

The impact of bad debts on the resources of the Iraqi banking system (case study of the Iraqi banking system for the period from (2010-2015))

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Abstract

The Iraqi banking system faced the problem of bad debts due to economic and administrative reasons. Whereas, banks with administrative and financial efficiency apply an approach in which credit risk is measured, including controls for customer study and selection criteria, in order to ensure pre-return financing. The importance of research is that non-performing debts lead to the freezing of a large part of the banks' resources, as this reduces the rate of money circulation in the banking system and hence the lack of operational capacity for its resources, in addition to the social effects of non-performing clients. The research dealt with this phenomenon in three sections. The first topic reviewed the research methodology. As for the second topic, it included bad debts of their causes and how to early warning these debts, as well as the stages and types of these debts and their effects and methods of dealing with them. As for the third topic, it included the applied side that included a sample of bank employees. The number of 45 employees and the analysis of this questionnaire using the spss program and to validate the hypotheses, and the most important results are that there are factors that lead to debt failure in Iraqi banks, where the total score of the factors determining the loan default in the research sample reached according to financial policies. The bank has 61%, and it was the highest result, and the total score of attitudes related to the behavior of the customer reached 39%, and it was the second rank. The financial decision-making process, especially credit decisions, needs to be studied and analyzed in full to make the risks at a minimum, and whenever the early detection of debt faltering whenever it helps reduce its consequences.

Keywords: bad debts, Iraqi banking system

I. Introduction

Banks play an essential role in implementing the economic policies of countries, whether through their borrowing and financing of economic activities or through their contribution to establishing projects or contributing to the provision of capital. Credit operations are among the main activities that banks rely on and an important

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source of their financial revenue, and from Here, the risk of exposing these loans to various types of default and non-payment appears to be due to the fact that the banks cannot predict the problems and obstacles they face when the loans are due and received, and because these problems are multiple, including financial, political, economic, and legal. Indeed, in addition to the large, sudden, and sudden changes that occur in the economic markets in general and banking in particular, loans and facilities remain with them when granting them the risks of non-payment and default, and whenever the grantee haste and openness is considered unsuccessful, it leads to increasing these risks in a way that cannot be controlled. Therefore, it is the duty of banks (risk management and credit management) to strive to reduce the losses to which the bank may be exposed or to avoid these risks and potential losses. Accordingly, this research dealt with the definition of bad debts, and then we explained the reasons for bank debt default, the prediction of financial default, and we also discussed the stages of financial default and types of bad debts, as well as the effects of bad debts and how to deal with these debts, where the researcher relied on the descriptive analytical approach, and also relied on providing a questionnaire to those with Specialization in Iraqi banks. The research included three subjects, as shown below.

Research Methodology

1-1- Importance of research

The research derives importance through the position that the subject of bad debts enjoys due to its impact on the performance of banks, and the need to follow procedures to avoid these troubled debts and ways of dealing with them by the bank's management, and since the developed countries have developed a lot in this field, it has become necessary to develop our country and provide it with research in this field, Where the importance of research is demonstrated by the position that the subject of bad loans enjoys because of their impact on banks, and banks have developed in their approaches and management programs to reduce this type of risk

1-2- Research Objective

The aim of our discussion of this research is to try to achieve the following goals

- 1- Defining bad debts and determining the causes of this debt.
- 2- Early warning of bad debts.
- 3- Knowing the stages of bad debts.
- 4- Determine how to manage and handle bad loans at the bank level.
- 5- Reducing the losses that the bank can be exposed to.

1-3- The research problem:

The failure of debts in banks is considered one of the biggest obstacles that banks face in general, as it negatively affects the performance of banks in terms of capital, the size of deposits and the amount of funding granted by the bank in the future. It also leads to the flight of depositors to other banks, and the research problem

emerges from During where most of the research focused on the impact of bank default in general and did not bother to know the effects on the performance of banks in particular.

