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Abstract

These aim to measure the impact of financial liberalization on the bank’s value for a sample of Iraqi banks listed on the financial market for the period (2011-2017). Quarterly data was used for a sample consisting of 20 banks to form a dashboard with a total of 560 views per variable. In return, five were used. Variables: (credit growth rate and deposit growth rate) are independent variables that express financial liberalization, (traded value, market value and book value) as dependent variables that express the bank’s accounting and market value, and by using the Panel Least Squares model, it was concluded that financial liberalization has an effect Positive for the value of the bank, and the study recommends that the monetary authorities implement more liberalization accompanied by the use of more stringent supervision tools.

Keywords

Supervision Tools, Financial Liberalization, Banking Services.

Introduction

The economic literature confirms that bank liberalization enhances financial development and contributes to achieving its highest level in the long run. However, this does not mean that banking liberalization has no negative effects, as it may lead to banking crises. Nevertheless, there are studies that have proven that banking liberalization leads to
encouraging competition and increasing the bank's incentives to take risks and achieve banking stability (Cubillas and González, 2014), which reflects positively on the banking value, and that removing restrictions and liberalizing the banking market will reduce the opportunity cost lost, which improves the stability and value of the bank, noting that the current literature confirms that banks tend to reducing its lending standards when the market is more stable (Chen, 2005), and that the financial liberalization process will have very large effects on banks, both positive and negative, and the type of relationship depends on the availability of an environment that helps the success of the financial liberalization process, so these effects will be reflected on the solvency of the bank, the solvency of borrowers, administrative factors and a lot of other indicators, especially the value of the bank, whether it is book, market or traded, and banks play a fundamental role in the process of presenting Credit and other banking services. Therefore, the source of concern that arises between borrowers and depositors in light of financial liberalization processes is the effect on the costs of that credit, which is reflected in banking indicators, especially the value of the bank (Zaim, 1995).

The impact of the liberalization of the banking sector in developing countries is the subject of concern by many researchers because many developing economies have opened their credit markets in order to contact the most efficient foreign banks and benefit from their successful experiences. However, these economies were subjected to financial and economic crises after the liberalization processes that took place. The fear of liberalization has increased, but policy-makers have worked to weaken the liberalization character of these economies (Ferraris and Minetti, 2013).

Most of the developed and developing countries of the world have moved towards liberalizing their financial and banking system and have taken a set of measures to achieve this, especially raising or lowering the interest rate, reducing compulsory reserve requirements and entry barriers, reducing government interference in decisions related to credit and privatizing many banks and insurance companies as well as developing local financial markets and facilitating the entry of foreign financial intermediaries (Demirgüç-Kunt and Detragiache, 1999). Banks can reduce risks in light of banking liberalization to resort to Merger operations, whether internally or externally, which strengthens the financial position of the bank and makes it financially better as well as better than c Fund investments based on the principle of (Do not put eggs in one basket) (Amihud and et al, 2002: Kalari, 2020), and it can be said in theory that financial liberalization reduces financing constraints and improves the risk-sharing process, which enhances investments as well as its positive impact on the progress and development of financial work. However, there may be distortions that reduce the positive effects of
liberalization as inconsistent information leads to poor distribution of capital and weak financial and legal systems that will transfer capital to countries with better institutions, in addition to the occurrence of banking crises with the financial liberalization process (Bonfiglioli and Mendicino, 2004). There have been explicit institutional disasters after financial liberalization processes, and an example is (Chile Argentina, Indonesia, Colombia, Nigeria, Sweden, Venezuela and Norway (Angkinand and et al, 1997) in addition to the Asian Tigers crisis and other crises), most of which occurred due to financial liberalization processes and ended in big banking crises. In order to understand the issue more accurately, a distinction should be made between economic insolvency and institutional failure. Banking failure can be defined through a comparison between the value of assets and the market value, where if the value of the assets exceeds the market value, there will be a warning indicator of bank failure (Fischer and et al, 2010).

