

The Effectiveness Of Government Banks In Supplying The Iraqi Economy With Financial Resources

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Abstract

The function of granting credit and supplying the national economy with financial resources to meet the requirements and needs of individuals and institutions with funds, one of the most important functions of the banking system, that dealing with this important and very sensitive function, needs an analytical pause, as the misuse of this task necessarily means the emergence of an economic problem that would lead to a decline in economic activity in the event of a shortage of those resources, or create inflationary pressures in the event of excessive grant, it must be dealt with in a way that ensures the achievement of the desired economic goals ones. Therefore, the research came to focus on the sources of obtaining funds by government banks as they have the highest liquidity compared to other commercial banks and the areas of use of those funds, which are limited to the following: As for granting these funds as loans to persons or financial institutions, which is an indirect investment process, or the bank investing those funds directly through securities, whether stocks or bonds, the ARDL model was used. To analyze the relationship of joint integration between the resources of access to funds and areas of use, and show the existence of a long-term relationship between them, that is, the existence of a relationship of mutual integration between the funds obtained by government banks and the uses of those funds, and the study concluded the need to provide support by the government to those banks, especially paid-up capital as it represents the first line of resistance to any shock to government banks.

Introduction:

The Iraqi economy is a rentier economy, as it depends on the production and export of one commodity described as (raw commodity) and therefore the public sector is dominated by the government, the largest owner of wealth in the country, which gives the opportunity for government banks to acquire financial resources and thus to exercise their banking role in meeting the needs and requirements of the national economy with the necessary financial resources, so the research came to highlight the role of these banks in meeting the need for bank credit being the oldest banks in terms of origin, and they have With interest from the government that its capital is paid through financial allocations by the Ministry of Finance, two reasons that give sufficient opportunity to exercise this role professionally and professionally, in exchange for those private private banks that strive to maximize their profits.

The sources of money supply to banks in general and government banks in particular, are the most important factors that give them sufficient space to practice their banking business clearly and prominently, as these sources are what give banks the expansion of the offer of bank credit or the adoption of a policy of contraction in them, in addition to other factors determined by monetary policy.

When we talk about government banks, we are talking about the efficiency of these banks in the use of financial resources, and the extent of their potential in providing those resources, whether to people or institutions in terms of quantity, because these funds contribute to the process of economic growth that would lead to economic development.

Keywords: Government banks, Financial investment, Bank credit, Financial resources, Sources of access to financial resources, Areas of use of financial resources, ARDL model.

LITERATURE REVIEW:

- 1- Research tagged "Analysis of the depository and financing function in commercial banks in Iraq for the period 2010-2018" by researchers Abeer Jalil Abdul Nabi and Assoc. Prof. Dr. Ahmed Abdul Zahra Hamdan (Journal of Administration and Economics, Al-Mustansiriya University, Year 2021, Volume 39, Issue 127, The research aimed to determine the economic role of commercial banks by evaluating their saving and financing role in economic activity, and the importance of the research lies in the fact that the economic evaluation of commercial banks will clarify the responses and medium and marginal tendencies taken by the paths Deposit and lending, which reflect the saving and financing role of economic units, the most important conclusions are: The marginal tendency to deposit in public and private commercial banks indicates the inconsistency between economic activity and the activity of these banks, and the issue of deposit remains related to other factors such as banking awareness, confidence, and the degree of banking density..... As for the most important recommendations, they were first: commercial banks, especially private ones, should go to strategies to attract deposits and improve their depository function within the Iraqi economy and focus on credit activity as well as in the field of finance and in light of economic evaluation indicators that relate to the financing aspect) medium and marginal slope of credit, Iraqi banks should adopt a credit policy whose main objective is to advance the process of economic development through coordination with the Central Bank's monetary policy. And focus on productive sectors and infrastructure projects.
- 2- Research tagged "The impact of deposit guarantee on the stability of the Iraqi banking sector, assistant teacher Munib Khalaf Muhaimeed, published in the Tikrit Journal of Administrative and Economic Sciences, Volume 17, Issue 53. The research aimed to study the Iraqi banking system (deposit guarantee policy and its impact on the stability of the Iraqi banking sector) for the period from (2015-2019) Al-Rasheed and Rafidain Bank as a model.

As the appropriate statistical methods and treatments taken from the SPSS program were used, and one of the most important results of the research is the lack of a statistically significant impact of financial leverage on the stability of deposits in the Iraqi banking sector. This can be justified by the fact that depositors are not affected by the leverage index regarding their deposits in banks, as they have sufficient guarantee from the Deposit Insurance Corporation regarding their deposits, and this result also indicates that there are no doubts by depositors about the safety of the banking system, and from The most important recommendations that came in this research are to increase interest in secured deposits, and raise the maximum limit that the institution pays as immediate compensation. In addition to expanding the coverage range of banks to include deposits in foreign currencies in order to achieve banking stability, to increase confidence in banks.

- 3- The role of the banking system in mobilizing and allocating savings to achieve economic growth in Iraq, a thesis submitted to obtain a master's degree in economics, prepared by the researcher Omar Ihab Nafie, the study aimed to analyze the role of the banking system in mobilizing and allocating savings to achieve economic growth in Iraq (2004-2017), by monitoring the development of the banking system, and diagnosing the reality of economic growth in Iraq. The study derives its importance by studying the role of the Iraqi banking system in mobilizing and mobilizing savings, and identifying the most important The obstacles and challenges that make them flow outside the Iraqi banking system. As well as identifying the role of the banking system in allocating and employing savings by granting credit to finance investment within the economic sectors that support economic growth, as well as providing a set of proposals that help monetary policy makers in enhancing the role of the banking system in mobilizing savings and employing them to stimulate the future of economic growth in Iraq. This study used the descriptive analysis methodology, when addressingA theoretical framework to determine the role of the banking system in mobilizing local savings and employing them to achieve economic growth, based on identifying the concept and functions of the banking system, and identifying the concept and determinants associated with economic growth. This approach is also used to diagnose the current state of the banking system and the reality of economic growth in Iraq. In addition to analyzing the role of the banking system in mobilizing domestic savings and allocating them to aspectsof economic activity, to achieve economic growth in Iraq.
- 4- Research tagged "The Financing Role of Iraqi Banks in Achieving Economic Growth (2000-2011)", Research published in Al-Ghari Journal of Economic and Administrative Sciences, 2015, Volume 10, Issue 32, by the researcher Dr. Hassan Karim Hamza The research indicated that the existence of a developed banking sector is one of the basic ingredients to achieve sustainable growth, there is no developed private sector without the support and support of the banking sector, the Iraqi banking sector is living Today, the stage of banking reform to make it more efficient and effective, the financial

