

The impact of pledge credits on the profitability of Islamic banks in Ira

¹Nadia Abbas Yusr Al-Busaisi, ²Mayih Shabeeb Al-Shammari

¹College of Administration and Economics, University of Kufa, nadiah.algseesat@student.uokufa.edu.iq

²College of Administration and Economics, University of Kufa, mayih.shabib@uokufa.edu.iq

Abstract

The banking sector, whether commercial or Islamic, engages in a variety of financial and banking operations with its. Stakeholders with the goal of achieving profitability through a variety of channels, one of which is pledge credit with both sides (documentary credits) to meet and facilitate foreign trade and (letters of guarantee) to facilitate and implement contracting works and good implementation of some other businesses. Because the majority of the banks were created after 2015, a purposeful selection of (6) institutions with data accessible for the examined time and are listed on the normal stock market was selected.

Keywords: pledge Credits, Letter of Credit, Letter of Guarantee Profitability, Islamic Banks.

Introduction

The banking sector is one of the important pillars on which the economy is based, as well as the aorta and the main engine, and it is one of the most supportive sectors for economic activity and plays an important role with the financial markets in financing the rest of the economic sectors. Various financial, economic and social as well as social, on the one hand, and between individuals and community institutions on the other hand. Banking services are the main form for dealing with the bank, and it is a way to attract new dealers and to maintain existing customers. One of the services provided by the bank is credit, and that Islamic banks, by their nature, provide two types of credit: cash (direct), pledge (indirect), and pledge credit is one of the banking services with great importance.

The importance of the research: The research dealt with an important and vital topic that has a major role in the banking sector, where the results of the research can be benefited from the research sample banks and knowledge of

their undertaking operations and the size of their contribution to generating profit for the bank. Financial and banking.

Research problem: The research problem lies in answering the following questions:

- 1- What are the procedures and requirements to open both types of pledge credits (documentary credit, letter of guarantee) and in their correct form that is in line with international and local norms?
- 2- What is the percentage of the contribution of pledge credit revenues in the profitability of Islamic banks?
- 3- Is there a relationship and impact between pledge credit revenues and the profitability of Islamic banks?

Research Objectives: The research aims to identify the following:

- 1- Studying the theoretical foundations of pledge credits and the profitability of Islamic banks.

2- Conducting a financial analysis of pledge credits and the profitability of Islamic banks during the period (2011-2020).

3- Measuring the impact of pledge credits (letter of guarantees, documentary credits) on the profitability of a sample of Islamic banks in Iraq for the studied period.

Research hypothesis: The research assumed the first main hypothesis, which states that there is a positive and moral relationship and impact between the revenues of documentary credits and letters of guarantee and the profitability of financial and banking operations for the banks of the research sample), which resulted in the following hypotheses: -

1- There is a direct and moral correlation and effect between the income of letters of guarantee (X1) and the profitability of banking operations (y).

2- There is a direct and moral correlation and impact between the income of documentary credits (X2) and the profitability of banking operations (y).

Research methodology: For the purpose of achieving the objectives of the research, the inductive approach was relied on to analyze the variables of Islamic banks, sometimes using the descriptive analysis method, and the standard analysis at other times, to know the impact of the variables of pledge credits on the profitability of the sample of Islamic banks studied in Iraq.

Research limits: temporal and spatial limits of research: -

1- Temporal limits: The research temporal limits extend for the period (2011-2020).

2- Spatial boundaries: included the spatial boundaries of the research (Iraqi Islamic Bank, Kurdistan Islamic Bank, Elaf Islamic Bank, Islamic Atta Bank, Islamic National Bank, Cihan Islamic Bank), which are located within the geographical borders of the Republic of Iraq.

Theoretical frameworks for pledge credits and the profitability of Islamic banks

First: Commitment Credits:

Commitment credits are one of the indirect credit facilities offered by banks to their customers, and through pledge credits (documentary credits and letters of guarantee). Considered a credit and guarantee tool, and represent a banking service performed by banks in turn as a mediator, the use of which has legal implications, as it links the customer (the buyer) and the beneficiary (the seller). In a manner acceptable to both parties, as each one of them fears that the other party will not be committed to implementing the agreement, and here the role of the banks becomes important. Any dispute between the two parties.

