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IMPACT OF CAPITAL ADEQUACY TO REDUCE CREDIT RISK

Thana Matar Dirs
College of Administration and Economics
Tikrit University
tm230115pad@st.tu.edu.iq
078 64255492

Mazen Noman Abdullah
College of Administration and Economics
Tikrit University
Mazin@tu . edu. iq
077 01881919

Abstract
lie in the weak banking performance of commercial banks because they suffer from difficulty in determining the size of capital and its ideal adequacy that will achieve profits and help them stabilize and avoid risks as a result of the alignment between the bank's assets and its liabilities. The outcome of this study aims to define the impact of capital adequacy on the credit risks of commercial banks, as the data was originally collected from the banks. and analyzed it using a multiple regression model. After testing the study hypothesis, the second researcher concluded that there was no statistically significant effect of capital adequacy ratios on credit risks. At the conclusion of the study, the researcher recommended a set of recommendations, most notably the need to strive to increase the attention of Iraqi commercial banks. By raising the financial suitability ratios of banks in order to create a kind of balance and protection from the various banking risks that the bank may face in light of the current crisis and the need to focus on reducing the percentage of net loan burdens in them, in order to confront the competitive challenges imposed by the nature of economic openness.

Keywords: capital adequacy, credit risk, commercial banks.

Introduction

Capital adequacy is considered one of the vital issues in managing credit risks for financial and banking institutions. It represents a financial cushion that helps institutions withstand potential losses and maintain their financial stability. This research aims to explore the impact of capital adequacy on reducing credit risks, by analyzing financial statements and identifying the policies and procedures followed to achieve a sufficient level of capital. The research also discusses the importance of capital adequacy in enhancing confidence among investors and depositors and ensuring the sustainability of financial institutions in the face of economic fluctuations. Capital is considered one of the factors that determine the nature of credit loans, as well as the extent of facilities provided in them for commercial banks in particular, because capital plays a major role in maximizing the market value of the bank by maximizing profits, which is the primary goal that institutions in general and banks in particular seek, as they suffer from... Iraqi banks have difficulty determining the ideal size and adequacy of capital that will achieve profits for them and help them stabilize and avoid risks, as well as harmonizing their assets and liabilities. This task falls on the bank’s management, which is responsible for the departments specialized in financing lines, which are considered the main vein for pumping profits into the bank, which is the bank’s job. The .main thing is giving Loans for individuals or companies

Chapter one

:the study Problem

Lie dilemma search Because the system The banker The Iraqi Faces Challenges And difficulties big Judgmentally Circumstances Political Inflamed surrounding with it in Countries Neighborhood Than mirror Negatively on the system banker, where Face Difficulties in Polarization Investors And attract Deposits As well as on Obstacles that I faced Borrowers in Fulfillment with their obligations Finance towards banks, Than make This is amazing Banks Located in Confusion from Her command in Grant or non Grant Facilities credit For customers, The problem of the study is to determine the extent of the ,impact of capital adequacy on reducing the credit risks faced by financial institutions especially in light of the increasing economic and financial challenges. Banks are required to maintain adequate levels of capital not only to comply with international standards but .also to ensure financial stability and contribute to economic growth

:the importance of studying

Enhancing financial stability This study helps understand how capital adequacy can .1 contribute to achieving financial system stability and reducing the possibility of financial .crises

Guidance of regulatory policies The results of the study provide guidance to policy makers .2 .on how to formulate and implement policies that enhance capital adequacy

Improving risk management The study provides .3insights to financial institutions on how .to improve their risk management strategies

Contribution to the financial literature The study adds to the current literature in the field .4 .of capital adequacy and credit risk, enabling other researchers to build on it

Objectives of the study

Analyze the relationship between capital adequacy and credit risk. Understand the extent .1 .to which capital levels affect the credit risks faced by banks

’Evaluating compliance with international standards: Studying the extent of banks .2 compliance with international standards such as BaselIII and evaluating the impact of this .on their financial stability

Provide policy recommendations Develop recommendations to decision makers on how .3 .to enhance capital adequacy in banks to achieve greater stability