1-4- Research hypothesis

The research is based on the following hypothesis: -

1- There is no statistically significant relationship between bad debts and the resources of the banking system.

2- There is no statistically significant relationship between the bank's financial policy and debt default.

1-5- Temporal limits

The research was limited to the theoretical side to study the bad debts in banks, as for the applied part, the research is determined in terms of time range for the period from 2010 to 2015, while the spatial domain is represented in the Iraqi banking system, and this period has been chosen.

1-6- The study sample

The researchers worked on selecting a group of Iraqi bank employees in a random manner, as shown in the following tables in the third topic (the applied side).

1-7- Research methodology

The researcher used the descriptive approach to fit the nature of the research, as it is an approach based on the study of phenomena as they exist in reality, and expresses it in a quantitative way as it shows the amount and size of the phenomenon, and this approach depends on collecting facts and data and classifying, processing and analyzing it adequately and accurately through the guidance to the specialists. Then analyzing this data using the questionnaire as a research tool, and it consisted of a set of paragraphs from the aspects of requesting information, in order to collect information from the persons in question and then extract the mean and standard deviation as well as the Pearson correlation coefficient.

1-8- Reasons for selecting a topic

1- The increasing phenomenon of bad debts and the resulting problems at the level of banks as well as at the level of the economy as a whole.

2- To know how to deal with bad debts and reach the most important remedies for this debt, and to take this debt very seriously in the future.

1-9- Previous studies

1-9-1- The Khudairi Study, 1997

Entitled "Bad debts, phenomenon, causes, treatment"

As this study examined the phenomenon of bad debts in many aspects, in addition to explaining the stages taken by the defaulting phenomenon and its types, it also dealt with the main causes that lead to the defaulting phenomenon and its effects, and at the conclusion of the study the author suggested many tools and methods that can be used to reduce From stumbling.

1-9-2- The blessed study, 2005

Entitled "The Impact of Bad Debt on the Resources of the Banking System", a supplementary research for obtaining a master's degree in banking studies, University of Sudan in 2005.

The father of the study addressed the problem of non-performing financing as the study aimed to identify the phenomenon of defaulting and to know the real reasons that lead or help to reach the stage of financial default. And we find that the study has followed a historical approach, as it relied on historical data first, as well as on the descriptive and analytical statistical approach in deriving the results, and the study reached a number of results, the most important of which is the existence of a direct relationship between change in funding and default and freezing an important and significant aspect of resources The bank and the deactivation of capital as a result of default and exposure of banks to moral losses through loss of confidence and lack of adequate experience for customers and the exploitation of financing for purposes other than those for which they were granted. Among the most important recommendations recommended by the researcher is to work to reduce the percentage of financing in a formula and demand banks to support the provision for doubtful debts and activate institutional control, especially with regard to the responsibility of the executive management and the development of a credit information exchange system and confirmation of the establishment of risk management in all banks and the need to secure credit operations through insurance Projects and goods by the bank.

1-9-3- Christina 2010 study

Entitled (The Impact of Non-Paying Debt Payment on the Credit Capacity of Banks)

The study attempted to find a concept of financial default for clients as it was interested in knowing the causes of default and the failure of clients to pay and also tried to develop solutions to address bad debts. I used the deductive approach to define research axes and the inductive and historical approach to enjoy previous studies as well as the descriptive approach using the case study of the Sudanese Sudanese Bank The study assumed a number of hypotheses, including that there is a relationship between the global crisis and financial failure, as I am there is a relationship between decisions Political and financial default, as well as the assumption that incomplete banking procedures have a role in default.

And the study reached a number of results, the most important of which are deficiencies in the feasibility studies that the bank must rely on in granting financing, and there are clear errors in estimating the guarantees and failure to follow the customer's effective follow-up after granting the financing and using the financing in a purpose other than that granted.

1-10- Comment on previous studies

Previous studies tried to give a detailed and comprehensive idea about the nature of bad debts and presented the most important factors affecting them, as all the studies mentioned above have explained the causes and effects of bad debts, and these reasons ranged between the causes of the bank's policy and its decisions and others related to customers as well as there are administrative reasons committed from Before the bank accountants.