1- Documentary credits:

A documentary credit is an undertaking issued by the bank (the source of the credit), at the request of one of its clients (the client or the applicant for opening the credit). In favor of a third party (the beneficiary), under which the bank is obligated to pay a certain amount of money to the beneficiary or accept and pay withdrawals drawn from the beneficiary value of the credit, or authorizing. Another bank to pay or accept and pay the beneficiary's drawings against stipulated documents provided that these documents comply with the terms of the credit (1).

2- Letters of guarantee:

A letter of guarantee is defined as: - a final undertaking (without restriction or condition) issued by a bank, upon a request submitted by one of its clients, called the "commander" to pay a certain or assignable amount to a third person called the "beneficiary" as soon as he requested it, and that during a specific date clarified. In the same letter of guarantee, he can also extend this period with the approval of the bank and at the request of the same ordering customer, and the letter shall mention the purpose for which it was issued (2).

Second: the concept of profitability:

Financial institutions are primarily concerned with the amount of profits, where the amount of profit achieved is a measure of business efficiency, and this means the larger the size of the profits, the higher the efficiency. Therefore, it is possible to measure and analyze the profits of financial institutions by studying the profitability of their realized investments (3).

Profitability is in the form of retained earnings, and it is one of the main sources of capital generation. The sound banking system works on the shoulders of profitable banks that have sufficient capital. For this, it is known as a clear indicator to reveal the bank's competitive position in all banking markets and in the form of its management, and it allows the bank to provide cover against risks. Or short term problems.

Returns on pledge credits (documentary credits and letters of guarantee) and their impact on the profitability of Islamic banks:

Despite the importance of documentary credits as a basic payment tool in international trade operations and because of their important and vital role in increasing the profitability of Islamic banks through commissions, participation. speculation, etc., which Islamic banks charge as a result of completing international trade operations, but the return from them constitutes a percentage Very small returns from banking operations in Islamic banks, . Most Islamic banks prefer to deal in safe investment with a limited return (which contains few risks), as most of it is concentrated in regular banking services, as it is considered that entering into documentary credits operations is linked to high risks that may Lead to large losses and as a result not obtaining. The expected return from documentary credit operations, in addition, the weak solvency of Islamic banks makes them fall short of benefiting from documentary credit services, because they tend to retain liquidity, as well as the presence of some banks that monopolize the operations of documentary credits, as well as the reputation of banks The

Islamic world abroad. The lack of a good relationship linking it with the parties requesting documentary credit services, and this is what makes it legal A copy of the provision of documentary credit services, and as a result, the expected return will not be obtained (4).

It is worth mentioning the most important basic elements in reducing the commission and it may reach the final zero commission, which is the competition between Islamic banks as well as commercial banks. As they benefit from documentary credits primarily in providing liquidity to banks, especially when the duration of documentary credits is more than a year, as well as That is, documentary credits are greatly benefited from in providing foreign exchange to banks, which helps banks to pay their existing obligations in foreign currencies.

As for the returns of letters of guarantee in Islamic banks, as letters of guarantee are among the important banking services that Islamic banks provide to their clients, and they have a major role in the economic activity of the modern state. Such as documentary credits, but they differ from it in that they are of little risk due to the issuance of the letter of guarantee with full coverage by the client, i.e. 100%. Whether it was This is an actual deposit of the required amount with the bank or in return for a mortgage (mortgaging a property or the like), or the issuance of a partially covered letter of guarantee, and the Islamic bank's relationship with the applicant for the letter of guarantee is a guarantee relationship. economic and facilitate contractual investment procedures (5).

Letters of guarantee commissions constitute a high percentage of the revenues of banking operations in Islamic banks, due to the large number of issuance due to the security Achieved in them and the entry of the bank as (guarantee or guarantee). On the one hand, as well as the presence of insurances for letters of guarantee that help Islamic banks to provide liquidity and revive the banking system on the other hand.

Finally, we arrive at that the subject of the bank guarantee letter is one of the most important banking operations, as it is a financial tool that inspires confidence and security among customers. As well as contributes to the flow of commercial operations and generates a favorable environment for investment. It is also worth noting that the letter of guarantee has a positive impact on international trade by establishing laws And important legal rules for commercial exchange (6).

Display the results of the analysis of profitability of banks using models Panel Data

First: Time-Series Stability Test (Silence Test):

To demonstrate the stability of the time series, we will do the Unit Root Test for the search variables using the Eviews program. Determine the degree of integration.

