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The Impact Of Exchange Rate Fluctuations On Bank Deposits In Iraq For The Period 2009-2021

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Abstract:

The study aimed to identify the impact of exchange rate fluctuations on bank deposits. In order to achieve the objectives of the study, descriptive and quantitative analytical approaches were used in studying the phenomenon under study during the period (2009-2021), using the statistical program Eviews 10. To analyze the data using a simple regression method. The results during the crisis period showed a decline in the value of the Iraqi dinar, as the exchange rate exceeded the threshold of 17,301,980 against the US dollar in 2018, and the volume of deposits in banks increased from 33,658,889 billion in 2019 to 37,194,354 billion in 2020, in addition to an impact of the exchange rate on the volume of Iraqi bank deposits. A 100% appreciation of the exchange rate will lead to an increase in the total volume of bank deposits by 244.98%. Based on the results, the researcher suggested working to direct the monetary authorities to maintain exchange rate stability by activating the use of monetary policy tools

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(interest rates and bond issuance) to create a stable environment and conditions for performing banking work,in addition to the need for banks to pay attention to investing their surplus deposits and diversifying investment formulas.

1.1 **INTRODUCTION-** The issue of exchange rate fluctuations has raised widespread controversy in the economic community due to the effects it has on overall economic.**خطأ! كائن مضمن غير صحيح.** activities. This has prompted many researchers, governmental organizations and international organizations to continue studying the movements of exchange rates and their relationship to the movements of all macroeconomic variables, in order to try to mitigate the negative effects of price fluctuations. In order for banks to operate normally, they must be safe, and be viewed as such. Therefore, banks seek to achieve stability in the banking system. There have been many studies to evaluate the importance of various factors to explain financial stability, which helps determine the appropriate policy, such as analyzing deposit growth by studying interest rate differences and expectations. Exchange rates(Fung & McCauley 2001) conducted an autoregressive analysis of time series data for the Thai banking sector for the period (January 1991 - March 2001).. To assess the influence of banking and macroeconomic factors that are crucial to the behavior of deposits in the Albanian banking system, as well as the ways in which deposit behavior has evolved in response to decisions made about banking risk management, (Turhani & Hoda, 2016) employed the spss program to do basic and multiple linear regression analysis as well as descriptive statistical analysis. The investigation found that the decline in indications The amount of

deposits has been impacted by banking and macroeconomic performance; among the most significant variables affecting the total amount of deposits are interest rates on foreign currency deposits and the liquidity of the banking system. To investigate the effects of macroeconomic variables, (Tun 2019). The majority of research yielded inconsistent findings about the impact of interest rates and exchange rates on deposit levels, and consequently, on deposit habits in industrialized and developing nations. The impact of examining exchange rate variations on bank deposits was not discovered by the researcher. The influence of exchange rate variations on bank deposits in Iraqi banks, one of the growing economies in the Arab region, sets the current study apart from earlier research and fills a research gap..

1.2 STATEMENT OF THE PROBLEM- Iraq had several swings in the interest rate and exchange rate over the research period as a result of the financial and monetary policies implemented by succeeding administrations to address the nation's ongoing economic challenges. Movements impact all of the exchange rates because it is difficult to align the cash flows from assets with the cash flows required to pay liabilities. Interest rates on asset market prices and maintaining adequate liquidity will always have a significant impact on how well financial institutions perform and how the country's economy does. Given the importance of creating financing policies for liquidity and incentives that promote responsible deposit behavior, as well as determining the elements that contribute to banking crises.

1.3 SIGNIFICANCE OF RESEARCH

i. Studying the impact of fluctuations in the exchange rate of the dollar against the Iraqi dinar during the study period and its impact on bank deposits in general.

ii. "The exchange rate is considered one of the monetary policy tools used by various countries, including Iraq, to influence macroeconomic variables in general and bank deposits of various types in particular .

1.4 OBJECTIVES OF THE RESEARCH-The research seeks to achieve a number of goals, which can be included in the following points

i.Understanding all aspects of banks, in order to get to know them more, in terms of the services they provide to their customers, the investment of their money, and the influences that affect them, so that everyone becomes familiar with the work of these banks.

ii.Explaining the mechanism of operation of the foreign exchange market, including the principles and procedures of trading.

iii.Comparison between years of the impact of exchange rate fluctuations and currency market fluctuations on the volume of bank deposits.

