

-RESEARCH ARTICLE-

THE FACTORS AFFECTING THE INTERNATIONAL CREDIT RATING: EVIDENCE FROM IRAQ'S ECONOMY

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—Abstract—

International credit rating has become an important aspect of a country's credit reputation on the market, which is influenced by various factors, including economic development, external and internal debts of the country, and so on. This aspect requires the attention of recent studies and policymakers, and the current research investigates the impact of per capita income, GDP growth, inflation, and external and internal debts on Iraq's international credit rating. From 1991 to 2021, secondary data from World Development Indicators (WDI) and global economy databases are utilized for the current study. The present study also employed the dynamic autoregressive distributed lag (DARDL) model to examine the relationships between the variables under investigation. Results indicated that per capita income, GDP growth, inflation, external and internal debts, and Iraq's international credit rating are positively correlated. The results guide policymakers in developing policies to improve the international credit rating by regulating relevant factors such as per capita income, GDP growth, inflation, and external and internal obligations.

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1. INTRODUCTION

Credit ratings are regarded as crucial for the nation's economy. Several factors, such as the performance of financial markets, inflation, debt, debt rating, and credit ratings, contribute to the economic development of a nation. The world's economies, especially the developing ones, typically utilize international financial forces' debt to support their economies (Talab & Flayyih, 2023). While deciding whether to issue debt to a country, international financial institutions consider several factors, including the country's internal and external debts, inflation fluctuations, and the extent of its economic development history (Hamad et al., 2022; Wahhab et al., 2020). Keeping in mind the significance of these variables, this study aimed to investigate their correlation with credit ratings.

Numerous credit rating agencies from various global markets can be selected to express the credit rating regarding the ability of debtors to repay their debts by constructing a fictitious timing schedule that considers the creditworthiness of debt issuers and their instruments (Gehring et al., 2020). And the majority of these agencies publish their views on long-term risks utilizing the same A-to-C rating symbols that have become the market standard since John Moody introduced them in 1909 (Zandi et al., 2019). Credit rating is not merely an automated procedure but a formula for analyzing credit-related risks founded on a lengthy and intricate study. Because Moody's and S&P classify bonds differently, any agency can give them equal access to investment financing sources.

Iraq is one of Asia's pivotal economies. In recent years, the nation has experienced several significant events, including the U.S. war and other related factors. Despite this, the country is undergoing accelerated development (Al-Taie et al., 2022; Fahad & Abdurrazaq, 2022). Periodically, the country borrowed money from various national and international financial institutions. Figure 1 demonstrates the sovereign credit ratings for Iraq. In 2013, the Iraqi government's debt ratio to its gross domestic product was 32%; in 2014, this ratio increased to 32.9%. In 2020, the greatest ratio was 84.2%. It has numerous causes, including the Covid pandemic and external debt. Despite the country's success in reducing these ratios to 36.7% in 2022 (Rasheed, 2020; Wahhab et al., 2020), there is still much room for improvement. The current study aimed to investigate Iraq's international credit ratings to examine debt fluctuation.

There is a great deal of literature on the international credit rating of Iraq. However, there are still several gaps in the literature, which the present investigation seeks to fill. These gaps are as follows: 1) even though technology adoption, particularly in the agricultural context, has been studied extensively from different perspectives, at different times, and in different economies, it has not yet reached its zenith because there are still a number of its aspects that need to be explored; 2) The equation based on factors