It is worth noting that conducting a stability test in panel data is different from the method of conducting a stability test in time series or cross-sectional data separately, since the pooling expresses the merging of the two together. In addition, the method of conducting the stability test for the dependent variable is relatively different from the stability method. For the independent variables, and after testing the variables, we got the outputs shown as follows:

1- The stability of the dependent variable (the profitability of Islamic banks):

The stability of the dependent variable (the profitability of Islamic banks) was carried out using the Pesaran-CIPS method. And the variable was stable at the level with a cross section and a general trend, that is, it is free from unit root and does not contain a false regression, which means that the null hypothesis ($H_0: B=0$) that says there is a problem can be rejected. The unit root and

acceptance of the alternative hypothesis ($H_1: B \neq 0$), that is, the stability of this variable at its original level. Significance of the probability value (P-Value) of the statistic Pesaran-CIPS test, which was less than (0.1%), meaning that the series is free from a unit root, that is, it is static.

Table (1) *Stability of the dependent variable (Profitability of Islamic banks)*

Panel unit root tests with cross-sectional dependence: Pesaran - CIPS
Series: PROFIT
Date: 03/10/22 Time: 11:37
Sample: 2011 2020
Cross-sections: 6
Balanced observations: 9
Total observations: 54
Deterministics: Constant and trend

CIPS unit root test		
Null hypothesis: Unit root		
Test results:		
Statistic	t-stat	p-value
CIPS:	-13.04953	<0.01
Truncated CIPS:	-4.29013	<0.01
Critical values:		
Level	CIPS	Trunc. CIPS
1%	-3.88	-3.51
5%	-3.27	-3.10
10%	-2.98	-2.87

2 - Test for stability of the independent variable
Documentary credits: CREDIT

The test for the stability of the independent variable (credits) by Levin, Lin & Chut method refers to testing the unit root of the segments jointly (assuming common unit root process) and it was found to be stable as the probability value (Prob) is less than (0.1%). When conducting the unit root test for the sections individually (assumes individual unit root process), the stability test ADF - Fisher Chi-square indicates that it is stable at the level of 10%, while the stability test PP - Fisher Chi-square indicates. The sections individually are stable at the level of 1%, which means the possibility of rejecting the null hypothesis ($H_0: B=0$) which says that there is a unit root problem and accepting the alternative hypothesis ($H_1: B \neq 0$), that is, the stability of this variable at its original level and without a segment and a general trend.

Table (2) *Stability of the Independent Variable (Documentary Credit) Credit*

Panel unit root test: Summary				
Series: CREDIT				
Date: 03/01/22 Time: 11:19				
Sample: 2011 2020				
Exogenous variables: None				
User-specified lags: 1				
Newey-West automatic bandwidth selection and Bartlett kernel				
Balanced observations for each test				
			Cross-	
Method	Statistic	Prob.**	sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-2.70350	0.0034	6	48
Null: Unit root (assumes individual unit root process)				
ADF - Fisher Chi-square	19.6692	0.0736	6	48
PP - Fisher Chi-square	24.4237	0.0178	6	54
** Probabilities for Fisher tests are computed using an asymptotic Chi				
-square distribution. All other tests assume asymptotic normality.				

3 - Test the stability of the independent variable letters of guarantee SECURITY:

The stability test of the independent variable (Letters of Guarantee) by Levin, Lin & Chu method refers to the assumes common unit root process test, and it was found to be stable at a significant level (0.1%). When performing the unit root test of the sections individually (assumes individual unit root process), the stability test ADF - Fisher Chi-square indicates that it is stable at the level of 1%, while the

stability test PP - Fisher Chi-square indicates that the sections individually are stable at the level of 1% . Also, which means the possibility of rejecting the null hypothesis ($H_0: B=0$) which says that there is a unit root problem and accepting the alternative hypothesis ($H_1: B \neq 0$), that is, the stability of this variable at its original level and without a segment and a general trend.

Table (3) *Stability of the independent variable (Letters of Guarantee) Security*

Panel unit root test: Summary				
Series: SECURITY				
Date: 03/01/22 Time: 11:28				
Sample: 2011 2020				
Exogenous variables: None				
User-specified lags: 1				
Newey-West automatic bandwidth selection and Bartlett kernel				
Balanced observations for each test				
			Cross-	
Method	Statistic	Prob.**	sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-4.67511	0.0000	6	48

Null: Unit root (assumes individual unit root process)				
ADF - Fisher Chi-square	30.0837	0.0027	6	48
PP - Fisher Chi-square	30.7661	0.0021	6	54
** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.				

