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Impact of Bank Deposits and Loans on Increasing Profit After Tax: A Comparative Study for Some Iraq Commercial Banks

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Abstract

This study aims at clarifying the importance of auditing banking performance in measuring the impact of changes in bank loans and deposits to a sample of commercial banks in Iraq. As a comparative study, only three commercial banks are: Iraqi Investment Bank, Al-Mansour Investment Bank and Mosul Bank for Development and Investment because of the possibility of obtaining its annual reports and also they are characterized by transparency comparison with others. The methodology of the study is based on the quantitative and comparative approach to test the impact of loans and deposits on net profits after tax for the selected sample. The study hypotheses are tested based on data of the loans and deposits on net profits after tax for each bank for the period 2006-2020. According the results obtained from the testing the hypothesis of the study using statistical approaches, it was shown that the loans variable has not significant effect on increasing the net profits after tax for all banks, while, it was proved that there is clear effect to the deposit variable on increasing the net profits after tax for only two of three of targeted banks which are: the Al-Mansour Investment Bank and Mosul Bank for Development and Investment. It was recommended to consider the correct financial policy or the auditing banking performance followed by two banks above for exploiting and investing bank deposits.

Keywords: performance audit, bank deposits, bank loans, net bank profit

1. Introduction

The process of granting bank loans constitutes the basic foundation upon which annual banking revenues are supplemented. Bank loans are granted to provide customers and companies with the necessary funds to carry out their various economic activities, provided that they pledge to pay the original amount with the specified interest amount, and so that the Commercial Bank continues to grant bank loans that generate interest and which It increases the growth rates of annual banking revenues, thus activating the process of receiving bank deposits by drawing up an approved strategy to motivate the public to deposit their money in banks. Despite bank deposits, ownership of the money is not transferred, but rather its possession is transferred to the commercial bank for a certain period and then retrieved in kind. Now it provides cash liquidity for the process of granting bank loans. Through it, the bank can carry out its various banking activities, such as financing, investing, opening documentary credits, issuing bank letters of guarantee, and other well-known banking activities (Judeh, 2006). Therefore, the bank's management must focus on the factors that lead to Increasing the volume of deposits and the depositor has the money, and ensuring the commercial bank's ability to meet its obligations resulting from meeting depositors' requests to withdraw from bank deposits, and ensuring the commercial bank's ability to meet credit requests, i.e. granting loans and advances to customers, by activating the role of banking performance audit in measuring the impact of changing deposits. And loans on annual revenues, because allowing the payment of interest on bank deposits may lead to an increase in interest on bank loans granted, which will result in a decrease in demand for them and thus a decrease in the growth rate of annual banking revenues. Therefore, through the current research, we will shed light on the impact of the change in loans. And deposits depend on the growth of banking revenues (Al Shabib, 2012).

1.1 Bank Deposits

Bank deposits are among the most important resources that commercial banks obtain from their customers, as they rely on them to carry out their various activities in order to increase their banking revenues. Any decrease in the volume of bank deposits leads to an impact on the activity of commercial banks, and this is what makes them accelerate in mobilizing more. Of savings in the form of deposits of various types to ensure their presence in the banking market, especially as the world is witnessing today of strong competition between banks, (Al-Waizeh, 2021). Bank deposits are defined as a cash amount paid to the person receiving the amount on conditions that require paying the deposit or transferring it to another account with interest or with a bonus or without interest or bonus either upon request or at a time agreed upon by the depositor and the depositor. The process of measuring the impact of changes in bank deposits is very important to evaluate banking performance in commercial banks. This is due to the heavy reliance of these banks on bank deposits, especially short-term ones. Also, a large portion of these deposits have the right to withdraw them upon request or after a period. Therefore, it is possible The fact that the commercial bank is exposed to large withdrawal requests at the same time, in addition to fluctuations in interest rates, all of this requires commercial banks to maintain a liquidity rate that is proportional to the total short-term deposit obligations, as the success of any bank in performing its work and providing advanced banking services and products and its continuity depends on The size of its financial resources, of which deposits constitute an important part (Hanafi & Abu Qahf, 1991). Therefore, it has become necessary to reveal the impact of changes in bank deposits on the growth of bank revenues, and the most important types of bank deposits are:

- Current demand deposits: They are one of the oldest banking products, which represent the funds deposited by individuals and companies in commercial banks so that the customer (the depositor) can withdraw them at any time according to orders he issues to the bank in order to pay them to him or to another person he appoints. They are also called deposits. It is possible to withdraw them with an instrument, as a large portion of these deposits are fixed. Which allows the bank to use it for lending or investment, which generates a lot of profits (Judeh, 2006).

