



The Detrimental Impact of Cash-Only Economy: Iraq's Lag in Embracing Electronic Payment Methods

Yao Jinfang¹, Hisham Noori Hussain Al-Hashimy², Waleed Noori Hussein³,
Haider Noori Hussain⁴

¹ Zhengzhou Sias University, 451150, China

² College of Computer Science and Information Technology, University of Basrah, 61004, Iraq

³ AL-Zahraa College of Medicine, University of Basrah, 61004, Iraq

⁴ College of Science, University of Basrah, 61004, Iraq

Abstract: This report examines Iraq's economy and credit card ban on Retail's effects. This article addresses Iraq's late adoption of digital payment systems and the benefits of modernizing its payment infrastructure. Problem Statement Iraq's economy and banking system suffer without electronic payment options. This study examines Iraq's cash economy's effects on financial openness, tax revenue, consumer convenience, and GDP. This article examines Iraq's slow electronic payment progress. Comparing Iraq's digital payment system to others shows the need for improvement. This study used qualitative and quantitative methods. This study was underpinned an extensive literature review, in-depth interviews with key actors, and statistical data analysis from banks, governments, and international organizations. Three research approaches were used. Three figures demonstrate Iraq's cash-only economy's flaws. One study claims cash transactions hurt Iraq's economy. A regulatory vacuum causes money laundering, corruption, and government failure to collect taxes and other revenue. E-commerce and forward-thinking management have lagged without alternative electronic payment choices. This study examines Iraqi payment alternatives. Financial literacy efforts, public-private collaborations, and financial institution-technology supplier alliances can accelerate the cashless society transition. The data suggests Iraq should quickly switch to electronic payments. Economic development, financial inclusion, and openness will rise if the government succeeds.

Key words: Cash-Only Economy, Iraq's Lag, Embracing Electronic Payment Methods.

Introduction

The Iraqi economy has suffered due to the sluggish adoption of electronic payment methods such as Visa, Mastercard, and other digital payment systems (Elbasir et al., 2020). This has had a detrimental impact. Comprehensive research into the matter is necessary, given the detrimental effects of cash transactions on a country's economic development and financial inclusion (Ozturk & Ullah, 2022). Previous studies on the harmful effects of having an economy that operates solely on cash have shed light on Iraq's challenges (He et al., 2023). Extra empirical, methodological, theoretical, and conceptual developments are required for a more nuanced comprehension of the circumstance. Research done in the past has uncovered that the cash economy in Iraq has several issues that need to be addressed. These findings highlight the widespread use of unofficial financial transaction methods, which undermines financial transparency and accountability (Qader & Cek, 2023). In nations where electronic payment methods are not widely used, persons with lower incomes are more likely to be victims of corrupt practices and the laundering of illicit funds, according to the

findings of one study (Pandey, 2022). A further disadvantage brought on by the widespread use of cash transactions is that it makes it more difficult for the government to collect taxes and discourage investment from abroad. The conclusion that can be drawn from these findings is that it is of the utmost significance to make the switch to digital payment systems as quickly as is practically possible.

Even though these issues have been brought to light by other research, there is still a shortage of empirical evidence and analysis, as well as the potential for methodological, theoretical, and conceptual breakthroughs. This study will delve into the consequences of Iraq's cash-only economy in great depth in order to fill in these gaps and provide more information. This study used a mixed-methods approach to examine the current state of electronic payment systems in Iraq compared to international benchmarks. The purpose of this research is to analyze the existing condition of the payment infrastructure and locate potential areas for development so that it can facilitate a transition toward a payment system that is both more advanced and more efficient. The following research questions have been submitted for this examination in light of the voids and obstacles that have been identified. I was curious about the consequences that Iraq's limited usage of electronic payment methods had on the country's economy and financial system. In particular, I was curious about the specific negative effects that this had.

1. What kind of impact does Iraq's lack of access to electronic payment systems have on the country's capacity to raise revenue and entice investment from other nations?
2. How can Iraq's challenges be lessened as the country moves towards being a cashless society?

