

## Article

# Public Debt And Its Impact On The Net Public Budget In Iraq For The Period (2004-2023): An Econometric Study Using The Ardl Cointegration Model

Marwa Allawi Naji\*<sup>1</sup>

1. University of Al-Qadisiyah, College of Administration and Economics, Department of Economics

\* Correspondence: [Marwa.A.Naji@qu.edu.iq](mailto:Marwa.A.Naji@qu.edu.iq)

**Abstract:** The research aims to analyze and measure the relationship between the impact of public debt and the net public budget in Iraq for the period (2004-2023), as they are economic variables of great importance and influence in the Iraqi economy, On this basis, the variables under study were analyzed and measured using the standard ARDL model for distributed slowdown, relying on the stability results, which showed that the variables (public debt and net budget) are stable at the level and first difference, The results of this model showed that there is a long-term cointegration between the public debt and the net budget, as well as the absence of an autocorrelation problem. Accordingly, the null hypothesis was accepted and the alternative hypothesis was rejected because the probability values were greater than (0.05), and then a set of conclusions and recommendations were reached.

**Keywords:** Public Debt, Net Public Budget, Ardl Cointegration Model

## 1. Introduction

The Iraqi economy has witnessed a significant rise in public debt levels due to a combination of persistent factors. Among the most influential are the prevalence of financial and administrative corruption, weak resource management, and inadequate planning. Additionally, the deterioration of the country's political and security environment, accompanied by the escalation of military expenditures to confront terrorist operations in several regions, has substantially increased government spending beyond public revenues. This dynamic has fueled the growth of public debt and resulted in a nearly continuous budget deficit, compelling the state to resort to both internal and external borrowing. Continuation of such a trend exposes the country to the risk of being unable to service debts and accumulated interest, which could lead to severe economic repercussions.

## 2. Research Methodology

### 2.1 Search problem

The research problem centers on the extent to which public debt influences the net public budget. Accordingly, it can be formulated in the following question: Does public debt have a positive or negative influence on the net public budget in Iraq during the period (2004–2023)?.

### 2.2 Research Hypothesis

The study is based on the assumption that public debt exerts a negative effect on the net public budget in Iraq throughout the study period.

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## 2.3 Research Objectives

This research seeks to achieve several goals, including:

1. Defining the fundamental economic concepts of public debt and the net public budget, while clarifying their classifications and instruments.
2. Explaining the nature of the relationship between public debt and the net public budget.
3. Assessing the effect of public debt on Iraq's net public budget during the years 2004–2023.

## 3. Temporal and Spatial Scope

### 3.1 Time frame: 2004–2023

Geographical scope: Iraq

### 3.2 Research Methodology

The study employs a descriptive approach to examine economic data, combined with a quantitative method using the ARDL model. This model is applied to identify the statistical relationship between public debt and the net public budget in Iraq during the study period, in order to test the validity of the proposed hypothesis.

### 3.3 Structure of the Research

To cover the topic in full, the study is divided into three main sections. The first section presents the theoretical and conceptual framework of public debt and the net public budget. The second section analyzes the trends and developments of these variables in Iraq between 2004 and 2023. The third section applies the ARDL model to estimate the impact of public debt on the net public budget, and concludes with key findings and recommendations.

## 4. First topic: theoretical and conceptual aspect of public debt and the general budget

### 4.1 The theoretical framework of public religion (concept, types, tools)

- 1) Concept of public debt: The legal aspect is that public debt is defined as the debt owed by the government, the value of which it is obligated to pay with the interest that was agreed upon with the lending side at the specified date in the future [1], On the other hand, public debt is defined as the total accumulation of the budget deficit resulting from increased government spending. Public debt can be described as the additional financial resources acquired by the government from the private sector outside the framework of treasury bills, government bonds, or foreign bank loans. It is considered one of the explicit expenditures that directly contributes to the general budget deficit. Over time, the accumulation of public debt tends to mirror the budget deficit itself. Thus, public debt reflects the overall liabilities of the government when annual expenditures surpass the level of revenues [2].
  - A. Types of Public Debt: Public debt is generally categorized into two main forms: Domestic public debt: Refers to borrowings that are confined within the national economy and owed to residents of the country. This type of debt includes companies, financial institutions, and individuals who have lent, It is also known as the debt that is carried out internally through the private sector and credit funds, which are assets of the debt holders, and therefore it is the creditor and the debtor at the same time through the compatibility between the government debt and the assets of the creditors [3].

