

Liquidity and Banking Performance and their Impact on the Profits of the Banking Sector in the Iraqi Stock Exchange for the Period 2015-2018

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Abstract

The research aims to measure the performance of the banking sector for the Iraqi market for securities, as well as to measure the profits of the research sample banks. The research community was represented in the Iraqi Stock Exchange, and the research sample was represented by (13) banks within the banking sector of the Iraqi Stock Exchange for the period 2015-2018, and a set of financial methods were used, represented by (cash to deposits ratio, cash to assets ratio, loans ratio To the assets, the ratio of loans to deposits, the rate of return on assets, the rate of return on equity), the statistical program (SPSS V.26) was used to analyze the relationship between the variables and test the research hypotheses. The main banker of the research sample banks, which reflected negatively on banking profits.

Key-words: Stock Exchange, Banking Profits, Rate of Return on Assets.

1. Introduction

The research aims to measure the banking performance and profits of the Iraqi banks listed in the Iraqi Stock Exchange, and to indicate the extent of the impact of the banks' performance indicators on the profits of the research sample banks. The research was devoted to descriptive analysis of the study variables by analyzing their indicators related to banking activity (cash to deposits ratio, cash to assets ratio, loans to assets ratio, loans to deposits ratio, rate of return on assets, rate of return on equity), and the relationship was analyzed Among the variables and testing the research hypotheses, the study

concluded by addressing the conclusions and recommendations that were reached and which are believed to be adopted by the research sample banks that would contribute to achieving the objectives of the banks.

2. Methodology

A. Research Problem

The research problem is embodied in the weak interest of the banks in the research sample in the basic activities of the banks and their reliance mainly on the foreign currency sale window of the Central Bank of Iraq, which is negatively reflected in the achievement of profits as well as its negative impact on the Iraqi economy.

B. Research Importance

The importance of research is embodied in general for the banking sector, and in particular for the research sample banks listed in the Iraqi Stock Exchange, and in particular on the Iraqi economy, and the importance of research is embodied in the following:

1. The importance of research is embodied in studying the banking performance activity and limiting the negative effects on the work of the banking sector and on the Iraqi economy.
2. The importance of research in pushing banks towards making profits through basic revenues that come from real banking operations such as loans, credit grants and deposits.

C. The Aim of the Research

1. The research seeks to measure the banking performance of the sample banks by measuring (the ratio of cash to deposits, the ratio of cash to assets, the ratio of loans to assets, the ratio of loans to deposits).
2. The research aims to measure the profitability of the research sample banks using the rate of return on assets and the rate of return on equity.
3. The research seeks, through analysis and discussion, to reach conclusions regarding banking performance, as well as to reach recommendations that help in addressing deficiencies in performance.

D. The Hypothesis of the Research

The research was based on two main hypotheses, which included the following:

1. The first main hypothesis: There is a significant effect of the indicators of banking activity and liquidity (cash to deposits ratio, cash to assets ratio, loans to assets ratio, loans to deposits ratio) on the rate of return on assets.
2. The second main hypothesis: There is a significant effect of the indicators of banking activity and liquidity (cash to deposits ratio, cash to assets ratio, loans to assets ratio, loans to deposits ratio) on the rate of return on equity.

3. Literature Review

1. The concept of banking performance: Banking performance refers to the ability of banks to manage their funds aimed at achieving multiple goals, whether in terms of contributing to the development of the country's economy or achieving profits and growth, as well as in determining the financial, credit and investment position of the bank, the efficiency of management and money investment policies, and the ability to harmonize between the objectives of the bank including It ensures efficiency, thus avoiding losses, and increasing the ability to compete with local and foreign banks (Allen and Parwada, 2004: 1152).

Banking performance has been defined as the bank's ability to generate sustainable profitability, and the rationale for performance evaluation is to diagnose the information contained in the financial statements to judge the amount of profits, their sustainability in the future, the extent of the ability to pay the interests and outstanding debts and a sound dividend policy (Dufera, 2010: 6).

Banking performance is also defined as an evaluation model for financial institutions based on five critical dimensions: capital adequacy, asset quality, management, profits and liquidity, and these components are used to reflect financial performance, operating soundness, and regulatory compliance for financial institutions (Ferrouhi, 2018: 4).

