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The Role of credit and Deposit Services in Enhancing the Market Value of Stocks (The Case of Baghdad Bank)

Saja Ismaeel Najim*
Department of Economics
College of Administration and Economics,
University of Baghdad, Iraq.
E-mail: saja.najm2202m@coadec.uobaghdad.edu.iq
Orcid: https://orcid.org/0009-0005-7093-3388

Yousif Aftan Abdullah
Department of Economics
College of Administration and Economics,
University of Baghdad, Iraq.
E-mail: yousif@coadec.uobaghdad.edu.iq
Orcid: https://orcid.org/0000-0003-1705-8404

***Corresponding author**

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Abstract:

Purpose: Understanding and analyzing the role of certain banking operations in enhancing the value of the stocks of the banks included in the study sample, in addition to measuring the correlation between the research variables.

Conceptual framework : The research examined the study of banking operations and their role in enhancing the market value of shares in the Bank of Baghdad, and in light of the competition witnessed by Iraqi commercial banks, especially in light of the great similarity in the services allowed to be provided, in compliance with the Central Bank's instructions, and the decline in the value of banks' shares, and that For a number of circumstances, it was necessary for banks to search for ways and means through which they could enhance the market value of their shares, within the permitted tools and capabilities available to them, and from this the research problem could be formulated: Is there a direct effect between banking operations (credit and bank deposits), And (the market value of the bank).

Design/methodology/approach : The research depends on the deductive (deductive) method, which is based on analysis to reach the results, by moving from the general principle to the specific principle, in addition to the inductive method based on theoretical foundations by employing a method Descriptive analysis using all data, parameters with the aim of measuring the effect of some banking operations (bank credit and bank deposits as an independent variable) in enhancing (market value as a dependent variable) of the shares of Baghdad Bank in Iraq.

A set of indicators, statistical methods, financial and statistical indicators will be used to analyze data, test hypotheses, and measure them using the statistical program (EViews-12 - Microsoft Excel).

Findings: The study produced a variety of findings, the most significant of which is that the hypothesis is legitimate because the standard results showed that there is a statistical relationship between the research variables.

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Research, Practical & Social implications: The research contributes to clarifying the (relationship) between banking operations and the (market) value of the share, and its reflection on the economy.
Originality/value: The findings show that the quantity of publications pertaining to banking activities and their role in enhancing market value is increasing, and that the field of economics contributes the most, as the participating countries provided the largest number of publications.
Keywords: Banking Operations, Credit, Deposits, Market Value of Shares.
JEL Classification: G1, G11, G2, G20, G21.
Authors' individual contribution: Conceptualization — S.I.M ; Methodology — S.I.M.; Formal Analysis — S.I.M. & Y.A.A.; Investigation — Y.A.A. ; Data Curation — S.I.M. & Y.A.A. ; Writing —Original Draft — S.I.M. ; Writing — Review & Editing — Y.A.A.; Visualization — Y.A.A.; Supervision — Y.A.A.; Project Administration — Y.A.A.
Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. Introduction:

The first forms of banking dealing were created long before the emergence of banks, as indicated by historical documents, especially in Mesopotamia, around 3500 BC (Salomi & Ibrahim, 2024). Banks are essential to a nation's economic growth because they offer sufficient options for lending and investment (Syed, 2021). Banking is the most important industry worldwide (Hasan et al., 2021). Banking operations are defined as a group of commercial activities such as accepting cash deposits, Loans, money transfers, internal and external transfers, and other operations. Studies analyzing the dynamics of this industry are crucial given the extraordinary expansion of banking operations (Hassan et al., 2022). The growth of banking operations has raised awareness of several important concerns. These problems could make operating banks more difficult (Obi-Nwosu et al., 2021). The ability of commercial banks to carry out activities according to their own goals and the economic goal of the country depends on the effectiveness of management (Пласконь et al., 2014). Banking operations are an activity, achievement, or benefit one person provides to another. It is intangible and does not create ownership rights (Hussam, 2021). It is a package of activities provided by the bank or any entity benefiting from a group of banks to achieve a goal or a set of market goals (Al-Barzanji & Al-Shammari, 2019). It involves banking institutions' activities in their dealings with customers in all their services (Bakr, 2023); (Morkane et al., 2020). The importance of banking operations lies in granting personal loans, financing, and leasing real estate to the private sector, and providing consumer loans to individuals (Musara & Nieuwenhuizen, 2020). Since banks conduct their activities based on mutual trust with their customers, the balance must be considered between the growth and provision of banking operations and the risks that may arise (Bni lam, 2018). There are several types of banking operations; the most critical is investment banking, a specialized branch of banking services that offers financial advice and assists individuals and organizations in boosting their capital (Fabian et al., 2023). Investment banking originated with securities transactions. To facilitate securities trading, investment banks serve as market makers (Wang, 2021). On the other hand, Shares are of interest to managers, investors, and stakeholders within the financial market to make different decisions for each group; therefore, trading in shares is one of the vital and renewable topics (Saeed et al., 2023).