In light of the special circumstances experienced by the Iraqi banking system in recent years of wars and economic crises, we will in this research show other reasons for financial failure in Iraqi banks, so we used the scientific aspect in the research to identify new causes related to the financial failure of banks to clarify the size of the loss suffered by these Banks, so the researcher believes that this research will add a new addition in the field of research in Iraq that was not discussed previously and ways to address it.

II. Theoretical side

2-1- Bad and doubtful debts

Banking failure is one of the economic problems that negatively affect the performance of the banking system and therefore the overall economy of the state in general because the banking system is the backbone of the economy of any country, so any defect in it affects negatively in all sectors of the state and if it is injured or collapses, the effects occur for all other economic sectors.

There are many denominations of bad debts, including non-recoverable and non-performing loans and delinquent debts, and bad debts include all debts that customers fail to pay, and the most important types of bad debts are, outstanding and unpaid commercial papers, canceled and unpaid debit current accounts, paid letters of guarantee and customer defaults. For reimbursement, uncollectible transfers, personal loans and advances, unpaid shipping documents and export transaction advances, other sporadic debts that are overdue, the non-performing debt is that unpaid portion of the debt or the remaining loan and the lack of Rh Bank to collect these loans and benefits, which makes the prospect of losing the bank for such loans are high.

Where financial defaults were defined as the lack of returns or their stoppage, and the inability to pay obligations on time (Al-Khader, 2011, p. 55), as it is meant by the last stage of several stages that start with a lack of liquidity and develop until it reaches the stopping of repayment, and that there is a defaulting loan that passes The following stages: -

1- Ordinary debt: The bank does not face any problems in recovering it, and these debts are usually called good or regular debts.

2- Bad debts: it is the debts in respect of which the bank has exhausted all means of claim as well as all possible legal procedures and it has been unable to recover it, but it continues to follow the debtors in it to pay it in case any money appears.

3- Bad debts: It stands in the middle of the bank's normal and bad debts. Hannig, 2010, p259))

As he defined (Al-Najjar, 1999, p. 16), it is all debts arising from cash credit that the clients deserved and failed to pay, and among the most important types of bad debts, outstanding and unpaid commercial papers, canceled and unpaid debit current accounts, paid letters of guarantee and cases of customer inability to Payment, money orders Unrecoverable, personal loans and advances, unpaid shipping documents and export transaction advances, and other miscellaneous debt overdue.

While each of the bereish& press provides another definition of defaulting according to its origin, there is a technical failure resulting from non-compliance with accounting standards, even if this rarely happens, and administrative failure and technical failure leads to financial failure (Muhammad, 2017, p. 7).

2-2- Reasons for bank debt default

The fact that banks cannot predict the problems and obstacles they face when maturing debts, and that these problems are multiple, including financial, political, economic, legal, etc. in addition to the large, sudden, and sudden changes that occur in economic conditions in general and that consequently affect the banking sector in the country, when granting loans and debts to customers in a manner that is not Well thought out in one way or another, it leads to an increase in these risks in a way that cannot be controlled, so it is the duty of banks (risk management and credit management) to strive to reduce the losses that the bank may be exposed to or Avoiding these risks and potential losses. There are many reasons that lead to the emergence of bad debts that are shared by both banks, including:

- 1- Environmental reasons (political, economic and social).
- 2- The bank's failure to obtain complete and reliable information about the customer.
- 3- The lack of seriousness of the study submitted about the required loan before granting.
- 4- Not failing to analyze credit risks in terms of management, market, conditions and guarantees surrounding the customer or the bank.
- 5- - Approving and disbursing the credit granted, mostly one payment (Al-Najjar 2000, 76).