4. Banking Performance Standards

4.1. Activity Ratios

There are several indicators to measure activity in the banking sector, the most important of which are the following ratios:

A. Cash to Total Assets Ratio: This ratio measures the ratio of money (cash and balances of banks and banking institutions with the Central Bank) to the total assets of the bank, and an increase in this ratio indicates that there are cash balances untapped by the bank, which leads to a decrease in the expected final return of the bank, while a decrease in this ratio It leads to the bank's exposure to many banking risks, including financing risks, sudden withdrawal risks and other risks. The cash to total assets ratio is calculated by dividing the cash by the total assets through the following equation (Durrah et. al., 2016: 36):

$$\text{Cash to Total Assets Ratio} = \frac{\text{total cash}}{\text{total assets}} * 100$$

B. Cash Balance Ratio: This ratio measures the volume of money (cash and balances of banks and banking institutions with the Central Bank, as well as other balances in the bank) to its total deposits such as foreign currencies and gold coins that the bank keeps for the purpose of fulfilling its banking obligations. The equation indicates that the higher the cash balance ratio, the greater the bank's capacity (Al-Marsoumy, 2017:34-35).

This percentage is calculated using the following equation:

$$\text{Cash Balance Ratio} = \frac{\text{total cash}}{\text{total deposits}} * 100$$

C. The ratio of loans to total assets: The bank's activities are represented in obtaining funds from surplus units or lending them to deficit units, and from these activities the bank obtains a net interest margin, and the larger the loan size, the higher the net interest margin, and the higher the bank's profits (Alper and Anbar, 2011: 138). This ratio is measured through the following equation: (Saeed, 2014: 45), (Vodava, 2011: 1063).

$$\text{Ratio of loans to total assets} = \frac{\text{total loans}}{\text{total assets}} * 100$$

D. Loans to Total Deposits Ratio: This ratio measures the total loans granted by the bank to customers to the total deposits it receives from depositors (Bergendorff and Osback, 2017: 20).

This ratio is calculated by the following equation (Deger and Adem, 2011: 138), (Zewdu, 2017: 21), (Bergendorff and Osback, 2017: 21), (Al- shakrchy, 2017: 36).

$$\text{loan to deposit ratio} = \frac{\text{total loans}}{\text{total deposit}} * 100$$

4.2. Profitability Metrics

There are several indicators to measure profitability in banks, the most important of which are the following:

A. Rate of Return on Assets

The rate of return on assets is a very important measure, as it shows the ability of the management to obtain deposits at a reasonable cost, and this rate reflects the profitability of one dollar from each asset owned by the bank (2009: Badreldin,). This ratio is calculated by the following equation (Ehrhardt and Brigham, 2011: 100):

$$\text{return on assets} = \frac{\text{net profit after tax}}{\text{total assets}} * 100$$

B. Return on Equity

The return on equity shows the extent of the bank's ability to generate returns from investing funds with the aim of maximizing the owners' wealth. If this ratio is high, it indicates the ability of the bank's management to make its investment and operational decisions with high efficiency (Al-Rabi and Al-Suwafi, 2013: 84). This ratio is calculated using the following equation (Reilly and Brown, 2012: 289):

$$\text{return on equity} = \frac{\text{net profit}}{\text{Property rights}} * 100$$

5. Analysis and Discussion of Banking Performance

5.1. Analysis and Discussion of the Activity Ratios of the Study Sample Banks for the Period (2015-2018)

A. Analysis and discussion of the cash-to-deposit ratio for the study sample banks for the period (2015-2018):

This indicator represents the ratio of the volume of cash in the bank to the total deposits, and this ratio is extracted by dividing the total cash by the total deposits with the bank, and the increase of this ratio indicates that these liquid funds are not employed in investments that can generate financial returns for the bank, which negatively affects the return Table (1) shows the average ratio of cash to total deposits of the study sample banks for the period (2015-2018).