It is also defined as the direct cash burden of the total cash payments borne by local debtors to repay the debt and its interest. This direct financial burden is part of the costs borne by the government as a result of its borrowing from the local market, This debt affects the economy by reducing the available cash liquidity and diverting economic surpluses to debt service instead of using them

for economic stimulus, which reflects itself on the state's financial structure and shifts economic activity towards paying obligations [4].

- External public debt: This means all money with accrued interest borrowed from abroad and in foreign currencies, whether from citizens, companies or financial institutions (Al-Hindawi, 2017: 18), When borrowing is made from foreign countries or institutions, it is called "external debt," and it is subject to the terms of the borrowing agreement in terms of the amount, payment terms, and interest rates. The date for repaying the debt is determined according to the agreement, The borrowing country must pay the required amounts on time using foreign currencies, and the danger of this type of debt becomes apparent when the time for payment comes, as the country must provide foreign currency from its resources to pay these obligations, which may put pressure on the balance of payments or foreign exchange reserves [5]. This is one of the fundamental challenges of external debt, especially when borrowing does not generate sufficient returns to cover its costs in foreign currency.

On the other hand, external debt leads to the depletion of the resources of the borrowing country, as these resources are directed to paying loan installments and the interest resulting from them to foreign creditors. As a result, the government is forced to reduce the volume of public spending, especially in development areas [6]. To meet external debt servicing requirements. This directly affects the state's ability to finance future projects, and reduces opportunities to improve the standard of living of citizens, Which may be reflected in the form of increasing taxes or reducing subsidies, which ultimately leads to a decrease in purchasing power and a reduction in consumption [7].

B. Public debt instruments: Public debt instruments are divided into:

- Treasury transfers: They are short-term financial instruments used to cover the deficit in the general budget, and aim to regulate the level of liquidity in the banking sector. These transfers are considered one of the important means upon which financial and monetary policies rely to achieve economic balance and stability [8].
- Government bonds: It is one of the most prominent tools that the government resorts to to obtain the necessary funding to strengthen its financial resources and direct it towards specific areas of spending. These bonds are also used as a means of influencing the money supply within the economy through the banking sector. These bonds are often offered internally through public auctions, while they are offered externally in foreign currency, which makes them more attractive to investors due to the lower level of risk associated with them compared to other financing instruments, Government bonds are a long-term source of financing [9].

#### **4.2 The theoretical framework of the general budget (concept, importance)**

- 1) The concept of the general budget: The general budget is a regulatory financial instrument prepared by the executive authority annually to estimate the state's resources and plan their future uses, in line with economic and development objectives , This document is approved by the legislative authorities to ensure the balance between revenues and expenditures within the framework of general financial policy [10].

As the general budget is a strategic financial tool that the government plans for the next fiscal year with the aim of achieving the goals set within the framework of the state's general policy, According to the directives issued by higher authorities [11], the budget also represents a dynamic space in which multiple visions, diverse

professional backgrounds, and different thinking styles intersect. The complexity of the stages of budget preparation and the multiplicity of its functions, as well as the overlapping of the parties involved in it, This explains the great variation in the formats in which they are presented, as well as in the procedures followed when preparing them, which reflects the interactive nature of this process between various institutions and specializations. [12]

2) The importance of the general budget:

The general budget is not just a document in which government revenues and expenditures are listed. Rather, it represents a strategic tool closely linked to the economic structure of the state, as it is used as an effective means to achieve general goals in the economic, political and social fields, It reflects the country's trends and priorities. Analysis of its items provides an opportunity to understand the government's policies and objectives through the consolidated financial statements it contains. The following is a brief explanation of the role of the general budget and its importance from the political and economic aspects [13].