2-3- Predicting failure and early warning of financial default

One of the duties of managing any bank is to maintain the bank's funds and assets and invest them in the optimal investment that achieves the largest possible return while reducing the percentage of risks that the bank may be exposed to as a result of granting it to various credits. Therefore, a necessity is not found that it cannot find a way to measure the prediction of failure that can accompany this loan or Debt: Any methods of measurement have become one of the treatments that prevent the aggravation of bad debts and evaluate the project submitted to the bank for the purpose of borrowing accordingly.

And the methods of early warning indicators, despite all the precautions and evaluations that are taken before granting for the purpose of maintaining the smooth flow of repayment of loans and facilities, but the existence of the changing environment that surrounds the various businesses leads in spite of this to the emergence

of bad debts, even in small proportions, and they differ from one bank to another. Among individuals and institutions most of the time it does not happen suddenly, but gradually, and the banks should note the following indicators in order to be able to determine from their customers that they are going through a financial failure and thus set up a follow-up plan to prevent his credit from turning into bad debts, namely:

- 1- Liquidity shortage.
- 2- The high number of days during which the customer is late when paying the receivables.
- 3- The high ratio of short-term liabilities to the total long-term and medium-term liabilities.
- 4- Slowdown in providing additional guarantees upon request.
- 5- The presence of withdrawals on checks that are still under collection.

2-4- Stages of bad debts

Financial default is not done in one go, but rather takes place through several stages to reach the default stage, and therefore it is necessary to know the stages that precede it in order to follow it up before it reaches the critical stage. These stages are:

The first stage: It is the stage of the emergence of the impediment and the cause of the pestilence of banks, here the reason varies from one bank to another, as the reason may be due to external circumstances surrounding it, such as those related to intense competition and the emergence of a strong competitor competing with the services and facilities provided to customers.

The second stage: This stage accompanies the bank's decline in performance. This stage is headed to financially through the start of the decline in the bank's profits and its recording of successive losses, its need for cash liquidity and its resort to short-term borrowing in a striking way. The beginning of this stage is the end of the stage of good or medium performance and the beginning of decline The partial performance, and the length of time for this stage varies with the bank, its size and activity, and the health of its financial position.

The third stage: After the second stage, the bank enters the stage of change and accumulation of losses, which takes one of the following forms

- 1- Continuing in the case of declining performance in a relatively stable manner, meaning that it may extend for years.
- 2- Continued slow performance.
- 3- Continuing in the event of a chronic decline in performance, which means that the performance of the institution is very weak before the end of its life period.
- 4- The banks direct access to a severe failure situation where the performance is of a good level and suddenly there is a sharp decline in this performance.

The deterioration of the financial condition of banks can also be detected through the accounting statements and financial statements that are rich in financial indicators, which can clarify the financial health of the borrowing institution by using financial analysis techniques.

The fourth stage: It is the stage of declining performance to reach the very weak level, so that the bank announces that it has stopped payment and its final bankruptcy, which is the last stage of financial default (p43, 2013, Alkhatib)

2-5- Types of bad debts

1- Debt notes that need to be followed carefully and take appropriate preventive measures

Such as:

- A. Delayed payment of loan installments and interest for more than a month
- B. Some documents were not completed as necessary
- C. Borrower repeatedly exceeded the limit
- D. The movement of accounts is weak and relatively rigid
- E. Change those in charge of managing the borrowed facility for unclear reasons
- F. Disagreement between partners

2- Debts approaching the risk department and can cause a loss to the bank, for several reasons:

- A. Reasons related to poor liquidity and the lack of cash receipts
- B. Reasons related to the issuance of some economic decisions that affect specific economic sectors or the size of public spending
- C. Reasons related to the occurrence of fundamental changes in the administrative structure of the borrower

3- Debt collection possibilities are doubtful through the information available on the customer and the guarantees provided to the bank

Among the most important indicators of this debt:

- A. Delayed payment of the loan or installment and interest for a period of 6 months or more
- B. The debt continues to be considered within the aforementioned second group without improving the situation

4- Bad debts that exhausted all means to collect them

Examples include the collapse of the institution, bankruptcy, and the death of the debtor without a legacy that can be executed or escaped and could not be pursued and brought. (Al-Mukhtar, 2005, p. 191).

