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Economic and Financial Globalization and their Impact on Banking Liberalization

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Abstract ;

Globalization is a concept which, apart from its multiple definitions, describes the characteristics of the current stage of the development of international relations rather than introducing a new theory or perspective to understand the mechanisms of this development. It is a composite concept which is essentially a study of the nature of developments which affect international relations in their economic, social, cultural and political dimensions at the present stage and their impact on the trends of this development in the future. The current stage has witnessed a series of radical changes in the world system in general, especially in the world economic system, which heralded the beginning of a globalized economic system characterized by different aspects and tendencies.

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1. *Introduction*

The Most of the jurisprudence attempts which aim to clarifye the concept and the significance of the phenomenon of globalization have not yet reached its basic goal and objectives. Some of those jurisprudences limited themselves to describe this phenomenon as the process of Americanizing the world, i.e. spreading American culture so that it dominates other societal cultures. Others see it as the other side of imperial domination of the world under the sole leadership of the American states, it is the ugliest and most recent form of colonial domination, and there are those who look at it from a broader perspective as the process of capitalizing the world, that is to say, globalization is a process intended to spread the principles of the capitalist economic system and impose it on the general economic methods followed by other societies (economic globalization), while a third group goes to say that globalization is a phenomenon that directs all human societies towards cultural homogeneity (similarity) and the formation of a global personality of an open nature On the different societies and cultures around it (cultural globalization and the culture of globalization), supporters of this team rely on the massive developments taking place in the communications and transportation sector between different human societies, which have contributed significantly to spreading the cultures of societies, especially advanced ones, which aim to reach developing societies at the level of their industrial, economic and scientific development.

2. *The concept of economic and financial globalization*

2.1. *The concept of economic globalization*

Economic globalization can be defined as one of the most important aspects of globalization, and the most important trends explaining it as the liberation of existing economic relations between countries from national policies, institutions and agreements regulating them, with their automatic submission to new forces produced by global economic developments to reshape, organize and revitalize them at the level of the entire world as one unit[1], and the follower of successive developments Globalization realizes that there is a major group of global changes that occur on a large scale, represented in the rapid growth of international financial transactions as well as the rapid growth of foreign direct investment, especially through multinational companies, the rise of the technological revolution, the integration of the global communication system, and the integration of global markets in the field of exchange of goods and services[2].

[1] :Abdel Moneim Mohamed Al-Tayeb Hamad Al-Nil, Globalization and its economic effects on banks - a comprehensive view, An intervention presented at the first national forum on the banking system and economic transformations, Chlef University, on December 14-15, 2004, p. 03.

[2] :Abdel Muttalib Abdel Hamid, Globalization and Banking Economics, al dar al jamiyia for Printing Publishing and Distribution, Alexandria, 2002, p. 32.

2.2. *The concept of financial globalization*

Financial globalization is a product of financial liberalization and the transition to what is called financial openness, which led to the integration and linkage of local financial markets with the outside world by following financial and banking liberalization policies so that capital markets and banking markets became more connected and integrated. This trend was supported by the global trend within the framework of the Uruguay negotiations and the conclusion of an agreement to liberalize trade in services, including financial and banking services in 1997, which led to more financial and banking openness and increased financial and banking operations across borders. Financial globalization is considered one of the aspects of banking liberalization and is at the same time one of the factors driving it[3].

3. *Globalization of banking activity and liberalization of financial and monetary markets*

3.1. *The tendency to globalize banking activity*

In the nineties of the last century, the use of the term globalization spread, which in essence expresses the fading of the impact of geographical and political borders on the free movement of international trade, capital flows and technology transfer[4].