- A. Importance of the general budget from a political perspective: The general budget acquires an important political dimension, as it is considered a means of oversight through which the people, through their representatives in the legislative authority, exercise supervision over the performance of the executive authority, Parliament is empowered to discuss the government's financial policies, evaluate its plans, and reject or amend the proposed financial allocations if necessary, to avoid any exaggeration or misuse of public resources, In parliamentary systems, approval of the draft budget is considered a grant of confidence to the government, while its rejection is an indication of the absence of this support. The budget also provides room for discussions related to public spending needs, And estimates of revenues, and their adequacy to cover these expenses, in addition to examining the extent to which the financial burden is fairly distributed among different groups within society [14].
- B. Importance of the general budget from an economic perspective: The economic importance of the general budget increases with the expansion of the state's role and the growth of its intervention in economic affairs, especially in light of the developments of the modern era, especially in countries with an advanced industrial nature, The budget is no longer just a tool for estimating revenues and expenditures, but rather has become an economic planning tool that clearly expresses the state's objectives and financial policies, through which the government sets priorities for the use of public resources and directs them towards investment in vital productive sectors, The budget also contributes to stimulating growth by raising the rate of investment and providing the necessary funding to implement development projects, which is reflected in the structure of the overall economy, and this is indicated by its connection to important economic indicators such as the national saving rate, The ratio of public spending to domestic product, and other indicators, which in turn require thoughtful financial policies and precise allocations to areas of public spending [15].
- C. The importance of the general budget from a social perspective: The general budget plays a pivotal role in the social aspect through its direct impact on the redistribution of income and wealth among different segments of society. The state seeks, through its financial tools, to achieve a kind of social balance, by transferring a portion of income and wealth from high-income groups to lower-income groups, through progressive tax policies, these revenues are directed towards social spending, such as subsidies to vulnerable groups such as the elderly and the unemployed, with the aim of improving living standards and reducing class disparity. The government also seeks to impose higher taxes on

unproductive or environmentally polluting activities, and employing the collected resources to support basic goods and services in a way that achieves public benefit and enhances social justice and economic efficiency at the same time [13].

## 5. Second Topic: Analysis of developments in public debt and the general budget in muIraq for the period (2004–2023)

The levels of public debt and the general budget in Iraq experienced noticeable fluctuations during the period under review, with growth rates alternating between periods of recovery and decline. These fluctuations were largely attributed to the continuous rise in government expenditures, which in turn led to higher debt burdens. The financial situation was further influenced by the limited availability of traditional state resources and the monetary policies pursued by the of Iraq, Department of Statistics and Research, Annual Statistical Bulletin, various years of Iraq, which included converting foreign currencies into the national currency to support the current account. Such policies contributed to expanding public revenues and had a direct impact on the performance and dynamics of the public budget (Jawad, 2020: 22).

### 5.1 Analysis of developments in public debt in Iraq for the period (2004–2023)

Table 1. Illustrates the data on Iraq's public debt and gross domestic product (GDP) from 2004 to 2023, highlighting the ratio of debt to GDP. The table indicates significant changes in both variables, reflecting the extent to which political, security, and economic conditions shaped the Iraqi economy throughout the study period.

In 2004, Iraq's public debt stood at approximately 5,245 billion dinars, but it surged sharply in 2005 to 122,620 billion dinars. This sharp rise may be linked to the restructuring of external debts or the imposition of new fiscal burdens following the regime change in 2003. In subsequent years, the debt level witnessed a gradual decline, reaching 65,927 billion dinars in 2008. However, it began to rise again, amounting to 75,906 billion dinars in 2010 and 72,724 billion dinars in 2013, before peaking at 125,811 billion dinars in 2017. After that peak, debt levels fell relatively to 75,693 billion dinars in 2022 but climbed once more in 2023, reaching 105,565 billion dinars.