The existence of a competitive environment in light of financial liberalization processes should improve the bank’s position, reduce its costs, increase its indicators, whether accounting or market, as well as increase its competitiveness, and all this happens because of the optimal allocation of resources and the exit of banks that cannot compete (Williams and Nguyen, 2005), the globalization of the sector Financial has gained additional momentum as a result of financial liberalization as foreign participation helps in the process of financial development and improvement (Lee and et al, 2002), and empirical studies have shown that financial liberalization can help developing countries develop their banking and financial systems and facilitate companies' access to mature financial markets (González and González, 2010), and there is literature that confirmed that financial liberalization benefits banks whose activities are adapted to the international environment, but it will be at the expense of banks whose activities are adapted to the local environment, so foreign banks will be more efficient than local banks. On the other hand, there could be a negative impact of liberalization. If it reallocates credit from non-commercial goods to commercial goods (Ferraris and Minetti, 2013), and some studies indicated that banking liberalization will improve the bank’s capital, which will be reflected in this. Positively on the value of the bank (Mehran and Thakor, 2011), and some studies focus on studying the relationship between financial liberalization and banking crises, as some of them emphasized that financial liberalization accompanied by weak regulation and supervision will ultimately lead to a crisis. Therefore, regulation and supervision has become a basic requirement in the process of financial liberalization, and most literature talks about liberalization to a degree. Incomplete because the relationship between banking crises and complete financial liberalization is represented by the letter U (Angkinand and et al, 1997).
The Relationship between Financial Liberalization and Bank Value

Financial liberalization is a deliberate attempt to move away from financial repression as a policy that is used to finance government financial imbalances and support priority sectors, as most countries witnessed before financial liberalization the application of financial repression that leads to forcing institutions to pay low and often negative real interest rates. Which works to reduce private financial savings and reduce the available resources that finance the accumulation of capital (Demirgüç-Kunt and Detragiache, 1999), and banking liberalization is represented by increasing the annual average of deposits and the annual average of credit, as these rates increase whenever the country has a strong supervision system and a less protection system, despite the presence of positive effects of conditional financial liberalization, but the matter is punctuated by an increase in risks that could turn into a banking or financial crisis (González and González, 2010). The presence of a strong supervision system will hide the risks that may accompany financial liberalization processes, which will be reflected positively on indicators The accounting and market bank, where figure (1) represents the relationship between financial liberalization represented (by credit growth rate X1 and deposit growth rate X2) and the growth rate of the bank’s traded value Y1 in the market Iraq Financial, where it appears that there is a clear direct relationship during the study period.

Figure 1: The relationship between the rate of credit growth, the growth rate of deposits and the growth rate of the traded value of the study sample for the period (2011-2017)

Source: From the researcher’s work, depending on:


It is noticed by reading Figure (2) that there is a positive relationship between indicators of financial liberalization represented (by the rate of credit growth X1 and the growth rate of deposits X2) and the growth rate of the market value Y2 for a sample of 20 banks and during the period of the study, where the behavior of the curves can be clearly seen in the figures Individual banks.

Figure (3) shows the relationship between financial liberalization represented (by the growth rate of credit X1 and the growth rate of deposits X2) and the growth rate of the book value of the bank Y3 in the Iraqi financial market, as most of the individual forms of banks showed the study sample that there is a positive relationship between financial liberalization and the bank’s book value during a period studying.
Figure 3 The relationship between the rate of credit growth, the growth rate of deposits and the growth rate of the traded value of the study sample for the period (2011-2017)

Source: From the researcher's work, depending on:

Methodology

Unit Root Tests

The unit root tests are the first step to check the stability of the data, the data must be fixed at the original level in order to proceed with the application for the assessment of the tablet (Hussaini, 2020), The presence of the unit root can lead to inaccurate results due to a false regression of the variables, so it must be ensured that the unit root is not present and there is a set of tests for the tablet data, namely:

- Levin, Lin and Chu (LLC) Test

The LLC test or those who proposed the unit root test for tablet data through the series of works they presented in (1992, 1993 and 2002) have started from the unit root tests for time series, and they have developed three models for the unit root test (Levin, Lin and Chu, 2002), and in general, and in the case of a self-correlation between the residuals, the LLC test is built on the basis of (Augmented Dickey - Fuller Test), as this test allows placing the residues in the known distributions of the individual t-statistic and it is called the first-generation tests and the models take the following form (Khraief and et al, 2020):

\[
\Delta y_{l,t} = P y_{l,t-1} + \sum_{s=1}^{pt} y_{l,s} \Delta y_{l,t-s} + U_{l,t} \ldots \ldots \ldots (1)
\]
\[
\Delta y_{i,t} = a_i + \Delta y_{i,t-1} + \sum_{s=1}^{pt} y_{i,s}\Delta y_{i,t-s} + U_{i,t} \quad \ldots \ldots \ldots (2)
\]

\[
\Delta y_{i,t} = a_i + \beta_{i,t} + \Delta y_{i,t} + P y_{i,t-1} + \sum_{s=1}^{pt} y_{i,s}\Delta y_{i,t-s} + U_{i,t} \quad \ldots \ldots \ldots (3)
\]

