

The Influence of the Bank Restructuring on the Financial Performance of Commercial Banks in Iraq

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Abstract

This study analyzes how Bank Restructuring in Iraq has impacted the financial performance of banks. Information collected from 2014–2020 is analyzed quantitatively using correlation and multiple regression with a sample size of six banks from the Iraq stock exchange to determine how Bank Restructuring has affected Iraqi bank performance. These findings show that the Capital Ratio (CR) affects bank performance in a negative way that is statistically significant. In contrast, the Bad Debt Ratio (BDR) has the opposite impact on bank performance. The Bank Restructuring (Debt ratio (DR)) also deleteriously affects bank performance. Based on the results, it is evident that both the accounts payable and capital structures need to be restructured. Increasing the amount of owners' capital money while decreasing the amount of payables, lowering the amount of bad debt, and increasing the requirements for credit quality would be beneficial to improving financial performance.

Keywords: CR, BDR, DR, Financial Performance.

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1. Introduction

Finance and banking facilitate the movement of excess reserves from depositories to investment vehicles. The commercial banking sector's role in reducing the free flow of goods and services across the economy and promoting credit intermediation has benefited all market participants. The ability of Iraqi banks to adapt to environmental changes, particularly economic and political shifts, is critical to their ability to improve their financial performance and safety. The power of Iraqi banks to implement sound banking strategies, structures, and systems, their ability to adjust to environmental changes, especially economic and political changes, and their adoption of improved policies are critical to improving the performance and safety of Iraqi banks. Capital adequacy, "the solvency of banks, and modernization of information systems concerning customers and their portfolios," and the quality of assets. Public confidence in them is enhanced through providing credit, providing human resources to keep up with technology advancements, and increasing services for beneficiaries, especially in light of technological and financial improvements. In addition to providing the necessary ingredients to improve the various banking systems and provide the appropriate climate for banks to work and develop to meet the imposed challenges, developments at all levels and implementing the International Basel Committee's decisions are essential. They're responsible for it. As a result, the researcher set out to discover the reality of bank restructuring in Iraq from the perspectives of (financial and operational) banks, identifying their issues and elucidating the process of returning them to better financial performance through economic and banking developments and the adoption of improved policies. Capital adequacy, "the solvency of banks, and modernization of information systems concerning customers and their portfolios," and the quality of assets. As a result of technological, economic, and financial advancements, the public's confidence in financial institutions has increased, and their performance has improved, especially in light of these changes. In addition to offering the required ingredients to strengthen the various banking systems and provide the proper climate for banks to function and develop to meet the imposed challenges, the International Basel Committee is also working to implement its decisions. As a result, the researcher attempted to identify the reality of restructuring banks in terms of (financial and operational) Iraqi banks, identify their problems, and clarify the process of returning them to improve their financial performance to economic and banking developments in Iraq.

The study problem statement the research challenge centers around the fact that Iraqi banks have inherited various financial and operational issues due to their inadequate financial solvency. To counterbalance this, the low efficiency of Iraqi banks' money performance was evident in dealers' lack of confidence in their institutions, which necessitates identifying and addressing these issues so that Iraqi banks can compete with other financial institutions worldwide in their region. In other words, the research question is: What is the effect of bank restructuring on the performance of Iraq's commercial banks?

The significance of the study lies in its theoretical and practical framework, which addresses the concept of restructuring banks and improving their financial performance for Iraqi banks and their need for restructuring and thus building effective and qualified banking and can gain the confidence of dealers and can provide advanced and diversified services that satisfy beneficiaries' aspirations and are in line with economic development. The issue has taken on a significant relevance in an Iraqi banking sector that needs to be

restructured in financial and operational dimensions.