such as Iraq's international credit rating, per capita income, GDP growth, inflation, and external and internal debts has not been verified in recent years. 3) [Li et al. \(2019\)](#) and [Asare et al. \(2021\)](#) investigated whether there is a relationship between International credit rating and per capita income. Using a new sample set, the current study will also investigate this issue and other variables, such as GDP growth, inflation, and external and internal debts. 4) [Osobajo et al. \(2019\)](#) and [Mutize et al. \(2020\)](#) investigated whether there is a relationship between the international credit rating and the gross domestic product. Using a new sample set, the current study will also investigate this relationship, along with other variables such as per capita income, inflation, and external and internal debts. 5) [Ogrokhina et al. \(2019\)](#) and [Cheng et al. \(2021\)](#) investigated whether or not there is a relationship between International credit rating and inflation. Using a new data sample, the current study will investigate this issue and other variables, such as GDP growth, per capita income, and external and internal debt in Vietnae. 6) [Afonso et al. \(2011\)](#) and [Reusens et al. \(2017\)](#) investigated whether there is a relationship between International credit rating and external debt. Using a new sample set, the current study will also investigate this question, along with other variables such as GDP growth, per capita income, inflation, and external and internal debts. 7) [Mathiesen \(2018\)](#) and [Paudyn \(2015\)](#) investigated whether there is a correlation between International credit rating and creditworthiness; however, the current study will also focus on this issue in addition to other variables such as GDP growth, inflation, per capita income, and internal debts in Iraq with a new sample set. 1) Being one of the most important topics of the modern era, i.e., credit rating, especially from an economic standpoint, the current study will emphasize the need to investigate it, particularly in the context of Iraq, and 2) Having a notable impact on the economy of Iraq. 2) Although there is a great deal of literature on international credit rating, the present study will contribute to the literature on the subject in the context of Iraq, 3) It will provide a guideline as well as assistance for the economy-related professionals to review and provide the support for upgrading the policies to enhance the country's economic development in the context of credit rating specifically in Iraq.

2. LITERATURE REVIEW

Any country's per capita income is determined by its economic development, which is, in turn, determined by the economic performance of its financial markets. International credit rating is associated with improved financial market performance. [Li et al. \(2019\)](#) examined whether an association exists between global credit rating and financial markets in this context. The investigation was conducted on the European region's populace. The research is empirical. The research sampled 51 years of data from 40 European economies. The selected sample data spans the years 1990 through 2018. The study employed the ARDL analysis method for analysis. According to the analysis's findings, there is a significant connection between international credit rating and financial markets. Changes in the global financial rating influence the country's financial

needs, affecting the per capita income of the country's citizens. The Covid pandemic is one of the significant factors of this century that significantly impacted the global economy. [Asare et al. \(2021\)](#) examined whether Covid affects the global economy in this context. The research was conducted on a sample of 170 economies. The research is empirical. The study utilized the tenure from December 2019 to October 2020 as a sample. For analysis, the research used VAR analysis. The analysis results suggested that the Covid pandemic affects the global economy. It also disrupts the global credit rating, affecting every country's per capita income by altering economic conditions. The international credit ratings are founded on a country's creditworthiness. Effective credit ratings are the consequence of a country's solid creditworthiness. Better economic conditions positively affect the country's creditworthiness, which in turn impacts the per capita income. [Bai et al. \(2019\)](#) worked on international credit ratings regarding creditworthiness. The investigation was conducted on the Chinese populace. The research is empirical. As a sample, the research utilized the information of 2044 farmers. The study employed Fuzzy C-means clustering analysis for analysis. The analysis results indicate that creditworthiness significantly impacts international credit ratings, which in turn affects per capita income in terms of economic performance.

Any nation's economic growth depends on several factors, one of which is debt. The debt, whether internal or external, is substantially impacted by credit ratings. In this context, [Osobajo et al. \(2019\)](#) examined the determinants of credit ratings in emerging financial markets around the globe. The investigation focused on the populations of twenty emerging economies in the world. The research is empirical. As a sample, the research utilized data from 14 years. The sample data spans the years 2001 through 2015. For analysis, the study utilized OLS regression analysis. According to the analysis outcomes, the country's GDP is one of the most important factors determining credit ratings. Any change in economic conditions affects both GDP and credit ratings. Any nation's GDP is determined by its economic performance. Any change in economic performance has a substantial impact on GDP.