Financial performance analysis: Study the performance of banks with different capital .4 .levels and analyze how these levels affect their ability to confront crises

Providing a practical framework for financial institutions Providing practical guidance to .5 .financial institutions on how to improve capital adequacy and manage credit risks effectively

Study hypotheses

There is a statistically significant negative relationship between capital adequacy and the .1 .level of credit risk in banks

.Increasing the capital adequacy ratio reduces the probability of financial default for banks .2

Banks that maintain high levels of capital are able to absorb financial shocks better than .3 .those with lower capital levels

Chapter Two: The first topic

Capital adequacy

It means the methods used by bank management to achieve a kind of balance between the size of capital and the expected risks of the bank on the other hand, and it includes determining the ability and suitability of the bank to bear potential losses. The principle of capital adequacy follows the main directions of risk management. Implementing this principle requires assessing all risks to make them comparable to the bank's capital base and adjusting capital to a level consistent with the risk assessment. This means determining the level of probability of the risk of exceeding losses, and the risks must be low in order to be) acceptableHameed , et al., 2022 : 324 While (Valley, 2017: 22) pointed out that the .(capital adequacy index It is an expression that indicates Pay off bank debts, Which means ,keeping certain percentages of Capital in the bank to create trust between it and customers and taking into account the performance and provision of all banking services, it is necessary that this percentage be the lowest possible amount of capital in order to provide the remaining investment opportunity in activities and operations that generate profits for the bank. The size of capital in banks is the first line of defense in the event that banks are ,exposed to losses as a result of investing their business in operations that involve high risks such as loans and others, in addition to the importance of this indicator in predicting the While . ability of the banking system to confront potential losses resulting from some shocks (Al-Taher, 2016: 58) believes that capital adequacy consists of two tranches, which are as :follows

- **The first tranche:** represents the basic capital, which includes shareholders’ equity, declared . reserves, general and legal reserves, and undistributed or retained profits
- The **second tranche :** represents the supporting or supplementary capital , which includes undeclared reserves , and reserves for revaluation of assets , Reserves for non-performing . debts , medium and long-term lending from shareholders and securitiesRose (2015: 480 (also believes that it is one of the most important benefits that arise B Maintaining the capital adequacy ratio is improving internal capital management, and this is clear recognition The existence of guarantees is clearly stated as a means of reducing risks, and it is also considered a prelude to achieving a better match between the capital supervisory controls and the bank’s

risk profile , as well as About reducing needs Capitalization of a diversified loan portfolio capital adequacy can be calculated from the following ,with the best clients. Therefore **Capital adequacy ratios Table (1)** .(Mamdouh, 2021: 39) :equation

Source	Indicator	Indicator	T
)Sugiyarto , 2016: 55 (	Owned capital Deposits	Capital adequacy)CAR (	1
)Dahiyat , et al., 2019: 4 (	Owned capital Risk weighted assets	Capital adequacy)CAR (	2

Source: A table prepared by the researchers based on the sources mentioned in the table . above

The second topic : credit risks

Prepare Credit risk is one of the most important risks facing banks. Although there are other risks such as market risk and liquidity risk , except if Credit risk is the risk he is most concerned about Economic analysts and the reasons for their occurrence , as most banking studies indicated that the crises to which banks and financial institutions were exposed in developed and developing countries were the most important cause of credit default , which affects banks' liquidity. Which made it one of the most important reasons for the attention of financial officials in countries where crises occurred, especially international financial institutions such as the International Monetary Fund, the World Bank, and the Bank for International Settlements, who provided studies and analyzes of the most important causes .of this faltering and provided solutions and possible treatments to get out of these crises

:First: The concept of credit risk

The term "risk" in banking is generally associated with financial losses, but is more ,accurately described as... non Certainty about the returns that can be achieved on an asset and some risks are associated with the bank's business model It cannot be separated from it for example , the nature of the bank's work is to shift (conditions) maturity, and this is , .linked to liquidity risks and credit risks (Kunduz , 2020: 11)

