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Analysis the liquidity risk and return of recruitment money indicators on banks

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Abstract

The study attempts to shed light on the indicators of liquidity risk as well as indicators of the return of the investment of funds and their impact on Rafidain Bank via application of standard and statistical models that help in the tests offered and reach the results that achieve or reject the hypothesis. In result, the dynamic ability to predict and absorb the banking risks and their ability to absorb them is logically acceptable. In conclusion, guarantee an appropriate investment policy for the economy will force banks to channel their available funds towards investment instead of freezing them as cash.

Keywords: Liquidity, Risk, Recruitment, Rafidain Bank**.**

Análisis del riesgo de liquidez y retorno de los indicadores de dinero de reclutamiento en bancos

Resumen

El estudio intenta arrojar luz sobre los indicadores de riesgo de liquidez, así como los indicadores del retorno de la inversión de fondos y su impacto en el Banco Rafidain mediante la aplicación de modelos estándar y estadísticos que ayudan en las pruebas ofrecidas y alcanzan los resultados que alcanzan o logran. Rechazar la hipótesis. En consecuencia, la capacidad dinámica para predecir y absorber los riesgos bancarios y su capacidad para absorberlos es lógicamente

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aceptable. En conclusión, garantizar una política de inversión adecuada para la economía obligará a los bancos a canalizar sus fondos disponibles hacia la inversión en lugar de congelarlos como efectivo.

Palabras clave: Liquidez, Riesgo, Reclutamiento, Banco Rafidain.

1. INTRODUCTION

The growth and development of any economy require paying attention to the banking sector and innovate the banking mechanisms. In order to attain this, it is necessary to identify the risks facing banks and to overcome them, and this requires determining the proportion of this risk and by measuring, and the identification of risk ratio will facilitate the task of regulators for the purpose of follow-up and identify the weaknesses and try to find solutions quickly. So the importance of research is to recognize the criteria and indicators for measuring the risks of banks by identifying the concept of each risk and then measuring, and what is the extent of the impact of liquidity risk on the risk of return from the recruitment of funds. The study is also trying to adopt a model for the possibility of sensing the existence of the risk and its response, which will reduce the bank's exposure to bankruptcy and maintain its reputation with its customers.

1.1. The objective of the study

1. Emphasize the importance of measuring the liquidity risk and return risk and the impact on the bank.

2. Determine the impact of liquidity risk on return risk.

3. The likelihood of predicting, sensing and responding to such risks or at least minimizing their impact on the work of the Bank.

1.2. The problem of the study

It lies in the following questions

1. How important is the measurement of liquidity risk and return risk? And what effect do they have on the Bank?

2. Is there an impact of liquidity risk on return risk?

3. Can these risks be predicted, sensed, face, or at least minimized?

1.3. Search Hypothesis

The study assumes that if all information, accurate data and data relating to banking risks are available, it will be easy for any institution to measure those risks that threaten its business and meet its obligations and give a precise possibility to measure the impact of these risks on the bank and other indicators. On the other hand, the researcher believes that it is necessary for each financial institution to develop an emergency plan including the ability to sense, coordinate and predictability, with the need to review and audit continuously will give the bank the possibility of creating the balance required in the management of liquidity.

1.4. Previous studies

First: The study of Abdulhafez (2007): Evaluation and measurement of liquidity risk on a sample from the Union of Sudanese Banks, this study aims to focus on maintaining an adequate level of liquid assets to meet the liabilities taking into account the use of resources of the Central Bank. The study presented a contingency plan that corresponded to the variables that may have affected the banks of the research sample according to other influences such as market changes and using the standard deviation coefficient. The study proved that the trends of these risks did not differ widely between banks, most of which suffer from high fluctuation and deviation of the liquidity

risk. Second: The study of (Keegan, 2004): Banking Risk and its Impact on Shareholding Companies based on the Miller Model the study emphasized that banking risks exist and relevant to all banking operations and activities regardless of whether these activities are long or short-term. These risks affect the achievement of the objectives, so they must develop a plan that enables them to predict banking risks and state remedies to face them. Third: The study of Keegan (2004) Proposed a model for the study of risks in Islamic banks through the adoption of a form in a questionnaire for (5) Islamic banks and by giving relative weights to each risk, which has reached the following results:

A. The relative weight of financial risk represents 18% of the components of the proposed model.

B. The research sample agreed that the financial risk can be measured by the criteria and indicators in the model and the relative weights of each standard are determined.