As:

\[
[u_{i,t} \sim i. d(0, \sigma^2 u. i)]
\]

- **Im, Pesaran and Shin test**

IPS presented a model for the unit root test for the tablet data through their study in 1997, which is unlike the LLC test where the IPS test allows for the heterogeneity of the value of \( P_i \) under the alternative hypothesis and the formula for this model is as follows (Strauss and Yigit, 2003):

\[
\Delta y_{i,t} = a_i + P y_{i,t-1} + \sum_{z=1}^{pt} \beta_{i,z}\Delta y_{i,t-z} + \epsilon_{i,t} \quad \ldots \ldots \ldots (4)
\]

As:

\[
H_1: P_i < 0 \quad H_0: P_i = 0
\]

The IPS test is based on the Augmented Dickey - Fuller statistic that is averaged by groups, and therefore the IPS statistic that is relied upon in the unit root test for the tablet data is (Hurlin and Mingnon, 2007):

\[
t_{bar_{NT}} = \frac{1}{N} \sum_{i=1}^{N} t_{p_{it}} \quad \ldots \ldots \ldots (5)
\]

As:

\((t_{p_{it}})\) : the individual statistic that relates to the (t) statistic associated with the null hypothesis.

In the absence of the self-correlation of errors, IPS indicates that this average statistic follows the natural law in the case of \((T.N \rightarrow \infty)\). Therefore, IPS has defined a standard statistic \(W_{t_{bar}}\writes in the following form (Hurlin and Mignon, 2007).

\[
W_{t_{bar}} = \frac{\sqrt{N}[t_{bar_{NT}} - N^{-1} \sum_{i=1}^{N} E[t_{TR}(p_i, 0) / p_i = 0]]}{\sqrt{N^{-1} \sum_{i=1}^{N} Var[T_{TR}(p_i, 0) / p_i = 0]}} \quad \ldots \ldots \ldots (6)
\]
• Test Wu and Maddala

This test is an illustration of the Fisher test that he came up with in (1932), as the test (Wu and Maddala, 1999) depends on a combination of the significant levels of the study sample. If \( P_i = F_{t_i}(G_i) \) then the (p-value) related The statistic of \( G_i \) is a test statistic for the null hypothesis of the unit root, \( F_{t_i} \), it is a function of statistical density \( G_i \) with respect to the time dimension \( F_{t_i} \), and Wu and Maddala developed the statistic for this test (Ateriou and Hall, 2011):

\[
P = -2 \sum_{i=1}^{N} \ln p_i \quad \ldots \ldots \ldots \ldots \ldots (7)
\]

As the Wu and Maddala statistic follows the distribution of \((X^2)\) squared the degree of freedom in the case of \( (T \rightarrow \infty) \), and therefore if the result of this statistic is greater than the value of \((X^2)\) by squaring the degree of freedom, the null hypothesis is rejected and the alternative hypothesis is accepted and the opposite happens in the case of Since the Wu and Maddala statistic is less than the hypothesis \((X^2)\) will be accepted, accepting the null hypothesis and rejecting the alternative hypothesis.

Basic Forms for Analyzing Tablet Data

The general format for tablet data forms is:

\[
y_{i,t} = \beta_0(i) + \sum_{j=1}^{k} \beta_j X_{j(i,t)} + \varepsilon_{i,t} \quad \ldots \ldots \ldots (8)
\]

The general formula is divided into three forms for tablet data:

• Pooled Regression Model PM

The PM model is one of the simplest models for tablet data, in which all the parameters \( \beta_0(i) \) and \( \beta_j \) are constant and over the length of time, it is a model that neglects the effect of time.

\[
y_{i,t} = \beta_0 + \sum_{j=1}^{k} \beta_j X_{j(i,t)} + \varepsilon_{i,t} \quad \ldots \ldots \ldots (9)
\]