- Savings deposits: Under this type of deposit, the bank opens an account for customers and gives them a savings book. Banks also grant fixed interest on these deposits. According to agreement between the bank and the customers (depositors), through which the latter, through this agreement, keeps the money with the banks in exchange for interest, and they are entitled to Withdrawing from the deposit at any time he wants without prior notice. This type of deposit was created for the purpose of encouraging the general community to save. It is characterized by its small size, and its size increases with the development of banking awareness among the public (Yusoff & Wilson, 2005).

- Fixed deposits: This type of deposit gives banks great flexibility in investing these funds, as it is not permissible to withdraw from them except when the term comes or the maturity date and the bank pays a certain interest in exchange for them. Banks work to encourage this type of savings because it has a long period of time.

1.2 Bank Loans

Bank loans are the main source that commercial banks rely on in order to obtain annual banking revenues, as the high percentage of loans in commercial banks' budgets indicates the suitability of interest and commissions as a source of banking revenues, and they are also considered one of the important factors in the credit creation process that results from it. Increase deposits and cash in circulation, and also play an important role in financing industry, trade, services, agriculture and services. Therefore, it can be said that loans are very important in economic life (Ramo & AL-Fakhry, 2022), in addition to the high percentage of bank loans in commercial banks' budgets, which always indicates the suitability of interest and commissions as a source of banking revenues, which allows the payment of interest due to deposit holders. Banking. However, the activity of granting bank loans may expose the bank to great risks and huge losses as a result of the failure of any customer or any party to the contract and failure to meet the due date, as the high-risk bank is threatened with bankruptcy and thus the depositors' money is exposed to danger. Therefore, banks should provide many types of loans in a manner regular and presented in a thoughtful manner and based on real information to ensure the repayment of those loans (Duaka, 2015). Therefore, commercial bank management must maintain a certain liquidity ratio to meet the needs of customers, lenders and depositors, and avoid risk-taking behavior that may reduce its efficiency and completely expose the commercial bank to risk (Mileris, 2015). Therefore, bank loans can be classified into several types (Al-Hashemi, 2010).

- **Loans according to their term:** They include short-term loans, which are usually less than a year. Medium-term loans whose term ranges from one to five years, and long-term loans for which institutions resort to banks to finance operations because the amount of investments is large and the institution cannot bear it alone, and these loans are directed to investments with a duration of more than seven years.

- Loans according to purpose: These include production loans to finance production capacities and economic development projects. Commercial loans to finance commercial institutions and activate commercial activity.

Consumer loans are granted for the purpose of obtaining goods and services.

- Guaranteed loans: They include loans with in-kind guarantees such as goods, securities, real estate, agricultural crops, and other in-kind materials, or with personal guarantees such as the reputation and position of the borrower in the market and other guarantees.

- Loans are not guaranteed: and are loans granted by public banks affiliated with the state only, and at certain times.

1.3 Auditing Banking Performance

Good banking performance leads to maximizing the value of the bank or economic unit by diagnosing the strengths and weaknesses of its financial performance and rewarding shareholders for their investments, which encourages additional investment and achieving economic growth. On the other hand, weak banking performance may lead to the failure of banks and thus create crises that have negative repercussions. On economic growth (Ongore & Kusa, 2013). The process of evaluating banking performance is also viewed as “the ability to work efficiently, survive in the market, grow, and interact with environmental opportunities and threats.” Thus, financial performance is measured by the extent of the bank’s efficiency in exploiting and using the resources available to it in order to achieve the planned goals (Ejoh & Ejom, 2014). Among the most important elements of auditing banking performance are:

• **Economy:** It means obtaining resources at the lowest possible costs while at the same time not violating appropriate quality considerations. Economy represents that any activity must have benefits and benefits accrued from it outweigh the costs consumed in its performance, as these indicators relate to inputs in terms of rationalizing the use of Available resources, which represent the extent of the administrative entity efficiency in obtaining, rationalizing, and using resources at the required level of quality at the lowest possible cost (Daryanto &Yamin, 2019).

