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THE ROLE OF FINANCIAL ANALYSIS IN FORECASTING LIQUIDITY RISK

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Abstract

The current research was concerned with studying the role of financial analysis in predicting liquidity risks. The study sample was represented by 6 banks listed in the Iraqi Stock Exchange. The study was conducted during the period from 2010 to 2017, and the study relied on the financial ratios for measuring liquidity risk. The study concluded that the liquidity ratio for the North Bank was gradually increasing, especially the ratio of current assets to current liabilities, which formed a significant increase even in the years (2015-2016-2017), which are the years of failure for the bank. It also concluded that Al-Mansour Bank for Investment and Finance showed that the bank enjoys a good financial position. From the aspect of liquidity, it was at a very good level, as the ratio of current assets to total assets was high during those years. While the United Bank for Investment had high liquidity ratios even in the year in which the bank began to falter in 2017, but after looking at the bank's financial statements, it was found that the bank's liquid assets included some assets whose effectiveness is slow in meeting emergency obligations. It also concluded that the Assyrian Bank enjoys a strong financial position. On the side of liquidity, the bank has strong liquidity and is able to pay contingent and contingent obligations, as the ratio of current assets to current liabilities has gradually increased over the years of study. On the part of the Economy Bank, we found that the bank's financial position was not in a good position, as the bank's liquidity ratios were low, especially in the years of faltering that the bank went through in 2014 and 2017, where the ratio of current assets to current liabilities was modest, especially in the years of failure. Finally, the investment bank shows us that the bank enjoyed fairly good liquidity in the early years of the study years and was gradually heading to rise in the other years.

Keywords: Financial Analysis, Liquidity Risk.

INTRODUCTION:

Financial analysis is one of the important topics dealt with by economic studies, as it works in general to conduct a comprehensive examination of the policies adopted by the institution during multiple cycles of its activity to detect strengths and weaknesses that have negative and positive effects on the institution, and it is also very necessary for financial planning The sound, as its importance increased in light of the complexity and expansion of the activities of economic institutions, and it became necessary for the financial manager to identify the financial position of the institution before thinking about developing future plans. One or more of the financial analysis tools, and it is also considered a technique used and adopted by most institutions to avoid the potential risks that they may face, especially as they are active in an environment characterized by continuous change, whether internally or externally[1].

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Therefore, financial analysis means "studying and examining the financial statements and statements in a detailed and accurate manner, with extrapolation of the existing relationships between its components and parts, and arriving at a set of significant indicators by which it is possible to judge the performance of the institution in a way that does not refer only to the past, but is also related to the present conditions, in addition to contributing in the prospect of the future.

Hence, financial analysis is closely related to the needs of the different parties, and represents the process through which a set of quantitative and qualitative indicators is discovered and derived that contribute to defining the operational and financial activities of projects, hence the critical importance of financial analysis as one of the main pillars of institutions[2]. Different banks, especially banks, being the mirror of the financial situation of customers who have been granted bank loans, where financial analysis contributes effectively to the statement of the ability of customers to fulfill their obligations towards the lending bank, where banks use financial analysis as a tool capable of guiding the bank to take the right credit decisions that achieve A state of balance between profitability and risk.

RESEARCH PROBLEM

Liquidity risks have become today one of the topics that require attention and taking the necessary banking measures to limit them regardless of their sources, whether they are internal, i.e. related to the bank itself or external imposed by factors affecting the banking market in general. Liquidity as well as the availability of all the information that enables us to take the necessary measures to reduce these risks, which can be noted that the bank's data related to cash flows, which is the most important source for taking appropriate measures and plans to reduce these risks, and the problem of the study centered on trying to answer the following question:

To what extent does financial analysis contribute to predicting liquidity risk?

To address this problem, the following sub-questions were used:

1. What is the importance of financial analysis and its effectiveness in predicting liquidity risks?
2. How is the financial performance of Iraqi banks evaluated?

Research aims

Financial risks are one of the important issues facing banks, especially at the present time, given the financial and political instability that the region faces, and because of the many attempts by banks to search for stability, especially in light of competition between banks for different customer segments, while maintaining good financial performance. And achieving the highest possible level of profits, and trying to avoid any negative effects resulting from the low concern for risks and the way they are managed. Hence, the objectives of the study are summarized as follows:-

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1. Explanation of the role of financial analysis in predicting the liquidity risks of Iraqi commercial banks.
2. Directing banks in general to pay attention to the financial risks associated with them in their banking work, and to try to adopt a clear strategy towards them.