Stocks represent ownership, and the stock owner is the owner of the institution, and the more shares he owns, the greater his power in the institution (Kurniawan, 2021). The ability to accurately analyze and predict stock prices is paramount, as it can lead to substantial financial gains (Li et al., 2023); (AL-Maliky & Hassan, 2024). A claim or share in ownership of a company can be referred to as stock (Ajoku et al., 2021). In the interim, investors pursue substantial returns by investing in equities and bonds (Simanjuntak et al., 2023). Stocks are among the most popular trading tools in the capital market because stocks can obtain attractive and tempting profit levels (Sari & Pratama, 2022). Before making any investment, investors

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must know how to choose stocks that can give them the best return on investment (Pulungan & Insan, 2020). The return on equity is computed as the difference between the market value and the cash flow generated by dividends for each share over one year (Inanloo & Jabery, 2020).

The market participants determine the demand and supply for shares in the capital market, which determines the share price (Kurniatin, 2023). The stock's market price determines the market value of shares (Mensah et al., 2022). Forecasting the total market value of stocks is a significant concern for investors and policymakers (Xu & Zhang, 2022). The banking system of any country is its backbone, so a country that wants to develop economically must have a strong banking system. Also, the stock market is a powerful tool to support the economy of any country, as the stock market is a means to achieve a high return and reduce losses to the maximum possible degree (Tripathi, 2022); (Aldhyani & Alzahrani, 2022). The research examined the study of banking operations and their role in enhancing the market value of shares in the Bank of Baghdad and the Investment Bank and considering the competition witnessed by Iraqi commercial banks, especially considering the great similarity in the services, the problem could be formulated: Is there a direct effect between banking operations (credit and bank deposits), And (the market value of the bank). The importance of the current research can be stated based on what banking operations achieve in improving the market share price, i.e., the market value of the bank, as it shows how some banking operations (credit, bank deposits) affect investors' evaluation of commercial bank shares, and thus contributes to identifying the factors affecting the value of their shares and enhancing the competitiveness of commercial banks in the share market, thereby enhancing the efficacy of banks and enhancing their competitiveness, to achieve better results and achieve greater value for shareholders and investors.

2. Literature Review and Hypothesis Development :

The study (Al-Murshedi & Al-Eidani, 2019) focused on the fact that banking operations (credit and deposits) affect the market value of bank shares. The study (Hina, 2020) aims to ascertain the correlation between banking operations and interest rates. The experimental results indicate that the interest rate positively affects deposits in institutions. Results of (Dawood, 2021) show that Bank credit is all direct and indirect facilities or promises provided to customers. Study (Mezaal, 2022), one of the fundamental banking operations that commercial banks offer to individuals is to display credit, economic units, and various state institutions and is defined as all services. The study (Kumar & Rajakamal, 2022) examined the impact of market value added on India's stock market returns. Deposits are a fundamental and primary resource that banks can utilize to directly extend credit, according to a study conducted by Ali and FAHAD (2022). Both (El-Hajjar et al., 2023) studied the nature of the relationship between credit expansion based on the number of profits and The level of revenues that contribute to the strengthening of the financial position, the increase in capital, and the reduction of financial risks in institutions. The study conducted by (Hasan et al., 2023) showed that technical systems significantly impact banking operations, as technical systems reflect the large amount of data that is stored very quickly. A study (Chen, 2024) indicated some problems related to developing investment banking business operations in commercial banks, including an insufficient capacity to manage business risks and insufficient product innovation. The research hypotheses can be elucidated as follows, based on the aforementioned:

H.1 - There is a correlation relationship and a highly significant link between the (credit) and the (market value of shares) for the bank in the research sample, at a significance level (0.05).

