Managing Liquidity and Profitability in Islamic Banks in Iraq - Case Study of the National Islamic Bank for the period 2010-2017

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Abstract

The purpose of this research is to clarify the concepts of liquidity and profitability of Islamic banks and how to manage liquidity to influence the ability of banks to achieve profits. Therefore, after the presentation of the theoretical side of the research, study the case of the National Islamic Bank in Iraq and conduct the appropriate statistical tests to indicate whether there is a relationship between (ROA, ROE, ROD). Based on the published bank data and using the SPSS program, a number of results were reached. The most important of these results is that good liquidity management will inevitably lead to better profitability. On the other hand, we note the negative relationship between the liquidity and profitability of the National Islamic Bank and the absence of significant relationship between the liquidity of this bank and profitability for the period 2010-2017 despite the high liquidity ratios in general and low rate of return on assets.

Keywords
Iraq, Islamic Bank, National, Liquidity, Profitability, Deposits, Assets, Murabaha, Musharaka, Mudaraba, current, quick, ratio, return, ownership, management, QR, CR, CUR, ROA, ROE, ROD

الملخص

الغرض من هذا البحث هو توضيح مفاهيم السيولة والربحية للمصارف الإسلامية وكيفية إدارة السيولة للتأثير على قدرة البنوك على تحقيق الأرباح. لذلك وبعد عرض الجانب النظري للبحث يتم دراسة حالة البنك الوطني الاسلامي في العراق واجراء الاختبارات الاحصائية المناسبة لبيان ما اذا كانت هناك علاقة بين (ROA ،ROE ،ROD). بناءً على البيانات البنكية المنشورة وباستخدام برنامج SPSS تم التوصل إلى عدد من النتائج. وأهم هذه النتائج أن الإدارة الجيدة للسيولة ستؤدي حتماً إلى ربحية أفضل. ومن ناحية أخرى ، نلاحظ العلاقة السلبية بين السيولة والربحية للبنك الأهلي الإسلامي وعدم وجود علاقة كبيرة بين السيولة لهذا البنك و الربحية للفترة 2010-2017 بالرغم من ارتفاع معدلات السيولة بشكل عام وانخفاض معدل العائد على الأصول.

Introduction

Islamic banks are institutions of finance, investment, business and not institutions operating in debt and credit, and their work within the standards and controls derived from Islamic law, a recent experience and faced many challenges in terms of finding suitable

investment formulas for their deposits in line with the forms of Islamic investment, (such as speculation and participation) and the possibility of achieving an appropriate return.
Islamic banks face more liquidity risks than their conventional counterparts because their sources of liquidity are less abundant than traditional banks, due to the nature of Islamic banking.

Research problem
Islamic banks have a distinct structure in conducting their liquidity and profitability management. This distinction must be taken into consideration when analyzing their financial performance, especially with regard to the ability of these banks to manage their liquidity, as well as how they can influence their profitability activities.
The main idea of this research is to understand the liquidity management system in Islamic banks in Iraq and to understand the relationship between liquidity and profitability. Therefore, the problem can be formulated according to the following questions:

1. What is the relationship between the liquidity and profitability management of National Islamic Bank during the research period?
2. How can this relationship be used to understand the performance of Islamic banks and improve their liquidity management activities to achieve the best level of profits?

Research importance
The importance of this research is derived from its focus on Islamic banks, which became more vital in the modern financial system, and also focuses on this research on the oldest Islamic banks in Iraq, the National Islamic Bank. The importance of the research is the integration of analysis of financial ratios and the possibility of managing liquidity by the National Islamic Bank and the extent of success in achieving the highest profits for the period studied. Furthermore, this study clarifies the imbalances in the bank's management of financial affairs and how to address that imbalance.
Research Objectives: This research aims to:

1. achieve the following objectives. (To introduce the liquidity management concept and the importance in Islamic banks.)
2. To clarify the concept of profitability and its indicators in Islamic banks.
3. To clarify the role of liquidity management in the National Islamic Bank to achieve the highest level of profits.

Hypothesis
There is no significant correlation between liquidity management of the National Islamic Bank and profitability.