2-6- Effects of bad debts

One of the effects of bad debts is that these banks are charged with significant costs that drain part of their financial resources in addition to human resources. The most important of these costs are: -

- 1- Creating a provision to deal with bad debts.
- 2- The costs of following up bad debts and getting them in a friendly way.
- 3- The costs of following up bad debts by legal means.
- 4- Freezing or suspending interest calculation.
- 5- Freezes part of the bank's money.

6- Shaking the bank's image among customers (115p, 2003, Sharma)

The above costs are not negligible for the bank, as a section of the banks creates a department or division for this purpose with the required loss of human resources and the payment of salaries and operational requirements in addition to the fees of the lawyer and follow-up in the courts which are in most countries of the world long and expensive procedures and sometimes the bank is forced to waive His revenues or writing off part of the principal to collect the remaining obligations of the customer.

2-7- Dealing with bad debts

One of the most important problems facing banks is the problem of bad debts (financial arrears) because of their impact on the resources of these banks and the delay in the payment of their obligations, so these banks impose interest on each debt that is past due for the deadlines set, and this cordiality is doubled whenever the debtor's delay in repayment increases Otherwise, debtors delay and not pay, so there are many proposals to address the problem of bad debts that include rebalancing the relationship between banks, creditors and debtors, and we mention the following:

1- The necessity of issuing special legislation to address the problem of bad debts that guarantees a rebalancing of the relationship between banks, creditors and debtors, so tackling that problem can contribute to alleviating other social problems, and it gives individuals and private institutions of the city the opportunity to improve their financial conditions, in addition to that they contribute to improving The solvency of banks by removing hard debts from their budgets and freeing up reserves corresponding to bad debt amounts.

2- Evaluating default cases facing some projects, and providing support and assistance to defaulters due to reasons beyond their control, or as a result of security conditions or as a result of market conditions in a framework of flexibility in order to preserve public money, provided that cooperation with those is by rescheduling their loans and exempting them from the accumulated interest burden on them.

3- Implementing a new method that guarantees non-tripping in the future by preparing studies on projects submitted for obtaining loans, and rehabilitating project owners before implementing their projects successfully to ensure continuity and consequently the repayment of loans.

4- That the annual credit plan of each bank depend on the amount of overdue debts, and that the volume of credit be reduced for banks that have a large balance of bad debts, and the credit limit is increased only for banks active in collecting debts.

5- Establishing regulations to accept discount (bills) and reject courtesy bills that constitute a large percentage of customer facilities and which are organized by customers for the purpose of obtaining the facilities, and not for the purposes of real commercial deals, and to verify the solvency and debtors' debtors' financial capacity.

6- Selecting competent employees in the credit department for the purpose of reducing credit risks.

7- Issuing a blacklist of the names of the reluctant customers, especially those who do not have good purposes, and those who provided forged documents to banks and not dealing with them.

8- Changing the method currently used in calculating the total estimate of the customer on the basis of his personal property of real estate, housing or cars, and limiting his assets to activities related to his activity only.

9- Finally, choosing the appropriate decision by the bank when the problem of non-performing loans arises and there is no slowdown in taking the right decision for each individual case.

10- Putting a new paragraph in the granted facilities contracts, especially those with large amounts and various development loans, that allow the bank to follow up the implementation of the use of credit for its specific purposes (Al-Ghusain, 2004, 129).

