

The Impact of Financial Crisis in Iraq on Iraqi Banking Performance: Analytical Study

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Abstract

Financial crises are factors and indicators reflected in banking performance in general, and it is known that the Iraqi economy is a rent economy with distinction. It is undoubtedly suffering from the financial crises associated with the world oil market, meager prices, as 98% of Iraq's budget revenues depend on oil revenues. This research Aims to Find out the reflection of the financial crises on the Iraqi banking performance (2008-2019). It studied the causes of the financial crisis in Iraq and provoked the financial crisis on the performance of the Iraqi banking system and to know the effects of crises related to fluctuations in oil prices. They are reflected in the budget deficit and indebtedness and reflect the indicators of banking performance represented by bank credit, bank deposits, banking investment. The results show the presence of a Knowledge gap on the interpretation of the nature of the relationship between the variables of the study represented by the independent variable financial crisis and its indicators (oil prices, budget deficit, indebtedness) and variable subordinate banking performance and indicators (bank credit, bank investment, bank deposits). So we should pay attention to indicators of the financial crisis and study the causes of crises that can protect the banking system from falling into crises and financial problems to improve services provided to customers and thus improve banking performance. Show Search results that Effect Indicators of the financial crisis in Iraq (public debt' oil revenues) was significant on bank credit while not proving the significance of the budget deficit on bank credit. Also, Results show moan Effect Crisis indicators (public debt, budget deficit) significantly impact banking investment. However, the significance of oil revenues on banking investment has not been proven. The results also show the effects of the indicators of the oil revenue crisis were significant on bank deposits. At the same time, the significance of the crisis indicators has not been proven Budget deficit, indebtedness on bank deposits.

Keywords

Financial Crisis, Financial Crisis Indicators, Banking Performance, Banking Performance Indicators.

Introduction

The Iraqi economy has been hit by many crises, whether on the public expenditure side or the public revenue side. The financial crisis results, especially at the beginning of 2015, affected all the joints of the Iraqi government and had direct consequences for the economic sectors. Unemployment rose and the economic recession until it was known as the worst financial crisis Iraq has suffered after 2003. Its features have been reflected in a fiscal austerity policy, the suspension of investment projects, and the suspension of government aid. The importance of research is reflected in the knowledge of the validity of banking performance to cope with financial crises. It also determines the degree of independence of the banking system as a monetary authority independent of the executive branch to reflect the ability of the banking system to cope with the financial crises reflected in the level of Iraqi banking performance. The Iraqi economy has been hit by financial problems that have been in the form of the Iraqi economy and led to its collapse. It, therefore, requires the Iraqi government to formulate a reasonable and appropriate economic policy to overcome the effects of the financial crises suffered by the Iraqi banking system. The performance of the banking system is directly or indirectly affected by the financial crisis. Therefore, this research aims to find out the impact of the financial crisis on banking performance in Iraq, and the problem of study at hand includes the following questions:

1. What are the causes of the financial crises in the Iraqi economy?
2. How have financial crises affected Iraq's banking performance?
3. What is the level of impact of financial crises on banking performance indicators in Iraq?

Through this research, we seek to achieve several objectives as follows:-

1. Study the theoretical foundations and causes of financial crises and study banking performance and factors affecting it.
2. Study the financial analysis of the indicators of the financial crisis in Iraq, and measure the impact of financial crisis indicators (budget deficit, oil revenue, public debt) on banking performance indicators (bank credit, investment banking, bank deposits).

Literature Review

The Concept of the Financial Crisis

The concept of financial crisis includes many cognitive dimensions based on philosophical controversy about the interpretation and definition of the financial crisis. It is due to the different situations of financial markets that have been subjected to financial crises and the other degree of risks and repercussions and causes of each financial crisis. A financial perspective defines the financial crisis. Also, you know is a sudden decline in the types of prices of assets, and that assets are either physical capital used in the production process or financial assets such as their shares and others. If these assets suddenly collapse, this leads to bankruptcy and collapse of the value of the financial institutions that own them (Rötheli, 2010). It is also known to be a defect in the state's resources due to natural or human factors, and its impact on the state and individuals is reflected (Amagtome & Alnajjar, 2020). Those countries are exposed to devastating disasters. These result from severe crises, primarily the financial crisis, especially if the country's economy is single-headed. Here we can say that the financial crisis is a phenomenon caused by economic imbalances due to natural or human factors or devastating disasters. This phenomenon causes a failure in the performance of institutions and a deterioration in the economic activity of a country.