RESEARCH IMPORTANCE:

Liquidity risk has become today one of the topics that require attention and measures to be taken

The necessary banking restrictions that limit them regardless of their sources, whether they are internal, i.e. related to the bank itself or external imposed by factors affecting the banking market in general, and in order for us to do so, we must identify the main determinants of liquidity risk, as well as provide all the information that enables us to take the necessary measures to limit Among these risks, it can be noted that the bank's data related to cash flows is the most important source for taking appropriate measures and plans to reduce these risks. Therefore, the importance of research includes a set of considerations, the most important of which are:

1. Getting acquainted with the role of the Central Bank in monitoring and supervising banks in accordance with the regulations and instructions issued.
2. Clarify the role of the Central Bank of Iraq in protecting depositors' money and dues as a result of the bank's financial failure.

First, the theoretical framework:

The nature of financial analysis

Financial analysis is an important topic of financial management and an absolute necessity for sound financial planning. It diagnoses the state of the institution during a certain period by studying the financial reports of the institution using means and methods that aim in their entirety to examine the financial policies adopted by the institution, and this examination is through a detailed study of the data In this topic, we will discuss the definition of financial analysis, its objectives and characteristics, as well as its types and methods[3].

The concept of financial analysis

Financial analysis means the direction that the financial sample takes in the process of converting the financial statements of a particular company into meaningful financial information that helps those involved in making decisions related to the project[4]. Accordingly, we will review the definition of financial analysis, as follows:

(Al-Bashir, 2014) indicated that it is sorting and arranging the financial data that a particular institution publishes through its financial reports so that it is converted from a complete aggregate image to a digital financial information image, through which the relative importance of each of the items contained within these reports is determined, in order to highlight Its financial strengths and weaknesses and knowledge of the financial status of the facility[5].

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He added (Wahba, 2021) that it is a set of operations that are concerned with studying and understanding the financial data and information available in the financial statements of the institution, analyzing and interpreting them to benefit from them in judging the financial position of the institution in evaluating the performance of the institution and revealing and forming information that helps in making decisions and also helps its deviations and prediction of the future. It is also defined as the process by which percentages and percentage indicators are derived from the financial and accounting data, which leads to an increase in the economic effectiveness of the institution[6].

Whereas (Lawrence Gitman) defined financial analysis as being a comprehensive diagnosis and assessment of the financial situation for a certain past period of the institution's activity, and standing on the positive and negative aspects of the policy adopted by using tools and means commensurate with the nature of the objectives set to help management take decisions[7].

(Abboud, 2020) explained financial analysis as the process of converting that huge amount of raw financial data into financial information of clear significance so that it helps departments in the decision-making process that serves the established goals of the institution.[8]

Through the researcher's review of the previous definitions, it can be said that financial analysis is the process of transforming the financial data contained in the financial statements into meaningful information that is used as a basis for making decisions aimed at achieving the objectives of financial management in maximizing the value of the enterprise and achieving profits[9].

Although the previous definitions differ in the formulation, they point in the same direction, which is that the financial analysis does not go beyond being a detailed and procedural study of information and data, and judging investment decisions by acceptance or rejection, and exploring strengths and weaknesses.

Second, the importance of financial analysis

The importance of financial analysis is represented in the following points

1. The financial analysis provides a picture of the current financial position of the institution.
2. It assists the management of the institution in setting its objectives and thus preparing the annual plan necessary for carrying out the economic activity.
3. It determines the institution's ability to borrow and its ability to meet its debts.
4. Giving a picture of the efficiency of the administration through the results indicated by the financial analysis.
5. Enables management to correct deviations if they occur by taking the necessary corrective measures.
6. It helps in diagnosing the financial condition of the institution.
7. Financial analysis is an effective tool to increase the efficiency of the audit process.

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8. Helps to discover investment opportunities.
9. It helps in creating an appropriate basis for taking appropriate decisions.
10. The results of the analysis give indicators capable of demonstrating the effectiveness of the institution's policies and its ability to grow.