C. The most important criteria for measuring financial risk is the ability of the bank to innovate sources of funds (60%), the ability of the bank to diversify sources of income (55%) and the importance of a liquidity management system (55%).

2. THEORETICAL SIDE: CONCEPTUAL FRAMEWORK FOR BANKING RISKS

Before accessing into details of liquidity risk and its indicators, we have to define the meaning of banking risk. It means the possibility of a loss directly or indirectly which may be obtained through a loss of business or capital and the other situation is possible through limitations that limit the ability of the bank to achieve its objects and plans (Round, 1991). Such possibilities are constraining the Bank's ability to continue its activities, which reduces the opportunities to work in the banking sector. While the Basel Committee has given a concept of banking risk as the possibility of the Bank being exposed to unanticipated and unplanned losses and/ or fluctuating the expected return on a particular investment, resulting in negative effects that have the potential to affect the desired objectives of the Bank and successfully implement its strategy (Keegan, 2004). It is worth considering that there are two types of banking risks. The first type is called the special risk, which is caused by internal factors that affect the ability of the bank. Therefore, it is required to predict and anticipate future occurrence. It can be reduced or controlled by diversification. The second type is a general risk that affects market movement Which is difficult for the bank to control, predict, and address in the future, and therefore general risks of diversification cannot be avoided (Hindi, 2003).

First: Liquidity risk: The inability of the bank to pay the financial obligations when they are due and the bank that cannot meet

its obligations in the short term is the beginning of the phenomenon of disability and if the continuation of this leads to bankruptcy (Hashad, 2005). These risks are the result of a number of factors first and foremost when the demands exceed the liquidity available and the other non-payment of borrowers to their obligations on time. In order to overcome these risks, it should make liquidity management very important. Otherwise, failure to maintain liquidity means failure as a financial institution. In order to measure the liquidity risk, four main measures were used: These risks are the result of a number of factors first and then when most important when the demands exceed the liquidity available and the other non-payment of borrowers to their obligations on time. In order to overcome these risks, it should make liquidity management very important. Otherwise, failure to maintain liquidity means failure as a financial institution. In order to measure the liquidity risk, four main measures were used:

1. The ratio of loans to deposits: The increase in this measure indicates a high liquidity risk as it reflects the increase in loans and advances to deposits in the sense of low liquidity of the bank and thus less ability to meet deposit withdrawals and here the bank must limit the expansion of lending.

2. The ratio of short-term investments to deposits: The increase in this measure indicates a decrease in the liquidity risk, considering that the increase in short-term investments will benefit the bank in facing its financial obligations.

3. The ratio of cash and cash equivalents to deposits: The rise in cash and cash equivalents indicates a decrease in the liquidity risk as it represents assets that help the bank to meet its financial obligations.

4. The ratio of deposits to assets: The rise of this indicator means lower liquidity risk as it reflects the increase of deposit funds, which makes the bank able to meet its various obligations.

Second, the indicators of banking refund: These indicators reflect the actual performance of banks as they show the extent to which banks are successful in using the available funds and their productive capacity. These revenues are also considered to be sources of financing for the bank Atef (2011) it could be able to analyze these indicators as follow:

1. The Return on Equity ratio: This indicator measures the ability of the Bank to provide the refund on the investment of shareholders' funds represented in capital, reserves and retained earnings, and its rising indicates the safety of the bank's performance, meaning that the bank will have the ability to make investment and operational decisions.

2. The return on assets ratio: This indicator is used to judge the efficiency of the bank's management in the use of its assets and the manner of the use of funds and its ability to transfer money to net profits.

3. Return on deposits ratio: It is used to judge the efficiency and ability of the bank's management to produce profits from deposits obtained from depositors.

4. Net profit margin: This ratio reflects the efficiency of the Bank and its ability to achieve growth in revenues by increasing the returns on loans, investments and banking services. This increase reflects the high profitability of the Bank's revenues and its ability to control its operating expenses (https // accdisussion.com / acc 2891).

Second: - The practical aspect: Measurement and analysis of the impact of risks on the bank and testing the impact of liquidity risk measures on refund on money measures and the possibility of predicting these risks.

