

## **The Impact of Supervisory Control of Central Banks in Stimulating Bank Credit for The Private Commercial Banking Sector**

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### **Abstract**

*Central banks seek to control and supervise credit and follow it up effectively due to the high credit risks surrounding it that may lead to damage to banks, and may even lead to damage to the reputation and confidence of the banking system as a whole.*

*The main role of supervisory control is to control credit by controlling it from excessive expansion during periods of economic inflation or its revitalization and improvement and expansion of credit transactions in cases of economic recession, or when central banks desire to support the national economy or support a sector of various economic sectors.*

*The research has reached several important conclusions, including that the supervisory control carried out by central banks has an important role in protecting the banking system as a whole and preserving public and private money at the same time according to its laws, instructions and tools, and that central banks have their own tools through which they can control the volume of bank credit and control it. The lack of deep plans in activating bank credit at the same level as the plans that it has in achieving the maximum possible profit, by relying on another source of profits, which is the window for selling foreign currency and foreign transfers.*

**Keywords:** *Supervisory control, Central bank, Bank credit, Banking system.*

### **Introduction**

First: Accordingly, the central bank can be defined as a non-profit public institution that deals with the affairs of cash issuance and monetary management and supervises and manages the banking system, as the central bank works to provide services to banks and does not deal with companies and individuals. (Abdel-Shafi,2016: 40)

The central bank is also defined as a governmental monetary institution with a public benefit that does not aim for profit, and aims to influence the money supply and the interest rate through a set of its tools and aims to achieve monetary stability and the stability of the general level of prices and activate the growth mechanisms of the national economy.( Mayer,1993: 191)

De KOCK defined central banks as the bank that legalizes and defines the monetary and banking structure so as to achieve the greatest benefit to the national economy, by carrying out multiple functions such as legalizing the currency and managing the government's financial operations, keeping the cash reserves of banks and managing the

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state's reserves of foreign currencies, and accomplishing The work of clearing between banks and carrying out credit organization and control in accordance with the requirements of the national economy and achieving the goals of monetary policy. (Al-Douri,1999: 28)

Second: The central bank sects

The functions of the central bank are numerous at the level of the countries of the world, as they can be summarized as follows:

- 1- Issuing and organizing currency in the country in what is known as the issuing bank.
- 2- Carrying out banking activities on behalf of the government sector in what is known as the Government Bank.( Kazem,2014: 11)
- 3- The last resort for all banks and its clearing and oversight work in what is known as the Bank of Banks(Al-Zubaidi,2011 :132).
- 4- Controlling and controlling the volume of credit by implementing the monetary policy in the country.( Al-Zubaidi,2020:431)
- 5- It manages the international reserves of foreign exchange and the exchange rate
- 6- Preserving the cash reserves of banks in the banking system.
- 7- Contribute to the economic planning work and represent the banking system in planning work.( Abdul Hassan,2021: 29)
- 8- Providing economic and financial advice to the state as a financial advisor.( Nashour,2010: 264)

Among the above functions, we will focus on the function of last resort for lending, as well as controlling and supervising the volume of credit by implementing monetary policy, including its impact on activating the credit policies of banks by providing bank liquidity on the one hand, and controlling and monitoring it on the other hand.

As the central bank represents in this function the center of the bank of banks in its relationship with commercial banks and other banks, it is the last resort for them when they need them to borrow from them, and in that it is similar to the position of banks towards individuals and institutions. Such as withdrawals, deposits, lending, consulting, and others, as it provides financial assistance in financial crises, as well as liquidity support for banks for the purpose of lending them to individuals and institutions, as well as the time of seasonal withdrawal increases and other situations that the banking system is exposed to.( Al-Janabi,2009: 188)

It also controls the volume of credit and supervises it by implementing the monetary policy. The function of controlling and supervising the volume of credit is one of the most important functions performed by central banks, which involves many other functions when the central bank wants to implement monetary policy with its various tools. This policy includes three quantitative tools. Or main methods that turn into three sub-functions that pour into the function of controlling and supervising the volume of credit, there is the function of preserving the cash reserve that banks have and depositing it with the central bank, where by increasing or decreasing the legal reserve ratio, the central bank can control and control credit, as well as the function of re-discounting commercial papers Open Market Operations Tool.( Rasor,2011: 79)

The function of controlling and supervising credit means that the central bank controls the amount of bank money that banks can create and that the volume of credit in the national economy is in line with the level of economic activity desired to be achieved.

