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MEASURING THE IMPACT OF BANKING SERVICES DEVELOPMENT ON THE PERFORMANCE OF THE BANKING SYSTEM IN IRAQ

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Abstract:

The banking system is considered one of the most important financial institutions that have a vital role in the economy, and global progress in the field of technology and informatics has produced sophisticated scientific means to provide modern banking services, especially electronic ones, and through the experiences of other countries, the Iraqi banking system seeks to achieve the highest efficiency in its performance, By providing electronic services. Therefore, the research aims to clarify the effect of electronic banking services on the performance of the banking system, as this study came to show the impact of modern electronic services, which were considered an independent variable ((number of ATMs, number of POS points, the quarterly value of the RTGS system, and the quarterly value of the clearing) Electronic ACH), in the indicators of banking financial performance, which were represented by ((profitability, liquidity, and capital adequacy) as an applied study, and the statistical analysis tools were relied upon and the Eviews10 program was used.

Introduction:

Different banks aim in their work in the competitive market by making better use of available funds to provide the best services, as public and private banks in developed or developing countries carry out their necessary activities in order to provide modern banking services. Therefore, banks have worked to improve the efficiency of the performance of their services through strategies Competitive, after it resorted to adopting the main services, including credit and bank lending, which it considers a

main source of what it seeks to achieve profitability according to certain principles and considerations, it has decided to adopt electronic banking services for these banks in order to exploit the resources available in them and thus improve the efficiency of their performance.

Research problem:

The research problem centers on the following questions.

- 1.What is the naturalness of the relationship between electronic services and the indicators of financial performance of the Iraqi banking system.
- 2.Which of the electronic services is more related and influential in the financial performance indicators of the Iraqi banking system.

Research goal.

- 1.Determine the mechanisms adopted by the management of the Iraqi banking system in providing electronic banking services.
- 2.Knowing the reality of electronic banking services and its main indicators in the Iraqi banking system.

Research hypothesis.

The research starts from the hypothesis that there is a statistically significant correlation between electronic services indicators and banking financial performance indicators.

Theoretical framework:-

First: The concept of banking service.

There is no agreed definition by academics about banking service due to the multiplicity and diversity of economic systems and the difference of opinions from one researcher to another in accordance with their ideas.

Some see it as a group of businesses and activities aimed at achieving specific benefits, whether these benefits are material or intangible, provided by the bank without charge. (1)

Or it is a number of benefits that aim to satisfy the needs of individuals and credit or material institutions that are an important source of profit, as well as to highlight the characteristics and importance of the quality of banking service. (2) What some see as part of the bank's administrative activity that aims to satisfy the desires of customers and work. On attracting many customers and preserving old customers, as well as the services that are in a digital form and provided by means of information technology, the most clear and widespread, such as (the Internet, mobile phone, and SMS). (3) Thus, it is the banks that employ recent developments. For the field of communication and information technology, to provide all its services safely. It is considered one of the priorities of the successful bank in meeting the needs of customers clearly and it is considered one of the strengths and weaknesses in the management of the bank, as the banking service includes two main dimensions, namely reliance on the activities and procedures followed by the bank to provide the banking service, the methods used and

the method of performance, and the second dimension is the utilitarian dimension of the service Banking, which differs from one client to another due to the difference in desires and needs. Based on that, they are benefits provided by one party (the bank) to another party (the customer), and they are intangible and their provision does not entail the transfer of ownership of anything, and their provision may be linked to a tangible financial.

Second: General characteristics of banking services.

It has a set of characteristics, the most important of which are the following (4):-

1.The intangible.

It means that the banking service cannot be heard, seen or tasted by the (customer) provided to him by the service. Therefore, the (bank) service provider must make it tangible in one way or another.

The non-tangibility of the banking service makes it unstockable in order to meet the high demand for it. Therefore, the customer who is provided with the service has to wait for the service in question.