Second: Estimating and analyzing the impact of documentary credits and letters of guarantee on the profitability of Islamic banks using time series data:

The impact of documentary credits and letters of guarantee on the profitability of Islamic banks will be estimated from the time series

data for the period (2011-2020) and for the short period of time that prevents. The assessment of each bank separately, the data has been transferred to a quarterly for the quality of the estimate, and therefore we obtained six models. An estimate of the multiple regression of the sample of Islamic banks studied, as indicated in the following table (4):

Table (4) *Results of estimating the impact of documentary credits and letters of guarantee on the profitability of some Islamic banks in Iraq*

the bank	α Constant	b1 CREDIT	b2 SECURITY	R ² %	R ⁻² %	F	D.W
Iraqi Islamic Bank t	-6.12484	3.028725	2.784942	87	86	128.09	1.644
	-2.4283**	7.652945*	15.57320*				
Kurdistan Islamic Bank t	56.9723	0.588330	10.11156	10	5	2.067	In 0.181
	12.4053*	1.252743	0.666408				
Elaf Islamic Bank t	7.10246	-0.322938	1.180786	91.5	91	184.278	.2011
	11.415*	-0.842812	17.4062*				
Al Ataa Islamic Bank t	2.05421	-0.909114	3.366324	91.8	91	190.934	1.326
	1.12386	-2.0255**	18.59436*				
Islamic National Bank t	13.3534	2.498785	1.857441	82	81	80.709	1.181
	5.05289*	1.8792***	7.66207*				
Cihan Islamic Bank t	3.01487	-1.068189	22.91968	89	88	145.891	1.148
	1.45399	-1.306710	16.4665*				

Source: Prepared by the researcher based on the outputs of the estimation results of the (EViews 12) program.

* Significant at the 1% level.

** Significant at the 5% level.

*** Morale at 10% level.

in= there is a problem of autocorrelation.

1- Estimating the impact of documentary credits and letters of guarantee on the profitability of the Iraqi Islamic Bank for Investment and Development:

The results of the previous table indicate the measurement of the effect of documentary credits and letters of guarantee on the profitability of the Iraqi Islamic Bank. The significance of the fixed section appeared at the level of 5%, while the significance of documentary credits and letters of guarantee appeared at the level of 1%, that is, when the change of documentary credits and letters of guarantee by 1% . Leads to A change in the profitability of the mentioned bank by 3.03% and 2.78%, respectively, and that the size and direction of reference to the independent variables are consistent with the economic and banking logic in terms of their impact on the dependent variable. The profitability of the mentioned bank is due to the relatively large size of the parameter for both of them and their significant significance in the impact, which is confirmed by the fact that the adjusted multiple determination coefficient explains 86% of the change in the profitability of the . Iraqi Islamic Bank for Investment and Development due to documentary credits and letters of guarantee, while 14% of the change in the bank's profitability The aforementioned is due to other variables or other items of profit of the bank, or it may be due to random factors, and this indicates the importance of the independent variables in the The progress of the changes in the independent variable, and this is reinforced by the F-TEST test, as it is clear that the overall significance of the function is at the level of 1%, while the value of the Durbin-Watson test amounted to 1.644, meaning that it is located in the indecisive region, meaning that: $1.644 < 4 - dL$ 4-du, which indicates that the autocorrelation problem may not affect the results of the estimated model.

2- Estimating the impact of documentary credits and letters of guarantee on the profitability of the Kurdistan International Islamic Bank for Investment and Development:

From table (4), which refers to measuring the impact of documentary credits and letters of guarantee on the profitability of the Kurdistan International Islamic Bank for Investment and Development, the significance of the fixed section appeared at the level of 1%, while the significance of documentary credits and letters of guarantee did not appear at a statistically acceptable level. And that the adjusted multiple determination coefficient It explains only 5% of the change in the profitability of the Kurdistan International Islamic Bank is due to documentary credits and letters of guarantee. Which is a very low percentage, while 95% of the change in the profitability of the mentioned bank is due to other variables that were not included in the estimate or perhaps due to random factors. This indicates that the independent variables do not explain the changes in the independent variable, and the above reinforces the F-TEST test, which indicates the non-significance of the function as a whole at a statistically acceptable level, in addition to the Durbin-Watson test indicating the presence of the autocorrelation problem in the model. Accordingly, according to the foregoing results, which indicate the lack of significance of the parameters of the independent variables and their failure to explain the changes in the dependent variable, in addition to the significant weakness in the explanatory power. As well as the existence of a correlation problem. Subjective, all of this indicates that there is no reliance on the estimated model of the Kurdistan International Islamic Bank and is not reliable in analysis, conclusion and prediction. This may be due to the inaccuracy of the data due to tax evasion or for another unknown reason, although we relied on the data from its original official sources,