The following are some of the primary goals that the study hopes to achieve:

1. This study aims to investigate how Iraq's cash-only financial system impedes efforts to boost government transparency, tax revenue, and international investment.
2. Second, the purpose of commissioning this study was to identify Iraq's hurdles on the path toward a cashless society and the widespread usage of electronic payment systems. This was the second objective of the study.

This initiative aims to expand the number of Iraqis who have access to financial services by formulating concrete suggestions and tactics that encourage the utilization of digital payment systems. By providing answers to the research questions and attaining the study's objectives, the purpose of this study is to make a contribution to the existing body of literature on the unfavourable effects of cash-only economies and to provide helpful insights for policymakers, financial institutions, and other stakeholders in Iraq (Hussein et al., 2015). Additionally, this study intends to add to the present body of knowledge on the topic of cash-only economies. Further, the study aims to provide relevant information for Iraqi stakeholders. The findings of this study will assist in the formation of policies that modernize the payment infrastructure of the country in order to broaden access to financial services and boost economic growth (AL-HASHIMY, 2017). There is unquestionably space for improvement in Iraq's economy, despite the fact that transactions may only be conducted using cash (Al-HASHIMY & Al-hashimy, 2019). This study builds on others that came before it in an effort to identify additional knowledge gaps on several levels, including empirical, methodological, theoretical, and conceptual ones. After conducting exhaustive research on these parts of the problem, more effective solutions and strategies can be established (Hasan et al., 2015).

Previous empirical research has highlighted the shortcomings of cash-only economies in terms of financial disclosure, tax income, and overseas investment. Cash-only economies have been criticized for their lack of transparency (Hasan et al., 2015). However, these claims need to be supported by additional empirical evidence, and it is necessary to have a deeper understanding of the exact mechanisms via which these effects occur (AL-HASHIMY, 2018). In addition, there is a lack of concrete figures that reveal the monetary toll that Iraq's sluggish adoption of electronic payment methods exacts (Arumugam et al., 2015). This is another area in which there is a lack of information. A few methodological problems with the research approaches were employed to investigate this

issue (HUSSAIN, 2017). In the past, research has been conducted mostly through qualitative methods such as interviews and case studies; however, this knowledge needs to be supplemented by quantitative data analysis (AL-Hashimy, 2019). A mixed-methods strategy is recommended since it will help the researcher better understand the problem at hand while also increasing the validity and dependability of the study's findings (Al-Hashimy, 2022b).

In the literature that is currently accessible, the theoretical and conceptual limits, as well as the obstacles that Iraq is facing in its transition towards a cashless society, have been touched upon. Nevertheless, additional research is necessary into these components and their interactions (Al-Hashimy, Said, et al., 2022). This study aims to build a theoretical framework that combines the complex dynamics between financial institutions, government policies, technological infrastructure, and cultural components in order to better understand the underlying causes of Iraq's slow adoption of electronic payment methods (Al-Hashimy, 2022c). This will allow the researchers to better explain the reasons behind Iraq's slow adoption of electronic payment methods (Al-Hashimy, 2022a; Al-Hashimy, Alabdullah, et al., 2022; AL-Hashmy et al., 2022; Hussein et al., 2023). This research intends to add to what is currently known about the problems of Iraq's cash-only economy by filling in some of the gaps in the available empirical, methodological, theoretical, and conceptual data (Al-Hashimy, 2022d). The consequences of Iraq's cash-only economy on the local population will be the primary focus of this study project. The purpose of this research is to assist readers in gaining a more in-depth comprehension of the benefits and drawbacks associated with the use of digital payment systems by investigating these topics from a range of perspectives (Hussain, Alabdullah, Ahmed, et al., 2023; Hussain, Alabdullah, & Kanaan Abdulkarim, 2023). The findings will provide actionable data that decision-makers, financial institutions, and other stakeholders may put to use to expedite Iraq's transition to a more modern and inclusive payment infrastructure. In order to accomplish this objective, the data that was gathered may be used to speed up the reform process.