III. The practical side

3-1- The study sample

The researchers worked on selecting a group of Iraqi bank employees in a random manner, as shown in the following table below: -

Table (1): Distribution of the study sample according to the job title, years of experience and the degree.

percentage	Repetition	classification	variable
22	10	Director of the Department	Career Title
31	14	Responsible of his people	
47	21	Employee	
33	15	Less 5 years	Years of Experience
22	10	3-8 years	
45	20	More than 8 years	
-	0	Less than a diploma	Degree of scientific
11	5	diploma	
71	32	Bachelor's degree	
18	8	Postgraduate	
100%	45	Total	

The researcher used the questionnaire as a research tool, and it consisted of a set of paragraphs from the aspects of requesting information, in order to collect information from the persons in question, and that the questionnaire is designed for the statistical analysis of the answers, and the questionnaire is characterized by having specific standard answers in a way that makes it easy to collect and organize data, The researchers built and developed it as a tool to collect information after reviewing the theoretical educational literature related to the subject of the study, and reviewing the studies, studies and books that examined the specific factors of debt defaulting in banks. The study tool consisted of three parts, namely:

The first part: It includes the initial information about the employee of the Facilitation Department in terms of his job title, educational qualification, and experience.

The second part: It included two groups, the first group related to banking financial policies and the second group was related to the behavior of the customer, and these paragraphs were answered through the balance of Likert five, and it starts with a very large degree and is given (5) degrees, then the large and given (4) degrees, Then the medium and given (3) degrees, then the few and given two degrees, and ends with very few and given only one degree.

3-2- Study procedures

This study was conducted according to the following steps:

- 1- Preparing the questionnaire in its final form.
- 2- And then identify the individuals of the sample (the study).
- 3- Create a letter to obtain the approval of the competent authorities.
- 4- After that, the questionnaire was distributed to the study sample, and it was retrieved.
- 5- The researcher coded the questionnaires and emptied them using the computer, for analysis and statistical treatment using the Statistical Package for Social Sciences (SPSS).
- 6- After the data was entered into the computer, the results were extracted, analyzed and discussed, compared with previous studies, and a suggestion for appropriate recommendations.

3-3- Statistical analysis of hypotheses

The arithmetic mean, and the standard deviations for the fields of the study instrument were extracted, then the length of the Likert five-cell scale (lower and upper limits) used in the study axes was determined, and the range ($5-1 = 4$) was calculated, then divided by the number of scale cells to obtain the length of the cell Correct, i.e. ($4/5 = 0.80$) and after that this value was added to the lowest value in the scale (or the beginning of the scale which is the correct one) to determine the upper limit of this cell, and thus the length of the cells became as follows:

Table No. 2: Balance of Estimates according to the Likert Five-Point Scale

the level	Length of time	Weighted average	The response
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Low	0.80	from 1 to 1.80	Strongly Disagree
	0.79	2.60 to 1.81 from	disagree
Average	0.79	to 2.6 from 3.40	neutral
high	0.79	to 3.41 from 4.20	I agree
	0.79	to 4.21 from 5.00	I totally agree

Table prepared by the researcher

Table (3) shows the results according to the two fields below.

Table (3): Arithmetic averages and standard deviations for the same client field

Appreciation	Percentage %	standard deviation	Arithmetic average	Paragraph	The sequence
A high degree	4.7	1.98	3.74	The personality of the client and its physiological composition	1
A high degree	82.94	.792	4.15	The weakness of public administration in the bank in following up on debts and their maturity dates	2
A high degree	64.12	.94	2.71	Using short-term loans to finance projects with long-term returns	3
A high degree	85.88	2.82	4.49	The customer's failure to pay the deadlines specified for him by the bank	4
A high degree	70.00	1.80	3.50	Preparing a wrong feasibility study for the project	5
Intermediate degree	54.12	1.01	2.79	The use of the facility for purposes other than those for which it was granted	6
A high degree	78.24	1.08	3.91	Inability of customers to pay on due date	7

A high degree	72.82	1.77	3.61	The first field: factors that relate to the customer's field itself	
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It is clear from Table No. (3) that paragraphs (4 and 2) represented by the weakness of the public administration in the bank in following up on debts and their maturity dates and the customer's lack of commitment to pay the dates specified by the bank, the percentage of response to them was high, reaching 85.88 and 82.94% on Respectively, with an average score of 4.49 and 4.15 and very high.