• **Efficiency:** Efficiency is defined as the relationship between outputs in the form of goods or services and the inputs or resources used to produce them. The study of the relationship between outputs and inputs aims to perform business with the best possible performance. The concept of efficiency is also linked to the optimal use of resources, whether material or human.

• **Effectiveness:** Effectiveness refers to “the extent to which a commercial bank succeeds in achieving its objectives for which it was created, by clarifying the relationship between the planned objectives and the actual objectives (Daryanto &Yamin, 2019).

1.4 The Relationship between the Study Variables

Net banking profit is the rate of profit obtained after paying the amount of taxes and interest. Net profit is one of the measures used to measure bank profits, and a special indicator of their value (Jeter & Chaney, 2012). Net profit after taxes is also one of the most analyzed numbers in the data. Finance for commercial banks, as the recorded amount provides an indicator of the bank's profitability, which determines whether the bank can compensate investors and shareholders through dividends and share repurchases. Net profit after taxes also plays a fundamental role in determining the level of performance of commercial banks, as it indicates the strength of the banks’ financial position and the extent of the bank’s ability to avoid losses and thus not reduce the value of shareholders. One of the most important sources of banking profit is the interest on loans and bank deposits that are employed in various fields in order to generate benefits for them, and the more money commercial banks collect from the depositor population, the more loans commercial banks will grant to people who need money, and thus bank interest income will increase, as well as net banking profit, which will also increase. An increase in the loan-to-debt ratio will affect the ability of banks to increase their profits or return on assets (Ambarawati & Abundanti, 2018). Now, banking profit is affected by the extent of the ability of management to balance return and risk and to reduce costs and increase revenues through the experience of management and its ability to plan, organize, direct and control and take caution when granting bank loans, such as ensuring the safety and trust of the customer and his ability to repay the loan and its benefits, but no matter how great the degree of caution, but the occurrence of risks in granting loans may actually exist, as some unforeseen circumstances may arise that reduce the ability of customer to fulfill the repayment of the loan and its interests, and thus the bank bears losses that would reduce its competitive position in the banking markets (Abu Rahma, 2009). Figure 1 shows the relationship between the study variables.

The role of auditing banking performance is to evaluate the degree of efficiency of commercial bank management in employing bank deposits in the process of granting bank loans and increasing bank profit after taxes through the following procedures:

• Measuring the bank's ability to meet depositors' requests when withdrawing from their bank deposits, as bank deposits are considered the main source of the bank's funds that are invested to achieve its banking revenues.

• Measuring the bank's ability to meet borrowers' demands, as bank loans are considered the main source that the bank relies on in order to obtain its banking revenues.

• To ensure the extent of the bank's management's ability to achieve a balance between the process of granting loans and receiving deposits and employing them, since the process of creating balance protects banks from risks that may cause unacceptable losses that negatively affect banking profits.

• Verifying the growth rates of bank profits actually achieved in the financial statements, because the strength of the financial position indicates the management's ability to create wealth for the owners (Ross, Westerfield, & Jordan,, 2017).

• Knowing the real contribution of the impact of bank deposits and bank loans in achieving bank profit after taxes.

• Comparison between the benefit of bank loans through the expected benefits and the size of the risks surrounding the process of granting loans, as there is no type of guarantee that can completely cover these risks unless the borrower provides an amount of money equivalent to what he borrowed from the commercial bank.

