

THE GROWTH OF THE VOLUME OF DEPOSITS AND ITS IMPACT ON BANK CREDIT

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A B S T R A C T	K E Y W O R D S
<p>The research dealt with the growth of the volume of deposits and its impact on bank credit, as the research attention is focused on a sample of private Iraqi banks, and the research problem was to identify the growth of the volume of deposits and its impact on bank credit, and the research sought to achieve a number of cognitive goals based on a main hypothesis, so the research chose (5) banks to collect data and information related to the research and that the research period was (2012-2021) and in order to process the data, many financial and statistical methods were used (linear regression rate of change, and ANOVA analysis) statistical methods have produced a number of results, perhaps the most prominent of which is the presence of the significant impact of bank deposits on bank credit. In the context of discussing the results, the applied research emphasized the interest in the growth of the volume of deposits and its impact on bank credit, perhaps the most prominent of which is the continuous and permanent interest in analyzing deposits through the financial ratios used because of their major role in identifying the rate of change in deposits because of its impact on bank credit.</p>	

Introduction

Deposits are the most important sources of financing for commercial banks, so banks are keen to develop them, as it is a banking obligation that the bank must return to the depositor upon demand or according to the agreed terms, so banks must work to develop the volume of bank deposits by increasing customer confidence, which depends on the bank's good reputation and financial position, and the clear policy towards customers pushes customers to deposit their money in the bank with confidence and reassurance, so the large volume of deposits contributes to the bank's ability In granting credit, which varies according to its stability and postponement.

The banking system itself is a credit system due to the role of banks in evaluating and determining effective credit, and the increase in competition between banks has led to an increase in the volume of

credit facilities granted by them, accompanied by an increase in the volume of exposure to credit risks, and thus bank administrations can no longer deal with credit by traditional methods.

Therefore, the management of banks needs an appropriate method concerned with setting goals and strategies that can be expressed with appropriate indicators for the nature and conditions of the modern environment that direct management efforts towards the essential factors for the success of the bank, which result in achieving long-term economic benefits.

Based on the importance mentioned above came this research, which aims to identify the growth of the volume of deposits and its impact on bank credit to the reality of a number of private Iraqi banks as the research started from a basic problem of what the impact of the growth of the volume of deposits in bank credit and aims to measure deposits of banks sample research and included the research on the main hypothesis is (the presence of a significant effect of the volume of deposits in bank credit) and adopted financial statements and annual reports of banks sample research in the collection of data And the information on the applied side with the use of many statistical methods The results have produced an impact relationship for the growth of the volume of deposits in bank credit.

2- The concept and importance of bank deposits

Banks work to mobilize savings through current or savings bank deposits that form the basis in the field of lending or investment (Majumdar, N, 2010: 7) and the deposit is defined as (a money that someone deposits with the bank to be committed to return it to the depositor upon request or in accordance with the agreed terms and can also be defined as debts owed to their owners on the liability of commercial banks and can be used to discharge liability or debt at the same time (Abdul Hamid, 2000: 59) can also be defined as (money deposited by persons and institutions with commercial banks for the purpose of safety and often with the aim of obtaining interest and deposits are one of the basic banking business to perform other banking activities such as (lending and investment) and the deposit system depends on the confidence of the public banking (Abdul Hamid, 2010: 51) It is one of the most important sources of financing for banks that achieve profits, so banks compete to attract deposits by various means (good, 2011: 18)

2.1 Types of bank deposits

Deposits are classified according to different criteria, including deposits according to maturity, which can be classified into:

2.1.1 Time Deposits

Under this type of deposit, there is an agreement between the bank and the depositor, where a specific amount is deposited with the bank, which it may not withdraw before a certain date, and the bank also gives its customer a document of the deposited amount, and at the end of the period, the customer submits the document to the bank and receives the amount plus interest for the said period (Rashid, 2009: 349)

2.1.2 Deposits with notices (notification)

Under this type, customers deposit their money for different purposes such as investment, as the amounts deposited with the bank without specifying a specific period, but the withdrawal requires submitting a written request after a predetermined period to be agreed upon with the bank in implementation of the customer's desire, and the owners of these deposits charge interest on their deposits at rates close to interest rates on term deposits according to competition between banks and the term of the deposit (Abdullah, 2009: 130)

2.1.3 Savings deposits

Under these deposits, an agreement is made between the bank and the customer to deposit an amount of money to obtain interest, and the customer has the right to withdraw the deposit at any time without prior notification, and savings deposits are mainly targeted at professionals and middle-income customers to help them deposit their small savings, and it is characterized by ease of opening an account and the possibility of depositing at any time (Somashekar, 2009: 5)

3- The concept of bank credit

Credit is defined as the granting of an amount of money to a person, whether an individual or a business company, to be used for a specific purpose and within a pre-agreed period of time and under certain conditions in return for a material return and guarantees that enable the bank to recover its loan in the event that the customer stops paying (Khatib, 2004: 4).