indicators of this sector have been studied to stand on them and compare them with similar indicators at the Arab and international levels and show that they are with the aspects of reform in some of them, while the other is still far from the international benchmark indicators, the relationship between the credit provided to the sector has been found. The positive relationship between the variables was clear.

- 5- Analysis of the reflection of oil price changes on bank credit in Iraq: An analytical study for the period (2006-2021), published in the Tikrit Journal of Administrative and Economic Sciences, Volume 19, Issue 61, Year 2023, by researcher Amin Fahd Jiyad, The study aimed to investigate the impact of changes in oil prices on bank credit granted in Iraq, both types of pledge and cash, as the bank credit decision is subject to factors and variables that may sometimes govern Which raises a number of questions, including the impact it leaves Oil price changes on the entire Iraqi economy, including bank credit, and to achieve the goal, the study was based on the hypothesis that changes in oil prices affect the volume of bank credit in Iraq. The study relied on the quantitative and standard methodology for the purpose of reaching the results, and the study was applied to the banking sector in Iraq through data for the period (2006-2021), as the ARDL model was used and the impact of the independent variable was estimated in the dependent variables, and the study found that the volume of bank credit granted by the banking sector is directly affected by changes in oil prices, and this indicates a structural problem in the Iraqi economy as a result of its excessive dependence on oil, and the study recommended the need to diversify Sources of income and encourage areas that will support the economy and supplement the budget.

The most important main differences of the above research and previous studies are that the current research focused on the following points:

- 1- The above research focused on the sources of access to funds by state banks, i.e. state-owned.
- 2- The research focused on the use of these funds by government banks.
- 3- Research time period (2003-2020).
- 4- Using the ARDL Form

Research Objective:

The research aims to shed light on the effectiveness of government banks in providing the Iraqi economy with financial resources, whether through paid loans or through direct investment by banks.

Search problem:

The problem of research is summarized in asking the following question: the non-exploitation of the financial resources obtained and the uses of those funds, which means the existence of disabled financial resources, that is, a gap between the received financial resources and the areas of employment of those funds.

Research hypothesis: The research proceeds from the hypothesis that:

The existence of a common complementarity relationship between the sources of obtaining funds, and the use of those funds by government banks.

Temporal dimension: The temporal dimension covers the period from 2003 to 2020.

The first topic: the concept of banks in general and government banks in particular.

The bank is a financial institution that accepts the receipt of money in the form of deposits from individuals who have a surplus and lends it in the form of loans and advances to individuals and the needy, or that it is an institution that accepts money as deposits and respects the requests of its depositors in withdrawing it, grants loans and invests excess deposits, or it is the place where the supply of money meets the demand for it, meaning that banks work as vessels in which money and savings accumulate to be re-lent to those who can and wish to benefit from them and benefit society from them by investing them, and therefore the definition of A bank is a financial institution that accepts deposits on the one hand and provides them as loans or invests them in other areas of investment on the other hand. (Gesture, 2017: 11).

The Bank manages and distributes its assets in accordance with a set of principles and determinants and these principles represent the main frameworks of the Bank's business policy, which are as follows: (Taleb et al., 2013: 80-81)

- 1- Liquidity: Liquidity represents the bank's ability to meet the requirements of customers by providing funds ready to pay customers' dues by providing funds ready to pay customer dues, so the bank must maintain a sufficient cash ratio to meet depositors' withdrawals and in fact we find that the bank's success capabilities are related to the amount of confidence that customers give it and that the decline in the confidence of depositors in the bank's capabilities will make the bank's existence at risk, so the bank must always be ready to face depositors' requests by keeping cash Adequate, especially liquid criticism.
- 2- Profitability: The bank by definition is a financial institution aimed at achieving profits, the bank must achieve returns in order to pay the salaries of its owners and the interest rate on deposits that it accepts from customers and divider of profits for shareholders and to meet credit expansions, and since cash is

one of the non-yielding assets and therefore the bank does not keep all its assets in cash and therefore we find that it invests cash in profitable assets such as discounting commercial papers, loans, investments, etc. The bank's assets are the least liquid, while they are the highest profitable compared to the rest of the returns, because most of the bank's returns depend on the returns of loans and advances, noting that they are also the most risky among the bank's operations and assets.

- 3- Safety: As a complement to profitability and liquidity, the bank must work to deal with its money safely in order to ensure business continuity, especially when granting loans, by verifying the three items of the borrower, namely the type of credit, the borrower's viability and guarantee, and therefore the bank cannot invest its money without taking into account the credit element, specifically ensuring the financial solvency of the person or the borrower.
- 4- Diversification: The bank must invest its money in the way that meets and secures its financial position, as well as achieve a sufficient and continuous return and when investing its money should not put all the eggs in one basket, in other words diversification in the bank's investments is necessary and important in order to get rid of risk in the field of banking and therefore if the bank invests its money in various securities or various loans, it will in any case get a continuous return.