Chapter One
Theoretical Background

In this regard, a theoretical framework will be presented for both liquidity and profitability in Islamic banks with an attempt to provide some necessary measures in this area to understand the relationship between liquidity and profitability, as follows:
First: The concept of liquidity and its importance
Liquidity is the originality of its ability to convert into a liquid asset without any loss of value. Bank liquidity can be seen as the Bank's ability to meet its obligations by meeting withdrawal requests from deposits and meeting daily drawdown requests by depositors, ie, banks retain sufficient liquid assets that can cover their short-term obligations. As the inability to meet withdrawal requests will lead to a state of financial difficulty at the banks (Sundus, 2012: 8).
Therefore, liquidity is of importance to Islamic or conventional banks, which requires balanced and appropriate management by all types of banks, especially Islamic banks, because

they face liquidity risks more than their conventional counterparties because liquidity sources are more abundant than Islamic banks (Ali, 2004: 2)

Liquidity is one of the most important indicators on which customers rely on banks' assessment and differentiation as the mainstay of preventing the bank from risk of bankruptcy. This is what distinguishes banks from the rest of financial institutions. They cannot postpone the payment of a drawn check or postpone payment of a deposit payable, nor can they claim debtors to pay their loans unless they are due. On the other hand, it is difficult to predict the size and timing of the movement of money from the bank, which makes it very difficult for the banks to determine the optimal liquidity.

The importance of liquidity can be seen through the following: (Al-Ribati and Haddad, 2015: 9)

1. Liquidity is a vital indicator for depositors, management, capital markets and analysts.
2. Boost the confidence of depositors, borrowers and shareholders through the Bank's ability to respond quickly to their requirements.
3. The presence of liquidity enables the bank not to have to borrow from banks or the central bank or having to sell assets at inappropriate prices.
4. Avoid paying a higher cost of money (Al-Manshid and Al-Saffar, 2017: 19)

Therefore, note the importance of liquidity to enable the bank to perform various operations and enhance its ability to meet its obligations, taking into account that high liquidity ratios of the required ratios result in loss of profit opportunities that could be obtained if the investment of these funds, as well as the impact of monetary inflation Which causes the decline in the value of money as well as these surpluses in liquidity indicate the inefficiency of cash management in banks in general, which harms its reputation. On the other hand, when a liquidity deficit exceeds the required ratio, the institution is forced to liquidate existing projects prior to its occurrence and the loss of what harms the reputation of the financial institution (Al- Qara Daghi, 2010: 68).

Second: Liquidity problem in Islamic banks

Liquidity is of great importance to Islamic banks in order to preserve the reputation of the Bank and the confidence of its members. A deficit may expose the Bank to problems. Moreover, the existence of a cash surplus that should be retained may indicate freezing of funds and the absence of a clear investment program. In both cases, the bank may be exposed to a loss of trust by investors or deposit holders.

Islamic banks are more exposed to liquidity risk than their traditional counterparties because of the specificity of these banks and their philosophy of not dealing with the interest rate and therefore cannot take advantage of the lender's recent lender advantage to maintain high liquidity rates (El-Gari, 2003: 8).

The sources of liquidity in Islamic banks are more abundant than traditional banks. This is due to the nature of the Islamic banking business, which is determined within the framework of the Islamic Sharia, and the liquidity is very high in Islamic banks. For example, Islamic law grants bank customers the right to cancel the Murabaha contract Before the transfer of ownership is completed even if the bank has bought the item. Which results from the sale of these assets in a hasty and inappropriate prices (Tahrawi, bin Habib, 2015: 68).

The Islamic Bank operates in accordance with Islamic Sharia'a compliant investment formulas. It carries out banking services and activities that require cash at irregular intervals, which the bank is responsible for providing within the specified time limits, as well as the difficulty in predicting the returns of investment operations, In managing its liquidity well within the framework of investment plans and achieving returns in accordance with the provisions of the Islamic Shariah (Darubi, 2007: 18).

The elements of liquidity in Islamic banks are:

1. Liquid assets in full, which are cash in the Fund, whether local currency or foreign currency, or cash with local banks or the Central Bank as well as cash with foreign banks and deposits with the Central Bank. These sources are expressed in cash.
2. Assets that the Islamic Bank can convert into cash with minimal losses. These are the shares and the guaranteed dues of some customers and the negotiable certificates issued by the Islamic Bank and the government papers and which are expressed or expressed as cash equivalents.

The problem may be with Islamic banks when the bank is unable to cope with expected and unexpected cash flows efficiently. And the impact on banking operations or financial position of the bank. Sometimes it may be difficult for him to obtain cash at an acceptable cost on time by selling or mortgaging the money and prevailing market price rates that may result in undesirable losses, exposing the bank to critical risks.

