



WORKING CAPITAL FINANCING POLICIES AND THEIR REFLECTION ON BANKING PROFITABILITY IN COMMERCIAL BANKS LISTED IN THE IRAQ STOCK EXCHANGE

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Article history:	Abstract:
<p>Received: 10th November 2021 Accepted: 10th December 2021 Published: 26th January 2022</p>	<p>The research dealt with working capital financing policies and their reflection on banking profitability in four Iraqi commercial banks, that are Credit Bank, Babel Bank, Sumer Bank and Gulf Bank for eight years from (2014 to 2021), thus it aimed to study the reality of working capital financing policies in the banks and came out with results and recommendations that help the financial management to realize the nature and the extent of the relationship between short and long-term financing of the capital and profitability components, which was expressed by (the rate of return on Equity and rate of return on available resources). Relying on a number of statistical measures and methods whose values were found by the statistical and official programs of the electronic calculator (spss-V18) and (Excel 2010) program. The research specified a set of conclusions, the most important of which are: There is an effect of short and long-term working capital financing ratios on the profitability indicators approved by the research, and that the financial manager in the bank can achieve the appropriate profitability according to the research indicators used by following a moderate financing policy. While the research recommended focusing on working capital financing policies in banks as a vital and strategic issue due to its significant role in achieving the aims for which it was established.</p>
<p>Keywords: Working Capital, Banking Profitability, Short-Term Financing, Long-Term Financing.</p>	

INTRODUCTION:

Working capital is of great importance in the assets of business establishments in general and commercial banks in particular. As its role in revitalizing their business and achieving their goals, it receives the attention of the administrations especially if working capital are well managed. Furthermore, banking profitability is considered one of the strategic goals of business establishments in general, and commercial banks in particular, which the administration of enterprises seeks to achieve through their financing and investment policies in working capital in a way that ensures the satisfaction of the owners, and achieves a competitive position in the market. Accordingly this research came to shed light on working capital financing policies and what they can contribute to achieve satisfactory profitability for the business administration establishments and their owners.

The policy of working capital management is one of the basic tasks of modern financial management because of its direct impact on the performance of

companies, and its importance for maintaining the operational continuation of operations in companies, and also helps in the control and planning processes over their current assets and liabilities, thus reach appropriate levels of working capital to achieve a balance between liquidity and profitability. As the working capital may acquire an important part of the total assets or those expected to be converted into cash during a financial year, the companies strive to maximize shareholders' wealth through their decisions related to financing and investment, through the ideal use of their assets. From the point of view of the companies administrative and other stakeholders, capital and profitability represent a vital basis for the company's survival without dispensing with one at the expense of the other. This means that the decision aimed at increasing the focus on profitability will lead to a decrease in the focus on liquidity.

The research problem can be represented by the following two questions:



A- Does the volume of short-term financing affect the current assets, which collectively make up the total working capital on the return achieved by the banks?

B- What is the extent of the impact of long-term financing on current assets, which, in their entirety, constitute the total working capital in the return earned by banks?

The importance of the research stems from its handling of a vital and important topic in the field of financial management, which is working capital and its financing policies and the extent of their contribution to achieving the required profitability. Accordingly, to arouse the interest of business establishments in general and the commercial banks investigated in particular in their handling of such a topic, and then increase the awareness of financial managers to the concept and the importance of working capital financing in achieving targeted profitability. The research aims to study the reality of working capital financing policies in some commercial banks and come up with results and recommendations that help the financial management to realize the nature of the relationship between short and long-term financing for the components of working capital and profitability for research sample banks.

The research is based on two basic hypotheses: first, "there is no significant effect of short-term working capital financing policies on profitability in the commercial banks in the research sample" and its sub-hypotheses. The second hypothesis is "there is no significant impact relationship of long-term working capital financing policies on profitability in the commercial banks in the research sample" and its sub-hypotheses.

The research conclusions based on the applied framework were: The financing of the capital elements depends on the decrease in the interest paid on the exchange between return and risk and the extent of the financial management's preference for one of them, as the bank's maintenance of high short-term financing rates compared to long-term financing increases its profitability, due to low interest paid it. On the other hand, the increase in long-term financing leads to a decrease in the profitability of the bank due to the high interest on it. The results of the statistical analysis presented the stability of the first sub-hypothesis of the research emanating from the first main hypothesis, which indicated that there was no significant effect of the short-term working capital financing ratio on the rate of return on the right of ownership is in the Credit Bank, Sumer and the Gulf, while it was not proven in the Bank of Babel.

