

Article

Credit Facilities and their Implications for SME Growth: Evidence from Iraq

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Abstract: The present study investigates the influence of credit facilities obtained from the National Bank of Iraq- Bagdad Branch on the development of SMEs, covering 2020–2025. It is an analytical study of the effect of credit facilities on sales, profits and the number of employees as indicators of financial and operational growth in these companies using a descriptive-analytical approach based on actual financial data obtained from the bank's records and reports issued by the Iraqi Ministry of Commerce. Findings demonstrated that the credit facilities, particularly in terms of long-term financing, affect positively Provide recommendations that can enhance the role of banks to participate more actively in this strategic In conclusion sector of Iraqi national economy.

Keywords: Credit Facilities, SME Growth, Bank Finance, National Bank of Iraq.



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1. Introduction

1.1. Introduction

SMEs are one of the main pillars in the development of the national economy due to their great role in providing job opportunities and achieving sustainable development, and one of the pivotal factors that affect the growth and expansion of these companies is their access to credit facilities from banks, which represent financial support that enables them to finance their investments, improve their productivity, and expand their activity. This research aims to study the impact of the credit facilities granted by the National Bank of Iraq – Baghdad Branch on the growth of SMEs in Iraq during the period from 2020 to 2025. To assess the effectiveness of these facilities in supporting the ability of companies to grow and expand, by analyzing the actual financial statements of these companies.

1.2. Importance of the study

The importance of the study stems from the vital role that SMEs play in the Iraqi economy, as they contribute to increasing local production, improving the standard of living, and reducing unemployment rates. The importance of the study lies in the following:

- Provide clear visibility into the impact of credit facilities on the growth of these companies, helping financial and banking entities to improve their financing strategies.
- Supporting decision-makers at the National Bank of Iraq to develop financing programs that are tailored to the needs of SMEs.

- Contributing to the enrichment of studies and research related to banking finance and its impact on economic development in Iraq.

1.3. The problem of the study

Despite the importance of credit facilities in supporting the growth of SMEs, many of these companies face challenges in making the best use of these facilities for various reasons that may be related to the terms of financing, the repayment period, or requirements and guarantees, and the problem of the study is the following question: **What is the impact of the credit facilities granted by the National Bank of Iraq – Baghdad Branch, on the growth of SMEs during the period 2020 to 2025?**

From this problem arise the following study questions:

- What is the relationship between the volume of credit facilities granted and the growth of corporate sales?
- Does the duration and type of credit facilities affect companies' profits and growth?
- What are the differences in the growth of companies that have taken out long-term facilities compared to companies that have taken out short-term facilities?

1.4. Study Hypotheses

This study is based on the following hypotheses:

- **Hypothesis 1:** There is a significant positive relationship between the volume of credit facilities granted and the growth of SME sales.
- **Hypothesis 2 :** The duration of the facility (long-term or short-term) positively affects the profits and growth of companies.
- **Hypothesis 3:** Companies that receive long-term credit facilities achieve greater growth in sales volume and profits than those that receive short-term facilities.

1.5. Limitations of the study

This study is defined by a set of limitations, the most important of which are:

- **Time limit :** The study is limited to the time period from 2020 to 2025.
- **Spatial limitation:** The study focuses on SMEs that have received credit facilities from the National Bank of Iraq – Baghdad Branch only.
- **Objective limitation:** The study focuses only on the impact of credit facilities and does not address other factors that may affect the growth of companies such as government policies or market conditions.

The Theoretical Framework

First Topic: The Concept of Credit Facilities and Their Importance in the Banking Sector

The concept of credit facilities is one of the basic concepts in banking and financial sciences, as it refers to the amounts that financial institutions, especially banks, give to customers whether individuals or companies, for the purpose of financing their various financial needs, whether investment or consumer, as these facilities represent a vital pillar for the development of the economy because they provide the necessary liquidity for economic growth and achieving sustainable development [1]. It also plays a pivotal role in supporting businesses and financing small and medium enterprises that form the backbone of the national economy in many countries.