In spite of the Islamic Bank's ability to invest short-term money as a Murabaha formula for secured goods, it does not have a suitable and efficient liquidity mechanism at present, as well as limited monetary market instruments that are in line with Sharia law. The latest lender facilities (Ben Arab & Elmelri, 2008: 16).

More complicated liquidity problems are some features of Islamic contracts. For example, Murabaha and Al Rajhi have fixed payment schedules. Payments cannot be obtained in advance. The Musharaka and Mudaraba contracts are only made in the case of profits. The principal amount is not collected. Except in the case of liquidation, and there are long-term Islamic contracts such as Istisna and peace can not pay the payment until after the harvest of the commodity (Khan, Ahmad, 2003: 65).

As a result, Islamic banks are holding large amounts of liquidity that do not generate any return, making the trade-off between liquidity and profitability difficult and complicated. In the case of lack of cash due to increased inflows, the investment opportunities could be lost if liquidity is available. Or delaying the liquidation of existing projects prematurely and may result in losses or reduction of profits expected to be obtained under normal circumstances.

However, if the inflow of cash inflows or lack of outflows will result in the freezing of the bank's funds and not benefiting from investments with appropriate financial returns, as well as the decrease in the value of these funds due to monetary inflation, which negatively affects profitability and real value of capital, Able to manage and operate the money efficiently.

Excess liquidity can also have undesirable consequences. Liquid funds generally generate low returns. Islamic banks' retention of these assets will cost them the opportunity cost. Therefore, excess liquidity risk can be caused by reduced profits due to loss of alternative opportunities. To invest in those excess assets, which makes the abundance of liquidity more risky than low.

Third: Liquidity management of Islamic banks.

Islamic banks cannot borrow from the money market for fixed liabilities, so they have the task of managing liquidity to reduce their risk.

The development of the various financial transactions, investment formulas and the continuous technological developments in the financial sector are all factors that require liquidity to be managed efficiently.

However, the problematic relationship between the Central Bank and Islamic banks necessitates finding a mechanism through which money can be obtained easily and quickly and within the framework of Islamic Sharia, since it cannot consider the Central Bank the last resort for lending. The Central Bank has its own means of providing liquidity to banks when needed, such as bills and commercial paper and interest-bearing lending, which are not dealt with by Islamic banks (Mohammad, 2014: 356).

The definition of credit ceilings is one of the tools of the Central Bank's monetary policy to guide economic activity and control over credit. This tool is compatible with the work of commercial banks and is not consistent with the essence and nature of the activity of Islamic banking, which is mainly based on real investment operations. Hence, the policy of determining credit is a major obstacle to the essence of banking activity Islamic.

Therefore, the central bank's transactions should be flexible in terms of monetary policy instruments, since they are compatible with the nature of traditional banking activity so that the investments and profits of Islamic banks are not affected. It is also better for the Central Bank to meet the liquidity demands of Islamic banks in a manner consistent with the nature of their activities as well as the safety of its financial position.

Interest-bearing loans or investment deposits were granted against a profit margin based on the Mudaraba or Musharaka contract. In other words, the interest rate mechanism is the main mechanism for the supply and demand of money (Moussa, 2012: 83).

Thus, the central bank must resort to other technical means that allow pumping additional liquidity to Islamic banks so as not to have to accumulate funds at the expense of profits.

The need for cash flow planning and balance between liquidity and profitability through effective liquidity management strategies in Islamic banks, including: (Said, 2010: 15-16)

1. Asset liquidity management: ie, maintaining appropriate amounts of cash and cash equivalents compared to investment accounts and current accounts.
2. Liquidity Management: The ability of the Bank to attract money from new customers on an ongoing basis rather than on the liquidity of assets or assets. This strategy depends on the reputation of the bank and the quality of banking services provided, as well as the assessment of the financial situation. Finally, the type of balance required between the management of liquid assets and the management of liquid liabilities taking into account the suitability of generations, that is, the allocation of sources of funds towards uses and according to the ranges and limited rates.

Liquidity Indicators:

When examining the mechanisms of the liquidity management system, there are some indicators and methods to analyze the liquidity ratio in Islamic banks. These indicators, which are believed to represent well the liquidity position in banks is the current ratio and the percentage of cash readiness and quick liquidity.

An appropriate rise in liquidity indicates that the bank is liquid enough to cover a short period and is less likely to retreat in liquidity levels.