From a practical point of view, it was found that the saturation and consumption of the service occur at the same time, so it is difficult for us to inspect it. It results in the following:-

a. They are not perishable or depreciated, meaning they have a long life.

B. It is not protected by the intellectual property preservation law, meaning that any modern banking service in the market is exposed to competition due to counterfeiting from other banks.

2.The multiplicity and diversity of banking services

The large number and variety of services provided by banks to meet the needs of customers, including (transfer and credit), of different types and geographical presence.

3.Satisfy the customer's desires.

The services provided by the bank to the customer must be complete services in order to fully satisfy his desires, so as not to give the customer an opportunity to search for another bank, as the relationship between the customer and the bank is considered a permanent and continuous relationship and is based on the client's satisfaction.

4.Rely on deposits.

The dependence of banks in all their services provided to the customer on deposits, as deposits represent the main source of bank financing and profits.

5.Geographical spread

The most important advantage of banking services is the speed of its spread by opening the largest number of banking branches, meaning that the bank is able to reach current and future customers in their whereabouts or where they need banking services.

Third: Types of electronic banking services.

1. ATM machines.

The automated teller machine is one of the first tools that helped provide services to customers away from the bank, and that the use of this device has become widespread in developed and developing countries alike, and it is present either inside or outside the bank, as well as in public places where the customer needs the services of an automated teller. . It is an electronic device that performs some electronic banking services, inside which cash is placed in specific quantities, and each customer has a card and a secret number to facilitate the process of cash withdrawal or transfer, with the aim of reducing the time and effort of the customer, and this service can be obtained at any time, even during non-official working hours. Or it is a device that allows the customer to obtain banking service throughout the week at a lower cost, and the possibility of obtaining money anywhere, provided that the bank has an ATM.

2. Electronic clearing.

Electronic clearing services allow transfers from clients' accounts to other accounts and to any bank, such as monthly salaries for employees in companies, and has evolved to include the total settlement system, as there is an automatic clearing room and has a capacity for a number of payment orders submitted by various banks. The electronic clearinghouse uses electronic means for the process of exchanging information in the clearinghouse in the central bank. Among the benefits of its application are collecting the check on the same day for the customer, knowing whether the check was accepted or rejected on the same day, and transferring money into the beneficiary's account from the check on the same day.

3. Direct deposit System.

It is a system that works on depositing the client's sums, such as salaries, wages, social insurance, government aid, and others directly with the bank that deals with him automatically. This electronic service provides a benefit to the customer in order to obtain his dues without effort or trouble and in the fastest time without delay, and this method also achieves benefit To the bank, through the passage of depositors' money through the banking network, which leads to an increase in the volume of deposits.

4. Direct debit.

It is used in making recurring payments and it saves time and effort for the bank and the customer and is known in the banking framework as the discount authorized in advance, as the customer benefits from this service by paying his payments automatically on the specified dates by sending the invoice via e-mail, and deducting from his account directly without making checks, and the customer avoids Fines for late payment of financial dues on their due date.

5. Pay bills by phone service.

The first to use this service are American banks, and it has many advantages, including:

1. It does not require the use of equipment or a computer .
2. It does not entail an additional financial burden .
3. Reduces costs compared to checks .

How to use this service by phone, as follows: The customer contacts the bank, . then puts the account number and the password, then enters the amount to be
4. paid, then the recipient's account number

5. Achieving the convenience of the dealers .

6: Electronic finance of international payments

It is a service that banks provide to its customers through an external cash transfer, previously the external transfer was through the use of mail or telegraph, but recent developments that have occurred for banking services have had to be banks. The development of external transfers has introduced a new system in the international cash transfer known as the SWIFT network.), In order to achieve the required speed of international cash transfers, which is an abbreviation for (society for world wide Inter-bank financial transaction), that is, the International Corporation for Financial Exchanges between Banks, established in 1973 with the participation of (239) banks from Europe, America and Canada, it was based in Belgium (Brussels) began its work in 1977, when the number of its members reached (4000) banks, where it exchanged more than (2) million messages per day, and covered more than 110) countries in the world, working 24 hours a day with the aim of securing communication between members In a confidential, accurate and securely documented manner, it does not settle accounts, but rather transmits instructions, orders and messages between banks only, and ordinary individuals have no right to enter them.

