

Impact of monetary and financial policies on the performance of commercial banks in Iraq - BBAC banks and Kurdistan International bank

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Abstract:

The research aims to clarify the impact of both monetary and fiscal policy on the performance indicators of commercial banks. The study uses multi-stage linear regression method for data analysis for a sample of BBAC bank and KIB in Iraq for the period 2006-2019. The results show that the monetary policy indicators of money supply and inflation have had significant impact on the profitability solvency indicators of BBAC bank. The money supply index had an impact on the profitability index of KIB. However, fiscal policy has no impact on the selected banking performance indicators. Furthermore, the results show that the fiscal policy indicators of revenues, expenditures and the general budget had no impact on the performance indicators of the sample banks. Monetary policy indicators of tight money supply, exchange rate and inflation have had mixed impact on the banks performance indicators. The results of the quantitative analysis show that monetary and financial policies do not have a similar impact on the performance of BBAC and KIB for the period 2006-2019. As recommendation, the monetary authority should seek maintain the growth rates of the money supply consistent with economic activity. The monetary authority needs to reduce inflation rates and keep it low as a monetary policy objective in Iraq.

Key words: fiscal policy, monetary policy, financial performance, banking sector.

المخلص:

يهدف البحث إلى توضيح تأثير السياسة النقدية والمالية على أداء البنوك التجارية. تستخدم الدراسة طريقة الانحدار الخطي متعددة المراحل لتحليل البيانات لعينة من بنك BBAC و KIB في العراق للفترة 2006-2019. تظهر النتائج أن السياسة النقدية للعرض النقدي والتضخم كان لها تأثير كبير على الملاءة الربحية لبنك BBAC. كان المعروض النقدي تأثير على الربحية في KIB. ومع ذلك، ليس للسياسة المالية تأثير على الأداء المصرفي المختارة. مع ذلك، تظهر النتائج أن السياسة المالية للإيرادات والنفقات والميزانية العامة لم يكن لها تأثير على أداء البنوك النموذجية. كان السياسة النقدية لإمدادات النقد الضيقة وسعر الصرف والتضخم تأثير مختلط على أداء البنوك. تظهر نتائج التحليل الكمي أن السياسات النقدية والمالية ليس لها تأثير مماثل على أداء BBAC و KIB للفترة 2006-2019. كتوصية، ينبغي للسلطة النقدية أن تسعى للحفاظ على معدلات نمو العرض النقدي بما يتفق مع النشاط الاقتصادي. تحتاج السلطة النقدية إلى تخفيض معدلات التضخم وإبقائها منخفضة كهدف للسياسة النقدية في العراق.

الكلمات المفتاحية: السياسة المالية، السياسة النقدية، الاداء المالي، القطاع المصرفي.

پوخته:

نامانج لهم تويزينهويه پروونكدنهويه كاريگمري پاره و داراييه لسمير ئهداي بانكه بازرگانيمكان. لهم تويزينهويهيدا گرپقه الانحدار الخكي متعدده المراحل بو شيكردنهويه داتاناني بانكي BBAC و KIB له عيراق و لهماوهي 2006-2009. ئهجامهكان دهيدمخن كه سياستى دراوى بو خستنه روى دراوى و هملناوسان كاريگمري گرنگيان هميه لسمير قازانجى بانكى BBAC. همروهها دابين كردنى پاره كاريگمري همبووه لسمير قازانجى كردن له KIB لهگهل ئهوشدا سياستى دارايى هيچ كاريگمريهكى لسمير ئهداي همردو بانكه كه نهبووه. لهگهل ئهوشدا ئهجامهكان ئهوه دهمدخن كه سياستى دارايى داهات و خمرجهكان و بودجهى گشتى هيچ كاريگمريهكى نهبووه لسمير ئهداي بانكه ديايكرامكان. سياستى دراوى دابينكردنى پاره و ريزه نالوگور و هملناوسان كاريگمريهكى تيكملى همبووه لسمير ئهداي بانكه بازرگانيمكان. شيكردنهويه ئهجامهكان ئهوه دهمدخن كه سياستى دراوى و دارايى هيچ كاريگمريهكى نهبووه لسمير ئهداي BBAC و KIB لهماوهي 2006-. وهك پيشنيارنك، دهبي دمهلاتى دراوى بهداوى هيشتنهويه ريزه گهشه دراوى گونجاولدا بيت هاوتريب لهگهل چالاكى نابورى، وهپنيويسته دمهلاتى دراوى ريزه هملناوسان كه بكتاموه وهك يهكتيك له نامانجهكانى سياستى دراوى له عياق.