Since \( E(\varepsilon_{i,t}) = 0 \) and \( \text{var}(\varepsilon_{i,t}) = \sigma^2_{\varepsilon} \), this means using Ordinary Least Squares (OLS) to estimate the model parameters (Hsiao, 2003).
• Fixed Effects Model (FEM)

What is meant by the term fixed effects is that the parameter $\beta_0$ is constant for each cross-sectional data set that does not change over time, and the change is reduced to the cross-sectional data sets. This model is used in order to know the behavior of each group of cross-sectional data in isolation from the other groups. This is achieved by making a parameter $\beta_0$ varies from group to group, with the slope coefficients $\beta_j$ remaining constant for each cross-sectional data set. Thus, the formula for the clustered FEM model becomes:

$$y_{lt} = \beta_0(i) + \sum_{j=1}^{k} \beta_j X_{j(l,t)} + \varepsilon_{l,t} \quad \ldots \ldots \ldots (10)$$

As: $E(\varepsilon_{l,t}) = 0$ and $\text{var}(\varepsilon_{l,t}) = \sigma^2_\varepsilon$

In order to estimate the parameters of the model in equation (10) and allow the segment parameter $\beta_0$ to change through the sectional sums, dummy variables of (n-1) are used in order to avoid the occurrence of complete linear multiplicity. This is why this model is called (LSDV) (Least Squares Dummy Variable), After adding the dummy variable, the formula becomes Clatic:

$$y_{lt} = a_1 + \sum_{d=2}^{N} a_d D_d + \sum_{j=1}^{k} \beta_j X_{j(l,t)} + \varepsilon_{l,t} \quad \ldots \ldots \ldots (11)$$

As: $a_1 + \sum_{d=2}^{N} a_d D_d$

The change in the sectional totals of the segment parameter $\beta_0$.

• Random Effects Model (REM)

The stochastic effects model differs from the fixed effects model as this model deals with the sectional and temporal effects as random features and not fixed features, as this model assumes that the sectional and temporal effects are independent random variables with an arithmetic mean equal to zero and a specified variance, and they are added as random components with a rate Its amount $\mu$ any that:

$$\beta_0(i) = \mu + V_i \quad \ldots \ldots \ldots (12)$$

Equation (12) is substituted in equation (11). A formula for the random effects model is obtained and the following two types:
\[ y_{i,t} = \mu + \sum_{j=1}^{k} \beta_j X_{j(i,t)} + V_i + \epsilon_{i,t} \quad \ldots \ldots (13) \]

As:

\( V_i \): The error limit in the sectional data set \( i \), and because of the presence of two error components (\( V_i \) and \( \epsilon_{i,t} \)), it is called (Error Components Model), and Generalized Least Squares (GLS) method is used because using the OLS method will give results It is imprecise and has incorrect standard errors, and this will affect parameter testing (Cameron and Trivedi, 2005).

**Choosing the Appropriate Model**

After performing the previous tests, we must choose the best models in order to be approved in the analysis, and accordingly, two tests will be used in order to differentiate between the models, namely:

- **Restricted F test**

  The constrained F test helps in the comparison between the combined regression model PM and the fixed effects FEM model, which can be reached by the following formula (Green, 2012):

  \[
  F(n - 1, nT - n - K) = \frac{(R_{FEM}^2 - R_{PM}^2)/(n - 1)}{1 - R_{FEM}^2/(nT - n - K)} \quad \ldots \ldots (14)
  \]

- **Hausman Test**

  This test is used to make a comparison between the fixed effects model and the random effects model, as it is based on the difference between them and expresses the extent to which the individual effect is related to the variables. Namely:

  - \( H_0 \): The null hypothesis states that the random effects model is the best
  - \( H_1 \): The alternative hypothesis, which states that the fixed effects model is the best model

  The Hausman test formula can be included in the following:

  \[
  H = (\hat{\beta}_{FEM} - \hat{\beta}_{REM})[\text{var}(\hat{\beta}_{FEM}) - \text{var}(\hat{\beta}_{REM})]^{-1}(\hat{\beta}_{FEM} - \hat{\beta}_{REM}) \quad \ldots \ldots (15)
  \]

  If the calculated Hausman test value is greater than the tabular or the Chi-Sq value is. statistic, the null hypothesis is rejected and the alternative hypothesis is accepted. If it is the opposite, the null hypothesis is accepted and the alternative hypothesis is rejected.
Results Analysis

Unit Root Test Results

All tests showed that the data at the original level of data I (0) and for all variables during the study period, as Table (1) shows the results of the tests (Im, Pesaran and Shin, ADF - Fisher Chi, PP - Fisher Chi-square), which proved that the data of all variables Stable to the original level.