Advantages of using the SWIFT system

1. Ease of communication .

Flexibility to use the system for various operations, while accommodating .
2. different fields

3. Maximum accuracy in the information sent .
4. Absolute confidentiality of data and banking operations .
5. High speed in delivering messages .

Practical side:-

First: Test results model the standard.

In the standard aspect, we relied on quarterly data for the variables under study, due to the lack of data on some variables except for a short period of time, due to the novelty of these variables that appeared after 2011, such as electronic clearing, KCard payment points and ATMs, and to avoid the standard problems that accompany the small sample size They were converted into quarterly data and the Eviews10 program was used to process the data and estimate models.

1.specification of standard models.

To measure the impact of electronic banking services indicators on the financial performance indicators of the Iraqi banking system, each separately on each of the three financial performance indicators, and thus the variables that will be discussed in the model are as follows:

Dependent variables.

Three approved variables were selected that represent the financial performance indicators of the banking system in the study sample and were as follows:

- 1.Profitability Index (R): The profitability index was adopted as the first approved variable that represents the bank's financial performance.**
- 2.Liquidity index (Li): This indicator is represented by (M2), and increasing this index means increasing the bank's ability to meet the demands of depositors, and vice versa.**
- 3.Capital adequacy index (E): The higher this index means that the bank relies more on its capital in the formation of assets.**

Independent variables.

Four independent variables were chosen that express the electronic services, and these variables are:

- 1.Number of Automated Teller Machine (ATM): The indicator of the number of ATMs was adopted as the first independent variable for electronic services.**
- 2.The number of points of payment (POS): The indicator of the number of points of payment (Key Card) and the recipe for the second independent variable for electronic services have been adopted.**
- 3.Electronic clearing (ACH): The electronic clearing index and the number of clearing that takes place in the bank between banks electronically was adopted, and we have relied on the real value of that clearing.**
- 4.The Gross Settlement System (RTGS): The index of the gross settlement that takes place at the central bank was adopted, and the real values were adopted.**

Second: Test the time series Static.

Given the importance of the staticness of the studied economic variables over time to determine the type of model used in studying the relationship between these variables, it has become necessary to uncover the silence of these variables

to ensure that they are free from the unit root that causes false regression, incorrect estimates and misleading results.

Detection of Unit Root is carried out through several common tests, including the original Dickie Fuller test (DF), Dicky Fuller Extended (ADF), Philips Perron Test (PP), Kapaias (KK) and others. (ADF) test and then (PP), and this is what was relied upon in testing the static variables of this model, in (1).

Table 1: Static test results for the studied variables

Variables Tests		Li	RTGS	ACH	R	E
ADF	Level	-3.335*	-3.098*	-1.53	--4.15*	-3.77*
	1 st	-----	-----	-4.36*	-----	-----
PP	Level	-2.462	-1.766*	-1.190	-6.92*	-1.94*
	1 st	-3.902**	-----	-4.43*	-----	-----

The results of Table (1) indicate that two types of unit root tests were used, namely (ADF) and (PP), and the dependent variables according to these two tests were static at the level, that is, they are of grade I (0) at a significant level (5%). Free from the unit root in its original form, while the independent variables are also static at the level (5%), that is, they are devoid of the unit root except for the independent variable electronic clearing (ACH), it was static at the first difference, that is, it is of degree I (1) At a significant level (5%).

After obtaining these results of the stillness of the variables, we move to the second stage of the tests, which is the test of the common integration between these variables.

Third: Test the co-integration.

Joint complementarity is a test that aims to reveal whether the variables are complementary among themselves, and are they related to a short or long-term relationship.