Meanwhile, Iraq's gross domestic product showed an overall upward trajectory across the study period, increasing from 35,435 billion dinars in 2004 to a peak of 507,789 billion dinars in 2022. This growth was mainly driven by rising international oil prices, higher export volumes, and expanded government spending. Nevertheless, the GDP did experience temporary contractions, such as in 2015 when it fell to 194,681 billion dinars, and again in 2021 when it dropped to 301,232 billion dinars, reflecting the combined effects of declining oil prices, the Covid-19 pandemic, and the costs of the war against terrorism.

The ratio of public debt to GDP is regarded as a key measure of the debt burden and the economy's capacity to sustain it. In 2004, the debt-to-GDP ratio was 16.8%, but it jumped sharply to 166.8% in 2005, indicating a severe imbalance between debt levels and economic output during that year. The ratio later declined to its lowest point of 26.6% in 2013, highlighting a relative improvement in the economy's ability to absorb debt.

**Table 1.** The size of public debt in Iraq for the period (2004-2023) is one billion dinars

years	Public debt	GDP	Public debt to GDP ratio%
2004	5245	35435	16.8
2005	122620	73534	166.8
2006	95825	95588	100.2
2007	68794	111456	61.7

2008	65927	157026	42.0
2009	56651	130643	43.4
2010	75906	162065	46.8
2011	68708	217327	31.6
2012	73838	254226	29.0
2013	72724	273588	26.6
2014	77650	266333	29.2
2015	100735	194681	51.7
2016	118768	126523	63.7
2017	125811	402641	60.6
2018	121173	422522	48.6
2019	116822	452222	45.9
2020	99071	415664	45.9
2021	100225	301232	33.5
2022	75693	507789	14.9
2023	105565	424681	24.8

Source: Central Bank of Iraq, Department of Statistics and Research, Annual Statistical Bulletin\*, various years [16].

During 2015 and 2016, the debt-to-GDP ratio increased once more, reaching 51.7% and 63.7%, respectively. This rise was the outcome of a dual effect: a contraction in GDP alongside a simultaneous increase in public debt. By early 2022, however, the ratio fell sharply to 14.9%, marking the lowest level recorded during the study period. This decline reflected a notable improvement in Iraq's financial position, mainly driven by the significant growth in gross domestic product. In contrast, 2023 witnessed a slight rebound in the ratio to 24.8%, attributed to both the renewed rise in public debt and a relative slowdown in GDP compared to the previous year.

The following chart illustrates the scale of changes in public debt and gross domestic product in Iraq for the years 2004–2023:

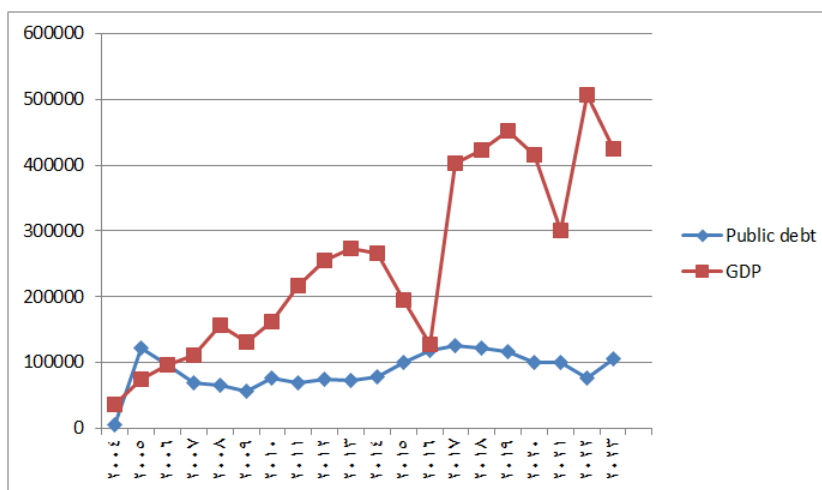


Figure 1. Trends in public debt and GDP in Iraq during the period (2004–2023).

Source: The researcher's work based on the data in Table 1.