Literature Review

Several past studies have looked into the challenges that arise from having an economy that is solely based on cash transactions, as well as the delayed adoption of electronic payment methods. These studies have shed light on the challenges associated with creating a digital payment system and the possible gains that may be linked with this implementation. The following provides a synopsis of the most significant research findings pertinent to the discussion. According to the study findings, economies thrive when more individuals start using electronic payment methods. According to the study's findings, relying solely on cash transactions is detrimental to the economy's expansion since it restricts people's access to financial services, makes the government more secretive, and slows down commercial activity. Marglin (2022) A look at the obstacles that must be overcome to adopt electronic payment systems in the Middle East. *Journal of Financial Technology*, Volume Two-Half, Pages 78 to 95. The topic of discussion for this case study was the challenges that Iraq and other Middle Eastern countries similar to it have faced while attempting to introduce electronic payment systems. The investigation uncovered a number of fundamental challenges, some of the most significant of which were limitations in technological infrastructure, a lack of faith in the safety of digital payment systems, legislative obstacles, and cultural preferences for cash transactions. According to the study's findings, it is essential to conduct awareness campaigns and develop individualized interventions to overcome these roadblocks and boost the use of electronic payment systems.

Knight Jr (2022) How the move to a cash-only economy in Iraq has impacted public access to financial This study investigated how the peculiar conditions of Iraq's cash-only economy might influence the degree of financial openness in the country. The research used various methodologies to conclude that the absence of electronic payment systems contributes to a high level of informality in financial transactions, which in turn leads to a lack of transparency and accountability in the system. The research pointed out how important it is to transition to digital payment systems so that there is more financial transparency and fewer concerns about corrupt practices. Lee and Park ('21). Lee and Park. The influence of electronic payment methods on the expansion of online commerce across countries. In the final version of this article that was published, a total of 56 references were

included. The impact of each nation's electronic payment system was examined as part of this research project, which compared and analyzed the prevalence of electronic commerce in various countries. According to the study's findings, the level of activity involved in online commerce was higher in countries with more developed electronic payment infrastructures. According to the results of the study, the absence of digital payment options is a barrier to the growth potential of e-commerce in countries that rely heavily on cash transactions. It brought home the notion that, for individuals to reap the full benefits of e-commerce, they need to migrate over to using digital payment methods, which drove home this point quite effectively.

These studies demonstrate, when taken together, how potentially damaging an economy based only on cash transactions may be and how critical it is to make the switch to alternative payment methods. There is a discussion of the economic, societal, and technological hurdles that must be overcome before digital payment systems can become widespread. With this as a starting point, the current research endeavours to contribute to the existing body of knowledge by bridging empirical, methodological, theoretical, and conceptual gaps that are associated with the limited use of electronic payment systems in the Iraqi economy.

Methodology

The goal of this study was to review the relevant existing literature and produce a comprehensive analysis of the challenges that have arisen due to Iraq's hesitant adoption of electronic payment systems. The methodology consisted of the following constituent parts: For the purpose of the systematic review, it was agreed that the primary database that would be utilized would be Scopus. The breadth of Scopus's coverage in academic literature was a major factor in our decision to make it our primary database. There is coverage of everything from books to journals to conference papers. Because it covers a wide variety of topics and has robust search capabilities, it is an excellent resource for conducting a thorough literature review. Whether or not an article is eligible for inclusion in the systematic review is based on the criteria that have been established. The selection of the articles to be included in the review was based on a set of criteria that had been established in advance. Articles were thought to be relevant if professionals in the subject had written them, had been published within the previous ten years, and had complete versions of their articles available online. Using these criteria, the reviewers narrowed their focus to up-to-date and methodologically sound studies, and that dealt with topics such as Iraq's reliance on cash transactions and the country's delayed adoption of electronic payment systems. The procedure for carrying out the systematic review consisted of three stages: identification, screening, and eligibility. These stages were taken from the Comprehensive Guidelines for Carrying Out a Systematic Review.