Additionally, economic development is connected to credit ratings. In this context, [Mutize et al. \(2020\)](#) examined whether economic growth is among the most important factors influencing global credit ratings. The research was conducted on a sample of the world's African, European, American, and Asian emerging economies. The research is empirical. The study sampled data from the past eight years. The sample data spans the years 2010 through 2018. The PLS analysis method was employed for analysis in this study. The analysis results suggested that economic development is one of the most important factors in determining credit ratings worldwide. The fiscal policies of any nation are intended to improve economic conditions to increase the country's GDP. In this context, [Balikçioğlu et al. \(2019\)](#) examined whether or not fiscal policies and credit ratings are associated. The research is empirical. The survey sampled information from 16 years. The sample data span the years 2001 through 2016. For analysis, the study

utilized probit analysis. The analysis results suggested that economic development is one of the most important factors in determining credit ratings worldwide. Similarly, [Tugba \(2019\)](#) investigated the global credit rating determinants. The research is empirical. The survey sampled information from 17 years. The sample data spans the years 2000 through 2017. For analysis, the study utilized probit analysis. The analysis results suggested that economic development is one of the most important factors in determining credit ratings worldwide.

Multiple factors, including inflation, deflation, financial market performance, and political stability, contribute to the economic development of every nation. A few factors, such as inflation, carry greater weight than the others. Inflation is one of the factors that directly affect people's lives. Any change in these variables will affect economic development, which is connected to credit ratings. In this context, [Ogrokhina et al. \(2019\)](#) examined whether inflation targeting and credit ratings are associated in any way. The survey was conducted on a sample of seventy-five developing economies from around the globe. The research is empirical. The survey sampled information from a single year.

The sample data spans January through December of 2013. The PLS analysis method was employed for analysis in this study. The results of the research indicate that inflation has a significant impact on the country's credit ratings. Similarly, [Cheng et al. \(2021\)](#) examined whether or not there is a correlation between inflation in the form of institutional investment horizons and global credit ratings. The research was conducted on 57 economies as a sample. The research is empirical. The survey sampled information from 16 years. The sample data spans the years 2000 through 2016. The PLS analysis method was employed for analysis in this study. According to the analysis's findings, there is a significant relationship between inflation as institutional investment horizons and credit ratings. Similarly, [Driss et al. \(2021\)](#) investigated the possibility of a relationship between inflation in the form of financial development and global credit ratings. The research was conducted on a sample of seventy-five economies. The research is empirical. The survey sampled information from 15 years. The sample data spans the years 2000 through 2015. For analysis, the study employed the GMM method. According to the analysis results, a significant relationship exists between financial development (including inflation) and credit ratings. Whether internal or external, debt is a crucial factor in the local and global financial markets. Developing nations typically borrow money from international financial institutions or developed countries to stabilize their economies. The impact of international or external debt on international credit ratings is significant. In this context, [Afonso et al. \(2011\)](#) investigated credit debt ratings' short- and long-term determinants. Twenty economies comprised the study's sample. The research is empirical. The survey sampled information from a decade. The sample data spans the years 1995 through 2005. For purposes of analysis, the study utilized the L&O response analysis technique. According to the analysis results, whether

internal or external, debt is one of the most influential factors in determining credit ratings.

Similarly, [Reusens et al. \(2017\)](#) investigated the factors influencing credit debt ratings. The research was conducted on an assortment of ninety economies. The study is empirical. The survey sampled information from 13 years. The sample data spans the years 2002 through 2015. The CML analysis method was employed for analysis in this study. According to the analysis results, whether internal or external, debt is one of the most influential factors in determining credit ratings. [Kharusi et al. \(2018\)](#) also examined the relationship between external debt and economic development. The survey was conducted on a representative sample of Iran. The research is empirical. The survey sampled information from 25 years. The sample data spans the years 1990 through 2015. The study employed the ARDL analysis method for analysis. According to the analysis results, due to economic development, there is a significant relationship between external debt and international credit rating.