The tendency to globalize banking activity is one of the main aspects of financial globalization, so that the globalization of banking activity was manifested through unifying the orientations of banks in their endeavors towards customer service, attracting financing sources and expanding the horizons of investing money. These trends were accompanied by the increasing liberalization of government restrictions. We also find that there are a number of reasons attributed to the tendency of banks to internationalize their activities, Among them we mention[5]:

- Avoiding risks by diversifying markets, especially the risk of competition and saturation of local markets;
- Low costs in the host countries (labor costs, and some other production factors) compared to their counterparts in the mother country;
- Benefiting from incentives and privileges offered by host countries, as well as benefiting from incentives granted by countries to expand their banks abroad;
- The disappearance of barriers and restrictions, especially after the success of the last Uruguay Round and the conclusion of the GATS agreement for the liberalization of trade in services, including financial and banking services,

[3] :Beriche Abdel Kader, "Banking Liberalization and the Requirements for Developing Banking Services and Increasing the Competitiveness of Algerian Banks," PhD thesis in Economic Sciences, University of Algiers, 2006, p. 24.

[4] :Bank of Alexandria, "The most important developments on the global banking arena, with special reference to the extent to which the Arab market has kept pace with these developments," Economic Bulletin, Volume 26, 1994, p. 22.

[5] :Heba Muhammad al-Tantawi al-Baz, "Global developments and their impact on banking work and the Egyptian banks' strategy to confront them," master's thesis, Faculty of Commerce, Ain Shams University, Egypt, in 2003, pp. 10-11.

in 1997, within the framework of the World Trade Organization.

All of these aforementioned reasons encouraged the internationalization and globalization of banking activity, and allowed banks to exist outside the borders of one country, and the phenomenon of multinational banks became increasing and spreading, as foreign ownership of bank assets expanded in many countries[6].

3.2. *Liberating financial and monetary markets from restrictions*

The financial and monetary markets witnessed an increasing trend towards liberation from restrictions, including legislation, regulations, formalities, and obstacles that limit their freedom and movement, This process aims to end direct government interference in the financial and banking systems, which characterized the post-World War II period, that process that took many forms, including setting the maximum interest rates that can be paid on deposits, and those that are charged on loans, setting a limit A minimum capital-to-assets ratio, determining the legal reserve ratios, determining the locations of banks' domiciles and defining their jurisdiction and the services they are permitted to provide[7].

The purpose of this government intervention was to protect the financial resources of individuals on the grounds that leaving them without intervention may lead to many risks, which ultimately results in losses and loss of confidence and affects financial integrity.

The trend towards removing restrictions varied from one country to another and took several forms, such as easing restrictions and measures that impede the movement of capital flows and investment, abolition of control over external financing operations, removal of restrictions imposed on credit and debit interest rates and those imposed on commissions, pricing of banking services and the abolition of credit ceilings, Lifting restrictions on foreign exchange operations.

In addition to removing geographical barriers to the activity of banks and financial institutions, eliminating the differences between investment banks and commercial banks, eliminating restrictions that prevent the combination of banking and insurance business, increasing access to the field of the banking industry, and expanding the choice between banking products available to individuals.

As a result of this process of removing restrictions and barriers and liberalizing the monetary and financial markets, competition in the financial and banking services sector has increased.

3.3. *Increasing competition in the financial and banking services sector*

The eighties of the last century witnessed an intensification of the phenomenon of competition, whether between commercial banks or between them and non-banking financial institutions such as insurance companies, investment banks, securities companies and other financial institutions,

[6] :Tariq Abdel-Al Hammad, Global Developments and Their Repercussions on the Business of Banks, al dar al jamiyia for Printing Publishing and Distribution, Egypt, 2001, p. 27.

[7] :Heba Muhammad al-Tantawi al-Baz, op.cit, p.15..

which have become providing various services to their customers of a banking nature[8], and the competition has also increased Liberalization of financial and banking services within the framework of the GATS agreement, which increased the possibility of exposure of local banks to competition from foreign banks.

