

**Impact of Salary Domiciliation on the Profitability: An Applied Study in a Sample of Iraqi Banks**

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Abstract

As a result of the major developments that have taken place in information technology and its implications on all areas, especially in the banking sector. This has had an impact on the methods and facilities that the bank offers to different customers. This research sheds light on one of the most important modern banking services, which is the service of salary domiciliation for employees of government departments and various private sector companies. The aim of this research is to show the effect of the salary domiciliation on the financial performance of the Iraqi banks and in particular the impact on the level of profitability of banks that are working to provide this type of services. The research was based on the basic premise that there is an impact of the service of salary domiciliation in the work to improve the financial performance of banking. Thus, the research applied to a sample of Iraqi banks, which was (6) six in that these banks rely on the service of the salary domiciliation of employees.

The results indicate that the service of salary domiciliation may contribute to work to increase the quality of banking services provided to all bank customers. And work to improve their confidence in the volume of dealing with these banks through the diversity of services and keep pace with all these recent developments in the banking sector, like all banks in developed countries. The banks that provide the service of salary domiciliation to attract more new customers and earn them to this bank, through the provision of advanced electronic services deal with banks. This leads to increased competition between these banks and work to provide more basic support services.

Key words: salary domiciliation, profitability, Iraqi banks, ROA, ROE, bank performance

Introduction:

The electronic banking business has been found after the huge technological advances that have taken place since the launch of the Internet in the mid-nineties, which relies on data processing, which led to provide great advantages in the field of cost as the cost has decreased significantly. For example, the ATM might do a great job of resorting to the opening of a branch of the bank, while the Iraqi banking system before 2003 was free of electronic payment systems, where initially manual work was prevalent in many financial transactions and instruments that were in the clearing house In the building of the Central Bank was the presence of representatives of each bank in order to receive the instruments that are withdrawn to that bank and this is done under the supervision of the Central Bank. There were more risks as well as mistakes



resulting from manual labor, which included forgery, loss and damage. On this basis, many employees are demanding the state to change the system of payment of salaries from the old traditional method, which depends on counting and sorting of funds to the modern method, which relies on the transfer of funds from the main bank account to the personal bank account. This type may not need a large number of employees and thus has been the use of the service of salary domiciliation and is the most widespread process in the distribution of those salaries, which includes the direct transfer of funds from the salary account of that company or economic unit to the current accounts or savings to its employees and this process It may save the employee time and effort from going to the branches of banks or companies in which they have an account and receive the salaries allocated to employees and this process is positive. The research has shown how to address the improvement of the performance of banks through an electronic banking service. In this regard, we can formulate the research problem by asking the following question: How does the salary domiciliation affect the liquidity and profitability index?

1. Research Methodology

1.1 The Problem of the Research:

The quick advancements in communication and information technology had a great role in developing the banking businesses in several countries. under these advancements the disadvantages of traditional banking systems had been solved, accordingly the adoption of modern electronic banking services will lead to increase the competitiveness among banks in rendering the best services to their customers and increase their performance. The decline in the performance of most governmental banks and institutions in the process of salary distribution and difficulties in paying the accrual amounts for banks due to their depending on the paper cheques that have real risks related to losing and stealing. This paper indicates how to improve the performance of the banks through the electronic banking services such as salary domiciliation for the employees of both private and governmental staff. Therefore, the problem of this study can be constructed in the following question:

To what extent the service of salary domiciliation can affect in improving the financial performance of profitability indicator?

1.2 Importance of the Research:

The importance of this study stems from the using the electronic service in increasing the efficiency of banking payment system and attempts to support customer's trust in the banking system, which achieve the strategic goals of banks and supporting the national economy. In addition, the wages and salaries serve a big magnitude of the Iraqi people, since this relates to all employees working in the public sector, the transforming into the electronic payment system will increase the profitability of the banks, and then effects on the economy as a whole through supporting investments and other economic activities.

1.3 Objective of the Research:



The aim of this research is shedding light on the impact of the electronic systems represented in the service of salary domiciliation and using the electronic payment techniques and state the impact and importance of these techniques on the level of profitability in the banks that use the service of salary domiciliation for their staff. By the analytical study, this research aims to compare the relationship between the profitability ratio before and after the adoption salary domiciliation in order to reach some conclusions and recommendations extracted from both the empirical and theoretical study to help the management and other stakeholders of the banks.

1.4 Hypothesis of the Research:

The main hypothesis of this study can be formulated as follow:

There is a significant effect of the service of salary domiciliation in improving the financial performance of profitability indicator

1.5 The Research Model:

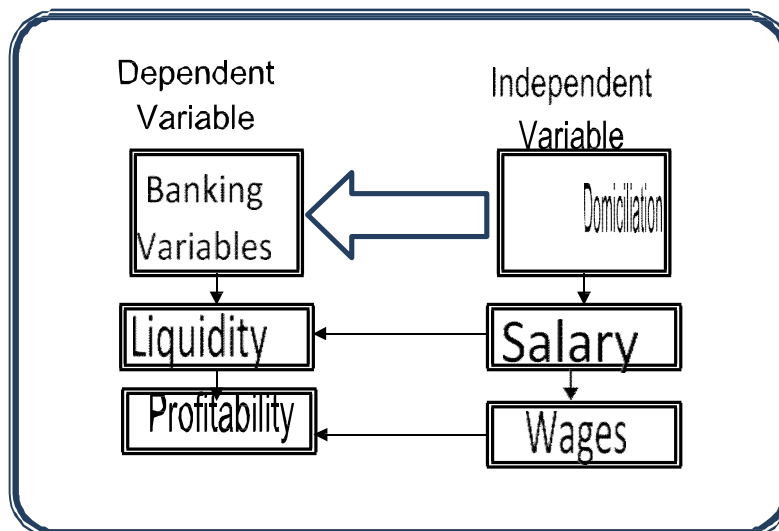


Figure 1. Model of the Research

1.6 The methodology:

The descriptive inductive analysis was used in this study as a research approach as well as using the statistical software SPSS in order to analyze the questionnaire and determine the extent to which the service of salary domiciliation affects in improving the banking performance.

1.7 Limitations of the Research:

This study has two types of limitation are;

Regional limitations: the regional limitations are represented in selecting 6 Iraqi banks (Baghdad bank, gulf trade bank, middle east private bank, Ashur international bank, Trade bank of Iraq) which are listed in Iraq Stock Exchange.