The Causes of the Financial Crisis

1. Regulatory Imbalance

Weak control and regulation of banks and financial institutions by the Federal Bank and other regulators have led to further granting of loans and increased harmful use of issuance and securitization processes (Barajas, Chami, Espinoza, & Hesse, 2011).

2. Expansion of the Issuance of Financial Assets and Increased Indebtedness

General principles of financial accounting link the limits of expanding borrowing to a minimum of owned assets. For example, the Basel Convention on Bank Supervision has determined the expansion of lending by banks not to exceed a certain percentage of the capital owned. Despite the Central Bank (Fed) control of commercial banks, investment banks in the United States are not central bank control (Hussien, Alam, Murad, & Wahid, 2019).

3. Macroeconomic Instability

Fluctuations in terms of trade are one of the most important sources of external financial crises. It is difficult for bank customers engaged in related import and export activities in lower trade conditions to meet their obligations, especially debt servicing. Fluctuations in actual exchange rates are also a source of macroeconomic turmoil that has been a direct or indirect cause of many financial crises (Jallat & Shultz, 2011).

4. Widespread Corruption and Financial Fraud

The lack of oversight and community regulation opens the door to widespread greed and corruption in financial transactions. In the last decade, a new professional thought has spread that emphasizes the role of capital owners in joint-stock companies. The control of society through boards of directors and general associations of companies and corporate governance has become one of the most widely traded topics. With all this, the recent global financial crisis has shown different forms of financial speculation and corruption, for lack of ethical work in financial business (Buckley, 2012).

The Concept of Banking Performance

1. Performance Concept

We can define performance in general as a reflection of the organization's ability and ability to achieve its objectives (Eccles, 1991). Hanger also knew that these desired results are the desired results that the organization seeks to achieve (Miller & Bromiley, 1990). Lorino also defines it as the difference between the value provided to the market and the total amount consumed, different costs, and activities (Wheelen, Hunger, Hoffman, & Bamford, 2017). Some units are considered to be consuming resources and contribute negatively to the overall performance of their costs. Others are considered profit centers and are at the same time a consumer of resources and a source of returns, contributing a margin of overall performance to banks (A.H. Almagtome, Al-Yasiri, Ali, Kadhim, & Bekheet, 2020).

The Importance of Banking Performance

The banking performance is of great importance to banks and is as follows explained in the form of points with the drawing:

1. Performance contributes to determining the extent to which the bank can invest the potential and employ the ambitions and skills of employees (Maburu, 2016). The

- performance is a measure of the ability and motivation of the individual towards his work
2. Effective performance reduces labor costs and rationalizes expenses for the bank.
 3. Outstanding performance creates a competitive advantage for the bank through creativity, innovation, and development in delivering programs in performance.
 4. Performance contributes to determining the success of the bank's human resources management and the integrity of its programs, which it prepares and uses.
 5. Performance helps to raise the quality of the inputs and outputs of the production process in the bank.

Factors affecting Banking Performance

In the course of their activity, banks and banking institutions face several problems and difficulties. It may hinder them in performing their functions, prompting bank supervisors to search for, analyze and make corrective decisions about the sources of these problems (HAMEEDI, AL-FATLAWI, ALI, & ALMAGTOME, 2021). Several factors are affecting the banking performance of banks as follows:

1. **External factors affecting banking performance:** One of the most important external factors affecting banking performance is:
 - A. Economic and political conditions
 - B. Legal legislation and banking controls
 - C. The religious and social factor
2. **Internal factors affecting banking performance**
 - a) The bank's regulatory structure
 - b) technology
 - c) Liquidity
 - d) Loan profits or losses

Areas of Banking Performance

The areas of performance that can be used to judge the level of performance achieved by banks and banking institutions to several fields are as follows:

1. **The Financial Performance:** - This field is in the financial aspect of the bank and depends on the process of financial analysis (Wadesango, Tinarwo, Sitcha, & Machingambi, 2019). Based on analyzing the bank's financial activities and