There are several tests used to detect cointegration, and each type has conditions for use from these tests:

First: the Engel-Granger test.

Second: The Johansen-Juselius test.

Third: the ARDL (Autoregressive Distributed Lag Model).

After the time-series dormancy was tested in the first paragraph, it was found that the first and second tests of joint integration could not be used due to the lack of conditions for their use. Therefore, it became necessary to move to the third type to reveal the type of integration between these variables.

Fourth: the self-regression model with distributed time gaps.

After many obstacles appeared to face the use of common cognitive integration models such as Engel - Cranger and Johansson, a modern model emerged that is more capable of accommodating the errors encountered by the aforementioned models in correcting the error, especially when the model is dynamic and contains slow periods as in this model. This model combines self-regression and the distribution of time slowdowns. It is called the autoregressive model with distributed time gaps, and it is symbolized by the symbol ARDL.

In addition to the above, the (ARDL) model has advantages that distinguish it from other models, such as:

.Selects appropriate time slowdowns.

.It is used for short time series compared to other methods of co-integration.

.The short-term and long-term effects can be separated in the same equation.

After performing this test on the variables under study, the following results appeared:-

Estimating the relationship between liquidity LI as a dependent variable and the RTGS and ACH as independent variables

After applying the ARDL model to these variables, the following results appeared, as in Table (2)

Table (2)

ARDL model for variables (LogLi, LogRTGS, LogACH)

Dependent Variable: LOGLI

Method: ARDL

Date: 08/08/18 Time: 15:20

Sample (adjusted): 2012Q1 2016Q4

Included observations: 20 after adjustments

Maximum dependent lags: 4 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (4 lags, automatic): LOGRTGS LOGACH

Fixed regressors: C

Number of models evaluated: 100

Selected Model: ARDL(2, 4, 4)

Prob.*	t-Statistic	Std. Error	Coefficien	Variable
--------	-------------	------------	------------	----------

t				
0.0594	2.247838	0.281490	0.632744	LOGLI(-1)
0.4125	-0.871212	0.252470	-0.219955	LOGLI(-2)
0.9722	0.036171	0.124092	0.004489	LOGRTGS
0.7644	-0.311695	0.110978	-0.034591	LOGRTGS(-1)
0.6329	0.499336	0.131963	0.065894	LOGRTGS(-2)
0.4838	0.739280	0.103837	0.076765	LOGRTGS(-3)
0.1505	-1.614459	0.052636	-0.084978	LOGRTGS(-4)
0.7698	0.304280	0.039816	0.012115	LOGACH
0.0848	-2.006647	0.049154	-0.098635	LOGACH(-1)
0.2249	1.330856	0.036192	0.048166	LOGACH(-2)
0.2692	-1.199919	0.032094	-0.038510	LOGACH(-3)
0.0301	2.712948	0.023650	0.064160	LOGACH(-4)
0.0268	2.791888	2.618822	7.311458	C
12.38481	Mean dependent var	0.890093		R-squared
0.089669	S.D. dependent var	0.701680		Adjusted R-squared
-2.944795	Akaike info criterion	0.048976		S.E. of regression
-2.297569	Schwarz criterion	0.016791		Sum squared resid
-2.818450	Hannan-Quinn criter.	42.44795		Log likelihood
2.778890	Durbin-Watson stat	4.724169		F-statistic
		0.024174		Prob(F-statistic)

The logarithmic model was used to estimate and test the economic relationship between the variables because it showed a clear preference over the linear model in terms of statistical indicators according to the differentiation criteria (AIC, SIC, HQ), and the slowdown period was determined based on the (Akaike) criterion, by taking two periods Slow down for the dependent variable and four slower periods for the two independent variables, as shown in Table (2).

And to test the validity of the existence of a common complementarity relationship between the variables composing the model, using a new approach called the boundary test or the Wald test, which depends on the value of (F-Test), and as in Table (3).