And the financial ratios without meaning is worthless in the sense of any proportion used should be defined meaning of the purpose behind the statement of the failure or strength of the bank or institution, and the following is a brief description of the ratios of liquidity used in this study :

1. **Financial ratios or Current Ratio**

This percentage reflects the number of times current assets can cover current liabilities. The higher the ratio, the greater the ability of the bank to face the sudden payment of obligations, without the need to liquidate any fixed assets or obtain new borrowing. It can be extracted from the equation :

$$\frac{Current\ Assets}{Current\ Liabilities}$$

This increase is good, but this increase is acceptable to a certain extent. The large increase in the ratio may be due to the item of current assets because of the excessive increase in the monetary item. This means that the liquidity is not used optimally and negatively affects its profitability.

2. **Quick Ratio**

This ratio shows the extent to which the bank is able to pay short term liabilities within a few days, and the exclusion of the stock because it is one of the least liquid assets in circulation, as it cannot be discharged in a short time without losses. This rate can be extracted from the equation :

$$\frac{Current\ Assets - Inventory}{Current\ Liabilities}$$

That the stock in Islamic banks is Murabaha contracts, which is one of the most important assets traded illiquid and are excluded for this reason when extracting the liquidity ratio (Aziz, Sharif, Salih, 2017: 75)

3. Cash Readiness Ratio

Cash is the most liquid asset. By nature, banks need effective cash management strategies, which are part of the management system. These ratios give an indication of the worst conditions. Short-term liabilities can be repaid and extracted as follows:

$$\frac{Cash\ in\ hand\ and\ treasury\ bills}{Current\ Liabilities}$$

Fifth: profitability in Islamic banks

Profit is one of the most important goals pursued by Islamic banks, like any financial institution, and profit for these banks when they invest the actual funds of depositors.

First: Factors Affecting the Profitability of Islamic Banks:

Liquidity is one of the most important factors that negatively affect the profitability of Islamic banks. Other factors besides liquidity have an impact on the profitability of Islamic banks, including:

1. The extent of the Bank's success in managing return and risk by reducing costs and increasing revenues.
2. The availability of political and economic stability, which creates more favorable conditions for profit.
3. The extent of harmony and appropriateness of the monetary and financial policies of the state in which the Islamic banks operate. As is known, the liquidity ratio imposed by central banks on banks in general may not be consistent with the nature of Islamic banking. Fair and non-competitive (Mohammad, 2014: 355).
4. Sources and funds of Islamic banks are related to the nature, type and size of deposits. The higher the current deposits, for example, or the lower-cost deposits, the more they are employed by banks and in high-profit areas.
5. In the absence of an Islamic reference index, Islamic banks use interest rates to determine the prices or the cost of their various Islamic products, especially in terms of Murabaha. The profit margin of the return index, which is the interest rate, is determined by the risk margin (Al-Suhaibani, 2010: 17)

Islamic banks are attracted to Murabaha as they are less risky and provide a stable return to customers.

Second: Profitability Indices of Islamic Banks

1. Rate of return on the right of ownership

This percentage reflects the return achieved by the shareholders as a result of the investment of their funds, and is one of the most important indicators of profitability as based on this percentage may decide to continue the activity or transfer their funds to other activities or investments to achieve an appropriate return.

The appropriate return is equivalent to the risk-free rate of return plus risk premium and varies from one investment environment to another. This rate is measured by dividing net income over total equity as follows: (Al Ardhi, 2013: 68).

$$Return\ on\ Property = \frac{Net\ income}{property\ right}$$

It reflects the relationship between net income and equity and the increase in this percentage indicates that the bank has made more profits distributed to shareholders.

2. Rate of Return on Deposits

This rate measures the amount of profits achieved by each JD of deposits and its high indicates that the Bank has made appropriate profits as a result of its investment in deposits in specific areas. This rate also shows the ability of the bank to compete with other Islamic banks to earn money from savers and operate them. This percentage is calculated by the following equation: (Hindi, 1996: 415) .

$$Rate\ of\ Return\ on\ Deposits = \frac{Net\ profit\ after\ taxes}{Total\ deposits}$$

3. Rate of return on assets

It shows the profits per Dinar of assets and can be measured by dividing the net income on the total assets, and measures the rate of profitability achieved by the bank from the investment of assets in the different activity and it helped to determine the performance of the bank, The following: (Al-Kassim, 2005: 6).

$$Rate\ of\ Return\ on\ Assets = \frac{Net\ profit\ after\ taxes}{Total\ Assets}$$

Chapter Two
Application work

First: About the National Islamic Bank.