- comparing them with the activities it has achieved in the past as well as comparing with the performance of banks operating in the same sector
2. **The financial and operational performance:** This field consists of financial performance and the concept of operating performance. The financial performance indicators already explained operational indicators such as market share, product quality, marketing effectiveness, and other measures related to the bank's operations' performance to identify the accurate picture of banking performance.
 3. **Organizational effectiveness:** -The concept of organizational effectiveness is the organization's ability to survive, adapt and grow regardless of the objectives it achieves and the circumstances it faces. Regulatory effectiveness reflects the bank's success in achieving its objectives and responding to the changes in the surrounding environment. The bottom line illustrates the fields of banking performance.

The Causes of the Financial Crisis in Iraq

Financial Corruption in Iraq

Financial corruption in Iraq is one of the most leading causes of financial crises; this results from its large spread in all institutions of the Iraqi state. Iraq ranks behind in global financial corruption indicators, an international organization founded in 1992 specialized in diagnosing and arranging financial corruption. Depends on the classification of countries on a decimal digital standard. Iraqis ranked 178th out of 180 countries in 2008 to continue this sequence until 2011, ranking 175th. In 2015 at 161 out of 168, a very low ranking in the corruption classification (Younus & Jassoom, 2020). In 2018, were 168 out of 170. The high level of corruption in Iraq is the lack of adequate oversight bodies in Iraq, despite many such agencies. Many files have contributed significantly to a real financial crisis in Iraq, including files on security ministries. In 2008, the Russian arms deal's financial corruption amounted to \$4 billion, equivalent to half of Syria's budget (Taboli, Samie'e Darooneh, & Ehsani, 2019). One of the most important causes of financial corruption in Iraq is the weakness of the regulatory institutions in Iraq, despite the many additions of bureaucracy, marginalization of competencies, lack of real reform in the institutions of a country and lack of credibility, and one of the most critical repercussions of financial corruption in Iraq.

Table 1 Corruption indicators in Iraq (2008-2019)

The year	Indicators of corruption perceptions	Total countries	Iraq
2008	1,3	180	178
2009	1,5	180	176
2010	1,5	178	175
2011	1,8	182	175
2012	1,8	176	169
2013	1,6	175	171
2014	1,6	174	170
2015	1,5	168	161
2016	1,7	168	166
2017	1,8	169	167
2018	1,8	170	168
2019	1,8	170	168

Source: From the work of the researcher rely on [HTTP\\wwwtransparenCYOR](http://www.transparenCYOR)

Reduced Volume of Public Revenues

Iraq is one of the most critical oil exporters, as Iraq relies on several sources to finance public expenditures, whether periodic or non-periodic. Despite the diversity of these sources, Iraq relies heavily on oil revenues to fund other sources of income (taxes, other revenues). As a result, it constitutes a small percentage in the financing of expenditures. That is, the main driver of Iraq's economy is oil exports. When oil prices rise, public revenues increase, and the opposite is in the case of lower oil prices, which is known in the rentier economy, which means that the state depends on one source of funding for public spending and neglects other sources. The Iraqi economy's reliance on this resource makes it vulnerable to a financial crisis. If oil revenue slumps or oil prices fall, such as the 2014 crisis, the oil price will fall. Iraq then faced a severe financial crisis, namely a decline in fiscal revenues and an actual fiscal deficit reflected in the weak financing capacity of economic activity and the reform of Iraq's economy.

The Consequences of the Financial Crisis in Iraq

The High Volume of External Indebtedness

External borrowing is defined as those amounts that the government receives from other governments or international financial institutions such as the International Monetary Fund or the World Bank (Al-Wattar, Almagtome, & AL-Shafeay, 2019). In return, the government pledges to return the money with interest agreed between the two parties. Iraq has suffered a financial crisis, particularly from 2014 to 2015 (Dabrowski & Domínguez-Jiménez, 2021).