كليلى ووشهكان: سياستى دارايى، سياستى نمختينهيه، ئهداي دارايى، كهرتى بانكى.

1. Introduction

Monetary and fiscal policy affects the performance of commercial banks, and it is inconceivable that there is a banking sector that includes commercial banks that operate effectively and well unless the economic environment in which they operate is sound and stable, and the impact of these policies on the performance of commercial banks is determined by a set of indicators reflecting the reality of monetary and fiscal policy in the economy. Monetary and fiscal policy is an important economic policy instrument that influences economic activity (Hamad, 2021), and these policies contribute to solving many economic problems, as there is a relationship between their instruments and the economic variables that affect and affect them. Due to the multiplicity of effects these policies have on different economic areas and aspects, including the impact on the performance of commercial banks, they produce a number of variables that have direct and indirect effects on the performance of commercial banks (Nkrumah, Empirical Assessment on the Impact of Monetary Policies on Performance of Banks Listed on the Ghana Stock Exchange, 2018).

It is argued that banking sector does not properly play its important role in the economy of emerging countries, particularly in the case of Iraq (Abdullah and Fatah, 2020). This sector in Iraq is still underdeveloped and currently goes under a rapid development of legislation and technological implementation. Based on the strategically financial policy of the country, banking sector should undergo major enhancement and play significant role in the economy of the country. Fiscal policy and monetary policy have potential on the performance of commercial banks (Akalpler and Abdullah, 2020); however, the question should be raised here is do monetary and fiscal policies have a similar impact on the performance of commercial banks in Iraq over 2006-2019 period.

The importance of this research comes from the fact that commercial banks represent effective bodies on which to rely in the process of developing and developing different sectors of the national economy, as their activity is not limited to the practice of banking, but goes beyond it to prepare for economic development in a balanced and efficient manner. This paper contributes to the literature

through the investigation of two key fiscal and monetary policy on the performance of commercial banks in an emerging economy, Iraq.

The purpose of this study is twofold. First, clarify the variables through which monetary and fiscal policy affects the performance indicators of commercial banks. Second, explain the impact of both monetary and fiscal policy on the performance indicators of commercial banks in Iraq for the sample of Bank of Beirut and the Arab Countries (BBAC) and Kurdistan International Bank (KIB).

2. Literature Review

2.1 Monetary Policy:

Monetary policy is a set of methods and procedures followed by the Monetary Authority to control the supply of money to achieve economic objectives to achieve or approach full use. It can be defined as a set of measures taken by the monetary authority to influence the supply of money in accordance with economic activity to achieve certain economic objectives within a period of time. It has also been defined as a set of direct and indirect measures and tools aimed at influencing the means of immediate payment to achieve certain economic objectives within a certain period of time (Kanungo, Impact of Monetary Policy on the Efficiency of Indian Banking Sector, 2020).

Monetary policy aims to achieve a set of objectives. First; achieving monetary and economic stability by avoiding changes resulting from changes in the overall price level, which affect the value of the national currency domestically and internationally. Second, contribute to the development of financial and banking institutions and the markets in which they deal and in order to develop the national economy. Third, contribute to achieving an appropriate economic growth rate in all economic sectors in order to increase national income and GDP. Fourth, contribute to providing the right climate for the implementation of projects and economic and social development programs, and direct investments towards economic sectors that require their development and increase their growth rates in a way that increases the relative importance of their contribution to the formation of national income supported in the process of economic development (Chinedu, 2021).