The bank was established as a private shareholding company in 2005 with a capital of 25 billion dinars, which was increased to 50 billion dinars in 2010 and 100 billion dinars in 2012, and the bank completed its increase to 251 billion dinars in 2013.

Table (1) Liquidity indicators of the National Islamic Bank from 2010-2017

Year	Cash balance	Deposits	Assets	Liquidity Ratio%
2010	25844	22058	73465	117
2011	128126	129678	239869	99
2012	229977	298377	490515	77
2013	201592	416819	624678	64
2014	203311	243719	562921	83
2015	221886	376237	707709	59
2016	169242	329794	670740	51
2017	195613	492598	723102	40

Table prepared by the researcher based on the data of the National Islamic Bank

As shown in Table 1 and Figure 1, the liquidity ratio for 2016 is 50% of the total assets of the Bank. The money account in the bank includes cash in local and foreign currencies held in its vaults, and those deposited with local and foreign banks from the current account to cover the international dealings of the bank in the process of opening letters of credit and remittances arising from the dollar auction.

From the table we see the continued high liquidity of the bank of the National Islamic Bank, which recorded the highest rise in 2010, which is three times the target rate of the bank (30%) in its work, the bank recorded the lowest level of liquidity in 2017, which amounted to 40% of the volume of deposits For the bank, and this means the continued disruption of the bank's money as the total money in the coffers of the National Islamic Bank and the Central Bank and at the local and foreign banks about 195613 billion dinars at the end of that year.

Islamic banks are seeking credit in accordance with the Islamic Sharia, so they seek to increase the credit balance of cash and increase the assets of hedge Murabahat, which are overdue by the date of maturity by allocating a certain percentage of the revenues of the Bank pursuant to the directives of the Central Bank of Iraq that the proportions of credit and according to the decision of eligibility under the name of Credit losses.

Despite the instability of the security, political and economic situation, we note the increase in the deposit account with the National Islamic Bank from 25844 billion dinars in 2010 to 169242 billion dinars in 2016.

Liquidity %

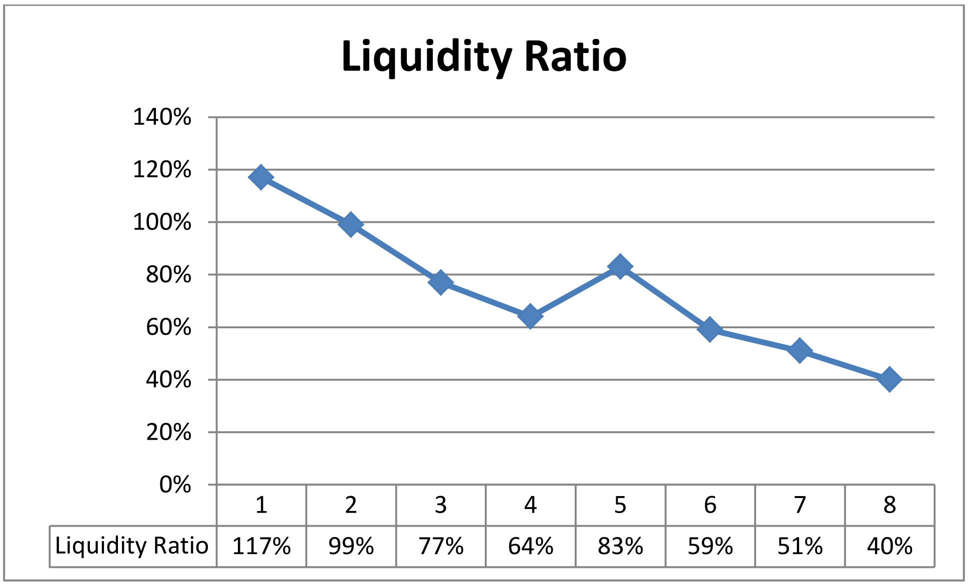


Figure 1: Liquidity ratios of National Islamic Bank from 2010-2017

As shown in Table (2) and Figure (2), the liquidity ratios appeared to be very high during the years (2010-2011). The fastest ratio in 2010 was 1.60, the highest level compared to the other years. (1.12), as well as the ratio of trading (2.94). This refers to the inability of the bank to find long-term investments of its financial resources, and this is due to the difficult political and economic conditions coincided with the war against Dahesh, which led to non-investment funds in the investments of some risks and uncertainty, as well as to maintain liquidity more In order to secure unusual withdrawal requests.

