



**TO WHAT EXTENT DOES CUSTOMERS' PERSPECTIVE  
INFLUENCE BANKING LIQUIDITY? AN APPLIED RESEARCH ON A  
SAMPLE OF COMMERCIAL BANKS LISTED ON THE IRAQ STOCK  
EXCHANGE**

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**ABSTRACT**

The research aims to demonstrate the impact of customers' perspective on the bank's liquidity. The study relied on a descriptive study approach to study the reality of commercial banks. The study sample was based on the inductive and deductive method in defining a problem and giving a theoretical framework on the nature of the relevant international standards and their impact. The analytical method was relied upon through The researchers provided a practical framework for the most common banking performance indicators for analyzing the financial data of the commercial banks in the study sample, as banks were selected from the banking sector within the commercial banks listed on the Iraq Stock Exchange, namely (the Bank of Baghdad, the Assyria International Investment Bank, and Trans-Iraq Bank). . For the period from 2017 to 2020, the study concluded with a number of general and specific recommendations for the commercial banks sampled in the study, the most important of which was the necessity of applying and giving priority to the perspective of.

**KEYWORDS**

Customer perspective,  
banking performance,  
Iraqi commercial  
banks.

## **Introduction**

The customer perspective is one of the most important perspectives of the balanced scorecard, as it is considered an extension of the development of management thought and techniques based on strategic change and re-evaluation of strategic objectives to support creative business processes, stimulated by advanced information systems and networks with the aim of achieving superior levels of performance, as it targets customer satisfaction and is the customer at the present time. The master of the market because the success of the establishment depends on his conviction in the services and products it provides

## **The study Problem**

Will the customers' perspective, the use of its indicators, and its impact on the bank's liquidity?

## **Study objectives.**

The main objective of the study is to demonstrate the impact of customers' perspective on the liquidity of the commercial banks in the research sample. The most important objectives of the study can be summarized as follows- :

1. Providing an introductory framework on the concept of customer perspective, how to employ its indicators, and their impact on the bank's liquidity.
2. Using customers' perspective to identify strengths in performance and maintain them continuously over the long term, and to identify defects and weaknesses in banking performance and avoid them in the near future through a set of conclusions and recommendations that have been presented.

## **The importance of studying**

The importance of the study stems from the fact that using the customers' perspective will contribute greatly to following corrective methods and procedures to reduce weak points and optimally exploit strengths, which in turn works to develop and improve the level of performance, which increases the bank's liquidity because of its great importance and positive impact in improving economic conditions. For the country, and directing the attention of banks to identifying the shortcomings and lack of efficiency and effectiveness of banking performance.

## **Study hypothesis**

Is there a significant effect of customers' perspective on the banking liquidity of the banks in the research sample?

## **Study method**

1. The inductive method was relied upon in defining the problem of the study, i.e. shifting from the specific to the general by generalizing the recommendations of the study sample to the banks listed on the Iraqi Stock Exchange.
2. The deductive method was relied upon by providing a theoretical framework about the nature of the balanced scorecard in accordance with relevant international standards and its impact on improving banking performance, that is, the shift from the general through reviewing scientific literature to the specific (study sample.)

3. The analytical method was relied upon by the researcher providing a practical framework for the most common banking performance indicators that were derived from international standards according to the dimensions of the balanced scorecard for analyzing the financial statements of the commercial banks sample of the study.

## **Limitations of the study:**

The study framed the current topic within spatial and temporal limits as follows:

### **Spatial limits of the study:**

1. This study was applied to a sample of commercial banks listed on the Iraq Stock Exchange. Banks were selected from the banking sector within the commercial banks listed on the Iraq Stock Exchange, namely (Bank of Baghdad, Assyria International Investment Bank, and Trans-Iraq Bank)
2. Time limits of the study: between 2017 and 2020.

## **Data collection sources**

We relied on electronic scientific websites, scientific libraries, and the dissertations, dissertations, and published research they contained to enrich the study with its theoretical and practical aspects, as well as international standards, published financial statements, laws, legislation, and instructions related to the study sample.

