

Banking Activity and its Role in Enhancing the Effectiveness of Local Investment: The Middle East Investment Bank as a Model

Prof Dr Subhi Hassoon, Hussein Kadhim
University of Mustansiriyah

Annotation: Banking and investment are closely related to achieving the process of growth and development on a sustainable basis, especially since the banking sector constitutes the first and main financing platform for investment activities in all countries, and that the current stage requires today more than ever before, opening markets to the movement of trade, investment, and banks with ease, effectiveness, and vitality because trade Investment and banks are the real poles of the wheel of growth and development.

Keywords: Bank, Investment, growth.

The Iraqi economy suffers from the problem of weak financing of domestic investment, and some of this financing may be directed to non-productive or speculative investments or money laundering activities, as any weakness in the role of banking activities in the financing process casts a shadow over the reluctance to implement investment programs, and in the content of this problem is the failure of private commercial banks to show a desire to finance local investments, especially within the framework of long time frames, because they often look for short-term financing opportunities with quick returns and low risk.

In order to achieve its goals, the research starts from the hypothesis that: Private commercial banks can play a significant role in enhancing the effectiveness of local investments in a way that eases the burden on government commercial banks. However, its role is still limited to financing these local investments and raising their effectiveness.

In order to become familiar with the subject of the research and the goal of reaching the goals that it seeks, the study is separated into three axes: The first axis: is the conceptual framework for banking activity and local investments. The second axis: a review of the development path of the banking activity of the Middle East Investment Bank for the period (2010-2020). The third axis: measuring and analyzing the impact of the banking activity of the Middle East Investment Bank on the effectiveness of local investments for the period (2010-2020).

The research concluded with regard to local investment, that the research sample bank showed a clear reluctance in terms of its contribution to increasing the effectiveness of local investments, especially with regard to the weak contribution of total deposits and total credit, on the one hand, and on the other hand there is a decrease in the rates of implementing or contributing to investment projects, as well as the limited role of the private sector in moving towards investment projects with a long-term return or return.

104	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

Introduction

The banking sector today is considered a mainstay for building any free economy that strengthens the foundations of any country and pushes it towards the process of growth and economic and social development if the foundations for building this sector are strong and solid and based on scientific planning and rich in efficiency, experience, and confidence, especially if this sector can contribute to the development and investment plans in terms of construction and economic growth for countries and societies.

Banking and investment are closely related to achieving the process of growth and development on a sustainable basis, especially since the banking sector constitutes the first and main financing platform for investment activities in all countries. Investment and banks are the real poles of the wheel of growth and development. The banking sector is one of the most important economic sectors in any country in the world. As the wheel of economic development is driven by the banking sectors, therefore, investment projects can be financed by them, as private banks establish investment projects, so they will achieve special benefits for the state and employ people in these projects, and by hiring people for these projects will reduce unemployment and raise the standard of living.

Research problem

The Iraqi economy suffers from the problem of weak financing of domestic investment, and some of this financing may be directed to non-productive or speculative investments or money laundering activities, as any weakness in the role of banking activities in the financing process casts a shadow over the reluctance to implement investment programs, and in the content of this problem is the failure of private commercial banks to show a desire to finance local investments, especially within the framework of long time frames, because they often look for short-term financing opportunities with quick returns and low risk.

Hence, the problem of the study emerges through the following questions:

1. Did the private banks have an appropriate role in financing local investments?
2. Did the private commercial banks contribute to the total fixed capital formation?
3. Do commercial banks invest their money in specific projects?

Research importance

The importance of this topic lies in understanding the performance of private commercial banks and their role in serving investment activity, especially in the case of public sector investment, which requires the collection and mobilization of the banks' energies and the development of policies that ensure their optimal use in order to reach the positive aspects of these relations. This helps determine the level of success and failure of credit policy in supporting the investments and constitutes a starting point for banking institutions and stakeholders in determining what is required of the banking system in the field of investment activity, in addition to understanding the role of credit channels in the overall movement of economic development in which investment plays a supporting and motivating role.