Third: the objectives of financial analysis

The results of the financial analysis are one of the most important bases on which decisions are based, and to judge the efficiency of the administration and its ability to achieve the best investment of resources. Therefore, the financial analysis aims to achieve the following:

1. Identifying the reality of the project's financial position and its ability to pay its obligations in the required time.
2. Evaluate the efficiency of the project's operational financial management and its ability to balance between achieving profits and maintaining liquidity.
3. Evaluate the efficiency of project management through the results achieved during the analysis period.
4. Evaluate the feasibility of investing in the project, whether by investing in its shares or by providing financing.
5. Presenting proposals to address the obstacles that the project suffers from, performance evaluation and the overall project control methodology.
6. Choosing appropriate criteria to compare the results obtained from the project's financial analysis process with these criteria.
7. Knowing the status of the facility in its sector.
8. Benefit from the available information to take decisions related to monitoring and evaluation.[10]

Fourth: the characteristics of financial analysis

The characteristics of financial analysis are represented in the financial information provided by the accounting system through published financial statements and reports, as inputs or data for the financial analysis process. In order for this data to be able to achieve the desired goal, which is the effective contribution, it is necessary to rationalize decisions and formulate the best policies, as it is necessary to have some qualitative characteristics, which are called the accounting information quality standards, which are limited to the following:

1. He should be aware of the economics of the sector in which the establishment conducts its business.
2. He should be familiar with the conditions of the company in which or from which the financial analysis takes over.
3. To be objective and impartial.

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4. To have the ability to choose the most appropriate tools and means, and to choose the entrance to the financial analysis and its method that fits with the objectives of the financial analysis.
5. To have a high ability to pay special attention to the relative relationship that exists between the various indicators, such as the relationship between profitability and liquidity.
6. To be fully aware of the expected deficiencies in the audited financial statements in general, and then the limits of their uses in the process of guiding them in rationalizing decisions.
7. To have the ability to encode the quantitative effects that are communicated to during the analysis steps, in order to reach a sound and accurate evaluation of performance.[11]

Fifth: The stages of financial analysis.

Performing a financial analysis requires going through three main steps:

1. Classification: This stage is intended to put the data into coherent and similar groups that enable comparisons to be made.
2. Comparison: It is the stage of trying to establish relationships between data classified according to specific principles and principles. The comparison process takes place at the level of subgroups and over different time periods.
3. Conclusion: This step includes the interpretation of the relationships that were reached in the previous stage, in order to determine the soundness of the company's financial policies and the chances of increasing their effectiveness in the future.

Sixth: Types of financial analysis

There are many types of financial analysis with its many different angles and aspects. Therefore, financial analysis can be divided into several types, given the great importance of financial analysis. The financial analysis and the sample divided it into:[12]

In terms of its nature, it can be limited to:

a. Internal financial analysis: The institution undertakes it, and it provides the sample with extensive past and future information that allows it to deepen and expand the analysis process.

B. External financial analysis: This analysis is performed by those who do not have access to the company's records and financial details and who have information limited to a specific field only. This group consists of investors, credit agencies, government and the public and they depend almost on published financial statements.[13]

In terms of its shape, it can be summed up in:

a. Vertical financial analysis: This type of analysis is intended to evaluate the activity of the facility and its financial position or both during a certain period of time by finding the

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relationship between the items of only one side of the result list, so it is the expenses or revenues side.

B. Horizontal analysis: This type of analysis is intended to evaluate the activity of the facility and its financial position during two different periods or a group of periods by finding the horizontal relationship between the items of the result statement or the financial position, with the aim of studying the trends and changes in each of the existing items, for example, studying profitability. Institution for the past five years[14].

In terms of its scope, it can be limited to:

a. Financial analysis at the national level: It is intended to assess the conditions of the state's activity in terms of financial terms as a single economic unit during a certain period of time. This type of analysis is part of economic analysis and is included in the field of political economic analysis.

B. Analysis at the level of the business establishment: It is intended to evaluate the activity of the business establishment, whether it aims to make a profit or to achieve a social return from the practice of its activity during a certain period of time.

In terms of its comprehensiveness, it can be summed up in:

a. Comprehensive financial analysis: It means to evaluate the activity of the business and its financial position as a whole during a certain period of time.