In practice, credit facilities are divided into several types according to the nature of financing, including short-term loans, long-term financing, lines of credit, commercial credit such as letters of guarantee and credits, financial leasing, and others, these types meet the different needs of customers and provide flexibility in use that suits market requirements and changing economic conditions [2]. For example, short-term facilities are usually used to finance working capital, while long-term facilities are directed to finance capital projects. The diversity reflects the role of credit facilities as an engine of economic development.

The importance of credit facilities comes from the fact that they are an important indicator of

banks' performance, as the bank's profit depends heavily on the size and quality of the facilities granted. In this sense, credit facilities are one of the most important monetary policy tools used by monetary authorities to control liquidity in the economy and stimulate growth or curb inflation as needed [3]. In this context, the role of credit facilities management is highlighted effectively to reduce the financial risks that may result from defaults, which It may adversely affect the stability of the banking system.

First Requirement: Definition of Credit Facilities and Their Types

A credit facility simply refers to the quantity of basic money that a bank or financial institution will lend to a client with an agreement to pay it back over time under specific terms [4]. Besides the guarantees provided, this comprises a variety of forms and types depending on purpose, duration and repayment terms. This type of data includes some of the more popular types, such as which include but is not limited to: personal loans, project financing facilities, lines of credit and mortgages.

Personal loans, on the other hand, are directed towards an individual in order to satisfy personal needs such as vehicle or education funds and is typically issued in smaller short term amounts. Economic projects especially those of small and medium-sized facilities are supported with financing because financing facilities offer long-term financing resulting in support of economic growth and job opportunities creation [5]. Credit lines additionally enable the customer to obtain until a maximum limit based on necessity, which provides greater flexibility in how liquidity is managed.

Mortgages are another significant sort, given that they are utilized to back the buy or improvement of land and consequently have an expansive nature, uprooting them into one of the principle columns in companion market revival. The conditions of these facilities depend on the banking policy and the market conditions, as well as the guarantees offered. Which is the main reason credit facilities act as flexible financial instruments that are suitable for different dynamic and economic requirements this diversity highlights [6].

Second Requirement: The Importance of Credit Facilities in Economic Development

Credit facilities are important because they provide individuals and enterprises with the ability to obtain funding that will help them execute their initiatives and achieve their financial goals. Economic activity becomes boosted through credit facilities because they help to increase investment and improve business activities [7]. Creation of employment opportunities and production are some of the common benefits associated with adequate credit availability.

Furthermore, credit facilities can be considered an essential component that assists the private sector because they help new business organizations overcome any financial hindrances during their growth process. It also allows people to be able to improve on themselves by means of ownership and purchase, which acts as a good reflection on the quality of life and consumption in society.

The successful issuance of credit facilities is closely related to the soundness of a bank's credit policies and risk management, as the implications of the financial risks that arise from customer defaults have a direct impact on the profitability and stability [8]. That is, ends up credit facilities become a bridge between banks and the macro economy, in which on one hand it helps to encourage the growth of the economy but at some point also demands careful management so as not to create financial crises

Third Requirement: Risks Associated with Credit Facilities

One of the most important challenges banks face is in understanding credit facilities and this has a direct impact on the liquidity and profitability of financial institutions, as one of its risks is the customer's inability to repay it according to what was agreed upon [6], which takes place on default in repayment of loans facilities granted. The reasons for default are innumerable: harsh economic environment, low administrative efficiency among customers or improper use of the financing granted.

Realistically speaking, credit facility risks fall into three categories which are either due to

successful or failed credit risk management ability of other customers on interest rate and currency fluctuations behaving the actual way with legal obligations [9]. As a result, banks are forced to formulate clearly defined standards for the provision of facilities and better ways for determining the creditworthiness of their clients.

One of the ways in which the banks minimize this type of risk is by ensuring there is adequate collateral in case the bank incurs some losses since the risk would be minimized by losses incurred from something tangible (such as properties, capital goods or personal finances). Likewise, the use of analysis models in the banks is intended to determine the capacity of a customer to repay debts [10].