Research hypothesis

In order to achieve its goals, the research starts from the premise that: Private commercial banks can play a significant role in enhancing the effectiveness of local investments in a way that eases the burden on government commercial banks. However, its role is still limited to financing these local investments and raising their effectiveness.

Research aims

105	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

This research aims to shed light on the experience of one of the Iraqi private commercial banks in financing investment projects in light of the policies of transformation from a directed economy to an economy based on market forces (supply and demand). Therefore, the research seeks to answer the following question: Can banks implement or create projects? Its own income-generating investment and financing the existing one. Based on the foregoing, the research seeks the following:

- 1- Shed light on the reality of local investment in Iraq and the extent of its ability to meet the requirements of development.
- 2- Examining the role and orientation of one of the Iraqi commercial banks through analysis and measurement in promoting and supporting investment policies and showing their strengths and weaknesses in them.

Research Methodology

In order to achieve what the research envisages in achieving the goals it seeks and to test its hypothesis, the researcher tries, through the descriptive method, to track the development of some banking and investment indicators during the study period (2010-2020).

Limits and sample of the research

Proceeding from the necessity and taking into account the selection of an appropriate period for the study and through which it is possible to analyze and measure the impact of the banking activities of a private commercial bank on the effectiveness of local investment, the research period has been determined during the period (2010-2020).

Research structure

In order to become familiar with the subject of the research and the goal of reaching the goals that it seeks, the study was separated into three axes, as follows:

The first axis: is the conceptual framework of banking activity and local investments.

The second axis: measuring and analyzing the impact of the banking activity of the Middle East Investment Bank on the effectiveness of local investments for the period (2010-2020).

Conclusions.

The first axis: is the conceptual framework of banking activity and local investments

First: The concept and functions of banking activity

1- The concept of banking activity

The Iraqi legislator defined the bank in Article 1 of the Iraqi Banking Law (No. 94 of 2004) as a person who holds a license under this law to engage in the banking business. (Iraqi Banking Law, 2004, 3)

The first article of the Central Bank of Iraq Law (No. 56 of 2004 as amended) defines him as a person holding a license or permit under the Banking Law that authorizes him to engage in banking business or other banking activities. (Central Bank Law, 10, 2004)

The bank is also defined as a financial institution that deals with money, receives deposits from customers in return for granting them a certain interest, works to collect checks for customers, and grants loans or invests surplus deposits until they are required for payment. (Prin et al, 2013: 4).

106	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

In light of the various previous definitions of banks, it becomes clear to us that the bank is an institution that carries out banking business, which can be identified and divided into four main types of business: accepting deposits, granting credit, investment, and providing other financial services.

Each of these works has multiple divisions and types. The size and nature of each of them also differ from one bank to another, and in light of that, the banks differ in addition to their difference in terms of size, specialization, shape, and so on.

Therefore, banking activity is defined as all banking services, especially the acceptance of deposits and their use with other resources of the bank in investing in whole or in part by lending or any other method permitted by law. (Abdullah, 2000: 15)

The Iraqi Banking Law defines banking activities as the act of accepting cash deposits or other money payable from the public for the purpose of depositing credits or investments in its own account. (Lefta and Yasin, 2007, 47)

Banking is also defined as the business of accepting and protecting money owned by individuals and other entities and then lending these funds in order to carry out economic activities such as making profits or simply covering operating expenses. (what-is-banking-and-why-is-it-important? at <https://psu.instructure.com/courses/1806581>)

Banking activity was defined as the activity of attracting deposits in relation to the funds of individuals and legal entities, and allocating these funds on behalf of the bank and at its own responsibility, opening and servicing the accounts of individuals and legal entities. It is the mainstay in developing and expanding the banking business by expanding its package of services and improving its capabilities in the areas of production, marketing, and customer service. (Banking definition at <https://www.lawinsider.com/dictionary/banking>)

2- Functions of banking activity

It is noted that the establishment of banking activity means that it performs a set of banking services for its customers in addition to its role in supporting the national economy as well as contributing to the process of economic development in achieving these goals, the bank must perform a set of functions, the most important of which are: (Abdul Baqi, 2016-16), (Zayni, Al-Dhahabi, 2019, 176).