Then began to decline gradually and stability from 2012 to 2017, and this reflects the gradual stability of the economy, which depends on political stability and security.

Table (2) Liquidity indicators of the National Islamic Bank from 2010-2017

Liquidity indicators	Year							
	2010	2011	2012	2013	2014	2015	2016	2017

QR	1.60	0.98	0.8	0.75	0.82	0.60	0.54	0.71
CR	1.12	0.96	0.73	0.6	0.63	0.54	0.46	0.57
CUR	2.94	1.8	1.6	0.60	0.73	0.54	0.45	0.82

Table prepared by the researcher based on the data of the National Islamic Bank

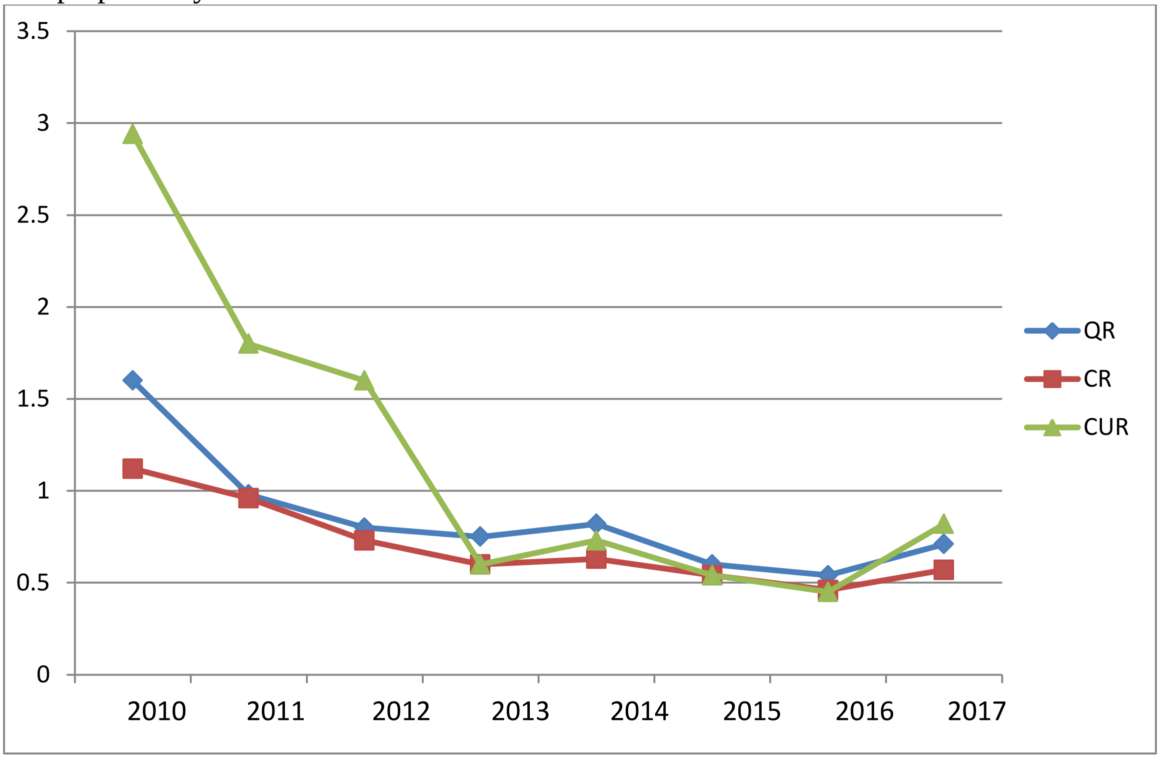


Figure (2) Liquidity indicators of the National Islamic Bank from 2010 to 2017

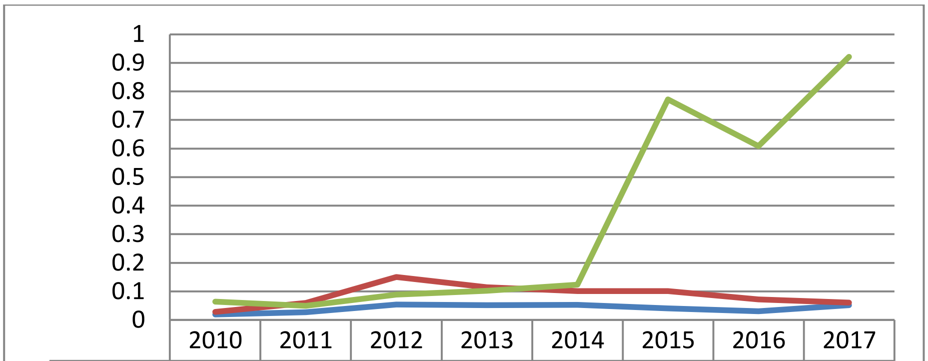
Figure 3 shows the profitability ratios of ROD, ROE and ROA. The return on assets recorded the highest level in 2014 at 0.0534 and lowest in 2010 at 0.019, while the return on equity fluctuated between 0.028 The lowest percentage recorded in 2010 and 0.150, the highest rate recorded in 2012, while the return on deposits was the highest rate in 2017, reaching 0.921, and also note that each of these ratios have achieved a gradual increase in profitability during the study period and this does not reflect the good performance of the bank Especially financial performance. The 2011 return on assets is also low.