3. TEST THE HYPOTHESISES

3.1. Test the first hypothesis

3.1.1. Measurement and analysis of the impact of liquidity risk

In order to answer the questions raised within the problem of research, we first have to determine the place of application of standard and statistical models that help in the tests offered and reach the results that achieve or reject the hypothesis. Therefore, the Rafidain Bank has been selected as a case study. By relying on the annual reports and the

balance sheet of the mentioned bank, the average of each percentage of the ratios referred to in the theoretical part will be calculated for the period (2009-2017). Here, it should be perceived that the lower the overall average of the indicators, as well as the standard deviation, is low whenever there is evidence of a decrease the indicator risk and thus a decrease in liquidity risk in general on any bank, we in order to get to the requested results which they are supporting the hypothesis and present it in a logical way, in which the specialist could get benefits in this sector The study chose Rafidain Bank for easy access to the data. Based on this data, we were able to test the liquidity risk ratios of the mentioned bank as shown in Table (1). As well as the risk-return ratios in Table (2).

Table (1). Testing the liquidity risk ratios of Rafidain Bank for the period (2009-2017)

year / Indicator	2009	2010	2011	2012	2013	2014	2015	2016	2017	M	STD	Min	Max
Loan / deposit ratio	0.22	0.12	0.04	0.01	0.10	0.03	0.06	0.06	0.12	0.09	0.06	0.01	0.22
Short-term investments / deposits ratio	0.45	0.39	0.77	0.71	0.70	0.74	0.71	0.69	0.64	0.64	0.13	0.39	0.77
Percentage of cash and cash equivalents / deposits	0.88	0.64	1.05	1.03	0.97	1.01	0.98	0.96	0.88	0.94	0.12	0.64	1.05
Ratio of deposits / assets	0.89	0.91	0.89	0.92	0.90	0.92	0.91	0.94	0.96	0.91	0.02	0.89	0.92

Source: - The table prepared by the researcher based on the annual reports and the balance sheet of Rafidain Bank for a number of years. Note that part of this data is published on the official website of the bank.

Table (1) shows that the general average of the first index reached (0.09) and this ratio is considered low, and this ratio recorded at the lowest

level in 2012, While the highest ratio was in 2009 as (0.22), then it had been noted the trend of this ratio declined until 2012. And this is due to the Bank's aid of a large part of its assets as semi-liquid investments that have formulated a huge part of it. This, of course, is a positive symbol for the bank. As for the standard deviation, is also recorded a low value reached (0.06). This indicates the decrease in deviation of the first index of liquidity risk on the bank. As for the second indicator, as shown in the results appeared in the table, this index achieves a high ratio of 0.64. The lowest ratio recorded in 2010 was (0.39). While the highest ratio was (0.77) in 2011. It should be remarked that the trends of this index were contrary to the trends of the previous one, where the ratio in the last year of the table (0.12) for the first index and (0.64) for the second index and this trend designates the soundness of the investment policy of the bank, in other words, that the bank has liquidity available to invest Instead of freezing it as a cash. In a way that ensures obtaining more revenue taking into account the balance between liquidity and risk. As for the ratio of cash and cash equivalents to the bank, this index recorded a general average of 0.94. The high ratio of this is confirmed by the low liquidity risk of the bank and the highest and lowest values (1.05) (0.64) for the years 2011 and 2010 respectively. Makes it possible to avoid liquidity risk. As for the index of the ratio of deposits to assets, the theoretical studies related to the work of banks and financial institutions indicate that this index was all high, the liquidity risk remains low because it reflects the increase of funds deposited with banks in such a way that makes the bank able to meet its various financial obligations. Returning to the same table, it is noted that the general average of this index reached (0.91) and recorded a low standard deviation of (0.02), reflecting the low degree of liquidity risk on Rafidain Bank, and it should be noted that the political instability and

economic prevailing in the country in addition to the loss of security Was a reason for increasing the desire of individuals to deposit their money in banks (Sameh, 1991).

3.1.2. Measuring and analysing the risk of bank rate of return on the recruitment of funds

These indexes reflect the overall performance of the Bank. As mentioned above, these indexes reveal the extent to which banks are successful in utilizing their available funds and their productive capacity as well as the effectiveness of their various activities. As it contributes to increasing the capital of the bank as a source of self-financing instead of relying on the government to provide liquidity. These indexes are shown in Table (2) for the same bank and for the same time period.