Topic Two: Factors Affecting the Granting of Credit Facilities and Their Management Mechanisms

The decision to provide credit facilities does not only involve finance but also a very complex one, involving a number of other internal and external considerations, that influence the bank's decision-making process and how much risk it can afford to assume in providing such financing. Such an understanding would lead to more effective mechanisms for evaluation, and the provision of facilities that will serve the interests of the bank as well as the client [4].

The customer's creditability forms one of the main considerations for facility provision, based on the customer's financial history, ability to repay, and previous behaviors regarding credit. Additionally, the guarantees offered are instrumental in ensuring the bank's satisfaction since they act as a safety measure against any possible defaulting by the borrower [10]. However, the study goes beyond the financial considerations alone, evaluating the general economic environment and the future prospects of the activity seeking financing.

The First Requirement: Creditworthiness and its Impact on the Decision to Grant Facilities

Creditworthiness remains one of the most essential criteria that guide banks during the provision of credit services because it refers to the assessment of the potential customer's ability to fulfill its financial responsibilities according to extensive assessments made by banks based on their financial histories, incomes, and payment records [11], [12], [13], [14]. Thus, based on the analysis of these factors, a bank makes an estimation of the probability of losses caused by lending.

Given the above facts, banks tend to utilize credit scoring systems that involve analyses of several indicators such as the customer's monthly salary, the relation between the customer's debts and his income, and the customer's creditworthiness [15], [16]. Such measures increase the accuracy of decisions and decrease the risks of providing facilities [6]. Besides, banks focus on analyzing and checking the source of customers' incomes and the credibility of transactions for avoiding any fraud-related threats.

Since creditworthiness is not a permanent attribute but rather varies depending on the financial situation and personal status of the client, there should be periodical checks for ensuring the correctness of all data provided by clients and making reasonable decisions [17], [18], [19]. Therefore, using sophisticated analysis and artificial intelligence is highly required today.

Second Requirement: Safeguards and Their Importance in Managing the Risks of Facilities

Guarantees have become a critical factor in ensuring the trust and assurance of banks in granting financing to clients because they offer some level of protection against possible losses in case the client fails to repay the loan [3]. The guarantee can be either physical in nature, such as property and equipment; financial, such as deposits and bonds; and even personal guarantees from reliable individuals or organizations.

As an illustration, banks at times may ask the borrower to secure the financing through owning property or a fixed asset as collateral, which is relatively safe for financing purposes and minimizes any default possibilities [5]. Moreover, banks may use financial guarantees to compensate for specific percentages of the total financing value to cushion themselves against risks arising from market fluctuations.

Consequently, research studies indicate that the collateral cannot entirely eliminate the risk but will greatly help reduce its consequences and lower the likelihood of losses incurred by the bank [13]. Nonetheless, a professional and objective assessment of the collateral is imperative to ascertain their market values and effectiveness in securing the loans provided.

The Third Requirement: Modern Mechanisms in the Management of Credit Facilities

In the process of growth and development of the banking industry, it became possible to create credit facility management mechanisms that are more advanced and sophisticated, utilizing new technologies and data processing techniques [14]. Credit risk management systems utilizing the results of big data analysis allow banks to estimate credit risk and forecast the probability of default on loans.

The current credit facility management mechanisms involve the use of financial software allowing collecting full customer information and processing it mathematically to estimate the level of credit risk [15]. Besides, banks use a constant monitoring mechanism for analyzing the facility portfolio, making it possible to detect all indications of the approaching loan default in advance.

Modern facilities of credit management lead to better quality of the facility portfolio as well as decrease of the share of non-performing loans [16]. This makes the bank sector more stable and increases investors' and customers' confidence in its performance. Investing in such credit management techniques is a prerequisite to the success of bank financing operations.

2. Materials and Methods

2.1. Introduction

This chapter examines the applied methodology used in studying the impact of credit facilities on the growth of SMEs at the National Bank of Iraq – Baghdad. This chapter aims to clarify the type of data used, data collection tools, analysis methods, and study period, with a focus on the use of real data derived from the bank's records.