While paragraph (6) of using the facility for a purpose other than that for which it was granted, it got the lowest response rate, reaching 54.12%, with an average score of 2.79 and (medium degree).

Table (4): The mean and standard deviations of bank credit policies

Appreciation	Percentage	Standard deviation	Arithmetic average	Paragraph	The sequence
Very high degree	86.47	1.15	4.32	Lack of experience with bank credit workers	1
Low score	46.94	1.43	2.15	The newness of the information department of the bank	.2
A high degree	77.06	.96	3.85	Weak contract agreed between the two parties	3
A high degree	77.65	1.17	3.88	The bank did not request adequate guarantees	4
Very high degree	84.12	1.12	4.21	And the absence of periodic data on the progress of the client's conditions throughout the contract period	5
A high degree	74.71	1.11	3.74	The lack of an integrated information system with the bank	6
Intermediate degree	56.47	1.38	2.82	Granting bank loans for personal considerations and without prior study	.7

A high degree	74.71	1.11	3.74	The sufficiency of the contract-written guarantee and its failure to update it resulted in the country's economic fluctuations	8
Very high degree	84.12	1.12	4.21	Unavailability of fair and audited financial statements duly	9
Very high degree	87.23	1.15	4.32	Lack of attention to risk factor and looking at profit only	10
Very high degree	81.21	1,25	2.99	Not to inquire exactly about the customer for the duration of the contract	11
A high degree	75.51	1.17	3.65	The second area: factors related to bank credit policies	

Is evident from Table 4 that paragraph (10) of b lack of interest by a factor of risk and look to profit just got the highest response, reaching 87.23% and the arithmetic average 4.32 (very high), while paragraph (2) of B novelty section Bank inquiries where the response to it was low, with a percentage of 46.94% and an average score of 2.15 (low score)

Table (5): Sorting the areas of defaulting causes according to importance

Appreciation	Percentage percentage	standard deviation	Arithmetic average	Paragraph	Arrangement
A high degree	75.51	1.17	3.65	Arithmetic averages and standard deviations of bank credit policies	1-
A high degree	72.82	1.77	3.61	Arithmetic averages and standard deviations for the customer's own field	2-
A high degree	74.16	1.47	3.63	Total score	

Table No. (5) indicates that the factors determining the defaulting of debts in Iraqi banks came on average (3.63) and standard deviation (1.47) with a percentage of (74.16), which indicates a high degree.

Where it is clear from the results of the study that Table No. (5), which relates to the areas of default reasons according to importance, bank credit policies got first rank with an average of (3.65) and deviation.

Standard (1.17), with a percentage (75.51). The customer's own behavior was ranked second with an average of (3.61) and standard deviation (1.47) with a percentage (72.82).

3-4- Results related to the study hypotheses

3-4-1- Results related to the first hypothesis and text:

The research is based on the following hypotheses: -

There is no statistically significant relationship at the level of significance ($= 0.05 = \alpha$) between the bank's fiscal policy and debt default and to examine the hypothesis, we used a mono-variance analysis Pearson test and the results of Table (3) show that. Table (6): Pearson test results, to examine Significance of the relationship between bad debts and the bank's financial policies

Statistical resolution	Significance level	Pearson correlation coefficient	standard deviation	Arithmetic average	
Zero hypothesis rejected	0.025	0.783*	.58945	3.6975	Factors related to the bank's financial policy
			.54020	3.8210	Bad debt

* Statistically significant at the significance level ($= 0.05 = \alpha$)

It is clear from the results of the study that the factors related to credit policies have obtained an average score of 3.6 and a standard deviation of 0.5, and loans stumbled got a mean of 3.8 and a standard deviation of 0.38, and it is clear from the results of the study that the zero hypothesis was accepted and the alternative hypothesis was accepted, i.e. There is a statistically significant relationship at the significance level (0.05) between financial policy and debt default in Iraqi banks, where the correlation coefficient Pearson ($r = 0.78$) is a positive and statistically significant correlation at the level of significance (0.01).