A- Receiving deposits or savings from individuals and institutions in the form of current accounts or term deposits, then lending part of them to projects and individuals with short-term loans and certain guarantees to obtain an appropriate return from this process.

B- Selling and buying securities to collect coupons for clients, in addition to issuing letters of guarantee to clients, as well as opening documentary credits to perform the import and export process.

C- Completing commercial papers on behalf of clients that are drawn on clients inside or outside the bank or on local or foreign banks, as well as deducting commercial papers from clients who have good credit ability.

D - Participation in the establishment of economic projects and financial support in addition to the development of savings and financial investments to serve the national economy.

E- Finding and using a modern method or means to replace the actual cash transaction, in the form of bank checks, collection policies, and other modern cash handling methods.

F- Recording the financial transactions of clients related to the provision of banking services to them.

107	<p>ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM</p>
	<p>Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/</p>

It is noted that banking activity has an important role as a financial intermediary that seeks to collect savings in their various forms and work to employ them in accordance with certain controls and standards within the framework of the general economic policy of the society in order to achieve economic and social goals in addition to its developmental function in the service of issues of development and progress, and this is what necessarily follows to have a social job within an environment in which he identifies and derives his deposits from and directs its investments and various financial investments.

3- Some variables of banking activity

A- Bank Deposits

Bank deposits are the money held by individuals, government institutions, and organizations with commercial banks and deposits represent the largest and most important source of financial resources available at banks. In the event of the bank's liquidation, the proceeds from the sale of its assets are used first to pay the depositors, then the creditors, and then the remaining funds to be paid to the shareholders. (Rose & Hudgins, 2008:138). A bank deposit is a contract concluded between two persons, the depositor (the customer) and the bank according to which the customer pays a sum in cash or by check, and the bank is obligated to return the amount upon request or after a certain period of deposit if it is a term deposit plus interests according to the agreement, and it is one of the most important sources of funding for banks and constitute a high percentage of banking assets, as it amounts to American banks (66%) of the total financing of these banks. (Al Shabib, 2012: 60).

B - Credit facilities (bank credit)

Granting credit is one of the banking activities carried out by commercial banks, and it can be said that credit facilities are a group of operations under which the bank has the obligation to provide loans, advances, or guarantees to its customers, that is, these actions entail on the bank an obligation or responsibility of a certain kind. (Al-Dhahabi and Zinni, 2019:181). Credit facilities are one of the important and basic operations carried out by banks, as it is the most important item for investing money with commercial banks because bank financing operations are the main source of banks' revenues. (Abdullah and Altrad, 2011:167). Also, banking facilities are considered one of the most attractive investment areas for banks, given the high returns generated by them compared to other financial investments. The credit facilities are represented in one of the following forms (Peters & Hudgins, 2013: 34): direct loans, opening documentary credits, issuing letters of guarantee, discounting bills of exchange and documents.

C- Banking investments in a subsidiary or joint-stock companies

Some banking investments are expressed by financial investment in securities (shares and bonds) available for investment in the financial markets and other securities with the aim of owning them for a certain period of time and then selling them when their price rises in the financial market for the purpose of obtaining additional profits. (Al-Husni, 2010:67). Financial investment is also known as written contracts, the holder of which is entitled to legally claim profits or interests. This right consists in obtaining a portion of the return on the real assets issued for the securities. (Alexander, 2001:1). The Accounting and Regulatory Standards Board in Iraq defined financial investment as "long-term investments in securities such as stocks and bonds."

Second: The concept and importance of local investments in the local economy

1- Investment concept

108	<p>ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM</p>
	<p>Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/</p>

The concept of investment quoted its scientific origins from economics because the content of investment refers to the efficient allocation and evaluation of available resources and is closely related to another set of economic concepts, the most important of which are income, saving, consumption, and borrowing (Matar, 29:2006). There are many concepts about an investment that differed according to the angle viewed.

2- The importance of local investments

local investments have great importance in the economic life of the community, and the importance of these investments can be clarified as follows: (Marwan Shamout, Kanjo Abboud Kanjo, 11:2010), (Shakiri Nuri Musa and others, 2012:26).