and therefore Reflected the lack of impact of these variables on the profitability of the mentioned bank for the possible reasons above.

3- Estimating the effect of documentary credits and letters of guarantee on the profitability of Elaf Islamic Bank for Investment and Finance:

The results in Table (4) indicate the measurement of the effect of documentary credits and letters of guarantee on the profitability of Elaf Islamic Bank for Investment and Finance. Documentary credits and letters of guarantee at a rate of 1% leads to a change in the profitability of the mentioned bank by -0.32% and 1.18%, respectively. In fact, the parameter of documentary credits is negative and contradicts the economic logic and is not originally significant, and therefore is not significant, while the parameter of letters of guarantee was positive and corresponds with The economic logic and the principles of banking work. Which indicates their effectiveness in the achieved profitability of the bank, and the multiple-adjusted determination coefficient explains 91% of the change in the profitability of Elaf Islamic Bank. For Investment and Finance is due to independent variables, while 9% of the change in the profitability of the mentioned bank is due to Other variables or other profit items of the bank or random factors, and this indicates the importance of the independent variables in explaining the changes in the independent variable. Especially the variable of letters of guarantee, and what reinforces that You have the F-TEST test, as it becomes clear that the overall significance of the function is at the level of 1%. As for the value of the Durbin-Watson Test, it reached 2011. That is, it is located in the non-deciding region, meaning that: $>1.201 <4-dL$ 4-du, which Indicates that the autocorrelation problem may not affect the quality of the estimate.

4- Estimating the impact of documentary credits and letters of guarantee on the profitability of Al Ataa Islamic Bank for Investment and Finance:

From Table (4), which reviews the results of measuring the impact of documentary credits

and letters of guarantee on the profitability of the Al-Ataa Islamic Bank for Investment and Finance, it indicates during the T-TEST test. The significance of the fixed section did not appear at a statistically acceptable level, while the morale of documentary credits was at the level of 5%. The guarantee was at a significant level of 1%, and when each of the documentary credits and letters of guarantee changed by 1%, it leads to a change in the profitability of the mentioned bank by -0.909, 3.366% respectively. The fact that the parameter of documentary credits is negative and contradicts the economic logic and the principles of banking work. while the parameter of letters of guarantee was positive and relatively large and corresponds to the economic logic and principles of banking work, which indicates its effectiveness in the achieved profitability of the bank, and the multi-adjusted determination coefficient explains 91% of the change. In the profitability of the Al-Ataa Islamic Bank for Investment and Finance is due to the independent variables, while That 9% of the change in the profitability of the mentioned bank is due to other variables or other items of profit of the bank. Random factors, and this indicates the importance of the independent variables in explaining the change This is reinforced by the F-TEST test, as it becomes clear that the overall significance of the function is at the level of 1%. As for the value of the Durbin-Watson Test, it reached 1.326, meaning that it is located in the non-decisive region, because it is:

$>1.326 <4-dL$ 4-du, which indicates that the autocorrelation problem may not affect the model estimation results.

5- Estimating the impact of documentary credits and letters of guarantee on the profitability of the National Islamic Bank for Investment and Finance:

Through Table (4), which reviews the results of measuring the impact of documentary credits and letters of guarantee on the profitability of the National Islamic Bank for Investment and Finance, the constant and letters of guarantee were significant at the level of 1%, while the documentary credits were at a significant level

of 10%, that is when the documentary credits and letters of guarantee changed By 1% leads to a change in the profitability of the mentioned bank by 2.5% and 1.85% respectively. It is worth noting that the percentage of the impact of documentary credits is more than that of letters of guarantee despite the relative decline in their morale, meaning. The bank focuses more in its banking dealings on the documentary credits that it provides. The bank refers to the customers and therefore because it is more than the other independent variable, and the multiple-adjusted coefficient of determination explains 81% of the change in the profitability of the National Islamic Bank. For Investment and Finance is due to the independent variables, while 19% of the change in the profitability of the mentioned bank is due to other variables or Other items of profit for the bank or for random factors, and this indicates the importance of the independent variables in explaining the changes T in the independent variable. And this is reinforced by the F-TEST test, as it is clear. The overall significance of the function is at the level of 1%, while the value of the Durbin-Watson stat test was 1.181, meaning. It is located in the non-critical region, meaning that: $>1.181 <4-dL$ 4-du, which indicates that the autocorrelation problem may not be influential on the results of the assessment.