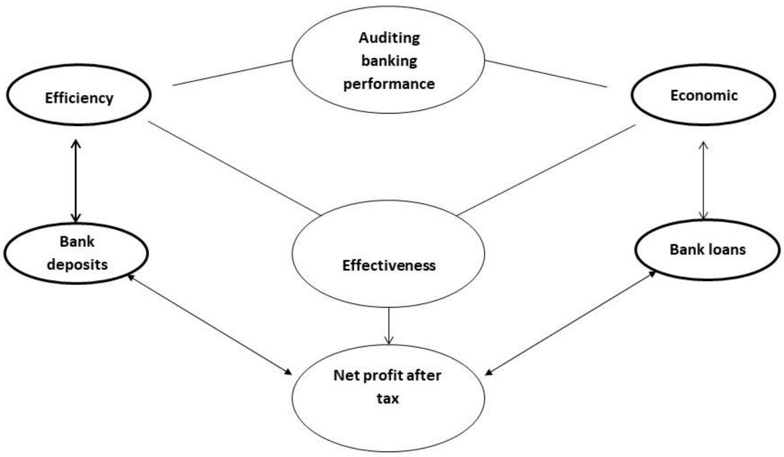

Figure 1. The study variables

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2. Research Methodology

2.1 Research Population and Sample

The financial market in Iraq includes 31 of private commercial banks, side by side with official government banks. As a comparative study, we selected only three commercial banks, as shown in table 1, which are: Iraqi Investment Bank, Al-Mansour Investment Bank and Mosul Bank for Development and Investment because of the possibility of obtaining its annual reports and also they are characterized by transparency comparison with others.

2.2 Statistical Analysis

The researcher followed the quantitative and comparative approach to test the impact of loans and deposits on net profits after tax in a sample selected of commercial banks in Iraq. In order to conduct the practical study and test the research hypotheses, the researcher used data of the loans and deposits on net profits after tax for each bank for the period 2006-2020 as shown in table 1.

The statistical methods used: the SPSS statistical program was used to reach rejection or acceptance of the hypotheses of this study. A significance level of 5% was used, i.e. testing the hypotheses at a confidence level of 95%, by relying on the following statistical methods:

- Correlation test to test the relationship between the independent variables and the dependent variable.
- Significance test: The null hypothesis will be rejected if the significance level is less than 5% and the null hypothesis will be accepted if the significance level is greater than 5%.
- Impact test of each independent variables separately with the dependent variable, for each bank, through the simple linear regression equation.

3. Results and Discussion

3.1 Hypothesis Testing

1- The first sub-hypothesis: There is no statistically significant effect between the loans and net profits after tax for the three selected private Iraqi commercial banks.

According to this hypothesis, we preformed the analysis of data with respect to the independent variable (loans) and the dependent variable (net profits after tax) using SPSS program. Table 2 shows the relationship between the loans and net profit after tax of the three selected Iraqi commercial banks. The values of this table refers to exist a weak correlation between the two variables for all banks.

Table 2. Correlation coefficients and values of variance explanation between the loans and net profits after tax for all selected private Iraqi commercial banks (value in bracket refers to the significant level)

Bank	Correlation Coefficient R	Coefficient of Determination R^2	Standard error
Iraqi Investment Bank	0.097 (0.723)	0.009	9.024
Al-Mansour Investment Bank	0.382 (0.160)	0.146	6.961
Mosul Bank for Development and Investment	0.397 (0.142)	0.158	5.109

The correlation coefficients of the Iraqi Investment Bank, Al-Mansour Investment Bank and Mosul Bank for Development and Investment were 0.097, 0.382 and 0.397 respectively, with significant levels 0.723, 0.160 and 0.142 respectively, which were those latter all greater than 0.05 suggesting to the non-significance the relationship between these variables. In addition, the values of the coefficients of determination for all banks were very small Indicating the inadequacy model.

To find out if there are significant differences between the loans and net profit after tax for each bank, an analysis of variance (ANOVA) as well as finding the regression model were conducted.

For the Iraqi Investment Bank, it can conclude from table 3 that the model is characterized by invalidity in testing the relationship of loans and net profit after tax, as F calculated (0.123) was smaller than F tabulated (4.12), which means that this model is invalid for predicting the values of the dependent, and there is no significant effect between the loans and net profit after tax for the Iraqi Investment Bank. From the table 4, it can formulate the regression equation of the independent variable (loans), X, and dependent (net profit after tax), Y, of the Iraqi Investment Bank as follows: $Y=7.285+0.018X$.