Restructuring is a four-step process that includes financial restructuring, operational restructuring, asset management, and capital management. Banks' liability and capital frameworks are examined in financial restructuring, centered on their financial structure. Most of a bank's liabilities are customer deposits, but long-term debt is only a tiny portion of the bank's overall economic structure. Operations restructuring aims to overhaul the bank's operations, particularly its governance structure. Underperforming branches and businesses are closed or reduced in size, and product lines are streamlined and discontinued to reduce bank operating expenses. Increase asset liquidity by keeping more current investments while ensuring that a significant amount of the investments are financial assets. As part of the process of reorganizing assets, dealing with problem loans and getting rid of bad loans to decrease the number of nonperforming loans is essential. Financial institutions may benefit from a better economic framework if short-term and long-term junior loans were replaced with long-term liabilities (via debt conversion) (John, Daunders & Senbet, 1995; Karacadag & Taylor, 2001; Wall & Peterson, 1995). Shareholders may provide a direct injection of cash, or the government may give a bailout as additional funds for the financial institution (Dziobek and Pazarbasioglu, 1997; Rose, 1994). Market-based solutions, removing bad assets from bank portfolios, establishing an asset recovery agency (ARA), changing the guard (creating phoenixes), recapitalizing the bank, restructuring borrowers, institutional arrangements, and accounting for monetary and fiscal costs are all examples of the types of reforms identified by Bonish and Monte-Negret (1998) and Franks and Sanzbar (2002).

The primary goal of this study is to look into how Restructuring impacts Iraqi commercial bank performance. And how this relates to critical economic problems. Suggest that banks are allowed to compete with each other and foreign ones by submitting a proposal for financial and operational reorganization based on their current condition, which ultimately causes excellent damage to Iraq's economy.

Pinto and Joseph (2017) claim that an organization's return on equity is a way of analyzing its financial performance when using its equity. Return on equity (ROE), according to Farooq and Manzoor (2019), defines profitability by demonstrating the efficacy of each share of shareholder stock held by the company. To calculate a company's return on equity, divide net income by total shareholders' equity; The greetings are with Zelalem (2020). Menicucci and Paolucci (2016) divide net income by the average amount of equity to arrive at the return on equity. "Relative to the dependent variable, return on equity (ROE) was computed by dividing net profit before taxes by average equity." (Farooq and Manzoor, 2019). Return on assets (ROA) and return on equity (ROE) are the subject of this study (ROE). Changes in long-term debt to asset ratio, the debt ratio, total liabilities to total assets, capital restructuring, and asset restructuring were all based on accounting metrics used in the company's financial restructuring.

An outline of the paper is provided below. The second section provides a literature review of research on bank restructuring and financial performance. There are theoretical considerations and complex data regarding The Financial Performance Impact of Bank Restructuring. Second, this section details the steps for conducting a hypothesis test of the effects of bank restructuring on financial performance. The findings and discussion are presented in the fourth section. The fifth section provides a Conclusion and recommendations for further reading.

2. literature Review

2.1 Restructuring and Financial Performance of Banks

Banks that deal primarily with business transactions "require ongoing evolution to maximize its value as a financial go-between" (Kithinji et al., 2017). Financial and ownership/operational shifts are all part of the "bank restructuring" that Kithinji et al. describe (2017). Dziobek and Pazarbasioglu (1997) argue that commercial banks' ability to pay and profit, as well as their efficiency and public trustworthiness, are all enhanced by banking restructuring. Financial restructuring is just one of four types of banking restructuring; the other three are operational, asset, and capital. On the other hand, according to Osoro (2014), As a result, payment and capital structure restructuring have become primary areas of focus in the restructuring.

Birchil and Simmons (2010) pointed out that the commercial banking industry must be restructured to overcome serious faults due to the economic crisis: The environment suffers greatly when the economy is in a long-term slump. Bank operations become more inefficient due to the worsening of all businesses and the banking system. This increases the likelihood of defaulting loans and the potential for capital loss. Restructuring the banking sector involves a series of concerted actions to ensure the continuity of the country's payment and credit services while also addressing the flaws in the current financial system that have exacerbated the crisis. Efficiency is the ability to use resources effectively and accomplish the company's goals (Worthington, 2009). Based on their data technique, Thompson and Garbacz (2007) claimed that Effectiveness in the context of commercial banks may have either a monetary or a non-monetary form.