Table 1 - Results of the Cash-to-deposit Ratio (%) for the Study Sample Banks for the Period (2015-2018)

S	Bank name	2015	2016	2017	2018	average	standard deviation
1	Ashur Bank	294	351	409	241	323.75	72.44
2	Gihan Bank	139	134	119	121	128.25	9.78
3	Bank across Iraq	191	314	598	517	405	186.07
4	Iraqi Islamic Bank	169	192	251	195	201.75	34.83
5	Iraqi Middle East Bank	103	131	132	111	119.25	14.52
6	Sumer Commercial Bank	243	317	292	371	305.75	53.26
7	Development Bank	100	96	91	83	92.5	7.33
8	National Bank of Iraq	181	248	216	199	211	28.51
9	Mosul Bank	179	181	165	160	171.25	10.34
10	Erbil Bank	194	259	223	181	214.25	34.62
11	Elaf Islamic Bank	183	305	267	237	248	51.50
12	Gulf Bank	66	72	85	11	58.5	32.64
13	investment bank	152	168	157	149	156.5	8.35
average		168.77	212.92	231.15	198.15	202.75	-
standard deviation		60.25	92.15	142.94	129.39	-	47.79

It is clear from Table (1) that the general average of the cash-to-deposit ratio of the study sample banks for the period (2015-2018) amounted to (202.75%), and the banks (across Iraq, Assyria, Sumer Commercial, Elaf Islamic, Erbil, Al-Ahly of Iraq) achieved an average The cash-to-deposit ratio is greater than the general average, while the banks (Gulf, Development, Iraqi Middle East, Cihan, Investment, Mosul, Iraqi Islamic) achieved the average cash-to-deposit ratio less than the general average.

It is also clear from the above table that the Trans-Iraq Bank achieved the highest average cash-to-deposit ratio at the level of the study years as it reached (405%) and with a standard deviation (186.07), and this indicates that the financial returns achieved by this bank are less than other banks in the study sample as a result Not using funds well, while we find that there is a fluctuation in the ratio of cash to deposits for other banks in the study sample, while the Gulf Bank achieved the lowest average at the level of the years of study as it reached (58.50%) and with a standard deviation (32.64), so that

this bank has the highest financial returns Verified by his use of funds among other banks, the study sample.

B. Analysis and discussion of the cash-to-assets ratio of the study sample banks for the period (2015-2018):

This indicator measures the ratio of cash in the bank to the total assets in it, and this ratio is calculated by dividing the total cash in the bank by the total assets, and an increase in this ratio indicates that there are unused cash balances by the bank, which leads to a decrease in the expected final return of the bank, Table (2) shows the average ratio of cash to total assets of the study sample banks for the period (2015-2018).

Table 2 - Results of the Cash-to-assets Ratio (%) for the Study Sample Banks for the Period (2015-2018)

S	Bank name	2015	2016	2017	2018	average	standard deviation
1	Ashur Bank	83	89	88	91	87.75	3.4
2	Gihan Bank	38	54	50	60	50.50	9.29
3	Bank across Iraq	36	59	57	60	53	11.4
4	Iraqi Islamic Bank	54	60	62	63	59.75	4.03
5	Iraqi Middle East Bank	52	52	56	59	54.75	3.40
6	Sumer Commercial Bank	56	61	67	73	64.25	7.37
7	Development Bank	52	46	44	41	45.75	4.65
8	National Bank of Iraq	53	64	66	72	63.75	7.93
9	Mosul Bank	37	40	41	46	41	3.74
10	Erbil Bank	84	81	66	66	74.25	9.60
11	Elaf Islamic Bank	58	49	50	49	51.50	4.36
12	Gulf Bank	31	38	37	4	27.5	15.97
13	investment bank	69	74	67	58	67	6.68
average		54.08	59.0	57.77	57.08	56.98	-
standard deviation		16.81	15.23	13.74	20.47	-	3.77

It is clear from Table (2) that the general average of the cash-to-assets ratio of the study sample banks for the period (2015-2018) amounted to (56.98%), and the banks (Assyria, Erbil, Investment, Sumer Commercial, Al Ahli Iraqi, Iraqi Islamic) achieved an average ratio of cash to assets for the period (2015-2018). Cash to assets is greater than the general average, while the banks (Gulf, Mosul, Development, Gihan, Elaf Islamic, Trans Iraq, the Iraqi Middle East) achieved the average cash to assets ratio less than the general average. It is also clear from the above table that Ashur Bank achieved the highest average cash-to-assets ratio at the level of the study years as it reached (87.75%) and with a standard deviation of (3.40), and this indicates that the financial returns achieved by this bank are lower than other banks in the study sample due to lack of Exploiting his cash balances well, while we find that there is a fluctuation in the cash-to-assets ratio of other banks in the study sample, while the Gulf Bank achieved the lowest average at the level of the years of study, reaching (27.50%) and with

a standard deviation of (15.97), to be this bank with the highest returns Financial achieved as a result of his exploitation of cash balances among other banks, the study sample.