International and national financial institutions evaluate the creditworthiness of an entity before extending credit. Creditworthiness determines the entity's eligibility for debt forgiveness. Creditworthiness is the extent to which a person, business, or nation is deemed suitable to receive financial credit or debt and is frequently dependent on their past payment history. According to the literature, credit ratings and internal debts have a significant relationship ([Cafarelli, 2020](#); [Ubarhande et al., 2021](#)). Governments assumed enormous responsibilities when the sovereign debt crisis morphed into a financial crisis due to the substantial liquidity interventions made to prevent the collapse of the banking system. The restoration of sovereign creditworthiness continues to be hampered by limited public resources, exacerbating the tension between fiscal control's practical and programmatic aspects. The European Union (EU) continues to be the site of numerous distressing occurrences. [Paudyn \(2015\)](#) examined the performance of the political economy of creditworthiness in this context. According to the study's findings, there is a significant relationship between external debt and international credit rating due to economic development.

Moreover, [Poon et al. \(2020\)](#) investigated the role of rating outlooks and predictors of creditworthiness. The survey was conducted on a representative sample of the United States. The research is empirical. The survey sampled information from 34 years. The sample data spans the years 1981 through 2015. For analysis, the study utilized OLS regression analysis. The analysis results indicate that creditworthiness is a significant factor in determining the amount of internal debts.

3. RESEARCH METHODS

This study investigates the effect of Iraq's per capita income, GDP growth, inflation, and external and internal obligations on its international credit rating. From 1991 to 2021,

secondary data from WDI and global economy databases are utilized for this study. The investigation developed the following equation:

$$ICR_t = \alpha_0 + \beta_1 PCI_t + \beta_2 GDPG_t + \beta_3 INF_{it} + \beta_4 EXD_t + \beta_5 IND_t + e_t \quad (1)$$

Where;

- ICR = International Credit Rating
- t* = Period
- PCI = Per Capita Income
- GDPG = Gross Domestic Product Growth
- INF = Inflation
- EXD = External Debt
- IND = Internal Debts

The primary variable of the study was the international credit rating, which was measured using sovereign credit ratings. In addition, the researchers employed five predictors, including per capita income proxies as net national income per capita (percent of growth), GDP growth proxies as GDP growth (annual percentage), inflation proxies as consumer prices (annual%), external debt proxies as the present value of external debt (percent of GNI), and internal debts proxies as central government debt (percent of GDP). [Table 1](#) provides the following variables.

Table 1. Variables with Measurements

S#	Variables	Measurement	Sources
01	International Credit Rating	Sovereign credit ratings	The Global Economy
02	Per Capita Income	Net national income per capita (% of growth)	WDI
03	Gross Domestic Product Growth	GDP growth (annual percentage)	WDI
04	Inflation	Inflation, consumer prices (annual %)	WDI
05	External Debt	Present value of external debt (% of GNI)	WDI
06	Internal Debts	Central government debt (percentage of GDP)	WDI

The researchers examine the specifics of the variables using descriptive statistics. In addition, the study examines the correlation between variables using a correlation matrix. In addition, the study investigates the unit root among the variables to implement the correct model using the Phillips–Perron (PP) and augmented Dickey–Fuller (ADF) tests. The formula for the test is given below:

$$d(Y_t) = \alpha_0 + \beta t + \gamma Y_{t-1} + d(Y_t(-1)) + \varepsilon_t \quad (2)$$

Moreover, the study also checks the co-integration, which is necessary to apply the suitable model (Westerlund et al., 2008) approach. The equation for the approach is mentioned below:

$$LM_\varphi(i) = T\hat{\varphi}_i (\hat{\tau}_i/\hat{\sigma}_i) \quad (3)$$

$$LM_\tau(i) = \hat{\varphi}_i/SE(\hat{\varphi}_i) \quad (4)$$

In the equation (3) and (4), $\hat{\varphi}_i$, exposed the estimate beside standard error, r^2_i exposed the long-run measured variance, while $\varphi_i(L) = 1 - \sum \varphi_{ij}L^j$ exposed the scalar polynomial with L lag length, and ρ_i exposed the factor loading parameters vector.