Financial statements and balance sheets may be used to evaluate economic success in resource use (Rose & Hudgins, 2012; Dao & Nguyen, 2020). Productivity gains inside the organization, satisfied customers, "extension and communication technologies," cost reductions, and exporting services like human capital to other

countries are all non-financial achievements—Wordsworth (2009 edition). According to "Rose and Hudgins (2012) and Majeed et al. (2020), financial performance may be evaluated using indicators such as return on assets, return on equity, and net interest margin. Interest margin net. Financial statements, such as the income statement and the balance sheet, employ data from the end of the reporting period rather than the end of the fiscal year to determine the total amount of assets and the owner's ownership (data collected at the end of the fiscal year).

2.2 The Financial Performance Impact of Bank Restructuring

A recent Thoraneeniteyan and Avkiren (2009) study looked at the “performance of South Asian commercial banks after the crisis, taking into account restructuring and country-specific variables. Five nations strongly affected “by the 1997 financial crisis (Indonesia, South Korea, Thailand, Malaysia, and the Philippines) engaged in the banking system reorganization and included 110 banks and 550 observations. It integrated the DEA and SFA models. The authors considered bank owner equity, mergers, foreign bank participation, and government involvement when measuring the degree of restructuring. This research’s results were critical to understanding the impact of post-crisis restructuring variables and the distinctive characteristics of Asian emerging countries on how well commercial banks are doing”. According to the research findings, the financial system did not perform better due to the reorganization.

The effects of Taiwan's financial restructuring on the economy were studied by Hsiao et al. (2010). Between 2000 and 2005, the authors implemented DEA at 40 commercial banks. According to the results, reorganization helped all banks, even those that had performed poorly before it (in 2002 and 2003). (2004-2005). The authors used GDP size, lousy debt ratio, and safety margin ratio as additional checks. The growth rate and no change. The bank's performance also improved when the financial reorganization was implemented.

Osoro's (2014) research looks at how financial restructuring has affected the bottom lines of Kenyan banks. As is the case with most companies, commercial banks can expect a drop in profits as a result of economic restructuring. The sample for this study consisted of eleven Kenyan commercial banks active in Kenya and traded on the Nairobi Securities Exchange between 2008 and 2013. The annual financial statements of these commercial banks were analyzed to determine their debt-to-equity ratio (DPR), dividend payout ratio (DPR), and equity ratio (ER). In the end, SPSS version 20 was used to analyze the data and determine if. To what extent does financial restructuring affect these commercial banks' financial performance. As a result of the research, it was concluded that commercial banks in Kenya benefited financially. But the study's “analysis revealed that the effect was small, accounting for only 26.7% of financial performance and leaving the remaining 70% largely unexplained”. Economic restructuring is a necessary tool for the commercial banks of Kenya. Still, they must also consider other factors, such as social objectives, to ensure their long-term viability in a competitive market.

Son et al. (2015) Determined how restructuring affected the efficiency of commercial banks in Vietnam. From 2010 to 2012, The effects of ownership structure on bank performance in Vietnam “were studied using data collected from all 44 banks in the country's banking sector. Banking profits improve with a greater concentration of capital and private ownership while falling in tandem with an increase in nonperforming loans”. Evidence linking good corporate governance with improved bank performance in Vietnam has been found in other studies., which aligns with those studies (Nguyen, Tran & Pham, 2014). Research from Kenya, China, and Malaysia has also contributed to this paper's conclusions (Wen, 2010, Rokworo, 2013). I Encourage extensive shareholders' participation in the Board of Directors to reduce the conflict of interest in banks, (ii) “enhance private ownership to increase bank profitability,” a) improve corporate governance of banks under international standards and b) push up the solving of non-performing loans in the restructuring of Vietnamese banks based on these findings.

According to Vo and Nguyen (2018), “Data Envelopment Analysis and Stochastic Frontier Analysis provide a link between bank restructuring and efficiency” in Vietnam's financial institutions. The sample period covers 1999-2015 and includes data from 26 commercial banks. To the best of our knowledge, the initial stage of bank restructuring has not been aided by the Vietnamese government's restructuring measures. Effectiveness is not improved by privatization, government interference, or mergers and acquisitions. Because of these and other factors, such as the global financial crisis or a domestic economic downturn, bank efficiency decreases during bank restructuring.