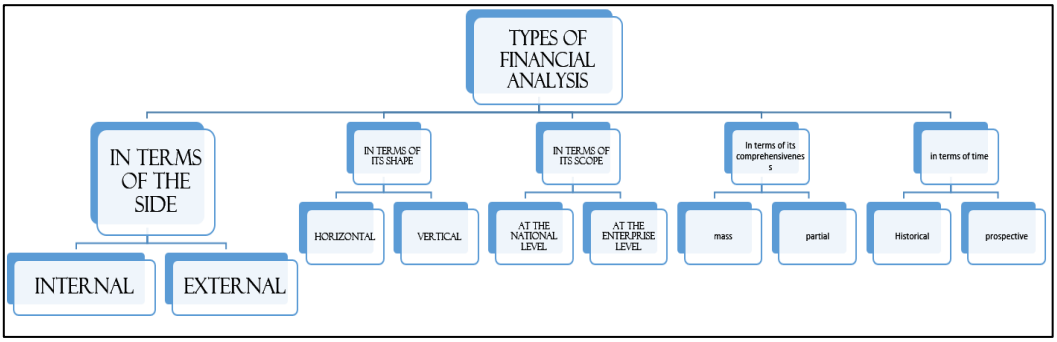
B. Partial financial analysis: It is intended to evaluate a part of the activity of the business establishment in a certain period of time, such as the analysis of fixed capital or analysis of long-term funding sources.

In terms of its accuracy, it can be summed up in:

a. Historical financial analysis: It is the evaluation of the activity of the establishment and its financial position during a certain period of time.

B. Future financial analysis: It is an assessment of the facility's activity and financial position during a later period of time, based on previous financial statements[15].

Figure (1) shows the types of financial analysis



Source: Prepared by the researcher based on previous studies

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Seventh: Functions of financial analysis

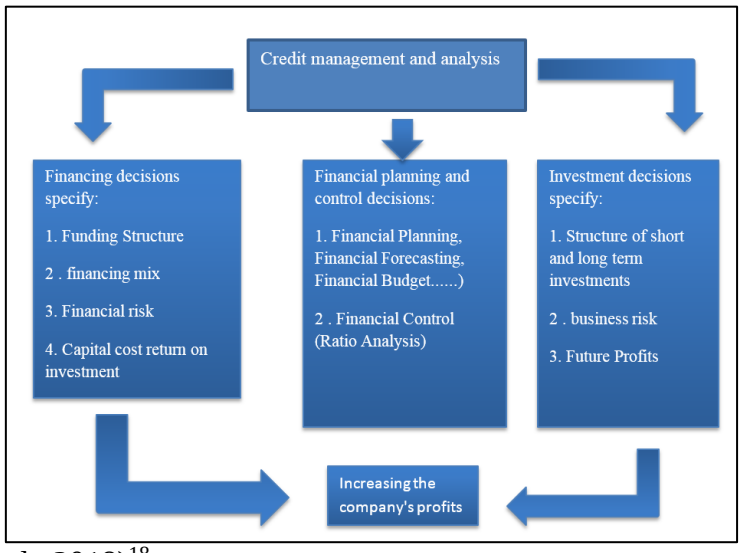
Financial analysis is an effective tool for detecting and diagnosing the financial position of the institution, which helps in future decision-making processes through the information provided by the financial statements that include a huge amount of financial data for the previous and current financial periods, and is analyzed using some appropriate methods and tools, to transform those data into Useful information about the institution's past performance, in addition to predicting its future, and then interpreting the results of the analysis to serve all parties that use that data. Analysis using financial indicators is also considered one of the oldest and most important financial analysis tools. There are several functions that focus on:[16]

Directing departments to make decisions: ie directing decision makers to take the best decisions that help the institution implement its goals, in addition to helping it adapt to the unstable external environment. Among the decisions determined by the financial analysis policies are:

- Making the investment decision: by highlighting the advantages and limitations of the investment process expected to be accomplished.
- Decision to finance: where the board of directors lies in the search for the imposition of better financing.