6- Estimating the impact of documentary credits and letters of guarantee on the profitability of Cihan Islamic Bank for Investment and Finance:

It is evident from Table (4) the results of measuring the impact of documentary credits and letters of guarantee on the profitability of Cihan Islamic Bank for Investment and Finance. , that is, if the letters of guarantee change by 1%, it leads to a change in the profitability of Cihan Islamic Bank by 22.9%, and this indicates that the contribution of letters of guarantee was a very large percentage of the profitability of the pledge credits of the said bank, meaning. The bank focuses more in its banking dealings on Letters of guarantee provided by the bank to customers and therefore had a greater and more significant impact than the other independent variable, i.e.

there was no role for documentary credits in the profitability of pledge credits affecting the profitability of the bank as a whole. As for the modified multiple determination factor, it explains approximately 89% of the change in the profitability of a bank Cihan Islamic. Refers to the independent variables, especially the letters of guarantee, which had a significant effect at a high level, while 11% of the change in the profitability of the mentioned bank was due to other variables for It is not included in the estimation like other items of profit of the bank. For random factors that are not measurable, and this indicates the importance of the independent variable (letters of guarantee) in explaining the bulk of the changes in the dependent variable (the bank's profitability), and this is confirmed by the F-TEST test. The overall significance of the function is at the level of 1%. As for the value of the Durbin-Watson test, it was 1.148, meaning that it is located in the non-decisive region, meaning that:

$<1.148 <4-dL$ 4-du, which indicates that the estimated model is not significantly affected by the autocorrelation problem.

Conclusions:-

1- The results of estimating the impact of the variable of documentary credits and letters of guarantee using the Panel Data method on the dependent variable on the profitability of commercial banks indicated that the variable of letters of guarantee is more important in influencing profitability by four times the variable of documentary credits. Which indicated that a 1% change in the parameters of the two independent variables leads To a change of about 2.2% return to credits and 8.8% return to letters of guarantee, and this confirms what was stated in the financial analysis of the importance of commissions for letters of guarantee on the profitability of the sample banks. Note that this was confirmed by the coefficient of determination R^2 , which amounted to about 77% for the independent variables with its impact on the dependent

variable, as it was also proven Significance of the model by the calculated F-test value.

2- The fixed effects estimation (FEM) on the behavior of banks in influencing the dependent variable proved profitability, and it showed that Kurdistan Islamic Bank was in the first place in the positive impact on profitability, then Cihan Bank ranked second, and the impact of the banks was (Al-Watani Al-Islami – Elaf Al-Islami – Al-Ata' Al-Islami). The Iraqi Islamic) is negative and at levels less than the correct one.

3- The estimation of the fixed effects according to the time series data to show the effects of the years from 2011 to 2020. The results showed that the effect of the years 2011-2020 was negative, close and less than the correct one, and the year 2020 was characterized by a very weak negative effect, while the other years were with Positive effect for all sample banks.

Recommendations:-

1- The commissions (revenues) of pledge credits must be unified in accordance with the instructions of the Monetary Authority, leaving a small margin allowed for banks to create conscious and real competition between banks, and we noticed a large difference between one bank and another. And to work on increasing interest in the Pledge Credit Department in Iraqi Islamic banks because of its impact on the bank's activity.

2- Establishing an administrative unit specialized in auditing the opening and implementation of documentary credits, and it is managed by the Central Bank or by the Office of Financial Supervision for the purpose of following up and ensuring the safety and effectiveness of documentary credits and ensuring their proper implementation.

3- Providing support for documentary credits because of their importance, especially since our country, Iraq, is on the verge of a new and promising phase in the field. Foreign trade, and this field needs an infrastructure of networks and means of communication in order to ensure that Iraqi banks enter the banking and financial

competition circle among the banks of the world.

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