Using 25 Bangladeshi commercial banks between 2006 and 2013, Rahmen et al. (2015) looked into whether The profitability of Bangladeshi banks was impacted by "factors such as capital strength, credit risk, ownership structure, bank size, non-interest revenue, cost efficiency, off-balance-sheet activity, and liquidity". The study employs a trifecta of profitability indicators: return on equity, net interest margin, and net interest margin over total assets”. Profitability is positively and significantly influenced by regulatory and equity capital strength (as well as loan intensity). According to the findings, Efficiency savings and off-balance-sheet dealings can destroy a bank's bottom line. Other factors have varying effects on profitability, depending on how they are measured. There is widespread agreement that GDP, credit risk, and non-interest income play significant roles in

calculating net interest margin. ROA benefits greatly with increased size. ROA and ROE are negatively impacted by inflation as well.

Kithinji et al. (2017) studied the impact of bank restructuring on financial performance (2017). Distribution of Total Assets Among Long-Term Debt is one of the four factors the authors assessed in their study (equity divided by total assets). For 44 Kenyan commercial banks, the return on assets (ROA) from 2002 to 2014 was evaluated. The multivariate regression model was estimated using the OLS method. At a 5% significance level, Financial efficiency was found to increase due to changes made to capital structures but decrease due to changes made to asset structures. The effects of restructuring finances and operations and the variables used to regulate the financial services industry were not statistically significant. Financial efficiency increased by 10% due to economic restructuring and financial services but decreased by 5% due to operational restructuring. The model used in the study only has statistical significance at the 10% level. Therefore the influence of restructuring efforts on financial performance can only be explained by those variables.

An investigation into the factors that influence the relative efficiency of Indonesian banks was conducted by Defung (2018). After the Asian financial crisis of 1997, the banking industry in Indonesia faced numerous difficulties. Read more Strengthening and enhancing financial institutions was a goal of these reforms. Bank efficiency is the subject of many empirical studies worldwide that have yielded conflicting results. Analysis of Indonesian banking industry efficiency drivers was carried out. Data Envelopment Analysis is a frontier method that doesn't rely on statistical sampling and measures the efficiency score using data from 101 Indonesian commercial banks. For this analysis, we used a Tobit regression model to look at the factors that make up the efficiency scores. The results indicated that the bank was technically inefficient during the financial restructuring. After a while, signs of progress started to appear. Largeness, macroeconomic conditions, and three distinct bank groups were all found to have a significant impact on bank efficiency. Bank efficiency was not positively associated with mergers, typically a form of restructuring policy.

Investigated Hasan and Zubair, (2020). Iraqi government banks' financial performance can be improved through financial and operational reorganization. Due to their importance in Iraq's banking system and their involvement in the country's economy, government banks are a focus of this study. The existing government banking system looks to be most in need of financial and operational reform in order to stay up with global advances and follow current banking rules, making this a very topical issue. Given the importance of government banks and the data presented here, this study aims to determine the effect that financial and operational restructuring has on improving the financial performance of government banks. In the end, the study came to the following conclusions: In addition to operational issues, Iraqi government banks have several economic challenges that limit their ability to meet the demands and wants of dealers, lowering their financial performance and trust in the institutions. Financial and operational restructuring can have a positive moral influence on financial success when the deciding element is reached (58.3 percent). The researcher concludes that financial and operational reorganization enhances economic performance. Based on these findings, the Ministry of Finance proposed several changes, "including increasing investment in banking technology and providing modern services; gradually raising capital funds for government banks that did not meet the capital adequacy rates", and improving the adequateness and adequacy of these institutions so that they can better compete and gain the trust of their customers.

2.3. Capital Ratio

Okafor and Harmon (2005) state that the linkages between the various parts of a firm's financing mix make up the capital structure of that company. The capital structure may be analyzed from multiple angles, including the big picture of the whole financing picture or the finer detail of the long-term financing pieces. Capital structure is the mix of long-term debt and equity funding for a specific business. There is a correlation between a company's financial setup and its profitability.

Sarkar and Zapatero (2003) state that companies that generate much profit are more likely to use equity as a capital structure than debt. This is because, over time, the capital structure will shift toward more equity and less debt due to the enormous profits generated.

Research by Saeed (2013) looked at how capital structure affected the success of Pakistani banks over a five-year time frame, and the results showed a strong correlation between the two (2007-2011). Earnings per share, return on equity, and return on assets were all used as measures of performance (EPS). The capital structure was established by balancing the debt-to-capital ratios over different time frames.