## 5.2 Analyzing the reality of changes in the general budget in Iraq for the period (2004-2023)

Table 2 presents the trends in Iraq's public financial indicators during the period (2004–2023), covering public revenues, public expenditures, and the net public budget (whether surplus or deficit). The figures reveal significant fluctuations in these indicators, driven by a combination of internal and external economic factors that

directly influenced the overall fiscal performance of the state. Table 2 data shows that Iraq achieved significant financial surpluses in the years in which oil revenues increased significantly, especially when this was not matched by excessive spending. In 2008, public revenues amounted to 80,252 billion dinars, compared to spending 59,403 billion dinars, With a surplus of 20,848 billion dinars, while in 2012 revenues were recorded at 119,466 billion dinars and expenses were 90,374 billion dinars, with a surplus of 29,091 billion dinars, But in 2022, the financial performance was the most prominent, as revenues amounted to 161,167 billion dinars, compared to expenses amounting to 116,959 billion dinars, with a surplus amounting to 44,737 billion dinars, In these cases, the surplus was directly linked to increased revenues, especially oil, demonstrating the fragility of public revenues and their dependence on global oil prices.

On the other hand, there are periods that witnessed a strong convergence between revenues and expenditures, or even a superiority of expenditures, which led to a deficit or a weak surplus, as happened in 2009, when revenues amounted to 55,209 billion dinars, compared to expenditures of 52,567 billion dinars, With a limited surplus of 2,642 billion dinars, while in 2014 revenues amounted to 105,386 billion dinars, while expenses amounted to 101,459 billion dinars, with a surplus of 3,927 billion dinars, but in 2023, despite the high revenues, which amounted to 135,680 billion dinars, spending amounted to 142,435 billion dinars, A very small surplus of 6,755 billion dinars compared to the size of the economy, which reflects a weakness in the policy of rationalizing expenditures despite the growth in revenues.

**Table 2.** Public financial indicators in Iraq for the period (2004-2023) billion dinars

years	Public revenues	Overhead expenses	Net general budget
2004	32982	32117	865
2005	40502	26375	14127
2006	49055	38806	10248
2007	54599	39031	15568
2008	80252	59403	20848
2009	55209	52567	2642
2010	69521	64351	5169
2011	99998	69639	30359
2012	119466	90374	29091
2013	113767	106873	6894
2014	105386	83556	21830
2015	66470	70397	3927
2016	54409	67067	12658
2017	77335	75490	1845
2018	106569	80873	25696
2019	107566	111723	4156
2020	63199	76082	12882
2021	109081	102849	6232
2022	161697	116959	44737
2023	135680	142435	6755

Source: Central Bank of Iraq, Department of Statistics and Research, Annual Statistical Bulletin, various years [16].

When examining the relationship between revenues and expenditures in the table below, it appears that most of the surpluses were achieved in the years in which oil witnessed a sharp rise in prices. Therefore, any decrease in oil prices clearly leads to a decline in revenues and then an increase in the deficit or a contraction in the surplus, which was clearly evident in the years 2015 and 2020.

From the table above, we conclude that the data shows that public expenditures continued to rise even in years in which revenues decreased, which indicates a weakness in the efficiency of spending management and the lack of a flexible financial policy that responds to economic conditions. Rather, there appears to be a structural commitment to high levels of spending, regardless of the actual financing capacity, and it has not been observed that there is a clear financial savings policy that preserves the achieved surpluses. On the contrary, the government has been expanding spending in the years following surpluses, such as in 2022 and 2023, which puts question marks over the feasibility of strategic financial management.