Credit risks are also one of the oldest types of risks faced by financial institutions in general and banks as financial intermediaries in particular, in which the borrower fails to pay the interest or principal, or both, which leads to the elimination of the bank's capital, and the) bank's exposure to bankruptcyCharles, et al., 2014: 702 These are the risks arising from .(the possibility of one party not fulfilling its pledged obligations, which leads banks to fall into danger, as credit risks are in the form of settlement risks or payments made in the form of a deal. (Al-Dabbagh et al., 2019: 98) as the associated risks The debtor party to the contract, as a result of his inability to fulfill his full obligations on the specified dates. (Al-(Mamlouk, 2021: 420

:Second: Types of credit risks

After discussing the concept of credit risk, it is necessary to identify the most important types :of these credit risks, as follows

1. **Liquidity risk:** is the risk Potential and emerging From the bank's inability to pay off debts ’on time , which is also... Arising from the inconsistency of cash flows with depositors withdrawals, these risks result from poor liquidity planning in the bank , which leads to a) lack of consistency between liabilities and assets in terms of maturityWang, 2015: 18 .(
2. **Credit expansion risks :** Credit expansion is considered It is one of the most important and dangerous credit risks that banks face, and it means the banks’ excess or extravagance in granting credit , and it also means the increase and growth in the size of facilities . Credit with the financial stability and financial statements of the borrower , before the beginning of the repayment period, and the risks of credit expansion are linked to savings and deposits on the other hand, in what is called“ credit creation” and credit expansion in ,) granting bank loansNorden , et al., 2014: 30 .(
3. **Risks of inability to repay:** It means failure to pay other than the agreement, entering into legal action, and inability Economic On repayment, which is the full credit risk , in) . addition The risks arise primarily from the clientGyamafi , 2017: 82 .(
4. **Pricing risks :** It is important that loan and credit products are priced on the basis of the risk factor and the cost of management, as a link must be made between the required return and the credit granted and the degree of risk, in addition to taking into account (the service price), which must cover the service costs and the profit margin . This is determined by .the bank’s management, which is known as the base rate of the loan (Salah, 2012: 23)
5. **Concentration risk :** These are the risks that result from insufficient diversification of the credit portfolio , whether at the bank level in general, at the sector level , or at the level of geographic regions, which exposes the bank to the risk of bankruptcy in the event of a major default at the level of the bank’s credit portfolio , and thus leads to leading to huge .losses (Shaheen, 2013: 5)
6. **Collateral erosion risks:** This type arises when the guarantees are insufficient and do not cover the amount of the debt, in addition to incurring losses when disposed of, in order to avoid These are risks that the bank must take into consideration Sufficient guarantees are required to cover the volume of credit, and the guarantee must be easy to liquidate and not .lose its value over time (Salah, 2012: 24)
7. **Legal risks :** These are the risks associated with credit activity due to changing laws and regulations that govern the relationships between the bank, customers, and borrowers .(Shahin, 2013: 6)
8. **Market risks:** These risks are related to the market and competitive position of the client's products , and the bank focuses on various financial resources And available to the .customer (Salah, 2012: 25)
9. **Implementation risks :** One of the decisions necessary to grant credit is that the bank) should focus on updating customers’ private information on a daily basisWang, 2015: 19 .(
10. **Notification and reporting risks :** To ensure the correct implementation of the approval of the credit decision, all terms of the credit agreement must be communicated to its ,internal parts , which are (departments and management) . The bank) and external represented by (customers), in complete clarity without neglecting any condition, by .subjecting internal reporting to central control (Salah, 2012: 26)

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11. **Risks of irregularity in Periodic credit examination: In granting credit** , the bank usually faces risks resulting from the lack of periodic examination and inspection of the credit department and identifying loopholes that represent a recurring phenomenon such) as non-performing loans that are due to be fulfilledNorden , et al., 2014: 31 .(

:Third: Reasons for credit risks

There are many points of view in explaining credit risks and determining their source, which is caused by the financial default to which the customer is exposed, and that the customer's :inability to repay or default, and these reasons are due to the following: (Al-Mamlouk, 2020 .(Al-Shaabani et al., 2021: 147) ;(422