Monetary policy indicators

Monetary policy indicators are represented by a number of variables that have a direct and indirect impact on the performance of commercial banks (Issahaku, 2019), these include:

- Money Supply Index:

The money supply is one of the indicators of monetary policy through which the type of monetary policy pursued by the monetary authority can be identified whether it is an expansionary policy by increasing the amount of money supply or deflationary policy by reducing its amount.

- Inflation Index:

Inflation is an important policy indicator, on which it depends in decisions on price and exchange rate policy. Inflation in the economy has negative effects on the entire sectors of the national economy, particularly the banking sector. High inflation rates will complicate the performance of

commercial banks, as individuals do not prefer to deposit their excess funds with commercial banks but prefer to invest them in types of assets in order to maintain their value (Issahaku, 2019).

- Exchange Rate Index:

The exchange rate of the local currency indicates the direct and effective performance of commercial banks through its impact on the amount of individual deposits with commercial banks. When the exchange rate of the local currency is full and unstable, individuals refrain from depositing their money with commercial banks and go towards investing them in other types of assets, and if the exchange rate of the local currency is low and stable, individuals will go to commercial banks for the purpose of depositing their excess funds. As a result, commercial banks perform well. This means that the relationship between the exchange rate of the local currency and the performance of commercial banks is inverse (Kanungo, 2020).

2.2 Fiscal policy:

Fiscal policy is defined as a set of government efforts and attempts to achieve optimal employment without inflation using spending, tax and public borrowing policies, as these policies have a clear impact on the level of output and full employment in the national economy (Mnyampanda, Relationship between Asset Quality and Financial Performance of Commercial Banks Before and After Shifting Capital City Located to Dodoma Region, Tanzania, 2021). Fiscal policy has been defined as the set of rules that the government and public bodies should apply in determining public expenditures and securing resources to meet these expenditures by distributing their burdens among individuals. Fiscal policy is defined as a set of government policies that use the financial means of public expenditures, taxes, loans and the general budget to achieve economic, social, cultural and health policy objectives (Nyongesa, 2014).

First: maintaining the optimal level of employment through the use of fiscal policy and its components in achieving economic and social stability. Second: reducing and maintaining inflation rates by following financial procedures according to its quality in certain sectors to rebalance overall supply and demand. Third: income redistribution, which is intended to take care of the problems of social development, especially after the changing role of the State in economic and social life, as fiscal policy has become an important role in achieving economic and social development in most economies, especially those of developing countries. According to (Mnyampanda, 2021), fiscal policy affects the performance of commercial banks significantly and effectively, and this effect is illustrated by indicators that reflect the reality of fiscal policy in a country's economy: (Shen, 2018)

Fiscal policy indicators:

- General Revenue Index:

Public revenues have a clear and significant impact on the performance of commercial banks as an important part of the economic units that make up the economy of any country. When the revenues of an economy continuously cover its public expenditures, it means that the right economic environment is provided to achieve good performance for commercial banks, because that environment will generate economic stability while providing the financial capacity of the

Government, which can be directed entirely or partly towards commercial banks, thus providing the financial resources necessary for commercial banks to invest in the appropriate areas for outstanding performance, while at the same time providing the appropriate economic environment will necessarily provide an appropriate investment climate, This increases the ability of commercial banks to provide financing to cover these investments. Usually, the cash and the net income move together (Hamad, 2021).

- Public Expenditure:

The availability of the government's financial capacity in accordance with its public expenditures in terms of amount and direction helps to provide the basic requirements and necessary for the economic environment appropriate to achieve outstanding economic activity, which in turn will lead to the performance required in economic units, especially commercial banks, and the opposite occurs when the process of public spending faces difficulties and problems or weaknesses in the financial capacity of the government, causing a deterioration in economic variables and policies, especially credit policy, which in turn reflects the performance of commercial banks as part of the Economic structure (Mnyampanda, 2021).