Decision making of financial planning and control: in order to direct and control the various financial operations.[17]

Figure (2) the general outline of the financial analysis functions



Source: (Lamia et al., 2018)[18]

The problem of liquidity is one of the complex issues facing commercial banks in general, as its high levels generate the problem of low employment of cash resources in these banks, which calls for searching for other areas of use so that they can invest the excess liquidity, while banks face the problem of meeting cash withdrawals by depositors and customers in In case of low

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cash flow. Therefore, the bank's management is under pressure from the lack of liquidity, or there is liquidity, but the bank's management cannot invest it well in the investment opportunities available in certain economic conditions, which affects the return and risks (Abu Rahma, 2009)[19]. Based on the foregoing, we can identify the concept of liquidity risk as follows:

The United Kingdom Financial Services Authority (UK) defined liquidity risk as the risk that a financial institution may be affected by insufficient financial resources to meet its obligations when they fall due. However (Al-Kilani, 2015)[20] believes that liquidity risk is defined as the inability of the bank to face the lack of its monetary obligations in the face of depositors on demand, due to insufficient liquidity due to sudden and high withdrawals, and that it cannot borrow money to meet liquidity requirements when needed because it is based on forbidden interest. I agree with them (Qutaishat, 2010)[21] that it is the inability of the bank to convert any of the assets into liquid cash quickly and without losses in the value of that asset.

(Al-Araj, 2010)[22] indicates that liquidity risk is represented in the inability of the bank or bank to fulfill its obligations when they are due due to the absence of the required cash, and the inability to provide the required and appropriate financing. It is also represented in the bank's inability to finance the increase in assets without having to liquidate assets at unfair prices or resorting to high-cost sources of funds.

(Murad, 2020)[23] added to the mother of liquidity risk, it is the bank's inability to meet its short-term obligations in the face of depositors' requests, due to insufficient liquidity, due to the sudden withdrawal of customers from their deposits, which exposes the bank to sell its assets at a lower cost.

TYPES OF LIQUIDITY RISK

1 Funding liquidity risk:

Funding liquidity risk appears when the bank is unable to meet the expected and unexpected cash flows efficiently without affecting the daily operations executed by the bank or the financial position of the bank in general.

2 Market liquidity risk:

Sometimes it may be difficult for the bank to dispose of some of the assets in its possession, whether through sale or mortgage, according to the prevailing market prices, due to the difficulty of their liquidation, and if the bank is forced in this case, it may result in losses that the bank does not want to bear.

3 Episodic liquidity risk: It arises from sudden withdrawals that the bank may be exposed to from customer deposits or sudden withdrawals from accounts that enjoy credit facilities and are granted to some customers. (Samer, 2010)[24]

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Causes of liquidity risk

Reasons related to how difficult it is to monetize current assets:

- The increase in withdrawals, especially for large amounts, which prompts the bank to liquidate some of its assets at a value less than their book value in fulfillment of those obligations, which affects its profitability to force it to this immediate liquidation.

Reasons related to both sides of the budget range:

• **Liability side: -** in the sense that when depositors' withdrawal requests increase, the bank may be compelled to do so due to its need to provide huge cash, which requires it to borrow at an additional cost from other banks, or to issue more securities such as bonds.

• **Asset side:** Where the service of letters of credit and guarantee that takes place outside the balance sheet, which as soon as the customer borrows according to which it turns into actual loans that appear in the balance sheet, and liquidity risk arises, which causes the bank to pay the forced sale of its assets at a value less than its due value to provide liquidity.

• Reasons related to the difference in maturity dates, where the maturity dates of short deposits are not appropriate.

The term for the collection of long-term loans owed to the bank.

• Reasons related to the imbalance between inflows and outflows. (Ghannam, 2008)[25].

Liquidity risk management objectives[26]:

The objectives of liquidity risk management in banks can be summarized in the following points:

Achieving an appropriate and competitive return on the bank's investments in unfavorable market conditions.

Maintaining sufficient liquidity to meet emergency needs without resorting to liquidating some assets to avoid loss in unfavorable market conditions.

- Establishing controls, rules and ceilings to reduce the bank's risk in the areas of employment and to reach an acceptable and considered risk.

- Periodic review of the liquidity policy in line with the bank's activities.

Setting minimum limits for the volume of liquidity in line with the bank's activities and the percentages set by the monetary authorities.

Controls to reduce the risk of liquidity management:

The purpose of liquidity management is to ensure that the bank is able to meet all of its contractual obligations.

Accordingly, a strong liquidity management system must include several elements: (Hanafi, 2007)[27].