C. Analysis and discussion of the ratio of loans to assets for the study sample banks for the period (2015-2018): This indicator represents the ratio of the total loans granted by the bank to the total assets in it, and this ratio is extracted by dividing the total loans in the bank by the total assets, as the increase of this ratio indicates the increase in the bank's profits as a result of the increase in the net interest margin resulting from the increase in the volume of loans, and indicates a decrease This ratio results from the decrease in the volume of loans to the decrease in the bank's profits as a result of the decrease in the net interest margin. Table (3) shows the average ratio of loans to total assets of the study sample banks for the period (2015-2018).

Table 3 - The Results of the Loan-to-assets Ratio (%) for the Study Sample Banks for the Period (2015-2018)

S	Bank name	2015	2016	2017	2018	average	standard deviation
1	Ashur Bank	7	3	3	1	3.50	2.52
2	Gihan Bank	5	4	5	0.04	3.51	2.36
3	Bank across Iraq	32	38	32	29	32.75	3.77
4	Iraqi Islamic Bank	34	31	30	0	23.75	15.92
5	Iraqi Middle East Bank	22	18	13	12	16.25	4.65
6	Sumer Commercial Bank	31	31	24	19	26.25	5.85
7	Development Bank	37	43	43	44	41.75	3.20
8	National Bank of Iraq	30	22	22	15	22.25	6.13
9	Mosul Bank	43	42	42	27	38.50	7.68
10	Erbil Bank	16	19	28	29	23	6.48
11	Elaf Islamic Bank	30	37	39	32	34.50	4.20
12	Gulf Bank	41	36	34	30	35.25	4.57
13	investment bank	22	18	21	23	21	2.16
average		26.92	26.31	25.85	20.08	24.79	-
standard deviation		11.95	13.43	12.97	13.81	-	3.61

It is clear from Table (3) that the overall average ratio of loans to assets for the study sample banks for the period (2015-2018) amounted to (24.79%), and the banks (Development, Mosul, Gulf, Elaf Islamic, Trans-Iraq, Sumer Commercial) achieved an average ratio of Loans to assets are greater than the general average, while banks (Assyria, Gihan, the Iraqi Middle East, Investment, Al-Ahly of Iraq, Erbil, Iraqi Islamic) achieved the average ratio of loans to assets less than the general average.

It is also clear from the above table that the Development Bank achieved the highest average ratio of loans to assets at the level of the study years as it reached (41.75%) and with a standard deviation of (3.20), and this indicates that the bank achieves higher profits than other banks in the study sample as a result of the high net interest margin Because of the increase in the volume of loans, while

we find that there is a fluctuation in the ratio of loans to assets for other banks in the study sample, while Ashur and Ceyhan bank achieved the lowest average for the years of study, reaching (3.50%) with a standard deviation (2.52) for Ashur Bank and (3.51%) with a standard deviation (2.36) for Cihan Bank, so that these two banks have the lowest profits among the other banks in the study sample as a result of poor granting of loans, which is the main activity of banks in achieving profits.

D. Analysis and discussion of the ratio of loans to deposits for the study sample banks for the period (2015-2018):

This indicator represents the ratio of the total loans granted by the bank to customers to the total deposits that the bank obtains from its customers who deposits. The process of granting loans, and thus, the increase in this percentage is an indication of the bank's high profits as a result of the high interest that results from the process of granting the loan, and the increase in this percentage and exceeding the limit indicates a high credit risk, while a low percentage indicates a decrease in the returns from the lending process and thus a decrease in profits The bank, and table (4) shows the average ratio of loans to total deposits for the study sample banks for the period (2015-2018).

Table 4 - Results of the Loan-to-deposit Ratio (%) for the Study Sample Banks for the Period (2015-2018)

S	Bank name	2015	2016	2017	2018	average	standard deviation
1	Ashur Bank	25	10	13	3	12.75	9.18
2	Gihan Bank	18	11	11	0.08	10.02	7.40
3	Bank across Iraq	170	202	330	253	238.75	69.78
4	Iraqi Islamic Bank	107	97	120	0	81	54.81
5	Iraqi Middle East Bank	44	45	31	22	35.50	11.03
6	Sumer Commercial Bank	135	160	106	98	124.75	28.37
7	Development Bank	70	89	90	88	84.25	9.54
8	National Bank of Iraq	104	84	73	40	75.25	26.78
9	Mosul Bank	208	188	172	95	165.75	49.41
10	Erbil Bank	36	61	95	81	68.25	25.63
11	Elaf Islamic Bank	94	233	209	153	172.25	62.01
12	Gulf Bank	89	67	77	74	76.75	9.18
13	investment bank	49	41	48	59	49.25	7.41
	average	88.38	99.08	105.77	74.31	91.89	-
	standard deviation	57.26	73.57	88.65	70.48	-	22.86