The time limitations: the time limitations of the research represent the time period between 1-12-2018 to 1-4-2019.



2 Theoretical Framework of the research

2.1 The Salary Domiciliation

There are many changes that have been occurring in the international trade, which were within their businesses, this is because the old systems were not able to attain the new developments in order to decrease the problems that may occur in the old systems. Therefore, many employees lobbied to change the salary payment system from the traditional method which depends on the manual computing and cash payment to a modern method depends on the money transferring from the main bank account of the company to the personal bank accounts of the employees.

2.1.1 A historical brief on the technical changes of the salary domiciliation

The decades that followed the second world war featured by a general economic growth and increasing the well-being as well as improving most of economies of the countries throughout the world which was reflected in developing the banking systems and increasing the competitiveness within the banking sector in order to extend their customers base which always aims to attract new customers by rendering a cheap and creative banking services (Lee and Lee, 2000:10).

Handelsbanken is considered the first bank in Sweden to rely on communication technologies in most of its fields and because of the services provided by the bank has called itself (People's Bank). This has led to the salary domiciliation, which led to the reduction of credit or the use of paper bonds, (Thodenius et al, 2011:2). The technological prosperity and developments have made it possible to integrate these markets through various types of electronic banking services. It consists of many ATMs as well as points of sale and electronic cards as well as direct deposit (lee, 2000: 1). The increase of the private sector and its participation in the service of salary domiciliation led to a significant increase of about 11% in 1988 and 50% in the mid-1990s and in the coming years we expect an increase in the rise through increased participation. It can be through the marketing of banking services in order to increase dealers with all banks and work to establish good relations with new customers. We may know that the first bank has developed a plan to market the domiciliation service through the use of current accounts (Claiborne) was based in the United States and that this bank has been explaining many advantages in the service of Domiciliation to all employees and institutions. As well as the work of the offers and the secret to the success of this bank is to provide in many of the support services, which was the task of working to reduce any interruption in the work. In addition, he made available offers during the workplace and during the nineteen months of the provision of these services, so the bank has achieved higher adherence rates than expected (Hawke, 2000: 3).

2.1.2 Salary payment techniques in the traditional systems

The state was looking at the old salary systems in which bank instruments were used and this type of salary distribution was considered by the state as the best and has many advantages but this type of salary distribution did not remain



the same due to further developments in the electronic payment systems. The recent use of bank sukuk has left many bad effects, whether those effects on the employee or the bank or institutions operating in the manner of sukuk and procedures used by banks for the purpose of handing over salaries may require the presence of accountants and the preparation of statements and authorization books that are complex and longer duration or Need a long time. These procedures are often complex and routine and complex and often have common and repetitive errors where errors are literal, expressive and accounting errors. Addressing these mistakes should be returned to zero and therefore we can say that the receipt of salaries in the previous procedures in the presence of the Commission on the receipt of salaries where the operations are complex and very extensive on paper procedures and the receipt of a cash block in terms of the amount of money and the risk of transport and then delivered to the salary employee. These challenges in salary distribution may not be country specific, but faced by many countries.

Through procedures such as printing of these instruments and the process of distributing salaries and also the process of returning part of those salaries to employees who are on travel or on vacation. Their elimination is through the salary domiciliation and due to the advancement in the techniques of salary domiciliation has increased the productivity of these units and institutions and has been considered as an essential tool to enhance the competitiveness of the economies of those countries that use this service (Azeez, 2017: 3). The delay in the payment of salaries and the difficulties encountered in the payment of salaries led to the use of salary domiciliation, especially those low- and middle-income people in the initiative in relying on the service of salary domiciliation for the following reasons:

- A. Employees who use the service of salary domiciliation enjoy in many banking services, unlike employees who do not want to service the salary domiciliation.
- B. Using the bank account to pay bills easily and quickly may not be a problem for late bills.
- C. National employees whose salaries have bank accounts may receive faster tax refunds to their bank accounts (Barr, 2004: 3).
- D. When a bank account is not activated at any bank, the employee may not be able to obtain bank loans as well as the employees bear those direct costs that were charged to their salaries such as travel costs etc. Weiss et al., 2008: 1))

2.1.3 Types of domiciliation

There are two types of Domiciliation (Al Shallah, 2007: 7):

- A. salary domiciliation: through this type is changing the receipt of money from the old way, which is the Sukuk to the traditional method of electronic system.
- B. domiciliation of bills: This type of domiciliation, which is used in the departments has been called the domiciliation of bills because it is through the payment of many bills belonging to citizens, including water, electricity, taxes



and other bills. This type of service makes it easy for customers to pay their bills. Many low-income households use billing domiciliation in order to reduce dependence on more expensive transactions such as cashing out sukuk or selling remittances that require large amounts such as postage and late interest charges (Barr, 2004: 9).

2.1.4 The Concept of salary domiciliation

There are many definitions that clarify the concept of the salary domiciliation and all those definitions that we will address refers to one meaning, the concept of salaries. Domiciliation has been defined as the process of facilitating the distribution of these amounts of salaries to national employees, whether in the public or private sectors, which is considered as a bank guarantee through which these loans are obtained (Al-Shallah, 2007: 7). While Domiciliation is defined as a payment process through institutions or companies, for example (private or government employees) amounts such as wages, benefits and those benefits, and the amounts of money may be transferred by electronic transfer directly from the main bank account to the personal bank account opened with that bank Through the use of electronic clearing systems (Anguelov et al, 2004: 2).

It is also defined as the process of transferring all the financial entitlements of the employee in that economic unit to the employee who has a personal bank account in a bank that offers many of the benefits that are granted to employees, such services are the withdrawal of ATM cards and points of sale. As well as that account that the employee may open or operate or perhaps keep that foreign currency with one of those banks in their home (Onyiriuba, 2016: 479). Thus, we may define the salary domiciliation as an electronic payment mechanism through which these amounts are deposited directly into the employee's account, whether current or savings account. There are many electronic payment methods, including salary payments as well as government benefits and other payment methods.