The Development of Unemployment in Iraq

Many crises have hit the Iraqi economy, whether these are on public expenditures or the side of public revenues (A. Almagtome, Khaghaany, & Önce, 2020). The results of the financial crisis affected all the joints of the Iraqi government. They had direct consequences for the economic sectors, as the unemployment rate increased and the economic recession until it was known as the worst financial crisis Iraq suffered after 2003 (Khaghaany, Kbelah, & Almagtome, 2019). It reflected its features on adopting a fiscal austerity policy, the suspension of investment projects, and government aid and promotions. All those reasons led to the emergence of unemployment in a big way, especially in the post-2014 period.

Table 2 Unemployment in Iraq (2008-2019)

Years	Unemployment in Iraq
2008	25
2009	14
2010	12
2011	11
2012	1190
2013	1210
2014	28
2015	35
2016	1080
2017	1090
2018	30
2019	33

Source: Ministry of Planning, Central Agency of Iraq, Directorates of National Accounts, for the duration (2008-2019).

The research hypothesis is the expected answer to the relationship between search variables, and in light of this, we assume the following: -

1. The financial crises in Iraq have implications for Iraqi banking performance.
2. The indicators of the financial crisis unevenly influence Iraqi banking performance indicators.

Research Data and Methodology

To reach the research results, we have adopted an inference approach to study the theoretical foundations and their relationship to this problem. On the other hand, we have

adopted an inductive approach that relies on descriptive analysis and quantitative analysis to study the variables related to research.

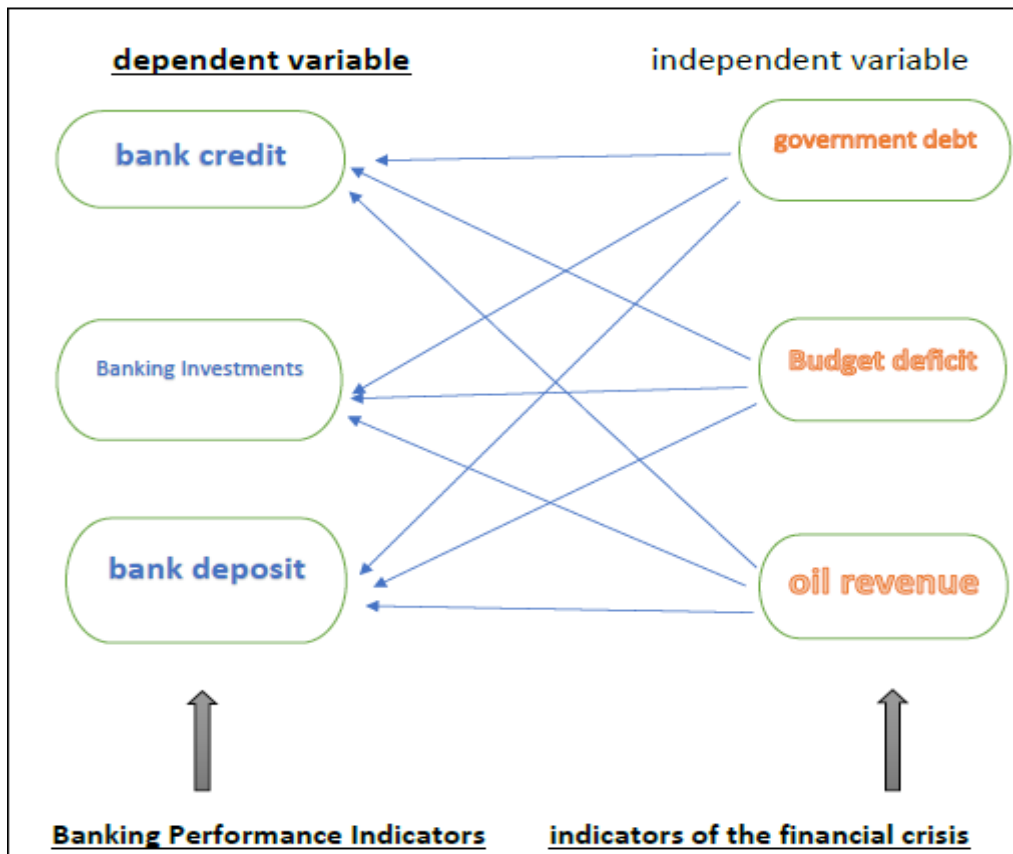


Figure 1 The theoretical model of research

Results

Description of Search Variables

Table (3) independent indicators of the financial crisis show indicators of banking performance.