Government banks are those banks that are managed by the state (although they are obliged to follow the instructions issued by the Central Bank), but their capital is paid through financial allocation by the Ministry of Finance, not through shareholders' funds as is known to private banks, which include the following banks plus the Central Bank of Iraq and as shown in Table (1) below: (Statistical Annual Bulletin, 2020: 119)

Table (1) Public Sector Banks

Date of Establishment	Bank Name	t
1935	Agricultural	1.
1941	Mesopotamia	2.
1946	industrialist	3.
1947	Central Bank of Iraq	4.
1948	Real estate	5.
1988	Good	6.
2004	Iraqi Trading	7.
2015	Islamic Nahrain	8.

Source: (Statistical Yearbook 2020: 119)

The second topic: Analysis of the sources of supplying government banks with financial resources

Banks are integrated into any financial system in a country, especially in developing countries, as the importance of other intermediary financial institutions that are usually found in economically developed countries, and which cannot flourish in limited and undeveloped monetary and financial markets, is diminishing. (Sayyid Ali, 1984: 149)

Banks play a vital role in the local economy through their dual role, which is to accumulate national savings (cash surpluses) and employ a large part of these savings in the form of credit facilities and loans to finance active entities in various economic sectors (Mahawili, Al-Ani, 2014: 19), as banks can create liquidity for economic units that suffer from scarcity or deficiency in them, and the sources of obtaining funds for government banks are one of the most important factors that give a wide area and the ability to expand in Providing economic units with funds, which are divided into two parts, self-sources and non-self-sources) and the most important self-sources is paid-up capital (Yahya, 1982: 240), as it represents the first line of resistance to face any financial crisis facing the bank and is defined as "the contribution of the owners in financing the enterprise and is equal to the value of the shares contributed by the owners in Facility. (Analytical Financial Indicators of Financial Activity for the Public and Private Sectors, 2018: 5) The second source of supplying banks with funds, which are non-self-sources, is long-term loans, as it is the source of obtaining financial resources through the bank's borrowing from others, whether financial institutions, the Central Bank or any financial institution that has a legal value, and the third and important source is the total deposits of individuals and institutions with the banking system, which are the most important functions of the banking system that work to attract savings. Individuals, mobilizing and converting them into deposits with the banking system instead of hoarding them and keeping them with economic units without any interest, and through the following table the sources of obtaining funds through the resources referred to above can be indicated as follows

:

Table (2) Total Sources of Access to Financial Resources of Government Banks

Total sources of funds (7)	Rate of change % (6)	Total Deposits (5)	Rate of change % (4)	Long Term Loans (3)	Rate of change % (2)	Paid-up Capital (1)	Sun nah
3,367,158		3,310,308.9		44,487.6		12,361.5	2003
29,594,002	513	20,285,871.9	20,483	9,157,068.4	1,122	151,061.5	2004
9,066,012,560	(23)	15,672,291.8	96,921	8,884,278,768	109,830	166,061,500	2005
8,658,866,141	203	47,458,359.8	(5)	8,443,875,281	1	167,532,500	2006
10,596,179,680	23	58,328,098.4	22	10,266,390,082	62	271,461,500	2007
91,926,959,467	138,614	80,909,333,560	0.7	10,339,025,907	150	678,600,000	2008
87,528,162,530	(3)	78,693,580,726	(21)	8,125,426,754	5	709,155,050	2009
99,212,542,741	15	90,515,710,098	(2)	7,985,968,193	0	710,864,450	2010
88,505,477,477	(13)	78,500,416,041	16	9,253,461,936	6	751,599,500	2011
119,330,087,942	49	116,577,312,893	(85)	1,350,175,049	87	1,402,600,000	2012
101,376,934,634	(16)	98,414,095,141	10	1,487,239,493	5	1,475,600,000	2013
110,623,516,615	9	107,070,592,761	31	1,951,323,854	9	1,601,600,000	2014
108,135,816,071	(4)	102,759,871,144	8	2,099,344,927	105	3,276,600,000	2015
69,765,863,942	(36)	66,073,176,396	(73)	567,087,546	(5)	3,125,600,000	2016
98,108,918,071	39	91,535,675,954	283	2,171,642,117	41	4,401,600,000	2017
107,155,976,307	10	100,760,960,857	(8)	1,993,415,450	-	4,401,600,000	2018
125,220,079,858	17	118,269,619,454	23	2,448,860,404	2	4,501,600,000	2019
120,366,634,000	(6)	110,832,587,000	(9)	2,236,447,000	62	7,297,600,000	2020

Source:

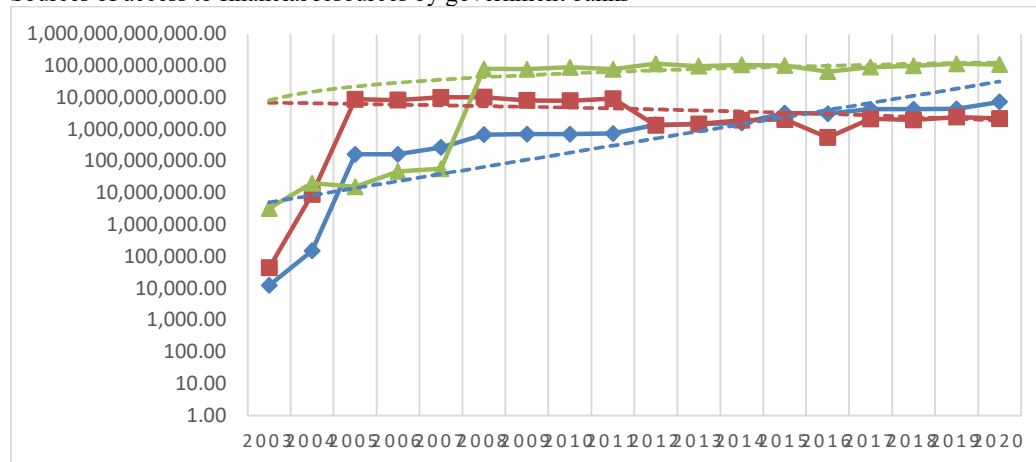
1- Column (1, 3, 5) Ministry of Planning, Central Bureau of Statistics, Analytical Financial Indicators of Financial Activity for the Public and Private Sectors, Years 2003-2020.