It includes any electronic payment from those commercial or international companies known for electronic transfer by transferring money instead of using the traditional method (Sukuk or cash). The employee's choice of certain banks that allow him to settle salaries is distinguished from other banks because of the provision of distinctive services, as well as provide the element of mutual trust between the two parties, the employee and the main bank, as well as the good handling of the bank's employees to customers, as well as low fees, and once that system works Significantly reduce paperwork by eliminating the following: (Lymperopoulos, et al, 2006: 5):

- A. Through the use of electronic method has been found that there is no need to use instruments or print those instruments as well as work to settle those instruments.
- B. Do not lose any instruments through the employee and in the other there is no process of reissue those instruments.
- C. All these employees can determine many distributions of their wages



to impose employee deposits A is 80% of the net salary to the current account and then give 20% to the savings account and in case we have deposits to another employee is (B) 1000 \$ to the current account may pay \$ 400 The other amount may be deposited in a savings account (Blackbaud Fund Ware, 2009: 185).

Domiciliation has been considered an alternative to these paper instruments, but it is characterized by its low cost and is currently located in 580 federally insured banks (Hawke, 2000: 18).

The process of using salary domiciliation has become the most widespread process in the distribution of salaries, which includes the direct transfer of these funds from the salary account of that company or economic unit to transfer to current accounts or savings to its employees.

This process may save the employee from going to the branches of banks or companies where they have an account in order to receive the salary allocated to employees is a positive process and may reduce the risk of losing those salaries. It is also good for employees who are on vacation or any travel that is transferred directly to their bank accounts and ultimately their national employees can pay their salaries from any ATM, whether domestic or international (Bragg, 2003: 234).

Thus, we can say that the reason for the advanced technologies that have emerged in the community, including the service of salary domiciliation that were used in the process of distributing salaries to employees or distributed to retirees and the majority of people who have an electronic card through which they receive their money. Thus, this service is more attractive to consumers as well as to low-income non-dealers with the banking sector as well as people who do not have bank accounts to be included in the system. Not only that, but those who live in other countries can benefit from the provision of electronic transfers service to the beneficiaries of domiciliation to their home town and be a substitute for remittances that are expensive and unsafe, and therefore the process of electronic transfers from bank accounts is inexpensive and can increase The attractiveness of all consumers as well as the interdependence between them and banks (Carr & Schultz, 2001: 15).

2.1.5 Domiciliated salaries and electronic interchange

The major developments that have taken place in the world have led to developments in the field of information and communication technologies, which led to the exploitation of this matter by the banking sector from the use of advanced electronic method. This pattern is a new pattern used in the receipt and transfer of funds instead of relying on the old method, which we have already dealt with, the method of bank instruments that are given to the employee in order to receive the amount of money. This change relates to the field of electronic payments (Abebe, 2016: 11) and has shown us that the large amounts sent by the Department with the presence of an official letter and a disk to the main bank, ie, this bank is receiving large amounts of money from the Ministry of Finance through the system (RTGS) It is a system of total domiciliation or to be done



through the electronic clearing system (ACH). While payments with small amounts still rely heavily on sukuk and cash (Hoenig, 1995: 6), the electronic clearing house usually consists of several types: (Gerdes et al., 2014:131)

1. Salary domiciliation (direct deposit)

This point includes many of the benefits that the Domiciliation service launches, which is why the statements of salaries, profits and bonuses granted to employees, as well as the credit payments to those banks, the benefit of tax recovery as well as pension benefits and government payments

2. Direct payments

This includes a range of services such as insurance premiums and utility bills, as well as entitlements to association, monthly donations and tuition fees.

3. There are many payments, including payments of franchise fees, corporate payments, federal taxes, etc.

Finally, we note that many banks offer more services to their national customers salaries as well as to companies where they have a bank account through the deposit of funds and also electronic payment, which is through the electronic clearing house.

2.1.6 The procedures of salary domiciliation

The procedures for the salary domiciliation of employees of institutions are carried out according to several steps:

A- Organization of a contract: A contract is organized between the bank and the department or that economic unit through the conditions set on the service of salary domiciliation and on the basis of which electronic cards are provided and then ratified that contract between the two parties in the private central bank in the Division of payments.

B - the process of opening an account for all employees: In order to open a bank account for each employee for the purpose of domiciliation of his salary must meet some of the requirements that the employee must adhere to. Through this process must first open a bank account for the economic unit that wishes to domiciliation. All employees are allowed to settle their salaries in that bank. In this case, the institution should not use the property of forcing employees to settle their salaries in those branches assigned to them by completing all the domiciliation requirements by the authorized economic unit and assisting the employee in filling the domiciliation form, and then signing it until All employees' salaries are transferred electronically from the unit's account to the employee's own account.

C - Submission of the salary file: After completing all the requirements to open a bank account for the economic unit and the employee and submitted and signed, the employee reviews and then ratified the role of the bank in giving the unit dealing with him in the preparation of a database containing the salary value of the employee and the employee's job number with the variables The bank shall issue cards to all employees. This card is given to the economic unit, which contains the PIN number, wrapped and printed confidentially and is only allowed to be opened by the designated employee.



Table 1. Salary payment form

Salary amount	Employee name	Account No.

Source: Syrian Real Estate Bank Website <http://www.reb.sy/reb/en-sy>

D- Dispatch: When all the special requirements in the electronic card have been completed, the role of the electronic banks in feeding the accounts of the national employees' salaries in the bank's branches comes through an official letter sent from the economic unit to the official bank, the special electronic channels division in the special operations in transferring from paper cash to Electronic Cash. This department is responsible for the transfer and distribution of electronic cash to each of the members of this department and distributed to the staff individually, and any employee anywhere and anytime can withdraw the main amount through the electronic card on any ATM machine and over (24) four and twenty hours. People with the card can also buy, shop, book hotels or fly, all of which become electronic. Employees can use the e-card instead of using physical money through which people may be robbed of carrying large amounts of cash.

2.2 The profitability

2.2.1 The Concept of profitability

Profitability has many definitions where it is defined as the difference between revenue and costs, and is defined as the increase in the return on risk. Profitability is an indicator of the Bank's operational performance and thus reflects all management's actions as well as shareholders, as well as strategies of competitiveness, ability and efficiency to manage risk. Profit is the final performance result showing the net effects of the Bank's policy and its activities during a financial year and its growth and stability trends. Profits in banks were divided into two groups:

1. Net Interest Income: means the difference between interest income and other loans and advances. Interest income on deposits and borrowings that are related to the financing of the loan portfolio and that interest income is the core of the conventional bank's income. The bank may usually aim to keep the net interest income stable and growing and may require active and active management. Banks are trying to adjust loan rates before market deposit rates. Interest rates are rising and the opposite is the case in falling markets.