Table 3. Analysis of variance for the independent variable (loans) and the dependent variable (net profits after tax) at Iraqi Investment Bank

Variance source	Sum of Squares	df	Mean Square	F	Sig.
Regression	10.003	1	10.003	0.123	0.732
Residual	1058.780	13	81.445		
Total	1068.783	14			

Table 4. Financial data of a selected samples of commercial Iraqi banks (In billion Iraqi Dinars)

Bank Name	Year	Deposits	Loans	Net profit after tax
Iraqi Investment Bank	2006	119	35	0.24
	2007	76	18	8
	2008	99	6	8
	2009	118	11	4.6
	2010	139	62	8.9
	2011	187	96	9.9
	2012	193	150	1.3
	2013	283	135	26
	2014	256	96	28
	2015	260	79	17
	2016	254	69	10
	2017	246	88	3.99
	2018	238	109	0.388
	2019	210	135	0.170
	2020	269	126	4.6
Al-Mansour Investment Bank	2006	4	30	2.5
	2007	11	12	8
	2008	45	10	10.7
	2009	53	22	4
	2010	83	77	3.6
	2011	156	103	7.9
	2012	136	158	1.61
	2013	485	175	25
	2014	568	106	16.9
	2015	753	99	19.7
	2016	781	78	14
	2017	977	89	14.8
	2018	1239	83	21
	2019	1157	96	8
	2020	956	95	7
Mosul Bank for Development and Investment	2006	61	7	2.3
	2007	84	5.9	4
	2008	142	5	6.5
	2009	167	38	6.9
	2010	151	17	10
	2011	156	18.9	10.6
	2012	242	109	16
	2013	269	79	38.6
	2014	71	77	1.8
	2015	86	68	0.333
	2016	91	66	3.5
	2017	100	61	5
	2018	116	12	2.5
	2019	118	10.7	3.4
	2020	101	23.8	1.4

Regarding Al-Mansour Investment Bank, it can noted from table 5 that the model is characterized by invalidity in testing the relationship of loans and net profit after tax, as F calculated (2.225) was smaller than F tabulated (4.12), suggesting to that this model is invalid for predicting the values of the dependent, and there is no significant effect between the loans and net profit after tax for the Al-Mansour Investment Bank. From the table 6, the regression equation of the independent variable (loans), X, and dependent (net profit after tax), Y, of the Al-Mansour Investment Bank can be formulated as follows: Y=6.252+0.058X.

Table 5. Analysis of variance for the independent variable (loans) and the dependent variable (net profits after tax) at Al-Mansour Investment Bank

Variance source	Sum of Squares	df	Mean Square	F	Sig.
Regression	107.813	1	107.813	2.225	0.160
Residual	630.004	13	48.462		
Total	737.816	14			

Table 6. Simple regression model for the impact of loans on net profit after tax at Al-Mansour Investment Bank

Variable	Regression Coefficient	Regression Standard Beta	T Calculated	Significance	Statistical Significance
Constant	6.252		1.715	0.110	Not significant
Deposits	0.058	0.382	1.492	0.160	Not significant

Finally, for the Mosul Bank for Development and Investment, it can see from the table 7 that the model is invalidity in testing the relationship of loans and net profit after tax, as F calculated (2.439) was smaller than F tabulated (4.12), suggesting to that this model is invalid for predicting the values of the dependent, and there is no significant effect between the loans and net profit after tax for the Mosul Bank for Development and Investment. From the table 6, the regression equation of the independent variable (loans), X, and dependent (net profit after tax), Y, of the Mosul Bank for Development and Investment can be formulated as follows: Y=3.024+0.113X.

Table 7. Analysis of variance for the independent variable (loans) and the dependent variable (net profits after tax) at Mosul Bank for Development and Investment.

Variance source	Sum of Squares	df	Mean Square	F	Sig.
Regression	202.392	1	202.392	2.439	0.142
Residual	1078.696	13	82.977		
Total	1281.088	14			

Table 8. Simple regression model for the impact of loans on net profit after tax at Mosul Bank for Development And Investment

Variable	Regression Coefficient	Regression Standard Beta	T Calculated	Significance	Statistical Significance
Constant	3.024		0.813	0.431	Not significant
Deposits	0.113	0.397	1.562	0.142	Not significant

2- **The second sub-hypothesis:** There is no statistically significant effect between the deposits and net profits after tax for the three selected private Iraqi commercial banks.