It is also noted that there is a decline in the rate of return on assets throughout the years of study, reaching a maximum value of 0.054 in 2017 This rate has taken a downward trend in recent years because of the decline in profits achieved by the bank in light of the increase in the size of assets because they cannot invest properly and this is evident By increasing the cash balance from 128,126 in 2011 to 229977 in 2012. This means that the liquidity is not properly invested.

Table 3: National Bank of Islam profitability indicators

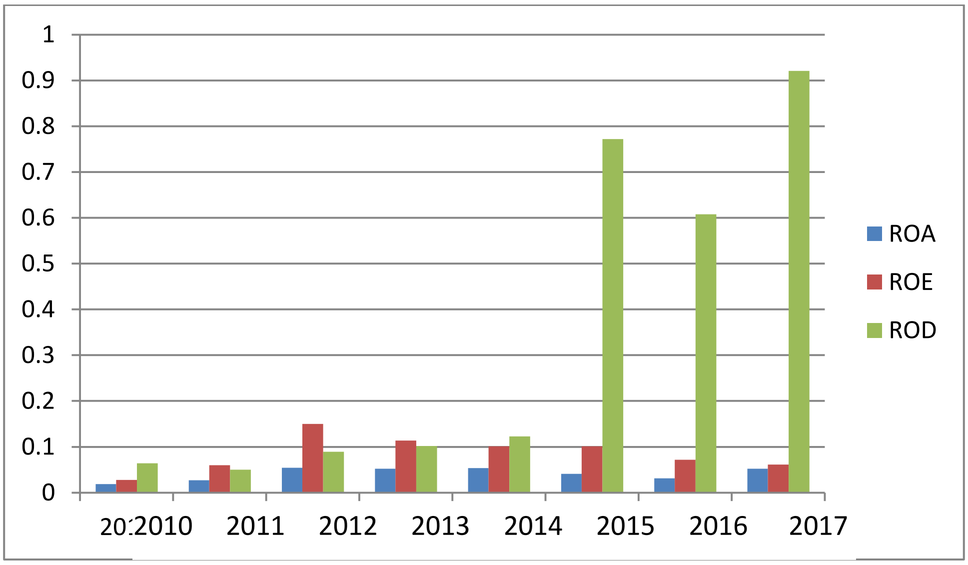
Profitability Indicators	Year							
	2010	2011	2012	2013	2014	2015	2016	2017
ROA	0.019	0.027	0.0544	0.0522	0.0534	0.0410	0.031	0.052
ROE	0.028	0.060	0.150	0.114	0.101	0.101	0.072	0.061
ROD	0.064	0.05	0.089	0.102	0.123	0.772	0.608	0.921

Table prepared by the researcher based on the data of the National Islamic Bank



	2010	2011	2012	2013	2014	2015	2016	2017
ROA	0.019	0.027	0.0544	0.0522	0.0534	0.041	0.031	0.052
ROE	0.028	0.06	0.15	0.114	0.101	0.101	0.072	0.061
ROD	0.064	0.05	0.089	0.102	0.123	0.772	0.608	0.921

Figure (3) National Islamic Bank profitability ratios from 2010 to 2017



Second: The relationship between the management of liquidity and profitability in the National Islamic Bank.