## **Attended by the customer**

The customer represents one of the basic pillars of the banking relationship. The importance of customers in banks comes because the customer is the one who generates profit for the bank, as this dimension measures the institution's performance with customers and market sectors through the use of some indicators such as market share, customer retention, customer profitability, and acquiring new customers ( Kaplan & Norton 1999:4) The importance of this dimension appears from the fact that customer values and profitability are the basic keys to the standards through which the organization can give a clear and understandable vision to customers, know and meet their needs and expectations, and gain their loyalty, which is reflected in the strength of competition, increased profits, and increased sales and market share ( 78: 2016, vayvay & calendar).

## **The first requirement: liquidity indicators**

Liquidity indicators are among the most important means through which liquidity management is supported in the bank to avoid bankruptcy and increase depositors' confidence in the bank and by working to create liquidity in the bank so that it can meet regular and sudden withdrawal movements.

**First: The cash balance ratio:** This ratio indicates the adequacy of quick cash assets in repaying deposits, i.e. the banks' reliance on liquid assets to cover deposits, and it is calculated by dividing the cash assets by the total deposits (Iraqi Financial Stability, 2016: 31).

$$\text{Cash balance} = (\text{cash on hand}) / (\text{total deposits}) \times 100$$

**Second: The legal liquidity ratio:** It is calculated by summing the primary reserves with the secondary reserves over the total deposits.

$$\text{Statutory liquidity ratio} = (\text{secondary reserves} + \text{primary reserves}) / (\text{total deposits})$$

**Third: Lending ratio:** It is calculated by dividing the total bank loans and advances by the total deposits.

Lending ratio = (loans and advances)/(total deposits) x 100 (Al-Karawi, 2012: 9).

Employing customer service to improve banking performance:

The customer is considered one of the most important basic pillars in the banking relationship. The importance of customers in the bank comes because the customer is the one who generates profits for the banks. The customer dimension is also an important source in the composition of the commercial bank, as this dimension reflects the markets and customers that banks rely on in competition among counterparts, and thus Maintaining the customer and gaining his satisfaction by providing advanced banking services that shorten the routine procedures and long time to obtain the desired service is extremely important. Moreover, the dimension of customers forces managers to determine in which area their banks excel? Who are the users of its products and services? As a preliminary step to defining goals and standards, financial institutions choose two sets of standards in the customer dimension (HANSON, etal. 408: 408, 2003). The first set represents general standards that enable banks to use them practically, while the second set of standards represents distinct performance measures for customer results. The question is what a bank must offer customers to achieve high levels of satisfaction, retention, acquisition, and market share. Performance measures measure the value propositions that banks are trying to present to target market segments and customers (Khalaf and Ismail, 2020: 137). They enhance opportunities for survival and growth as a result of the continuous development in the development of modern technologies that have led to the creation of new ways of providing banking services and products, and after what has been clarified The relationship between the customer dimension and Basel III, Camels, COBIT, and ISO standards in the process of improving banking performance has become such that we can present a set of important indicators that were concluded according to Table (1) below:

Indicator equation	Indicator name	
$\frac{\text{market value}}{\text{book value}}$	Bank value ratio	1
$\frac{\text{Previous-year-current accounts} - \text{Current-year-current accounts}}{\text{Current accounts for the previous year}} \times 100\%$	Current accounts index	2
$\frac{\text{Previous Year Savings Accounts} - \text{Current Year Savings Accounts}}{\text{Savings accounts for the previous year}} \times 100\%$	Savings accounts index	3

The customer dimension: The customer dimension focuses on achieving customer satisfaction and gaining continued loyalty, as interest in the bank's customers is an indicator of the bank's efficiency and success in maintaining its customers. To demonstrate the impact of applying modern international standards on the study sample, the researcher prepared customer dimension ratios to improve banking performance.

A- The banking institutional value ratio: - For the purpose of measuring the value of the banking institution, I use the Twain model (Tobin's Q), whose idea is summarized through the market value

to the book value. If the value of Tobin's Q reaches one or more correct points, this means a positive indicator that the value of the bank is higher than the value of its assets, and this indicates an increase in the market value of the bank's shares, in addition to being preferred by some as it provides a good picture of performance and profitability. However, if the value of Tobin's is less than the correct one, this gives a weak value to the bank, and the reason for this may be that it is affected by many internal and external factors that some banks go through, including financial, economic, and political conditions due to which they had a direct and negative impact on their value in terms of a decrease in market value. For these banks, or a decrease in net revenues, which is reflected in a decrease in stock prices, the Tobin's index is measured according to the following equation: by dividing the market value by the book value.