1. There is a deficiency in assessing the creditworthiness and financial strength of .borrowers, or it is insufficiently specified
2. Banks that undertake expansion in granting credit for the purpose of increasing their .profits, regardless of the degree of risk they face
3. There is bad faith on the part of the borrower, i.e. behavior resulting intentionally by .the borrower in order to obtain credit facilities quickly
4. The occurrence of unexpected unforeseen circumstances that lead to a decline in the .economic situation in the country

:Fourth: Measuring credit risk indicators

Identifying credit risks and developing their indicators and data accurately to help measure them , It is one of the necessary things that helps to control it, know those risks, manage them well, and then reduce those risks to their lowest levels. **There are three standards : or indicators of credit risk**

:First: Measuring capital adequacy

Capital adequacy is the minimum legal reserve of capital that must be maintained by financial institutions, enabling them to respond to various potentially occurring risks and absorb losses. Regulatory authorities also monitor this ratio to identify banks at risk of failure .in order to protect financial systems from the effects The negative of any banking failure Capital adequacy is also the main analytical indicator for measuring the financial health of banks. The higher the capital adequacy ratio, the more stable and stable the bank is financially, as it is the first line of defense that makes banks more capable of overcoming .risks

:Financial analysis of the ratio of capital to total liabilities - 1

The capital adequacy ratio is a clear expression of the ratio that protects banks from excessive indebtedness and bankruptcy and avoids exposure to risks. Therefore, the capital adequacy ratio was measured by dividing the owned capital, which equals the total of common shares (paid-up capital), preferred shares, reserves, and retained earnings, by the .total liabilities

Table () shows the indicator of owned capital to total liabilities mentioned in the annual reports of :the banks in the study sample, as follows Table (2)

Index of equity owned to total liabilities

Trans-Iraq Bank	Ashur International Bank	Union Bank of Iraq	Gulf Commercial Bank	Sumer Commercial Bank	National Bank of Iraq	United Investment Bank	Middle East Bank	Commercial Bank of Iraq	Bank of Baghdad	the year
0.798	1.427	0.876	1.136	1.771	0.475	1.422	0.501	1.405	0.269	**2018**
1.089	1.262	1.161	1.237	3.089	0.395	0.997	0.639	1.409	0.304	**2019**
3.557	1.247	1.112	1.437	3.559	0.279	0.758	0.652	0.808	0.272	**2020**
2.362	0.752	1.108	1.281	2.307	0.137	0.575	0.665	0.487	0.203	**2021**
1.673	0.515	0.985	1.227	3.993	0.103	0.617	0.471	0.472	0.201	**2022**
2.094	**1.040**	**1.048**	**1.263**	**2.823**	**0.277**	**0.873**	**0.585**	**0.916**	**0.249**	**the total**

Source: Table prepared by the researchers according to the outputs of theExcel program .for the period (2018 - 2022)

We note from the table above that Sumer Commercial Bank achieved the highest capital adequacy ratio among the banks in the study sample and for all years of the study amounting to (2.883), then followed in second place by Pan Iraq Bank, which also achieved the highest capital adequacy ratio among the banks in the study sample and for all years of the study. It is (2.094), followed in third place by Al Khaleej Commercial Bank, which achieved the ,highest capital adequacy ratio among the banks in the study sample, amounting to (1.264) noting that the globally accepted ratio is (8%) according to the standards of the Basel Committee, and based on the instructions of the Central Bank. The minimum capital adequacy was raised to (12%), due to the unstable situation and to raise the financial health standards of Iraqi banks. The lowest capital adequacy ratio achieved by the Bank of Baghdad is (0.249) for all years of the study, despite its being far from the minimum set by the Central .Bank The Iraqi Bank's ratio is considered not good compared to the rest of the banks in the study sample, which indicates the bank's weak activity. The ratio of capital to total liabilities for the banks in the study sample and for all years of the study ranged between (0.249) and and this indicates that the clear interest of banks in maintaining sufficient capital ,(2.883) ,ratios