Ten (10) Sri Lankan banks were studied by Velampy and Nires (2012). They looked at the period between 2000 and 2010 to see if there was a correlation between the interplay between the composition of capital and financial performance (2002 to 2009). Profitability was capital structure shown to have a negative association. In addition, data show that debt accounts for 89% of the banking sector's total assets in Sri Lanka. The findings of this study are consistent with those of prior studies.

According to Chang et al. (2019), capital structures are essential to the satisfaction and expectations of

stakeholders. Thus financial managers should pay particular attention to how they are used in their businesses. Managers of a company's finances must be adept at optimizing its capital structure to cut costs and increase profits. Capitalization benefits stakeholders (shareholders, employees, customers, and lenders).

2.4. Bad Debt Ratio

When borrowers don't pay back principal and interest as agreed, it hurts the lender's bottom line (Aballey, 2009). (Aballey, 2009; Agu & Okoli, 2013). Some people say that debt is like a sword with two edges. However, it may positively affect people's lives when used sparingly and with discretion. However, reckless and excessive use might have serious effects. It is safe to say that commercial banks are essential to the functioning of the financial system in any country. Bad loan debts are more strongly influenced by industrial performance than other economic factors. According to this idea, financial crises become inevitable and more catastrophic if debt ratios hit certain thresholds. Worryingly bad loans have wreaked havoc on the economy, leaving it unsteady and in the negative. Commercial banks and the banking industry face several risks due to loans and advances, which can have severe consequences for customers and other stakeholders if they are not properly managed.

Reducing the bank's ability to lend money is another significant effect of poor loans, as stated by Karim et al. (2010). Therefore, a more substantial share of revenue is likely to be lost when banks lose a significant amount of their lending capital due to bad loans. Loans that are not repaid by the due date, as defined by Graham (2007), are considered non-performing loans. Doubtful debts, Bad debts, and Loss were the categories used to describe these non-performing loans.

2.5 Debt Ratio

Chang et al. (2019) argue that the debt ratio is a valuable indicator of capital structure. Return on assets (ROA) and return on equity (ROE) depend on the debt ratio and profitability, as stated by Korkmaz (2016). This means that the debt ratio and profitability are critical indicators of a company's financial stability. To know your debt ratio, you need to compare your total debts to your total assets—the work of Chang et al. (2019).

Using various methods, Sivalingam and Kengatharan (2018) analyzed Sri Lankan financial institutions. Return on assets and equity are the dependent variables, whereas debt ratio is the independent variable. His research showed that debt ratios significantly and negatively affected ROA and ROE. This suggests that a debt ratio above 30% is counterproductive to a healthy financial structure since a higher debt ratio results in a lower profit margin for the bank. The decline in profits can be attributed to the high cost of debt, which hurts banks' profitability and efficiency.

El-Charani and El-Abiad (2019) analyze the Middle Eastern banking sector by using the debt ratio as an independent variable and the return on assets and equity as dependent factors. According to the findings, the debt ratio significantly improves ROE. According to his results, the capital structure of the banking industry would be directly affected by the sluggish Middle Eastern economy and low oil prices.

2.6 Hypotheses

H1: The capital ratio is positively correlated with financial performance.

H2: The Bad debt ratio is significantly linked to financial performance.

H3: Financial performance is negatively proportionate to the debt ratio.

2.7 Model

The following conceptual model was developed to address the research question based on the evidence of the empirical review conducted in the current study.

3. Methodology Of Research

3.1 Planning for Research

This study evaluated any relationships between Iraqi bank restructuring and performance. To learn this, one needs to perform a quantitative correlational analysis analyzing the Financial results of Iraqi commercial banks after the Bank Restructuring.

3.2 Scope and Methods of Sampling

Firms trading on the Exchange of Stocks in Iraq are a part of this research. All Iraqi Stock Exchange-Traded Financial Institutions are included in this quantitative research. The six banks that are members of the Iraqi Stock Exchange are the focus of this research from 2014 to 2020.