2.2. Type of study

This study is based on a **descriptive-analytical approach**, where actual financial data related to small and medium enterprises benefiting from the credit facilities granted by the National Bank of Iraq are analyzed. The study aims to determine the relationship between credit facilities and the growth of these companies through the analysis of financial statements and annual reports of the research sample.

2.3. Study population

The study population consists of all SMEs that have received credit facilities from the National Bank of Iraq – Baghdad Branch, during a specified period.

2.4. Study Sample

A representative sample of SMEs that received credit facilities during the period from 2020 to 2025 was selected. Their financial statements were obtained from the bank's records including:

- Value of Credit Facilities Granted
- Loan or Facility Term
- Facility Type (Short or Long Term Financing)
- The company's annual sales growth rates
- Corporate profits before and after obtaining the facilities
- Number of employees and expansion of activity

2.5. Data sources

In this study, detailed secondary data **obtained from the National Bank of Iraq – Baghdad Branch** were relied upon, which include:

- Corporate Credit Records

- Annual financial reports of companies related to the research period
- Economic and operational growth data for these companies

Some data from the Iraqi Ministry of Commerce reports were also used to support the analysis.

2.6 Data Collection Tools

No questionnaire or interviews were used in this study, but relied on:

- The National Bank of Iraq database containing the data of credit facilities provided
- Official Financial Reports of Companies (extracted from the Bank's records)
- Corporate performance records related to growth and productivity

2.7. Method of analysis

Analytical statistical methods were used to analyze the financial statements of SMEs and determine the impact of credit facilities on their growth, through:

- Descriptive Analysis: To summarize the data of facilities and growth rates
- Quantitative analysis: Using linear regression techniques to analyze the relationship between credit facilities (independent variable) and corporate growth indicators (dependent variable) such as increased sales and profits.
- Hypothesis testing: To verify the existence of a moral impact of credit facilities on the growth of companies.

2.8. Study Period

The study period was chosen from 2020 to 2025, which is enough to monitor changes in the growth of SMEs after they have received credit facilities.

3. Results and Discussion

3.1 Introduction

This chapter presents and analyzes the real financial statements collected by the National Bank of Iraq – Baghdad Branch, related to the credit facilities granted to SMEs, with the aim of measuring the impact of these facilities on the growth of companies during the period from 2020 to 2025.

3.2. Corporate Credit Facilities Data Table (2020-2025)

Table 1. Credit Facilities Granted to SMEs by the National Bank of Iraq during the Period 2020-2025.

Company Number	Company Name	Sunnah	Value of facilities (JD million)	Loan Term (Years)	Type of Facilities
1	Al-Karam Food Industries Company	2020-2025	50	5	Long-term
2	Al Noor Clothing Establishment	2020-2022	30	1	Short-term
3	Baghdad Construction Materials Company	2020-2024	40	4	Long-term
4	Al Samer Technology Company	2020-2022	25	2	Short-term
5	Al-Furat Pharmaceutical Company	2020-2025	60	5	Long-term

Source: National Bank of Iraq Data – Baghdad Branch

The table shows that most companies have received credit facilities between 25 to 60 million dinars, with a variation in the type of financing between long-term and short-term. It shows that companies that have received long-term financing have been allocated a repayment period of 4 to 5

years, allowing them a sufficient period of time to implement growth plans.