The results of the statistical analysis also indicated the stability of the second sub-hypothesis emanating from the first main hypothesis, which stated that there was no significant effect of the short-term working capital financing ratio on the rate of return on available resources in all commercial banks, the research sample. While the statistical analysis results shows the stability of the first sub-hypothesis of the research emanating from the second main hypothesis, which states that there is no significant effect of the long-term working capital financing ratio on the rate of return on ownership in Sumer and the Gulf Bank, and it was not proven in the Credit Bank and Babylon. The results of the statistical analysis also showed the stability of the second sub-hypothesis emanating from the second main hypothesis, which states that there is no significant effect of the long-term working capital financing ratio on the rate of return on available resources in all commercial banks, the research sample.

First: the conceptual basis of working capital

1- Working capital concept

In order to give an explanation of the concept of working capital, it must be noted that contemporary financial thought has used two terms that are commonly used by researchers and those interested in this field, one of which is called total working capital and the second is net working capital, and the following is an explanation of each of them:

A- Gross of Working Capital

Total working capital is defined as the sum of current assets that are usually converted into cash during the year. These assets include, in addition to the cash itself, temporary investments, receivables, and commodity stocks (Hindi, 2004: 193). According to (Al-Hayali) it is the sum of the current assets owned by the project, regardless of the nature of its work and the return on ownership (Al-Hayali, 2007: 245). It was also defined as the total current assets with their various items used in the facility, which can be transformed from one form to another within a short period of time not exceeding one year (Jitman 2008: 638). While (Houston, Brigham) indicated that the total working capital is simply the current assets used in operations (Houston, 2009,513) & Brigham.(

Based on the previous, the researcher can define the total working capital as the sum of short-term financial investments that are converted into cash during the year and include cash, short-term securities, and receivable accounts and commodity stocks.

b- Net working capital



The term net working capital is the most used definition in the field of financial management, as it has been used for a long time by accountants. Many significant published statistics confirm depending in their analysis on net working capital as the product of subtracting current liabilities from current assets (Al-Zubaidi). , 2004: 336-337). Net working capital refers to current assets minus all current liabilities and represents that portion of investments in current assets that were financed by long-term funding sources (642:2011, Brigham & Ehrhardt) and (Al-Amri, 2013: 172). Accordingly (Zutter & Gitman) consider that the net working capital represents the difference between the current assets of the establishment and its current liabilities, thus, when the current assets exceed the current liabilities, the enterprise has a positive working capital, and when the current assets are less than the current liabilities, the establishment has a net working capital Negative (2012, 601 Zutter & Gitman).

The researcher can define the net working capital as the difference between current assets and current liabilities. If the difference is positive, it has been financed from long-term funding sources or short-term funding sources if it is negative, hence it is considered an indicator of the facility's liquidity and the reliability of its financial position.

It must be noted that when accountants use the term "working capital", they are generally referring to net working capital, which is the difference between current assets and current liabilities. Moreover, financial analysts mean current assets when they talk about working capital, so their focus is on total working capital such as cash, marketable securities, receivables, and commodity stocks (current assets) (206: 2009, Wachowicz & Van Horne).

2- Importance of working capital

A- Working capital with its components constitutes a large proportion of the total assets of the establishment, especially in industrial establishments that maintain a working capital of more than half of its assets, and that these assets are constantly changing and fluctuating, which makes the financial manager dedicate most of his time and decisions to managing these assets (Al-Amri, 2013: 175).

B - The importance of working capital is due to the fact that special decisions regarding it cannot be postponed while investment in fixed assets can be postponed. So postponing investment in current assets may cause the facility severe damage.

C - The importance of working capital increases for small-sized establishments, as well as for novel

establishments. Accordingly, the difficulty that these establishments face in obtaining their long-term financing needs, they may have to rely on short-term sources of financing to finance assets.

D- The direct impact of working capital on the liquidity and profitability of the establishments. The appropriate combination of working capital components maintains the liquidity of the establishment in terms of the possibility of converting these components into cash without loss and at the same time affects the profitability of the establishment, as financing the increase in working capital, makes the establishment bears financing costs including interest (Hindi, 2004: 194-195).

3- Working Capital Policies

Through financial management, the establishment make financing and investment decisions related to how to determine the components of working capital. Thus a number of ways and methods that the establishment can be resorted and rely on to reach the optimal level of financing and investment from its point of view and in light of the objectives that It seeks to achieve. These methods is called (working capital policies).

Accordingly, working capital policies are defined as a set of methods and means related to the targeted levels of investment in current assets, as well as the targeted method for financing those assets (Al-Barzanji, 2015: 189). Hence Shawara defined it as decisions related to current assets and liabilities according to the items that make up and their usage as well as the effect of their composition on returns and risks. Since successful working capital policies are necessary in the long-term for the growth and survival of the establishment. Besides, if the establishment does not have the necessary working capital to increase its production and sales, it will lose many opportunities to increase production, sales and profits, and at the same time, the company will be exposed to risks if it maintains a working capital level of more than their needs. So, work should be done on the necessity of equivalent the size of working capital and fixed capital (Al-Shawara, 2013: 142-143). The researcher defines working capital policies as a set of principles and plans taken by the financial management in the establishment to determine the course of action in dealing with current assets and current liabilities.