- General Budget Index:

This indicator is a reflection of the state of public revenues and expenditures, and the emergence of the state of the budget surplus in the general majority indicates that the ability of fiscal policy to provide public revenues to cover the value of public expenditures continuously, which will lead to positive effects of fiscal policy on the economic environment in general and on the performance of commercial banks in particular, leaving an impression of existing fiscal policy. In the event of a budget deficit, it refers to the expansion of public spending against lower public revenues, and the continuing state of the budget deficit is worsening the economic situation as a result of the government's weak fiscal capacity, which will have negative effects on the fiscal policy on the economic environment in general and the performance of commercial banks in particular (Kanungo, 2020).

2.3. Bank performance:

The commercial bank is defined as one of the money market institutions dealing in short-term credit instruments (Abdullah et al., 2021). It was defined as a financial institution subject to banking laws and legislation, aimed at making profit through its banking activity, which is to accept various deposits and provide various banking services, as well as to grant it credit of all kinds (Dhungana, 2014).

Performance Measures:

- Liquidity Index:

Commercial banks have occupied great importance among the institutions of the banking system as the vessel in which savings are accumulated and employed in various aspects of investment, particularly loans, and this is the result of their keenness to meet the wishes of depositors and borrowers (savers and investors) in withdrawals and deposits. Banks should keep minimum capital

requirements and balance between liquidity and profitability (Ali, 2018). and to avoid sudden withdrawals that banks may be unable to cope with when they expand the granting of loans, it has become necessary for banks to keep part of their resources in the form of liquid money sacrificed to the profits they receive if they These resources were employed, and the most important measures of the liquidity index are: (Mahbub, 2016)

- **Cash / total assets:**

Increasing this ratio means that the commercial bank has the high capacity to meet the applicants' requests. Lower than normal rates mean that the Bank faces several risks, such as the risk of financing and the risk of withdrawal.

- **Cash / total deposits:**

This ratio demonstrates the bank's ability to meet its cash obligations in the Fund and its commitment to other banks. The bank should avoid over-rising or falling (Dhungana, 2014).

- **Profitability Index:**

Financial performance reflects the financial well-being of the organization. (KAREM, 2021). Profit is an important indicator of the continued performance and expansion of commercial banks, enhancing their viability and competition, as well as ensuring stability by enhancing the confidence of customers and customers (Rasul et al., 2022).

- **Capital solvency index:**

Solvency means the bank's capital capacity to absorb all shocks and cover the losses it is suffering from. Because it is the protective shield that the bank's management is armed with to cover its needs of equipment, equipment and other fixed assets and make profits, as well as to enable it to face losses or risks, particularly credit risks during the course of its banking activity, which leads to the deterioration of the value of the assets present in the form of loans and advances (Dhungana, 2014).

- **Money employment index:**

It means the ability of commercial banks to employ the resources and funds available to them in the field of credit policy, and the resulting returns, and the most important measures of this indicator are (Dhungana, 2014)

Total revenue / total investment

It shows the efficiency of the bank's performance in investment, the higher this percentage, the higher the revenue from the various investments in the bank, and the bank should continue to monitor to be always high, because that means the bank is moving towards investments in the best areas.

Total investments / total deposits

It means the extent to which banks employ deposits, including one that recognizes the nature of the credit policy pursued by banks as to whether it is an expansionary or deflationary credit policy.

2.4. Empirical Review:

Study of (Kazim, 2017) aims to study the relative importance of the fiscal and monetary policies for economic growth in Iraq and then determine which of these two policies will be more powerful in promoting economic growth in Iraq. The study period was (1980-2016). The standard tests were used to know the stability of time series. The study revealed that the impact of fiscal and monetary policies in the Iraqi economy is positive, and that monetary policy is stronger in promoting economic growth in Iraq.

In Keynes's theory, as Keynesian economists argued with the priority role of the state which require active policy responses by the public sector, in particular, monetary policy actions by the central bank and fiscal policy actions by the government, in order to stabilize outputs. (Mohammad, 2016) examines the impact of monetary policy and fiscal policy on growth rate in Egypt from 1991 to 2013. It is based on revenues, expenditure, money supply and credit domestic that provided to private sector as independent variables in the model. The paper consists of three chapters, first one is considered as theatrical structure for both policies in addition the theories of economic growth while the second concluded the development of monetary and fiscal policies in Egypt during the given period and eventually the third one concerning the implementation of the econometric model to conclude the main effects of the components of monetary and fiscal policies relatively to growth rate which measured as a gross domestic product in short and long run.