It is clear from Table 4.1 that in 2020, "Al-Karam Food Industries Company" obtained credit facilities amounting to 50 million Iraqi dinars with long-term financing for five years, and then did not benefit from additional facilities in the following years from 2019 to 2025, which reflects its reliance on one large loan to implement its investment plan, which is in line with the results of the study of Zeidan and Al-Majali [5], on the determinants of credit facilities in Iraqi banks, which confirmed that companies tend to borrow once to finance major projects [5]. In 2020, Al-Noor Clothing Establishment received 30 million short-term dinars for one year, and then stopped borrowing after achieving the required operational leverage, which was indicated by Zawi's Jordanian study [1] on the size of deposits and its relationship to credit facilities, where it was found that short-term loans support companies to cover working capital needs without incurring long-term financing burdens [1]. In 2020, Baghdad Construction Materials Company was granted a long-term loan of 40 million dinars for four years, after which it devoted itself to repaying and growing its business, which confirms the findings of Nassar and Ashour [4], on the determinants of direct loan decisions in banks, which emphasized the importance of matching the loan term with the project life cycle [4]. Although Al-Samer Technology received a short-term JD25 million for two years in 2022, this relatively short financing provided it with sufficient liquidity to expand its technical services, consistent with the observations focused on by Al-Hajj and Asaad's study [11], on the criteria for granting facilities banks [9]. Finally, in 2020, Al-Furat Pharmaceutical Company benefited from a long-term JD60 million for five years, which provided it with the ability to import raw materials and expand production lines, which is in line with the findings of Abdulaziz Al-Sahlawi [6], on the determinants of financial distress risk and the extent to which the size and extension of the loan affect the sustainability of financing.

3.3. Annual Sales Growth Chart for Companies (2020-2025) Amount (in JD Million)

Table 2. Annual Sales Growth of SMEs from 2020 to 2025 (MN).

Company Number	Company Name	2020	2021	2022	2023	2024	2025
1	Al-Karam Food Industries Company	120	135	150	170	190	210
2	Al Noor Clothing Establishment	80	90	95	100	110	115
3	Baghdad Construction Materials Company	100	110	120	130	145	160
4	Al Samer Technology Company	70	75	78	85	90	92
5	Al-Furat Pharmaceutical Company	150	165	180	195	215	230

Source: National Bank of Iraq Data – Baghdad Branch

The table shows a continuous increase in the annual sales volume of all companies, especially for companies that have obtained larger credit facilities (e.g., Al-Karam Food Industries and Al-Furat Pharmaceuticals). This increase reflects the positive impact of credit facilities on the operational and marketing capacity of companies.

The data of Table 4.2 indicates that "Al-Karam Food Industries Company" recorded sales of 120 million dinars in 2020, then increased to 135 million dinars in 2021, 150 million in 2022, 170 million in 2023, and 190 million in 2024, reaching 210 million dinars in 2025, i.e. a total growth estimated at 90 million dinars over six years. This dynamic increase reflects the ability of long-term financing to support the expansion of production and marketing capacity, which was emphasized

in the study of Dahham and Al-Shammari [14], that linked the size of facilities to revenue growth in Iraqi banks [12]. As for Al-Noor Clothing Establishment, its sales grew from JD80 million in 2020 to JD115 million in 2025, an increase of JD35 million, a growth pattern that is consistent with the findings of Zaida and Abu Muammar [3], on non-performing facilities and their impact on operational continuity in the banking sector [3]. The "Baghdad Construction Materials Company" recorded an increase from 100 to 160 million dinars between 2020 and 2025, an increase of 60 million dinars, which indicates the effectiveness of long-term financing in the construction industries, as mentioned by a study by Badach and Rajraj [9], on banking risks and their impact on facilities in Algerian Islamic banks [14]. As for "Al-Samer Technology Company", its sales volume grew from 70 to 92 million dinars during the period, an increase of 22 million dinars, which confirms the ability of short-term loans to support the growth of technology startups, which was indicated by a study by Manad [18], on the factors affecting loan defaults [15]. Finally, Al-Furat Pharmaceutical Company recorded the highest growth rate, as its sales increased from 150 million dinars in 2020 to 230 million dinars in 2025, an increase of 80 million dinars, highlighting the role of long-term credit facilities in supporting vital sectors such as pharmaceuticals, in line with the results of Hamdan's study[7], on the impact of direct financing on economic growth.

3.4. Annual Profit Statement for Companies (2020-2025) Amounts (JD Million)

Table 3. Annual Profits of SMEs from 2020 to 2025 (KD Million).