Table (3)

Long-term boundary test

ARDL Long Run Form and Bounds Test

Levels Equation				
Case 2: Restricted Constant and No Trend				
Prob.	t-Statistic	Std. Error	Coefficien t	Variable
0.8815	0.154603	0.303768	0.046963	LOGRTGS

0.6439	-0.482889	0.044801	-0.021634	LOGACH
0.0000	13.38100	0.930510	12.45116	C

$$EC = LOGLI - (0.0470 * LOGRTGS - 0.0216 * LOGACH + 12.4512)$$

Null Hypothesis: No levels relationship			F-Bounds Test	
I(1)	I(0)	Signif.	Value	Test Statistic
Asymptotic : n=1000				
3.35	2.63	10%	3.9427	F-statistic
3.87	3.1	5%	2	K
4.38	3.55	2.5%		
5	4.13	1%		

We notice through the second part of the above table that the value of (F) has two critical values at different levels of significance and when comparing its calculated value of (3.94), that is, it is greater than its largest critical value at the level of (5%) which is (3.87), which indicates On the existence of a long-term equilibrium mutual complementarity relationship between the total settlement and electronic clearing and the cash liquidity, and that the long-term equation was as follows:

$$LOGLI = 12.4512 + 0.0470 LOGRTGS - 0.0216 LOGACH$$

After it has been ascertained that there is a long-term equilibrium relationship between the above variables, we estimate the error correction model to see the extent of the estimated response to the correction and return to the equilibrium position, as in Table (4).

Table (4)

Error Correction Form

ARDL Error Correction Regression
 Dependent Variable: D(LOGLI)
 Selected Model: ARDL(2, 4, 4)
 Case 2: Restricted Constant and No Trend
 Date: 08/08/18 Time: 15:52
 Sample: 2011Q1 2016Q4
 Included observations: 20

ECM Regression
 Case 2: Restricted Constant and No Trend

Prob.	t-Statistic	Std. Error	Coefficien t	Variable
-------	-------------	------------	-----------------	----------

0.2318	1.309332	0.167990	0.219955	D(LOGLI(-1))
0.9512	0.063437	0.070756	0.004489	D(LOGRTGS)
0.3994	-0.897138	0.064294	-0.057680	D(LOGRTGS(-1))
0.9213	0.102433	0.080186	0.008214	D(LOGRTGS(-2))
0.0273	2.779719	0.030571	0.084978	D(LOGRTGS(-3))
0.6677	0.447917	0.027048	-0.012115	D(LOGACH)
0.0073	-3.740971	0.019732	-0.073816	D(LOGACH(-1))
0.2393	-1.286068	0.019944	-0.025650	D(LOGACH(-2))
0.0126	-3.329431	0.019271	-0.064160	D(LOGACH(-3))
0.0036	-4.285942	0.137009	-0.587211	CointEq(-1)*
<hr/>				
0.011717	Mean dependent var	0.787716	R-squared	
0.064520	S.D. dependent var	0.596660	Adjusted R-squared	
-3.244795	Akaike info criterion	0.040976	S.E. of regression	
-2.746929	Schwarz criterion	0.016791	Sum squared resid	
-3.147607	Hannan-Quinn criter.	42.44795	Log likelihood	
		2.778890	Durbin-Watson stat	

* p-value incompatible with t-Bounds distribution.

Null Hypothesis: No levels relationship

F-Bounds Test

I(1)	I(0)	Signif.	Value	Test Statistic
3.35	2.63	10%	3.94627	F-statistic
3.87	3.1	5%	2	K
4.38	3.55	2.5%		
5	4.13	1%		

We note from Table (4), above that the model has fulfilled the acceptance conditions by observing the error correction limit coefficient, which must be negative and its value is equal to (-0.587). (0.0036), which is less than (0.5), which indicates its significance, meaning that the speed of returning to the long-term equilibrium position is (0.58), per season

The short-term and long-term transactions (elasticities) can be obtained from Table (5).

