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THE IMPACT OF CREDIT RISKS ON RAISING THE ANNUAL INTEREST RATE ON INVESTMENT LOANS- A CASE STUDY OF THE INTERNATIONAL DEVELOPMENT BANK (IDB)

Dr. Dukhkhan Adil Bashir Dhahir I 1
Dr. Omer Adeeb Qassim 2
Dr. Siraj Razooqi Abbas3
Affiliation of researchers
1 College of Administration and Economics, Wasit University, University State Iraq, University City Wasit, University City Postal Code 52001
2 College of Administration and Economics, Wasit University, University State Iraq, University City Wasit, University City Postal Code 52001
3 College of Administration and Economics, Wasit University, University State Iraq, University City Wasit, University City Postal Code 52001
1 Email of the First Researcher
Adelbasheer@uowasit.edu.iq
https://orcid.org/0009-0001-9171-1873
2 Second Researcher Email
oqassim@uowasit.edu.iq
https://orcid.org/0009-0008-9861-8234
3 Third Researcher Email
sabbas@uowasit.edu.iq
https://orcid.org/0009-0006-9074-6026
Name of the Corresponding Author Dr. Dukhkhani Adil Basheer Dhahir

Abstract
International Development Banks. IDB seeks to achieve its strategic goals in light of an investment climate that secures the achievement of those goals and the lowest risks. One of the most important areas of the annual interest rate on investment loans attractive to banks is the process of granting credit risks, which is considered the most profitable banking operation at the same time for conservative banks. It has a sufficient liquidity ratio to manage other banking activities and operations and overcome liquidity risks while achieving appropriate profits. The research gains its importance from the importance of banking credit risks for financial and banking institutions, which is reflected in the economic performance as a whole, as well as the importance of the annual interest rate on investment loans, the bank that moves the wheel of the economy and exploits The available resources, from here emerged the problem of the study, which is that international development banks suffer from credit risks in their operations from their inability to grant credit risks, or that the granted credit risks do not rise to achieving profits in raising the level of the annual interest rate on investment banking loans, and the study was launched. From the hypothesis that the credit a Bankers have positive repercussions in raising the annual interest rate on

investment and bank loans and achieving profits. In addition to the standard statistical approach, the study reached some conclusions and made some recommendations to the study sample banks and others.

Keywords: Credit risk, interest rate, investment loans, International Development Bank (IDB).

Introduction

A. Banking credit risks are one of the most important services and facilities provided by international development banks.IDB for individuals and institutions in all industrial fields and international development.IDB , agricultural and others to enable these institutions to practice their operations and activities as the credit risk expresses the loans and facilities provided by banks to customers in exchange for repayment in the future, and the annual interest rate on financial investment loans for banks is also one of the most important topics that occupy great importance for banks in terms of management, shareholders and dealers, as well as those interested in studying them as the annual interest rate on investment loans shows what the bank can reach by practicing its activities The annual interest rate on various investment loans, and in order for the institution to know whether it can achieve its goals or not and whether it has achieved them by reasonable means, it needs to measure and evaluate its results. The importance of this study emanated from the importance of banking credit risks in addition to the importance of the annual interest rate on bank investment loans as well as the importance of bank credit risk in terms of its implications The annual interest rate on bank investment loans, whether this reflection is negative or positive, the study consisted of four sections, the first contains the methodology of the second study includes the theoretical framework of bank credit and the annual interest rate on bank investment loans, while the third section included The practical and applied framework of the study The fourth section contained conclusions and recommendations.

Research Methodology

First: Research problem

One of the most important problems experienced by international development banks .Iraqi IDB is to determine the areas of the annual interest rate on investment loans appropriate to achieve the long-term goals of those banks in light of the changing business environment in which these banks operate, which is marred by instability and high risk, and the most important of these functions is granting credit risks of all kinds being the job The annual interest rate on investment loans is the most attractive for banks The annual interest rate on investment loans Hence, the problem of this study arises to be represented in three aspects: Most international development banks. The Iraqi IDB works with government deposits, which are witnessing an increasing demand by the government for the purpose of facilitating its duties, with the weakness of the private sector's savings, which makes it adhere to granting loans commensurate with the time periods of those deposits, in addition to the default of indebtedness, i.e. the inability of the beneficiaries of the loan to repay the

loan or facilities with interest for reasons of instability in the work environment and others, as well as the weakness of the banking sector and its dependence on financing through its own savings, even in the case of investment opportunities. Although few, these and other factors have caused the risk problem that accompanies the process of granting bank credit risk, which in turn has implications for the annual interest rate levels on bank investment loans.

Second: The importance of research

The research acquires its importance from the importance of banking credit risks for banking and financial institutions in addition to the great importance of the annual interest rate rate on banking investment loans, so the importance of the study emerged in being an attempt to examine the relationships between credit risk and the annual interest rate on investment loans in international development banks. IDB through a philosophical view of the extent of the repercussions that credit risk and its levels have on the annual interest rate rate on investment loans in banks.