By the same as the method used with the first hypothesis, we preformed the analysis of data with respect to the independent variable (deposits) and the dependent variable (net profits after tax). Table 9 shows the relationship between the deposits and net profit after tax of the three selected Iraqi commercial banks. The values of this table refers to exist a weak correlation between the two variables for the Iraqi Investment Bank only, while exist a strong correlation between the same two variables regarding the Al-Mansour Investment Bank and Mosul Bank for Development and Investment. The correlation coefficients of the Iraqi Investment bank was 0.399, with significant level 0.141, which was this latter all greater than 0.05 suggesting to the non-significance the relationship between these variables. While, the correlation coefficients of the Al-Mansour Investment Bank and Mosul Bank for Development and Investment were 0.564 and 0.880, respectively, with significant levels 0.035 and 0.000, which were those latter all less than 0.05, suggesting to the significance of relationship between these variables.

Table 9. Correlation coefficients and values of variance explanation between the deposits and net profits after tax for all selected private Iraqi commercial banks (value in bracket refers to the significant level)

Bank	Correlation Coefficient R	Coefficient of Determination R2	Standard error
Iraqi Investment Bank	0.399 (0.141)	0.159	8.312
Al-Mansour Investment Bank	0.564* (0.035)	0.528	6.311
Mosul Bank for Development and Investment	0.880* (0.000)	0.757	4.711

To find out if there are significant differences between the deposits and net profit after tax for each bank, an analysis of variance (ANOVA) as well as finding the regression model were conducted.

For the Iraqi Investment Bank, it can conclude from table 10 that the model is characterized by invalidity in testing the relationship of deposits and net profit after tax, as F calculated (2.459) was smaller than F tabulated (4.12), which means that this model is invalid for predicting the values of the dependent, and there is no significant effect between the deposits and net profit after tax for the Iraqi Investment Bank. From the table 11, it can formulate the regression equation of the independent variable (deposits), X, and dependent (net profit after tax), Y, of the Iraqi Investment Bank as follows: Y=-1.114+0.050X.

Table 10. Analysis of variance for the independent variable (deposits) and the dependent variable (net profits after tax) at Iraqi Investment Bank

Variance source	Sum of Squares	df	Mean Square	F	Sig.
Regression	169.984	1	169.984	2.459	0.141
Residual	898.798	13	69.138		
Total	1068.783	14			

Table 11. Simple regression model for the impact of deposits on net profit after tax at Iraqi Investment Bank

Variable	Regression Coefficient	Regression Standard Beta	T Calculated	Significance	Statistical Significance
Constant	-1.114		-0.168	0.869	Not significant
Deposits	0.050	0.399	1.568	0.141	Not significant

Regarding Al-Mansour Investment Bank, it can noted from table 12 that the model is characterized by validity in testing the relationship of deposits and net profit after tax, as F calculated (5.524) was greater than F tabulated (4.12), suggesting to that this model is valid for predicting the values of the dependent, and there is a clear significant effect between the deposits and net profit after tax for the Al-Mansour Investment Bank. From the table 13, the regression equation of the independent variable (deposits), X, and dependent (net profit after tax), Y, of the Al-Mansour Investment Bank can be formulated as follows: Y=6.664+0.009X.

Table 12. Analysis of variance for the independent variable (deposits) and the dependent variable (net profits after tax) at Al-Mansour Investment Bank

Variance source	Sum of Squares	df	Mean Square	F	Sig.
Regression	220.015	1	220.015	5.524	0.035
Residual	517.802	13	39.831		
Total	737.816	14			

Table 13. Simple regression model for the impact of deposits on net profit after tax at Al-Mansour Investment Bank

Variable	Regression Coefficient	Regression Standard Beta	T Calculated	Significance	Statistical Significance
Constant	6.664		2.714	0.018	Significant
Deposits	0.009	0.546	2.350	0.035	Significant

Finally, for the Mosul Bank for Development and Investment, it can see from the table 14 that the model is validity in testing the relationship of deposits and net profit after tax, as F calculated (44.729) was greater than F tabulated (4.12), suggesting to that this model is valid for predicting the values of the dependent, and there is a strong significant effect between the deposits and net profit after tax for the Mosul Bank for Development and Investment. From the table 15, the regression equation of the independent variable (deposits), X, and dependent (net profit after tax), Y, of the Mosul Bank for Development and Investment can be formulated as follows: Y=-10.770+0.140X.