It is worth noting that among the most important factors that led to an increase in competition in the financial and banking services sector are the following:

- The similarity of the financial and banking services that have become provided by both banks and other non-banking institutions, after the regulations and restrictions that prevented this were removed, and this led to narrow margins and pressure on profits from traditional operations, and in turn prompted an attempt to develop new financial methods and tools to increase Competitiveness and obtaining the largest possible share of the markets;
- The rapid technological progress in the field of communications, information and means of providing services, which led to the expansion of the financial information network and increased efficiency of systems and methods of data processing and decision-making, methods of calculating the costs and pricing of financial and banking services, the speed of delivery of information related to that to the markets and their dealers, and the low cost of completing transactions cross border finance, technological progress has also enabled banks to expand their activities and build wide networks of branches, and has led many banks to switch to electronic banking transactions, and the liberation from restrictions and the accompanying rapid technological progress and the employment of technology in the banking industry led to the emergence of many non-traditional banking services, the most important of which are electronic money, electronic banks and the expansion of electronic commerce operations[9].
- – The increase in securitization led to the transformation of banks from the traditional business of banks to intervention in the stock markets, and it also led banks to increase dealing with new financial instruments such as certificates of deposit and debt swaps, which required new methods of control and risk reduction.

4. *The effects of financial globalization on the banking system*

Many studies indicate that globalization has wide-ranging effects on the banking system in all countries of the world, and these effects may be positive, as they can be negative, and the task entrusted to those in charge of managing the banking system in each country becomes maximizing the positives and gains and minimizing the negative effects and repercussions.

In this regard, we can refer to a number of effects resulting from the globalization of banking activity, through:

[8] :Ibid; p.16.

[9] :Beriche Abdel Kader, "The Role of Electronic Banks in Supporting Electronic Commerce," a research paper at an international forum on electronic commerce, University of Ouargla, March 6-7, 2004.

4.1.*Restructuring the banking industry*

There has been a major change in the activities of banks, and the area, circle and scope of their banking business has expanded, whether at the local level or at the global level, and the Banks tended to perform financial and banking services that they had not done before, as most banks tended to diversify their sources of resources and fields of employment, and to innovate new banking services and products, and operations outside the budget were expanded, and as a result dealing with financial instruments and intervention in the market increased.

It is remarkable that the impact of financial globalization on the banking system in the field of restructuring the banking services industry has extended indirectly and was represented by the entry of non-banking institutions such as insurance companies and investment funds as a strong competitor to commercial banks in the field of financial services, which led to a decline in the role of commercial banks in the field of financial intermediation.
The case of American banks illustrates this transformation and change in the nature and structure of banking services. During the period 1980-1995, the share of commercial banks in financing personal financial assets decreased from 50% to 18%, while the share of non-banking financial institutions increased to about 42% for the same period. Despite the difference in this trend from one country to another, commercial banks all over the world began to face strong competition from non-banking financial institutions.

4.2. *Switch to universal banking*

In light of globalization and the restructuring of the banking and financial services industry, the trend of banks, especially commercial banks, has increased towards adopting the comprehensive banking philosophy, which are those banking entities that seek to diversify sources of funding and employment and mobilize as much savings as possible from all sectors, and employing its resources in more than one activity and in various fields, granting bank credit to all sectors, and working to provide various banking services, so that we find that it combines the functions of traditional commercial banks with the functions of specialized banks and investment banks.

4.3. *Diversifying banking activity and dealing in new financial instruments*

The diversification of banking activity at the level of financing sources included the issuance of negotiable certificates of deposit, long-term borrowing from outside the banking system, and at the level of banking uses and employments, the trend was towards diversifying the loans granted, establishing banking holding companies, expanding debt securitization operations, dealing in securities and managing portfolios, expanding leasing financing operations, establishing investment funds, practicing insurance activity, managing investments for clients or what is known as practicing the activity of investment trustees.
On the other hand, the diversification of banking activity went to its full extent in

light of globalization, when banks added financial derivatives to their activities.

There is no doubt that the increasing vulnerability of banks towards the diversification of banking activities is fueled by the wave of liberation from the constraints that characterize financial globalization, as this basically means opening areas for banking activities that were not allowed before, especially since the wave of banking liberalization was accompanied by a review of the strategic and supervisory systems on the banking system, where new systems of banking supervision and control appeared at the international level such as the decisions of the Basel Committee.