Third: Research goals

The research seeks through its methodology and its theoretical, analytical and applied side to achieve a set of objectives represented in the presentation and analysis of the impact of bank credit and its advantages and forms and risk and methods of measurement theoretical in addition to the definition of the annual interest rate on banking investment loans and the importance and philosophy of that importance for international development banks.IDB In addition to identifying the most prominent financial indicators, including profitability indicators, which can give a picture of the success of the annual interest rate rate on bank investment loans, the study also aims to show the role played by banking credit risks for banks research sample and society, the study also aimed to reach some recommendations and proposals to develop the process of granting credit risks and contribute to the development of work methods and the annual interest rate on investment loans in international development banks. Iraqi IDB.

Fourth: Research Hypothesis: Research Hypothesis

Based on the research and its importance and in order to achieve the desired goals, the main hypothesis of the study was formulated to make sure that it rises to solve the problem of the study, which states (that bank credit has positive repercussions in raising the annual interest rate on bank investment loans and achieving profits).

Fifth: Search Method: Search style

The research relied on the method of descriptive inductive approach in addition to the statistical standard method, in analyzing the available data on the problem and to research and analyze the relationship and impact between the variables of the study.

Sixth: Search Limits: Search Limits

1- Spatial boundaries of the search

The spatial boundaries of the study were determined in the international development banks. IDB registered in the Iraq Stock Exchange and ten banks were selected according to the mechanisms of the deliberate sample to test and analyze the hypothesis of the study and circulate its most prominent conclusions and recommendations.

2-Time limits: Time limits for the search

The time limits of the applied aspect of the study are represented in a time series that extends from the year (2005) to the year (2010)

The first axis

Theoretical and philosophical framework of research

First: Banking Credit Risks:

1- The concept of bank credit risk:

In general, credit risk is defined as the entity allowing its customers to pay the value of the goods and services it produces or provides after a period of time agreed upon between the two parties after they receive the goods or benefit from the services. [1]

The word credit risk is taken from security, when the bank lends a customer a loan, it entrusts him with it and the customer must return the loan on time. [2]

Credit risk is defined as the ability to obtain or entitlement to returns against payment in the future. [3]

Banking credit risk is defined as a debt relationship based on trust between the creditor (bank) and the debtor (borrower) through which the debtor can obtain a certain amount or guarantees provided by the bank to customers according to certain conditions or to achieve specific purposes in exchange for the debtor's pledge to return the principal amount with interest and agreed upon on time. [4] Sisi defined it as the trust placed in the International Development Bank .IDB for a person when he puts at his disposal a sum of money for a specified period agreed upon and at the end of which the borrower fulfills his obligation in return for a certain return obtained by the bank from the borrower represented in interest, commissions and expenses. [5]

From the above definitions, the procedural definition of credit can be formulated as bank credit risk defined as granting a loan or providing a facility to a customer or enterprise in return for its repayment in the future in addition to the interest resulting from it.

2- Forms of bank credit risk:

Many studies and research in financial and banking thought have indicated that bank credit has several forms.

A- Cash credit risk: It is the credit risk that is provided directly to the customer and is also called credit risk or direct credit risk facility and includes:

(1) Loans: Loans are one of the main components of bank credit that is provided directly to the customer and a loan is generally defined as the possibility of buying an item or borrowing an amount under a promise to repay. [6]

(2) Advances: They are cash provided by international development banks. IDB to its employees and permanent customers for international development purposes. IDB or social

in exchange for the beneficiary's pledge to return the advance with its interest in full payment. [7]

(3) Rebate operations: A discount is a credit transaction whereby a bank puts at the disposal of its customer the value of the international development paper. IDB (bill of exchange or promissory note) without waiting for the payment term, and the bank bears the term of the debt and the collection of the international development paper. IDB from the debtor of its value on time.

(4) Payment from under the account: The bank allows its customer to become a debit account within a certain amount, i.e. to cover the account within a certain limit. [8]

B- Undertaking credit risk: It is the credit risk that is provided indirectly to the customer and is also called credit risk or indirect credit risk facilities and includes:

1. Documentary credit: It is a letter or letter under which the bank undertakes to perform the obligations incurred by the customer related to documentary credits, meaning that the bank joins its liability to the customer's liability in performing the obligations resulting from this credit and uses the documentary credit in foreign transactions related to import and export. [9]
2. Letter of Guarantee: It is considered one of the most important banking services provided by banks to their customers to facilitate their business with governments and companies, and it is defined as a written undertaking by the bank to guarantee one of its customers within a certain amount towards a third party. [10] Iceberg
3. Credit Risk Card: It is the card issued by banks that enables the holder to obtain his needs of goods in debt. [11] Iceberg

C- Rental credit risk: This type of credit risk involves companies submitting an application to the bank that includes the number and type of the asset, then the bank buys this asset and then leases it to the beneficiary and at the end of the lease period, the beneficiary of the asset is entitled to own it. [12] Iceland,

3- Principles and conditions for granting credit risk:

The granting of credit risk must be based on the following generally accepted regulations and legislation:

I. Security: The main element to protect the bank's funds, that is, and the assurance that this loan granted will be recovered within the specified period in addition to the interest incurred by the customer.