Noting that there is, in addition to that, a group of qualitative or qualitative tools used to avoid the defects that arise when practicing the main quantitative tools.

Third- Objectives of supervisory control:-

The goal of central banks is to have effective supervisory supervision based on solid and solid foundations and the aim of which is to create a safe banking work environment, in accordance with the important role played by banks between units with cash surplus and units with cash deficits and to ensure the safety of banking work and to ensure the proper flow of monetary units, supervisory control exists, in order to reduce all Hence, several objectives of supervisory control emerged, including:

- 1- Achieving financial integrity and security of the banking system.
- 2- Achieving monetary stability and stability at the general level of prices.
- 3- Protecting customers and rewarding opportunities to obtain banking services.
- 4- Issuing laws and instructions that clarify the responsibilities, rights and duties.
- 5- Spreading banking awareness that represents a sustainable development of banks' work.( Al-Zubaidi,2020:433)
- 6- Working on developing electronic payment systems.
- 7- Achieving solid financial efficiency.( Mishket,200: 221).

Central Bank control in coordination with the external auditor:-

fourth: Factors that help achieve the objectives of bank credit control

- 1- The powers granted to the central banks and the extent of its control over the banks and imposing the application of laws, regulations and instructions.
- 2- The extent to which commercial banks rely on the Central Bank as a last resort for lending.
- 3- The type of credit and lending operations carried out by banks and the extent of risks to which banks are exposed from lending operations.
- 4- The extent of the effectiveness of the quantitative tools of monetary policy(Al-Qatbari,2011: 329).

fifth:TYPES OF CONTROL.

1- Central Bank control in coordination with the external auditor:-

The Central Bank attaches special importance to the role entrusted to the external auditor to audit the work of the bank. Its role is complementary to the role of the regulatory authorities. The Central Bank is keen to communicate and meet with external auditors continuously to discuss the financial situation of banks and keep abreast of developments in accounting standards.

The external auditor examines and reviews the control and internal control systems of the bank to be audited and decides on the extent of the possibility of relying on the effectiveness of the bank's internal audit system so that he can determine the framework to be audited and reviewed in order to give an opinion on the fairness of the financial statements (Sawyer,2003: 6). It Control and internal control in the bank, and the Central Bank can, if it deems it necessary, appoint a legal auditor to audit and audit the bank's accounts, in addition to the appointed external auditor. The Central Bank requires that the bank's auditor be one of the persons classified to the highest degree in accordance with the provisions of the applicable legislation.( Abdullah,2011: 526), Accordingly, the external auditor submits reports on banking work to the Central Bank for the purpose of indicating the extent of those banks' compliance with laws and instructions issued and regulated for the work of banks. These reports are based on international standards and financial reporting. For the purpose of improving the quality of the audit and review process. It also helps to determine the All parties benefiting from the reports, as well as

lead to the independence of audit through the transparency that auditors smile at by adhering to standards, and will also increase public confidence in the financial statements of the subject entity, especially if the banks that express that the basis of the actual cash handled by the bank is from the public through various deposits, where it constitutes more than (90% )(Sahar,2021: 1190).

## 2- Selective control in increasing the volume of bank credit:-

Some private commercial banks are still weak in terms of implementing the monetary and credit policy set by central banks in order to serve the national economic activity in parallel with the plans set by private commercial banks in achieving the profit targeted at them, as the methods used by the Central Bank with regard to controlling and controlling the volume of credit, whether using direct (quality) or indirect (quantity) control tools in Credit, where cases of reversing the directions of the Central Bank or reversing the purpose under the establishment of banks appeared, as the following was noted:

1- The dependence of a number of private commercial banks on external transfers as much as possible, with the importance of bank credit operations reduced to their lowest level, which led to private banks becoming financial transfer companies without paying attention to other banking operations.

2- The presence of some banks interested in investing outside the country and the volume of invested funds may reach more than (20%) of the bank's capital, which caused a reduction in the disruption of these banks in granting bank credit.

3- There are some banks whose management does not care about its position in the securities market, where the presence of (Al-Douri,2013:155 ) banks within the secondary market has decreased in the lack of circulation of their shares with the public, where the amount of one share reached less than one dinar, which indicates the unwillingness of bank owners to highlight their work to avoid control over them.