Table (5)

Short and long term transactions

Long-term parameter (elasticity)	Short-term parameter (elasticity)	Variable
0.09822	0.004489	LogRTGS
-0.1257	-0.012115	LogACH

From this we conclude:

1. There is a positive and significant impact that the total settlement system has weak on the local liquidity in the short term, as the settlement flexibility towards liquidity is about (0.004489), meaning that the total settlement increase by (10%) will increase liquidity by (0.044%), which is a very small percentage. In the long term, the flexibility has reached about (0.09822), that is, when the total settlement increases by (10%), liquidity will increase by (0.98%), which is a very slow response.

2. There is an adverse and insignificant effect, but also little for the electronic clearing with regard to liquidity in the short term, as the flexibility for clearing towards liquidity reached about (-1.0121), meaning that when the electronic clearing increases by (10%), the liquidity will decrease by (0.121%), as well as The case in the long term, as flexibility is about (0.1257-) as by increasing the clearing by (10%), liquidity decreases by (1.257), which is a somewhat slow response in the long term.

Estimating the relationship between E as a dependent variable and the RTGS and ACH as independent variables

After applying the ARDL model to these variables, the following results appeared, as shown in Table (6):

Table (6)

ARDL model for variables (LogE, LogRTGS, LogACH)

Dependent Variable: LOGE

Method: ARDL

Date: 08/08/18 Time: 15:55

Sample (adjusted): 2011Q4 2016Q4

Included observations: 21 after adjustments

Maximum dependent lags: 4 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (4 lags, automatic): LOGRTGS LOGACH

Fixed regressors: C

Number of models evaluated: 100

Selected Model: ARDL(1, 2, 3)

Note: final equation sample is larger than selection sample

Prob.*	t-Statistic	Std. Error	Coefficien t	Variable
0.6957	-0.400673	0.232601	-0.093197	LOGE(-1)
0.1099	-1.726365	0.268688	-0.463853	LOGRTGS
0.8861	0.146306	0.305953	0.044763	LOGRTGS(-1)
0.2524	1.202452	0.274790	0.330422	LOGRTGS(-2)
0.5124	0.675108	0.090180	0.060881	LOGACH
0.6582	-0.453596	0.100209	-0.045454	LOGACH(-1)
0.6482	0.467928	0.099108	0.046375	LOGACH(-2)
0.0263	-2.532328	0.075273	-0.190616	LOGACH(-3)

0.0009	4.401655	1.518571	6.684226	C
4.998752	Mean dependent var	0.810565	R-squared	
0.281966	S.D. dependent var	0.684275	Adjusted squared	R-
-0.549416	Akaike info criterion	0.158435	S.E. of regression	
-0.101763	Schwarz criterion	0.301220	Sum squared resid	
	Hannan-Quinn			
-0.452263	critier.	14.76886	Log likelihood	
2.181194	Durbin-Watson stat	6.418274	F-statistic	
		0.002287	Prob(F-statistic)	

The logarithmic model was used to estimate and test the economic relationship between the variables because it showed a clear preference over the linear model in terms of statistical indicators according to the differentiation criteria (AIC, SIC, HQ), and the slowdown period was determined based on the Akaike criterion), by taking a period One slowed for the dependent variable, two slower periods for the total settlement, and three slow periods for electronic clearing, as shown in the table (18,19,20).

And to test the validity of the existence of a co-integration relationship between the variables that make up the model, using the limits or the Wald test, which depends on the value of the F-Test, as shown in Table (7).