2- The rest of the columns are the work of researchers.

Table (2) indicates that the sources of obtaining funds in case of increase during the research period, deposits constituted the highest amount among those sources during the first and second years. After that, we note that long-term loans ranked first over other exporters until 2008, after which deposits took the first place until the year 2020, followed by paid-up capital and the decline of long-term loans to become the last rank, as shown in Figure (1), as for the annual rate of change, The highest rate of change for paid-up capital in 2008 is 150%, resulting from the Central Bank of Iraq's claims to raise paid-up capital, while for long-term loans, the highest rate of change in 2017 was 283%, while for deposits, the highest rate of change was 183% in 2008, as shown in Figure (1).

Figure 1

Sources of access to financial resources by government banks



Source: From the work of the researchers based on Table 2 and the conversion of data to logarithm.

It is worth noting here that most of the deposits received are demand deposits, which are deposits in general that are not intended to achieve a return on investment, and the development of their purpose is to save those funds from theft or damage, or the process of facilitating commercial and banking transactions between banks and customers, as well as accounts far from speculation or participation, and do not achieve a return or profit.

The second topic: areas of use of financial resources.

Harvard economist Man Keough points out in his book Ten Principles of Economics that the latter is concerned with studying "how society manages its scarce economic resources" (N.Gregory Mankiw, 2016:13).

Since the financial resources held by government banks are one of the most important of those resources, their use requires optimal use, in a way that achieves maximum benefit. Note that it contributes to the creation of purchasing power in the hands of the economic units benefiting from those resources, and after we learned that the sources of access to money for government banks are three sources, which include paid-up capital, long-term loans and deposits, now in this section we answer the following question: Where do government banks use these financial resources obtained, and to answer this question, we must clarify that there are two main areas for these uses, namely either directing those funds by providing loans to the public directly or government banks investing those funds through the so-called financial investment, which is broader and more comprehensive than economic investment, as the latter means the establishment of new facilities or in addition to capital or the replacement of modern machines instead of the current dilapidated machines, either Financial investment does not distinguish between old and new assets, in general financial investment includes financial assets such as stocks or bonds and real assets such as land and factories (McConnell, and others, 2009: 688), meaning that it performs the function of lending indirectly.

Credit in the economy represents the ability to borrow, and in the modern economy refers to the creditor granting the debtor a period of time under which the debtor is obligated at the end of the prescribed period to pay the value of the debt, so credit represents an investment and financing formula and is an essential part of the work of banks. (Nouri and Aziz, 2023: 477) Bank credit granted to the public achieves a set of objectives that can be summarized as follows: (Miz'al, 2022: 144)

- 1- Employing idle resources by taking advantage of the cash surplus and investing it in productive opportunities.
- 2- Distributing cash resources to various economic activities in order to achieve economic growth.
- 3- Contribute to determining the level of national monetary income.
- 4- Increase the efficiency of the resource allocation process in the community.

Before talking about these uses, it is necessary to clarify the fact that public sector banks occupy the largest percentage of private sector banks in providing cash credit, whether in the form of loans or financial investments, which were expressed in the total payments by those banks, and as shown in Table (3), as the table shows that the contribution of government banks is not less than 88% for the last four years of the time series of the study, it can be said, despite the large number of private banks In Iraq, compared to public sector banks, they constitute 9.5% of the total number of banks (Central Bank of Iraq, 2022: 3), but they contribute little to supplying the national economy with these resources, which means that there is power for government sector banks over the availability of loans and investments for the banking system as a whole.

Table (3)

Total loans and investments paid by public and private sector banks

For the period 2016-2019		1000 JOD		
Percentage of Public Sector Banks Contribution %	Total loans and investments paid by the public and private sectors	Total paid by private sector banks	Total paid by public sector banks	Sunnah
88	24,862,297,459	3,056,623,003	21,805,674,456	2016
94	81,737,049,075	5,176,378,545	76,560,670,530	2017
95	117,803,429,329	6,375,891,654	111,427,537,675	2018
93	121,926,362,021	8,083,719,409	113,842,642,612	2019

Source: Prepared by researchers based on the report of analytical financial indicators of financial activity for the public and private sectors for the years 2016-2019

After we have proven this fact, we must through Table (3) to refer to the total loans and investments paid by government banks, as the table shows that there is an upward trend in loans and investments during the research period, and how much is shown in Figure (2) and that financial investments have an upward trend higher than paid loans, which means that there is a desire for government banks to invest the money they have in the financial sector more than the desire to provide loans to the public, As shown in Figure 2. We also note in Table (3) that the highest annual rate of change for loans was in 2006, reaching 5139%, which means an expansionary policy in providing loans, while for investments, the highest rate of change in 2015 reached 1202%. It is noticeable in 2016 a decrease in the growth rates for both loans and investments, due to the security instability in the country and the adoption of a conservative policy by government banks, after 2016, government banks began to expand the annual growth rates of financial investments, reaching 466% and did not achieve a decrease until 2019 with a negative growth rate of 72%.