The interpretation factor was (61%), meaning that 61% of the reasons that led to debt defaulting in Iraqi banks are due to the bank's credit policy.

3-4-2- Results related to the second hypothesis, which reads:

There was no statistically significant relationship at the significance level ($0.0 = 0.05$) between debt default and customer behaviors and to examine the hypothesis. The researchers used mono-variance analysis Pearson test and the results of Table (2) show that. Table (7): The results of the Pearson test analysis, to examine the significance of the relationship between factors related to debt default and customer behavior.

Statistical resolution	Significance level	Pearson correlation coefficient	standard deviation	Arithmetic average	
Zero hypothesis rejected	0.01	0.71	.64119	3.5912	Factors related to customer behavior
			.62020	3.8210	Loans default

* Statistically significant at the significance level ($= 0.05 = \alpha$)

It is clear from the results of the study that the factors that relate to the behavior of the client have obtained an average arithmetic of 3.5 and a standard deviation of 0.64, and it is clear from the results of the study that the zero hypothesis was rejected and the alternative hypothesis was accepted, meaning that there is a statistically significant relationship at the level of significance (0.05) between the circumstances The client and the debt defaulted in Iraqi banks, where the Pearson correlation coefficient ($r = 0.71$) was a strong, positive, and statistically significant correlation at the level of significance (0.01).

The coefficient of interpretation (39%), meaning that 39% of the reasons that led to the failure of loans in Iraqi banks due to the behavior of the client.

From the above, it is clear that the factors related to the customer in the financial policies of the Iraqi banks are the most influencing factors on the failure of bank debts, according to what came in the tables above and with an interpretation factor of 61%, followed by customer behaviors with an interpretation factor of 39%.

IV. Conclusions and recommendations

Conclusions

The study indicates that there are factors that lead to debt defaulting in Iraqi banks, as the total score of the factors determining the loan default in the research sample has reached according to questions related to financial policies.

1- The study indicates that there are factors that lead to debt defaulting in Iraqi banks, where the total score of the factors determining the loans' failure in the research sample according to the questions related to the bank's financial policies was 61% and it was the highest result, and the total score of the study sample trends towards the questions related to the customer's behavior On the proportion of 39% has been ranked second.

2- There is a relationship between the factors that relate to financial policies and the factors determining the failure of loans in Iraqi banks, where the correlation coefficient Pearson ($r = 0.78$) is a positive correlation.

3- There is a relationship between factors that relate to the customer's behavior and debt defaulting in Iraqi banks, where the correlation coefficient Pearson ($r = 0.71$) is a positive correlation.

4- The modernity of the Information Department of Iraqi banks is the most important reason for the failure of loans related to the bank's credit policy.

5- The wrong decision regarding credit facilities is considered a big loss for the bank. Therefore, the financial decision-making process requires a complete analysis study to make the risks to a minimum.

6- The sooner the debt is detected early, the more it helps reduce its consequences.

Recommendations

1- The necessity of changing and amending the financial policy of banks and issuing legislations related to dealing with bad debts and developing them in line with the economic conditions in the country

2- Caring for bank employees, training them, developing their accounting skills, and motivating them to work.

3- The necessity of early detection of the customer's inability to pay to avoid the negative consequences of defaulting on debts.

4- Banks must ensure that the loan granted to the customer has been used for the same purpose for which it was granted.

5- There must be a good and complete study of the credit request submitted by the customer so that a wrong decision is not taken to grant the credit that causes a loss to the bank and to determine the problems surrounding the customer and how to overcome them.

6- The necessity of establishing specialized credit departments only in dealing with non-performing bank loans. Attention to objectively analyzing credit risks through re-evaluation of collateral in kind.

7- Establishing a fund to deal with bad debts to limit losses on some banks.

8- Carry out the economic feasibility studies for the project that will be funded, before approving its financing decision.

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