H.2 - There is a correlation relationship and a highly significant link between the (deposits) and the (market value of shares) for the bank in the research sample, at a significant level (0.05).

3. Methodology:

The research employed the deductive method to confirm the validity of its hypotheses and the objectives of the study (inferential) approach, which relies on analysis to reach results, moving from the general principle to the general principle and a specific principle in addition to the inductive approach based on theoretical foundations by employing the descriptive analysis

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method using all data, parameters and the measurement tool (EViews-12) to measure the impact of some banking operations (bank credit and bank deposits as an independent variable) in enhancing (market value as a dependent variable) for a sample of shares of private commercial banks in Iraq, and a set of indicators, statistical methods, financial and statistical indicators will be used to analyze the data and test the hypotheses and measure them using statistical software (EViews-12 - Microsoft Excel). The Bank of Baghdad, as a result of the banking sector's size and prominence in the financial market, was selected to be listed on the stock market for the 2014-2023 period. The nature of the relationship between the research variables is illustrated in Figure (1):

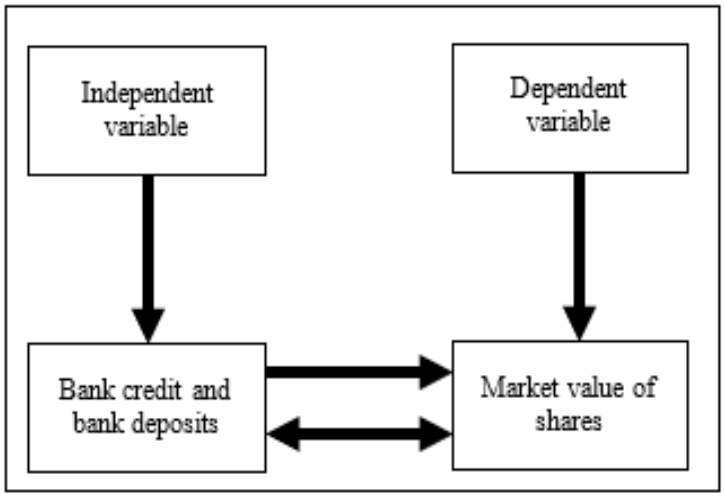

Figure 1: Hypothetical diagram of the research.
Source : Desigend by Authors.

The standard model's description is done through several stages, which work to support the results of the research analysis. This is achieved using the most accurate econometric methods and a set of tests supporting scientific research results. Additionally, according to economic theory, econometric results can determine the nature of the economic relationships between the studied variables in a measured and mathematical manner. This helps to either prove or disprove the hypothesis. The statistical program (Eviews12) was used, and after conducting stationarity tests and finding that all data were stationary at the first difference, a Distributed lag model with an autoregression (ARDL) model was used. Quarterly data for (2014-2023) and the data were divided into two independent variables for (Bank of Baghdad and Investment Bank) and a dependent variable for the three banks above, represented by the market value of the shares, as shown in the following equations :

$$STB = f(CRB, DEB)$$
$$STB = B0 + B1x1y1 - B2X2Y2 + ut$$
$$STI = f(CRI, DEI)$$
$$STI = B0 + B1x1y1 - B2X2Y2 + ut$$

Table 1: Variations of the classical model

Variable type	Variable name	Variable symbol
Baghdad Bank		
Independent	Credit	CRB
Independent	Deposits	DEB
Dependent	Market value of shares	STB

Source: Based on the research model, the researchers have prepared this document

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4. Results:

Testing the stability of the time series for the variables in the econometric model used. The modified Dickey-Fuller (ADF) and Phillips-Perron (P.P) tests were implemented to ascertain the degree of stationarity of time series data in the estimated standard model. The outcomes were as follows:

– **Expanded Dickey-Fuller test (ADF):**

The results in the above table indicated that all variables were not stationary at their initial level (Level), implying that they are affected by the unit root problem. Therefore, we adopt the null hypothesis, which suggests that the series is unstable, as demonstrated by a (Prob) value that exceeds the 0.05% threshold. Consequently, the alternative hypothesis is rejected. However, when the first difference is considered, all data become stationary, with (Prob) values less than 0.05%, indicating the absence of a unit root among the research variables. Consequently, this results in the rejection of the null hypothesis and the acceptance of the alternative hypothesis, which asserts that the time series is stationary among the research variables, implying that the series are in a first-degree integration mode I(1). Table (2) shows that the research variables were not stationary at their original level, which means they had a unit root problem. Consequently, We adopt the assumption of null (H0), which implies that the series is unstable, as indicated by a (Prob) value exceeding 0.05%. This results in rejecting the initial alternative hypothesis. Upon taking the first difference, it is evident that all data become stationary, with (Prob) values falling below 0.05%. This suggests that the research variables do not contain a unit root. Consequently, the alternative hypothesis, which asserts that the time series of the research variables is stationary, is adopted. This implies that the series are integrated.