It is also defined as the supply of money from the bank to the borrower in the form of loans to an individual, government, or organization (Josephine, 2010:46).

Bank credit is the trust that a bank gives to a customer when it puts at its disposal a sum of money for use in specific areas and for an agreed period (Abdul Hamid, 2007: 144).

Bank loans are classified according to activity or purpose (consumer, productive, and investment loans), according to collateral (guaranteed, unsecured) and according to the term (short, long-term) (Bouatros, 2000:41).

The importance of granting credit to projects for the purposes of expansion or making new investments in order to achieve the goals of economic development that contribute to increasing production and providing employment opportunities in society (Ademuv, A., 2006: 8).

Various economic activities receive credit to enable them to meet operating expenses for the purchase of machinery and equipment.

Government agencies receive credit for capital expenditures (Adeniyi, 2006:6).

The bank's credit policy, which is set by the senior management of the bank, has a major role in directing credit, according to which the areas of use of funds intended for lending are determined according to specific rules and conditions and guarantees for the safety of the loan, which aims to achieve returns (Al-Ali, 2013: 149) and it also contributes to planning and controlling goals, as their absence leads to differences in the basis of decision-making.

Therefore, the credit policy must be clear and written for all interested and stakeholders (David, Charles, 2001: 55) and the credit policy specifies a review of the company's performance to expand the extension of credit privileges (Franklin, 2010: 5).

-4 Research hypotheses

By relying on the research outline and the nature of the relationship between the independent variable and the dependent variable, the following hypotheses have been formulated :

The main hypothesis / there is a relationship between the deposit impact of credit Banking

5- Research sample and tools

A sample of Iraqi private banks, which number (5) banks, was selected because they have shares that are traded in the stock market and have a long history in the field of banking and have used financial and statistical means to determine relationships and test hypotheses, including (financial ratios, and test (F))

6 – Research limits

A. Spatial boundaries

The research was applied in the Iraqi banking sector and included five of the Iraqi private banks, namely (Middle East Bank, Commercial Bank of Iraq, Iraqi Credit Bank, United Investment Bank, Gulf Commercial Bank,) in Iraq / Baghdad

B- Time limits:

The period of time between (2012-2021), which relates to the financial statements of private commercial banks, was approved, as the financial statements, statements and annual reports of each of the banks of the research sample were approved.

7. Analyze data and discuss results

This paragraph is devoted to presenting the results of the research and analysis using financial measures for all research variables and testing research hypotheses.

Table (1) Total bank deposits for the research sample for the period 2012-2021 (millions of dinars)

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Year bank
159989	272760	146614	135132	134713	121221	90506	121063	96691	112077	Iraqi Commercial Bank
294799	152234	69438	128221	103903	139124	228902	186156	349519	246693	United Bank for Investment
204966	180767	201579	232934	265803	427200	370218	455212	417143	260780	Gulf Bank
159111	217501	208358	162366	144170	179282	157787	311749	380529	354914	Iraqi Credit Bank
278784	266696	279215	437921	332579	326517	331665	358117	551856	615784	Middle East Bank

Source / annual report of banks, research sample

Table (1) shows the total bank deposits of banks in the research sample for a period of 10 years. Deposits varied during the years, as they ranged between high and low. The same is the case between banks, with clear fluctuation. Deposits in the above table for all banks, where the United Bank for Investment and the Gulf Bank enjoyed a good level of deposits and achieved a balance with the level of credit shown in Table (3), while the Iraqi Credit Bank did not achieve a balance between deposits and credit, although its deposits are of a high level, but they are It does not match the credit granted, which means that it is not the best investment for deposits

Table (2) Growth of bank deposits for the research sample for the period 2012-2021 (%)

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Year bank
-0.41	0.86	0.09	0.01	0.11	0.34	-0.25	0.25	-0.14	0.34	Iraqi Commercial Bank
0.94	0.19	-0.46	0.23	-0.25	-0.39	0.23	-0.47	0.42	-0.18	United Bank for Investment
0.13	-0.10	-0.13	-0.12	-0.38	0.15	-0.19	0.09	0.60	0.20	Gulf Bank
-0.27	0.04	0.28	0.13	-0.20	0.14	-0.49	-0.18	0.07	0.36	Iraqi Credit Bank
0.04	-0.04	-0.36	0.32	0.02	-0.02	-0.07	-0.35	-0.10	0.22	Middle East Bank