2. Income from other banking operations: Includes income from the rest of the bank's operations such as fees, commissions and income from the profits of subsidiaries as well as income from differences in the sale and purchase of some assets and others (Al-Mahmoud: 82: 2014.)

Adam Smith also defined profitability in 1776 as something that could be received immediately without prejudice to capital. Profit from the accounting point of view is the increase in the income of the economic unit over its expenses during the specified period of time. Others also define profit as referred to net income is the difference between the income of the economic unit, including



(cash sales, forward as well as between the total costs) and thus may Profit can be expressed as a result of policy outcomes as well as decisions made by management and elsewhere. This profit reflects the strength and efficiency of that administration and not only that, but there are many concepts that relate to profitability. Net comprehensive profit, which means that profit derived from the profit and loss account after that account includes all expenses of the economic unit and all its revenues, whether those The net operating profit (operations) is defined as the profit that is derived from matching the income of the normal operations of the economic unit with those expenses through those operations. Achieving the profit target is one of the strategic objectives of the economic unit, which includes the private sector, while it may be an indicator of the efficiency of the economic performance of the general economic units as explained. Others may consider profit as an abstract digital, which appears in the calculation of profits and losses, but important Is to know the profit per share or profitability of capital owned (Abdulaziz, 2006:4).

2.2.2 Profitability of the banks

It is the relationship between profits achieved through banks and investments that have contributed to the achievement of these profits and in order for banks to achieve the objectives must provide two decisions, namely investment decision and financing decision. Given the contradiction between the profitability of banks and their liquidity, the management of banks should not go too far in the search for the profitability of the bank, but must take into account the risks that may be exposed to investment projects as well as the credit they enter. Finally, its goal is to maximize the value of the bank as well as maximize the wealth of its owners. When the profits of the bank are increased, this happens as a result of increasing returns or lower costs or both. Therefore, the management of the bank should look at the doors of returns (interest. Work to develop them in order to ensure their increase as well as not to overlook the doors of costs and work on research to reduce them or be the returns of any investment project, or a project of affiliation greater than its costs (Hamad, 2017:409).

2.2.3 The economic functions of the bank earnings

Commercial banks should take a policy that will achieve maximum profit, while commercial banks owned by the state may seek to achieve several basic objectives, including profit and determine the economic functions of profit in the banking sector by contributing to the following aspects:

1. Banks shall face the risks that they may face, whether those related to non- payment risks, which are bad debts, ie those that are not collected. Impairment of investments in the portfolio of securities and others. As well as the risks that could be the risk of theft and embezzlement.
2. In order to increase the capital reserves, there must be profits that are considered important for the expansion of the business of the commercial bank and also through its lending operations mainly and investment, through the re-use



of profits to achieve this.

3. Profits are also important and necessary in order to encourage the owners of capital to subscribe in the capital of the bank through the purchase of shares as well as the acquisition of bonds issued in case of need to finance its operations.

4. - The profits may give greater confidence to the commercial bank and then increase the deal with him and then sell his operations as a result of increased profits.

5. - The goal of increasing profits may not be to increase profits not only as a number or absolute amount, but to increase the profitability per share.

The preference for a current profit may be better than a profit later, if it can use the realized profits in order to obtain a return from them and reduce the risk of making a profit after a long period of time (Al-Budeiri: 2016: 37).

2.2.4 Sources of the bank earnings

The Bank's sources of profit consist of interest earned as well as loans and interest (capital gains) obtained from investments and various service charges. Such as loans and advances, which are one of the most important elements of income in commercial banks, where the process of granting banks is affected by increased demand on the one hand, on the other hand is the policy of loans. When the demand for loans increases, the bank may be able to meet them as profits increase, and the diversity of banking services to customers may contribute to increasing the volume of loans. The volume of bank revenues is estimated at interest rates on lending, which in turn is affected by a number of factors, including: (Nabila: 2015: 5)

1) The default capacity of banks: there is a strong relationship between interest rates and monetary reserves are investable, when these reserves increase interest rate decreases and vice versa.

2) Documentation: The Bank tolerates all its conditions imposed on loans, including the interest rate in the case of increased collateral that documents loans and vice versa.

3) Term: There is a direct relationship between the maturity of loans and the interest rate, when the period of maturity of loans in this case increases the interest rate imposed on them.

4) The size of the borrower and the size of the loan: as the size of the loan or the borrower low interest rate, which is because of the financial resources available to borrowers to cover the size of their loans.

5) Borrowing Cost: There is an inverse relationship between borrowing costs (represented by the various costs involved in identifying the customer's financial position, as well as the ability to pay) and interest rates. The higher the costs, the lower the interest rates to cover costs.

6) Competition: Increased competition among commercial banks leads to lower interest rates on loans.



2.2.5 Indicators of the bank profitability

The majority of commercial banks seek profitability and thus the main objective of all these banks is profitability. In order for the bank to obtain profitability, it must employ all the money obtained in those assets that generate suitable returns, such as loans and investments. Increase in revenues and work to reduce expenses will lead to increased profitability (Shukraji, 1999:115).

The most important indicators that are used in banks are (Ramadan and Gouda, 2003:277):

1. Net profit margin of interest = $\frac{\text{net profit after tax}}{\text{Credit benefits}}$
 2. Degree of use of assets = $\frac{\text{interest payable}}{\text{Total assets}}$
 3. Return on assets = $\frac{\text{net profit after tax}}{\text{Total assets}}$
 4. Return on equity = $\frac{\text{net profit after tax}}{\text{Property rights}}$
 5. Interest margin = $\frac{(\text{interest payable} - \text{interest receivable})}{\text{Operating assets}}$
- Operating assets include all assets except cash and fixed assets.

3 Data analysis and discussion

3.1 Sample of the research

The sample of this study include the following Iraqi banks:

- 1 -National Bank of Iraq
- 2 -Iraqi Commercial Bank 3 – Ashur Bank
- 4 -Gulf Commercial Bank 5 -Middle East Bank
- 6 – Baghdad Bank.