The process of estimating the influence of monetary and financial policies on the performance of commercial bank has gained increasing importance since commercial bank have an eminent position in the economic field via its vital role in providing financial resources and performing various banking services for all national economic sectors. This is done to develop the process of economic growth first and for the role of estimation process in achieving efficiency by using the resources obtainable in the hands of the commercial bank, and to judge its route of success in achieving the planned objective. These must be in complete accordance with the targeted credit and monetary policy requirements to achieve monetary stabilization since it is specified as one of the obligatory basic elements that ensures the continuity of economic growth with the desired results (Ahmed, 2013).

Based on the previous argument and reviewed empirical literature, fiscal and monetary policy can drive the performance of commercial banks. Thus, we hypothesis that:

Ho₁: Monetary policy affects performance of commercial banks.

Ho₂: Fiscal Policy affects performance of commercial banks

3. Methodology

3.1. Sample and data:

The sample of this study consists of two commercial banks operating in Iraq and listed on the Iraq Stock Market. The banks are Bank of Beirut and the Arab Countries (BBAC) and Kurdistan International Bank (KIB) whose data is available for the study period 2006 – 2019. Data were collected for the Iraqi Securities Commission and WorldBank. A purposive sampling method is used based on the banks wide range of service availability and data availability.

3.2.Variables:

Bank performance

The standard model for each sample bank includes four sub-variables specific to commercial bank performance indicators:

Liquidity Index (Y1): Rely on the bank's first cash ratio to total assets, representing the first dependent variable, and increasing this ratio means that the commercial bank has the high capacity to meet the demands of depositors.

Profitability Index (Y2): is measured as return on equity, following Abdullah and Tursoy (2021). This is the second dependent variable representing the performance of the commercial bank, and the bank seeks to increase it continuously.

Capital Solvency Index (Y3): Rely on the first ratio representing the ratio of equity/total assets, and this high percentage means that the commercial bank relies more on capital than on its assets and seeks to maintain it to be constant.

Money Employment Index (Y4): Extend to the first ratio as well, which represents the ratio of total revenue/total investments as the dependent variable that represents the performance of the bank, and the high percentage indicates that the bank directs its investments towards the better areas (Chinedu, 2021).

The standard model includes six variables that reflect the indicators of both monetary and fiscal policy, which are as follows:

Monetary policy variables:

- Money supply in a narrow sense (M1): The nature of its relationship with commercial bank performance indicators is counterproductive.
- Exchange Rate (ER): Has an inverse relationship with the performance indicators of commercial banks.
- Inflation (Inf): Has an inverse relationship with commercial bank performance indicators.

Fiscal policy variables:

Public revenue (R): The nature of its relationship with the performance indicators of commercial banks is dismissive.

- Overhead (EXP): The nature of the relationship of public expenditures to indicators of the performance of commercial banks.
- Bud: It has a strong relationship with commercial bank performance indicators.

3.3.Method:

SPSS use as a multi-stage linear regression method that is based on the identification of independent variables affecting the dependent variable, and excludes independent variables that have no effect on it. Based on the multi-stage linear regression method, variables are introduced one by one into the model, and the internal (independent) variable is subject to exclusion in the subsequent steps of the analysis if it is proved to be unethical to the presence of other variables.

4. Data Analysis

4.1. Stepwise Analysis for BBAC bank:

Liquidity Index (Y1) and its relationship to independent variables represented by monetary policy indicators (M1, ER, Inf) and finance (R, EXP, Bud). The stepwise multi-linear slope analysis showed no moral impact of the six independent variables on BBAC liquidity index.

Profitability Index (Y2) and its relationship to independent variables with monetary policy indicators (M1, ER, Inf) and Finance (R, EXP, Bud). The analysis showed that there is one of the six independent variables in the model that affects BBAC's profitability performance, namely the money supply (M1) and the results were as follows:

Table (1) Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the estimate
1	.678	.460	.415	2.265

The value of the selection factor (0.46) shows that the model was able to explain (46%) of the changes in BBAC's profitability for the period (2006-2019).