Working capital management includes two types of important policies that require the financial management to pay attention, namely (investment policies and financing policies). Any of these policies



include the two main objectives of financial management that are return and risk (liquidity risk). Consequently the decision-making process with regard to these two sets of policies, is a process of exchange between return and risk. The decision that increases return (profitability) is at the expense of losing liquidity. That means increasing the risk to which the company is exposed and vice versa (Al-Amri, 2013: 172-173). Working capital financing policies are addressed as follows:

FINANCING POLICIES

The main decision in the field of financing for working capital components is to choose between the use of short-term financing versus long-term financing. Determining the integration of short and long-term financing to finance establishment investments is a process of exchanging between return and risk, thus the selection of the financing maturity structure depends on the preference relationship between risk and return for the management. As financing is divided according to maturity date into long-term financing, which includes Long-term loans, equity and capital financing, and retained earnings, either short-term financing includes credit facilities (accounts payable), late payment of dues (taxes, salaries, wages, and other expenses), and short-term loans from banks (Al-Maidani, 2010: 211-212). The trade-off between long-term and short-term financing involves a trade-off between risk and return. In terms of risk, the risk of financing with short-term loans is higher than the risk of short-term financing, because the shorter the

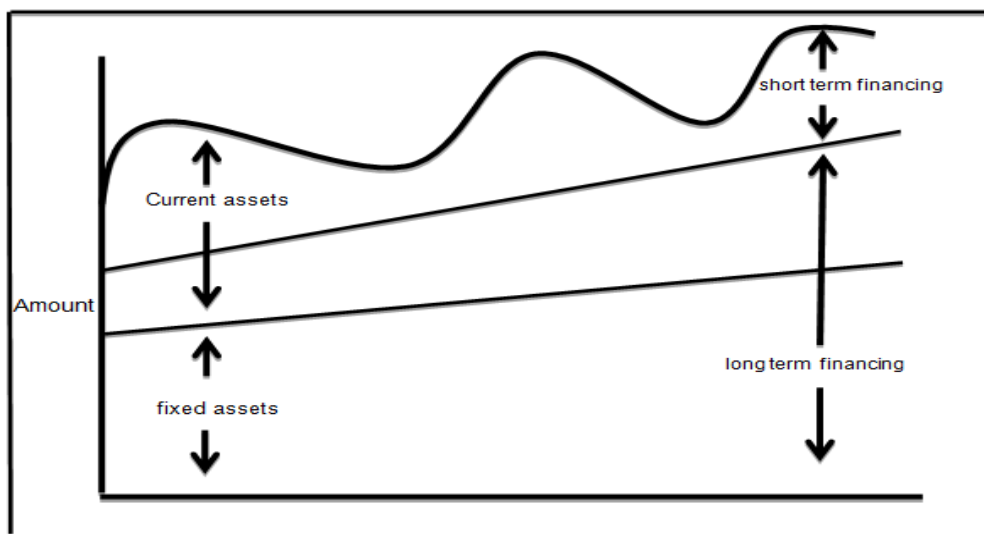
maturity date of the establishment's debts, the greater the risk of the establishment's lack of cash to meet the interest payments and repayment of the loan. Whereas, the longer the maturity date of the debt, the lower the risk of illiquidity. As for the return, short-term financing is less expensive than long-term financing therefore it is more profitable (Hariri, 2015: 94). There are three alternative policies for the integration of short and long-term financing for working capital financing:

A- Conservative Policy

Under this policy, the establishment finances all its fixed assets, permanent current assets and part of temporary current assets with long-term funding sources, and the remaining portion of temporary current assets is financed by short-term funding sources. In this case, the establishment uses small amounts of short-term loans to meet temporary fluctuations in current assets (Weston and Bergham, 2016: 373-374).

Following this policy reduces the risk to the maximum extent. AS the low risk comes from the failure to pay the principal amount in the short term, the interest is fixed and does not change for a number of years and there are no liquidity risks. However it is expensive because of the bulk of the long-term financing, this financing is high cost, so it is reflected in the low return. That is, this is the policy with the lowest return and risk. (Abd, 2012: 109). The conservative policy can be explained in the following form:

Figure (1): Conservative policy in financing



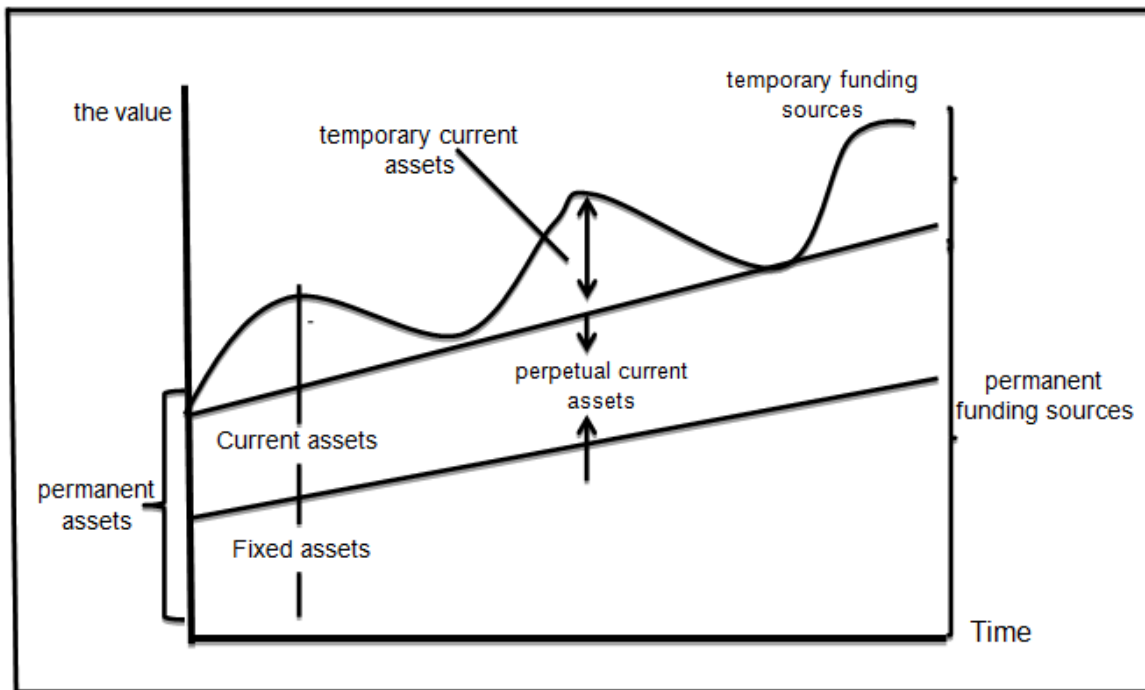
Source: Van Horne, James C, & Wachowicz, John M, "Fundamentals of Financial Management, Pearson Education Limited Edinburg Gate Harlow Essex CM20, 2009, P.213.

B- Moderate Policy

The working theories of working capital financing on the basis of this policy refer to a well-known principle in financial thought called the principle of coverage. The limits of this principle in financing is that every asset within the establishment is financed by a source of financing that matches the length of the need for it. This means that the timing of the generated cash flows from any asset must be harmonized with the timing of maturity date of the

financing sources used to finance it. According to this policy, short-term investments should be financed with short-term funding sources, while investments in permanent working capital, as well as investments in fixed assets, should be financed with long-term funding sources (Al-Zubaidi, 2004: 345). As shown in the following figure:

Figure (2): Moderate Financing Policy "The Coverage Principle



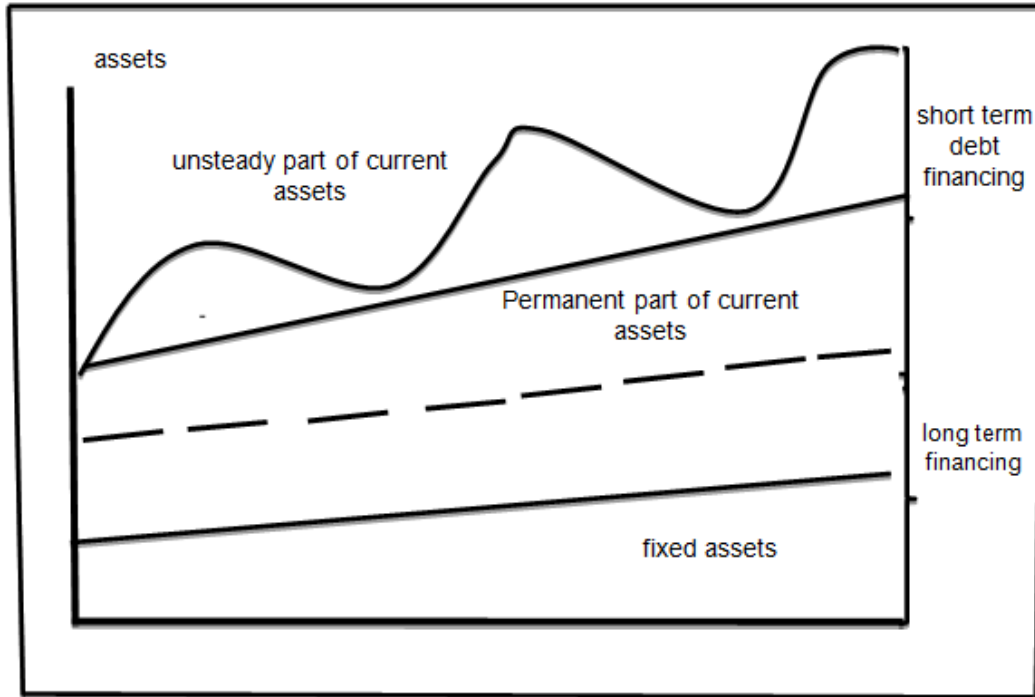
Source: Hindi, Munir Ibrahim, "Financial Management - A Contemporary Analytical Introduction", Sixth Edition, Modern Arab Office, Alexandria, 2004, p. 208.