1.5 HYPOTHESIS- Low levels of financial security that can occur due to exchange rate fluctuations and the lack of a deposit insurance system lead to an unstable banking environment that results in a low degree of depositors' confidence in Iraqi banks, and thus a decrease in the volume of deposits, resulting in a decrease. The volume of credit, which leads to a deterioration in the efficiency of the banking system and a lack of confidence in it.

2.Literature review

2-1. exchange rate fluctuations- The exchange rate is the tool that links the local currency to foreign currencies and is defined as the value Replacing the currency with another currency, that is, the local currency is converted into a foreign currency and vice versa (Miranda,2010) and also It is defined as the selling price of one country's currency at the price of another country's currency (Magdy,2007), meaning an exchange rate between two currencies. One of the two currencies is considered a commodity, and the currency of the other country is considered the price of this commodity. (pareshkumar,2014) defined The exchange rate is the number of monetary units of local currency that are exchanged for one unit of foreign currency. That is, it is the process of buying foreign currencies and selling them in exchange for the local currency. The exchange rate represents the exchange rate between the two currencies. In the event of an increase in demand for the local currency, an increase in the process of purchasing local financial assets in a country's currency, this leads to an increase in the value of the local currency. against foreign currencies. When the foreign exchange rate rises, the value of the local currency decreases, and vice versa, when the foreign exchange rate decreases, the value of the local currency rises against the value of foreign currencies. The increase in the value of the local currency (purchasing power) over the value of the foreign currency indicates (Kasman,2011). The types of exchange rate: Specialists have classified the exchange rate into several types, which represent the origin of the difference in the process of interpreting the exchange rate. There are three basic types in the exchange rate (i) Real exchange rates: - The real exchange rate prevailing on a specific date for the amount of foreign currencies

that can be obtained in exchange for one local unit.(Pilbeam,2010) (ii)The nominal exchange rate: The nominal exchange rate is referred to as the price of a foreign currency with a value represented by the local currency, which is the price declared by the government as the official price of its currency against other currencies .(iii)The effective exchange rate: -

2-2 bank deposits - A deposit is a contract concluded between two people: the first is the depositor and the second is the depository (the bank). The bank has the right to dispose of this money and undertakes to return it to the depositor at the specified time or upon request according to the contract concluded between them, in addition to interest at a pre-determined rate (Qarman,2010).. There are several types of deposits that the depositor obtains, and they differ from one country to another:(Rachmawati,2004) (i) Current deposits These are the most important bank deposits, and the depositor has the right to request their recovery at any time. The bank does not pay interest on these deposits, or pays very little, because the depositor plans to use the deposit as a settlement instrument and the bank must keep enough cash in its safe to cover the deposited amounts. The bank often gives the depositor a check book for this reason because it is obligated to pay the depositor via checks or bank transfer orders.(Ali,2009)(ii) Term deposits These are deposits that are agreed not to be returned except after a certain period, such as six months or a year. It is an agreement between the bank and the depositor, where a specific amount is deposited with the bank and it is not permissible for the bank to withdraw it before a specific date.

3. MATHOLOGY

3.1- Financial analysis for research - Statistical methods and approaches were used to clarify the impact of exchange rate fluctuations on bank deposits. The focus was on the dollar as it is the most widely used currency in the Iraqi financial market. The period 2009-2021 was chosen as it witnessed wide fluctuations in exchange rates. The data was collected based on the statistics published by the Central Bank of Iraq. The program (EVIEWS) was used to analyze the data and reach results. The following table shows data on the official exchange rate, current deposits with the banking system, and savings and fixed deposits with the banking system. The following table shows the official exchange rate, current deposits with the banking system, and fixed savings deposits with the banking system.