Accordingly, to address the above cases in activating bank credit with private commercial banks, the Central Bank must do the following:

1. Selection in the process of directing, procedures and policy of banks by granting credit by setting a minimum ceiling for the credit grant process or a certain percentage commensurate with the bank's capital. Otherwise, administrative and financial sanctions are imposed on banks that have not adhered to the minimum or percentage set for granting bank credit.

2. Taking into account the level of interest between interest payable and interest debit The differences within the required levels.

3. Central banks must evaluate banks periodically, accurately, without compliments, and according to the (CAMEL) standard, with the help of banks whose ratings are of good levels to motivate the rest of the banks.( Qasim,,2012: 34).

4. Working to find an effective securities market (a stock exchange) that helps real investors to enter as shareholders in the ownership of banks and thus helps to manage banks towards the purposes for which they were allocated because of the lack of monopoly of administrative decision on one category and thus leads to activating all types of activities for banking operations, including bank credit, and at the same time increasing control by) Jihad,2022: 1108).

5. The seriousness of banks improving their image by submitting real financial statements, based on the criterion (13), so that their assets are according to the fair value, including the bank's shares, and therefore the evaluation of the shares will be according to the market price, which does not lead to placing the shares according to their natural classification within the financial markets, without the intervention of owners in avoiding (AL-Khafaji,2022,151)

sixth- The halving of credit facilities in nature:

This type of facility is classified into direct banking facilities (cash) and indirect banking facilities (pledge) and other banking services.

A- Direct facilities

In it, the money is placed directly at the disposal of the customer to use it in the fields in which he wishes, and the loans take different forms, as follows:

(1) - Loans and Advances:

They are amounts of money that are put at the disposal of the bank's customers for the purpose of financing their needs in the short, medium and long term and for certain periods that are agreed upon and for the purpose of meaning and accepted by the bank. The borrower undertakes to pay the amount he borrowed and its benefits to the bank in one in one-time or in monthly or (Abdel,2010: 32)

(2)- Current Accounts Receivable:-

It is the bank granting the customer a certain limit or a specific ceiling for the debit current account, that is, it determines an amount that may not be exceeded in the withdrawal approved by the bank's management and allows the customer to deposit in this account for the purpose of reducing the debt on it. The current debit is usually granted to finance the working capital and is granted for a

, (3)- The ceiling on trade finance:-

A certain limit is granted for the purpose of financing documents that reach open credits with the bank, in the form of a deduction of bills whose entitlement is related to the customer's commercial activity cycle. (Rose,peter,199:518).

(4)-Discounting commercial papers and discounting treasury bills

It means that the bank deducts commercial bills written to the customer's order before their due dates in exchange for the bank receiving interest and its commission from the date of discount until the due date. On the due date, the bank collects its value by the debtor on behalf of its customer, while retaining the right of return to the property and appearances in the event that the The Youth,. Or that treasury permissions are deducted, where some governments issue treasury ears in the form of short loans that go between (3-6) months for the purpose of covering the budget deficit and usually the permissions are guaranteed by the central banks and the holder can deduct them before their date or wait until the payment date is achieved (AL- Sadi,2022: 5).)

B- Indirect banking facilities: - It is distinguished from the first in that the beneficiary of these facilities is a person other than the customer of the bank that granted the facilities at its request. The indirect facilities do not include the bank's direct cash between the hands of the customer and the beneficiary immediately, but rather reflect a written commitment by the bank to(Abdullah,2011: 170).

(1) - Documentary credits:

It is a contract through which the bank undertakes to open an credit in favor of the beneficiary based on the request of the order to open the credit and be guaranteed by the documents of the goods, whether movable or prepared for transport. This process is considered within the facilities provided by the bank to customers so that they can import goods by opening the documentary credit in exchange for insurances paid to.( Al-Shammari,2012: 82)

(2)- Guarantees or letters of guarantee: -

It is a final undertaking issued by the bank at the request of the customer (the order) to pay the beneficiary a certain or appointable amount as soon as the beneficiary requests

from the bank within a specific time. Letters of guarantee are non-monetary banking facilities and represent an obligation on the bank, which requires a policy that reconciles profit and security (Al-Fadhli,2022: 378)

seventh- Credit according to the type of bank

Credit is defined by commercial banks: it is the ability to lend so that one party, the creditor, is committed to the direction of a second party, which is the debtor, to lend or to give him a debt for a period of time agreed upon between the two parties and to return the full amount of the loan at the end of the period. (Jasin,2022: 176).