Source / annual report of banks, research sample

Table (2) shows the growth of the volume of bank deposits of the research sample banks during 10 years, as the clear fluctuation between banks, as well as during the years, with rise and fall, which means instability or lack of a clear strategy for these banks in attracting deposits

Table (3) Total bank credit for the research sample for the period 2012-2021 (millions of dinars)

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Year bank
27136	18840	11446	11932	10789	9903	9101	7154	3956	23110	Iraqi Commercial Bank
149013	118842	252215	341001	329052	272651	324228	381490	537759	383970	United Bank for Investment
112006	127002	144623	171492	204274	287550	330993	288100	286574	214344	Gulf Bank
6937	7476	8085	8085	8355	2930	6644	1228	2531	7458	Iraqi Credit Bank
84550	85136	94051	94572	100252	126346	149924	187865	208867	198350	Middle East Bank

Source / annual report of banks, research sample

Table (3) shows the total bank credit of banks in the research sample for a period of 10 years. Credit has varied during the years, as it ranged between high and low. The same is the case between banks, as there is clear fluctuation. The credit level was achieved with the United Bank for Investment, followed by the Khaleeji Commercial Bank, but the lowest credit level was only achieved with the Iraqi credit

Table (4) Bank credit growth for the research sample for the period 2012-2021 (%)

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Year bank
0.44	0.65	-0.04	0.11	0.09	0.09	0.27	0.81	-0.83	1.79	Iraqi Commercial Bank
0.25	-0.53	-0.26	0.04	0.21	-0.16	-0.15	-0.29	0.40	0.37	United Bank for Investment
-0.12	-0.12	-0.16	-0.16	-0.29	-0.13	0.15	0.01	0.34	1.44	Gulf Bank
-0.07	-0.08	0	-0.03	1.85	-0.056	4.41	-0.51	-0.66	-0.26	Iraqi Credit Bank
-0.01	-0.01	-0.01	-0.05	-0.21	-0.16	-0.20	-0.10	0.05	2.34	Middle East Bank

Source / annual report of banks, research sample

5- Test research hypotheses

Through the simple linear regression to know the impact relationships of the relationship between the deposit impact of credit Banking and the value of (F) calculated (4.894) and moral (0.032) which indicates that there is a significant impact of the deposit impact of credit Banking the coefficient of determination (R²) tables (5,6) below show the results

Table (5) form summary

Model Summary^b

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.304 ^a	.093	.074	129886.360	.093	4.894	1	48	.032	1.985

a. Predictors: (Constant), X1

b. Dependent Variable: X2

Table (5) shows a summary of the model. As noted, the (Durbin-Watson) value is a good value, as it is an average value and is close to (2), meaning that the errors of successive observations are independent of each other, which is the test of independence

Table (6) Test Value (F)

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8257202477 2.297	1	82572024772 .297	4.894	.032 ^b
Residual	8097823985 45.783	48	16870466636 .370		
Total	8923544233 18.080	49			

a. Dependent Variable: X2

b. Predictors: (Constant), X1

Table (6) shows the (F) test, and as noted, its value is (4.894), with a significance of (0.032), which is greater than the tabular value of (4.08), and at a significant level (0.05), which means that there is a significant effect of deposits in bank credit

8- Conclusions

This paragraph aims at the most important conclusions of the research from the analysis and testing of hypotheses. Therefore, the following conclusions have been reached:

The research indicated that the employment of loans in relation to assets was below the required level for the banks, the research sample, which is a negative indicator that leads to the freezing of funds without investment, although the Banking Law No. 94 of 2004 encourages banks to increase the credit granted to the economic sectors and advance them for the benefit of the economy, and there must be a balance between the total loans And total deposits, as we note some of the banks in the research sample were of high risk.

An effect relationship indicates the growth of the volume of deposits in bank credit, and this came in conformity with the main research hypothesis. Therefore, the need for the research sample banks to determine the different levels of credit and to stand on the size of the credit portfolio, because of the proper employment and investment of credit. Non-performing loans should be avoided through extensive study and analysis of credit granted to banks to avoid risks and loss of loans and credit. - Banks must strike a balance between granted credit and deposits to avoid high risk or freezing of capital. It also requires banks to pay attention to analyzing deposits and credit, which contributes to determining the bank's competitiveness in The financial market and the enhancement of the market value and thus its reflection in the bank's reputation.

It also requires credit analysis for each bank and the role of each element of credit that leads to a credit portfolio of high quality. .

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