4.4. *Intensifying competition in the banking market*

With the increasing impact of financial globalization, and the international community reaching the approval of the agreement to liberalize financial and banking services in 1997 within the framework of the World Trade Organization, competition has intensified in the banking market, and this competition has taken three main directions:

- The first trend: competition between commercial banks among themselves, whether with regard to the local banking market or the international banking market.
- The second trend: competition between banks and other financial institutions.
- The third trend: competition between banks and non-financial institutions to provide financial and banking services.

Among the many challenges regarding the liberalization of financial services and its negative effects, there are a number of challenges worthy of attention, the first of which is that foreign financial institutions have a greater degree of efficiency, which will make them dominate the banking sector in developing countries, but this may not be true in all cases, it may be true in the case of private banking operations and some investment products, while the presence of such foreign financial institutions may push the local financial sectors to achieve greater efficiency in order to withstand foreign competition. And if local banks need more time to adjust their conditions to the new competition on the scene, financial liberalization can be in stages, that is, over a longer period of time, in addition to the willingness of governments to secure support for national financial institutions is an important factor in achieving the objectives of enhancing efficiency through financial resources rather than by imposing restrictions on the process of financial liberalization.

The second challenge relates to the possibility that the activity of foreign banks will be limited to serving profitable segments of the local markets. For example, not providing banking services to areas outside the urban map could have a negative impact on the economy.

As for the third challenge, it is represented in the fear that the presence of a large number of foreign banks will exacerbate the problem of inflation in the banking sector, which exceeds the actual need in terms of the number of banks. This challenge can be addressed by putting in place procedures and arrangements that expedite the exit of redundant banks from the market, in addition to that, organized mergers can be allowed and not by following a policy of providing protection for local banks.

4.5. *Increasing incidence of banking crises*

It can be said that one of the most important negative effects of financial globalization on the banking system is the occurrence of banking crises in a number of countries of the world, as some studies indicate that during the period 1980-1996 banking crises occurred in no less than a third of the member states of the International Monetary Fund[10], as banking crises escalated in the United States of America, Canada and Northern Europe, and in the countries of East Asia and Latin America.

The most important of these crises is the Mexico crisis in 1996, Southeast Asian countries in 1997, Argentina and Russia in 1999, and the mortgage crisis in 2008 in addition to other crises whose impact was limited and did not go beyond the borders of one country, as is the case in many developing, African and Arab countries, as is the case with Algeria through the crisis of private banks (Bank Al-Khalifa and the Industrial and Commercial Bank) that occurred in 2003.

A study completed in 1997 and conducted on 65 countries during the period 1980-1994 proved that there is a close relationship between globalization and banking liberalization measures, and the crisis of the banking system, which occurred in these countries. The crisis that erupted in the countries of Southeast Asia in the summer of 1997 showed how financial globalization and banking openness without controls led to the outbreak of the banking system crisis, Therefore, these crises strongly suggested the need to adhere to the standards of the Basel Committee on Banking Supervision, the need to hedge for all these crises, and the importance of developing an early warning system that depends on developing a set of indicators that warn of a crisis before it occurs.

4.6. *The growing phenomenon of banking merger*

Perhaps one of the most important effects of globalization on banks is the growing phenomenon and wave of banking merger, whether between small and large banks, or between large banks and each other to form giant banking entities that are able to compete, and benefit from the abundance of volume achieved by mergers, and the phenomenon of banking mergers has spread across the world, and has even become one of the strategies adopted by countries to strengthen the capital base of banks and withstand competition in light of the aforementioned global banking developments.

4.7. *Weakening the ability of central banks to control monetary policy*

One of the prominent and important effects of globalization on banking systems is weakening the ability of central banks to control and manage monetary policy with full sovereignty, because banking liberalization and the interdependence of economies with each other makes it very difficult to control monetary policy strictly and independently, as the currents of financial globalization directly affect the financial and monetary policies of countries.

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10 :Ibid, p.45.

In the end, we can say that there are many positive effects of globalization on the banking system, as there are many negative effects, and the confrontation strategy for the banking system becomes the development of mechanisms, policies, and tools that maximize the positive effects and try at the same time to minimize the negative effects and repercussions.