The following chart shows the changes in financial indicators in Iraq during the period (2004-2023):

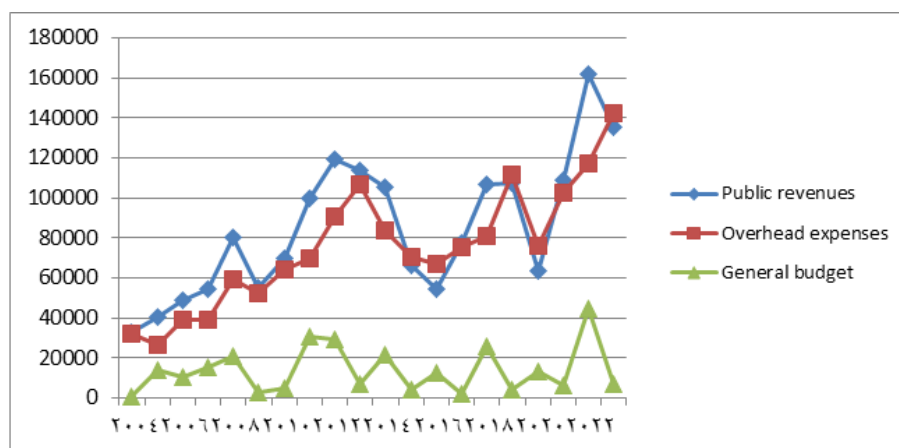


Figure 2. Changes in financial indicators in Iraq during the period (2004-2023)

Source: Prepared by the researcher based on the data in Table 2.

## 6. The Third Topic: Measuring the Impact of Public Debt on Iraq's Net General Budget for the Period (2004–2023) Using the ARDL Model

In order to investigate the relationship between public debt (independent variable) and the net public budget (dependent variable) in Iraq, the ARDL model was employed. The aim of this analysis is to assess the extent to which variations in public debt affect the net budget during the period 2004–2023.

### 6.1 Results of the Stationarity Test for the Variables (Gb, Pd)

The results of the stationarity (unit root) test, conducted using the Augmented Dickey–Fuller (ADF) method, are presented in the table. The outcomes indicate that the calculated t-value for Iraq's public debt exceeded the critical values at the 1%, 5%, and 10% significance levels. This confirms that the series becomes stationary at the first difference with both a constant and a trend. Accordingly, the time series does not contain a unit root and is integrated of order I(1). Based on these results, the null hypothesis is rejected and the alternative hypothesis is accepted.

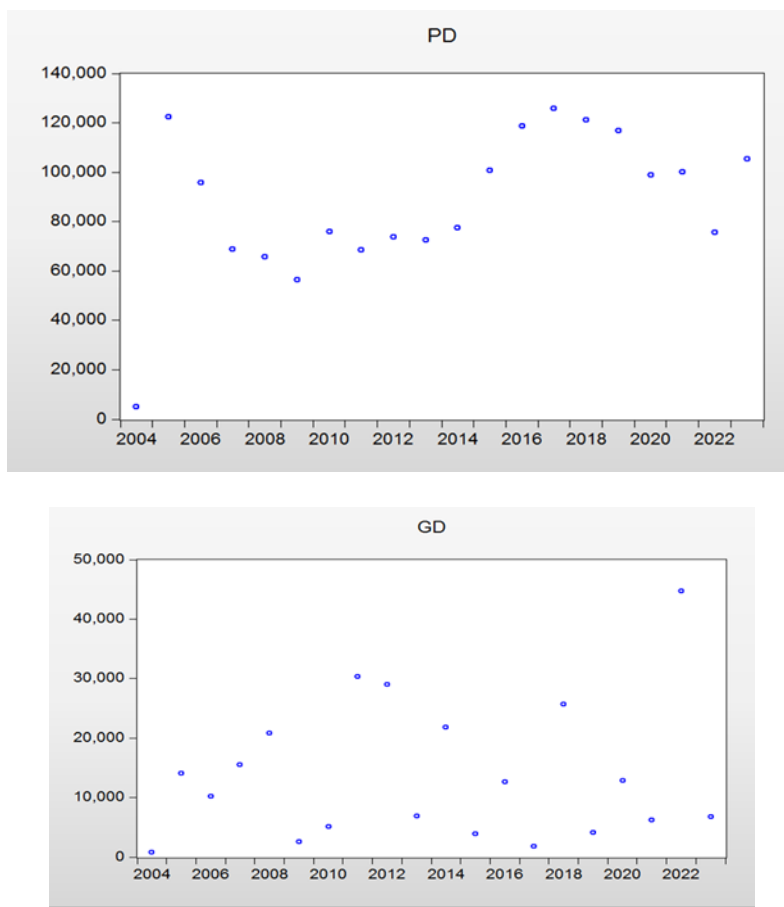
Table 3. Static test results for variables (GD, PD) according to the expanded Dickey-Fuller test