A- Local investments contribute to increasing national income, increasing national wealth, and raising the level of per capita share of it, as investments represent a kind of addition to the available resources, maximizing these resources, or maximizing the degree of benefit that results from the available resources.

B - The contribution of investments in combating poverty, ignorance, and some forms of underdevelopment and the elimination of unemployment through the use of manpower, because work has important repercussions on the lives of individuals and their future.

C - The contribution of local investments in supporting the infrastructure of the community, as investing in a project requires the construction of a building or the construction of a road, or otherwise.

D- Local investments contribute to supporting the economic security of the community and also contribute to the use of local resources such as raw and natural resources.

E- The contribution of local investment in supporting the financial resources of the state by paying the taxes incurred by the projects to the government in order for the latter to use these resources in accordance with the requirements of the public interest.

F- Investments contribute to the implementation of the state's economic policy by going to the establishment of projects that work to achieve this policy and the contribution of investments in the employment of savers' money, and here the role of investment can be in employing these savings and providing returns to savers.

G- Producing goods and services that satisfy the needs of citizens and exporting the surplus abroad, which provides the foreign currency needed to purchase machinery and equipment and increase capital formation.

H- Local investments contribute to providing services to citizens and investors.

3- variable of the effectiveness of local investments

Most of the literature confirms that the most representative indicator of domestic investment in financial studies is the gross fixed capital formation, which will be analyzed below.

A- Gross fixed capital formation (GFCF) Gross fixed capital formation is a macroeconomic concept used in official national accounts. Measures the value of new or existing fixed asset acquisitions by businesses, governments, and households less fixed asset disposals. GFCF is a component of GDP spending, and thus shows something about how much new value-added in the economy is being invested rather than consumed, as shown below. (Gross fixed capital formation at https://en.wikipedia.org/wiki/Gross_fixed_capital_formation)

The GFCF is called "gross" because the metric does not make any adjustments to deduct fixed capital depreciation (depreciation or depreciation of fixed assets) from the investment figures. To analyze the

109	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

development of the productive capital stock, it is important to measure the value of the acquisitions minus the disposal of fixed assets after replacing the obsolescence of existing assets due to normal wear and tear. The net fixed investment includes the depreciation of existing assets from new fixed investment figures, called net fixed capital formation.

Third: The relationship between banking activity and domestic investment

Banking activities can contribute to local investment, as the third main banking function after accepting deposits and granting credit is an investment, which constitutes one of the main portfolios of the bank's budget. investment from a banking point of view is to employ the available money in various assets in order to obtain more financial flows in the future that cover the invested amount and the risk premium and exceed the inflation rate. Or it is directing the bank's owned assets (available) in areas of productivity to achieve sufficient revenues that cover its costs and the margin of the risk therein, in addition to achieving an additional positive return. (Said,2018: 273)

There are a number of widely recognized functions of investment banks, including brokerage in capital markets and trading. It is distinct and separate from the functions normally associated with commercial banks, which accept deposits and make loans, which are crucial factors in capital formation and price setting, as they help in coordinating current and future consumption. One of the most important of these jobs is (How do investment banks help the economy, at <https://www.investopedia.com>)

A- Commercial banks are large financial institutions that help international and local companies in financing capital, as well as engaging in trade

B- It assists companies in offering their shares for public subscription, guarantees bond offerings, and participates in proprietary trading and investments.

C- Private banks contribute to investment in the broader financial markets and the economy by matching sellers and investors, thus adding liquidity to the markets.

D- The measures taken by banks make financial development more efficient and promote business growth, which in turn helps the economy.

In addition to the many reasons that push commercial banks to deal with commercial banks due to banking services functions, among the most important criteria that determine the impact of local banks in contributing to local investment are small business lending, location of headquarters, the concentration of branches, bank ownership, bank size, and lending to small farms and commercial speculation. (A Tool to find Banks that invest in the local economy, at <https://ilsr.org>)

The second axis: measuring and analyzing the impact of some indicators of banking activity in increasing the effectiveness of local investments for the period (2010-2020).