C- Aggressive Policy

Under this policy, all fixed assets and part of the permanent current assets are financed with long-term funding sources, while the other part of the permanent current assets and all temporary current assets are financed by short-term funding sources. As this policy uses short-term funding to finance temporary working capital and part of permanent. The short-term financing is characterized by a lower cost and high

risk, therefore this policy is characterized by an increase in the return and a high risk at the same time. Also the risk of this policy results from fluctuations in the interest rate, the inability to renew the loan and the fluctuations of the financial and economic situation (Al-Amri, 2013: 290). The geometry below depicts the limitations of this policy:

Figure (3): Aggressive policy in finance



Source: Al-Maidani, Muhammad Ayman Ezzat, "Financing Management in Companies", Sixth Edition, Al-Obaikan .Library, Riyadh, 2010, p. 215

Second, the conceptual basis for profitability
1- Concept of profitability

It is a relative term that expresses the relative relationship between profits and the investments that contributed to achieving these profits, and this ratio aims to measure the management's ability to earn and the extent of efficiency in achieving net profits. Thus it is considered one of the main indicators used by current and prospective investors for the purposes of determining the course of their investments. As profitability is the most reliable ratio in determining the company's ability to achieve profits from the activities it engages in (Al-Hayali, 2007: 148). (Zala) pointed out that the word profitability consists of two words: (Profit) which means the income achieved through the practice of business activities during a certain period of time and (Ability) which means the ability and refers to the bank's ability to generate profits, and the strength of the bank's operational and financial performance. Collectively defined as the ability of a particular investment to earn a return from its use, (Zala 65: 2010). So profitability is a clear indicator in the banking market that reflects the competitive position of the bank, the quality of its management, and its

ability to bare risks and increase its capital (81: 2003, Greuning & Bratanovic).

Based on the foregoing, profitability in banks is defined as a relative term that expresses the relationship during a certain period of time between the achieved results and the means used to achieve these results. It serves as a measure of the relative efficiency resulting from the extent of achieved results by making optimal use of the available means.

2- Profitability Measurement

A- Return on investment (ROI)

It is also called the rate of return on assets (ROA), as it measures the overall efficiency of the management in achieving profits from its total investments in assets, and the management always seeks to increase the return on investment, as it is a measure of the profitability of all the company's short and long-term investments. The rise of this indicator indicates the efficiency of the bank's investment and operational policies. Thus it is calculated by the following equation: (Al-Amri, 2013: 88).

$$\text{Return on investment} = \frac{\text{net profit after tax}}{\text{assets}} \times 100\%$$



total assets

B- Rate Of Return On Equity (ROE)

This indicator measures the management's efficiency in exploiting the owners' funds and the ability of these funds to generate profits. Similarly, this rate measures the profitability of one dinar invested by the owners. The higher the value of this rate, the more the administration efficient in exploiting the owners' money to ensure a satisfactory return for them and the opposite happens (Al-Zubaidi, 2011: 214). The rate of return on equity is calculated as shown below:

$$\text{Return on Equity} = \frac{\text{net profit after tax}}{\text{Equity (paid capital + reserves + retained earnings)}} \times 100\%$$

C- Rate of Return on Deposits (ROD)

It indicates the extent of the bank's ability to generate profits from its deposits. As it is used to measure the extent of the management's success in generating profits from the deposits that was able to obtain (Said, 2013: 118), and it is calculated by the following formula:

$$\text{Return on deposit} = \frac{\text{net profit after tax}}{\text{total deposits}} \times 100\%$$

W- Return Rate On Resources (ROR)

It is calculated by dividing the net profit after tax by each of the equity and the total deposits. Thus, this rate shows the realized net profit ratio to the total of the equity and the deposits, as shown in the formula below: (Said, 2013: 118.)

$$\text{Rate of return on available funds} = \frac{\text{net profit after tax}}{\text{Equity} + \text{Total Deposits}} \times 100\%$$

C- The rate return on available resources

The return rate on the available resources is calculated by dividing the net profit after tax on the available resources. This rate shows the ratio of the realized net profit to the total liabilities, as shown below (Abu Hamad and Kaddouri, 2005: 354).