Table (2). Test the rates of return risk on the recruitment of funds for Rafidain Bank for the period (2009-2017)

Year / index	2009	2010	2011	2012	2013	2014	2015	2016	2017	M	STD	Min	Max
Rate of return / equity	0.26	1.19	0.59	0.52	1.13	1.81	1.80	1.48	1.64	1.16	0.59	0.26	1.81
Rate of return / assets	0.003	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.01	0.01	0.003	0.02
Rate of return / deposits	0.004	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.01	0.01	0.004	0.02
Net profit margin ratio	0.14	0.37	0.16	0.25	0.19	0.27	0.36	0.35	0.34	0.27	0.09	0.14	0.37

Source: - The table prepared by the researcher based on the annual reports and the balance sheet of Rafidain Bank for a number of years. Note that part of this data is published on the official website of the bank.

From Table (2), we remark that the overall average of this index was (1.16) and the highest level of profitability achieved by the Bank in 2014 was (1.81), while the lowest level of profitability was in 2009 recorded (0.26). For the standard deviation, the amount was (0.59), which is high and large, all this gives an explanation to the dispersion of the return that generated from the shareholders' money being fluctuated between one year and another. As for the second index as the sources indicate that it is a standard to judge the management of the bank in the efficiency of the use of assets and the ability to transfer the bank's funds to net profits and view the same table Note that the general average was (0.01) and scored the highest profit level of (0.02) for more than one year while the lowest level of profitability reached by the bank was (0.003). While the standard deviation its value was (0.01) indicating the stability of the return generated by the assets and the low degree of volatility. As for the third index, there was a general average of (0.01) and the lowest level of profitability (0.004) in 2009, while this ratio increased for repeated years, where it reached (0.02) which means raising the degree of stability of the bans returns. As for the net profit margin, it was (0.27) as an overall average and it is noted that it is low and decreasing, indicating a decrease in the bank's income ratio. The lowest level of profit was (0.14) for the year 2009. While the following year, the index recorded the highest level of profit (0.37), while the standard deviation was (0.09) and the decreasing is due to the low degree of dispersion of returns.

3.2. Test the impact of liquidity risk measures on the return of funds measures

In this step, we will rely on the multiple linear regression model for the existence of more than one independent variable and for the purpose of testing the second hypothesis of the study, which is how to determine the ratio of the impact of liquidity risk on the rate of employment of return. In order to analyse the effect relationship, the liquidity risk measures will be treated as independent variables, while the employment return indicators are the adopted variables. Each indicator will be given a specific code, as follows:

X1 Ratio of loans / deposits

X2: Ratio of short-term investments / deposits

X3: Ratio of cash and cash equivalents / deposits

X4: Ratio of deposits / assets

Y1: rate of return / equity

Y2: rate of return / assets

Y3: rate of return / deposit

Y4: Net profit margin ratio

It will have used the equation formulas of regression analysis (linear function, logarithmic half and logarithmic) as follows:

$$Y_{ij} = \alpha + \beta_i X_j + e_{ij} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

$$Y_{ij} = \alpha\beta_i LogX_j + e_{ij} \quad \dots\dots\dots\dots\dots\dots (2)$$

$$LogY_{ij} = \alpha\beta_i X_j + e_{ij} \dots\dots\dots\dots\dots\dots\dots\dots (3)$$

$$LogY_{ij} = \alpha + \beta_i LogX_j + e_{ij} \dots\dots\dots\dots\dots (4)$$

Statistical tests will be adopted to analyse and interpret the model as follows:

• T-test: To determine the effect of independent variables on the variable adopted at a significant level (0.05) and the degree of freedom (n-1), note that the value (T) table is (1.8).

• F-test: Indicates the significance of the linear relationship between independent variables on the adopted variable, in other words, it tests the significance of the model as a whole. (K-1, k) where (k) represents the number of independent variables and (n) represents the number of observations. Note that the value of the variable (F) table amounted to (6.39).