Table 1 Results of static tests for tablet data for the period (2011-2017)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Method</th>
<th>Statistic</th>
<th>Prob.**</th>
<th>sections</th>
<th>Obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>y1</td>
<td>Im, Pesaran and Shin W-stat</td>
<td>-5.2265</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>ADF - Fisher Chi-square</td>
<td>92.7308</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>PP - Fisher Chi-square</td>
<td>97.5804</td>
<td>0</td>
<td>20</td>
<td>540</td>
</tr>
<tr>
<td>y2</td>
<td>Im, Pesaran and Shin W-stat</td>
<td>-4.756</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>ADF - Fisher Chi-square</td>
<td>88.2665</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>PP - Fisher Chi-square</td>
<td>144.373</td>
<td>0</td>
<td>20</td>
<td>540</td>
</tr>
<tr>
<td>y3</td>
<td>Im, Pesaran and Shin W-stat</td>
<td>-4.38564</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>ADF - Fisher Chi-square</td>
<td>84.1988</td>
<td>0.0001</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>PP - Fisher Chi-square</td>
<td>94.7701</td>
<td>0</td>
<td>20</td>
<td>540</td>
</tr>
<tr>
<td>x1</td>
<td>Im, Pesaran and Shin W-stat</td>
<td>-4.00866</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>ADF - Fisher Chi-square</td>
<td>85.3694</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>PP - Fisher Chi-square</td>
<td>66.847</td>
<td>0.0049</td>
<td>20</td>
<td>540</td>
</tr>
<tr>
<td>x2</td>
<td>Im, Pesaran and Shin W-stat</td>
<td>-3.89326</td>
<td>0</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>ADF - Fisher Chi-square</td>
<td>76.712</td>
<td>0.0004</td>
<td>20</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>PP - Fisher Chi-square</td>
<td>117.051</td>
<td>0</td>
<td>20</td>
<td>540</td>
</tr>
</tbody>
</table>

Source: Test results obtained with EViews 10

The Results of Analyzing the Basic Models for the Tablet Data

Table (2) shows the results of testing the three panel regression models of the effect of financial liberalization on the bank’s traded value. Through the comparison between them, the results prove that the random effects model is the best appropriate model. Trading at a moral level of less than 5%, while the results also demonstrated that the credit growth has no effect on the bank’s traded value, and the reason for this may be due to the low granting of credit by private banks due to the deterioration of the security situation and political and economic instability during the study period.
Table 2 Results of testing the regression models for the traded value variable for the period 2011-2017

<table>
<thead>
<tr>
<th>Sample: 2011Q1 2017Q4</th>
<th>Periods included: 28</th>
<th>Cross-sections included: 20</th>
<th>Total panel (balanced) observations: 560</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Pooled Regression Model</td>
<td>Fixed Effects Model</td>
<td>Random Effects Model</td>
</tr>
<tr>
<td>C</td>
<td>2.34732</td>
<td>0.55629</td>
<td>4.21956</td>
</tr>
<tr>
<td>X1</td>
<td>-0.00084</td>
<td>-0.00062</td>
<td>-0.55966</td>
</tr>
<tr>
<td>X2</td>
<td>0.01429</td>
<td>0.00663</td>
<td>2.22931</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.009531</td>
<td>0.112575</td>
<td>0.010683</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.005975</td>
<td>0.077936</td>
<td>0.007131</td>
</tr>
<tr>
<td>F-statistic</td>
<td>2.679985</td>
<td>3.249937</td>
<td>3.007413</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.069448</td>
<td>0.000002</td>
<td>0.050223</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>61.51868</td>
<td>Chi-Sq. Statistic</td>
<td>0.298609</td>
</tr>
<tr>
<td>d.f.</td>
<td>19</td>
<td>Chi-Sq. d.f.</td>
<td>2</td>
</tr>
<tr>
<td>Prob.</td>
<td>0</td>
<td>Prob.</td>
<td>0.8613</td>
</tr>
</tbody>
</table>

Source: test results obtained using EViews 10

Table (3) shows the results of the regression test of the three panel data for the effect of financial liberalization on the market value of the bank, and through the comparison between models of aggregate effects, fixed effects and random effects, the results proved that the random effects model is the best appropriate model, and through the results of this model it appears that there is an effect A significant negative impact of the growth of deposits on the market value at a significant level of 5%, while the results demonstrated the existence of a significant negative impact of the growth of credit on the market value of the bank at a level of less than 5% for the period 2011-2017.