3.2 Analysis of profitability indicators for banks

1 . Interest margin index

Table (2) shows the analysis of the interest margin index to the working assets of the Iraqi banks sample research for the period before and after the process of salary domiciliation, as shown in the data shown in Table (2) that the most bank achieved an increase in the margin of interest to working assets is the Iraqi Commercial Bank, which was Percentage before domiciliation (0.341) and after domiciliation (0.598), which indicates an increase (0.257) in the margin of interest. The reason for the increase is due to good banking services provided to citizens and the bank to invest all the money obtained in assets that generate appropriate returns, such as loans and investments, which is a good indicator of this bank. While the National Bank of Iraq, which was before the domiciliation (0.128) and after the domiciliation (0.172), which indicates an increase of (0.044) in the margin of interest and that the reason for the increase is due to the high bank return because of the bank's investment of all the funds obtained in Assets that generate adequate returns, such as loans and investments, are a good indicator. While Ashur Bank, which was before the domiciliation (0.189) and after the domiciliation, was (0.335), which indicates an increase of (0.146) in the interest margin and that the reason for the increase is due to the high bank return and this is a good indicator for this bank. Meanwhile, Gulf Commercial Bank (0.204) and after domiciliation was (0.319) which indicates an increase of



(0.115) in the interest margin and that the increase is due to the increase in the bank's return due to the bank investing all the funds obtained in Assets that generate adequate returns, such as loans and investments, are a good indicator for this bank.

The Middle East Bank, which was before the domiciliation (0.441) and after the domiciliation (0.456), which indicates an increase of (0.015) in the margin of interest to working assets and that the reason for the increase is due to the high bank return by a small percentage, because of the bank's employment All the money obtained in assets that generate proper returns, such as loans and investments. This is a good indicator for this bank. While the Bank of Baghdad, which was before the rate of domiciliation (0.210) and after the domiciliation (0.362), which indicates an increase of (0.152) in the margin of interest to working assets and that the reason for the increase is due to the high bank return by a small percentage and this is a good indicator of this bank.

It is clear to us from the results of the data analysis in Table (2) that the ratio of interest margin to assets operating for the period prior to the domiciliation of Iraqi banks was (0.253), after the domiciliation rate (0.374), which indicates that there is an increase of (0.121) This indicates Clearly, the process of salary domiciliation has led to an increase in the interest margin ratio to the working assets that have adopted this service to its customers and this was achieved thanks to the cash savings that the banks were able to achieve as a result of the process of salary domiciliation.

Table 2. Interest margin to operating assets

#	Bank	2014	2015	Before domiciliation	2016	2017	After domiciliation
1	National Bank of Iraq	0.124	0.133	0.128	0.136	0.208	0.172
2	Iraqi Commercial Bank	0.379	0.303	0.341	0.893	0.302	0.598
3	Ashur Bank	0.125	0.254	0.189	0.314	0.792	0.335
4	Gulf Commercial Bank	0.120	0.288	0.204	0.339	0.643	0.319
5	Middle East Bank	0.673	72.11	0.441	4.888	0.222	0.456
6	Bank of Baghdad	0.282	0.147	0.215	0.206	0.962	0.362
	Average	0.284	12.205	0.253	1.129	0.521	0.374

Source: Prepared by the researcher based on the annual financial reports of commercial banks

In order to prove the hypothesis of differences, which indicated the existence of significant differences for the index of the margin of contribution before and after the domiciliation. The differential analysis method was used to test the differences that existed between the domiciliation process before and after. The analysis also shows the discriminatory function through which we can identify the best period is the period before or after the domiciliation.



Table 3. Discriminatory analysis of contribution margin ratio

Period	Discriminatory function	Chi-square	Degree of freedom	P-value
Before domiciliation	-0.463	1.178	1	0.14
After domiciliation	0.463			

It is noticed from Table (3) that the period after domiciliation of the researched banks is better than the period before domiciliation of the index of contribution margin ratio. However, the level of significance indicates that there were no significant differences between the two periods of the banks. The low interest margin for the pre-domiciliation period is not a good indicator for that period. While for the post-domiciliation period it rose and this is a good indicator of the growth of interest margin.

2 .Net profit margin index of interest

Table (4) shows the analysis of the net profit margin index of the Iraqi banks research sample for the period before and after the process of salary domiciliation, as the data shown in table (4) shows that the most bank achieved an increase in the net profit margin of interest is the National Bank of Iraq, which was a percentage Before domiciliation (0.480) and after domiciliation were (0.661) which indicates an increase (0.181) in the net profit margin of interest and that the reason for the increase is due to a slight increase in the net profit margin ratio of this bank and away from failure and that the bank has high efficiency In the use of its assets to achieve a net profit margin of interest.

Table (11) shows that the biggest decrease in the net profit margin of interest is Gulf Commercial Bank (0.231) and after domiciliation (0.216) which indicates a decrease of (0.015). This indicator is not good, while the Iraqi Commercial Bank, which was before the domiciliation (0.306) and after domiciliation (0.421), which indicates an increase of (0.115) in the net profit margin of interest The reason for the increase is due to a small increase in the net profit margin ratio of this bank and its distance from failure and that the bank owns For the high efficiency and ability to use its assets to achieve a net profit margin of interest.

While Ashur Bank which was before the domiciliation rate (0.294) and its ratio after the domiciliation was (0.396), which indicates an increase (0.102) in the



margin of net profit margin of interest and that the reason for the increase is due to a slight increase in the net profit margin ratio of this bank through The services provided by the company and away from failure and that the bank has high efficiency and the ability to use its assets to achieve a net profit margin of interest. . While the Middle East Bank (0.138) and after domiciliation was (0.273) which indicates an increase of (0.135) in the net profit margin of interest and that the reason for the increase is due to a slight increase in the net profit margin ratio of this bank from The bank has high efficiency and the ability to use its assets to achieve net profit margin of interest. While the Bank of Baghdad, which was before the domiciliation (0.385) and its ratio after the domiciliation was (0.495), which indicates an increase of (0.11) in the ratio of net profit margin of interest and that the reason for the increase is due to a slight increase in the net profit margin ratio of this bank through The services provided by the company and away from failure and that the bank has high efficiency and the ability to use its assets to achieve a net profit margin of interest.