3.3 The Study's Scope

This study examines the six Iraqi banks listed on the main board in 2020. The study will only cover Iraqi banks. Bank Restructuring variables include Capital, Bad debt, and Debt. Two accounting performance metrics for

banks are emphasized here: ROA and ROE.

3.4 Collecting data

The Iraq Stock Exchange's yearly reports from banks provided the Bank Restructuring and Performance data. Bank Restructuring gathered data from Iraq Stock Exchange's annual bank website notifications. Yearly reports were made public by the banking sector, the stock market, and the Iraqi Securities Commission. The data is useless.

Secondary sources make data collection more accessible and cheaper. Secondary data sources help study and problem-solving (Sekaran, 2003).

3.5 Indicators of Measurement

We analyzed data from 6 Iraqi banks that were publicly traded on the Iraq Stock Exchange. Information on bank restructuring and financial indicators, including return on assets and return on equity. Table 1 provides a concise summary of the variables and the associated measurements.

3.6 Analytical Methods for Data

Data were analyzed in SPSS (Version 28). In this study, the T-test is used to examine the differences between the two categories. Regression was utilized to discover the connection variable relationships. It uses several regressions. The study's model is below.:

$$Bp = \alpha + \beta_1 CR + \beta_2 BDR + \beta_3 DR + \epsilon_{it}$$

Where;

Bp	= Bank performance.
CR	= Capital Ratio.
BDR	= Bad Debt Ratios.
DR	= Debt Ratio.
$\beta_1, \beta_2, \beta_3$	= Variable's Coefficients
α	= Constant.
ϵ_{it}	= Random Error of variable i in time t.

4. Results And Discourse

4.1 Analytical Description

Table 2 shows that the dependent variable ROA has a mean of 3.2271, a variation of 1.81350, a maximum value of 6.34, and a minimum value of 1.60. Mean = 4.4023, Variance = 0.75298, Minimum = 3.47, Maximum = 5.10 for ROE. The average capital ratio is 37.7686, the standard deviation is 13.91561, the minimum ratio is 21.53, and the maximum ratio is 49.46 for the independent variable. The standard deviation is 0.55501, the maximum ratio is 2.04, and the average bad debt ratio is 1.3229. The Debt ratio variable has an average value of 62.7543, demonstrating that banks employ debt payable 62 times more than the amount of the total assets; the variance of 13.61464 is fairly considerable. Debt service as a percentage of total assets may range " from 49 to 50.20 within the variable range.

4.2 Correlation

Correlations between the independent and dependent variables are displayed in Table 3. There is a negative correlation between ROA and Capital ratios but a positive correlation with all the other independent variables. Return on equity is favorably correlated with bad debt and debt ratios and negatively correlated with capital ratios. Return on assets is positively correlated with Return on equity, implying that a high ROA also indicates a strong ROE. None of the independent or dependent variables have significant correlations, as the hypothesis value for each variable is less than 0.5. The smaller variance inflation factor in Tables five and seven indicates no multicollinearity issue.

4.3 HYPOTHESES TESTED RESULTS

4.3.1 Hypotheses on ROA

The Bank Restructuring variable (Capital ratio, Bad debt ratios, and Debt ratio) was assumed to affect the bank's performance (Return on Asset). They were put through the paces of ordinary least squares regression. An adjusted R square of 0.356 indicates a significant correlation between the two sets of variables shown in Table 4. The results of this study reveal that the independent variables account for 35.6% of the ROA, whereas other variables accounting for 64.4% of the ROA remain unaccounted for.

Standardized ROA coefficients of -5.303 and -4.997 for the Capital and Debt ratios are shown in Table 5. Standardized correlation values of 1.165 show a favorable relationship between Return on Assets and Bad Debt. Because of this, the following is the final form of the Return on Assets equation model summary:

$ROA = 67.071 - 4.997 CR + 1.165 BDR - 5.303 DR$

4.3.2 Hypotheses on ROE

Using linear regression allowed us to evaluate hypotheses concerning the impact of the Bank Restructuring variable (Capital ratio, Bad debt ratios, and Debt ratio) on the bank performance (Return On Equity). ROE varies by 21% on average. Table 6 shows that the independent variables account for 49.5% of ROE, whereas the remaining 50.5% is attributable to other factors.