5. *Banking Liberalization*

Banking liberalization falls within the context of global economic developments, which are based on liberation from restrictions and obstacles that prevent freedom of banking activity at the local and international levels, and the process of banking liberalization began in developed countries and was completed with the expansion and internationalization of banking activities, and expanded to include many developing countries, especially countries known as transitional or transitional economies from a planned economy to a market economy.

5.1. *The concept of banking liberalization*

Banking liberalization falls within the context of economic liberalization and is considered one of its main components in the economic reform program. Banking liberalization can be defined in a narrow sense as a set of measures that seek to reduce restrictions imposed on the banking sector and reduce the state's monopoly on it and open it to competition[11].

In a broad sense, it includes a set of measures that develop financial markets, apply an indirect system of monetary control, establish a strong supervisory system, privatize public sector banks, encourage the private sector to establish banks and allow foreign banks to enter the local banking market.

On the other hand, financial and banking liberalization is defined by three basic aspects:

5.1.1. *Liberalization of the local financial sector*

It includes the liberalization of three basic variables: the liberalization of interest rates by limiting control represented by setting upper ceilings for credit and debit interest rates, and leaving them to be determined in the market by the convergence between money bidders and the demand for them for investment, by matching consumption and investment spending, And thus increasing economic growth, and this cannot happen unless prices are fixed at a certain limit, and credit is liberalized, and this is by limiting control over directing credit towards specific sectors, as well as setting higher credit ceilings on loans granted to other sectors, Secondly, the abolition of excessive compulsory precautions on banks, and the liberation of banking competition by abolishing and removing restrictions and obstacles that impede the establishment of local and foreign banks, as well as the abolition of all restrictions related to the competence of banks and financial institutions.

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[11] :Bentalha Saliha and Maouchi Boualem, "The Role of Banking Liberation in Reforming the Banking System, An Intervention Presented at the First National Forum on the Banking System, Reality and Challenges," held on December 14-15, 2004, University of Chlef, p. 477.

5.1.2. *Liberalization of financial markets*

It is done by removing the restrictions and obstacles imposed against the foreign investor's acquisition and ownership of the securities of the local establishments and institutions that are quoted on the Stock Exchange of Transferable Values, and limiting the compulsory localization of capital, profit and interest installments, It includes removing barriers and obstacles that prevent banks and other financial institutions from borrowing from abroad, working to reduce the control over the exchange rate applied to transactions related to the current account and the capital account, reducing the gap between the nominal and real exchange rate and liberalizing capital flows.

In this regard, IMF experts point to two important issues[12]:

- The first: It is better to start liberating long-term flows before short-term flows, and liberalizing foreign direct investment, before liberalizing portfolio investment or indirect investment.
- The Second: The comprehensive liberalization of capital transactions and transfers does not mean abandoning all rules and regulations applicable to foreign currency transactions. Rather, it may be necessary to strengthen the precautionary rules and regulations related to foreign currency transfers made by non-residents.

The policy of banking liberalization is based on supporting full confidence in the markets, as it is liberated from administrative restrictions and thus gives the market freedom, by liberalizing interest rates, which leads to increased savings and investment.

Banking liberalization generally achieves many advantages, the most important of which are mentioned below:

- Giving banks an opportunity to improve their performance and management, especially in light of intense competition.
- The possibility of bringing in advanced technology, improving the banking services provided, developing the skills of workers and benefiting from foreign experience.
- Activating market forces and competition, and thus the exit of banks that are unable to compete and the possibility of merging them with more powerful banks. Therefore, banking liberalization pushes towards encouraging banking merger and the formation of large banking entities.
- Raising the level of dealing with customers, using modern marketing methods, and developing banking services.

Despite the successes achieved by the banking liberalization policy in developed countries, it is experiencing difficulties in applying it in developing countries - similar to what is happening in Algeria. These difficulties are mainly due to the fragility of their economies, which necessitates managing the banking liberalization policy with caution and working to achieve more economic stability, by adhering to caution and gradual application of the banking liberalization policy.