It is clear to us from the results of the data analysis in Table (4) that the net profit margin of interest for the pre-domiciliation period for the Iraqi banks was (0.306), or after the domiciliation rate (0.410), which indicates that there is an increase of (0.104) This indicates Clearly, the process of salary domiciliation has led to an increase in the net profit margin ratio of the benefits adopted by this service to its customers and this was achieved thanks to the cash savings that the banks were able to achieve as a result of the process of salary domiciliation.

Table 4. Net profit margin of interest

#	Bank	2014	2015	Before domiciliation	2016	2017	After domiciliation
1	National Bank of Iraq	0.369	659.3	0.480	0.526	0.796	0.661
2	Iraqi Commercial Bank	0.234	0.378	0.306	0.421	0.421	0.421
3	Ashur Bank	0.28	0.308	0.294	0.429	0.667	0.396
4	Gulf Commercial Bank	49.2	17.22	0.231	0.224	0.163	0.216
5	Middle East Bank	0.123	0.153	0.138	0.33	0.216	0.273
6	Bank of Baghdad	0.575	0.194	0.385	0.861	0.46	0.495
	Average	0.345	112.9	0.306	0.465	0.454	0.410

Source: Prepared by the authors based on the annual financial reports of commercial banks

In order to prove the hypothesis of differences that indicated the existence of significant differences in the profit margin index of interest before and after domiciliation, a discriminatory analysis technique was used which tests the



differences found between the domiciliation process before and after. The analysis also shows the discriminatory function through which we can identify the best period. Is the period before domiciliation or after? The results also show table (5):

Table 5. Discriminatory analysis of interest margin ratio

Period	Discriminatory function	Chi-square	Degree of freedom	P-value
Before domiciliation	-0.372	1.462	1	0.226
After domiciliation				

It is noted from above table that banks are better than the period before domiciliation of the profit margin ratio index of interest, but the level of significance indicates that there are no significant differences between the two periods of the researched banks. The decrease in net profit margin of interest is not a good indicator for the post-domiciliation period, while the rise of this index for the pre-domiciliation period means that interest margin growth is relatively large and this is reflected positively on revenues earned.

3 . Index of the degree of assets utilization

Table (6) shows the analysis of the degree of use of assets of Iraqi banks sample of the research for the period before and after the process of salary domiciliation, as shown by the data shown in Table (5) that the most bank has achieved an increase in the percentage of use of assets is the National Bank of Iraq, which was before the domiciliation 1.605) After domiciliation was (1.694) which indicates an increase of (0.089) in the degree of use of assets and the reason for the increase indicates a slight increase in the degree of use of assets, which means an increase in the return of the bank, which means a positive indicator in this bank.

Table (5) shows that the biggest decline in the degree of asset utilization is Gulf Commercial Bank, which had a pre-Emiratization ratio (1.763) and after domiciliation (1.609) which indicates a decrease of (0.154) in the degree of asset utilization by a small percentage which means This indicator is not good for this bank, while the Iraqi Commercial Bank, which was before the rate of domiciliation (0.993) and its ratio after the domiciliation was (1.471), which indicates an increase of (0.478) in the degree of use of assets, which means the presence of high bank return, which means the presence A positive indicator in this bank. While Ashur Bank, which was before the domiciliation (1.742) and the ratio after the domiciliation (1.732), which indicates a decrease (0.01) in the degree of use of assets by a small percentage, which means that this indicator is not good for this bank. While the Bank of the Middle East, which was before the domiciliation



Journal of Faculty of Administration and Economics



(1.572) and the ratio after the domiciliation was (1.660), which indicates an increase of (0.088) in the degree of use of assets, which means an increase in the degree of use of assets, which is a relatively large growth rate and this is Reflects positively on the returns achieved. While the Bank of Baghdad, which was before the domiciliation (1.375) and the ratio after the domiciliation was (1.460), which indicates an increase of (0.085) in the degree of use of assets, which means a slight rise in the degree of use of assets, which is a large growth rate and this is reflected Positively on the returns earned to this bank.

It is clear from the results of the data analysis in table (6) that the percentage of the degree of use of assets for the period before the domiciliation of Iraqi banks was (1.509), but after the domiciliation rate (1.604), which indicates that there is an increase of (0.095) This indicates clearly He pointed out that the process of salary domiciliation has led to an increase in the degree of utilization of the assets adopted by this service to its customers has been achieved thanks to the cash savings that the banks were able to achieve as a result of the process of salary domiciliation.

Table 6. Degree of use of assets

#	Bank	2014	2015	Before domiciliation	2016	2017	After domiciliation
1	National Bank of	5.555	6.666	1.605	7.777	6.222	1.694
2	Iraqi Commercial	1.555	0.888	0.993	4.222	5.222	1.471
3	Ashur Bank	1.749	1.735	1.742	1.897	1.537	1.732
4	Gulf Commercial	1.854	1.673	1.763	1.325	1.43	1.609
5	Middle East Bank	1.51	1.64	1.575	1.561	1.759	1.66
6	Bank of Baghdad	1.312	1.438	1.375	1.958	1.219	1.46
	Average	2.255	2.34	1.509	3.123	2.898	1.604

In order to prove the hypothesis of differences that indicated the existence of significant differences for the ratio of asset utilization index before and after domiciliation, a differential analysis method was used which tests the differences found between the domiciliation process before and after. Before or after. The results also show table (7).



Table 7. Discriminatory analysis of asset utilization

Period	Discriminatory function	Chi-square	Degree of freedom	P-value
Before domiciliation	0.040	0.552	1	0.471
After domiciliation	-0.040			

It is noticed from Table (7) that the period before domiciliation of the researched banks is better than the period after the domiciliation of the asset utilization index, but the level of significance indicates that there are no significant differences between the two periods of the researched banks. The degree of utilization of assets for the pre-Emiratization period has been positive and is therefore a relatively large growth rate and this is reflected positively on the returns achieved in the pre-domiciliation period. However, in the post-domiciliation period, it is considered a bad indicator and did not achieve a significant growth rate.

4. Return on Assets Index

Table (8) shows the analysis of the return on assets index of Iraqi banks research sample for the period before and after the process of salary domiciliation. The data shown in table (8) shows that the most bank achieved an increase in the rate of return on assets is the Commercial Bank of Iraq, which was the ratio before the domiciliation (0.070) and after the domiciliation (0.148), which indicates an increase of (0.078) in the return on This asset is a good indicator of this bank. While Table (7) shows that the biggest decline occurred in the Middle East Bank, which was (0.080) before the domiciliation and 0.048), which indicates a decrease of (0.032) in the rate of return on assets. Investments in information technology such as training costs or the cost of opening ATMs.