Table 3 Study indicators

Variable name	Variable type	Variable code
Oil revenues	Independent variable	X ₁
Public debt	Independent variable	X ₂
Budget deficit	Independent variable	X ₃
Bank credit	Function variable	AND ₁
Investment banking	Function variable	And ₂
Bank deposits	Function variable	AND ₃

Source from the researcher's work

The Stability Tests

The unit root test is an essential test for time series data. That is, time series indicators must pass this test before the form is estimated. Therefore, the indicators used in the model should be stable (Stationary). If it is unstable, the data should be converted to be stable using new data or take the first difference of the original indicator data. Statistically, static data are data whose computational average and variation are relatively constant. Many statistical methods are used to test the stability of time series to rely on one of the most accurate and widespread methods used. It is a unit root test and the purpose of unit Roots test testing. It is to examine the characteristics of the time series of each study variable over a certain period for observations, ensure the degree of stability of the time chains, and determine the rank of integration of each variable individually. If the timing chain stabilizes at the level, the optimal analysis method is regression, whether simple or multiple. If it is one of the first differences, standard integration must be used. According to the unit root test results, the stability of the time series of study variables is stable. Suppose the calculated value (t) is more significant than its scheduling value. In that case, we can reject the hypothesis of nothingness and accept the alternative imposition, i.e., the chain is free of the root of the unit, and the chain is stable. But if the calculated value (t) is smaller than its critical value, we accept the hypothesis of nothingness and the chain is unstable, and we will take the first differences. If they are inconsistent, the second difference is taken until the chain stabilizes (Drebee & Abdul-Razak, 2020).

Table 4 Unit root test to determine its stability time series of financial crisis indicators and banking performance

Pointer	Level		First Deference	
	ADF Statistics	Result	ADF Statistics	Result
X ₁	-319953*	stationary	-	-
X ₂	-370554*	stationary	-	-
X ₃	391484*	stationary	-	-
AND ₁	-357066*	stationary	-	-
And ₂	-370316*	stationary	-	-
AND ₃	-330848*	stationary	-	-

Source: From the numbers of the researcher based on the outputs of the computer

- Table 4 shows that the timing chain of indicators of the financial crisis is (oil revenue (x₁), public debt (x₂), the general budget deficit (X₃) was stable at the level, and a significant level reached (005). The time chain of financial performance indicators (Y₁), investment banking (AND₂), bank deposits (AND₃) was stable at the

level and significant level (005). Since all values were negative, the standard integration of indicators will be confirmed in the long term.

The Common Integration Tests

The joint integration test is one of the main tests to be carried out before estimating the different standard models between various indicators is initiated to avoid inaccurate estimates (spurious regression). There may be two commonly integrated indicators in the benchmark economy only if they have a long-term relationship or long-term balance. This test depends a lot on the unit root test. There are several methods in the unit root test, including Engel-Granger Test. One of the simplest types of tests is the existence of standard integration in time series. Indicators must be of the same ranks to determine the type of rank (order of integration) used (ADF), and the ADF root test is used for indicators. For example, between (X_1, Y_1) to determine the type of rank, whether from (1) or (0), if it is of the rank (1), we move on to the next step. It is to test the long-term relationship between the study indicators and the type of relationship, choose the independent variable and the dependent variable, and then push the root of the unit and compare the value (T) calculated with the scheduling values. If the computed value is more significant, accept the alternative hypothesis of a typical integration relationship.

Table 5 Joint integration test for variables studied for the duration(2008-2019)

Indicator	Critical value	Impact test Trace Statistic
X ₁	3841466	5278426
X ₂	3841466	6211718
X ₃	3841466	4301076
AND ₁	3841466	6234378
And ₂	3841466	7365959
AND ₃	3841466	3910562

Source: By Researcher

Through the results of table 5, we find that statistics calculated values are more significant than their scheduling value. For all indicators of the financial crisis and banking performance, the level of significance achieved was statistically significant at the level of (005). This indicates the acceptance of the alternative hypothesis that there is a typical integration of indicators, i.e., a long-term relationship that helps us estimate the model.