Table (4) Areas of Use of Financial Resources

1000 KWD

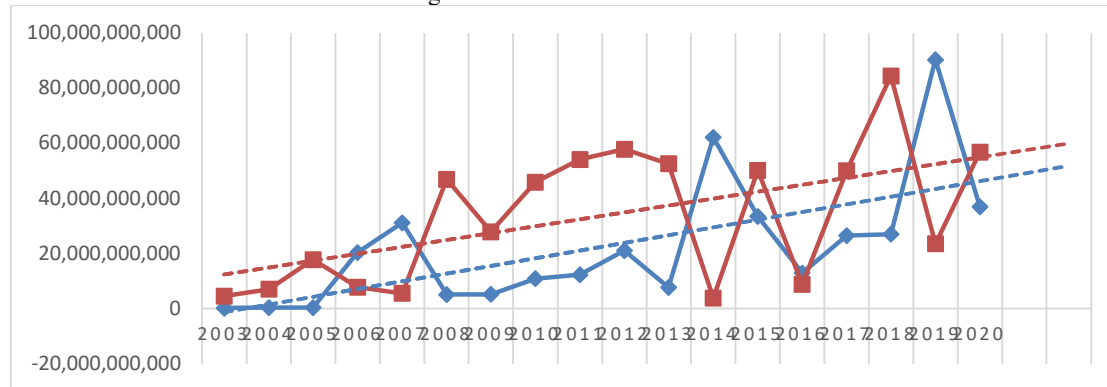
Total Loans and Investments	Annual rate of change %	Financial investments	Annual rate of change %	Loans	Sunnah
4,756,883,048		4,547,072,561		209,810,487	2003
7,373,760,777	54	7,016,508,587	70	357,252,190	2004
18,108,296,368	153	17,719,022,613	9	389,273,755	2005
28,223,241,811	-56	7,828,162,437	5139	20,395,079,374	2006
36,698,053,041	-30	5,501,635,170	53	31,196,417,871	2007
51,943,466,485	753	46,909,812,086	-84	5,033,654,399	2008
33,072,108,864	-41	27,888,510,470	3	5,183,598,394	2009
56,748,618,980	65	45,917,583,830	109	10,831,035,150	2010
66,408,357,125	18	54,092,019,570	14	12,316,337,555	2011
78,848,898,941	7	57,812,269,224	71	21,036,629,717	2012
60,267,637,045	-9	52,551,465,440	-63	7,716,171,605	2013
66,000,661,540	-93	3,852,214,533	705	62,148,447,007	2014

83,637,073,923	1202	50,170,597,055	-46	33,466,476,868	2015
21,805,674,456	-82	8,838,836,213	-61	12,966,838,243	2016
76,560,670,530	466	50,051,500,841	104	26,509,169,689	2017
111,427,537,675	69	84,389,130,433	2	27,038,407,242	2018
113,842,642,612	-72	23,545,100,572	234	90,297,542,040	2019
93,679,524,139	141	56,744,237,962	-59	36,935,286,177	2020

Source: Prepared by researchers based on the report of analytical financial indicators of financial activity for the public and private sectors for the years 2003-2020

Figure 2

Areas of use of the financial resources of government banks



Source: From the work of the researchers based on Table (4)

Third Theme: Measuring the relationship between the sources of financial resources and their areas of use, using the ARDL model

1- Description of the model: The model will be estimated according to the theoretical framework, which states that the financial resources obtained as an interpreted variable is the main factor in creating the possibility for government banks to supply the national economy with those funds, which represent the dependent variable in the model, so the functional equation expressing this relationship is drawn according to the following:

1. For loans granted by the Industrial Bank

$$ufr = f(fr) \quad 1 \dots \dots \dots$$

Whereas:

Fr: financial resources obtained.

UFR : Uses of those resources.

:The above equation can be formulated to become a linear function in the following form

$$ufr = B_0 + \beta_1 fr + u_t \quad t = (2003-2020) \dots \dots \dots 2$$

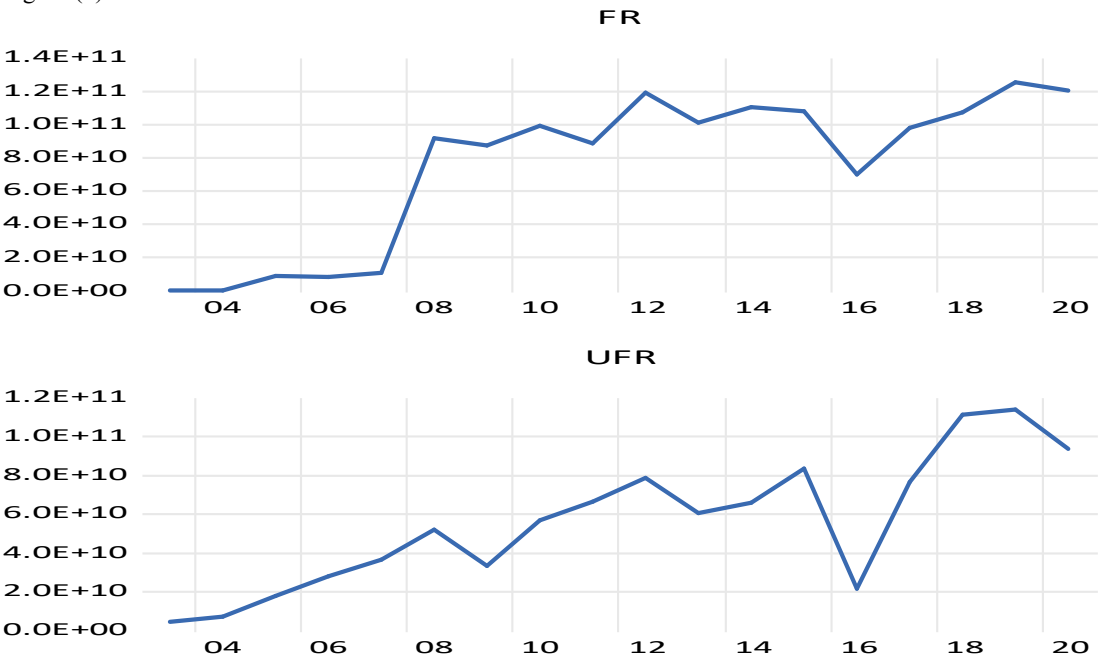
Graph: Samuelson says: Before you can be economics, you must have a practical knowledge of graphs, which -2 is as necessary for an economist as a hammer for a carpenter, so if graphs are not familiar to you, use some of .your time to learn how to read them, and it will be time that you have made good use of (Samuelson, 2001: 41) It summarizes and reveals the path of a single variable through the direction, cyclical change and its outliers, as :the general trend is measured through the following equation Francis X. Diebold, 2013: 82)(