:Financial analysis of the ratio of capital owned to risk-weighted assets −2

This ratio shows that the bank has sufficient capital To confront unexpected losses in risk-weighted assets , with the need for the size of the required capital to be directly proportional to the level of risk of the banking activities carried out by the bank . The capital adequacy index was measured based on this standard through the capital owned to risk-weighted assets, which are assets calculated by assessing the risks surrounding the bank's financial portfolio. The following table shows the index of capital owned to risk-weighted assets Index of capital Table **(3)** ,mentioned in the annual reports of the banks in the study sample held to risk-weighted assets

Trans-Iraq Bank	Ashur International Bank	Union Bank of Iraq	Gulf Commercial Bank	Sumer Commercial Bank	National Bank of Iraq	United Investment Bank	Middle East Bank	Commercial Bank of Iraq	Bank of Baghdad	the year
3.535	2.647	0.457	1.110	2.901	1.647	0.581	0.984	5.643	1.318	2018
3.663	2.613	0.521	1.227	3.090	1.223	0.496	0.922	4.596	0.921	2019
3.561	2.083	0.543	1.203	2.469	0.405	0.369	1.011	0.598	0.934	2020
2.583	2.097	0.508	1.512	2.592	0.353	0.448	1.172	0.787	0.401	2021
1.998	2.119	0.478	1.541	2.936	0.632	0.378	0.953	0.730	0.586	2022
3.063	2.310	0.501	1.318	2.797	0.852	0.454	1.008	2.470	0.832	the total

Source: Table prepared by the researchers based on the outputs of theExcel program .for the period (2018 - 2022)

We note from Table (3) that the highest ratio of the adequacy of the capital held to the risk-weighted assets among the banks in the study sample and for all the years of the study was achieved by the Pan-Iraq Bank, as it reached (3.063), and this indicates a decrease in the size of the risk-weighted assets, which means that the bank possesses capital Enough to preserve .the money of depositors and investors while providing a continuous return to shareholders As for the lowest capital adequacy ratio, it was achieved by United Investment Bank (0.454) for all years of the study. Despite the low capital adequacy ratio of the bank, it is still higher than the minimum limits set by the Basel Committee and the Central Bank, which indicates that the bank enjoys solvency. Good financial. While the ratio of capital to risk-weighted assets for the banks in the study sample and for all years of the study ranged between (0.454) .and (3.063)

Fourth : Measuring credit risks

In this paragraph, we use to analyze and measure the credit risks of the study sample banks using two methods: non-performing loans to total capital, and non-performing loans to total :loans

: Financial analysis of the ratio of non-performing loans to capital -1

This indicator is measured by calculating the size of non-performing loans as a percentage of capital, as a high ratio reflects a decrease in the ability of capital to absorb sudden shocks as a result of unexpected losses due to an increase in non-performing loans. The following table shows the non-performing loans to capital index included in the annual reports of the :banks in the study sample, as follows

Non-performing loans to equity index Table (4)

Trans-Iraq Bank	Ashur International Bank	Union Bank of Iraq	Gulf Commercial Bank	Sumer Commercial Bank	National Bank of Iraq	United Investment Bank	Middle East Bank	Commercial Bank of Iraq	Bank of Baghdad	the year
0.3623	0.0226	1.4917	0.5716	0.3237	0.4748	1.1366	0.3782	0.0478	0.6478	2018
0.3271	0.0371	1.4445	0.4233	0.3145	0.6758	0.8407	0.3760	0.0457	0.5984	2019
0.3424	0.1004	1.4304	0.4820	0.1902	1.3987	0.3961	0.3405	0.0753	0.5778	2020
0.5530	0.3352	1.4068	0.3733	1.1319	1.2703	0.4967	0.3382	0.1085	0.4865	2021
0.5637	0.9667	1.4120	0.3062	0.1128	3.4664	0.2440	0.8724	0.0521	0.4426	2022
0.4297	0.2924	1.4370	0.4312	0.4146	1.4572	0.6227	0.4610	0.0658	0.5506	the total

Source: Table prepared by the researchers based on the outputs of theExcel program .for the period (2018 - 2022)