In a field study conducted by the International Monetary Fund in 1995 in more than fifty countries in transition, it was found that there is no unified model for the banking liberalization process, so the matter depends on the nature and structure of the economy,

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[12] :Abdel-Muttalib Abdel-Hamid, Globalization and Banking Economics, al dar al jamiyia for Printing and Publishing, Alexandria, 2002, p. 35.

and the degree of structural reforms followed.

Accordingly, we can say that there is no recipe applied by all countries in order to make the banking liberalization process a success, and this depends on the procedures followed in initiating the banking liberalization process and on the goals to be achieved behind it.

5.2. *Bank liberalization procedures and objectives*

The methods of liberalizing the banking sector differ from one country to another according to the specific objectives of the general economic policy, and Within the overall framework of economic liberalization, they are either measures aimed at improving monetary policy, or encouraging competition in the banking sector, or improving methods and developing financial markets, or supporting the structural organization of the banking system. These measures can be summarized in the following points[13]:

- Removing restrictions on the interest rate, expanding its scope of action, and removing the ceilings imposed on it;
- Abolition of administrative restrictions restricting the freedom of banks, such as setting credit ceilings or automatic financing of state-owned enterprises;
- Strengthening the independence of banks and financial institutions in making their decisions in accordance with market rules;
- Restructuring public sector banks and opening their ownership to the national and foreign private sector;
- Allowing the establishment of banks, whether owned by the national or foreign private sector, and allowing the opening of branches of foreign banks;
- Reducing barriers to regulation and entry into the banking market and facilitating withdrawal procedures;
- Improving the degree of transparency in transactions and increasing protections for depositors and investors;
- Unleash the freedom to set commissions and pricing of banking services;
- reconfiguration of the banks' capital base (bank recapitalization);
- Strengthening supervision and oversight to maintain the discipline of the banking market.

Banking liberalization requires the availability of a set of conditions, the most important of which are the following:

- ***Competition guarantee***: Banking liberalization requires the abolition of all obstacles to freedom of competition, in order to avoid falling into wide differences between the interest rate on deposits and the interest rate on loans, and to prevent excessive mediation and discrimination in the process of granting credit, as well as to ensure that the banking system responds to the directives of the monetary and financial authorities.
- ***Ensure that the market is not segmented***: The tendency of projects to deal with some financial and banking institutions rather than others as a result of these projects owning banks may lead to an incomplete market. In addition, facilities must be given

[13] :Abdullah Fikry Muhammad Al-Wakeel, "Evaluating the performance of banks in light of the policy of economic liberalization," PhD thesis, Faculty of Economics, Cairo University, 1997, p. 16.

to granting licenses, facilitating mergers and opening new banking branches.

As for the objectives of banking liberalization, it aims to create conditions for competition in the banking market, reduce monopolies, reduce barriers and obstacles that prevent the expansion of banking activities, and provide a competitive banking environment to increase the attraction of savings and investment[14]:

- Mobilizing domestic and foreign savings to finance the economy and increase investment rates;
- Raise the effectiveness of the local financial markets and enable national banks to develop their services and increase their competitiveness at home and abroad;
- Liberalizing external financial transfers, such as liberalizing foreign currencies and capital movement;
- Making the banking system more robust to meet the challenges of global economic developments;
- Enabling local banks and financial institutions to integrate into the global financial markets.

5.3. *Conditions for the success of financial and banking liberalization*

There are four basic conditions set by supporters of financial and banking liberalization for the success of this policy, namely[15]:

5.3.1. *Availability of general economic stability*

Banking liberalization requires a stable macroeconomic climate where its advantages are fully utilized. High inflation, a large deficit in the state's general budget, and unstable exchange rates could have a negative impact on the banking liberalization process, and adversely affect integration into the international financial system[16], and it contributes to the weakening of the national banking system and influences the success of the banking liberalization policy, because among the main reasons for the failure of the banking liberalization policy are improper macroeconomic management policies, improper government regulation and supervision, and improper intervention in financial markets.