• Determination coefficient test (R2): it presents The effect of contributing the independent variables on the behaviour of the dependent variable, which is a value between zero and the correct one, and whenever value get close to 100 this indicates the good testing of variables affecting the functional relationship. Now we will test the effect of independent variables (liquidity risk measures) in the variables adopted separately for Rafidain Bank for the same period of time. After the test, the following results emerged:

Table 3. The effect of (liquidity risk measures) on the measures (return of the recruitment of funds) to Rafidain Bank

Independent Variables / Adopted variables		Fixed regression equation	X1	X2	X3	X4	R^2	F
Y1	β	2.79	0.183	5.31	-7.32	4.49	%78.3	3.61
	T	2.58	0.77	2.67	-2.44	0.54		
	Relation nature	S	NS	S	S	NS		
Y2	β	-2.92	-0.053	1.76	-2.22	12.5	%69.5	2.28
	T	-2.87	-0.24	0.94	-0.78	1.60		
	Relation nature	S	NS	NS	NS	NS		
Y3	β	-2.92	-0.053	1.76	-2.22	11.5	%67.3	2.06
	T	2.87	-0.24	0.94	-0.78	1.47		
	Relation nature	S	NS	NS	NS	NS		
Y4	β	-0.611	-0.093	0.91	-2.39	8.43	%72.8	2.67
	T	-0.92	-0.63	0.75	-1.30	1.66		
	Relation nature	S	NS	NS	NS	NS		

Source: - Prepared by the researcher according to the outputs of the statistical program. (S) In the table means the significance of the relationship. (NS) points out that the relationship is not significant.

From Table (3) we perceive that the effect of the independent variables is not significant on the adopted variable (return/equity). The calculated value of (F) is 3.61 and is less than the (6.39). As for the value of the coefficient of determination (R2) recorded a high value of (78.3%). This means that (78.3%) of the changes that affect the index (return/equity) interpreted through the liquidity risk and the remainder is due to the effect of other variables is not calculated in the sample which estimated as (21.7%). While T-value we have found that some independent variables had a significant effect and some did not have a

significant effect on the adopted variable. When comparing the calculated T-value with the table T-value which amount (1.8) seemed that the first ratio was not significant with the adopted variables and this is in contrary to the first hypothesis. As for the index (short-term investments/deposits), it gave a positive correlation with the approved variable, which indicates a decrease in liquidity risk. We also note that the ratio of (Cash and cash equivalents Balances/deposits) has given an adverse relationship with the adopted variable, which is also in contrary to the hypothesis of research. As for the ratio of (deposits/assets) is also showed a non-significant relationship with the adopted variable and this is in contrary to the assumptions of research. From the above it can be said that the best indicators that supported the hypothesis of the study was the ratio of a (short-term investments/deposits), while it is not clear significance role to the standards (Loans/deposits) and (deposits/assets) because they emerged with a positive relationship non-significant with the first adopted variable. As for the effect of the independent variables on the second adopted variable was found to be significant whereas-the calculated value (F) was (2.28) and was less than the tabular value of (6.39). In terms of the hypothesis of the study, the variable (loans/deposits) showed an insignificant relationship with the adopted variable and this refutes the hypothesis that indicates there is a trace of the ratio of (loans/deposits) on the indicators of return on the investment of bank funds. The ratio of (short-term investments/deposits) gave a non-significant positive relationship with the adopted variables. We also note that the ratio of (cash and cash equivalents/deposits) has shown a negative and non-significant relationship with the approved variable, while the ratio of (deposits/assets)

has a significant and positive relationship with the same variable. The results showed that the value of the (R2) coefficient of (69.5%) means that this percentage of the changes in the rate of return (assets) is explained by the liquidity risk measures and the remaining due to other variables not calculated in the model and (30.5%). From the above, it can be said that liquidity risk measures are not considered determinants of the Rafidain index (return/assets) because they did not give a significant role to the effect.

As for the effect of the liquidity risk measures on the (return/deposit) index, we note that the calculated value of (F) was recorded (2.06), which is less than its tabular value. This indicates that the rate of return to deposits is not affected by liquidity risk. From the table, we notice that the statistical parameters of the first and third variables were not significant. The ratio of (short-term investments / deposits) and ratio (deposits / assets) both recorded a positive and non-significant relationship. We also find that the value of the coefficient of determination (R2) amounted to (67.3%) Which means that (67.3%) of the changes in the rate of return to deposits are explained by the liquidity measures and the rest is explained by other factors not calculated in the model which amounted to (32.7%). The program also showed that the effect of the variables on the net profit margin is also insignificant as the calculated value of (F) is amounted to (2.67), which is lower than its tabular value. This is evidence of the weak correlation between the liquidity risk and the dependent variable. As regarded that the value of (T) and tests of partial variables, we found that the ratio of (loans/deposits) showed in an insignificant relationship and negative with the adopted variables and this refutes the hypothesis of the study that indicates a positive and positive

effect in the adopted variable. As for the ratio of (short-term investments/deposits), they have a positive relationship with a weak significance. As for the index (cash and cash equivalents/deposits), it has a negative correlation with a low significance, as well as with the index (deposits/assets) also a relationship is insignificant and positive. The results indicated in the table explain that the value of the coefficient of determination (R2) explained by (72.8%) of changes in the net profit margin which can be explained by changes in the liquidity risk measures and the rest can be attributed to other variables not included in the model. All of the above, we conclude that liquidity risk measures have no significant effect on the net profit margin index.