Significance levels of the variables gp, pd	level			The first difference		
	Fixed limit	A fixed limit and general trend	Without limit	Fixed limit	A fixed limit	Without limit
T-Statistic for PD	-1.272797	2.360152	-0.292252	-2.443838	-8.465827	

	%1	-	-4.616209	-2.692358	-3.920350	
Moral level		3.886751				-
						4.571559
	%5	-	-3.710482	-1.960171	-3.065585	
		3.052169				-
						3.690814
	%10	-	-3.297799	-1.607051	-2.673459	
		2.666593				-
						3.286909
<b>T-Statistic for GD</b>		-				
		5.835427				
	%1	-				
Moral level		3.831511				
	%5	-				
		3.029970				
	%10	-				
		2.655194				

Source: Worked by the researcher based on the Eviews10 statistical program [17].

With respect to the unit root test results for the net budget series (GD), the calculated t-value exceeded the critical values at all significance levels (1%, 5%, and 10%). This outcome confirms that the series is stationary at its level with a constant. Therefore, the time series is free from a unit root and is integrated of order I(0). Accordingly, the null hypothesis is rejected, while the alternative hypothesis is accepted.



**Figure 3.** Charts of the dependent and independent variables  
 Source: Prepared by the researcher based on the EViews10 program.

Correlation coefficient matrix for the impact of public debt on Iraq's net general budget (2004–2023):

The purpose of the correlation coefficient matrix is to identify the direction and strength of the relationship between the independent variable (public debt, Pd) and the dependent variable (public budget, Gd). As shown in Table 4, The findings reveal a negative correlation between public debt and the public budget, with a correlation coefficient estimated at about (-0.045991). This suggests that rising levels of public debt are linked to a reduction in the general budget, a result consistent with the predictions of economic theory.

**Table 4.** Correlation coefficient matrix for variables (pd, gd)

	GD	PD
GD	1.000000	-0.045991
PD	-0.045991	1.000000

Source: Compiled by the researcher using EViews 10.

## 6.2 ARDL Model

Following the stationarity tests for the variables of public debt and the general budget in Iraq over the period (2004–2023), the results confirmed stability at both the level and the first difference. Based on these findings, the Autoregressive Distributed Lag (ARDL) model was applied as follows:

1. Estimating the effect of public debt on Iraq's general budget during the period (2004–2023):

The outcomes reported in Table (5) present the ARDL estimation of the relationship between public debt and the general budget in Iraq. The coefficient of determination ( $R^2$ ) was 0.770, indicating strong explanatory power of the model, while the adjusted  $R^2$  stood at 0.21. The F-statistic was approximately 1.38 with a significance level of 0.003, confirming the overall validity of the estimated model. Furthermore, the Durbin–Watson (D.W) statistic recorded a value of 2.69, which suggests that the model does not suffer from autocorrelation.

**Table 5.** Results of the ARDL estimation for the effect of public debt (PD) on the general budget (GD) in Iraq.

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GD(-1)	0.296149	0.536726	0.551769	0.6105
GD(-2)	0.238696	0.520870	0.458263	0.6706
GD(-3)	0.224929	0.505904	0.444608	0.6796
GD(-4)	0.774374	0.449043	1.724499	0.1597
PD	-0.978648	0.398719	-2.454478	0.0701
PD(-1)	0.857177	0.720299	1.190029	0.2998
PD(-2)	0.469292	0.506223	0.927045	0.4064
PD(-3)	-0.773062	0.638420	-1.210900	0.2926
PD(-4)	0.155810	0.400721	0.388825	0.7172
PD(-5)	0.217742	0.131218	1.659399	0.1724
C	1167.890	45442.29	0.025701	0.9807
R-squared	0.776035	Mean dependent var	14324.87	
Adjusted R-squared	0.216121	S.D. dependent var	12972.84	
S.E. of regression	11485.75	Akaike info criterion	21.68051	
Sum squared resid	5.28E+08	Schwarz criterion	22.19975	
Log likelihood	-151.6038	Hannan-Quinn criter.	21.67498	
F-statistic	1.385991	Durbin-Watson stat	2.699374	
Prob(F-statistic)	0.00336...			