$$Trend_t = \beta_1 + \beta_2 TIME_t \dots \dots \dots 3$$

where $TIME_t = t$

The graph is the first and simplest proactive test to find out the stability of the time series, and with a peek at the graph, it is easy for you to determine whether the time series is static or not?, as it is possible to see the presence of an upward or downward general trend-, which is the dominant feature of most economic variables-, which indicates the instability of the averages of partial observations and then the instability of the average in general, as well as the distance of observations from their arithmetic mean, and then to the instability of the time series.

Figure (3)



The form is the work of researchers based on the Eviwes12 program .
From Figure (3) above, it can be said that there is an upward trend for both the sources of obtaining funds and the uses of those funds, which is a subject commensurate with the nature of time series as they take an upward trend over time.

3- Unit root test for stability by Dickey-Fuller extended method

Table (5)

Null Hypothesis: D(UFR) has a unit root
 Exogenous: Constant
 Lag Length: 1 (Automatic - based on SIC, maxlag=3)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-4.335378	0.0050
Test critical values: 1% level	-3.959148	
5% level	-3.081002	
10% level	-2.681330	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations and may not be accurate for a sample size of 15

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(UFR,2)
 Method: Least Squares
 Date: 09/04/23 Time: 12:35
 Sample (adjusted): 2006 2020
 Included observations: 15 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(UFR(-1))	-1.954298	0.450779	-4.335378	0.0010
D(UFR(-1),2)	0.444435	0.273004	1.627946	0.1295
C	1.18E+10	7.21E+09	1.640025	0.1269
R-squared	0.719369	Mean dependent var	-2.06E+09	
Adjusted R-squared	0.672597	S.D. dependent var	4.37E+10	
S.E. of regression	2.50E+10	Akaike info criterion	50.89900	
Sum squared resid	7.50E+21	Schwarz criterion	51.04061	
Log likelihood	-378.7425	Hannan-Quinn criter.	50.89749	
F-statistic	15.38036	Durbin-Watson stat	2.201496	
Prob(F-statistic)	0.000488			

Null Hypothesis: D(FR) has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=3)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-5.095880	0.0011
Test critical values: 1% level	-3.920350	
5% level	-3.065585	
10% level	-2.673460	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations and may not be accurate for a sample size of 16

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(FR,2)
 Method: Least Squares
 Date: 09/04/23 Time: 12:32
 Sample (adjusted): 2005 2020
 Included observations: 16 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(FR(-1))	-1.304324	0.255957	-5.095880	0.0002
C	9.90E+09	6.72E+09	1.474291	0.1625
R-squared	0.649720	Mean dependent var	-3.05E+08	
Adjusted R-squared	0.624700	S.D. dependent var	4.19E+10	
S.E. of regression	2.56E+10	Akaike info criterion	50.88959	
Sum squared resid	9.21E+21	Schwarz criterion	50.98616	
Log likelihood	-405.1167	Hannan-Quinn criter.	50.89453	
F-statistic	25.96800	Durbin-Watson stat	2.000817	
Prob(F-statistic)	0.000163			

Through the previous two tests of the unit root for both sources of obtaining funds (FR) and areas of use of those funds (UFR), it was found that the two time series are static at the first difference of each, so the ARDL model will be used to estimate the relationship between the variable (FR) as an explanatory variable, and (UFR)) as a dependent variable, because this model allows the analysis of the cointegration of variables, whether they are integrated of the degree () or () or a combination of both. I_0I_1

5- Estimating a Regression Function (UFR), over (FR), using the ARDL model

Table (6)

ECM according to the ARDL model and the Bound test				
ARDL Error Correction Regression				
Dependent Variable: D(UFR)				
Selected Model: ARDL(1, 0)				
Case 2: Restricted Constant and No Trend				
Date: 09/02/23 Time: 15:25				
Sample: 2003 2020				
Included observations: 17				
ECM Regression				
Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CointEq(-1)*	-0.818064	0.193957	-4.217769	0.0009
R-squared	0.505236	Mean dependent var		5.23E+09
Adjusted R-squared	0.505236	S.D. dependent var		2.55E+10
S.E. of regression	1.79E+10	Akaike info criterion		50.11153
Sum squared resid	5.13E+21	Schwarz criterion		50.16054
Log likelihood	-424.9480	Hannan-Quinn criter.		50.11640
Durbin-Watson stat	1.565482			
* p-value incompatible with t-Bounds distribution.				
F-Bounds Test				
Null Hypothesis: No levels relationship				
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	5.188626	10%	3.02	3.51
k	1	5%	3.62	4.16
		2.5%	4.18	4.79
		1%	4.94	5.58

From the previous results, it can be said that there is a joint complementarity relationship between the sources of access to financial resources and the uses of those resources at a moral level of 2.5%, and indecisiveness at the level of 1%.