Correlation Test

Correlation is used to test relationships between indicators, whether quantitative or qualitative, in other words, as a measure of how things relate to each other, and the links

are helpful because they enable the researcher to recognize the strength of the link relationship and predict their future behavior. The correlation coefficient assesses values ranging from (-1 and 1) to value (0), meaning no correlation. While (-1 or 1) means that there is a negative or positive correlation. The researcher assumes a correlation between the indicators of the financial crisis (EradaT oil (X₁), public debt (X₂), the general budget deficit (X₃), and the indicators of banking performance (bank credit (AND₁), investment banking (AND₂), bank deposits (AND₃) and results appear as follows:

Table 6 Matrix of correlations between study indicators

	X1	X2	X3	Y1	Y2	Y3
X1	1	-081013	0608683	0397982	-035066	-036596
X2		1	-047184	0718751	0546693	0381688
X3			1	-064133	-030448	-034199
Y1				1	-044389	-055392
Y2					1	0899503
Y3						1

Table 6 shows that there is a correlation between the indicators of the financial crisis and banking performance. The following results have been recorded:

The correlation factor for the relationship between oil revenue and bank credit has recorded a ratio (0397), a function at the level of (005). The correlation coefficient between public debt and bank credit has also been documented (0718), a function at the level of (005). The correlation factor for the relationship between the general budget deficit and bank credit was recorded (064-) and is a function at the level of (005).

The correlation factor for the relationship between oil revenue and banking investment also recorded a ratio (035-), a function at the level of (005). The correlation factor for the relationship between public debt and banking investment has also been recorded (0546), a function at the level of (005). The correlation factor for the relationship between the general budget deficit and banking investment has also been recorded (030-) and is a function at the level of (005).

The correlation factor for the relationship between oil revenue and bank deposits recorded a (0365-), a function at the level of (005). The correlation factor for the relationship between public debt and bank deposits has been recorded (038), a function at the level of (005). The correlation factor for the relationship between the general budget deficit and bank deposits was recorded (034-) and is a function at the level of (005).

Multi-regression Analysis

Impact relationships for financial crisis indicators (IradaT oil (X1), public debt (X2), general budget deficit (X3) will be tested in banking performance indicators (bank credit (AND₁), bank investment (AND₂), bank deposits (AND₃), and three assumptions have been assumed that:

1. The First Hypothesis is

H₀: There is no impact related to the indicators of the financial crisis (IradaT oil (X1), public debt (X2), the general budget deficit (X3) in bank credit.

H₁: There is an impact related to the indicators of the financial crisis (oil revenue (X1), public debt (X2), the general budget deficit (X3) in bank credit.

The effect will be tested using the statistical program (EViews). The results that appear in the table (18) as the effect, selection factor, level of significance of the calculated value (T) are estimated to test the significance of the impact and the significant level of the value (F) to test the quality of the estimated model and the results as follows:

Table 7. Results of the impact of financial crisis indicators on bank credit

Independent Indicators	Affiliate index	Estimates Coefficient	Standard error Std Error	Statistics (t) t-Statistic	Significance level Prob	Resolution
X ₁	AND ₁	6486	2641	2456	0040	Accept
X ₂	AND ₁	18134	7394	2453	0040	Accept
X ₃	AND ₁	5019	3019	1662	0135	refuse
Fixed (C)	- 1320000000	Ct method of micro-squares Method: Pooled Least Squares				
Selection factor (R ²)	069	$Y_1 = (-1320000000) + (648)X_1 + (1813)X_2 + (5019)X_3$				
Statistics (F) F-statistic	52194					
Significance level(F)	0005					

Source: Prepared by the researcher based on outputs (EViews)

According to the above table results, oil revenues significantly impact bank credit, and the coefficient (6486) has reached a statistically significant ratio at the level of (005). Public debt also has a significant impact on bank credit. In contrast, the overall budget deficit significantly impacts bank credit and the coefficient (5019), which is not statistically

significant at the level of (005). The quality of the estimated model reached a considerable level of the value of (F)(0005). This indicates that the model is of quality, rejects the hypotheses of nothingness (H₀) for the indicators of oil revenues and public debt in bank credit, and accepts (H₀) at the level of the general budget deficit index, and accepts the hypotheses of existence (H₁) on the indicators of oil revenues and public debt.