II. Profit: The credit risk granted must generate net profits for the bank from the interest involved.

III. Liquidity: The bank granting credit risk must have a liquid financial position.

IV. Compatibility: The purpose of the loan should be in line with the country's economic policy.

4- Classification of bank credit risks: Banking credit risks can be classified into:

A: Bank credit risk in terms of its purpose is classified into: [13]

(1) Banking credit risks for consumer purposes: These credit risks are loans or advances granted for consumer purposes such as buying a house, car or others, and banks demand higher interest rates for this type of loan because it includes a higher risk.

(2) Bank credit risks for productive purposes: This type of credit risk has a productive purpose, i.e. for the purpose of increasing production or to increase sales, such as the purchase of raw materials or machinery to support production capacity, and this type of credit risk is in which support for the national economy.

(3) Banking credit risk for international development purposes .IDB: In such type of credit risk granted there is a benefit to be aligned with international development processes .IDB as well as the circulation of goods locally and internationally, i.e. in import and export operations and facilitate international development operations .IDB.

B: Bank credit risks by economic sectors are classified into: [14]

(1) Banking credit risks provided to the real estate sector: This type of credit risk is given to finance the purchase of land, its construction or the purchase of a building and is given for a period of more than ten years and specialized banks (Real Estate Bank) grant this type of facility.

(2) Banking credit risks provided to the industrial sector: It is the credit risk granted to craftsmen and factories, and industrial banks carry out this task.

(3) Bank credit risks provided to the agricultural sector: granted by the Agricultural Bank and provided to farmers and that this type of credit risk is a risk in terms of weather fluctuations.

A: Banking credit risk in terms of time period is classified into: [15]

(1) Short-term: It is credit risk granted for a period of less than one year.

(2) Medium-term: It is credit risk granted for more than one year and less than five years.

(3) Long-term: It is credit risk that is granted for a long period, i.e. more than five years.

D: Bank credit risks in terms of collateral:

1- Without collateral: It is the credit risk that is granted on the basis of reputation or personal relationships.

2- Guarantees: The guarantee is a means that gives the bank insurance against the risks of non-payment, and the most important of these guarantees are local bills of exchange, foreign bills of exchange, securities, goods or letters of guarantee [16]

5- Credit Risk:

Risk is defined as the probability of expecting a loss or the probability of not getting the expected return. [17]

They are also defined as potential negative external factors that are expected to cause a significant delay in the achievement of goals and prevent their achievement. [18] Credit risk is not limited to loans only, but extends to other activities such as guarantees, undertakings, external financing or international development. IDB or disbursements or deposits with banks. [19]

The risks that affect banks in granting credit risks are multiple, which can be summarized as follows:

I. External environment risks: They are the risks resulting from the surrounding environment of the bank, which it does not have the ability to influence or control, although this does not mean the lack of tools and means to confront or adapt to them, and these risks are affected by government legislation, control and supervision. [20]

II. Risks of the economic environment: They are called systemic risks of granting loans and include market variables and fluctuations, interest rates, inflation and recession risks, dealing in foreign currencies, international competition, globalization and economic openness.

III. Risks of the customer's financial position: Irregular risks are the factors to which the bank is exposed from the process of granting credit risks to a specific customer as a result of an imbalance in the customer's financial position, such as low profits, accumulation of debts, or lack of success in its international development business. DB and others, so factors that reflect credit risk must be taken into account before granting
it.

Second: Annual interest rate on bank investment loans:

1- The concept of the annual interest rate on bank investment loans:

The annual interest rate on investment loans is defined as the allocation of part of the money to be invested in financial assets for a period of time in order to obtain cash flows in the future to meet the increase in the inflation rate and cover the risks associated with money flows and the annual interest rate on investment loans is either individual or multiple, and the annual interest rate on individual investment loans is intended to buy only one asset, even if the units purchased from these assets are repeated, while the rate of The annual interest rate on investment loans is multiple if it includes two or more types of assets and the so-called annual interest rate portfolio on investment loans. [21]

