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Evaluation of Credit policy and Its reflaction upon the performance of Banking

(An Analytic study for a selected sample of Iraqi Banks)

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Abstract

This study aimed to evaluate the credit policy which is used by the different Iraqi Banks . This would be done through knowing the important aspects of credit policy of these Banks . To carry out this aim we have evaluate and identify . The international standards and requirements . Besides, we have to know the range of depending The Banks on concept of risks measurement as a part of credit decision and determine the scope of effect of the credit policy on Banking performance .

All these have been done through field study and collecting information's and data about the credit policy of the Banks same . for this purpose we used check list. The study depends on two hypotheses by which the researcher tries to attain them firstly; Iraqi Banks don't have efficient credit policy and they don't depend in credit granted on measuring the credit risks . so the credit policy doesn't affect the financial performance of the Banks.

The study showed that the sample of the Banks have credit policy using according to the directions of Iraqi central Bank. The second hypothesis showed that the Iraqi Banks have special department to manage the credit risks, except the Agricultural and cooperative Bank. These department measured the credit risks when they granted the credit and this would be affected the financial performance of the Banks. The most important conclusion that the study got to are following; The important aspects which the policy distinguished in; is that policy is reserved and strict one . Because, in spite of if increasing the percentage of capital efficiency ; it is still reserved in granting the credit that produce high liquidity exceeded the percent of 30% . That means a suspended monetary resources which

have no credit and investment chances . Also, The credit in Iraqi characterized by it is a dangerous policy and always exposes to many risks.

Finally the study found that , in spite of there is a written credit policy and depending on direction of the central Bank, and there is a measurement for credit risks, but it doesn't reach the demanded level . of course , that would have a great effects on the financial performance of the Banks and then on the central Bank, as well, to issue new directions to use efficient policy, that is suitable with international standard, and renew the procedures of managing the credit risks and be sure of using them by other Banks .