In this axis of research, the relationship between some variables of banking activity and the variable of local investments is analyzed. To achieve this, the axis includes three parts as follows:

1- Ratio of total deposits to total private fixed capital formation:

In this part, the relationship of total deposits, represented by customer deposits, current demand accounts, savings deposits, and term deposits and their impact on the total private fixed capital formation, which reflects local investments, will be addressed, and the effectiveness of this relationship during the research period. This can be represented by the following table

Table (1): The ratio of the contribution of total deposits to the total fixed capital formation of the Middle East Bank for the period (2010-2020) (million dinars)

110	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY).To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

Years	Total Deposits	The growth rate of total deposits (%)	Gross private fixed capital formation	The growth rate of gross private fixed capital formation (%)	The ratio of total deposits to the total private fixed capital formation (%)
2010	463,327	-	2,157,757	-	21.47
2011	505,118	9.02	2,390,243	10.77	21.13
2012	615,784	21.91	3,381,095	41.45	18.21
2013	551,856	-10.38	8,428,008	149.27	6.55
2014	358,118	-35.11	11,296,725	34.04	3.17
2015	331,666	-7.39	14,648,946	29.67	2.26
2016	326,517	-1.55	10,460,245	-28.59	3.12
2017	332,579	1.86	16,293,115	55.76	2.04
2018	439,026	32.01	13,029,633	-20.03	3.37
2019	280,300	-36.15	11,246,459	-13.69	2.49
2020	266,697	-4.85	7,936,891	-29.43	3.36

Source: - Column (2) Annual reports of the Middle East Investment Bank, several years.

1. Column (3) was prepared by the researcher based on column (2).
2. Column (4) Central Statistical Organization, Directorate of National Accounts, Department of Gross Fixed Capital Formation.
3. Column (5) was prepared by the researcher based on column (4).
4. Column (6) was prepared by the researcher based on columns (2) (4).

It is noted from the above table that the total deposits increased from (463,327) billion dinars in 2010 to (615,784) billion dinars in 2012, due to the bank's always seeking to develop its working methods in order to attract customers by opening accounts (current, savings, and deposits) and through Studying the volume of deposits in the bank during the previous two years, we note an increase in their volume, which confirms and proves the correctness of the policy followed by the bank, whether it is in the way of receiving customers or the advanced banking systems followed by the bank and interest rates. (Annual Report of the Middle East Investment Bank, 2012, 17), then decreased to (551,856) billion dinars in 2013, and then fluctuated between rising and falling after that, but it witnessed a clear decline in the years 2019 and 2020, to be (280,300) and (266,679 billion dinars, respectively, as it was noted that there was a significant decrease in savings accounts and credit current accounts, and this indicates a decline in the bank's activities and a decrease in its positive results, perhaps due to the outbreak of the Corona pandemic. (Annual Report of the Middle East Investment Bank, 8, 2020).

It witnessed the growth rates of total deposits with behavior, as it rose from (9.02%) in 2011 to (21.91%) in 2012, then turned to a negative level, and settled at (-4.85%) in 2020.

While the general trend of total private fixed capital formation, as a metaphor for local investment, showed an increase during the research period, except for the last two years of the research period, for the same reason (the Corona pandemic), as it rose from (2,157,757) trillion dinars in 2010 to (14,648,946) trillion dinars in 2015, to fluctuate between rising and falling after that, and to settle at a clear decrease at (7,936,891) trillion dinars in 2020.

The growth rates for this total were in the same direction, as they rose from (10.77%) in 2011 to (149.27%) in 2013, to then show a downward trend, in general, to settle at a negative level at (-29.43%) in 2020.

As for the ratio of total deposits to total private fixed capital formation, it is considered one of the important analytical criteria for evaluating the performance and impact of banking activity in mobilizing domestic savings towards investment. The bank has this formation, as it decreased from (21.47%) in 2010 to (2.26%) in 2015, to fluctuate between increase and decrease thereafter, and settle at (3.36%) in 2020, which indicates the weak contribution of this bank to domestic investment. Especially from 2013 onwards.