The Estimated regression coefficients show that Return On Equity has a significant negative relationship with Capital ratio, Bad debt ratios, and Debt ratio with a standardized coefficient of -6.434, -.249, and -5.710, respectively. Therefore, the equation model summary for the Return On Equity is as below in Table 7: $ROE = 37.821 - 6.434 CR - .249 BDR - 5.710 DR$

4.4 Finding

These results of Iraqi Banks After the Restructuring and Their Performance are shown in Table 8. Based on the numbers, we can say that Capital Ratio (CR) negatively impacts ROA and ROE significantly, whereas "Bad Debt Ratios (BDR) favorably impacts Return on Asset and negatively impacts Return on Equity." Restructuring in the banking sector (Debt ratio (DR)) negatively impacts ROA and ROE.

5. Conclusion

With this research, we analyze the correlation Within a range of three independent variables (Capital ratio, Bad debt ratios, and Debt ratio) and bank performance (ROA and ROE) in the publicly traded banks on the Iraqi stock exchange. These results affected the Bank Restructuring and the efficiency of banks in Iraq. The study's results have significant ramifications because they provide compelling empirical data about the direction of the influence of restructuring on Iraqi bank financial performance. To further improve the economic efficiency of Iraq's commercial banks, this study's findings are also helpful to the government and commercial bank managers managing and implementing restructuring efforts. Based on the results, it is evident that both the accounts payable and capital structures need to be restructured. Increasing the amount of owners' capital money while decreasing the number of payables, lowering the amount of bad debt, and increasing the requirements for credit quality would be beneficial to improving financial performance. Effects of Restructuring on Financial Results and the influence of alternative restructuring strategies require research with long study periods.

6. Recommendation

They require banks to reevaluate their provision for non-performing loans by recovering overdue payments in compliance with regulations and Indicative instructions from the Central Bank of Iraq, allowing considerable leeway and time to do so. To improve their suitability and adequacy to meet the requirements of the Basel Committee and the Central Bank of Iraq and to match the volume of funding that these banks grant along with the importance of their deposits, the Ministry of Finance has mandated that they liquidate debts from prior periods and gradually raise capitals that do not meet the capital adequacy rates via treasury bonds in place of cash. Besides paying close attention to developing strategies and policies in the field of credit by adopting unconventional methods that determine the extent to which the bank is exposed to risks as a result of granting credit, Iraqi banks must develop new banking services, such as electronic commerce, syndicated loans, etc., and modernize existing banking services to meet the ambitions of customers. Acceptance or rejection of these risks, as well as the use of tactics and tools to reduce them and prevent credit defaults, such as setting credit limits, adopting preventive steps, providing adequate guarantees, and expanding credit as needed, are all relevant factors.

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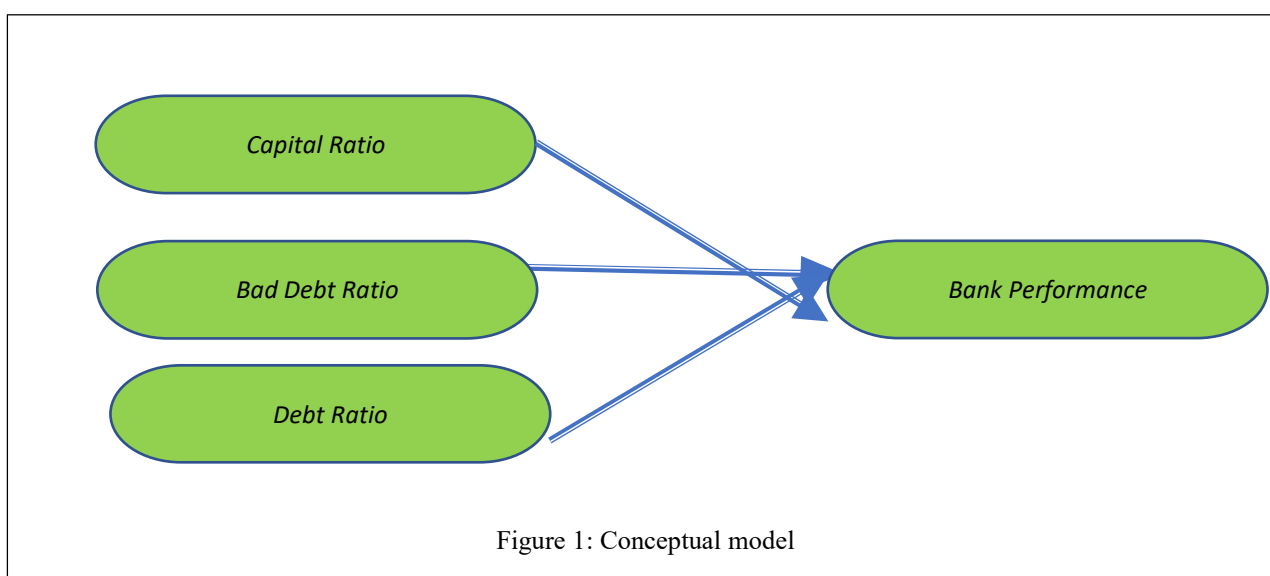