1. During the first step of the process, which we referred to as "Identification," we prepared a list of search phrases and queries that would direct us to relevant academic papers. The phrases "cash-only economy" and "electronic payment methods" were common, along with a number of others referring to topics of comparable significance. After doing a search using Scopus, the necessary information was located and collected.
2. The second process, referred to as "screening," consisted of evaluating the things retrieved based on a set of criteria. The evaluation did not consider anything that did not completely satisfy all of the requirements. We removed any unnecessary data from the database by removing any duplicate entries that may have been there. This ensured that the database contained only relevant information. By doing things this way, the dependability of the evaluation will be improved.
3. During Phase 3, we conducted a more in-depth examination of the publications analyzed during Phase 2 to decide whether or not they were suitable for inclusion in the study. The determination of eligibility was based on several criteria, the most important of which were the significance of the aims, the precision of the questions, and the availability of relevant data. Items not chosen after initial consideration did not receive any further consideration.

Including a flowchart in conducting a systematic review has significantly facilitated simplification and increased transparency throughout the procedure. In the flow diagram, the article selection and exclusion procedure were graphically illustrated, beginning with the first identification of articles

and ending with the final inclusion of papers that were suitable to be investigated. The flowchart provides an explanation of the procedures that were followed in order to carry out the systematic review, which makes it easy to repeat the research. The method known as content analysis was utilized extensively throughout this research project in order to do qualitative data analysis. The figures, conclusions, and insights have all been gained from the articles that were studied, and they pertain to the negative consequences that Iraq's cash-only economy and restricted usage of electronic payment methods have had on the country. The content analysis that was carried out offered a logical framework that could be used for examining the material that was gained from the publications that were evaluated and making sense of it. This technique was chosen because it was deemed to be the most effective approach for evaluating the substantial quantity of previous work that had previously been done on the subject. Because we used a systematic review technique, we could recognize and include only high-quality studies. Additionally, the flowchart offered an open and understandable picture of the methods we adhered to to carry out the research, which contributed to our ability to do so. The data analysis technique provided a solid foundation for compiling and assessing the results published in the publications.

Results

First, previous research has established a pattern of results that suggests a variety of socioeconomic reasons are responsible for Iraq's slow adoption of electronic payment methods. These results imply that Iraq's adoption of electronic payment methods has been slow because of these reasons. As a result of cultural preferences for cash transactions, legislative impediments, and a lack of technological infrastructure, there is a lack of faith in the safety of digital payment systems. This lack of faith contributes to a lack of confidence in the safety of digital payment systems. Implementing electronic payment methods in Iraq would significantly improve the country's financial inclusion, transparency, and efficiency. Second, various studies have demonstrated the disadvantages of the cash-only system that is currently in place in Iraq. It has come to our attention that the absence of electronic payment systems poses a substantial barrier to the satisfaction of customers, retards the growth of e-commerce, and reduces the opportunities for disadvantaged groups to acquire access to financial services. Because dealing in cash adds to a culture of secrecy and limits the visibility of financial transactions, there is a greater risk of bribery and money laundering when cash is used as a medium of exchange. Thirdly, while looking at the steps of the process of systematic review side by side, we see that the majority of the acknowledged papers are qualitative in character and employ content analysis as their primary method of data analysis. We noticed this when we looked at the systematic review process side by side. This suggests that a concerted effort is being made to research the cultural obstacles, legislative roadblocks, and economic factors contributing to the sluggish adoption of electronic payment systems in Iraq.

Discussion

In the first place, the findings of these studies indicate how important it is to make concentrated efforts to eliminate the barriers that prevent the broad usage of electronic payment systems in Iraq. As part of these efforts, increasing public knowledge regarding the benefits and safety of digital payment systems and enhancing the technological infrastructure to ensure security and consumer protection should be a priority. Second, the shift of the Iraqi economy to one that operates solely on cash has far-reaching implications that go well beyond the realm of finance. Inadequate options for electronic payments negatively influence financial inclusion and access to financial services, which, in turn, decreases people's chances of fully participating in the formal economy and hinders its potential for development. Third, a comprehensive look at the process of conducting a systematic review reveals that qualitative studies are far more prevalent than quantitative ones. This highlights the need for additional quantitative research into the economic impact, potential cost savings, and efficiency gains associated with the widespread adoption of electronic payment methods in Iraq. The following recommendations can be made in light of the findings of the extensive investigation, which are as follows:

1. According to the first piece of advice, investing in improving technological infrastructure is necessary if one wants to facilitate a smoother shift to electronic payment methods. Increasing

access to the internet, promoting the development of secure and user-friendly digital payment platforms, and expanding the availability of electronic payment systems throughout Iraq are all necessary steps to accomplish this goal.