AITV- Market value (closing price x number of shares issued)

TABV - book value

Table (2): Results of calculating the bank's corporate value ratio in the study sample for the period (2017-2020).

Bank of Baghdad						
Average	2020	2019	2018	2017	Indicator equation	Indicator
0.2%	0.07	0.066	0.63	0.13	$\frac{\text{market value}}{\text{book value}}$	The bank's enterprise value ratio
Ashur International Bank						
0.15	0.15	0.14	0.12	0.2	$\frac{\text{market value}}{\text{book value}}$	The bank's enterprise value ratio
Trans-Iraq Bank						
0.5	0.54	0.53	0.6	0.5	$\frac{\text{market value}}{\text{book value}}$	The bank's enterprise value ratio

Source: Prepared by the researcher based on the annual reports of commercial banks, the study sample for the period (2017-2020).

Bank of Baghdad: The ratio of the market value to the share price of the Bank of Baghdad recorded its highest increase in the year (2018), reaching 0.63% compared to other years. The market value ratio decreased in the years 2017, 2019, and 2020, as it reached (0.13%, 0.066%, 0.07). % respectively

Ashur International Bank: The ratio of the market value to the share price of Ashur Bank recorded its highest increase in the year 2017, reaching 0.2% compared to other years. The ratio of the market value decreased in 2018, 2019, 2020, as it reached (0.12%, 0.14%, 0.15%). respectively

Trans-Iraq Bank: The ratio of the market value to the share price of Trans-Iraq Bank recorded its highest increase in the year 2018, reaching 0.6%. Through Table (2), it is clear to us that the highest average ratio achieved was for Trans-Iraq Bank, as the average ratio reached (0.5)% compared to With the other commercial banks in the study sample, the average percentage reached (0.2%, 0.15%)

for the banks in Baghdad and the Assyrian International Bank. It is clear from this analysis that the above banks all achieved a banking value of less than 1, which is a percentage

Weak confirms that the banks are in a stage of danger if the real value of their assets is less than the market value, and this ratio affects the degree of reassurance of investors to invest in these banks.

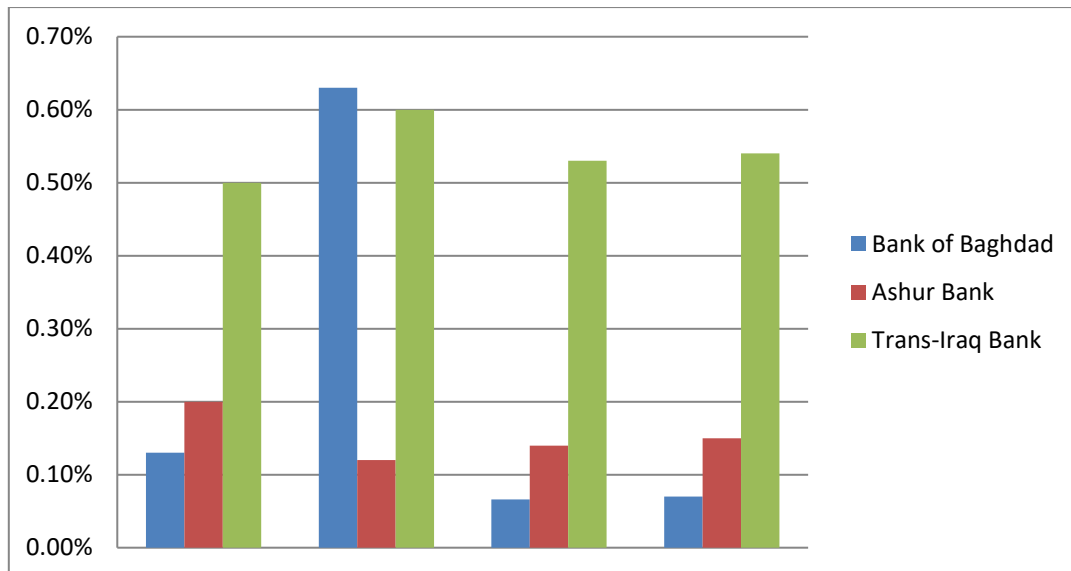


Figure (1) shows us the average banking institutional value ratio for the study sample for the period (2017-2020).