2. The Second Hypothesis States

H₀: There is no impact related to the indicators of the financial crisis (IradaT oil (X₁), public debt(X₂), the general budget deficit (X₃) in banking investment.

H₁ There's a relationship influence for indicators of the financial crisis (Revenue Oil (X₁Public debt. X₂The budget deficit.X₃) in investment banking

The effect will be tested using the statistical program (EViews), and the results that appear in table 8 as the effect, selection factor, and significance of the calculated value (T) are estimated to test the significance of the impact and the significant level of the value (F) to test the quality of the estimated model and the results as follows: -

Table 8 Results of the impact of financial crisis indicators on banking investment

Independent Indicators	Affiliate index	Estimates Coefficient	Standard error Std Error	Statistics (t) t-Statistic	Significance level Prob	Resolution
X ₁	And ₂	10824	09491	11404	00720	refuse
X ₂	And ₂	52019	03817	136282	00000	Accept
X ₃	And ₂	90242	09642	93593	00000	Accept
Fixed (C)	-87941	Ct method of micro-squares Method: Pooled Least Squares $Y_2 = (-87941) + (10824)X_1 + (52019)X_2 + (90242)X_3$				
Selection factor (R ²)	068					
Statistics (F) F-statistic	615584					
Significance level(F)	0004					

Source: Prepared by the researcher based on outputs (EViews)

According to the above table results, oil revenues have a significant impact on investment banking. The coefficient (10824) has reached a ratio that is not statistically significant at the level of (005). Public debt also significantly impacts banking investment and has got the coefficient factor (52019), a statistically significant ratio at the level of (005). In comparison, the general budget deficit has a significant impact on banking investment and the coefficient factor (90242), which is statistically significant at the level of (005). The

quality of the estimated model reached a considerable level of the value of $F(0004)$. This indicates that the model is of quality, rejects the hypotheses of nothingness (H_0) at the public debt and budget deficit indicators, and accepts at the level of oil revenues.

Conclusions and Recommendations

The banking system is the center of economic activity in any country in the world because the integrity of this device reflects the recovery and development of the country's economy. It is also known that the banking system is associated with many variables and indicators reflected in this device's performance. This research highlights the effects of the financial crisis on banking performance because this is an important indicator to know the safety of the banking system's level of performance and effectiveness. One of the reasons for the financial crisis in Iraq is the increase in large expenditures on the military side due to the state war on terrorism. It has become draining enormous amounts of state weight, which is the cause of a financial crisis in the country, reflecting on the performance of the banking system in Iraq. The dependence of the Iraqi economy on a single revenue resource is oil, which exposes the general budget of the state to a large deficit, especially when oil prices fall. This leads to a widespread financial crisis reflected in the performance of the banking system. The increase and accumulation of internal and external loans used to finance operational tunnels and not investment spending led to increased debt servicing burdens, not to mention increased repayment of debt assets. However, the other independent variable (a budget deficit) has not been demonstrated on the dependent variable (bank credit). The results of the economic measurement also indicate that the impact of the indicators of the financial crisis, namely both (public debt and budget deficits), have a significant effect on the variable of the subsidiary (investment banking). The index (oil revenue) did not prove significance on the variable of the subsidiary (investment banking). The results of the economic measurement show that the impact of the financial crisis index (oil revenue) has a significant effect on the dependent variable (bank deposits). Since the Iraqi economy is a one-sided economy that depends on oil revenues, it is linked to the world oil market and its fluctuations in oil prices. It reflects the overall revenues of the state. In addition to military expenditures, operational expenditures account for the most significant proportion of state public expenditures in a budget. Therefore, we recommend that operational costs be codified as much as possible on the one hand and increase investment expenditures, on the other hand, to reduce the economy's vulnerability to the volatility of the oil market that causes the financial crisis. To significantly expand the structure of state institutions and reduce the level of administrative governance in general. We, therefore, recommend addressing administrative corruption issues in all state institutions and reducing the waste of public

money. It is also known that the oil market and its price fluctuations directly reflect public revenues and usually cause a state budget deficit, often requiring borrowing. We, therefore, recommend reducing the trend of borrowing for operational expenses and limiting it to investment expenditures on the one hand and increasing non-oil revenues on the other.

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