innovations in order to improve financial literacy and awareness, both for individuals and businesses. This can be achieved through financial education and counseling programs that would help build the individuals' capacity to make rational and sustainable financial decisions. These efforts are an essential part of the pursuit of sustainable financial development, as financial education can play a vital role in empowering individuals and enhancing their effective participation in the financial system.

Description and diagnosis of the opinions of the study sample on the variable of sustainable economic development.

Table (2)

Frequency distribution, weighted arithmetic mean, standard deviation and percentage weight of the sample members' answers to the variable of sustainable economic development.

Sustainable economic development	Number of terms	Arithmetic mean	Standard deviation	Relative sufficiency	coefficient of variation

Economic dimension	10	3.97	0.86	79%	5.982
Social dimension	10	3.34	0.95	67.25%	7.234
Environmental Dimension	10	3.32	0.91	66.45%	4.278
Overall Average	10	3.54	0.91	70.9%	5.831

Source: Prepared by researchers based on computer results using SPSS program. N=48

The average of weighted arithmetic means for variables of overall sustainable economic development was recorded (3.54) which is higher than hypothetical mean equal to (3). The standard deviation of variables was (0.91). Relative sufficiency of the sample responses to the variable was recorded about (71%). The attention of respondents to this variable was also appeared clearly through their answers, because all their answers got weighted arithmetic means higher than the hypothetical mean.

The impact relationships between financial institutions and sustainable economic development

To test the research hypotheses, Table (3) was prepared.

Table (3)

Results of the impact relationship between the dimensions of financial institutions and sustainable economic development at the macro level.

Variables	Financial institution		R^2	F		T	
	B0	B1		Calculated	Tabular	Calculated	Tabular
Sustainable economic development	0.811	0.923	0.571	38.108	3.235	8.267	2.281

Source: Prepared by researchers based on computer results using SPSS program. N=48

The findings of the regression analysis of Table (3) indicate that financial institutions have a significant impact in promoting and achieving sustainable economic development. This is supported by the value of (F) of (*38.108), which is greater than its tabular value of (3.235) at two degrees of freedom (35.1) and a significance level of (0.05). This is inferred from the coefficient value of determination (R2) of (0.571), which is supported by the value of the regression coefficient (Beta) of (0.923). This is reinforced by the calculated value of (t) of (*8.2670), which is greater than its tabular value of (2.281). Based on the above, we reject the main hypothesis that states that there is no significant impact relationship for financial institutions in achieving sustainable economic development.

Table (4)

Estimating the coefficients of the multiple linear regression model to measure the impact of financial institutions in implementing and promoting sustainable economic development at the level of the combined dimensions:

Variables	Sustainable economic development	R^2	F		T	
			Calculated	Tabular	Calculated	Tabular
Financial innovation	0.736	0.456	28.102	3.687	6.218	2.740

Sustainable finance	0.691	0.378	16.894		4.811	
Financial education	0.611	0.399	20.287		5.862	

Source: Prepared by researchers based on computer results using SPSS program. N=48

The findings of Table (4) focus on verifying the validity of the main hypothesis which states that there is no significant effect of the dimensions of financial institutions in promoting and achieving sustainable economic development, and the results of the regression analysis in Table (4) indicate that financial institutions have a significant effect in promoting and achieving sustainable economic development, and this is supported by the value of (F) which was limited between (28.102; 16.894) and is greater than its tabular value of (3.687) at two degrees of freedom (32.1) and a significance level of (0.05) and is inferred from the value of the coefficient of determination (R2) which was limited between two values (0.456; 0.378) and this was reinforced by the calculated value of (t) which was limited between the following two values (6.218; 4.811) and is greater than its tabular value of (2.740). This means that the financial institutions in the research sample contribute to achieving and promoting the requirements of sustainable economic development and can be partners Effective in efforts to promote sustainable economic development by directing capital and providing financial services in ways that support the environment, society and the economy. As well as providing financial services such as microcredit, insurance and savings services, financial institutions can support economic development in developing societies and improve the standard of living. Accordingly, we reject the main hypothesis that there is no significant effect of the dimensions of the financial institution in achieving and promoting sustainable economic development.

CONCLUSIONS

The current study can conclude that financial institutions can design financial products and services that promote sustainable development, such as low-interest loans for environmental and social projects, and investment in bonds. There is an urgent need to encourage and enhance cooperation between financial institutions, civil society, governments, and private companies to ensure that financing is directed towards projects and activities that have a positive impact on the environment and society. Financial institutions play a vital role in obtaining sustainable development by promoting investment in infrastructure and providing the necessary financing for infrastructure projects such as renewable energy, and improving transportation and communications infrastructure by supporting these projects that can enhance economic growth and achieve sustainable development. The statistical analysis in the table highlights that financial institutions have a major role in supporting sustainable economic development, which indicates the importance of continued interaction and cooperation between these institutions and societies to promote sustainable growth and the well-being of individuals. We note through the statistical analysis that the estimates of the coefficient of determination (R2) indicate that the independent variables (dimensions of financial institutions such as financial innovation, sustainable financing, and financial education) explain a large proportion of the variance in sustainable economic development, indicating that these dimensions are important and influential.

Based on the study conclusion, the current study recommends that the impact of financial innovations such as financial technology and Islamic finance on enhancing access to financial services and empowering vulnerable groups economically should be studied. Furthermore, analyse how to develop new financial products and services that meet the needs of individuals and businesses related to sustainable development. Future studies have to study the roles and strategies of financial institutions in financing environmental and social projects that promote sustainable development. In addition, study the impact of financial education programs on enhancing awareness of sustainable financial and economic topics among the public.

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