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1. Good information management system.
2. Centralized control of liquidity.
3. Analysis of the net financing needed in the light of different alternatives.
4. Diversity of funding sources.
5. Develop a contingency plan.

The auditors must be aware of the bank's management of its assets and liabilities as well as off-balance sheet items, while verifying that this method provides sufficient liquidity for the bank to meet all its contractual obligations.

Third: The financial ratios of the study sample banks

Table No: (1) shows the financial ratios extracted from the financial statements of the North Bank

The ratio	2010	2011	2012	2013	2014	2015	2016	2017
The ratio of current assets to total assets	0.97	0.97	0.97	0.98	0.98	0.98	0.96	0.96
Ratio of current assets to current liabilities	1.92	1.63	2.53	1.53	1.44	1.34	1.30	1.23
Total assets to liabilities	1.96	1.67	2.59	1.55	1.46	1.36	1.35	1.28
Total credit facilities to total assets	0.60	0.43	0.27	0.18	0.18	0.16	0.15	0.12
Current accounts to cash credit facilities	0.58	1.40	1.03	4.43	4.73	6.14	6.45	7.65
Cash credit facilities to the total customer deposits	0.41	0.42	0.49	0.18	0.17	0.14	0.14	0.11
Total liabilities to equity	1.03	1.48	0.62	1.81	2.13	2.72	2.83	3.53
Cash Credit Facilities to Equity	0.40	0.60	0.26	0.31	0.36	2.33	0.39	0.40
Current accounts to total deposits	0.24	0.59	0.50	0.81	0.84	0.91	0.94	0.91
Total Liabilities to Total Assets	0.50	0.59	0.38	0.64	0.68	0.73	0.37	0.77
Shareholders' equity to total liabilities	0.96	0.67	1.59	0.55	0.46	0.36	0.35	0.02
Quick cash to current liabilities	0.50	0.58	0.58	0.41	0.46	0.30	1.11	0,028

Source: Prepared by the researcher based on the financial data published in the Iraq Stock Exchange (2010-2017)

After analyzing the financial ratios extracted from the financial statements of Al-Mansour Bank for Investment and Finance over the years of study, i.e. from 2010 to 2017, it was found that the bank enjoys a good financial position, in terms of liquidity, it was at a very good level. The ratio of current assets to total assets was high during in those years, it reached its peak in 2014 and 2015 and was 0.98, then decreased slightly in 2016 and 2017 and was 0.96. The explanation for this decrease was that the bank purchased some fixed assets in 2016, and the ratio of current assets to current liabilities was in a good position despite the gradual decline. It was 1.92 in 2010 and continued to decline until it reached 1.23, but it strayed within the safety range.

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Table No: (2) shows the financial ratios extracted from the financial statements of the United Bank

The ratio	2010	2011	2012	2013	2014	2015	2016	2017
The ratio of current assets to total assets	0.98	0.97	0.93	0.93	0.90	0.89	0.89	0.89
Ratio of current assets to current liabilities	1.51	1.57	1.66	1.69	1.93	2.01	2.29	2.08
Total assets to liabilities	1.54	1.60	1.87	1.81	2.13	2.23	2.57	2.34
Total credit facilities to total assets	1.65	1.53	2.26	2.24	2.19	2.50	2.59	2.24
Current accounts to cash credit facilities	0.47	0.36	0.39	0.18	0.10	0.38	0.16	0.25
Cash credit facilities to the total customer deposits	0.91	0.95	1.57	1.53	2.30	1.41	1.95	1.86
Total liabilities to equity	1.81	1.65	1.27	1.22	0.88	0.80	0.63	0.74
Cash Credit Facilities to Equity	1.42	1.15	1.24	1.58	1.35	1.00	0.84	1.10
Current accounts to total deposits	0.43	0.34	0.37	0.27	0.23	0.54	0.32	0.47
Total Liabilities to Total Assets	0.64	0.62	0.56	0.55	0.46	0.44	0.38	0.42
Shareholders' equity to total liabilities	0.54	0.60	0.78	0.81	1.13	1.23	1.57	1.34
Quick cash to current liabilities	0.62	0.33	0.54	0.27	0.12	0.45	0.26	0.81

Source: Prepared by the researcher based on the financial data published in the Iraq Stock Exchange (2010-2017)

We note through the financial ratios of the United Investment Bank that the bank had high liquidity ratios even in the year in which the bank began to falter in 2017, but after looking at the bank's financial statements, it was found that the bank's liquid assets included some assets whose effectiveness is slow in filling Contingent obligations such as debtors and also includes the legal reserve with the Central Bank. It is known that withdrawing from this reserve may harm the reputation of the bank, and therefore banks sometimes avoid withdrawing from it when they need liquidity.