Table 14. Analysis of variance for the independent variable (deposits) and the dependent variable (net profits after tax) at Mosul Bank for Development and Investment

Variance source	Sum of Squares	df	Mean Square	F	Sig.
Regression	992.602	1	992.602	44.729	0.000
Residual	288.487	13	22.191		
Total	1281.088	14			

Table 15. Simple regression model for the impact of deposits on net profit after tax at Mosul Bank for Development and Investment

Variable	Regression Coefficient	Regression Standard Beta	T Calculated	Significance	Statistical Significance
Constant	-10.770		-3.598	0.003	Significant
Deposits	0.140	0.880	6.688	0.000	Significant

4. Discussion

Some banking departments assign the task of auditing banking performance to auditors or to the internal auditor in commercial banks, in order to verify the balance between the process of granting bank loans and receiving bank deposits and employing them in creating banking profits, because creating a balance avoid banks from risks that may cause unnecessary losses. Failure to follow this task correctly will have a negative impact on the net banking profit after taxes, as banks work to achieve profit through the interest difference between what borrowers pay on loans and what is paid to deposit holders on their deposited funds.

The results of the study showed that there is a variation in the impact of the loans and deposits on the net profits after tax for three private Iraqi commercial banks as follows:

1) There is no significant effect between the loans and net profit after tax for all Banks under study.

2) There is no significant effect between the deposits and net profit after tax for the Iraqi Investment Bank.

3) There is a strong significant effect between the deposits and net profit after tax for the Al-Mansour Investment Bank.

4) There is a strong significant effect between the deposits and net profit after tax for the Mosul Bank for Development and Investment.

In order to activate the elements of auditing banking performance in employing bank deposits and loans to have a positive impact on the net banking profit after taxes, it is recommended to follow the following pointd:

1- The economic element of banking: To achieve economics in bank loans and deposits in order to have a positive impact on the net banking profit after taxes, the following steps must be followed:

- Banking fees and interests: Fees and interests charged on loans and deposits in commercial banks must be reasonable and proportionate to the services provided. These fees and benefits can be determined based on cost-benefit studies and comparison with competitor rates from other commercial banks.

- Using banking resources efficiently: through good planning of resources, improving production processes, and using appropriate technology to achieve both savings and efficiency in banking performance.

- Diversification and management of banking investments: Commercial banks can achieve economic growth by diversifying their sources of revenue and managing their investments well. By spreading risk and achieving sustainable returns on investments, banks can enhance the overall economics of their business.

2- The banking efficiency element: Banking efficiency is concerned with achieving the highest level of performance by using available resources in the best possible way. To achieve efficiency in bank loans and deposits, in order to have a positive impact on the net banking profit after taxes, the following steps should be followed:

- Banking risk management: Banks must ensure that there is an effective process for managing the risks associated with bank loans and deposits. Potential risks must be identified and evaluated and strategies developed to deal with them efficiently, thus reducing exposure to banking financial losses.

- Monitoring banking performance: Banks must track their performance on a regular basis and analyze data related to loans and deposits to identify areas that can be improved. Use key performance indicators can be used to measure the efficiency of operations, identify gaps and improve them.

3- **Banking effectiveness:** Effectiveness relates to achieving the desired results with the least amount of resources and efforts used. Regarding bank loans and deposits, in order to have a positive impact on the net banking profit after taxes, the following steps should be followed:

- Simplifying banking operations: Banks can simplify the procedures for granting loans and opening deposits to reduce the time and effort required to complete them, which increases the effectiveness of operations and improves customer loyalty to the bank.

- Using banking technology: Banks can benefit from advanced technology such as automation, artificial intelligence, and data analysis to improve their operations and reduce errors and banking costs, which improves effectiveness and reduces the time it takes to complete services.

- Developing the skills of bank employees: Commercial banks must have a trained and qualified team to carry out banking operations efficiently and effectively. Appropriate training can be provided to employees to develop their skills and knowledge of latest banking practices.

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