2- The ratio of total credit to total private fixed capital formation

This part deals with the relationship of total credit (loans, current debit accounts, bills of exchange, etc.) granted to individuals and private companies with the total private fixed capital formation, which reflects domestic investment, and bank credit plays an important role in contributing to the economic development of each country, so it is necessary to contribute to Some indicators of local investment, by directing the necessary funds for private sector programs, including investment programs that require the required support, and accordingly, there must be a relationship that has a positive impact on the effectiveness of local investments in the country and this depends on the ability to implement, and this can be clarified through the following table.

Table (2): Percentage of the total credit contribution to the total fixed capital formation of the Middle East Investment Bank for the period (2010-2020)
(million dinars)

years	total credit	The growth rate of total credit (%)	Gross private fixed capital formation	The growth rate of gross private fixed capital formation (%)	The ratio of total credit to the gross private fixed capital formation (%)
2010	341,834	-	2,157,757	-	15.84
2011	359,468	5.16	2,390,243	10.77	15.04
2012	387,072	7.68	3,381,095	41.45	11.45
2013	389,920	0.74	8,428,008	149.27	4.63
2014	344,406	-11.67	11,296,725	34.04	3.05
2015	249,349	-27.60	14,648,946	29.67	1.70
2016	252,232	1.16	10,460,245	-28.59	2.41
2017	150,823	-40.20	16,293,115	55.76	0.93
2018	147,340	-2.31	13,029,633	-20.03	1.13
2019	133,754	-9.22	11,246,459	-13.69	1.19
2020	132,684	-0.80	7,936,891	-29.43	1.67

Source: - Column (2) Annual reports of the Middle East Investment Bank, several years.

5. Column (3) was prepared by the researcher based on column (2).
6. Column (4) Central Statistics Agency, Directorate of National Accounts, Department of Gross Fixed Capital Formation.
7. Column (5) prepared by the researcher based on column (4).
8. Column (6) prepared by the researcher based on columns (2) (4).

It is noted from the above table, that the total credit granted by the bank took a downward trend, in general, during the research period, as it rose from (341,834) billion dinars in 2010 to (389,920) in 2013, due to the bank's commitment to granting credit in accordance with the indicative regulation issued by The Central Bank of Iraq and that the obtained guarantees cover its risks, in addition to the bank's contribution to the establishment of the Iraqi Company for Bank Guarantees(ICBG), a private joint-stock company, which aims to enable project owners to access sources of official financing. (Annual Report of the Middle East Investment Bank, 2013, 19), after which it fluctuated between increase and decrease, to settle at a clear decrease at (132,684) billion dinars in 2020. This clear decline is related to the security, political, and economic events that the country has experienced, which led to a halt in some of the bank's branches (Annual Report of the Middle East Investment Bank, 2015, 18), or perhaps due to the repercussions of the Corona pandemic. (The annual report of the Middle East Investment Bank, 2020, 20).

The growth rates of total credit witnessed the same behavior, as it rose from (5.16%) in 2011 to (7.68%) in 2012, then declined after that, and even turned to a negative level, settling at (-0.80%) in 2020.

As for the ratio of total credit to total private fixed capital formation, it witnessed a downward curve, in general, as it decreased from (15.84%) in 2010 to (1.70%) in 2015, to fluctuating between rising and falling after that, until it stabilized at (1.67%) in 2020, which indicates the weak contribution of credit granted by the bank to domestic investment, especially for the period (2013-2020). This clear decline is related to the security and political events and economic conditions that the country has experienced in addition to the outbreak of the Corona pandemic, and this is a great challenge for all The levels and sectors that affected the activity of projects financed by the bank and the projects that are about to be financed. (Annual Report of the Middle East Investment Bank, 21, 2020).

3- The ratio of the contribution of total investments to the total private fixed capital formation

In this requirement, the contribution of total investments represented by investment in companies (subsidiaries and joint-stock companies), whether short, medium, or long-term, and their impact on the effectiveness of local investments, represented by the total private fixed capital formation, is addressed. Financial resources in local investments can be clarified through the following table.