Source: Prepared by the researcher based on the financial statements of commercial banks, the study sample for the period (2017-2020)

B- Current accounts: Current accounts are of great importance to banks, as increasing the rate of development in current accounts increases the bank's ability to expand credit, allowing it to invest in them, as this bank's cash balance increases, and thus benefits from investing these amounts and achieving additional profits as well as The wages that some banks charge for the services they provide to customers, such as opening an account, issuing checks, and issuing a debit card. The development in the accounts is measured by dividing the current accounts for the current year minus the current accounts for the previous year divided by the current accounts for the previous year.

Table (3): Results of calculating the current accounts ratio of commercial banks in the study sample for the period (2017-2020).

Bank of Baghdad						
Average	2020	2019	2018	2017	Indicator equation	المؤشر
%13	44%	%5	%6.3	(5)%	$= \frac{\text{Previous current year accounts} - \text{Current current year accounts}}{\text{Previous current year accounts}} \times 100\%$	Current accounts

Ashur International Bank						
10%	(24)%	(25)%	119 %	(29)%	= $\frac{\text{Previous current year accounts} - \text{Current current year accounts}}{\text{Previous current year accounts}} \times 100\%$	Current accounts
Trans-Iraq Bank						
(19)%	29%	(23)%	15%	(96)%	= $\frac{\text{Previous current year accounts} - \text{Current current year accounts}}{\text{Previous current year accounts}} \times 100\%$	Current accounts

Source: Prepared by the researcher based on the annual reports of commercial banks, the study sample for the period (2017-2020)

Bank of Baghdad: The Bank of Baghdad's current accounts ratio recorded its highest increase in the year (2020), reaching 44% compared to other years. The current accounts ratio decreased in 2017, 2018, and 2019, as it reached ((5), 6.3%, 5%) over straight.

Assyria International Bank: Assyria International Bank's current account ratio recorded its highest increase in the year (2018), reaching 1.19% compared to other years. The current accounts percentage decreased in 2017, 2019, and 2020, as it reached ((29)%, (25) %, (24)%) respectively.

Trans-Iraq Bank: The proportion of current accounts of Trans-Iraq Bank recorded its highest increase in the year (2020), reaching 29% compared to other years. The proportion of current accounts decreased in 2017, 2018, 2019, as it reached ((96)%, 0.15%, (23)%), respectively, and through Table (23) it becomes clear to us that the highest average was for the Bank of Baghdad, as the percentage for the years of study reached 13%, compared to (10%, (19)%) for the banks Assyria International and Trans-Iraq Bank, as is clear from this analysis The Bank of Baghdad is the best and most efficient in finance in increasing the bank's ability to expand in granting credit and increase investments

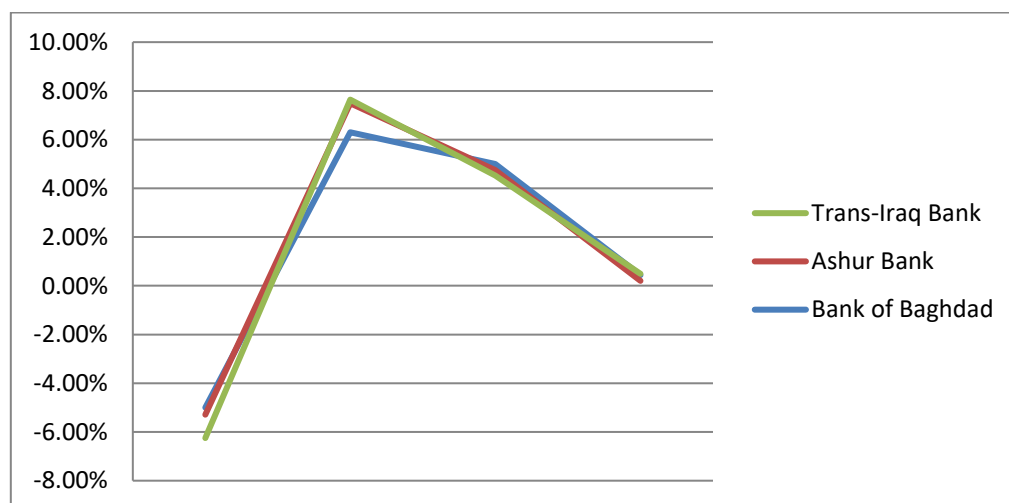


Figure (2) comparison of the current account ratio of commercial banks in the study sample for the period (2017-2020).