While the National Bank of Iraq, which was the ratio before the domiciliation (0.040) and the ratio after the domiciliation (0.094), which indicates an increase of (0.054) in the return on assets and the reason for the increase is due to a small rise in the return on assets and this is a good indicator of this bank. While Ashur Bank, which had a ratio of (0.018) before the domiciliation and its ratio after the domiciliation (0.039), which indicates an increase of (0.021) in the rate of return on assets and the reason for the increase is due to a slight increase in the return on assets and this is a good indicator for this bank. Meanwhile, Gulf Commercial Bank (0.026) and (0.044) showed that there was an increase of 0.018 in the rate of return on assets. The increase is due to a slight increase in the return on assets.



Journal of Faculty of Administration and Economics



While the Bank of Baghdad, which was before the domiciliation (0.051) and the ratio after the domiciliation (0.061), which indicates an increase (0.01) in the rate of return on assets and the reason for the increase is due to a small increase in the return on assets and this is a good indicator for this bank.

It is clear from the results of the data analysis in Table (8) that the rate of return on assets for the period before the domiciliation of Iraqi banks was (0.048). He pointed out that the process of salary domiciliation has led to an increase in the rate of return on assets adopted by this service to its customers has been achieved thanks to the cash savings that banks were able to achieve as a result of the process of salary domiciliation.

Table 8. Return on Assets

#	Bank	2014	2015	Before domiciliation	2016	2017	After domiciliation
1	National Bank of Iraq	0.037	0.043	0.040	0.04	0.149	0.094
2	Iraqi Commercial Bank	0.084	0.057	0.070	0.078	0.218	0.148
3	Ashur Bank	0.010	0.026	0.018	0.085	0.058	0.039
4	Gulf Commercial Bank	0.042	0.011	0.026	0.073	0.070	0.044
5	Middle East Bank	0.062	0.098	0.080	0.018	0.077	0.048
6	Bank of Baghdad	0.017	0.085	0.051	0.056	0.612	0.061
	Average	0.042	0.053	0.048	0.058	0.197	0.072

In order to prove the hypothesis of differences that indicated the existence of significant differences for the ratio of return on assets before and after the domiciliation, a differential analysis technique was used which tests the differences found between the process of domiciliation before and after. The analysis also shows the discriminatory function through which we can identify the best period between the period before or after domiciliation. The results also show table (8).

Table 9. Discriminatory analysis of return on assets

Period	Discriminatory function	Chi-square	Degree of freedom	P-value
Before domiciliation	-0.361	1.383	1	0.240
After domiciliation	0.361			

It is noted from Table (8) that the period after the domiciliation of the researched banks is better than the period before the domiciliation of the ratio of return to



assets, but the level of significance indicates the absence of significant differences between the two periods of the researched banks. The reason for the increase in this ratio after domiciliation is generally indicative of the efficiency of the management and investment of these assets.

5. Return on equity index

Table (9) shows the analysis of the return on equity index of Iraqi banks, the research sample for the period before and after the process of salary domiciliation, as the data shown in table (9) shows that the most bank has achieved an increase in the rate of return on equity is the Gulf Commercial Bank, which was before Domiciliation (0.019) and its percentage after domiciliation (0.032) which indicates an increase of (0.013) in the rate of return on equity and this is a positive indicator for this bank and the reason is that the bank is highly efficient in achieving profits, which led to a high rate of return on Ownership rights of the bank. While the National Bank of Iraq, which was before the domiciliation (0.020) and its ratio after the domiciliation was (0.052), which indicates an increase of (0.032) in the rate of return on equity and this is a positive indicator for this bank and the reason is that it is a bank with high efficiency This is a good indicator for the bank.

While the Commercial Bank of Iraq, which was before the domiciliation (0.017) and the ratio after the domiciliation was (0.101), which indicates an increase of (0.084) in the rate of return on equity and this is a positive indicator for this bank and the reason is that the bank is highly efficient in To achieve profits, which led to a high rate of return on equity of the bank. While the Ashur Bank, which was (0.011) and the ratio after the domiciliation (0.027), which indicates an increase of (0.016) in the rate of return on equity and this is a positive indicator for this bank and the reason is that the bank is highly efficient in achieving Profits, which led to a rise in the rate of return on equity of the bank, while the Middle East Bank, which was before the domiciliation (0.008) and the ratio after the domiciliation was (0.020), which indicates an increase of (0.012) in the rate of return on equity and this is an indicator Positive for this bank and the reason is that the bank is highly efficient in achieving profits resulting in a High rate of return on equity of the bank. While the Bank of Baghdad, which was before the domiciliation (0.022) and the ratio after the domiciliation was (0.043), which indicates an increase of (0.021) in the rate of return on equity and this is a positive indicator for this bank and the reason is that the bank is highly efficient in achieving Profits resulting in a high rate of return on equity of the bank.



It is clear from the results of the data analysis in Table (9) that the percentage of return on equity for the period before the domiciliation of Iraqi banks was (0.016), but after the domiciliation rate (0.046), which indicates that there is an increase of (0.03) This indicates It is clear that the process of salary domiciliation has led to an increase in the return on property rights adopted by this service to its customers has been achieved thanks to the savings of cash that banks were

able to achieve as a result of the process of salary domiciliation.

Table 10. Return on equity

#	Bank	2014	2015	Before domiciliation	2016	2017	After domiciliation
1	National Bank of Iraq	0.003	0.037	0.02	0.037	0.068	0.052
2	Iraqi Commercial Bank	0.018	0.015	0.017	1.888	2.222	0.101
3	Ashur Bank	0.018	0.004	0.011	0.083	0.019	0.027
4	Gulf Commercial Bank	0.018	0.019	0.019	0.073	0.03	0.032
5	Middle East Bank	0.006	0.009	0.008	0.032	0.008	0.02
6	Bank of Baghdad	0.009	0.035	0.022	0.086	0.061	0.043
	Average	0.012	0.019	0.016	0.366	0.401	0.046

In order to prove the hypothesis of differences that indicated the existence of significant differences for the percentage of return on equity before and after the domiciliation, a differential analysis method was used which tests the differences that existed between the domiciliation process before and after. Is the period before domiciliation or after? The results also show table (11).