The table of analysis of the discrepancy, which shows the moral impact of the money supply variable on the profitability variable, as the value of Sig (0,008) appeared below the moral level (0.05), which confirms of the estimated model or the morality of the estimated equation.

Table (2)ANOVA

Model		Sum of Square	Df	Mean Square	F	.Sig
1	Regression	52.434	1	52.434	10.217	.008
	Residual	61.584	12	5.132		
	Total	114.017	13			
a. Dependent Variable: y2						
b. Predictors: (Constant), M1						

The following table shows the level and type of impact by seeing the value of the regression model transactions.

Table (3) Regression results

Model B		Unstandardized Coefficients		Standardized Coefficients	T	.Sig
		Beta	Std. error		4.437	.001
	(Constant)	5.878	1.325		4.437	.001
1	M1	-8.038	.000	-.678	-3.196	.008

a. Dependent Variable: y2

The results show an adverse moral impact for the purpose of money on the profitability variable, as the more money is offered per unit, the lower the profitability variable by (-8.038), which is consistent with economic logic.

Solvency Index (Y3) and its relationship to independent variables with monetary policy indicators (ER, Inf, M1) and Finance (R, EXP, Bud).

Table (4) Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the estimate
2	.847 ^a	.718	.695	.007833

a. Predictors: (Constant), Inf

The analysis showed that one of the six independent variables in the model affects BBAC's solvency performance, namely inflation (Inf) and the results were as follows:

The value of the selection factor of 0,718 shows that the model was able to explain (72%) of the changes in BBAC solvency for the period (2006-2019) and (28%) of them due to variables not involved in the model.

The analysis of the discrepancy, which shows the moral impact of the profitable money supply variable, showed the value of Sig of (0,000) below the moral level (0.05), which confirms the morale of the estimated model or the morality of the estimated equation.

Table (5)ANOVA

Model		Sum of Square	Df	Mean Square	F	.Sig
2	Regression	.002	1	.002	30.589	.000
	Residual	.001	12	.000		
	Total	.003	13			
a. Dependent Variable: y1						
b. Predictors: (Constant), Inf						

The following table shows the level and type of impact by seeing the value of the regression model transactions.

Table (6) Regression Analysis

Model B		Unstandardized Coefficients		Standardized Coefficients	T	.Sig
		Beta	Std. error			
2	(Constant)	.004	.002		1.782	.001
	Inf	7.993	.000	.847	5.531	.000

a. Dependent Variable: y3

This shows a negative moral impact of the inflation change on the BBAC solvency index as the more inflation increases by one unit, the solvency index will increase by (7,993) and this is inconsistent with economic logic.

BBAC's Employment Index (Y4) and its relationship to independent variables with monetary policy indicators (M1, ER, Inf) and Finance (R, EXP, Bud). The analysis did not show any of the six independent variables that had a moral impact on BBAC money-making index for the period in question. This means that the monetary and fiscal policy indicators mentioned did not have a moral impact on BBAC money employment index for that period.

4.2. Stepwise Analysis of KIB

Liquidity Index (Y1) and its relationship to independent variables with monetary policy indicators (M1, ER, Inf) and Finance (R, EXP, Bud)

Table (7) Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the estimate
3	.683	.467	.442	.086995

a. Predictors: (Constant), M1

The analysis showed that there is one of the six independent variables in the model that affects the performance of The Kurdistan Bank in terms of liquidity, and is perched in the money supply (M1) and the results were as follows:

The value of the selection factor (0.47) shows that the model was able to explain (47%) of the changes in the liquidity index of Kurdistan Bank for the period (2006-2019) and that (35%) of the variables are explained by variables that did not enter the model.

The table of analysis of the discrepancy, which shows the moral impact of the money supply variable on the liquidity variable, as the value of Sig (0,007) appeared below the moral level (0.05), which confirms the morale of the estimated model or the morality of the estimated equation.