Source: Prepared by the researcher based on the program EViews10.

## 2. Bounds Test

Table 6 reports the results of the bounds test examining the relationship between public debt (PD) and the general budget (GD). The analysis reveals evidence of cointegration, as the computed F-statistic (6.52818) is higher than the critical values for both the lower and upper bounds at all significance levels (10%, 5%, 2.5%, and 1%). Consequently, the null hypothesis is rejected in favor of the alternative, confirming the existence of a long-run cointegration relationship between PD and GD.

**Table 6.** Bound Test results

Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic k	6.528184... 1		Asymptotic: n=1000	
		10%	3.02	3.51
		5%	3.62	4.16
		2.5%	4.18	4.79
		1%	4.94	5.58

Source: Prepared by the researcher based on the program EViews10.

## 3. LM Test and Heteroskedasticity Test

Table (7) presents the results of the autocorrelation test, which examines the relationship between public debt and the public budget in Iraq for the period (2004–2023). Based on the LM test, the calculated F-value was 0.46, a value greater than 0.05 and statistically insignificant. Similarly, the probability value of the Obs R-squared statistic was 0.11, which is also insignificant. Consequently, the null hypothesis is accepted, confirming the absence of an autocorrelation problem, while the alternative hypothesis is rejected. Furthermore, the results indicate no evidence of heteroskedasticity, as the probability values for both  $R^2$  (0.91) and F (0.71) exceeded the 0.05 threshold, confirming that the series does not suffer from instability in variance.

**Table 7.** LM Test and Heteroskedasticity Test results

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.142166	Prob. F(2,2)	0.4668
Obs*R-squared	7.997740	Prob. Chi-Square(2)	0.1183
Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.356741	Prob. F(10,4)	0.9152
Obs*R-squared	7.071265	Prob. Chi-Square(10)	0.7187
Scaled explained SS	0.180058	Prob. Chi-Square(10)	1.0000

Source: Prepared by the researcher based on the program EViews10.

## 7. Conclusions

1. The study revealed that during the research period, the Iraqi economy was burdened with heavy debt alongside a persistent deficit in the general budget.
2. It was observed that both public debt and the general budget indicators experienced instability throughout the period (2004–2023). This volatility is largely attributed to fluctuations in oil prices, the rise in unplanned government expenditures, and the wars against terrorist groups, which accumulated substantial debt and contributed to a significant imbalance in Iraq's general budget.
3. The stationarity tests indicated that the research variables were stable at the level with a fixed intercept, as well as at the first difference with both a fixed intercept and a general trend.

4. The findings confirmed the presence of a long-term inverse relationship between public debt and the general budget in Iraq over the study period.
5. The diagnostic tests showed that the model was free from heteroskedasticity, since the chi-square probability value exceeded (0.05). Accordingly, the null hypothesis was accepted, and the alternative hypothesis was rejected.

#### Recommendations

1. It is necessary to follow flexible policies to control public debt in a way that can manage government financing requirements and financial stability through restructuring the general budget with the aim of reducing reliance on debt to cover the budget deficit.
2. The necessity of developing non-oil industries, such as manufacturing industries and production taxes, because they reduce imbalances in the general budget in the face of oil price fluctuations.
3. Work to encourage debt instruments such as development bonds and Islamic sukuk to help finance productive projects and not just cover the budget deficit.
4. Strengthening the principle of partnership between the state and the private sector with the aim of reducing borrowing and improving the state's financial situation.
5. The structural deficit must be separated from the periodic deficit in the general budget, and appropriate treatment tools must be determined other than the unplanned expansion of the public debt.

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