Credit is defined according to Islamic banks: it is the employment of financing sources such as credit (Mudaraba, Murabaha, Musharakah ... etc.) in order to achieve sustainable development to finance various economic sectors such as mining, industry, agriculture and housing. It aims to achieve an appropriate economic and social environment (Khawla,2020: 4792).

eight: Credit in terms of credit duration: This type is divided into three forms that banks can grant, as shown below:

1- Short-term credit:

It is the one whose duration is usually less than a year, and which is mainly used to finance an increase in goods belonging to seasoned borrowers, and the credit is paid when the borrower's goods are sold and their dues are collected.(<https://www.fisd.com/short-and-long-term-loan10>)( Mohamed,2019: 44)

2- Medium term credit:

Its term extends to five years for the purpose of financing some capital operations carried out by companies, such as completing the factory machinery with new units and making substantial modifications that lead to the development of production. It is also granted for expansion purposes.( Abdel-Hamid,2000: 113)( Jamal,2013: 37)

3- Long-term credit:

It is the period of more than five years, which is granted for the purpose of financing housing projects, land reclamation, building factories and purchasing machinery(Hadaa,2022:980 )

ninth: Credit according to use

Credit is classified here into types according to its use and economic activity:

1- Production credit: It is the one granted with the aim of financing the formation of the fixed assets of the establishment. It is also used to support its production capacities by financing the purchase of factory equipment and raw materials for production or financing operating capital. Some of these loans are used to finance economic development projects in society.

2- Speculative credit: the bank grants these loans for the purpose of financing speculative opportunities activities, where the speculator constantly looks at the expected changes in prices, so he buys goods and securities expecting a rise in their prices, and he may sell assets that he does not own often on the basis of delivery in the future, and then buys required assets after that at suitable prices to fulfill his previous commitment.( Al-Douri,2013:80-81) :( Abu Ahmed,2002:113 )

tenth: credit in terms of guarantee:

These loans are divided into two types.

1- Guaranteed credits, divided into:

(1) Loans secured by sample guarantees, such as if the borrower presents to the bank a mortgage of real estate he owns or goods in his possession.

(2) Loans secured by personal guarantees. These loans are made in the presence of a third party, a natural or legal person, who guarantees payment in the event of the borrower's inability or refusal to pay.( Ferrell,2008: 494)

2- Unsecured credits: in which the borrower gets money from the lender without personal or in-kind guarantees, but this type does not remain without documentation, as it is documented indirectly, and the borrower fulfills the payment on the agreed date.( Alawi,2015: 13)

eleven: Credit in terms of the beneficiary: We can divide the bank credit according to the sectors benefiting from the credit, which are:

First - Public credit: It is represented in the credit granted to finance projects belonging to public and governmental institutions owned by the state.

Second - Private Credit: It is represented in the credits granted to finance individual projects owned by private individuals or private non-governmental organizations and companies.

Third - individual credit: It is represented in simple advances for various social purposes.( AHiable,2012:19)

twelve: Credit according to the type of lender: This type is divided into:

1- Bank credit: It is granted by banking agencies and is considered the main source for other types of credit.

2- Non-bank credit: These credits are granted by non-bank financial institutions. In industrially developed countries, loans are granted by stock markets, discount houses, and insurance companies, while in developing countries they are limited to insurance companies.( Al-Douri,2013: 85)

3- Commercial credit: It is granted by commercial companies to their merchant clients. The size of this credit is linked to the ability of companies to sell their products and services. This type depends on the extent to which financing companies provide loans for commercial projects.( Lee yong,2017: 2)

4- Individual Credit: This credit is granted by the individual to serve individuals or other projects. (Ashour,2018: 14) also called consumer credit and for the purpose of purchasing durable materials such as furniture electrical appliances or cars (Al-Baldawi,2021: 970).

thirteen: Credit in terms of sectors: This type is divided into several forms, as shown below:

1- Industrial loans: These are the loans granted to meet the production, replacement, or renovation operations, or the processing and construction operations. In this case, the matter is related to long or medium-term loans, which are important operations to finance economic development. The owners of the projects could have resorted to the capital market, but it was preferred Commercial banks in the process of borrowing from the capital market or the financial market, on the basis of the availability of savings in the money market and the possibility of renewing the loan at certain periods of time, while commercial banks grant these loans for two reasons. And the elements of processing, and the second reason is that many projects use these loans as a first or interim means, and then move to the second stage, which is the capital markets after the success of the projects, as it is possible at the beginning of the project to borrow from commercial banks for a certain period of time, and then resort to the capital markets and borrow from it by issuing bonds.( Kango,2009: 128)