Some see the annual interest rate on investment loans as the allocation or distribution of the company's funds in the structure of its investments and means choosing the structure of the company's investments and how to distribute this annual interest rate on investment loans between short-term investments and long-term investments, which can be measured by the ratio of current assets to fixed assets, this choice is of great importance for its impact on the liquidity and profitability of the company, if the current assets constitute a large percentage of the structure Interest rate The annual on investment loans of the company, it means that the company's liquidity is high, but its profitability will be limited, and the opposite happens when fixed assets constitute a high percentage of the total assets of the enterprise, then the company's profitability increases, but its liquidity will be low. [22]

The annual interest rate on investment loans in securities is an investment of funds surplus to the bank's current need to purchase securities in the hope of obtaining future returns. The decisions on the annual interest rate on rational investment loans taken by the bank to invest in securities are based on studying and analyzing the variables of the external and internal environment of the organizations issuing these securities in order to identify the opportunities and threats they face and the points of Strength and weakness It suffers from and through this analysis the bank can accurately identify the impact of these changes in the volume of cash outflows to and from the bank. [23]

According to safety requirements, international development banks should. IDB Moving away from the annual interest rate on investment loans whose periodic return is exposed to severe fluctuations and those whose market value may be exposed to a significant decline that may result in the bank's failure to recover the value of its funds in which it invested, and this trend carries with it a call to banks to increase their investments in securities that

represent debt instruments such as various bonds and certificates of deposit and reduce their investments in securities that represent ownership instruments such as ordinary and preferred shares .[24]

Banks should rely heavily on the horizon – the annual interest rate on investment loans, which means whether their investments will be long-term or short-term, because the annual interest rate on long-term investment loans is usually more risky than the annual interest rate on short-term investment loans, which have a greater degree of security than the annual interest rate on long-term investment loans. [25]

The importance of the annual interest rate on bank investment loans:

As for the importance of the annual interest rate on investment loans in banking, the annual interest rate on bank investment loans is the second direction to employ money in the bank after credit risks and must be managed correctly to achieve the bank's goals, which are profitability and liquidity and safety. [26]

2- Financial indicators as a tool to assess the annual interest rate on bank investment loans:

The success of the evaluation process depends largely on the degree and appropriateness of financial indicators and their ability to measure performance properly. [27] The use of financial ratios in financial analysis is one of the most important means that help management to achieve abundant banking liquidity and the status of funds available for employment and that there are a large number of financial indicators used in evaluating performance in international development banks .IDB (profitability indicators, liquidity indicators, capital adequacy indicators and capital investment ratio indicators), but we will address the profitability indicators as they are the most appropriate indicators to measure and analyze the results of the annual interest rate on investment loans in international development banks .IDB.

3- Profitability indicators as a tool for evaluating the annual interest rate on investment loans:

These indicators are considered one of the most important financial indicators used in evaluating the financial performance of banks, and they measure the bank's ability to achieve a return on invested funds, and these indicators include the following ratios:

(1) Return on Equity (ROE):

It is a measure that measures the return achieved on shareholders' investments in equity and it gives a picture of the success of the annual interest rate on investment loans in the bank [28] and when measuring this ratio, it is easy to know the return that shareholders receive in the bank compared to other shareholders in other banks [29]. This indicator can be calculated from dividing net income after taxes on equity as follows: [30]

$$\text{Return on equity} = \frac{\text{Tax after net income}}{\text{Ownership is a right}}$$

Whenever this return rises in a bank, it indicates the efficiency of that bank in achieving net profits and financial returns for beneficiaries.

(2) Return on Assets (ROA):

It is a measure that measures the overall effectiveness of management in generating profits from the assets available to it and this return is also called the return on the annual interest

rate on investment loans that banks are always looking for an increase in this return because it is a measure of the profitability of all The annual interest rate on short and long-term investment loans and that the high of this indicator indicates the efficiency of management policies The annual interest rate on investment and operational loans This percentage is calculated from the division of net income after Taxes on total assets [31] as follows: [32]

$$\text{Return on assets} = \frac{\text{Net income}}{\text{Total assets}}$$

The higher this ratio is, the more it indicates the bank's efficiency in generating net profits on the investment of assets.

(3) Property Multiplier (EM):

Shows the ability of the financial decisions taken by the management of banks on the use of loans in their financial structure, i.e. debt financing, compared to equity, leading to maximizing the rate of return on equity and hence the management of international development banks. IDB is largely used as leverage – funds with fixed or low cost – to increase the return on equity to the level at which it competes with the return on capital owners in non-financial companies. [33] This ratio shows the number of times the return on assets is doubled due to leverage, and refers to the rate at which a bank's total assets can decrease before the position of the bank's creditors (depositors and outside investors) is affected. [34] This ratio can be calculated from dividing the total assets by equity according to the following formula: [35]

$$\text{Property Multiplier} = \frac{\text{total assets}}{\text{total Ownership Equity}}$$

(4) Deposit Return Rate (ROD):

This indicator measures the extent to which a bank is able to generate profits from deposits it succeeds in obtaining [36] and is measured by dividing the net profit after tax by the group of deposits and as in the following equation: [37]

$$\text{Deposit rate of return} = \frac{\text{Net profit after tax}}{\text{Total deposits}}$$

With this high rate, it is clear that deposits are optimized to achieve profits.