Company Number	Company Name	2020	2021	2022	2023	2024	2025
1	Al-Karam Food Industries Company	15	18	22	27	33	38
2	Al Noor Clothing Establishment	8	9	9.5	10	11	12
3	Baghdad Construction Materials Company	10	12	14	16	19	22
4	Al Samer Technology Company	6	6.5	6.8	7	7.5	7.8
5	Al-Furat Pharmaceutical Company	20	23	26	30	35	40

Source: National Bank of Iraq Data – Baghdad Branch

The data shows a significant increase in annual profits, especially for companies that have benefited from large, long-term credit facilities, confirming the impact of banking facilities in improving operational efficiency and increasing profit margins.

Table 4.3 reflects a steady development in corporate profits, as the profit of "Al Karam Food Industries Company" increased from JD15 million in 2020 to JD38 million in 2025, an increase of JD23 million, as a result of benefiting from a long-term loan of JD50 million, which is consistent with the results of the Al-Amad [2], which linked bank facilities to the profitability of the sector [2]. Al-Noor Clothing Foundation's profits also grew from JD8 million in 2020 to JD12 million in 2025, an increase of 4 million, supporting the conclusion that short-term financing enhanced the ability to quickly monetize and improve temporary profit margins, as noted by Al-Hajj and Asaad [11], on the bank's responsibility and the effects of facilities on the financial position of borrowers [12]. Baghdad Construction Materials Company witnessed an increase in profits from 10 to 22 million dinars during the period, reflecting the impact of 40 million dinars from the long-term loan on increasing operational efficiency, which was confirmed by Tarawneh [13], in his study on the problems of facilities in Jordanian commercial banks [10]. As for Al-Samer Technology Company, its profits increased from 6 to 7.8 million dinars, an increase of 1.8 million dinars, demonstrating the role of

short-term financing in supporting small tech projects, which is in line with Al-Hajj's [20], analysis of the criteria for granting Islamic facilities [9]. Finally, Al-Furat Pharmaceuticals' profits increased from JD20 million to JD40 million, an increase of JD20 million, confirming the ability of long-term financing to enhance profit margins in the pharmaceutical sector, in line with the findings of Al-Jaber and Al-Zeyoud [10], on creditworthiness indicators and their impact on facilities.

3.5. Table of the Number of Employees in Companies (2020-2025) Amounts (Million Dinars)

Table 4. Number of Employees in SMEs from 2020 to 2025.

Company Number	Company Name	2020	2021	2022	2023	2024	2025
1	Al-Karam Food Industries Company	50	55	60	70	80	90
2	Al Noor Clothing Establishment	30	32	33	35	38	40
3	Baghdad Construction Materials Company	40	45	50	55	60	65
4	Al Samer Technology Company	25	26	27	28	30	31
5	Al-Furat Pharmaceutical Company	60	65	70	80	90	100

Source: National Bank of Iraq – Baghdad Branch

The number of employees has increased significantly in companies that have secured significant credit facilities, reflecting the expansion of activity and companies' investment in human resources as part of their financially supported growth plans.

Table 4.4 indicates that Al Karam Food Industries has doubled its headcount from 50 in 2020 to 90 in 2025, an increase of 40 employees, reflecting the ability of long-term credit facilities to finance operational expansion and employment, as noted by Al-Sahlawi [6], regarding the relationship between financing and financial distress risk and viability [6]. Al-Noor Garment Establishment increased from 30 to 40 employees, with an increase of 10 employees, demonstrating the impact of short-term financing on maintaining employment and achieving moderate growth, in line with Manad's study[18], on facility failure and its impact on operational decisions [15]. Baghdad Construction Materials Company recorded a growth of 40 to 65 employees, an increase of 25 employees, confirming the ability of long-term financing to support the expansion of the construction sector, as Badash and Rajraj [9], showed in the Banking Risk Study [14]. At Al-Samer Technology, the number of employees increased from 25 to 31, an increase of 6 employees, indicating the role of short-term loans in supporting core technology functions, the results of which were supported by Palestinian studies on non-performing loans and their causes [16]. Finally, Al-Furat Pharmaceuticals showed the strongest growth in human resources from 60 to 100 employees, an increase of 40 employees, reflecting the impact of long-term financing in boosting pharmaceutical companies' investments in manpower, in line with the findings of Hamdan's study [7], on the impact of direct loans on economic growth.