Table 2 : Results of the Augmented Dickey-Fuller test statistic

Variables		At Level			At the initial difference		
		(With Constant)	(With Constant & Trend)	(Without Constant & Trend)	(With Constant)	(With Constant & Trend)	(Without Constant & Trend)
STP	I1	0.1637	0.5703	0.2361	0.0009	0.0058	0.0001
STI	I1	0.3754	0.7779	0.2523	0.0000	0.0001	0.0000
STB	I1	0.3078	0.3850	0.4620	0.0000	0.0001	0.0000
DEP	I1	0.1844	0.4744	0.3680	0.0000	0.0001	0.0000
DEI	I1	0.8680	0.9024	0.8729	0.0000	0.0000	0.0000
DEB	I1	0.4812	0.2875	0.3451	0.0000	0.0001	0.0000
CRP	I1	0.2540	0.5345	0.1545	0.0000	0.0001	0.0000
CRI	I1	0.9773	0.3892	0.9748	0.0000	0.0000	0.0000
CRB	I2	0.0722	0.3074	0.0525	0.2335	0.3811	0.0486

Source: Statistical program outputs (Eviews12).

Table (3) indicates that the (P.P) test results were consistent in both scenarios, showing that all data exhibited a unit root problem. As a result, the null assumption (H_0) was adopted, and the other the assumption was rejected. However, when considering the first difference, the time series became stable according to the (P.P) test for all variables. Thus, the alternative hypothesis (H_1) was adopted, and the null hypothesis (H0) was rejected, indicating that the time series among the research variables is in a first-degree integrated state (I1). This conclusion is supported by the (Prob) value, which was less than 0.05%.

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Table 3 : The (P.P) Test Results

Variables		At Level			At First Difference		
		(With Constant)	(With Constant & Trend)	(Without Constant & Trend)	(With Constant)	(With Constant & Trend)	(Without Constant & Trend)
STP	I1	0.1128	0.1427	0.2086	0.0000	0.0001	0.0000
STI	I1	0.3132	0.7009	0.2481	0.0000	0.0001	0.0000
STB	I1	0.2233	0.2960	0.4533	0.0000	0.0001	0.0000
DEP	I1	0.1293	0.3736	0.3620	0.0000	0.0001	0.0000
DEI	I1	0.8587	0.9024	0.8793	0.0000	0.0000	0.0000
DEB	I1	0.4483	0.3072	0.3416	0.0000	0.0001	0.0000
CRP	I1	0.1946	0.4146	0.1488	0.0000	0.0001	0.0000
CRI	I1	0.9878	0.3697	0.9921	0.0000	0.0000	0.0000
CRB	I1	0.3140	0.7645	0.0458	0.0000	0.0000	0.0000

Source: Statistical program outputs (Eviews12).

Developing an estimate of the correlation between the independent variables and the dependent variable, the market value of shares of the Bank of Baghdad

-Evaluating the autoregressive distributed lag (ARDL) model

Upon completion of the time series tests for the research variables, it was found that the variables are in a state of stability, so based on that, we can apply (ARDL). The following and in Table (4) are the results of the (ARDL) test :

Table 4: Results of testing the ARDL model for the market value model of shares in the Bank of Baghdad (STB)

Variable	(Coefficient)	(Std-Error)	(t-Statistic)	Prob	
CRB	-1.528853	0.403012	-3.793567	0.0007	
DEB	0.502835	0.161323	3.116939	0.0042	
DEB (-1)	-0.270844	0.214907	-1.260287	0.2180	
DEB (-2)	-9.42E-16	0.208879	-4.51E-15	0.0000	
DEB (-3)	7.32E-16	0.208879	3.50E-15	0.0000	
DEB (-4)	-0.324748	0.169462	-1.916346	0.0656	
C	570739.3	135948.8	4.198192	0.0002	
Adjusted R-squared	0.694997	(Durbin-Watson stat)	1.607465	Prob (F-statistic)	0.00000

Source: Statistical program outputs (Eviews12).