Most studies agree that good liquidity management is highly correlated with high profitability. These studies concluded that the bank's high liquidity has a positive impact on profitability, while other studies have confirmed that high liquidity may ruin the profitability of banks.

Perhaps the explanation of the first opinion that the existence of cash may stimulate individuals and increase their confidence in the deposit of their funds in the bank as well as that this liquidity may be invested in investment opportunity to achieve high profitability, the other opinion was based on the fact that this liquidity is a collection of funds. The relationship between liquidity and profitability is non-linear and there is no specific level of liquidity that can lead to profitability regardless of other factors. It is assumed that this relationship is logical for most Islamic banks, including the National Islamic Bank, and it is agreed that the stability of liquidity positively affects the creation of profits.

In this paragraph, we will examine the relationship between liquidity management and profitability at National Islamic Bank and in light of the data obtained from the Bank's data for the years 2010 to 2017. As follows:

1. Descriptive analysis.

Table (4) shows the descriptive statistical analysis, which includes the arithmetic mean, the standard deviation, the highest and the lowest value.

Table 4 : Descriptive Statistics

Variables	views)N(	Minimum	Maximum	Mean	Std. Deviation
QR	8	0.54	1.60	0.85	0.33
CR	8	0.46	1.12	0.70	0.22
CUR	8	0.45	2.94	1.180	0.86
ROA	8	0.01	0.05	0.041	0.01
ROE	8	0.02	0.15	0.08	0.03
ROD	8	0.05	0.92	0.34	0.36

Correlation

In addition to the previous quantitative analysis, correlation between liquidity and profitability management was examined, which is shown in Table (5) and below a significant level (0.05), which shows from the table above that all correlation between the two variables was negative and insignificant, The return on equity (ROA) and return on deposit (ROD) reached (-0.585, -0.556, -0.562), respectively.

The ratio of cash to CR was also insignificant and negative between them and profitability indicators. The values of this relationship were (-0.610, -0.476, -0.640). Finally, the correlation between the quick ratio and the profitability indices was also negative and insignificant and the correlation values reached (-0.597, -0.452, -0.552). This means rejecting all hypotheses.

Table (5): Matrix of correlation between liquidity management and profitability

Variables	QR	CR	CUR	ROA	ROE	ROD
QR	1	.934(**)	.937(**)	-.585	-.556	-.562
CR	.934(**)	1	.964(**)	-.610	-.476	-.640
CUR	.937(**)	.964(**)	1	-.597	-.452	-.552
ROA	-.585	-.610	-.597	1	.769(*)	.145
ROE	-.556	-.476	-.452	.769(*)	1	-.147
ROD	-.562	-.640	-.552	.145	-.147	1

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Therefore, the hypothesis of research is accepted, which states that there is no relationship between the liquidity of the National Islamic Bank and its profitability. This confirms the previous quantitative analysis, which indicates that there is no good management of liquidity in the National Islamic Bank where the cash flow is accumulated and not invested in lucrative areas. This may be due to the fact that the Islamic banks in Iraq are modern and have not acquired the necessary experience and are also very cautious with long term investments. Another important factor is the limited Islamic financial investment tools available to the Islamic banks in Iraq, Term loans of murabaha to avoid the risks of non-payment and the ability to meet obligations, which explains the high rates of liquidity during the years of study.

Chapter Three
Conclusions and recommendations

Conclusions

The most important conclusions reached by researchers are the following:

1. There is no significant relationship between the liquidity of the Islamic National Bank and its profitability, ie, the changes in its profits can not be explained based on its profitability.
2. The inability of the National Islamic Bank to operate its financial resources in optimal investments due to the security and political instability that the country suffers during the study period.
3. There is no specificity for the Islamic Bank in dealing with the Central Bank, although it does not deal with interest and therefore may be deprived of recourse to the Central Bank in case of need for liquidity.

Recommendations

1. Work on developing Islamic financial instruments and developing formulas that will lead to financing and investment so as to ensure profitable investments within the framework of Islamic law.
2. The Central Bank should find alternatives to lending to Islamic banks if they need liquidity and work to find their own controls that contribute to enhancing their role in achieving economic and social development.
3. The need for approval between deposits on the one hand and between financing and investment operations on the other hand. Liquidity should be balanced on the one hand and profitability achieved on the other by activating the management of assets and liabilities and adopting strategies that achieve reasonable profits for shareholders and depositors.

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