2- Agricultural loans: These are mostly short and medium-term loans, and a few of them are for long-term loans. The aim of these loans is to finance crops, agricultural production, equipment, buildings, agricultural fertilizers, and improvements. These loans represent a small percentage of the total credit ceiling of commercial banks, because it is often there are specialized banks and agricultural institutions pervasive in this sector to carry out these tasks, but commercial banks have a very important role by providing seasonal liquidity to finance agricultural crops, especially when the period between the production stage and the marketing stage is shortened, and the importance of commercial banks increases in the process of granting loans to this sector when it becomes Agricultural banks and agricultural institutions are ineffective or non-existent.( Al-Jajawi,; 54)

3- Real estate loans: These are the loans provided to individuals and projects to finance the purchase and trade of land and buildings and the establishment of residential projects, as these loans have increased in advanced industrial countries such as the United States of America, where they are characterized by high interest rates, but they have not developed to the same degree in developing countries due to the presence of Institutions specialized in this sector and are often governmental institutions. (Abu Shawar,2011: 203)

fourteen: methodology

The research aims to show the extent of the contribution of the supervisory authorities in improving the credit policies of banks, and to evaluate the factors affecting the granting of bank credits, and to indicate the indicators used by the supervisory authorities in achieving effective control, and the extent of their connection to the banking system, and then to explain the relationship between the supervisory authorities on the banking sector and the rest of the sector.

Credit constitutes the main axis of banking activity in achieving revenues, regardless of whether the credit is cash or contractual, as it represents the important point in investing the bank's money, whether it is the bank's capital or customer deposits in all its forms or the sums granted by the Central Bank. There is no doubt that managing this activity properly This led to a bad reputation of the banking system, in addition to a delay in the process of economic development. Hence, the following main question arose: What is the role of supervisory control in revitalizing the credit policies of the banking sector?

The research relied on two variables: the independent variable (the effect of supervisory control) and the dependent variable, which is (activating the credit policies of the banking sector).

The research was applied in a group of private banks using indicators of credit policies according to the standards adopted by the Central Bank in this context.

fifteen: the applied side

The Central Bank of Iraq seeks to keep abreast of developments related to the process of granting bank credit, due to the fact that the granting process is accompanied by huge banking risks. Therefore, this bank seeks to find new mechanisms that stimulate the credit activation process, and at the same time, there is a highly efficient supervision process to maintain the financial integrity of banks. Below are some methods It is used by the central bank in activating and controlling bank credit.( Central Bank Law No. (56) of 2004)



Schedule (1) Number of banks operating in Iraq for the period (2015-2021)

Types of banks	2021	2020	2019	2018	2017	2016	2015
commercial government	6	6	6	6	6	6	6
Islamic government	1	1	1	1	1	1	1
Private business	25	24	24	24	24	24	26
commercial foreign	12	16	16	16	15	16	17
Islamic local	28	27	24	22	19	15	5
Islamic foreigner	2	2	2	2	4	3	2
<b>the total</b>	<b>74</b>	<b>76</b>	<b>73</b>	<b>71</b>	<b>69</b>	<b>65</b>	<b>57</b>

Source: Limited Statistical Bulletin of the Central Bank of Iraq (2015-2021)( The annual economic report of the Central Bank of Iraq for the year 2021.)

In view of the financial crises that occurred in the late seventies of the previous century to commercial banks as a result of granting credit in an unregulated manner, the Basel Committee studied the reasons that led to the emergence of these crises and issued several decisions, including those related to bank credit, as the decisions of the Basel Committee (1) focused mainly on credit risks Without looking at the rest of the other risks until the Basel Committee issued new decisions, known as the decisions of the Basel Committee (2), as these decisions focused on four main types of risks, which are (extra-budget credit risks, credit risks within the budget, operational risks, and market risks) ( Al-Maliki, 2013: 28). ) as it focused on improving bank credit and, in return, reducing bank credit risks, as it determined the decisions of Basel (3) that the capital required to meet credit risks is calculated to include all elements of assets (assets) and off-balance sheet accounts, as well as banks apply the standard method when calculating capital The money required to meet the credit risks, and this is according to the credit ratings issued by the international rating institutions (Standardandpoor, s and Mood, s).( Basel,2014:3)( BIS,Base,2014: 5-9)( BIS,2019:1-3)