(5) Return on Available Funds (ROR):

This indicator measures the net profit generated to the total available resources, measured by dividing the net profit by deposits and equity as follows: [38]

$$\text{Return on available funds} = \frac{\text{Net profit}}{\text{ownership right + deposits}}$$

The second axis

Analytical and applied framework of the study

First: Analysis of banking credit risks and its impact on profitability indicators for individual banks:

In analyzing the relationship between bank credit risks and profitability indicators for the banks of the research sample, we use Pearson's correlation coefficient, which shows the causal relationship between two variables as follows:

1) Bank of Baghdad (BBOB):

When looking at Table No. (1), we find that the total credit risk granted in the Bank of Baghdad for the year 2010 is better than other years, but the size of the credit risk granted for the year 2010 affected the indicators of the annual interest rate on investment loans only in the index of ownership multiplier positively and did not affect the other indicators, but when measuring the indicators of the annual interest rate on investment loans, we find that the year 2007 is the best investment for most indicators, and this is indicated by the coefficient of The correlation for each indicator separately with the credit risk granted, so it was found that the correlation between banking credit risk and profitability indicators in four negative indicators and in only one positive, and this indicates that the profitability indicators of the Bank of Baghdad have been affected by the size of the credit risk granted, but it was a negative effect, meaning that the correlation was an inverse correlation.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	68.642.221.000	0.7	4.5	6.0	1.0	0.8
2006	48.516.563.000	2.9	18.3	6.3	4.0	3.3
2007	58.101.383.000	6.2	42.5	6.9	8.8	7.3
2008	47.367.118.000	4.0	31.4	7.8	5.4	4.6
2009	79.504.860.000	2.3	21.9	9.4	2.8	2.5
2010	180.800.066.000	1.7	16.2	9.6	2.0	1.8
SMA	80.488.701.833	3.0	22.5	7.7	4.0	3.4
Correlation between credit and profitability indicators		-0.42	-0.31	0.68	-0.45	-0.43
Source prepared by the researcher						

2) Middle East Bank (BIME):

When looking at Table (2), we see that the best years for investment is the year 2007 because it has three high indicators, while the most years in which the bank granted credit were in 2010, as well as when taking the correlation coefficient for bank credit with the indicators of the annual interest rate on investment loans, we find that all correlations are negative, meaning that the relationship is inverse between credit risk and indicators of the annual interest rate on investment loans, and with these results of the correlation, it means a correlation Negative and what reflects its impact on the a nnual interest rate on bank investment loans negatively.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	26.569.878.248	2.6	55.4	21.3	3.0	2.8
2006	21.815.832.536	1.3	14.0	11.1	1.6	1.4
2007	18.581.617.618	2.8	37.3	13.1	3.5	3.2
2008	16.538.682.186	2.3	31.6	13.6	3.1	2.8
2009	63.799.904.195	2.0	20.0	10.1	2.4	2.2
2010	142.631.093.952	1.4	12.4	8.8	1.8	1.5
SMA	48.309.501.456	2.1	28.4	13.0	2.6	2.3
Correlation between credit and profitability indicators		-0.55	-0.54	-0.54	-0.55	-0.58
Source prepared by the researcher						

3) Bank of Babylon (BBAY):

When looking at the results of Table No. (3) of the Bank of Babylon and bank credit and the indicators of the annual interest rate on investment loans, we note that the most years in which the bank granted credit were in 2005, while 2007 was the best year for investment because it has four high indicators, meaning that it is the best year in terms of profitability, as well as when taking the correlation coefficient for bank credit with profitability indicators, we find that all correlations are negative, meaning that the relationship is inverse between credit risk and indicators Profitability, i.e. the greater the granting of credit risk, the lower the profitability in raising it will be negatively on the annual interest rate on bank investment loans.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	28.494.380.586	3.3	7.7	2.3	6.7	3.6
2006	27.546.10.135	4.8	11.9	2.5	9.9	5.4
2007	19.930.112.932	5.7	15.8	2.7	10.5	6.3
2008	8.907.124.274	5.3	21.8	4.1	8.2	6.0
2009	13.868.831.991	2.6	8.6	3.4	3.9	2.7
2010	28.141.38.692	2.5	10.0	4.0	3.7	2.7
SMA	21.148.083.102	4.0	12.6	3.2	7.2	4.4
Correlation between credit and profitability indicators		-0.31	-0.66	-0.53	-0.03	-0.30
Source prepared by the researcher						

4) Warka Bank (BWAI):