It is clear from Table (4) that the general average of the loan-to-deposit ratio of the study sample banks for the period (2015-2018) amounted to (91.89%), and the banks (across Iraq, Elaf Islamic Bank, Mosul Bank, Sumer Commercial Bank) achieved the average loan ratio The average ratio of loans to deposits is less than the general average, while banks (Ceyhan, Ashur, the Iraqi Middle East, investment, Erbil, the Iraqi National, the Gulf, the Islamic Iraqi, and Development) achieved the average ratio of loans to deposits.

It is also clear from the above table that the Trans-Iraq Bank achieved the highest average ratio of loans to deposits at the level of the study years, as it reached (238.75%) and with a standard deviation of (69.78), and this indicates that the bank achieves higher profits than other banks in the study sample as a result of a high net margin Interest due to the increase in the volume of loans, while we find that there is a fluctuation in the ratio of loans to deposits for other banks in the study sample, while Gihan and Ashur banks achieved the lowest average for the years of study as it reached (10.02%) with a standard deviation (7.40) for Gihan Bank and (12.75%) with a deviation Normative (9.18) for Bank of Ashur, so that these two banks have the lowest profits among other banks in the study sample due to the weak exploitation of customers' deposits in achieving profits.

5.2. Analysis and Discussion of Profitability Ratios for the Study Sample Banks for the Period (2015-2018)

A. Analysis and discussion of the rate of return on assets for the study sample banks for the period (2015-2018):

This indicator measures the ratio of the bank's net profit to its total assets, and this rate is extracted by dividing the bank's net profit after tax by the total assets, and the increase in this ratio indicates the bank's success in investing its assets. Table (5) shows the average rate of return on assets for sample banks The study for the period (2015-2018).

Table 5 - Results of the Rate of Return on Assets (%) for the Study Sample Banks for the Period (2015-2018)

S	Bank name	2015	2016	2017	2018	average	standard deviation
1	Ashur Bank	3	4	4	1	3	1.41
2	Gihan Bank	4	3	3	1	2.75	1.26
3	Bank across Iraq	2	2	3	2	2.25	0.50
4	Iraqi Islamic Bank	2	2	2	1	1.75	0.50
5	Iraqi Middle East Bank	0.29	2	-0.09	-0.28	0.48	1.04
6	Sumer Commercial Bank	1	1	0.10	0.22	0.58	0.49
7	Development Bank	2	3	2	1	2	0.82
8	National Bank of Iraq	0.19	4	0.49	-1	0.92	2.15
9	Mosul Bank	-0.16	1	1	1	0.71	0.58
10	Erbil Bank	2	2	1	0.43	1.36	0.78
11	Elaf Islamic Bank	0.05	1	1	0.16	0.55	0.52
12	Gulf Bank	0.43	1	1	-0.07	0.59	0.52
13	investment bank	3	2	1	0.06	1.52	1.27
	average	1.52	2.15	1.50	0.50	1.42	-
	standard deviation	1.33	1.07	1.23	0.77	-	0.50

It is clear from Table (5) that the profits declared in the financial statements are double, as the general average rate of return on assets for the study sample banks for the period (2015-2018) amounted