In addition, the researchers used the ARDL model to check the association among the variables. It is a suitable approach when the variables are stationary at the level and first difference. Moreover, it provides long and short-run associations. The equation is mentioned below:

$$\begin{aligned} \Delta ICR_t = & \alpha_0 + \sum \delta_1 \Delta ICR_{t-1} + \sum \delta_2 \Delta PCI_{t-1} + \sum \delta_3 \Delta GDPG_{t-1} + \sum \delta_4 \Delta INF_{t-1} + \\ & \sum \delta_5 \Delta EXD_{t-1} + \sum \delta_6 \Delta IND_{t-1} + \varphi_1 ICR_{t-1} + \varphi_2 PCI_{t-1} + \varphi_3 GDPG_{t-1} + \\ & \varphi_4 INF_{t-1} + \varphi_5 EXD_{t-1} + \varphi_6 IND_{t-1} + \varepsilon_t \end{aligned} \quad (5)$$

The present research also applied the DARDL model to test the linkages among the understudy variables. It is a newly developed approach established by Jordan et al. (2018). It covers all the shortcomings that do not control by the ARDL model. The equation for the approach is mentioned below:

$$\begin{aligned} \Delta ICR_t = & \alpha_0 + \sum \delta_1 \Delta ICR_{t-1} + \sum \delta_2 \Delta PCI_t + \sum \delta_3 \Delta PCI_{t-1} + \sum \delta_4 \Delta GDPG_t + \\ & \sum \delta_5 \Delta GDPG_{t-1} + \sum \delta_6 \Delta INF_t + \sum \delta_7 \Delta INF_{t-1} + \sum \delta_8 \Delta EXD_t + \sum \delta_9 \Delta EXD_{t-1} + \\ & \sum \delta_{10} \Delta IND_t + \sum \delta_{11} \Delta IND_{t-1} + \varepsilon_t \end{aligned} \quad (6)$$

4. RESEARCH FINDINGS

The researchers examine the specifics of the variables using descriptive statistics. The results revealed that the average ICR was 88.366 percent, the PCI was 15.814 percent, and the GDPG was 6.114 percent. In addition, the outcome revealed that the INF mean value was 50.680%, the EXD mean value was 7.887%, and the IND mean value was 26.738%. Table 2 contains the values in question.

In addition, the study examines the correlation between variables using a correlation matrix. According to the results, Iraq's international credit rating is positively correlated with its per capita income, GDP growth, inflation, external debts, and creditworthiness. Table 3 contains these values.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ICR	31	88.366	0.106	88.193	88.541
PCI	31	15.814	15.059	-31.780	26.956
GDPG	31	6.114	20.368	-64.047	53.382
INF	31	50.680	109.96	-16.117	448.500
EXD	31	7.887	0.313	7.371	8.386
IND	31	26.738	2.891	23.724	35.863

Table 3. Matrix of Correlations

Variables	ICR	PCI	GDPG	INF	EXD	IND
ICR	1.000					
PCI	0.724	1.000				
GDPG	0.068	0.126	1.000			
INF	0.555	0.287	-0.116	1.000		
EXD	0.570	-0.727	-0.065	-0.553	1.000	
IND	0.836	-0.614	-0.110	-0.381	0.838	1.000

In addition, PP and ADF tests are used to determine the unit root among the variables to implement the appropriate model. The results demonstrated that the ICR, PCI, GDPG, and IND are stationary at level, whereas the INF and EXD are stationary at first difference. [Table 4](#) contains these values.

Table 4. Unit Root Test

Series	ADF		PP	
	Level	First difference	Level	First difference
ICR	-2.155***	-----	-2.392***	-----
PCI	-2.783***	-----	-3.109***	-----
GDPG	-3.102***	-----	-2.768***	-----
INF	-----	-4.320***	-----	-5.673***
EXD	-----	-4.567***	-----	-5.662***
IND	-3.773***	-----	-3.090***	-----

Moreover, the study also checks the co-integration, which is necessary to apply the suitable model ([Westerlund et al., 2008](#)) approach. The outcomes revealed that the t-values are bigger than 1.96, and the p-values are lower than 0.05. These values exposed that the co-integration exists. These values are mentioned in [Table 5](#).