We note from the table above that the highest ratio of the non-performing loans to capital index among the banks in the study sample and for all the years of the study was achieved by the National Bank of Iraq, as it reached (1.4572). This ratio is very high because it

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indicates the necessity of the bank reviewing the decisions to grant loans and carefully analyzing credit risks. This is because it predicts the probability of exposure to lending risks if it continues as is. The lowest ratio of the non-performing loans to capital index for the banks in the study sample was for the Commercial Bank of Iraq for all years of the study and was (0.0658), as this decrease indicates the success of the credit granting decisions of the aforementioned bank. While the ratio of the non-performing loans index to the capital of the banks in the study sample and for all years of the study ranged between (0.0658) and ,(1.4572)

:Financial analysis of the ratio of non-performing loans to total loans -2

This indicator is measured by calculating the size of non-performing loans as a percentage of capital, as a high ratio reflects a decrease in the ability of capital to absorb sudden shocks as a result of unexpected losses due to an increase in non-performing loans. This indicator is measured by dividing non-performing loans into total loans. A high ratio indicates the bank's inability to recover the loans granted and faces the risk of non-payment , and thus indicates the inefficiency of the bank's policy in granting credit. The following table shows the indicator of non-performing loans to total loans included in the annual reports of the Index of non-performing loans to total loans Table (5) :banks in the study sample, as follows

Trans-Iraq Bank	Ashur Bank International	Union Bank of Iraq	Gulf Commercial Bank	Sumer Commercial Bank	National Bank of Iraq	United Investment Bank	Middle East Bank	Commercial Bank of Iraq	Bank of Baghdad	the year
0.9617	0.2704	0.8784	0.7485	1.0255	0.9113	1.8014	0.2063	0.3819	0.8291	2018
0.9572	0.2809	0.8748	0.6754	1.0297	0.8699	1.5688	0.2177	0.3560	0.7947	2019
0.9590	0.7725	0.9912	0.6159	0.1033	0.9082	0.3291	0.4532	0.4342	0.7822	2020
0.9561	1.1339	0.9710	0.5477	1.0441	0.9082	0.3770	0.4446	0.5426	0.6832	2021
0.9535	0.9678	0.9819	0.4850	1.0564	0.9055	0.2478	1.0843	0.3554	0.6594	2022
0.9575	0.6851	0.9394	0.6145	0.8516	0.9006	0.8648	0.4812	0.4140	0.7497	the total

Source: Table prepared by the researchers based on the outputs of theExcel program .for the period (2018 - 2022)

We note from the data indicators of the table above that the highest ratio of the non-performing loans index to the total loans between banks in the study sample for the total years of the study was achieved by Trans-Iraq Bank, which amounted to This ratio is very high because it indicates the need for the bank to review .(0.9575) the decisions to grant loans and analyze credit risks. Accurately, because it predicts the probability of exposure to lending risks if it continues as is. As for the lowest ratio of the non-performing loans index to the total loans for the banks in the study sample, it was achieved by the Commercial Bank of Iraq over the total years of the study, which amounted to (0.4140). This decrease indicates the ability to recover its non-performing loans from borrowers without delay, and this indicates the validity of the bank's credit granting decisions and their achievement of its objectives. . While the ratio of the non-performing loans index to the total loans for the banks in the study sample and for all years of the study ranged between (0.4140) .and (0.9575)

:Statistical test for the capital adequacy index -3

Table (5) shows the financial health components of the capital adequacy component, as Sumer Commercial Bank ranked first, as the average capital adequacy of this bank was (3.04386), with a standard deviation of (0.90571). Trans-Iraq Bank also ranked second, as the average capital adequacy of this bank was with a standard deviation of (1.10491). While Khaleej Commercial Bank (1.10491) ranked third, as the average capital adequacy of this bank was (1.36410) with a standard deviation of (0.11021). This increase in the capital adequacy ratios of the aforementioned banks indicates the strength and success of the banks in dealing with capital , i.e Having sufficient private funds to protect banks from exposure to losses resulting from activities, whether inside or outside banks, represented by non-Statistical analysis of the :performing loans , deposit insurance costs, etc. Table (6) capital adequacy index