$$\text{Return rate on available resources} = \frac{\text{net profit after tax}}{\text{Total Liabilities}} \times 100\%$$

Total Liabilities

Third: Testing the research hypotheses

This topic is devoted to conducting a statistical analysis of the research variables, testing its hypotheses, indicating the extent to which hypotheses are accepted or not, and analyzing the impact relationship of the indicators of the independent variable represented by working capital financing policies (the short-term working capital financing ratio "X¹" and the long-term working capital financing ratio "X²"). In the indicators of the dependent variable represented by banking profitability and its indicators are (the rate of return on equity "Y¹" and the rate of return on available resources "Y²"), based on a number of measures and statistical methods whose values were found by special statistical and office programs with the electronic calculator (spss-V18) and the program (Excel 2010), as the following:

First- Statistical analysis of the impact relationship of the short-term working capital financing ratio (X¹) on the banking profitability indicators (Y)

To test the first main hypothesis, which states that "there is no significant effect of short-term financing policies for working capital on profitability in commercial banks, the research sample". From which the following sub-hypotheses were derived:

- 1- There is no significant effect of the short-term working capital financing ratio on the return rate on equity in commercial banks, the research sample.
- 2- There is no significant effect of the short-term working capital financing ratio on the return rate on the resources available in commercial banks, the research sample. Therefore, each sub-hypothesis will be tested separately and its acceptance or non-acceptance in the research sample banks will be shown.
- 1- The effect analysis of short-term working capital financing (X¹) on the rate of return on equity (Y¹)

To achieve the test and analysis of the first sub-hypothesis emanating from the first main hypothesis, which means there is no significant effect of the short-term working capital financing ratio on the return rate on equity in commercial banks, the research sample. Using simple linear regression, f-test and significance level. The results are shown in the table below:



Table (1): The impact relationship of the short-term working capital financing ratio (X^1) on the return rate on equity (Y^1) for the research sample banks

	The banks	(Constant)-a	B	F	Sig	R ²	The decision
1	Credit Bank	-5.417	0.194	4.381	0.081	0.422	Not significant
2	The Bank of Babylon	-1.156	0.102	13.253	0.011	0.688	Significant
3	Sumer Bank	0.909	0.021	0.017	0.901	0.003	Not significant
4	The Golf Bank	-6.168	0.22	0.645	0.453	0.097	Not significant

Source: Prepared by the researcher based on the statistical program (spss-V18) and (Excel 2010).

From the third and fourth columns in the above table, the regression line equation is extracted between the dependent variable (the return rate on equity) which is symbolized by (Y^1), the main variable (the short-term working capital financing ratio) which is symbolized by the symbol (X^1), and the regression equation Linear as follows:

$$Y^1 = a + bX^1$$

Here are the values for the regression equation:

Credit Bank: Return Rate on Equity = $-5.417 + 0.194$ (Short-Term Working Capital Financing Ratio). The equation is applied to the rest of the banks of the research sample to extract the equation of the regression line. In the third column of Table (1), the value of the fixed limit (a) appeared, which means that there is a short-term working capital financing ratio of (-5.417) for the credit bank. Even if the return rate on equity is equal to zero, this will be applied to the rest of the other commercial banks, the research sample. Whereas in the fourth column of Table (1) in which the value of the change factor (b) appeared, which means that the amount of change in the independent variable value (X^1) by one unit (1) leads to changes in the return rate value on the property right (Y^1) in the research sample banks, but to varying degrees by the value of (b). So the positive change was achieved in all the research sample banks, and the value of (b) was respectively (0.194, 0.102, 0.021, 0.220) which means that the change is by one unit in the short-term working capital financing ratio leads to a change in the return rate on equity by an increase (0.194) in the Credit Bank, (0.102) in the Bank Of Babylon, (0.021) in Sumer Bank and (0.220) in Gulf Bank, either the value of the impact factor (f) was positive in all banks. This positive value means that there is an influence relationship between the two indicators and it was

significantly and statistically value in the Bank of Babylon only, because the value of (Sig) the calculated significance level, is less than the value of the approved significance level by the research, which is (0.05). The calculated level is greater than the significance level adopted by the research significant. The of (Sig) calculated for it is less than the value of the significance level adopted in the research, which is (0.05). As for the rest of the commercial research sample banks, the effect was not significant, because the calculated (Sig) value is greater than the level of significance adopted by the research. Thus, the seventh column of Table (1), the results of the determination factor (R^2) appeared, which explains the degree of impact of the short-term working capital financing ratio on the return rate on equity. The highest rate of interpretation was in the Bank of Babylon (0.688), which means that the independent variable (X^1) was able to explain (68.8%) of the total variances of the dependent variable (Y^1) and that (31.2%) of the variances are due to other factors. Either the lowest rate of interpretation was in Sumer bank, as it reached (0.003). Accordingly, the variable (X^1) is explained that the total variations of the dependent variable (Y^1) in this bank is (0.3%) and that (99.7%) is due to other factors, while the last column of Table (1) shows the type of influence relationship, whether it is significant or not.