Table (4) shows that the total credit risk granted to Warka Bank for the year 2009 is better than other years, but when measuring the profitability indicators, we find that the year 2006 is the best investment for three indicators, and this is indicated by the correlation coefficient for each indicator separately with the credit risks granted, and it was found that the

correlation between banking credit risks and profitability indicators in four indicators is negative and in only one positive indicator.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds	Return on assets
2005	68.245.466.965	3.0	42.6	14.0	5.5	4.8	3.0
2006	99.625.200.122	3.6	44.1	12.2	6.7	5.8	3.6
2007	190.808.087.884	0.4	5.1	13.7	0.8	0.7	0.4
2008	455.497.622.452	1.1	39.8	29.4	2.8	2.6	1.1
2009	630.144.718.427	3.4	44.4	13.1	4.6	4.2	3.4
2010	537.589.415.427	0.5	2.9	6.0	0.7	0.5	0.5
SMA	2.0	29.8	14.7	3.5	3.1	2.0	29.8
Correlation between credit and profitability indicators		-0.21	-0.13	0.05	-0.41	-0.38	-0.21
Source prepared by the researcher							

5) Bank of Economy (BEFI):

In Table (5), we note that the total credit risk granted to the Bank of Economy for the year 2010 is better than other years, but the size of the credit risk granted for the year 2010 affected the indicators of the annual interest rate on investment loans for this bank only positively in the index of return on equity and negatively affected other indicators, but when measuring the profitability indicators, we find that the year 2006 is the best profitability for three indicators, and this is indicated by the correlation coefficient for each indicator separately. With the credit risk granted, it was found that the correlation between banking credit risks and profitability indicators in four negative indicators and in only one positive, and this indicates that the profitability indicators of the Bank of Economy have been affected by the size of the credit risk granted, but it was a strong negative impact, meaning that the correlation was an inverse correlation whenever the credit risk increased in the Bank of Economy, the lower the annual interest rate on banking investment loans.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	1.219.343.031	8.8	107.9	12.3	10.8	9.8
2006	1.375.239.414	15.0	55.2	3.7	30.8	19.8
2007	4.146.785.587	10.8	35.7	3.3	22.1	13.6
2008	24.375.770.141	11.0	67.9	6.2	16.3	13.1
2009	67.498.282.721	4.1	12.0	3.0	7.2	4.5
2010	138.088.913.582	4.1	17.0	4.1	7.1	5.0
SMA	39.450.722.413	8.9	49.3	5.4	15.7	11.0
Correlation between credit and profitability indicators		-0.80	-0.66	-0.34	-0.67	-0.75
Source prepared by the researcher						

6) North Bank (BNOR):

When watching the results of Table No. (6), we find that the most years in which the bank granted credit were in 2010, while 2007 was the best year for investment because it has three high indicators, but when taking the correlation coefficient of bank credit with the indicators of the annual interest rate on investment loans, we find that the correlation with two

indicators is equal to (0), meaning that the credit risk in the North Bank has no effect on these two indicators (rate of return on assets and rate of return on available funds) Neither positively nor negatively, but it affected the rest of the indicators in one negatively and in two positively.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	11.887.172.842	3.1	15.4	5.8	4.3	3.3
2006	28.583.587.672	3.6	12.8	3.3	6.1	4.8
2007	88.844.687.567	5.9	18.2	3.1	13.2	7.7
2008	78.589.215.811	4.5	17.2	3.5	7.7	5.3
2009	116.479.537.471	4.2	21.5	5.2	5.8	4.6
2010	223.799.697.340	3.4	29.9	8.5	4.2	3.7
SMA	89.950.634.317	4.2	19.8	4.8	6.9	4.8
Correlation between credit and profitability indicators		8.88	8.97	8.88	-0.12	8.88
Source prepared by the researcher						

7) Sumer Bank (BSUC):

In Sumer Bank, we find that the total credit risk granted for the year 2010 is better than other years, but when measuring the indicators of the annual interest rate on investment loans, we find that the year 2009 is better for four indicators, and this is indicated by the correlation coefficient for each indicator separately with the credit risk granted, and it was found that the correlation between bank credit risks and indicators of the annual interest rate on investment loans in all indicators is negative and in this indicates The indicators of the annual interest rate on investment loans have been affected by the size of the credit risk granted, but it was a very weak negative impact almost no correlation, that is, the correlation was inversely correlated, the greater the credit risk in Sumer Bank, the lower the annual interest rate on banking investment loans, and this is shown in Table (7).