standard deviation	Average financial health	The number of years	The bank	Indicator
0.04551	0.34951	5	**Bank of Baghdad**	**Capital adequacy**
0.47033	1.01821	5	**Commercial Bank of Iraq**	
0.09949	0.67978	5	**Middle East Bank**	
0.34783	0.94710	5	**United Investment Bank**	
0.16044	0.37821	5	**National Bank of Iraq**	
0.90571	3.04386	5	**Sumer Commercial Bank**	
0.11021	1.36410	5	**Gulf Commercial Bank**	
0.11623	1.14868	5	**Union Bank of Iraq**	
0.38738	1.14076	5	**Ashur International Bank**	
1.10491	1.99551	5	**Trans-Iraq Bank**	

Source: Table prepared by the researchers based on the outputs and data of) the statistical programSPSS .(

:Statistical testing of the credit risk index - 4

.Table (6) shows the components of the financial health of the credit risk index United Investment Bank ranked first. The average credit risk index for this bank reached (0.38074), with a standard deviation of (0.05416). Union Bank of Iraq also ranked second, as it reached The average credit risk for this bank was (0.33711) with a standard deviation of (0.05202), while Al Khaleej Commercial Bank ranked third, as the average credit risk for this bank was (0.25118) with a standard deviation of (0.02541). The low credit risk index reflects the efficiency of the bank’s credit decisions and policies. Investment and loan and advance granting operations , through which appropriate liquidity ratios can be maintained in conjunction with achieving profits, which means aligning profitability and liquidity Statistical analysis of the credit risk index :objectives . Table (7)

standard deviation	Average financial health	The number of years	The bank	Indicator
0.01616	0.04922	5	Bank of Baghdad	Credit risk index
0.02651	0.05588	5	Commercial Bank of Iraq	
0.02405	0.03446	5	Middle East Bank	
0.05416	0.38074	5	United Investment Bank	
0.12548	0.29844	5	National Bank of Iraq	
0.00126	0.02521	5	Sumer Commercial Bank	
0.02541	0.25118	5	Gulf Commercial Bank	
0.05202	0.33711	5	Union Bank of Iraq	
0.03901	0.05202	5	Ashur International Bank	
0.01278	0.03582	5	Trans-Iraq Bank	

Source: Table prepared by the researchers based on the outputs and data of) the statistical programSPSS .(

Conclusions

showed the study that Drains Iraqi that Enjoy With levels higher from Adequacy head the .1 money Be more capacity on to bear Shocks Finance And reduce Risks credit . this reflects . Importance Adult Enough head the money in Strengthen stability Financial

Increase Adequacy head the money reduce from level Risks credit that You face it Drains .2 Drains Self Heads Money Enough Be more flexibility in Dealing with cases . Underdevelopment on payment, Than decrease from the influence Passive on Their budgets .

Improve Adequacy head the money enhances trust in the system The banker The Iraqi .3 between Investors And the depositors . trust Increasing lead to to more Investments and . deposits, Than Contribute in growth Economy

Drains that Commit By standards Adequacy head the money International Be in situation .4 better To compete on the level Global . this enhances Opportunities cooperation with Drains . Foreign And it enhances commerce And investments via the border

Recommendations

Must on Entities Organizational Iraqi Strengthen Policies Supervisory to guarantee .1 commitment Drains With levels Adequacy head the money require . maybe that from during . Tighten Censorship And procedure Examinations Periodic

Must on Drains to improve Strategies administration Risks Private With it to guarantee .2 Existence Plan Effective To deal with Risks credit . maybe investigation that from during . Training Continuous And adopt better Practices Globalism

Must to implement Programs Awareness Finance Aims to more to understand staff in .3 sector The banker For importance Adequacy head the money And how administration Risks . credit Effectively

Must to provide Incentives For banks To increase Heads her money, whether from during .4 . Encouragement on Investments Local or Attract Investments Foreign

Encouragement Drains Iraqi on cooperation with Institutions Finance International to .5 exchange Of experience And knowledge about administration head the money And the risks

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