Table (1)official exchange rate ,current deposits and saving (2009-2021)

YEARS	Official exchange rate	Current deposits with the banking system	Savings and fixed deposits with the banking system
٢٠٠٩	1170	27,401,297	6,227,017
٢٠١٠	1170	27,401,297	6,841,076
٢٠١١	1170	34,186,568	7,638,930
٢٠١٢	1166	33,142,224	9,318,228
٢٠١٣	1166	33,232,317	9,471,936
٢٠١٤	1188	36,620,855	15,125,117
٢٠١٥	1190	30,580,169	14,646,221
٢٠١٦	1190	28,657,797	14,690,777
٢٠١٧	1190	30,209,418	14,727,743
٢٠١٨	1190	33,536,505	17,301,980
٢٠١٩	1190	33,658,889	16,407,899
٢٠٢٠	1202	37,194,354	16,309,028
٢٠٢١	1450	36,045,824	16,429,222

By reviewing the table above, it is clear that Iraq has gone through difficult economic conditions during the period of the research, and its beginning was the war against Al-Qaeda and the economic, political and social imbalances that followed in equal measure. After that, the political crises and the intense sectarian war as well

as the beginning of 2014 began the war on ISIS that exhausted it. The Iraqi economy: These challenges have had their effects reflected on the overall economic activities in the country, and as an inevitable result, these conditions have directly contributed to affecting the overall economic life.

In addition to the exposure of the Iraqi economy to a group of internal and external factors, the internal factors were the accumulated deficit in the state budget, and the increase in the amount of cash supplied due to the wrong economic policies at that time through the issuance of new cash, and the state's interference in economic life had a negative impact on the instability of the exchange rate from During the central decisions that contributed to distorting the price structure so that prices no longer represent the true values of the goods and services produced, as well as the decline and deterioration of the levels of domestic product and the decrease in the volume of imports. As for the external factors, they were represented by the economic sanctions that deprived Iraq of important resources in addition to depriving it of benefiting from its funds deposited in Iraq . Foreign banks by freezing those funds. From the table above, we notice that the exchange rate started at 1170 dinars per US dollar in 2009 due to the increase in travel and immigration outside Iraq due to the country's security conditions, which made the demand for the dollar increase. As for the years (2012, 2013), there was a slight increase in the value of the local currency, which It was reflected in the value of the dollar, as the growth rate became (0.01, 0.03), as the Central Bank was able to maintain the value of the dinar towards the dollar. While the exchange rate recorded an increase

in 2014 due to the unstable political situation, the continued deterioration of the security situation, and the ongoing military operations against terrorist groups that are present in a number of Iraqi provinces, the value of the currency rose, as the exchange rate reached (1188) dinars/dollar, with a negative annual growth rate (-0.01).) to enable the Central Bank to build strong foreign currency reserves at the end of 2014. While the year 2015 recorded an exchange rate of (1190) dinars/dollar with a growth rate of (0.07), the reason for this rise was oil prices. As for the years (2016, 2017, 2018, 2019) Stable due to the end of the ISIS war and a decrease in military operations. As for the year (2020), the exchange rate of the dinar rose against the dollar due to the stifling political crisis and the people's uprising against the government. It was also followed by the Corona pandemic, which led to a global crisis and affected the global economy, including the economy of Iraq. It can be said that the Iraqi exchange system was afflicted with many distortions due to the different official pluralism during the decade of the millennium, which led to the inability of the monetary policy at that time to develop a clearly defined strategy. Because the Central Bank of Iraq does not have financial and administrative independence from the Ministry of Finance.

3.2-Standard form for research-We will use the (Extended Dickey-Fluler) and (Philippe and Perron) tests, as they are among the most important methods used in processing data that contain a unit root.

First: Augmented Dickey-Fuller test (ADF)This test depends on (the formula of the model, the sample size, and the level of

significance), and there are three formulas for the model, which are

a.First formula: $\Delta Y_t = a+\lambda Y_{t-1}+\sum_{j=1}^{k} pj\Delta Y_{t-j}+e_t$…… (1)

That is, there is a fixed limit

H_0: $\lambda=0$ or p=1, a= 0

H_1: $\lambda<0$ or p<1, a≠ 0

a. Second formula: $\Delta Y_t = a+ Bt+ \lambda Y_{t-1}+ \sum_{j=1}^{k} pj\Delta Y_{t-j}+ e_t$…… (2)

That is, there is a fixed limit and a general trend, and the hypotheses to be tested are:

H_0: $\lambda=0$ or p=1, a=0, B=0

H_1: $\lambda<0$ or p<1, a≠0, B≠0

Where (Y) represents the series to be tested, (Δ) represents the first differences of the series, while ((et) represents the random error term.