to (1.42%), and the banks (Ashur, Cihan, across Iraq, Development, Iraqi Islamic, investment) the average rate of return on assets is greater than the general average, while the banks (Iraqi Middle East, Elaf Islamic, Sumer Commercial, Gulf, Mosul, Al-Ahly of Iraq, Erbil) achieved the average rate of return on assets less than the general average. It is also clear from the table that four banks (the Iraqi Middle East, Al-Ahly Al-Iraqi, Mosul, Al-Khaleej) have achieved a negative rate of return on assets in some years of study, reaching -0.16 for Mosul Bank in 2015 and -0.09 for Al-Sharq Bank The Iraqi Middle East in 2017, and in 2018, the banks (Al-Ahly of Iraq, the Iraqi Middle East, the Gulf) achieved a negative rate of return on assets that amounted to (-1, -0.28, -0.07), respectively, and this indicates the negative performance of these banks during those years. from the study. It is also clear from the above table that Ashur Bank achieved the highest average rate of return on assets at the level of the study years as it reached (3%) and with a standard deviation of (1.41), and this indicates that the bank achieves higher financial returns than other banks in the study sample as a result of its good ability to invest Its assets, while we find that there is a fluctuation in the rate of return on assets for other banks in the study sample, while the Iraqi Middle East Bank achieved the lowest average for the years of study as it reached (0.48%) and with a standard deviation of (1.04), to be this bank with the lowest financial returns achieved among Other banks are the sample of the study as a result of their weak ability to invest their assets.

B. Analysis and discussion of the rate of return on equity for the study sample banks for the period (2015-2018): This indicator represents the ratio of the bank's net profit to its equity, and the high rate of return on equity is an indication of the bank's management's ability to take its investment and operational decisions with high efficiency. Table (6) shows the average rate of return on equity for the study sample banks for the period (2015- 2018).

Table 6 - Results of the Rate of Return on Equity (%) for the Study Sample Banks for the Period (2015-2018)

S	Bank name	2015	2016	2017	2018	average	standard deviation
1	Ashur Bank	5	6	5	2	4.50	1.73
2	Gihan Bank	7	7	5	1	5	2.83
3	Bank across Iraq	3	3	4	2	3	0.82
4	Iraqi Islamic Bank	3	3	3	2	2.75	0.50
5	Iraqi Middle East Bank	1	4	-0.25	-1	0.94	2.20
6	Sumer Commercial Bank	1	1	0.15	0.34	0.62	0.44
7	Development Bank	6	6	5	3	5	1.41
8	National Bank of Iraq	0.43	8	1	-3	1.61	4.61
9	Mosul Bank	-0.22	1	2	1	0.95	0.91
10	Erbil Bank	3	3	2	1	2.25	0.96
11	Elaf Islamic Bank	0.10	2	1	0.26	0.84	0.87
12	Gulf Bank	1	2	1	-0.13	0.97	0.87
13	investment bank	6	4	1	0.12	2.78	2.71
	average	2.79	3.85	2.30	0.66	2.40	-
	standard deviation	2.50	2.27	1.90	1.54	-	1.20

It is evident from Table (6) that the profits declared in the financial statements are double, as the general average rate of return on equity for the study sample banks for the period (2015-2018) amounted to (2.40%), and the banks (Gihan, Development, Ashur, across Iraq) have achieved, investment, Iraqi Islamic) average rate of return on equity is greater than the general average, while banks (Sumer Commercial, Elaf Islamic, Iraqi Middle East, Mosul, Gulf, Iraqi National, Erbil) achieved average rate of return on equity less than the general average.

It is also clear from the table that four banks (the Iraqi Middle East, the Iraqi National, Mosul, and the Gulf) have achieved a negative rate of return on equity in some years of study, reaching -0.22 for Mosul Bank in 2015, and -0.25 for the Mosul Bank The Iraqi Middle East in 2017, and in 2018, the banks (Al-Ahly of Iraq, the Iraqi Middle East, the Gulf) achieved a negative rate of return on equity of (3-, 1-, 0.13), respectively, which negatively affected the market value of shares and shareholders' profits.

It is also evident from the above table that Gihan and Development Banks achieved the highest average rate of return on equity at the level of study years as it reached (5%) for both banks and with a standard deviation of (2.83, 1.41) respectively, and this indicates the ability of these two banks to generate higher financial returns Other banks included the study sample by investing funds with the aim of maximizing the wealth of shareholders, while we find that there is a fluctuation in the rate of return on equity for other banks in the study sample, while Sumer Commercial Bank achieved the lowest average for the years of study as it reached (0.62%) and with a standard deviation of (0.44).), so that this bank has the lowest financial returns achieved among other banks, the sample of the study, as a result of its weak ability to invest money.

6. Research Hypothesis Testing

To find out the effect of banking activity and liquidity indicators on the profitability ratios of the research sample banks, we will use simple linear regression to test the following main hypotheses:

6.1. The First Main Hypothesis

There is a significant effect of the indicators of banking activity and liquidity (cash to deposits ratio, cash to assets ratio, loans to assets ratio, loans to deposits ratio) on the rate of return on assets.