A difference in the degree of customer classification is based on the most conservative rating, and accordingly, the Central Bank of Iraq, with this directive, has instructed banks to take into account the quality of credit, taking into account the credit status of the customer, and at the same time it has protected the bank from bad credit (CBI Instructions No. / 420: 2018). Central Bank instructions regarding Basel 3 decisions No. (420) for the year / 2018)

In view of the financial crises that occurred during the year 2010 and the accompanying huge economic effects that led to the bankruptcy of some international banks, the Accounting Standards Board issued, during the year / 2014, accounting standards No. (9) in order to address the credit risks resulting from credit defaults in some banks, as the standard required to The need to conduct a proper study of the creditworthiness of customers, and this in turn will ensure the financial soundness of banks and reduce the effects of credit risks to banks resulting from the non-compliance of some borrowers to pay their debts of loans and interest. Standard (Central Bank of Iraq instructions to apply accounting standard No. (9)

Accordingly, the Central Bank of Iraq issued its instructions regarding the application of this standard and obligated banks to implement it from the date of 1/1/2019, as the Central Bank directed the Risk Committee, the Audit and Risk Management Committee, and the Banks' Internal Audit Department to assist the Board of Directors to play the supervisory role and ensure the proper application of Standard (9). The Central Bank also

required risk management to play a major role in complying with the requirements of Standard (9) in light of calculating credit losses.

The central bank's application of standard (9) results from its supervisory and oversight role on banking activities, and in light of the resulting misuse of bank credit and the occurrence of large credit losses, obligating the implementation of the standard for the purpose of improving credit quality and reducing risks, which in turn will lead to the activation of bank credit in all sectors in a manner More guarantee in all economic fields.

sixteen: Using electronic platforms in the process of monitoring and activating bank credit, as shown below:

A- The electronic credit inquiry system:

The Central Bank [developed the electronic credit query system (CBS) similar to the developed countries of the world to eliminate the old routine paper correspondence in order to save time, reduce effort and cost, and speed up the process of granting credit, and thus the task was facilitated for all banks licensed by the Central Bank to access customer information and obtain Therefore, this system helped the beneficiaries (banks, the Iraqi Housing Fund, financing companies for small and medium projects approved by the Central Bank) to assess credit risks and take a sound credit impact according to health standards and foundations based on historical information. Above we show the special terms By electronic inquiry.

And the meaning of the electronic query: It is a query about the customer's position regarding the credit facilities granted to him by all banks, the Housing Fund, and financing companies for small and medium projects licensed by the Central Bank As for the credit inquiry system: it is an electronic platform that the Central Bank manages and operates and collects credit information on individuals and companies from the beneficiaries, where this data is processed and shown in the form of a credit report.

Finally, the credit report: It is a report that contains detailed information about the individual or company obtaining the loan or credit facilities and their position with regard to repayment, the remaining amount they owe and overdue debts (stumbling over the payment process). Facilitating the task of obtaining the required credit by displaying his credit history, which helps in the process of obtaining a loan or credit facilities, and the data is updated through the information received from the loan or credit facilities donors. Below is a list of the transactions that were queried from the date of the application of the platform:

Table No. (2) Electronic inquiry transactions

<b>T</b>	<b>the date</b>	<b>The number of financial transactions inquired about</b>
<b>1</b>	<b>1/11/2020 to 31/12/2020</b>	<b>30,753 transactions</b>
<b>2</b>	<b>1/1/2021 through 12/31/2021</b>	<b>741,395 transactions</b>
<b>3</b>	<b>1/1/2022 to 31/12/2022</b>	<b>1,255,288 parameters</b>
<b>T</b>	<b>the total</b>	<b>2027436</b>

Source: Directorate of Banking Control, Central Bank, disclosure prepared by the researcher.

From the above table it is clear that:

- 1- The inability to know the numbers queried for the year / 2015 until 10/31/2020 due to the use of the query manually between the Central Bank of Iraq and the banks.
- 2- The increase in the number of financial transactions that you obtained during the year / 2021 compared to the year / 2022, as the amount of the difference between (513,893) transactions will be converted into an increase.

B- The project of the electronic platform for letters of guarantee: -

On 10/18/2020, the Central Bank launched the unified electronic bond project for letters of guarantee, to complete the automation of all stages of letters. Domestic Services Related Services, Closin, Offer, Guarantee, Central Bank Annual Presentation(Report of the Statistical Bulletin of the Central Bank of Iraq for the year 2021.).