Table 5: Co-integration Test

Model	No Shift		Mean Shift		Regime Shift	
	Test Stat	p-value	Test Stat	p-value	Test Stat	p-value
LM _τ	-4.392	0.000	-5.409	0.000	-5.654	0.000
LM _φ	-4.300	0.000	-5.403	0.000	-5.783	0.000

The present study also utilized the DARDL model to examine the relationships between the investigated variables. Results indicated a positive relationship between Iraq's international credit rating and per capita income, GDP growth, inflation, external debts, and internal debts. [Table 6](#) contains these values.

Table 6. Dynamic ARDL Model

Variable	Coefficient	t-Statistic	Prob.
ECT	-3.674***	-3.902	0.002
PCI _{t-1}	0.473***	5.403	0.000
PCI	0.477***	4.391	0.020
GDPG _{t-1}	1.929**	2.663	0.027
GDPG	0.372***	3.201	0.012
INF _{t-1}	1.289**	2.192	0.044
INF	2.761***	4.392	0.000
EXD _{t-1}	1.982**	2.664	0.020
EXD	0.453**	2.773	0.018
IND _{t-1}	2.192***	5.782	0.000
IND	1.287***	5.894	0.000
Cons	2.371***	4.666	0.000

R square = 59.098

Stimulation = 5000

5. DISCUSSIONS

PCI has been regarded as one factor affecting international credit rating. [Baker \(2018\)](#) also supported this hypothesis in a prior study. According to his research, a country's credit rating indicates its capacity to meet its financial obligations. A higher PCI suggests that the government is economically stable and strengthened, boosting the country's international credit rating because it has the resources and facilities to manage its financial stability and obligations. This would increase the confidence of both lenders and credit rating agencies in the country's ability to meet its financial obligations. When a country has a high PCI, it indicates economic resilience, which sends a positive message to the international community that it will be able to maintain the stability of its credit ratings. In addition, it attracts foreign investors, resulting in increased global investment flows, thereby aiding the nation's development of creditworthiness.

Additionally, a higher PCI facilitates the fiscal policy of the nation by assisting with economic downturns and problems. Fiscal policy flexibility indicates the nation's capacity to face any economic challenges, thereby enhancing its international credit rating. In short, a higher PCI favors a country's global credit rating by aiding in financial debts, debts, or foreign investments. GDP measures the extent of a nation's economy. A rise in the GDP indicates an increase in income, which positively affects the credit rating. [Tugba \(2019\)](#) supported this theory as well. According to him, a country with a high gross domestic product has a stable economy and abundant resources, allowing it to manage financial situations such as debt better. This increases credit agencies' confidence in the nation's ability to meet its financial obligations. Moreover, a strong GDP indicates that a country is stable and has a developed economy, which gives the country a positive image, particularly among credit agencies, who are aware that countries with a higher GDP will be able to maintain their credit rating. Furthermore, a country with a stable DGP rate would aid in maintaining the debt-to-GDP ratio, which credit rating agencies prefer. Additionally, a higher GDP can assist in attracting foreign investments, thereby increasing international flows. Briefly, a higher gross domestic product influences a country's global credit rating through flexible policies, economic stability, and debt management.

According to [Goldstein and Huang's \(2020\)](#) study, a country's high inflation rate primarily causes economic issues and difficulties because it increases the price of products and services, thereby reducing the customer's purchasing power. However, it can improve the country's international credit rating. As the nation is experiencing financial difficulties, it will require debt or foreign economic assistance to stabilize or manage the economy. This circumstance then improves the country's international credit rating. External debt supports the country by providing access to financial assistance, which in turn helps fund infrastructure projects or initiatives that benefit the country's economic progress and development. Additionally, [Osobajo et al. \(2019\)](#) supported this conclusion. According to their research, a stable economy would increase the international credit rating. In addition, having access to external debt would be advantageous because relying solely on domestic financial support would expose the country to greater risk during economic difficulties. In addition to assisting in developing legal frameworks sustaining international debt, external debt facilitates the improvement of financial institutions. This also contributes to a positive perception of the country's ability to manage its economic issues, thereby improving its international credit rating. Therefore, external debt positively affects the global credit rating by facilitating financial resources, bolstering financial institutions, and improving the debt profile.