Source: Prepared by the researcher based on the annual reports of commercial banks, the study sample for the period (2017-2020).



C\_ Savings accounts: Savings accounts are one of the most liquid investments outside of demand and cash accounts. The growth rate in savings accounts can be measured through the savings accounts for the current year minus the savings accounts for the previous year over the savings accounts for the previous year.

Table (4) results of calculating the savings ratio for commercial banks in the study sample for the period (2017-2020).

Bank of Baghdad						
Average	2020	2019	2018	2017	Indicator equation	Indicator
31%	20%	31%	23%	49%	$= \frac{\text{Previous-Year Savings Accounts} - \text{Current-Year Savings Accounts}}{\text{Previous-Year Savings Accounts}} \times 100\%$	Savings accounts
Ashur International Bank						
41%	32%	80%	26%	26%	$= \frac{\text{Previous-Year Savings Accounts} - \text{Current-Year Savings Accounts}}{\text{Previous-Year Savings Accounts}} \times 100\%$	Savings accounts
Trans-Iraq Bank						
17%	34%	(22)%	76%	(19)%	$= \frac{\text{Previous-Year Savings Accounts} - \text{Current-Year Savings Accounts}}{\text{Previous-Year Savings Accounts}} \times 100\%$	Savings accounts

Source: Prepared by the researcher based on the annual reports of commercial banks, the study sample for the period (2017-2020).

Bank of Baghdad: The percentage of savings accounts for the Bank of Baghdad recorded its highest increase in the year (2020), reaching 20% compared to other years. The percentage of savings accounts decreased in 2017, 2018, and 2019, as it reached (49%, 23%, 31%) over Consecutive.

Assyria International Bank: The percentage of savings accounts for Assyria Bank recorded its highest increase in the year (2020), reaching 34% compared to other years. The percentage of savings accounts decreased in the years 2017, 2018, and 2019, as it reached ((19)%, 76%, (22)%, 34%), respectively.

Trans-Iraq Bank: The proportion of savings accounts for Trans-Iraq Bank recorded its highest increase in the year (2020), reaching 34% compared to other years. The proportion of savings accounts decreased in the years 2017, 2018, and 2019, as it reached ((19)%, 76%, (22)%), respectively, and through Table (24) it is clear to us that the highest average was for Assyria Bank, as the average percentage reached 41% compared to the other commercial banks for the study sample, as the average percentage reached (31%, 17%) for the Baghdad banks and Trans-Iraq Bank. It is clear from this analysis that Ashur Bank is the best, and this indicates that the bank has taken good steps to improve this ratio and that customers have accepted savings accounts, which indicates that the bank has increased the interest rate on these accounts because the high interest rate is considered an incentive to attract the customer.