2- Analyzing the effect of the short-term working capital financing ratio on the return rate on the available resources.

Test and analyze the second sub-hypothesis emanating from the first main hypothesis, which states that there is no significant effect of the short-term working capital financing ratio on the return rate on the resources available in the research sample banks



by using simple linear regression, (f) test and the level of significance, which appeared the following results in

Table (2)

Table (2): The impact relationship of the short-term working capital financing ratio (X^1) on the return rate on available resources (Y^2) for the research sample banks.

	The banks	(Constant)-a	B	F	Sig	R ²	Decision
1	Credit Bank	3.204	0.007	0.022	0.888	0.004	Not significant
2	The Bank of Babylon	8.186	-0.086	4.828	0.07	0.446	Not significant
3	Sumer Bank	6.774	-0.104	0.142	0.719	0.023	Not significant
4	The Golf Bank	13.891	-0.128	0.405	0.548	0.063	Not significant

Source: Prepared by the researcher based on the statistical program (spss-V18) and (Excel 2010).

From the above table, the regression line equation is extracted between the dependent variable (the return rate of on available resources) denoted by the symbol (Y^2), and the main variable (the ratio of short-term working capital financing), which is denoted by the symbol (X^1), through the shown rates in the third and fourth column. The linear regression equation is:

$$Y^2 = a + bX^1$$

Here are the values for the regression equation:

Credit Bank: Return rate on available resources = $3.204 + 0.007$ (Short-Term Working Capital Financing Ratio). The equation is applied to the rest of the commercial research sample banks to extract the regression line equation.

While the third column of Table (2) expresses the value of the fixed limit (a), which means that there is a short-term working capital financing ratio of (3.204) for the credit bank even if the rate of return on available resources is zero, this will be applied on the other commercial research sample banks. Either the value of the change factor (b) appeared in the fourth column in Table (2), which means that the amount of change in the value of the independent variable (X^1) by one unit leads to changes in the value of the return rate on available resources (Y^2) in the research sample banks by a value of (b). As the fourth column of Table (2) shows that the values were varied. While the value of the impact factor (f) was positive in all banks, this means that there is an influence relationship between the two indicators but it was not significant and statistical in all banks, because the value of (Sig) the significance calculated level is greater than the value

of the significance level approved by the research, which is (0.05). Hence, the determination factor (R^2) appeared in the seventh column of Table (2), the results explains the degree of influence of the financing ratio Short-term working capital over the return rate on available resources, where The highest rate of interpretation in the Bank of Babel was (0.446), which means that the independent variable (X^1) was able to explain (44.6%) of the total variances of the dependent variable (Y^2) and that (55.4%) of the variances are due to other factors. While the last column of Table (2) is presented the type of influence relationship, whether it is significant or not.

Second-the statistical analysis of the impact relationship of the long-term working capital financing ratio (X^2) and the banking profitability indicators approved by the research.

To test the second main hypothesis, which states that "there is no significant effect of long-term financing policies for working capital on profitability in commercial banks, the research sample." From which the following sub-hypotheses were derived:

- 1- There is no significant effect of the long-term working capital financing ratio on the return rate on equity in commercial banks, the research sample.
- 2- The absence of a significant effect of the long-term working capital financing ratio on the return rate on the available resources in commercial banks, the research sample.



So each sub-hypothesis will be tested individually as follows:

- 1- The effect Analysis of the long-term working capital financing ratio on the return rate on equity:

Using Simple Linear Regression and (f) Test, the first sub-hypothesis emanating from the

second main hypothesis, which states that there is no significant effect of the long-term working capital financing ratio on the rate of return on equity in commercial banks, the research sample was tested and analyzed. The results are shown in the table below.

Table (3): The impact relationship of the long-term working capital financing ratio (X²) on the return rate on equity (Y¹) for the research sample banks.

	The banks	(Constant)-a	B	F	Sig	R ²	Decision
1	Credit Bank	11.967	-0.114	4.381	0.051	0.422	Significant
2	The Bank of Babylon	9.025	-0.102	13.253	0.011	0.688	Significant
3	Sumer Bank	3.039	-0.021	0.017	0.901	0.003	Not significant
4	The Golf Bank	15.841	-0.22	0.645	0.453	0.097	Not significant

Source: Prepared by the researcher based on the statistical program (spss-V18) and (Excel 2010).