The ARDL model automatically arranged the latency of the research variables, with the dependent variable having a lag length of one and the variable (deposits) having a lag length of zero, as indicated by the results in the previous table. The dependent variable's variation was explained by the (R-squared) results to the extent of 69%, with 31%.

The (R-squared) value was also lower than the (Durbin-Watson stat)istic, which was 1.607465, implying that the model is devoid of autocorrelation and possesses substantial explanatory power. Furthermore, the F-statistic value of 12.39329 at a significance level of 0.05% suggests that the model is statistically significant.

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-Results of the Bounds Test:

The boundary test was used to evaluate the existence of a long-term relationship between the research variables (credit and deposits) and the market value of share prices in the Bank of Baghdad. This assessment was conducted detailed below:

Table 5 : Results of the Bounds Test between the independent variables and the market value of shares as a dependent variable in the Bank of Baghdad (STB)

(Test Statistic)	Value	K
(F-statistic)	4.680173	2
(Critical Value Bounds)		
Sig.	I0 Bound	I1 Bound
%1	4.13	5
%2.5	3.55	4.38
%5	3.1	(3.87)
%10	2.63	3.35

Source: Statistical program outputs (Eviews12)

At a significance level of 0.05%, the F-statistic of 4.680173 surpasses the upper critical value of 3.87. This is indicated by the table above. Consequently, we reject the null hypothesis (H_0) and embrace the alternative hypothesis (H_1).This suggests the presence of an integrative relationship between credit and deposits and the market value of stocks, indicating that there is a connection between these variables.

- Test estimated (short-run) parameters and unconstrained error correction factor:

This test estimates short-term parameters to evaluate the impact of the independent variable on the dependent variable and to comprehend the nature of their short-term relationship. Furthermore, the error correction term denotes the rate at which the model reestablishes equilibrium over the long term, as illustrated in the subsequent table:

Table 6 : The short-term relationship of the market value model and the estimation results of the error correction model for shares in the Bank of Baghdad (STB)

Variable	(Coefficient)	(Std-Error)	(t-Statistic)	Prob
D(DEB)	0.502835	0.140951	3.567447	0.0013
D (DEB (-1))	0.324748	0.157456	2.062468	0.0486
D (DEB (-2))	0.324748	0.157456	2.062468	0.0486
D (DEB (-3))	0.324748	0.157456	2.062468	0.0486
CointEq (-1) *	-0.390948	0.085873	-4.552634	0.0001

Source: Statistical program outputs (Eviews12)

The data reveals a positive short-term correlation between deposits (independent variable) and the market value of shares (dependent variable). A one-unit increase in deposits results in a rise in the market value of shares by (0.502835) at a significance level of (Prob= 0.0013), assuming all other conditions remain constant. This increase in deposits boosts the bank's liquidity, which encourages investments in shares, thereby increasing their market value. Moreover, (-0.390948) is the value of the unrestricted error correction term (UECM), which is both significant and negative with a probability of (Prob= 0.0001). This implies a short-term equilibrium relationship between the independent and dependent variables, which is progressing toward a long-term equilibrium. In response to any disturbance or change in the independent variable, the error correction term implies that (39%) of the short-term disequilibrium from the previous period (t-1) can be adjusted in the current period (t).

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Testing of long-term estimated parameters

In order to assess the impact of the independent variable on the dependent variable and to comprehend the nature of the long-term relationship between the two variables, this analysis entails the estimation of long-term parameters, as outlined underneath:

Table 7 : Estimation results of the error correction model and the long-term relationship of the market value model for shares in the Bank of Baghdad (STB)

Variable	(Coefficient)	(Std-Error)	(t-Statistic)	Prob
CRB	-3.910633	1.148014	-3.406432	0.0020
DEB	-0.237261	0.222962	-1.064132	0.0564

Source: Statistical program outputs (Eviews12)