Internal obligations refer to borrowing from the nation's resources. It is a significant factor that credit rating agencies consider when analyzing the hazards associated with lending money to companies or nations. [Bai et al. \(2019\)](#) supported this theory as well.

They say high internal debts indicate creditworthiness, leading to higher international credit ratings and lower interest rates. High internal debt is viewed as a low-risk borrower, resulting in favorable financing terms such as longer repayment terms or a lower interest rate. This reduces the cost of financing, indicating a favorable outlook for credit rating agencies. Cafarelli (2020) supported this theory as well. According to them, high internal debts also increase access to credit, as credit agencies are more receptive to countries with a history of meeting or managing their financial responsibilities. This factor also permits the nation to foster economic growth and financial investment initiatives. Moreover, this factor also increases investors' confidence in the country's financial situation, as it demonstrates that the country can manage its debts and financial obligations, leading to an increase in foreign investment and a reinforcement of the country's creditworthiness. Therefore, credit rating agencies regard high creditworthiness as crucial when assigning credit ratings. In summary, internal debt positively affects a country's international credit rating because it demonstrates its capacity and financial stability, resulting in a higher global credit rate.

6. IMPLICATIONS

This paper contributes significantly to the body of knowledge. Iraq's economy has struggled in recent years due to the country's security concerns and political instability, which have harmed the country's creditworthiness and economy. Moreover, Iraq's economy is highly dependent on its hydrocarbon resources, making it susceptible to fluctuations in oil prices. However, the nation is trying to overcome these obstacles and enhance its international credit rating. Better economic reforms and frameworks are the focus of the nation's efforts to stimulate the economy. This paper emphasizes the factors that can improve an organization's international credit rating. Before this research, no investigation was conducted into the factors enhancing Iraq's credit rating. This paper analyzes the impact on the international credit rating of variables such as per capita income, external debt, inflation, creditworthiness, and gross domestic product. This paper offers policymakers, government institutes, and regulatory bodies recommendations for promoting international credit rating. Governments and financial institutions involved in the country's economy are doing their best to incorporate frameworks that stabilize the country's economy and facilitate international trade. If a country's per capita income rises, it will positively affect its international trade as the increased economic stability will give credit rating agencies a favorable impression of the country.

Countries with higher GDP rates also contribute to improving the national economy. In addition, a high inflation rate enhances a country's international credit rating because it needs financial assistance. External debt also indicates that the government has a favorable debt profile and is capable of timely debt management, thereby enhancing its international credit rating. Therefore, this paper analyzes the factors that increase Iraq's global credit rating, as a higher credit rating grants the country access to the international

credit market by indicating that the government has a low default risk and is creditworthy. This also encourages lenders to reduce the cost of borrowing, as they are interested in lending money at a low-interest rate. The results guide policymakers in devising policies to enhance the international credit rating by managing relevant factors such as per capita income, GDP growth, inflation, and external and internal debts. Global credit ratings for investors serve as a measure of credit risk for borrowers, assisting them in deciding on debt or investment strategies. In summary, Iraq should prioritize these factors to improve its international credit rating and gain access to international investors and the global market.

7. LIMITATION

The limitations of this paper can be addressed in the future. First, this paper examines the impact on the international credit rating of variables such as per capita income, external debt, inflation, internal debts, and gross domestic product. In the future, researchers can analyze the impact of green financing, government support, and financial policies on international credit rating. No moderator was used in this article. In the future, moderators such as government and foreign policies can be used to examine the role of these factors. In addition, this research was conducted in Iraq, a developing nation. This research may not apply to developed countries. This framework can be used in the future to examine the impact of these factors on developed nations.

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