C- Below is the financial analysis of the dimensions that will be relied upon in addition to the application of the research, for the financial statements of the bank for the research sample based on the annual reports for the period from (2015 to 2021) which are published on the Iraq Stock Exchange website of the Bank of Baghdad.

Thirteen :Bank of Baghdad

First - the establishment of the bank

The Bank of Baghdad was established as the first private banking shareholding company in Iraq on 2/18/1992 with commercial registration number (S.M./4512) with a capital of (100) million Iraqi dinars, as the bank started licensed banking business as of 9/12/1992. The bank continued to increase its capital, as it reached in the late nineties (160) million dinars, and in the year / 2005, the Bahraini United Gulf Bank and Iraq Iraq Holding Company entered as shareholders in the bank, then the bank's capital was increased to (70) billion in the year / 2008 until the capital reached To (250) billion years / 2013.( WWW.isx.iq.)

Second - the Bank's objective:

The bank aims to set several strategic goals from several axes, including (financial axis, market and customer axis, technical operations axis, education and development axis), as these axes include the most important things, including:

- (1) Maintaining a good level of key financial ratios.
- (2) Maintaining the competitive position of the bank at the level of the banking sector.
- (3) Developing the developmental role of the bank in the field of financing and foreign trade services for all sectors.
- (4) Enhancing and developing electronic and digital services for the bank's customers.
- (5) Continuing to develop operations by working to centralize the bank's business and transform branches into points of sale to serve customers optimally.

Third- the bank's branches:

The bank has (23) operating branches inside Iraq as of 12/31/2021, including (8) branches within Baghdad Governorate, (2) branches in Basra Governorate, and (13) branches in the governorates (Babylon, Karbala, Kirkuk, Diyala, Anbar, Najaf, Sulaymaniyah, Dohuk, Erbil, Qadisiyah, Wasit, Salahuddin, Maysan)

Fourth- The most important developments of the bank's capital:

The most important developments in the paid-up capital for the period from (2015 to 2021) and the growth rate of the spent capital was found according to the following relationship:( WWW.isx.iq)

Comparison Year - Base Year \* 100% base year

Table No. (2) Capital and reserves of the Bank of Baghdad for the years (2015-2021)

The year	2021	2020	2019	2018	2017	2016	2015
Capital and reserves	265,464	263,935	262,912	262,739	262,501	262,163	260,955
Growth rate	%0.57	%0.38	%0.06	%0.09	%0.12	%0.46	-----

However, we will focus in this research on the standard ratios approved by the Central Bank of Iraq with regard to credit control and the ratios through which banks can grant credit, thus achieving a moderate credit policy in the case of applying those ratios, and at the same time indicating the effectiveness of supervisory control in granting authority in Exploiting the funds available to banks without exceeding the ratios, also achieving effective control to preserve the bank's capital and customers' deposits.

1. The credits granted from deposits should not exceed 70%.
2. The total credits of the moral borrower should not exceed four times the capital and reserves.
3. The credits granted by the bank to all customers of the bank should not exceed (8) times the capital and reserves.
4. The percentage of cash credit granted does not exceed (600%) of the capital and reserves.
5. The percentage of pledged credit does not exceed (200%) of the capital and reserves.
6. The percentage of the provision for overdue debts that is not less than (2%) and not more than (5%)
7. The capital adequacy ratio does not exceed (12%) for banks operating in Iraq, noting that the global capital adequacy ratio is (8%)
8. Liquidity ratio, provided that it is not less than (30%) of the deposits.

In the following, these indicators will be applied to the Private Bank of Baghdad and table No. (4) shows the bank's financial statements for the period 2015-2021

Table No. (4) Financial data for the Bank of Baghdad (million dinars)

The year	Overdue debts	capital et reserves	debts	Total cash and pledge credit	Pledge credit	cash credit
2015	59	260,955	897,310	442,650	229,386	213,264
2016	73,000	262,163	827,925	230,933	93,605	137,328
2017	770	262,501	743,597	235,629	66,050	169,579
2018	201	262,739	782,173	222,641	60,687	161,954
2019	155,165	262,912	801,174	215,528	65,926	149,602
2020	16,482	263,935	1,072,372	200,958	59,329	141,629
2021	165,157	265,464	1,157,462	168,747	47,111	121,636

Source: From the current reports, the research sample, the table prepared by the researcher.