Table 7 - The Effect of Banking Activity Indicators Ratios on the Rate of Return on Assets

Banking Activity Indicators	rate of return on assets				
	Constant value	Beta coefficient	The value of the coefficient of determination R ²	Calculated F value	Significance
Cash to Assets Ratio	0.932	0.002	0.074	0.873	no effect
The loan-to-asset ratio	0.112	0.023	0.160	2.096	no effect
loan to deposit ratio	2.339	-0.037	0.262	3.895	no effect
Banking Activity Indicators	1.759	-0.004	0.080	0.952	no effect

Tabular F value at significance level (0.05) and degree of freedom (1,11) = 4.84

It is clear from Table (7) that the calculated F values were smaller than their tabular value at the level of significance (0.05) and degree of freedom (11,1), which amounted to (4.84), and this indicates that there is no significant effect of banking activity indicators on the rate of return on assets.

6.2. The Second Main Hypothesis

There is a significant effect of banking activity and liquidity indicators (cash to deposits ratio, cash to assets ratio, loans to assets ratio, loans to deposits ratio) on the rate of return on equity.

Table 8 - The Effect of the Ratios of Banking Activity Indicators on the Rate of Return on Equity

Banking Activity Indicators	Rate of return on equity				
	constant value	beta coefficient	The value of the coefficient of determination R ²	Calculated F value	Significance
Cash to Assets Ratio	2.418	-0.00009	0.00002	0.0003	no effect
The loan-to-asset ratio	0.823	0.028	0.069	0.813	no effect
loan to deposit ratio	3.688	-0.052	0.152	1.968	no effect
Banking Activity Indicators	3.256	-0.009	0.150	1.944	no effect

Tabular F value at significance level (0.05) and degree of freedom (1,11) = 4.84

It is clear from Table (8) that the calculated F values were smaller than their tabular value at the significance level (0.05) and the degree of freedom (11,1), which amounted to (4.84). This indicates that there is no significant effect of banking activity indicators on the rate of return on equity.

7. Conclusions

Through the analysis of the data and results that have been reached regarding the banks of the research sample and for the period 2015-2018, the following conclusions were reached:

It was found that most of the banks in the research sample depend on the foreign currency sale window of the Central Bank in their performance without practicing their other banking activities, as the bulk of the liquidity in these banks is allocated for the purposes of buying and selling the US dollar at the expense of the rest of banking activities, and this indicates the weak banking performance of the study sample banks.

It turned out that the ratio of cash to deposits in the banks of the study sample was very high, and this indicates the weak activity of banks in exploiting funds with good investments, and a bank across Iraq had the highest ratio by a large difference from other banks in the study sample, and this led to a decrease in financial returns in this bank due to An increase in cash compared to deposits, which indicates the weak ability of the bank's management to employ these liquid funds, while Gulf Bank achieved the lowest cash-to-deposit ratio, which resulted in higher financial returns for this bank compared to other banks. The analysis showed that the ratio of cash to assets in the banks of the study sample was different, and the Ashur Bank ranked first as the highest ratio among the banks of the study sample, while it was the lowest in the Gulf Bank, and this indicates that the management of the Gulf Bank took into consideration the importance of exploiting its cash balances. What could generate financial returns for the bank, which resulted in obtaining the highest financial returns among other banks in the study sample, while the management of the Ashur Bank was not interested in exploiting the cash balances so that this bank faced a significant decline in financial returns.

The analysis and discussion of the variables of the study showed the variation in the ratio of loans to assets, and the Development Bank got the highest percentage and the banks of Ashur and Ceyhan the lowest, and this indicates the high profits in the Development Bank as a result of the high net interest margin due to the high percentage of loans compared to assets, while the banks of Ashur and Ceyhan were The study sample had the lowest profits among other banks as a result of the weakness in granting loans, which is the main activity of the banks in achieving profits.

As for the main hypotheses of the research represented by the effect of the indicators of banking activity, which are (the ratio of cash to deposits, the ratio of cash to assets, the ratio of loans to assets, the ratio of loans to deposits) on the indicators of profitability ratios for banks, which are (the rate of return on assets, the rate of return on equity) We note that there is a rejection of these hypotheses, and this confirms what the research concluded that the weakness of banking activity led to that there was no significant effect of the indicators of banking activity and liquidity on the profitability ratios of banks in general.

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