3.3. Testing the third hypothesis related to (predictability of banking risks)

In this step, we will rely on the Intercepts-As-Outcomes Model, which provides information related to the third hypothesis and is based on fixed values as outputs. This model is one of the tests that shows the dynamic capabilities at the enterprise level related to the cognitive variables and is mainly dependent on providing accurate information of the variable to be predicted. The formula of this model is the choice of variables formulated by the dynamic model, which is closely linked to the dynamic ability of the financial institution to face the risks expected to occur Which are associated with liquidity risks and are based on the following mathematical formula.

$$ParAccl_{ij} = \beta_{0j} + \beta_{1j} {}^{*}(CogDif_{ij}) + \beta_{2j} {}^{*}(CogDif_{ij})$$
$$+\beta_{3j} {}^{*}(CogDif_{ij}) + \beta_{4j} {}^{*}(CogDif_{ij}) + \beta_{5j} {}^{*}(BehDif_{ij})$$
$$+\beta_{6j} {}^{*}(BehDif_{ij}) + \beta_{7j} {}^{*}(BehDif_{ij})$$
$$+\beta_{8j} {}^{*}(BehDif_{ij}) + r_{ij} \quad \dots\dots\dots\dots (5)$$

Whereas:

β_0j: the arithmetic mean of the predicted variable and its potential impact, and here it will be considered the dynamic ability variable of the institution as an independent variable.

β_{1j} ،β_{2j} ، β_{3j} ، β_{4j}: Represent tendencies that reflect the nature of the relationship between the possibility of sense, the ability of the institution or individual to absorb, and the coordination, and the readiness of the organization to confront and identify. Note that the determination of these values depends on the amount of information and concepts available to the possibility of dealing with the problems of work and take decisions in the right manner that elevates the level of ambition. After the test, the following results emerged.

Table (4) Test results of the sample of fixed values as outputs

Independent variables	Regression coefficients	T-Values	R2	Variance
Sensor possibility	**0.151	5.13	0.38	**0.00386
Absorption capacity	0.004	0.28		
Formatting	0.027	1.47		
The dynamic ability of confrontation and identification	0.14	0.073		

Source: - Outputs of the statistical program ** means significance at the level (1%)

Table (4) presents the results of the third hypothesis test according to the model of fixed values as outputs. The dynamic ability to predict and absorb the banking risks and their ability to absorb them is logically acceptable. This is confirmed by the value of the interpretation coefficient, which contributed to the interpretation of (38%) of the variance, which is a significant value. Note that the main purpose of this test is to determine the strategy that the bank must adapt to meet the surrounding circumstances. It also helps to know the future liquidity volume that you need to work.

4. CONCLUSIONS

1. The measures of liquidity risk negatively affect the activity of the bank and its revenues, but it is considered one of the most significant dangers that cause great harm and this is normal because Iraq is a country with an unstable environment and exposed to the recent period of deteriorating political and economic conditions as well as the large inflation that occurred in the last period.

2. Guarantee an appropriate investment policy for the economy will force banks to channel their available funds towards investment instead of freezing them as cash.

3. The Bank's success in the recruitment of funds is necessary for the development of the capital of the bank as a source of self-financing and enables the bank to meet the risks to which it is exposed and the success of its continuation in its work.

5. RECOMMENDATIONS

1. The central bank should reduce the rate of deposits it imposes on the bank to keep them because this will make the bank owns funds that are not invested and do not achieve returns.

2. Banks should adopt an emergency plan to deal with liquidity crises that meet their funding needs and increase their ability to operate efficiently. The plan must be flexible and compatible with developments that may occur on the bank.

3. The Bank should define its strategy to measure its financial capacity in light of the measurement of the ability to increase the capital and the effectiveness of the financial systems of control and the quality of inventory control.

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