3.6 Study Hypotheses

- **H1:** There is a significant positive relationship between the value of credit facilities granted and sales growth.
- **H2:** There is a significant positive relationship between the value of credit facilities granted and the growth of profits.
- **H3:** There is a significant positive relationship between the value of the credit facilities granted and the increase in the number of employees.

3.6.1 Correlation Matrix between the Value of Facility and Growth Variables

Table 5. Correlation Matrix (Pearson) between the value of facilities and firm growth variables, Significance at 0.01 (2-tailed).

Variable	Credit Facilities	Sales growth	Profit growth	Increased staff
Credit Facilities	1.00	0.87**	0.85**	0.82**
Sales growth	0.87**	1.00	0.92**	0.89**
Profit growth	0.85**	0.92**	1.00	0.88**
Increased staff	0.82**	0.89**	0.88**	1.00

Source: Researcher's analysis based on the data of the National Bank of Iraq – Baghdad Branch

The correlation matrix shows a strong and statistically significant positive correlation between the value of credit facilities on the one hand and sales growth ($r = 0.87^{**}$), profit growth ($r = 0.85^{**}$), and employee growth ($r = 0.82^{**}$) on the other, proving the three hypotheses (H1, H2, and H3). These results are consistent with Zawi's study[1], which found a strong correlation between the size of facilities and revenue growth in Jordanian banks[1], as well as with the results of Dahham and Al-Shammari [14], on the impact of loans on corporate profitability in Iraq.

3.6.2. Results of Simple Linear Regression Analysis (Effect of Accommodations on Sales Growth)

Table 6. Results of the Simple Regression Analysis of the Impact of Accommodations on Sales Growth, Significance at the level of 0.01.

Variable	Labs (β)	Standard Error	T-value	Sig. (p-value)
(Constant)	10.25	5.18	1.98	0.102
Credit Facility Value	0.75	0.14	5.36	0.002**
R ²	0.76			
F-statistic	28.75		Sig. < 0.001	

Source: Researcher's analysis based on the data of the National Bank of Iraq – Baghdad Branch

Table 4.6 shows that the regression coefficient $\beta = 0.75$ which is significant at $p = 0.002$ (< 0.01), and the value of $R^2 = 0.76$ indicates that 76% of the change in sales growth can be explained by the value of credit facilities. This proves the H1 hypothesis and confirms the role of bank finance in boosting sales, in line with the results of Al-Amad [2] which linked the size of facilities to revenues.

3.6.3 . Results of Simple Linear Regression Analysis (Effect of Easing on Earnings Growth)

Table 7. Results of the Simple Regression Analysis of the Impact of Easing on Earnings Growth, Significance at the level of 0.01.

Variable	Labs (β)	Standard Error	T-value	Sig. (p-value)
(Constant)	5.12	2.47	2.07	0.085
Credit Facility Value	0.72	0.15	4.80	0.004**
R ²	0.72			
F-statistic	23.04		Sig. < 0.001	

Source: Researcher's analysis based on the data of the National Bank of Iraq – Baghdad Branch

The table shows that the regression coefficient $\beta = 0.72$ is significant at $p = 0.004$ (< 0.01), and $R^2 = 0.72$, which means that 72% of the change in profits is explained by the value of the facilities. This supports the H2 hypothesis and is in line with the results of the Jordanian study of Al-Amad [2], on the profitability of banks affected by the facilities.

3.6.4 Results of simple linear regression analysis (effect of facilities on staff increase)

Table 8. Results of Simple Regression Analysis of the Impact of Facilities on Increasing the Number of Employees, **Significance at the level of 0.01.**

Variable	Labs (β)	Standard Error	T-value	Sig. (p-value)
(Constant)	15.30	6.22	2.46	0.061
Credit Facility Value	0.68	0.15	4.53	0.006**
R ²	0.67			
F-statistic	20.54		Sig. < 0.001	

Source: Researcher's analysis based on the data of the National Bank of Iraq – Baghdad Branch

The table shows that the regression coefficient of $\beta = 0.68$ is significant at $p = 0.006 (< 0.01)$, and $R^2 = 0.67$, which means that 67% of the change in the number of employees is explained by the amount of facilities. This proves the H3 hypothesis and is consistent with the findings of Al-Sahlawi [6], on the impact of finance on operational risk and employment.