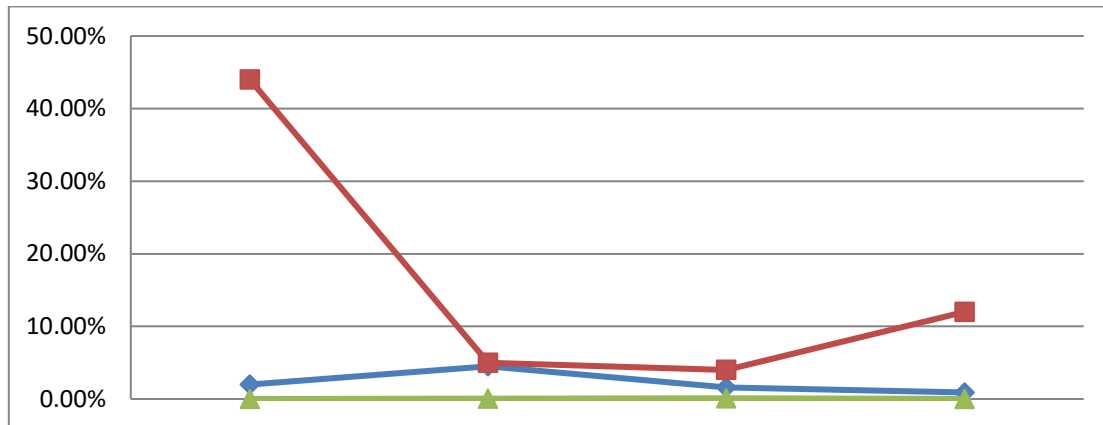


Figure (3) comparison of the percentage of savings accounts of commercial banks in the study sample for the period (2017-2020).

Source: Prepared by the researcher based on the annual reports of commercial banks, the study sample for the period (2017-2020).

### The second requirement: Second: Statistical analysis:

Coding the research variables as follows

A: The independent variable  $X=$

B- The dependent variable  $\hat{y}=$

Research hypothesis: This hypothesis stated that there was a significant effect of customers' perspective on the banking liquidity of the banks in the research sample, as simple linear regression was used to test the research hypothesis, shown in the equation below:

$$\hat{y}_1 = \alpha + \beta X$$

$$\hat{y}_1 = 105.842 + 0.889x$$

Sig.	T	Impact factor $\beta$	Independent variables
0.242	1.192	0.889	X
		105.842	c
		0.041	R Square
		1.421	f

Source: Prepared by the researcher based on the SPSSV.26 program

It is clear from the table above (7) that the coefficient of the fixed term was (0.889). If the independent variable was equal to zero, that is, in the absence of the customer perspective of the private sector banks in the research sample, then the value of bank liquidity was equal to (0.889), while the value of the calculated T was 1.192. When compared to its tabular counterpart of (2.750), we find that it is less than the tabular T, with a degree of freedom of (35). The coefficient of determination ( $R^2$ ) explained a value of (0.041) of the effects that occur in (banking liquidity), and these effects are the result of On the effect of the independent variable (customers' perspective of the banks in the research sample), while the other effects amounting to (.960) are due to other variables that were not included in this model.

The F test and the significance level (Sig) measure the significance of the model as a whole, as it is noted that the estimated model is not significant at a significance level of more than 5%. When comparing the calculated F with its tabular counterpart, we find that it is lower, as its value reached (1.421), while the tabular F reached (2.49). As for (the significance level, Sig. F) for the model as a whole represents (0.242), which is more than (5%) that the researcher assumed. Accordingly, the hypothesis of the model is rejected (the alternative hypothesis) and the null hypothesis is accepted (the null hypothesis). This is not consistent with what is expected for the study.

### **The third requirement: conclusions and recommendations:**

#### **First: conclusions.**

1. There is a noticeable weakness in the bank value index for all banks in the study sample, which confirms that the banks are in a stage of danger, as the real value of their assets is less than the market value, and this percentage affects the degree of reassurance of investors to invest in these banks.
2. Trans-Iraq Bank declined compared to the Bank of Baghdad and Assyria International in the current accounts index, which affects the bank's ability to expand in granting credit and increase investments.
3. -Assyria International Bank outperformed the banks of Baghdad and across Iraq in the indicators of savings accounts, the index of deposit accounts, and the index of the number of technological techniques directed at customer service, which indicates that the bank has taken good steps in improving these indicators and gaining customer loyalty, in addition to its advantage in the indicator of amounts spent. On customer services.

#### **Third: Recommendations**

1. All banks in the study sample are required to identify the causes of weakness in the bank value index with the aim of making investors feel reassured when they invest their money in these banks.
2. The need for Trans-Iraq Bank to pay attention to the current accounts index because this affects increasing the bank's ability to expand in granting credit and increasing investments.
3. The banks of Baghdad and across Iraq should pay attention to the indicators of savings accounts, the indicator of deposit accounts, and the indicator of the number of technological techniques directed at customer service, because these indicators help to gain customer loyalty, in addition to the preference of these indicators in the indicator of the amounts spent on customer services.

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