Table (7)

Boundary test

ARDL Long Run Form and Bounds Test
Levels Equation

Case 2: Restricted Constant and No Trend

Prob.	t-Statistic	Std. Error	Coefficien t	Variable
0.7702	-0.298822	0.271431	-0.081110	LOGRTGS
0.0394	-2.311446	0.050978	-0.117832	LOGACH
0.0000	8.416860	0.726445	6.114385	C

EC = LOGE - (-0.0811*LOGRTGS -0.1178*LOGACH + 6.1144)

Null Hypothesis: No levels
relationship

F-Bounds Test

I(1)	I(0)	Signif.	Value	Test Statistic
3.35	2.63	10%	5.816603	F-statistic

3.87	3.1	5%	2	K
4.38	3.55	2.5%		
5	4.13	1%		

We note from the above table that the calculated F value of (5.816), which is greater than its largest critical value at the level of (5%), which is (3.87), which indicates the existence of a long-term equilibrium co-integration relationship between the total settlement and electronic clearing and the capital adequacy.

And that the long-term equation was as follows:

$$\text{LOGE} = 6.1144 - 0.0811 \text{ LOGRTGS} - 0.1178 \text{ LOGACH} + \text{Et}$$

After making sure that there is a long-term equilibrium relationship between the above variables, we estimate the error correction model to see the extent of the estimated response to the correction and return to the equilibrium position, as in Table (8).

Table (8)

Error Correction Form

ARDL Error Correction Regression

Dependent Variable: D(LOGE)

Selected Model: ARDL(1, 2, 3)

Case 2: Restricted Constant and No Trend

Date: 08/08/18 Time: 15:57

Sample: 2011Q1 2016Q4

Included observations: 21

ECM Regression

Case 2: Restricted Constant and No Trend

Prob.	t-Statistic	Std. Error	Coefficien t	Variable
0.0303	-2.455655	0.188892	-0.463853	D(LOGRTGS)
0.1252	-1.648311	0.200461	-0.330422	D(LOGRTGS(-1))
0.3207	1.035767	0.058779	0.060881	D(LOGACH)
0.0662	2.020854	0.071376	0.144240	D(LOGACH(-1))
0.0104	3.034731	0.062811	0.190616	D(LOGACH(-2))
0.0002	-5.392867	0.202712	-1.093197	CointEq(-1)*
-0.021013	Mean dependent var		0.703143	R-squared
0.225244	S.D. dependent var		0.604190	Adjusted R-squared
-0.835130	Akaike info criterion		0.141709	S.E. of regression
-0.536695	Schwarz criterion		0.301220	Sum squared resid
-0.770362	Hannan-Quinn criter.		14.76886	Log likelihood
			2.181194	Durbin-Watson stat

*** p-value incompatible with t-Bounds distribution.**

Null Hypothesis: No levels relationship			F-Bounds Test	
I(1)	I(0)	Signif.	Value	Test Statistic
3.35	2.63	10%	5.816603	F-statistic
3.87	3.1	5%	2	K
4.38	3.55	2.5%		
5	4.13	1%		

We note from table (8) above that the model has fulfilled the acceptance conditions by noting the error correction limit coefficient, which must be negative and its value is approximately equal to (-1.1). His (0.0003), which is less than (0.5), which indicates his morale, that is, the speed of returning to the long-term equilibrium position reaches (1.1), per season.

The short-term and long-term transactions (elasticities) can be obtained from Table (5).

Table (9)

Short and long term transactions

Long-term parameter (elasticity)	Short-term parameter (elasticity)	variable
- 0.30225	-0.463853	LogRTGS
0.13194	0.060881	LogACH

From this we conclude:

□ There is a negative and significant impact of the total settlement system on capital adequacy in the short term, as the settlement flexibility towards efficiency is about (-0.463), meaning that an increase in the total settlement by (10%) will decrease by (4.63%), but

in the long term it has.

Conclusions:

1.The electronic services of its bankers contribute to the development of the Iraqi banking system and make it keep pace with global developments in banking service.

2.The statistical results showed that there is a statistically significant correlation between the electronic services indicators and the financial and banking performance indicators.

3.The existence of a statistical relationship between some electronic services indicators and liquidity indicators. The indicators were (Electronic Clearing House ACH and RTGS), which are the most contributors to this relationship, as well as for capital adequacy.

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