Table 11. Discriminatory analysis of ROE

Period	Discriminatory function	Chi-square	Degree of freedom	P-value
Before domiciliation	0.704-	4.437	1	0.037
After domiciliation	0.704			



It is noticed from Table (11) that the period after domiciliation of the researched banks is better than the period before domiciliation of the ROI index. The return on equity in the event of decline is not a good indicator, but in the case of the rise may be considered a positive indicator and this means an increase in the bank's return to the bank, and the reason for the rise is due to the high return on equity and thus we may find profit margin increased in this period, which indicates This resulted in a high rate of return on equity.

3.3 Banks' performance indicators for the pre-domiciliation and the post-domiciliation period

Table (12) shows the summary of banks profitability indicators for pre-domiciliation and post-domiciliation period. The interest margin for the period before domiciliation was (0.557) and after domiciliation (0.374), which indicates an increase of (0.121) in the interest margin for the period after domiciliation and this is a good indicator for this period. Their expenses. While the net profit margin of interest was before the domiciliation (0.306) and after domiciliation (0.410), which indicates an increase of (0.104) in the margin of net profit margin of interest for the post-domiciliation period, and this is a good indicator for this period. Increase its revenues and work to reduce its expenses. While the return on assets was (0.048) before and after domiciliation (0.072) which indicates an increase of (0.024) in the rate of return on assets for the period after domiciliation, and this is a good indicator for this period. Reduce their expenses. While the return on equity was (0.016) and post-domiciliation (0.046) which indicates an increase of (0.03) in the percentage of return on equity for the post-domiciliation period, this indicator is good for this period. And work to reduce their expenses.

Table 12. Summary of banks profitability indicators

#	Bank	2014	2015	Before domicili ation	2016	2017	
	National Bank of Iraq	0.284	0.223	0.253	0.394	0.557	0.374
	Iraqi Commercial Bank	0.312	0.299	0.306	0.465	0.454	0.410
	Ashur Bank	1.520	1.498	1.509	1.656	1.513	1.604
	Gulf Commercial Bank	0.042	0.053	0.048	0.058	1.020	0.072
	Middle East Bank	0.012	0.02	0.016	0.058	0.058	0.046



Journal of Faculty of Administration and Economics



Bank of Baghdad	2.172	2.094	2.133	2.634	1.020	2.508
Average	0.724	0.698	0.711	0.878	0.770	0.836

In order to prove the hypothesis of the differences that indicated the existence of significant differences for profitability indicators before and after domiciliation, a discriminatory analysis technique was used which tests the differences found between the domiciliation process before and after. Mother after him. The results also show table (13).

Table 13. Discriminatory analysis of profitability indicators

Period	Discriminatory function	Chi-square	Degree of freedom	P-value
Before domiciliation	-0.066	0.005	1	0.995
After domiciliation	0.066			

It is noted from Table (12) that the period after the domiciliation of the banks of the research sample is better than the period before the domiciliation of profitability indicators. The level of significance also indicates no significant differences between the two periods for the research sample banks. Banks are seeking to achieve the highest level of profits as profitability is one of the main objectives of the bank. In order to achieve profitability, the bank must invest all the money it has acquired in assets in a way that can help it achieve more returns such as loans as well as investments. This is the reason for increasing profitability by banks increasing their revenues and reducing their expenses which leads to increase profitability.

4 Conclusions and Recommendations

4.1 Conclusions

1. The service of salary domiciliation contributes to increase the quality of banking services provided to the customers of banks and improve their confidence in the size of dealing with these banks through the diversity of



services and keep pace with the recent developments in the banking sector, as banks in developed countries.

2. The salary domiciliation service is working to attract more new customers to the banks that provide this service because of the provision of advanced electronic services deal with these banks, which leads to increased competition between these banks and work to provide many basic support services.

3. Advanced and highly efficient electronic services in banks are able to reduce the financial corruption that occurs in banks and eliminate red tape and work to provide appropriate services at reasonable cost to its users and in a timely manner.

4. The growth rates and profits in the sample banks were unstable and in other cases downward.

5. Loans in some cases affect the profitability of the bank and occur when you calculate the provisions for losses relating to loans as well as follow-up expenses, which leads to litigation against people who are not committed to repayment, this is reflected negatively on these banks, which works to reduce the chances of granting loans The new advances for many sectors and the decline in economic growth rates and the reduction of investment loans granted to the community, which is benefited.

4.2 Recommendations

Based on the findings and conclusions of this research can come up with a set of recommendations are:

1. The need for banks to pay more attention to all employees working through the establishment of training courses in the field of electronic banking and benefit from the experiences of neighboring countries that have reached advanced stages of work in accordance with electronic systems in the provision of banking services in terms of speed, accuracy and flexibility In their implementation.

2. The commercial banks operating in Iraq should prepare instructions and clarifications regarding the electronic banking services provided by the electronic card, ATMs, electronic money transfer services and other services to all customers of the bank, as the majority of state employees are far from dealing with these services. This is reflected in the creation of an educated society in the use of electronic banking services.



Journal of Faculty of Administration and Economics



3. Banks should develop a strong and effective strategy in order to maintain capital and appropriate liquidity ratios in a way that enables them to achieve profits.
4. The need for the Central Bank to subject banks, whether commercial or government or specialized banks that still practice the process of comprehensive banking to the system of evaluation and classification of the US camel while continuing to evaluate and classify private banks for the period beyond 2010.
5. The need for commercial banks to comply with the instructions of the Central Bank regarding the introduction of advanced banking technology that has a distinctive and effective role in enhancing the level of demand and the trend towards electronic banking services.
6. The need for the Central Bank to urge the contribution of all banks operating in Iraq to provide the service of salary domiciliation due to the huge amount of state employees, which requires the provision of several alternatives for employees in obtaining the appropriate banks.
7. The need to urge the Central Bank in cooperation with universities and research centers to work to increase interest in studies, research and seminars, as well as special workshops that focus on modern financial management and financial indicators of banks, led by liquidity management and risks that may be exposed.
8. The need for banks to pay attention to the environment and external factors and the guidance of international organizations interested in the banking sector, which is represented in the economic and social conditions because of its importance in making all the right decisions.

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