6- Long-term equation

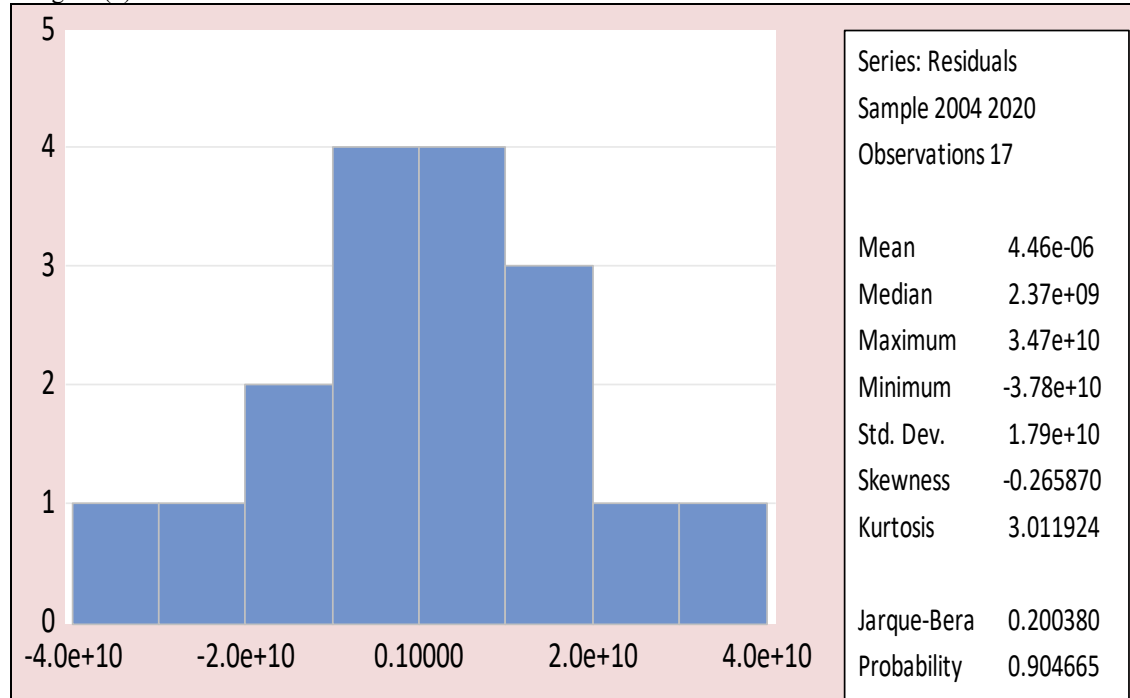
able (7)

Equation	of	long-term	relatio	
ARDL Long Run Form and Bounds Test				
Dependent Variable: D(UFR)				
Selected Model: ARDL(1, 0)				
Case 2: Restricted Constant and No Trend				
Date: 09/02/23 Time: 15:42				
Sample: 2003 2020				
Included observations: 17				
Conditional Error Correction Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.92E+09	1.01E+10	0.000000	0.0000
UFR(-1)*	-0.818064	0.216972	-3.770375	0.0021
FR**	0.493840	0.164487	3.002301	0.0095
* p-value incompatible with t-Bounds distribution.				
** Variable interpreted as Z = Z(-1) + D(Z).				
Levels Equation				
Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
FR	0.603670	0.134242	4.496867	0.0005
C	1.21E+10	1.21E+10	1.000043	0.3343
EC = UFR - (0.6037*FR + 12122548266.3598)				
F-Bounds Test				
Null Hypothesis: No levels relationship				
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic k	5.188626 1	10%	3.02	3.51
		5%	3.62	4.16
		2.5%	4.18	4.79
		1%	4.94	5.58
		Asymptotic: n=1000		
Actual Sample Size	17	10%	3.223	3.757
		5%	3.957	4.53
		1%	5.763	6.48
		Finite Sample: n=35		
		10%	3.303	3.797
		5%	4.09	4.663
		1%	6.027	6.76
		Finite Sample: n=30		
nship				

From the previous results, it can be said that the long-term equation is: $UFR = 12,122,548,266 + 0.60FR$

7- Normal distribution of time series:

Figure (4)



Previous results indicate that time series are normally distributed

8- Lack of serial autocorrelation problem

Table (8)

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	1.392661	Prob. F(2,12)	
Obs*R-squared	3.202532	Prob. Chi-Square(2)	
Test Equation:			
Dependent Variable: RESID			
Method: ARDL			
Date: 09/04/23 Time: 15:35			
Sample: 2004 2020			
Included observations: 17			
Presample missing value lagged residuals set to zero.			
Variable	Coefficient	Std. Error	t-Statistic
UFR(-1)	-0.326437	0.330700	-0.987110
FR	0.184283	0.213245	0.864188
C	2.57E+09	1.02E+10	0.253206
RESID(-1)	0.584076	0.411338	1.419943
RESID(-2)	-0.295473	0.280956	-1.051672
R-squared	0.188384	Mean dependent var	
Adjusted R-squared	-0.082154	S.D. dependent var	
S.E. of regression	1.86E+10	Akaike info criterion	
Sum squared resid	4.16E+21	Schwarz criterion	
Log likelihood	-423.1738	Hannan-Quinn criter.	
F-statistic	0.696330	Durbin-Watson stat	
Prob(F-statistic)	0.608898		

The above results indicate that there is no sequential autocorrelation problem between the residual