Table (3): Percentage of the contribution of total investments to the total fixed capital formation of the Middle East Investment Bank for the period (2010-2020)

(million dinars)

years	Total Investments	Growth Rate of total investment (%)	Gross private fixed capital formation	The growth rate of gross private fixed capital formation (%)	The ratio of the contribution of total investments to the total private fixed capital formation (%)
2010	8,702	-	2,157,757	-	0.40
2011	5,258	-39.58	2,390,243	10.77	0.22
2012	43,488	727.08	3,381,095	41.45	1.29
2013	19,065	-56.16	8,428,008	149.27	0.23
2014	26,860	40.89	11,296,725	34.04	0.24
2015	42,573	58.50	14,648,946	29.67	0.29
2016	42,802	0.54	10,460,245	-28.59	0.41
2017	36,364	-15.04	16,293,115	55.76	0.22
2018	36,405	0.11	13,029,633	-20.03	0.28

2019	36,405	0.00	11,246,459	-13.69	0.32
2020	38,068	4.57	7,936,891	-29.43	0.48

Source: - Column (2) Annual reports of the Middle East Investment Bank, several years.

9. Column (3) prepared by the researcher based on column (2).
10. Column (4) Central Statistics Agency, Directorate of National Accounts, Department of Gross Fixed Capital Formation.
11. Column (5) prepared by the researcher based on column (4).
12. Column (6) prepared by the researcher based on columns (2) (4).

It is noted from the above table, that the bank's total investments witnessed an upward trend, in general, during the research period, as it rose from (8,702) billion dinars in 2010 to (43.488) billion dinars in 2012, due to the bank's endeavor to diversify its sources of revenue, which are permitted by law and the instructions issued by the Central Bank of Iraq, and among these sources are investments, although they are small, the volume of investment decreased by (19,065) billion dinars in 2013 approximately than it was in the previous year. (Annual Report of the Middle East Investment Bank, 2012, 26) After that, it fluctuated between increase and decrease, until it settled at (38,068) billion dinars in 2020.

As for the growth rates of total investments, they showed a negative level at (-39.58 percent) in 2011, to rise a lot in the next year to (727.08%), but they declined after that and fluctuated between rising and falling. Rather, its growth rate was zero in 2019, perhaps due to the Corona pandemic. And to settle at (4.57%) in 2020.

While the ratio of the bank's total investments to the total private fixed capital formation was without an integer, except in 2012, where it was (1.29%) and settled at (0.48%) in 2020, which again indicates the weak contribution of the bank to the private fixed capital formation during search duration.

Conclusions

1. The banking activity of commercial banks is of great importance to contribute to economic development by granting bank credit to finance investment projects, as the banking activity of the commercial bank is one of the pillars of the banking system and one of the main pillars in building the economic structure of the country, and plays the role of mediator between saving and investment.
2. The effectiveness of investments among many economic activities is of great importance in all countries as it is an important element in achieving the process of economic development, and its activation is linked to the contribution of the banking activity of various commercial banks through their financing of important investment projects in increasing the use of financial and human resources in addition to their contribution To exploit the surplus cash and thus achieve capital accumulation.
3. With regard to local investment, it is noted that the research sample bank showed a clear reluctance in terms of its contribution to increasing the effectiveness of local investments, especially with regard to the weak contribution of total deposits and total credit, on the one hand, and on the other hand there is a decrease in the rates of implementing or contributing to investment projects, As well as the limited role of the private sector in moving towards investment projects with a return or long-term return.
4. Based on the results that were reached through the measurement and analysis of banking indicators, the validity of the hypothesis of the study was proven, as the ability of banking activity did not perform its required role and remains limited, which was negatively reflected in the implementation of investment objectives and raising its effectiveness.