The table indicates that the market value of shares (dependent variable) and credit (independent variable) have a negative long-term relationship. At a significance level of (Prob= 0.0020), a one-unit increase in credit leads to a decrease in the market value of shares by (-3.910633), assuming all other factors remain constant. This occurs because credit is closely associated with deposits, and given the economic crises that have impacted the Iraqi economy, individuals and institutions opted to place their funds in savings accounts, avoiding the risks of purchasing shares, thus leading to a decline in the market value of shares. Additionally, deposits may have been used for buying goods, services, and other consumer items, which did not translate into increased credit from the bank. The findings also revealed a negative relationship between deposits (independent variable) and the market value of shares (dependent variable). At a significance level of (Prob= 0.0564), a one-unit increase in deposits results in a decrease in the market value of shares by (-0.237261), while all other parameters remain constant. This is due to a long-term loss of confidence stemming from crises that affected the Iraqi economy, particularly the 2014 crisis and the 2019 COVID-19 crisis, which eroded trust in the banking system among the public and institutions. As a result, deposits were not channeled into investing in shares due to perceived risks, along with weaknesses in the bank's financial system and the Iraq Stock Exchange. These factors, among others, contributed to the decline in the market value of shares.

Conduct diagnostic tests for estimated residuals:

To verify the veracity and validity of the results that were previously obtained, we will conduct several essential diagnostic tests, as described below :

Autocorrelation Problem Test (LM Test)

This test is designed to assess the degree to which the estimated model is devoid of residual autocorrelation, as detailed :

Table 8 : autocorrelation problem (LM) test for the market value model of shares in the Bank of Baghdad (STB)

			Breusch-Godfrey Serial Correlation LM Test:
(F-statistic)	0.782652	(Prob). F (2,26)	0.4677
(Obs-R-squared)	2.044272	(Prob). Chi-Square (2)	0.3598

Source: Statistical program outputs (Eviews12)

The table indicates that the F-statistic has a probability of (0.4677), which is greater than (0.05). This suggests the absence of autocorrelation, resulting in the endorsement of the null hypothesis (H0), which asserts that the residuals are devoid of autocorrelation. In contrast, we refute the alternative hypothesis (H1), which implies the existence of autocorrelation in the residuals. The ARDL model's findings are corroborated by this test.

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– **Testing the heterogeneity of variance problem (ARCH Test)**

This test is employed to confirm the degree to which the estimated model is free from the issue of residual variance variation, as illustrated in the subsequent table:

Table 9 : Results of the consistency of variance test. Error limits (homogeneity of variance) for the market value model for shares in the Bank of Baghdad (STB)

Heteroskedasticity Test: ARCH			
(F-statistic)	0.023559	(Prob). F (1,31)	0.8789
(Obs*R-squared)	0.024969	(Prob). Chi-Square (1)	0.8744

Source: Statistical program outputs (Eviews12)

The table above displays the results of the test for heteroscedasticity (ARCH problem). The F-statistic has a probability level of (0.8789), which exceeds the threshold of 0.05. This suggests that the model is not heteroscedastic. As a result, we adopt the null hypothesis, which asserts that the residuals are devoid of variance difference issues, and reject the alternative hypothesis, which implies that the residuals do have variance difference issues. The results of the ARDL model are verified by this test.

– **Testing the problem of normal distribution of the model**

This test is employed to verify that the estimated model is not affected by the non-normal distribution of residuals, as elucidated below:

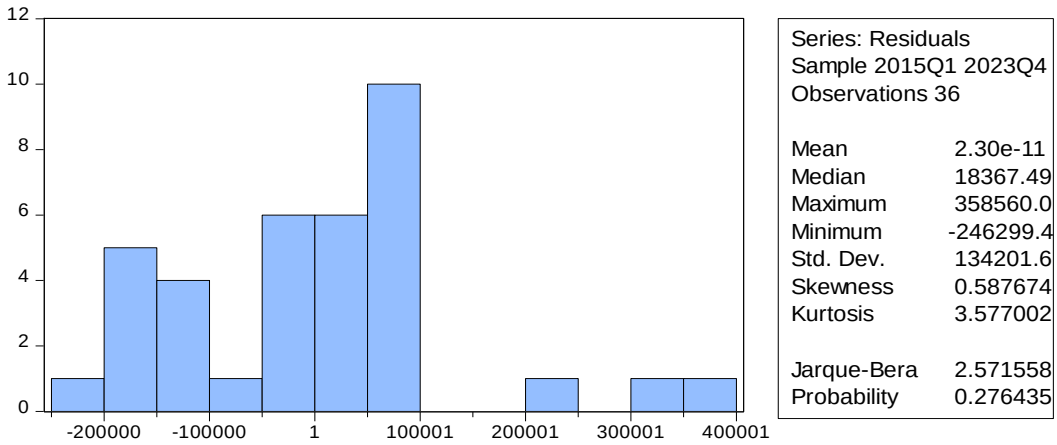

Figure 2 : Results of testing the normal distribution problem of the market value model for shares in the Bank of Baghdad (STB)