Table 3 Results of testing the regression models for the market value variable for the period 2011-2017

<table>
<thead>
<tr>
<th>Sample: 2011Q1 2017Q4</th>
<th>Periods included: 28</th>
<th>Cross-sections included: 20</th>
<th>Total panel (balanced) observations: 560</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Pooled Regression Model</td>
<td>Fixed Effects Model</td>
<td>Random Effects Model</td>
</tr>
<tr>
<td>C</td>
<td>0.13830</td>
<td>0.03515</td>
<td>3.93382</td>
</tr>
<tr>
<td>X1</td>
<td>0.00020</td>
<td>0.0001</td>
<td>2.20835</td>
</tr>
<tr>
<td>X2</td>
<td>0.00082</td>
<td>0.00040</td>
<td>2.04074</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.015531</td>
<td>0.10044</td>
<td>0.016815</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.011996</td>
<td>0.065327</td>
<td>0.013285</td>
</tr>
<tr>
<td>F-statistic</td>
<td>4.393707</td>
<td>2.860472</td>
<td>4.7632</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.012786</td>
<td>0.000026</td>
<td>0.008889</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>50.30971</td>
<td>Chi-Sq. Statistic</td>
<td>0.752117</td>
</tr>
<tr>
<td>d.f.</td>
<td>19</td>
<td>Chi-Sq. d.f.</td>
<td>2</td>
</tr>
<tr>
<td>Prob.</td>
<td>0.0001</td>
<td>Prob.</td>
<td>0.6866</td>
</tr>
</tbody>
</table>

Source: test results obtained using EViews 10
Table (4) shows the results of testing the regression models of the three panel data for the effect of financial liberalization on the book value of the bank. The market value is at a significant level of less than 5%, while the results also proved the existence of a significant negative impact of the growth of credit on the market value of the bank at a level less than 1% during the study period.

Table 4 Results of testing the regression models for the book value variable for the period 2011-2017

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pooled Regression Model</th>
<th>Fixed Effects Model</th>
<th>Random Effects Model</th>
</tr>
</thead>
<tbody>
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<td>X2</td>
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<td>R-squared</td>
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<td>Adjusted R-squared</td>
<td>0.034696</td>
<td>0.066123</td>
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<td>F-statistic</td>
<td>11.04604</td>
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<td>11.78511</td>
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<td>Prob(F-statistic)</td>
<td>0.00002</td>
<td>0.000022</td>
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<td>Cross-section Chi-square</td>
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<td>0.71978</td>
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<td>d.f.</td>
<td>19</td>
<td>2</td>
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<tr>
<td>Prob.</td>
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<td>0.6978</td>
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Source: test results obtained with EViews 10

Conclusion

The financial sector in Iraq witnessed a set of measures aimed at liberalization processes in order to develop this sector and make it more competitive and benefit from the experiences of international institutions and investments as a first step towards the launch of the development of other economic sectors and the economy as a whole and to achieve continuous and increasing growth rates, and through the results of this study that proved the existence of An indirect effect of financial liberalization on private banks, which have witnessed clear competition during the past few years, as the deposit growth index had a significant negative impact at a level of less than 5% on the bank’s current, market and book value, respectively, and for the random effects model during the period 2011-2017. Credit growth has an immediate significant effect at a level of less than 5% and less than 1% on the bank’s market and book value respectively during the same period. However, the credit growth index has not recorded its impact on the bank’s traded value, which may
be caused by the low credit granting by private banks. This is due to the deterioration of the security situation and the political and economic instability during the study period. Therefore, the economic authorities must take further measures towards lifting restrictions and Realizing balanced financial liberalization with supervisory and regulatory measures in order to avoid the financial crises that many countries have been exposed to.

References