114	ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM
	Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/

Sources

a. Laws and instructions

- 1- Law of the Central Bank of Iraq No. 56 of 2004 as amended.
- 2- Iraqi Banking Law No. 94 of 2004.

b. Arabic books

- 1- Al Shabib, Duraid Kamel, 2012, (Contemporary Banks Management), first edition, Dar Al Masirah for publication, distribution, and printing.
- 2- Al-Dhahabi, Jalila Idan Halil, Zinni, Wissam Hassan Ahmed, 2019, (Entries to audit and control banking performance), first edition, Al-Dhad Library for Publishing and Distribution.
- 3- Saeed, Abdel Salam Lafta, 2018, (Bank Management and the Privacy of Banking Work), Third Edition, Memory for Publishing and Distribution.
- 4- Shugairi, Nouri Musa and others, Investment Management, Dar Al Masirah for Publishing, Distribution and Printing, first edition, Amman / Jordan / 2012
- 5- Abdel-Baqi, Ismail Ibrahim, 2016, (Commercial Banks Administration), Ghaidaa Publishing and Distribution House, Amman, Jordan.
- 6- Abdullah, Khaled Amin / Banking Operations and Modern Accounting Methods / 2nd Edition / Dar Wael for Publishing and Distribution / Amman / 2000.
- 7- Abdullah, Khaled Amin, and Altrad, Ismail Ibrahim, 2011, (Management of Banking Operations - Domestic and International), second edition, Dar Wael for Publishing and Distribution, Amman, Jordan.
- 8- Matar, Muhammad, "Investment Management, Theoretical Framework and Scientific Applications" / 4th Edition / Wael Publishing and Distribution House / Amman / 2006.

c. English books

- 1- Alexander, Gordon J. & Sharpe, William F. & Bailey, Jeffery V., "Fundamentals of Investments", 3rd Ed, Pearson Education. Inc., 2001.
- 2- Madura, Jeff, 2010, (Financial Institutions and Markets), ninth edition, South-Western.
- 3- Peters, Rose, Hudgins, Sylvia C., 2013, (Bank Management & Financial Service), ninth edition, McGraw-Hill Education, Ne
- 4- Prin, Babasaheb Sangale, Prin, Salve T. N., Mulani, M. U., 2013, (Fundamental of Banking Prin), first edition, Success Publications.
- 5- Rose, Peter S. 'Commercial Bank Management' 4th McGraw-Hill Irwin, 2002.
- 6- Rose, S Peter, Hudgins, C Sylvia, 2008, (Bank Management and Financial Services), Seventh Edition, McGraw-Hill, New York.

d. periodicals

- 1- Lafta Wal-Yaseen, Naseer Jabbar, Zikra Muhammad Hussein / Legal Protection of Banking Secrecy in Iraqi Legislation / Comparative Law Journal / P47 / Baghdad / 2007.
- 2- Marwan Shamout, Kanjo Abboud Kanjo, / Fundamentals of Investment / United Arab Company for Marketing and Supply / Cairo / 2010.

115	<p>ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 5 Issue: 7 in Jul-2022 https://www.grnjournals.us/index.php/AJEBM</p>
	<p>Copyright (c) 2022 Author (s). This is an open-access article distributed under the terms of Creative Commons Attribution License (CC BY). To view a copy of this license, visit https://creativecommons.org/licenses/by/4.0/</p>

3- Arcand, J L, E Berkes and U Panizza (2015), “Too much finance”, Journal of Economic Growth 20(2): 105–148

e. Internet sites

1- A Tool to find Banks that invest in the local economy, at <https://ilsr.org>

2- How do investment banks help the economy, at <https://www.investopedia.com>

3- Banking definition at <https://www.lawinsider.com/dictionary/banking>

4- Gross fixed capital formation at https://en.wikipedia.org/wiki/Gross_fixed_capital_formation

f. Theses and dissertations

1. Al-Hasani, Hammam Abdel-Wahhab Hadi, “The Impact of Deposits in Activating the Investment Banking Process - A Comparative Study of Two Samples of Iraqi and Saudi Private Sector Banks”, Master of Business Administration, College of Administration and Economics, University of Karbala, 2010.

g. Reports

1- Middle East Investment Bank, Annual Report for the year 2015, Baghdad, Iraq.

2- Middle East Investment Bank, Annual Report for the year 2012, Baghdad, Iraq.

3- Middle East Investment Bank, Annual Report for the year 2013, Baghdad, Iraq.

4- Middle East Investment Bank, Annual Report for the year 2014, Baghdad, Iraq.

5- Middle East Investment Bank, annual report for the year 2020, Baghdad, Iraq.