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	16.756.347.356	4.5	6.6	1.5	14.6	4.6
2006	15.055.824.673	3.3	6.0	1.8	9.4	3.7
2007	11.857.924.079	3.4	7.6	2.2	9.6	4.3
2008	16.750.012.778	1.3	2.3	1.7	4.5	1.5
2009	46.974.159.015	5.4	10.3	1.9	17.8	6.5
2010	49.182.148.795	0.5	0.8	1.7	1.5	0.5
SMA	26.097.736.116	3.1	5.6	1.8	9.6	3.5
Correlation between credit and profitability indicators		-0.09	-0.08	-0.11	-0.02	-0.06

8) Gulf Bank (BGUC):

Table (8) shows that the most years in which the bank granted credit were in 2010, while 2008 was the best year for investment because all the profitability indicators are high, i.e. it

is the best year in terms of profitability indicators, as well as when taking the correlation coefficient for bank credit with the indicators of the annual interest rate on investment loans, we find that all correlations are negative, meaning that the more credit risk is granted, the lower the annual interest rate on loans. Investment Banking.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	8.739.417.071	3.3	14.5	4.4	7.9	5.1
2006	16.443.532.924	3.3	12.1	3.7	5.0	3.5
2007	15.765.928.834	3.5	22.2	6.3	4.7	3.9
2008	21.220.899.370	6.4	61.6	9.6	9.3	8.1
2009	36.585.535.538	3.1	16.0	5.2	4.3	3.4
2010	45.873.603.563	2.3	10.8	4.8	3.2	2.5
SMA	24.104.819.550	3.6	22.9	5.7	5.7	4.4
Correlation between credit and profitability indicators		-0.35	-0.18	-0.05	-0.62	-0.46

9) Credit Bank (BROI):

In Table (9), we find that the total credit risk granted by the Credit Bank for the year 2005 is better than other years, but when measuring the annual interest rate on investment loans, we find that the year 2007 is better for three indicators, and this is indicated by the correlation coefficient, as the greater the credit risk in the credit risk bank, the lower the annual interest rate on investment loans.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	28.530.222.673	3.0	25.8	8.6	3.7	3.2
2006	24.029.301.920	4.0	57.1	14.3	4.7	4.3
2007	19.009.858.240	6.1	44.0	7.2	8.7	7.3
2008	5.090.931.736	5.5	26.4	4.8	8.8	6.6
2009	11.729.137.793	2.5	10.5	4.3	4.0	2.9
2010	13.847.732.453	1.6	9.7	5.9	2.3	1.8
SMA	17.039.530.803	3.8	28.9	7.5	5.3	4.4
Correlation between credit and profitability indicators		-0.13	0.48	0.72	-0.35	-0.20

10) Bank al Etihad (BUOI):

When watching the results of Table (10), we notice that the most years in which the bank granted credit were 2010, which is the year in which the annual interest rate on investment loans was also high because it has four high indicators , i.e. it is the year 2010 is the best year in terms of the annual interest rate on investment loans and bank credit risk, and when taking the correlation coefficient, we find that with the increase in credit risk, the annual interest rte on the bank's investment loans improves.

Years	Credit awarded	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Return on available funds
2005	07.883.037	0.4	0.4	1.0	15.1	0.4
2006	184.360.810	3.8	4.1	1.1	75.3	3.9
2007	211.352.417	5.6	8.3	1.5	33.7	6.7
2008	3.746.344.960	3.9	6.4	1.7	12.6	4.3
2009	13.131.179.181	3.0	7.1	2.4	5.6	3.1
2010	39.432.179.181	8.3	17.5	2.1	20.7	9.5
SMA	9.535.616.980	4.2	7.3	1.6	27.2	4.7
Correlation between credit and profitability indicators		0.71	0.89	0.66	-0.30	0.69

Second: Analysis of bank credit risks in profitability indicators for banks combined:
Table (11), which presents the arithmetic mean of the bank credit granted as well as the arithmetic average of the indicators of the annual interest rate on investment loans, shows the following results:

1.Correlation coefficient between bank credit risk and the rate of return on assets: The correlation coefficient between them is (-0.35), meaning that it is a negative correlation and this is an inverse relationship between the arithmetic average of bank credit and the annual interest rate on investment loans for the banks of the research sample, and thus the greater the credit risk, the lower the rate of return on assets.

2.Correlation coefficient between bank credit risk and the rate of return on equity: The correlation coefficient between them is (0.24), meaning that it is a weak positive correlation and this is a direct relationship between the arithmetic average of bank credit and the annual interest rate on investment loans for banks research sample, so the greater the credit risk, the greater the rate of return on equity, but at a lower rate than the increase in credit risk.

3.Correlation coefficient between bank credit risk and ownership multiplier: The correlation coefficient between them is (0.70), meaning that it is a strong positive correlation and this is a direct relationship between the arithmetic average of bank credit and the annual interest rate rate on investment loans for the banks of the research sample, and thus the greater the credit risk, the greater the rate of return on the ownership multiplier.

4.Correlation coefficient between bank credit risk and the rate of return on deposits: The correlation coefficient between them is (-0.35), meaning that it is a negative correlation and this is an inverse relationship between the arithmetic average of bank credit and the annual interest rate on investment loans for the banks of the research sample, and thus the greater the credit risk, the lower the rate of return on deposits.