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Table No: (3) shows the financial ratios extracted from the financial statements of Ashur Bank

The ratio	2010	2011	2012	2013	2014	2015	2016	2017
The ratio of current assets to total assets	0.94	0.91	0.93	0.98	0.93	0.93	0.92	0.92
Ratio of current assets to current liabilities	2.10	1.83	2.57	2.65	2.47	2.32	2.83	3.14
Total assets to liabilities	2.21	1.99	2.75	2.68	2.64	2.48	3.06	3.41
Total credit facilities to total assets	1.13	2.75	0.88	0.58	0.46	0.11	0.17	0.14
Current accounts to cash credit facilities	1.33	0.53	0.77	0.51	0.96	7.73	7.98	5.73
Cash credit facilities to the total customer deposits	0.29	0.62	0.70	1.16	0.77	0.10	0.10	0.12
Total liabilities to equity	0.82	1.00	0.57	0.54	0.60	0.67	0.48	0.41
Cash Credit Facilities to Equity	0.21	0.51	0.29	0.41	0.31	0.04	0.03	0.03
Current accounts to total deposits	0.39	0.33	0.54	0.59	0.74	0.79	0.81	0.73
Total Liabilities to Total Assets	0.45	0.50	0.57	0.37	0.37	0.40	0.32	0.29
Shareholders' equity to total liabilities	1.21	0.99	1.75	1.84	1.64	1.48	2.06	2.41
Quick cash to current liabilities	0.91	1.22	0.86	1.74	1.82	1.87	2.72	3.01

Source: Prepared by the researcher based on the financial data published in the Iraq Stock Exchange (2010-2017)

After analyzing the financial ratios extracted from the data of the Assyrian Bank, it becomes clear to us that the bank enjoys a strong financial position. On the side of liquidity, the bank has strong liquidity and is able to pay off contingent and contingent obligations, as the ratio of current assets to current liabilities has gradually increased over the years of the study if we exclude the year 2011. Because of the decrease in the ratio from 2.10 to 1.83, and then it started to rise until it reached 3.14, and this indicates the good ability of the assets of liquid banks to cover any contingent obligations facing the bank.

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Table No: (4) shows the financial ratios extracted from the financial statements of the Economy Bank

The ratio	2010	2011	2012	2013	2014	2015	2016	2017
The ratio of current assets to total assets	0.91	0.88	0.82	0.83	0.80	0.82	0.82	0.85
Ratio of current assets to current liabilities	1.32	1.28	1.15	1.19	1.11	1.35	1.78	1.23
Total assets to liabilities	1.44	1.45	1.39	1.49	1.49	1.64	2.15	1.92
Total credit facilities to total assets	1.68	3.15	3.83	0.67	2.62	1.72	1.15	1.12
Current accounts to cash credit facilities	0.68	1.00	0.56	1.25	0.18	0.66	5.32	0.69
Cash credit facilities to the total customer deposits	0.75	0.57	1.48	0.40	0.44	0.53	0.07	0.98
Total liabilities to equity	2.25	2.22	2.72	2.02	2.03	1.55	0.86	1.08
Cash Credit Facilities to Equity	1.42	0.25	0.25	0.76	0.74	0.52	0.04	0.53
Current accounts to total deposits	0.51	0.57	0.51	0.50	0.53	0.35	0.39	0.68
Total Liabilities to Total Assets	0.69	0.69	0.71	0.06	0.67	0.60	0.46	0.52
Shareholders' equity to total liabilities	0.44	0.41	0.34	0.33	0.49	0.64	0.86	0.92
Quick cash to current liabilities	0.48	0.55	0.35	0.040	0.27	0.11	0.11	0.24

Source: Prepared by the researcher based on the financial data published in the Iraq Stock Exchange (2010-2017)

After analyzing the results of the financial ratios related to the Economy Bank, we found that the bank's financial position was not in a good position. The bank's liquidity ratios were low, especially in the years of faltering that the bank went through in 2014 and 2017, where the ratio of current assets to current liabilities was modest, especially in the years of faltering It amounted to 1.11 in 2014 and was 1.23 in 2017, which means that the bank had a problem in covering its obligations, and the ratio of quick cash to current liabilities had also reached low levels, especially in the last four years of study, i.e. from 2014 to 2017, it amounted to 0.27 , 0.11, 0.11, 0.24, which are low ratios and put the bank in an embarrassing position in front of its large obligations to others.