Figure 1: Conceptual model

Source: Developed by researcher

Table 1: Explanation of how the study variable work

	DEPENDENT VARIABLES	ACRONYM	Measurement
1	Return on asset	ROA	Profit after tax / total assets
2	Return on equity	ROE	Profit after tax / total equity
	INDEPENDENT VARIABLES	ACRONYM	Measurement
1	Capital Ratio	CR	Total equity /Total assets
2	Bad Debt Ratio	BDR	Bad debts / Total receivables
3	Debt Ratio	DR	TotalLiabilities/ Total assets

Table 2: statistical descriptions

	N	MIN	MAX	MEAN	STD.
ROA	6	1.60	6.34	3.2271	1.81350
ROE	6	3.47	5.10	4.4023	.75298
CR	6	21.53	49.46	37.7686	13.91561
BDR	6	.56	2.04	1.3229	.55001
DR	6	50.20	78.76	62.7543	13.61464
Valid N (listwise)	6				

Table 3: Correlations according to Pearson's formula

		ROA	ROE	CR	BDR	DR
ROA	Pearson Correlation	1				
	Sig. (1-tailed)					
	N	6				
ROE	Pearson Correlation	.609	1			
	Sig. (1-tailed)	.276				
	N	6	6			
CR	Pearson Correlation	-.638	-.545	1		
	Sig. (1-tailed)	.247	.343			
	N	6	6	6		
BDR	Pearson Correlation	.753	.146	-.796	1	
	Sig. (1-tailed)	.142	.815	.107		
	N	6	6	6	6	
DR	Pearson Correlation	.642	.498	-.997**	.828	1
	Sig. (1-tailed)	.243	.394	.000	.084	
	N	6	6	6	6	6

*Correlation is significant at the 0.05 level (1-tailed)

Table 4: Brief Description of the Model

Model	R	R Squares	Adjusted R Square	Std. Error of the Estimate
1	.813 ^a	.661	.356	2.11200

a. Predictors:(Constant), DR, BDR, CR

Table 5: Estimated Regression Coefficients

Model	coefficients that are not standardised		Coefficients That Are Standardized	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	67.071	128.580		.522	.694
CR	-.651	1.241	-4.997	-.525	.692
BDR	3.840	4.483	1.165	.857	.549
DR	-.706	1.368	-5.303	-.516	.697

a. Dependent Variable: ROA

Table 6: Brief Description of the Model

Model	R	R Squares	Adjusted R Square	Std. Error of the Estimate
1	.791 ^b	.626	.495	.92058

b. Predictors:(Constant), DR, BDR, CR

Table 7: Estimated Regression Coefficients

Model	coefficients that are not standardised		Coefficients That Are Standardized	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	37.821	56.045		.675	.622
CR	-.348	.541	-6.434	-.644	.636
BDR	-.341	1.954	-.249	-.174	.890
DR	-.316	.596	-5.710	-.530	.690

b. Dependent Variable: ROE

Table 8: Findings Abstract

No	Hypotheses	Results
H1	The capital ratio is positively correlated with financial performance.	Not Support
H2	The Bad debt ratio is significantly linked to financial performance.	Not Support
H3	Financial performance is negatively proportionate to the debt ratio.	Support