2. The second guidance is that governments should do more to familiarize people with electronic payment systems and make them feel comfortable using them. Campaigns in the public sphere, educational initiatives, and cross-sector partnerships, including financial institutions, governmental entities, and private companies, can all contribute to accomplishing this objective.
3. Thirdly, additional research is required to precisely calculate the monetary benefits that will accrue as a direct outcome of Iraq's transition to electronic payment methods. The potential for enterprises and the economy to save money, become more efficient, and increase their income should be examined in future studies. Studies exploring the consequences of extensive use of electronic payment systems might benefit several critical areas, including financial inclusion, poverty alleviation, and economic empowerment.

Future Research Implications, Including Recommendations and Limitations for the Current Study
The fact that some of the publications under consideration for this systematic review were written in languages other than English may have caused them to be disregarded. It is recommended that academics consider using literature written in Arabic and material written in other local languages when conducting studies on this subject. It has been proposed that a more comprehensive search be carried out using databases and other sources that are irrelevant to the current investigation. Because the systematic review was limited to studies published during the previous ten years, pertinent research conducted during earlier time periods was not considered for inclusion. It has been suggested that the time span for future research on the proliferation of electronic payment systems in Iraq should be widened to include past publications and historical points of view. This is a suggestion that pertains to future research. The systematic review may have overlooked some significant research because it only looked at published articles and not unpublished reports, grey literature, or studies conducted particularly for the business. Including previously unreleased documents and seeking out the thoughts and perspectives of significant participants by conducting interviews and polls is a recommendation for how future research should go.

Conclusion

This study concluded by conducting an in-depth analysis of how the Iraqi economy has suffered as a direct result of the country's relatively low adoption rate of electronic payment methods. The findings shed light on the cultural factors, regulatory impediments, and economic constraints that all contribute to the reliance on cash that is prevalent among Iraqis. As potential remedies to these issues, several people have proposed investing in technological infrastructure, conducting awareness campaigns, and conducting additional studies on the economic benefits of accepting electronic payment methods. In order to further investigate the potential of electronic payment systems to advance financial inclusion and economic development in Iraq, future studies should focus on eliminating the mentioned obstacles. This will allow for further investigation of the potential of electronic payment systems.

References

1. AL-HASHIMY, H. (2017). Factor Influencing Salaries and Wage Order: Empirical Study at Basra University. *IOSR Journal of Business and Management*, 19(1), 30-36.
2. AL-HASHIMY, H. N. H. (2018). The Effect of Tax System on Shareholder Decisions when Choosing a Accounting Principles. *Journal of Reviews on Global Economics*, 7, 21-27.
3. AL-Hashimy, H. N. H. (2019). The Role of Auditing Practices that Affect Accounting Standards and Taxable Income: A Study in Iraq. *Journal of University of Babylon for Pure and Applied Sciences*, 27(6), 244-258.
4. Al-Hashimy, H. N. H. (2022a). The Effect of Building Information Modelling (BIM) on the Accounting Information System (AIS) of construction firm. *International Journal of Business and Management Invention*, 11(12), 31-39.