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Table No: (5) shows the financial ratios extracted from the financial statements of the Investment Bank

The ratio	2010	2011	2012	2013	2014	2015	2016	2017
The ratio of current assets to total assets	0.96	0.95	0.95	0.97	0.96	0.96	0.97	0.96
Ratio of current assets to current liabilities	1.50	1.49	1.39	1.51	1.96	1.97	1.96	1.90
Total assets to liabilities	1.56	1.55	1.45	1.55	2.03	2.03	2.01	1.97
Total credit facilities to total assets	0.60	0.48	0.29	0.35	0.49	0.84	0.94	0.64
Current accounts to cash credit facilities	0.59	0.67	0.93	0.86	0.64	0.47	0.40	0.48
Cash credit facilities to the total customer deposits	1.78	1.79	2.20	1.79	0.96	0.96	0.98	1.02
Total liabilities to equity	0.93	1.07	1.52	1.31	0.58	0.43	0.36	0.41
Cash Credit Facilities to Equity	0.35	0.32	0.27	0.30	0.31	0.40	0.01	0.30
Current accounts to total deposits	0.64	0.64	0.68	13.0	0.49	0.49	0.49	0.50
Total Liabilities to Total Assets	0.05	0.03	0.005	0.07	0.09	0.06	0.03	0.01
Shareholders' equity to total liabilities	0.56	0.55	0.45	0.55	1.03	1.03	1.01	0.97
Quick cash to current liabilities	0.94	0.73	0.60	0.69	1.29	1.33	1.49	1.33

Source: Prepared by the researcher based on the financial data published in the Iraq Stock Exchange (2010-2017)

After an analysis of the investment bank's financial ratios, it turns out that the bank had fairly good liquidity in the early years of the study and was gradually heading to rise in the other years. The ratio of current assets to current liabilities reached 1.50, 1.49, 1.39, 1.51, 1.96, 1.97, 1.96, and 1.90, respectively, which are rather good ratios, if we take into account that the bank has a moderate level of indebtedness. The ratio of total assets to total liabilities was also good. This ratio appeared to be able to cover liabilities 1.45 times in its weakest case in 2012 and then it took a gradual rise, and this reflects a state of good liquidity that the bank possesses in order to meet its emergency obligations if something of that happened.

Search recommendations:

1. Develop an early warning mechanism whose mission is to direct the attention to banking risks, and early detection of these risks will help policy makers in taking preventive measures to prevent their occurrence or limit their effects by reducing losses to a minimum.

2. Encouraging the visual and print media such as newspapers, magazines and the like. Concerned with economic and financial affairs to publish all correct financial statements about companies and everything related to the movement of shares on a regular and periodic basis.

3. Providing technical tools that enable banks, through automated systems, to build a sound customer database.

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4. The necessity of providing an integrated and effective framework for managing banking risks, and the existence of clear and comprehensive strategies, policies and procedures that provide information on a permanent and organized basis for management, internal and external control systems, systems to verify the level of performance, and an independent management for risk management.

5. It is necessary to take into account the commitment of banks to transparency in the presentation of their financial statements, since in addition to their paramount importance in analyzing and measuring the risks to which each bank is exposed, and thus determining the extent of their impact on the performance of banks, many decisions by investors and stakeholders depend on them. Encouraging the flow of in-kind and foreign investments.

6. Compliance with the rules of banking governance and financial risk management, where risk management is an essential part of governance. Governance is the procedures used by representatives of project owners or stakeholders to provide control over the risks to which the project is exposed to its work.

7. The necessity of having a database on everything related to companies registered in the stock market, in particular data related to ownership structures, and providing it to researchers for the possibility of linking scientific research to practical reality with a high degree of accuracy.

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