The period of transition to an open financial system is very important, because the policy of financial and banking liberalization has unsatisfactory results when financial markets are not developed or confidence in new policies is still weak, and on this basis, banking liberalization requires a monetary policy oriented towards stability, in addition to sound exchange rates and financial policies that support financial stability.

In order to achieve macroeconomic stability, preventive and remedial measures must be taken that enable coordination between macroeconomic policies and the policy of banking liberalization. Precautionary measures are usually related to taking measures taken before the occurrence of financial and banking crises, designing organizational structures and laws to reduce risks, and protecting depositors. These measures are accompanied by a strong government oversight of the banking system and the provisions of control and external accounting audit.

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[14] :Ibid, p.19.

[15] :Bentalha Saliha and Maouchi Boualem, op.cit, p. 478.

[16] : Tariq Abdel-Al Hammad, Global Economic Developments and Their Repercussions on the Business of Banks, al dar al jamiyia for Printing and Publishing for Publishing and Distribution, Egypt, 2001, p. 41

As for the remedial measures, they are usually taken when crises occur, and they lie in developing a deposit insurance system to protect depositors and reduce the financial panic that may affect them.

The most important burden that falls as a result of unstable macroeconomic policies is the lack of confidence in setting government policies and in economic and banking liberalization, due to the fact that macroeconomic management is difficult during the period of transition and transition from a closed economy monopolized by the state to an open and liberal economy that works according to market mechanisms.

5.3.2. *Following the sequence and order in the stages of bank liberalization*

The implementation of the banking liberalization policy must begin at the level of the local (national) economy, with its real and financial sectors, so that in the real sector, prices are set according to market forces, rational taxes are imposed on institutions, and state support for prices is raised, and the privatization policy is applied and the private sector is encouraged.

As for the financial and banking sector, more independence is given to banks in making their decisions, especially in granting credit, abandoning sectoral specialization, and lifting restrictions on the flow and movement of capital in foreign trade in the short term.

As for the financial and banking sector, it is permitted to establish foreign banks, free movement of capital, convertibility of currency, freedom of exchange... and others.

In general, we can say that the process of banking liberalization can be achieved in stages, the degree and speed of which depends on the economic structure of the state, the stage of development it has reached, and the relative importance of both the public and private sectors and their role in the national economy, in addition to the degree of integration of the national economy into the global economy.

5.3.3. *Careful supervision of financial markets*

The success of the financial and banking liberalization policy requires strong government supervision in order to prevent deviations and maintain the discipline of the banking market, and to avoid the occurrence of financial and banking crises and Ensure transparency and attention to the financial conditions of banks and financial institutions, attention to the organizational and administrative structure of the control authorities, facilitating the flow of information, coordination between the activities of issuing the decision and following up on its implementation and the establishment of independent control and supervisory bodies, headed by the Central Bank, and this is all with the aim of achieving the stability of the banking system.

The Basel Committee on Banking Supervision has sought to stress the need to deepen the concept of prudent supervision, and has worked since its inception to standardize the standards of supervision and oversight of banking systems to ensure the stability of the international banking system.

5.3.4. *The need for sufficient information about the market*

The success of the banking liberalization policy requires the availability of sufficient information about the financial and banking market and making it available to all those involved in it, On the other hand, the information that banks must provide and make it available to the control and supervision authorities, and to dealers and investors, so that they can rationalize their financial decisions. It also requires the existence of mechanisms to coordinate this information so that its flow is clear and free of contradiction and aims to strengthen the element of transparency.

6. *CONCLUSION*

The Finally, we can say that the global economic developments that the world witnessed at the end of the last century, represented by the collapse of the socialist economic system, the emergence of transformative or transitional economies, the growing phenomenon of economic blocs, the world's trend towards more trade liberalization in various fields, especially after the establishment of the World Trade Organization (OMC), and the role played by globalization in pushing for the establishment of a new global economic order, are all variables and factors that have their prominent contributions in pushing for more openness and economic liberalization, and thus more banking liberalization.

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10. Ibid, p.45.
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