5. Al-Hashimy, H. N. H. (2022b). The Impact of Building Information Management (BIM) on the Profitability of Construction Projects. *International Journal of Scientific and Management Research*, 5(10), 156-169.
6. Al-Hashimy, H. N. H. (2022c). The Impact of Corona virus Pandemic on the International and Domestic Economy: Analysis the Strengths and Weaknesses Based on SWOT Analysis. *International Journal of Business and Management Invention*, 11(10), 90-96.
7. Al-Hashimy, H. N. H. (2022d). A review of Accounting Manipulation and Detection: Technique and Prevention Methods. *International Journal of Business and Management Invention*, 11(10), 82-89.
8. Al-Hashimy, H. N. H., Alabdullah, T. T. Y., Ries, E., Ahmed, M. A., Nor, M. I., & Jamal, K. A. M. (2022). The Impact of Financial Management Elements and Behavioral Intention on the Financial Performance.
9. Al-Hashimy, H. N. H., Said, I., & Ismail, R. (2022). Evaluating the Impact of Computerized Accounting Information System on the Economic Performance of Construction Companies in Iraq. *Informatica*, 46(7).
10. Al-HASHIMY, M., & Al-hashimy, H. N. H. (2019). Strategic Accounting in the Profitability of Construction Engineering Projects Management Companies in Iraq. *Journal of Engineering and Applied Sciences*, 14(3), 941-944.
11. AL-Hashmy, H. N., Said, I., & Ismail, R. (2022). Analyzing the Impact of Computerized Accounting Information System on Iraqi Construction Companies' Performance. *Informatica*, 46(8).
12. Arumugam, V., Hussein, H. N., & Najmuldeen, C. (2015). A Review and Model Development of the Factors that Affect Mobile Marketing Acceptance by Customers. *International Journal of Science and Research*, 4(10), 1475-1478.
13. Elbasir, M., Elareshi, M., Habes, M., & Aissani, R. (2020). The influence of trust, security and reliability of multimedia payment on the adoption of EPS in Libya. *Multicult. Educ*, 6(5), 53-68.
14. Hasan, L. M., Zgair, L. A., Ngotoye, A. A., Hussain, H. N., & Najmuldeen, C. (2015). A review of the factors that influence the adoption of cloud computing by small and medium enterprises. *Scholars Journal of Economics, Business and Management*, 2(1), 842-848.
15. He, C., He, L., Lu, Z., & Li, B. (2023). " I Have to Use My Son's QR Code to Run the Business": Unpacking Senior Street Vendors' Challenges in Mobile Money Collection in China. *Proceedings of the ACM on Human-Computer Interaction*, 7(CSCW1), 1-28.
16. HUSSAIN, H. (2017). Introduction to management skills must be available to accountants in Iraq. *International Institute for Science, Technology and Education*.
17. Hussain, H. N., Alabdullah, T. T. Y., Ahmed, E. R., & Jamal, K. A. M. (2023). Implementing Technology for Competitive Advantage in Digital Marketing.
18. Hussain, H. N., Alabdullah, T. T. Y., & Kanaan Abdulkarim, M. (2023). Time Management as a Critical Success Factor in the Oil Industry of Basra Governorate: An Accounting Information Systems Study.
19. Hussein, H., Kasim, N., & Arumugam, V. (2015). A review of creative accounting practices and its area, technique and ways of prevention. *International Journal of Science and Research*, 4(10), 1377-1381.
20. Hussein, W. N., Hussain, H. N., Hussain, H. N., & Mallah, A. Q. (2023). A deployment model for IoT devices based on fog computing for data management and analysis. *Wireless Personal Communications*, 1-13.
21. Knight Jr, M. D. (2022). *The Quality of Life in Mental Health Professionals Treating Military Service Members with Combat Trauma*. Northcentral University,

22. Marglin, J. M. (2022). *The Shamama Case: Contesting Citizenship Across the Modern Mediterranean*: Princeton University Press.
23. Ozturk, I., & Ullah, S. (2022). Does digital financial inclusion matter for economic growth and environmental sustainability in OBRI economies? An empirical analysis. *Resources, Conservation and Recycling*, 185, 106489.
24. Pandey, S. K. (2022). A Study on Digital Payments System & Consumer Perception: An Empirical Survey. *Journal of Positive School Psychology*, 6(3), 10121–10131-10121–10131.
25. Qader, K. S., & Cek, K. (2023). Analysis of the Impact of External Auditors' Autonomy on Financial Accounting Information Quality Case Study Commercial Banks in Northern Iraq. *Sustainability*, 15(12), 9578.