Source: Statistical program outputs (Eviews12)

Figure (2) demonstrates that the probability level of the F-statistic is (0.276435), which is greater than the significance level of 0.05. This suggests that the residuals' normal distribution is not a concern for the model. Consequently, we adopt the null hypothesis, which asserts that the normal distribution of residuals is unaffected, and reject the alternative hypothesis, which implies that there is a problem. The results of the ARDL model are further validated by this test.

– **Model Stability Tests**

Figure (3) presents the test of the cumulative sum of residuals for the research model. The figure indicates that the model remains stable throughout the research period, as the continuous and winding line stays within the critical dotted boundaries.

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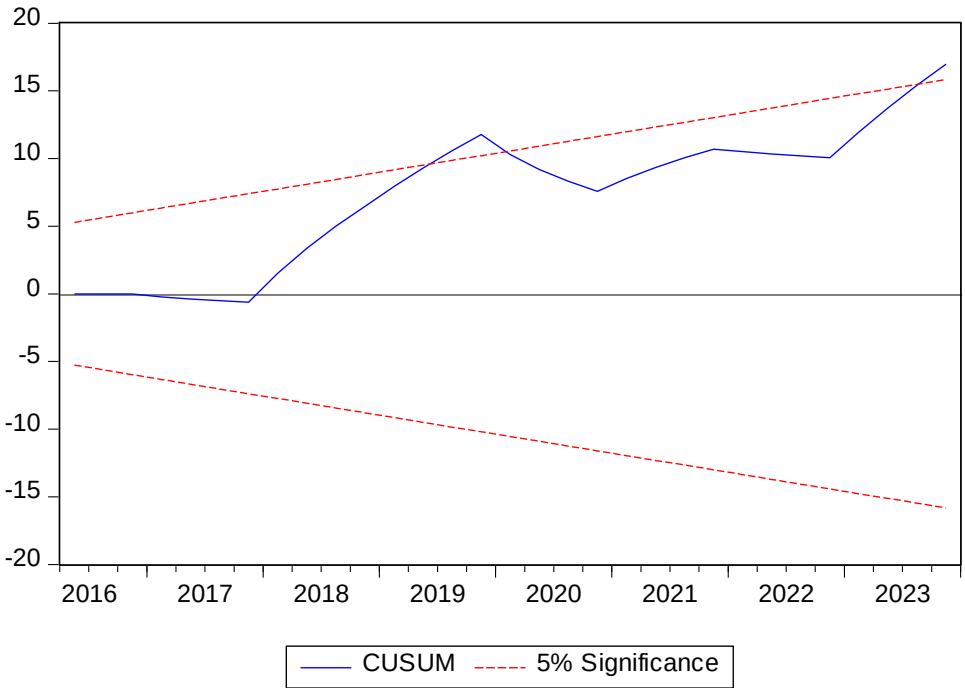

Figure 3: Cumulative sum of residuals test
Source: Statistical program outputs (Eviews12)

5. Conclusion:

The econometric analysis substantiated the research hypothesis, which demonstrated a statistically significant relationship between the independent variables (credit and deposits) and the dependent variable (market value of shares) at the Bank of Baghdad. The analysis demonstrated that the independent variables (credit and deposits) accounted for 69% of the bank's fluctuations in the dependent variable (market value of shares). The results showed a positive short-term relationship between deposits (independent variable) and the market value of shares (dependent variable). A one-unit increase in deposits resulted in a rise in the market value of shares by (0.502835), assuming other factors remain constant. This rise in deposits from the public and companies increased the bank's liquidity. The analysis also demonstrated that the econometric model for the Bank of Baghdad is free from statistical issues, ensuring its accuracy. The market value of shares is positively correlated with credit and deposits. Consequently, the study hypothesis was accepted, which asserts a positive causal relationship between the market value of the bank's shares, deposits, and credit.

Authors Declaration:

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved by The Local Ethical Committee in The University

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