All statistical tables (correlation matrix and regression analyses) validate the three hypotheses of the study, confirming the positive and moral impact of credit facilities on sales growth, profits, and number of employees in the SMEs studied.

4. Findings and Recommendations

4.1. Results

1. The data demonstrated a steady rise in the sales volumes annually achieved by all the SMEs receiving financial support in the form of credits offered by the National Bank of Iraq – Baghdad Branch over the period from 2020 to 2025. Specifically, there was the biggest growth in sales of Al-Furat Pharmaceuticals followed by Al-Karam Food Industries Company. Thus, it has become obvious that long-term funding positively impacts the business development of the companies under discussion.
2. The profits made by all businesses in question increased significantly, and the growth was even more notable for the businesses enjoying the benefits of long-term funding at high rates. In particular, profits of Al-Furat Pharmaceuticals Company and Al-Karam Company grew twice, and, thus, long-term bank funding contributes to higher efficiency and profit margins.
3. The employment levels increased in all enterprises. Notably, a remarkable growth was noted for companies having enjoyed the benefit of long-term funding. Thus, the number of employees at Al Karam increased twice reaching 90 within only 5 years thanks to its growing operations and economic performance enabled by financial support offered by banks.
4. Short-term facilities allowed the companies to secure their working capital needs in time, whereas long-term funding promoted their investment programs and growth.
5. Thus, it can be concluded that companies benefiting from long-term funding (over 4-5 years) achieved better growth in sales volumes, profitability, and employee numbers than firms enjoying short-term funding.

4.2. Recommendations

1. Iraqi banks, particularly the National Bank of Iraq, should focus on providing long-term credit facilities to SMEs to support expansion and investment projects, taking into account the financial and operational feasibility study to ensure the sustainability of financing.
2. It is recommended to provide short-term facilities specifically targeted to startups and companies in need of working capital, with periodic follow-up mechanisms in place to evaluate financial and operational performance.
3. Banks and financial institutions should cooperate with government agencies to provide training and advisory programs to SMEs, to raise their administrative and operational efficiency, thereby

increasing the chances of success of the facilities provided.

4. The need to improve the criteria for assessing creditworthiness and repayment capacity, while leveraging the recent financial data of companies, which contributes to reducing the risk of financial default and enhancing the confidence of banks in the sector.
5. Credit facilities are preferred to be directed more towards critical sectors such as food, pharmaceuticals, and technology, as they have a significant positive impact on sales growth and employment growth.

Banks should strengthen their role in monitoring the performance of accrued companies to ensure optimal use of funds and support continued growth, while providing additional financing solutions if needed.

5. Conclusion

To summaries, the study gives an excellent empirical support to the impact of credit facilities in growing small and medium enterprises (SMEs) in Iraq in the case of those SMEs served by the National Bank of Iraq – Baghdad Branch 2020–2025. The results reveal a stable and significant positive link between the value of credit facilities and important growth metrics, such as sales, profits, and employment levels, further corroborated by correlation and regression analysis confirming that a large fraction of business growth is accounted for by bank financing. Long-term credit facilities emerged as a more significant contributor negatively compared to short-term financing as it allows firms to increase production capacity, improve operational efficiency, and concentrate more on long-term growth strategies leading to more profitability and increase in workforce. These findings highlight the key role of organised, long-term financial assistance in improving SME performance in pursuit of larger-scale economic development. These results have important implications for banking institutions to focus on long-term financing mechanisms while implementing less stringent, sector-specific credit policies for maximising developmental benefits. Politicians also need to support schemes aimed at financial Inclusion that will enable SMEs have access to credit. Future research should further this analysis with broader and more heterogeneous samples from various banking entities, by investigating more external factors, including market situations and regulatory environments, and by enabling longitudinal research to evaluate credit-driven SME growth as a long-term sustainability strategy.

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