From the above table, we note the following:

First - The cash credit balance is constantly declining during the years of research, as the cash credit balance during the year 2015 amounted to (213,264) million dinars (two hundred and thirteen billion two hundred and sixty-four million dinars), while the cash credit during the year 2021 amounted to an amount The amount is (121,636) million dinars (one hundred and twenty-one billion, six hundred and thirty-six million dinars), with a difference of (91,628) million dinars (ninety-one billion, six hundred and twenty-eight million dinars), a decrease from the year 2015 by (43%).

Second - The pledge credit balance is constantly declining during the years of research, as the pledge credit balance during the year / 2015 amounted to an amount of (229,386) million dinars (two hundred twenty-nine billion, three hundred and eighty-six million dinars), while the pledge credit during the year / 2021 amounted to an amount The amount is (47,111) million dinars (forty-seven billion, one hundred and eleven million

dinars), with a difference of (182,275) million dinars (one hundred and eighty-two billion, two hundred and seventy-five million dinars), a decrease from the year 2015 by (80%).

Third - We noticed that the balance of deposits during the years of research was between decline and increase, as the balance of deposits during the year / 2015 amounted to an amount of (897,310) million dinars (eight hundred and ninety-seven billion, three hundred and ten million), as the balance of deposits decreased until the year / 2018 by an amount of (782,173) million dinars (One million dinars (seven hundred and eighty-two billion, one hundred and seventy-three million dinars) and a difference from the year 2015 with an amount of (115,137) million dinars (one hundred and fifteen billion and thirty-seven million dinars), with a decrease rate of (13%), while we noticed an increase in the balance of deposits over the years (2019-2020-2021) to become during the year / 2021 an amount of (1,157,462) million dinars (one trillion, one hundred and fifty-seven billion, four hundred and sixty-two million dinars), and a difference of (260,152) million dinars (two hundred and sixty billion, one hundred and fifty-two million dinars) with an increase rate For the year / 2015, about (28%).

Fourth - The balance of capital and reserves is constantly increasing, as the balance of capital and reserves during the year 2015 amounted to an amount of (260,955) million dinars (two hundred and sixty billion, nine hundred and fifty-five million dinars), of which an amount of (250,000) million dinars (two hundred and fifty billion dinars) for The bank's share of the nominal capital specified by the Central Bank of Iraq, while the balance of capital and reserves during the year / 2021 amounted to an amount of (265,464) million dinars (two hundred and sixty-five billion four hundred and sixty-four million dinars), an increase from the year / 2015 by (1%).

Fifth - The balance of overdue debts during the years of research is constantly increasing despite the decrease in credit during the years of research, as the balance of overdue debts during the year 2015 amounted to (59) million dinars (fifty-nine million dinars), while the balance reached during the year / 2021, an amount of (165,157) million dinars (one hundred and sixty-five billion, one hundred and fifty-seven million dinars), with an increase of (165098) million dinars (one hundred and sixty-five billion and ninety-eight million).

The financial statements of the research sample banks will be analyzed according to the standard ratios of the Central Bank of Iraq and related to monitoring the follow-up process of granting credit, as it will be the independent variable represented by deposit accounts, capital and reserves, and the dependent variable that will be represented by bank credit, whether cash credit or pledged credit, according to what came in Article No. (30) of Banking Law No. (94) for the year 2004, which determined the following ratios.

1. The credit allowed per capita is (10%) of the capital and reserves.
2. Credit allowed to the person and his partners and relatives at a rate of (15%) of the capital and reserves.

#### Forteen: Conclusions

The existence of a weak direct correlation between bank credit, deposits, capital and reserves, and this indicates that the research sample bank did not exploit its available liquidity in granting bank credit and the absence of a significant effect between bank credit, deposits, capital and reserves, which requires the research sample banks to increase the granting of bank credit compared to deposits banking and the increase in the nominal capital. In addition to the existence of a weak direct correlation between bank credit, deposits, capital and reserves, and this indicates that the research sample banks did not exploit the liquidity available to them in granting bank credit and the absence of a significant effect between bank credit, deposits, capital and reserves, which requires the banks of the research sample to increase the granting of bank credit Compared to bank deposits and the increase in nominal capital.

Most of the research sample banks achieved low rates of cash and pledge credit as a whole compared to capital and reserves based on the standard scores approved by the Central Bank of Iraq. This led to the central bank urging banks to diversify bank credit for all economic activities in order to avoid the occurrence of credit concentration of banks, which increases the credit risks to which the bank is exposed, which may cause bankruptcy of the bank and damage to the reputation of the banking system as a whole.

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