Table (8)ANOVA

Model		Sum of Square	Df	Mean Square	F	.Sig
3	Regression	.079	1	.079	10.494	.007
	Residual	.091	12	.008		
	Total	.170	13			
a. Dependent Variable: y1						
b. Predictors: (Constant), M1						

The following table shows the level and type of impact by seeing the value of the regression model transactions.

Table (9) Regression Analysis

Model B		Unstandardized Coefficients		Standardized Coefficients	T	.Sig
		Beta	Std. error			
3	(Constant)	.394	.051		7.746	.000
	M1	3.128	.000	.683	3.239	.000
a. Dependent Variable: Y1						

This shows a negative moral impact of the money supply on the liquidity variable, as the more money is offered per unit, the more variable it will increase by (3.128) and this is not in accordance with economic logic.

Profitability Index (Y2) and its relationship to variables with monetary policy indicators (M1, ER, Inf) and Finance (R, EXP, Bud). The analysis showed that one of the six independent variables in the model affects the performance of The Kurdistan Bank in terms of profitability, namely the money supply (M1) and the results were as follows:

Table (10)Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the estimate
4	.557	.311	.253	.078893
a. Predictors: (Constant), M1				

The value of the selection factor of 0.31 shows that the model was interpreted (31%) of the changes in the Bank of Baghdad profitability index for the period (2006-2019) and that the remaining 69% of the changes are explained by variables that did not enter the model.

The table of analysis of the difference that shows the moral of the money supply variable on the profitability variable, as the value of Sig (0,038) appeared below the moral level (0.05), which confirms the morale of the estimated model or the morality of the estimated equation.

Table (11) ANOVA

Model		Sum of Square	Df	Mean Square	F	.Sig
4	Regression	.034	1	.034	5.405	.038
	Residual	.075	12	.006		
	Total	.108	13			
a. Dependent Variable: y2						
b. Predictors: (Constant), M1						

The table of analysis of the discrepancy, which shows the moral impact of the money supply variable on the profitability variable, as the value of Sig (0,038) appeared below the moral level (0.05), which confirms the morale of the estimated model or the morality of the estimated equation.

Table (12) Regression Analysis

Model B		Unstandardized Coefficients		Standardized Coefficients	T	.Sig
		Beta	Std. error			
4	(Constant)	.227	.046		4.926	.000
	M1	-2.036	.000	-.557	-2.325	.038
a. Dependent Variable: Y2						

Which shows the opposite moral effect of the money supply on the profitability variable, as the more money is offered per unit, the lower the profitability variable by (-2.036), which is consistent with economic logic.

Solvency Index (Y3) and its relationship to independent variables with monetary policy indicators (M1, ER, Inf) and finance (R, EXP, Bud). The analysis did not show any of the six independent variables that have a moral impact on the Capital Solvency Index at Kurdistan Bank for the period (2006-2019) it is understood that these monetary and financial policy indicators did not have a moral impact on the capital solvency index at the Kurdistan Bank for that period.

Employment Index (Y4) and its relationship to independent variables with monetary policy indicators (M1, ER, Inf) and Finance (R, EXP, Bud). The analysis did not show any of the six independent variables that had a moral impact on the Kurdistan Bank's money-making index for the period (2006-2019), meaning that the monetary and financial policy indicators mentioned did not have a moral impact on the Money Employment Index at the Kurdistan International Bank for that period.

5. Conclusions and recommendations:

The fiscal policy indicators of revenues, expenditures and the general budget have not had an impact on the performance indicators of BBAC and KIB. Monetary policy indicators of tight money supply, exchange rate and inflation have had a mixed impact on the performance indicators of BBAC and KIB. The results of the quantitative analysis show that monetary and financial policies do not have a similar impact on the performance of BBAC and KIB for the period 2006-2019. The performance of banks, whether private sector, is influenced by other economic policy indicators, such

as investment and trade policy. The monetary authority should seek to maintain the growth rates of the money supply consistent with economic activity on the one hand, and that the relative importance of deposits to offer money is greater than that of the net currency in trading to the offer of money. The need for determined efforts by the monetary authority to reduce inflation rates and keep them low as a monetary policy objective in Iraq.

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