From the rates shown in the third and fourth columns in table (3), the regression line equation is extracted between the dependent variable (the return rate on equity), which is denoted by the symbol (Y¹), and the main variable (the long-term working capital financing ratio) which is denoted by the symbol (X²), and the linear regression equation is as follows:

$$Y^1 = a + bX^2$$

Here are the values for the regression equation:

Credit Bank: Return Ratio on Equity = 11.967 + -0.114 (Long Term Working Capital Financing Ratio). The equation is applied to the rest of the banks of the research sample to extract the equation of the regression line.

Either in the third column of Table (3), the value of the fixed limit (a) appeared, which means that there is a long-term working capital financing ratio of (11.967) for the Credit bank even if the rate of return on equity is equal to zero, this will be applied on the other commercial banks, the research sample. Besides, the value of the change factor (b) is shown in the fourth column of Table (3), which means that the amount of change in the value of the independent variable (X²) by one unit (1) leads to changes in the value of the return rate on equity (Y¹) in the research sample banks of by a value of (b) and it was in varying and negative degrees in all the research sample banks. Either the value of the impact factor (f) was positive in all banks, which means that there is an impact

relationship between the two indicators and it was significant in the Credit Bank and the Bank of Babylon only, because the value of (Sig) the calculated significance level is less than the value of the significance level approved by the research, which is (0.05). As for the rest of the research sample banks, the effect was not statistically significant, because the calculated (Sig) value is greater than the significance level adopted in the research. As well as in the seventh column of Table (3), the results of the determining factor (R²) is appeared. This explains the degree of impact of the long-term working capital financing ratio on the change in the return rate on equity. As the Bank of Babylon reached the highest rate of interpretation that was (0.688), which means that the independent variable (X³) was able to explain (68.8%) of the total variances of the dependent variable (Y¹) and (31.2%) of the variances are due to other factors. Either the lowest average rate of interpretation was in Sumer bank, as it reached (0.003), which means what the variable (X³) is explained of the total variances of the dependent variable (Y¹) in this bank that is (0.3%) and (99.7%) is due to other factors. While the last column of Table (3) shows the type of impact relationship, whether it is significant or not.

2- Analyzing the effect of the long-term working capital financing ratio on the return rate on the available resources.



Using simple linear regression, (f) test and the level of significance to achieve the test and analysis of the second sub-hypothesis emanating from the second main hypothesis, which states that there is no

significant effect of the long-term working capital financing ratio on the return rate on the resources available in the research sample banks. The results of the test appeared in Table (4) as follows

Table (4): The impact relationship of the long-term working capital financing ratio (X^2) on the return rate on available resources (Y^2) for the research sample banks.

	The banks	(Constant)-a	B	F	Sig	R ²	Decision
1	Credit Bank	3.911	-0.007	0.022	0.888	0.004	Not significant
2	The Bank of Babylon	-0.439	0.086	4.828	0.07	0.446	Not significant
3	Sumer Bank	-3.506	0.102	0.143	0.718	0.023	Not significant
4	The Golf Bank	1.064	0.128	0.405	0.548	0.063	Not significant

Source: Prepared by the researcher based on the statistical program (spss-V18) and (Excel 2010).

From the third and fourth column, the regression line equation is extracted between the dependent variable (the return rate on available resources) denoted by the symbol (Y^2), and the main variable (the long-term working capital financing ratio) which is denoted by the symbol (X^2), through the following linear regression equation:

$$Y^2 = a + bX^2$$

Here are the values for the regression equation:

Credit Bank: Rate of Return on Available Resources - 0.007 + 3.911= (Long- Term Working Capital Financing Ratio). The equation is applied to the rest of the research sample banks to extract the equation of the regression line .While the third column of Table (4) expresses the value of the fixed limit (a), which means that there is a long-term working capital financing ratio of (3.911) for the credit bank even if the rate of return on available resources is zero, and this applies to the other commercial banks, the research sample, either the value of the variation factor (b) appeared in the fourth column of table (4), which means that the amount of change in the value of the main variable (X^2) by one unit (1) leads to changes in the value of the return rate ratio on the available resources (Y^2) in the banks of the research sample, but to varying degrees by the value of (b). Though the value of the impact factor (f) was positive in all banks. This value means that there is an impact relationship between the two indicators and it was not statistically significant in all banks. Because the value of (Sig) the calculated significance level is greater than the significance level

adopted in the research which is (0.05). Moreover, in the seventh column of Table (4) the determination factor results (R^2) appeared, which explains the impact degree of the long-term working capital financing ratio on the return rate on the available resources. Although it reached the highest rate of interpretation in the Bank of Babylon that was (0.446). This rate means that the independent variable (X^2) was able to explain (44.6%) of the total variances of the dependent variable (Y^2) and that (55.4%) of the variances are due to other factors, and the last column of Table (4) shows the type of influence relationship, whether it is significant or not.

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