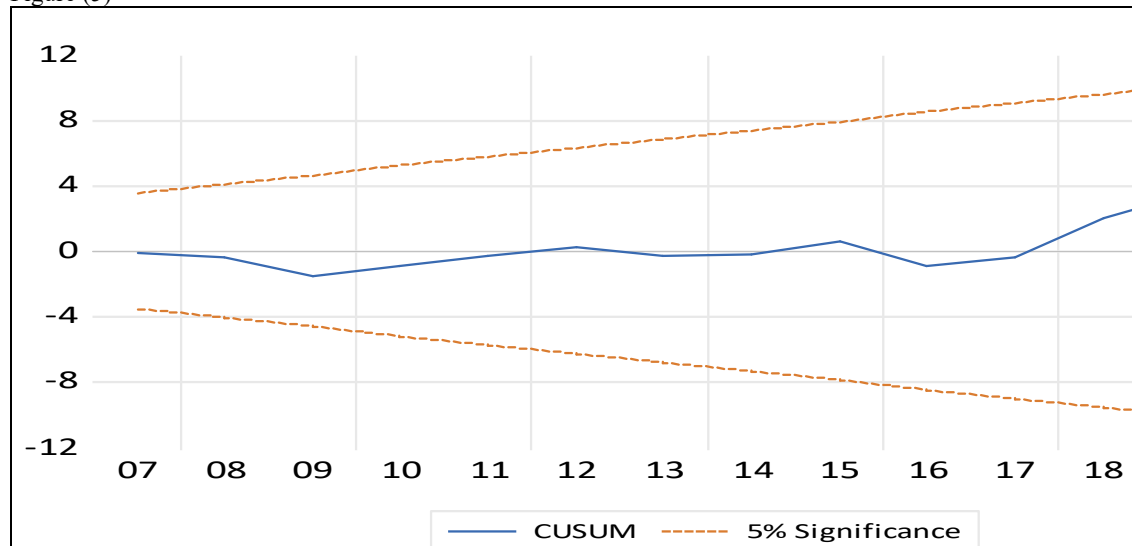
LMError variance is homogeneous, through EVIWES 12 outputs the results indicate that the error variance is homogeneous Heteroscedasticity test: Breusch-godfrey

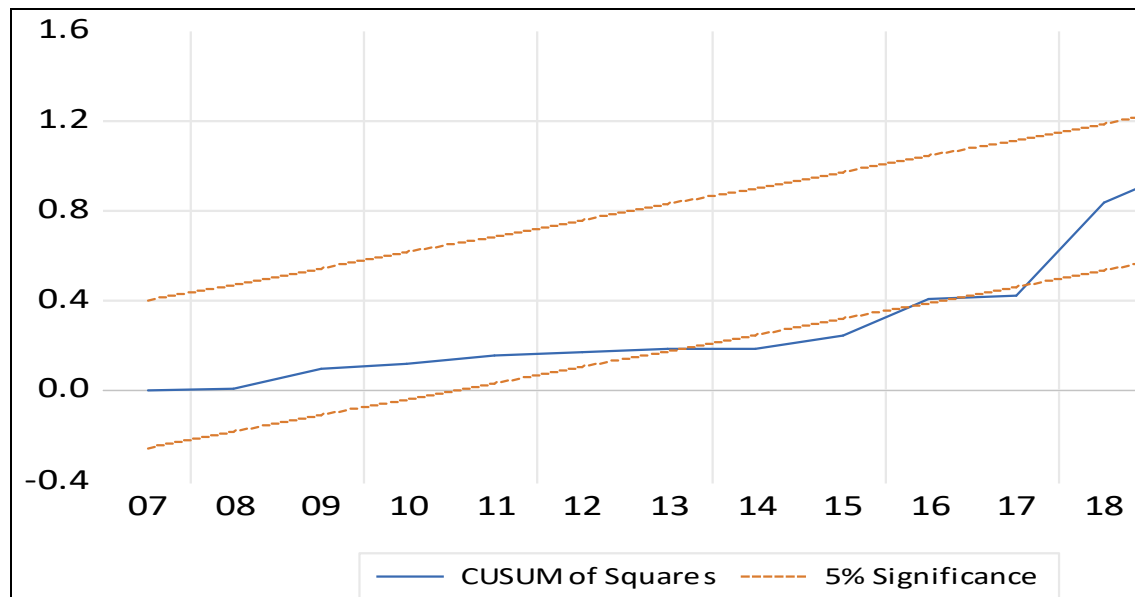
Table (9)

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
Null hypothesis: Homoskedasticity			
F-statistic	1.418468	Prob. F(2,14)	
Obs*R-squared	2.864412	Prob. Chi-Square(2)	
Scaled explained SS	1.954229	Prob. Chi-Square(2)	
Test Equation:			
Dependent Variable: RESID^2			
Method: Least Squares			
Date: 09/04/23 Time: 15:37			
Sample: 2004 2020			
Included observations: 17			
Variable	Coefficient	Std. Error	t-Statistic
C	1.41E+20	2.26E+20	0.624197
UFR(-1)	7.89E+09	4.87E+09	1.618634
FR	-3.32E+09	3.70E+09	-0.897667
R-squared	0.168495	Mean dependent var	
Adjusted R-squared	0.049708	S.D. dependent var	
S.E. of regression	4.30E+20	Akaike info criterion	
Sum squared resid	2.59E+42	Schwarz criterion	
Log likelihood	-830.1479	Hannan-Quinn criter.	
F-statistic	1.418468	Durbin-Watson stat	
Prob(F-statistic)	0.274824		

- 9- Stability of Estimated Features: The following results indicate that the estimated features are stable at the level of 5%.

Figure (5)





Conclusions:

1. As a non-self-inflicted source of funds, deposits ranked first for supplying state banks with funds.
2. There is a preference for state banks over investing financial resources at the expense of granting loans.
3. There is a gap between financial resources and the use of those resources, which means that there are financial resources that are disabled in those banks.
4. The dominance of government banks over all private banks in the volume of paid credit at the level of the national economy.
5. The existence of a common complementarity relationship between the sources of access to financial resources and the uses of those resources at the level of significance of 2.5%, and inconclusiveness at the level of 1%.

Recommendations

1. Work to attract other types of deposits (savings, term), instead of current deposits.
2. It is necessary to expand the use of idle financial resources, as they lead to an expansion in economic activity, whether consumer or investment loans.
3. Work to increase the financial resources of government banks, especially the paid-up capital by the Ministry of Finance, as it represents the first line of resistance in facing the challenges facing government banks.
4. The need to use financial resources in the field of loans at the expense of investment, because there is no developed financial market in Iraq
5. The need to encourage and stimulate the private banking sector and try to reduce the dominance of government banks in granting credit.

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