5.Correlation coefficient between bank credit risk and rate of return on available funds:
The correlation coefficient between them is (-0.23), meaning that it is a negative correlation and this is an inverse relationship between the arithmetic average of bank credit and the annual interest rate rate on investment loans for the banks of the research sample, and thus the greater the credit risk, the lower the rate of return on the available funds.

From the foregoing, we can say that the banking credit risks following the annual interest rate rate on financial investment loans for banks, but the impact varied from one indicator

to another, from the indicators after banking credit risks a strong positive impact as a multiplier of ownership, including the impact of credit risks on a weak positive impact such as the rate of return on equity index and indicators of the annual interest rate on loans Investment has negatively affected credit risk.

Average for banks	Cash credit	Return on assets	Return on equity	Ownership multiplier	Deposit rate of return	Rate of return on available funds
(BBOB):	80.488.01.833	3.0	22.5	7.7	4.0	3.4
(BIME):	48.309.501.456	2.1	28.4	13.0	2.6	2.3
(BBAY):	21.148.083.102	4.0	12.6	3.2	7.2	4.4
(BWAI):	330.318.418.492	2.0	29.8	14.7	3.5	3.1
(BEFI):	39.450.722.413	8.9	49.3	5.4	15.7	11.0
(BNOR):	89.950.634.317	4.2	19.0	4.8	6.9	4.8
(BSUC):	26.097.736.116	3.1	5.6	1.8	9.6	3.5
(BGUC):	24.104.819.550	3.6	22.9	5.7	5.7	4.4
(BUOI):	17.039.530.803	3.8	28.9	7.5	5.3	4.4
(BROI):	9.535.616.980	4.2	7.3	1.6	27.2	4.7
Correlation between credit and profitability indicators		-0.35	0.24	0.70	-0.35	-0.23
Source prepared by the researcher						

Third axis

Conclusions and recommendations

First: Conclusions:

1- Bank credit risks affect the financial performance of banks and therefore its impact is reflected in the annual interest rate on bank investment loans, whether this effect is negative (adverse) or positive (positive).

2- Through the analysis of the profitability indicators of banks and comparing them with the credit risks granted to the banks of the research sample, it became clear that Bank al Etihad is the only bank in which the granting of credit risk was efficient because it affected the financial performance in a positive (positive) manner, meaning that by increasing the credit risks in Bank al Etihad, the efficiency of the bank's financial performance increases and the annual interest rate on efficient financial investment loans increases.

3- The research sample, except for the banks (Union and the North), all of them due to banking credit risks in which the indicators of profitability negatively, i.e. by increasing the granting of credit risks , weakens the financial performance and the annual interest rate on bank investment loans, and this is because these banks are inefficient in granting credit risks, meaning that customers are defaulting in debt performance and that the bank grants risks Credit to untrusted persons is not sufficiently collateralized or the bank is not serious about studying lending applications and other reasons.

4- When analyzing banks collectively in relation to credit and its impact on profitability and the annual interest rate on bank investment loans, we find that credit risk is positively affected in the indicators (return on equity and multiplier) in a positive (positive) manner.

5- When analyzing the banks collectively for credit and its impact on the annual interest rate rate on bank investment loans, we find that the credit risks are due to the indicators

(return on assets, return on deposits and return on available funds) negatively (inversely), which constitute the greatest relative importance of the research sample.

Second: Recommendations:

1. International Development Banks Directive. IDB using new and innovative methods in performing its business, especially the process of granting credit risks, to reach outstanding financial performance and thus optimal financial investment.
2. The banks of the research sample should make the process of granting credit risks in the focus of their attention and development in order to help raise the level of financial performance of the bank and improve the annual interest rate on bank investment loans and make the bank achieve its goals and reach the highest rates of profits because credit risk is the most profitable banking activity.
3. It is imperative for international development banks.IDB Actual study of customer requests related to granting credit risks and all the procedures necessary to provide credit risk facilitation such as (studying credit risk requests, analyzing the customer's financial position, requesting the necessary guarantees from the customer, inquiring about the customer, etc.).
4. International development banks should .IDB Study the aspects of the annual interest rate on various investment loans that do not conflict with their general objectives and financial performance in light of the credit risks granted.
5. Forming a more extensive study to study credit risks in other Iraqi banks and compare them with banks of other countries that are successful in granting credit risks in order to identify the reasons that cause banks to fail to take full advantage of the process of granting credit risks and to be able to manage credit risks in an advanced manner.
6. Conducting a study that expands further on other financial performance indicators (liquidity, efficiency ... etc) for the purpose of determining the performance of international development banks.IDB and raise performance to the highest levels and know ways to rate the annual interest rate on investment loans to achieve the highest levels of returns.

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