a. Third formula: $\Delta Y_t = \lambda Y_{t-1} + \sum_{j=1}^{k} pj\Delta Y_{t-j}+ e_t$…… (3)

Second: Phillips and Perron test (PP)- This test is based on a more general assumption than the Extended Dickey-Fuller (ADF) test, which is that the time series is generated by the autoregressive integral mover (ARIMA), and addresses the problem of serial correlation with a non-parametric correction process. In this test, the estimated model equation is (in the presence of a fixed term and general direction:(

ΔYt = a+ Bt+ □Yt-1+ ∑_(j=1)^k 〖pjΔY_(t-j) 〗 + et…… (2)

By using the same steps as the expanded Dickey-Fuller (ADF) test, the (PP) test is performed, especially when the sample size is small, and when a conflict or inconsistency occurs between the results of both tests (ADF, PP), it is better to rely on the results of the (PP) test . For the purpose of determining the number of integration vectors, two statistical tests are used based on the Likelihood Ratio Test (LR), which are the trace test (λ_{trace}) and the Maximum eigenvalues test ($\lambda_{\max}$). The null hypothesis, which states that there is (r) a cointegration vector, is tested against the alternative hypothesis, which states that there is (r+1), a cointegration vect .After verifying the condition of integration in the time series of the standard model chosen from the same difference (the first difference), we reveal the long-run relationship using the Johansson cointegration test, according to the following:

First: Trace test: It is a test based on the assumption that there are a number of cointegration vectors against the general unrestricted model r=q and takes the following formula:

$$\lambda \text{ Trace } (r) = -T \sum_{i=r+1}^{P} \ln(1 - \widehat{\lambda_t})$$

So: T is the sample size

r: number of integration vectors

λ: is the smallest value of the eigenvectors

This test aims to examine the properties of the time series for each of the model variables over the time period of the observations, ascertain the extent of their stability, and determine the degree of

integration of each variable separately. This effect is based on two hypotheses:

Null hypothesis: H0:q=0

Alternative hypothesis: H1:q>0

We reject the null hypothesis in favor of the alternative hypothesis if the calculated Statistical value is greater than the Critical value at the significance level (5%).secondly. Maximum eigenvalue test: In the same way that was used in the impact test, the model hypotheses can be tested in the Engine test, as the null hypothesis is rejected in favor of the alternative hypothesis if the calculated (Statistic) values are greater than the critical value at the significance level (5%), and it is calculated according to the following equation:

$$\lambda \operatorname{Max}(r, r+1) = -T \operatorname{Ln} \sum_{i=r+1}^{P} \ln(1 - \widehat{\lambda_{t+1}})$$

1.Causation tests -:One of the great challenges faced by those working in the field of applied statistics is analyzing the huge amount of data that makes up time series and discovering the relationships that link them. With the rapid progress in experimental techniques, the task of developing methodologies that would analyze large data sets has emerged. Increasingly, relationships can be deduced from them in a mathematically reliable way, so building such models is to be able to reveal causal relationships (statistical or semantic) between data.

A- Granger causality -:In the past two decades, a number of trends have been developed to explain the nature of the

relationships between variables that do not go outside the scope of the statistical assumption, such as information theory and control theory, but there is another successful alternative approach that appeared during the fifties of the last century, which is causality. Granger Causality: Many researchers have proven the success of Granger causality in achieving better results compared to other traditional models.

After ensuring the stability of the residuals by conducting unit root tests such that the residuals are integrated of degree zero (0), which means that there is a cointegration between (X_t) and (Y_t), the (F) test is then conducted to test the statistical significance of the various parameters of equation (1). As well as conducting a test (F) to test the statistical significance of the different parameters of the independent variable (Y_t) in the presence of a different value for equation (2). According to the Granger concept, the null hypothesis is tested that (X_t) does not cause (Y_t) in equation (1) if :

$$H_0: \beta_1 = \beta_2 = \beta_3 = \cdots \beta_m = 0$$

In contrast to the alternative hypothesis (X_t) causes (Y_t) if:$H_0: \beta_1 = \beta_2 = \beta_3 = \cdots \beta_m > 0$

While the null hypothesis (Y_t) does not cause (X_t) in equation (2) is tested if it is : $H_0: a_1 = a_2 = a_3 = \cdots a_n = 0$

In contrast to the alternative hypothesis (Y_t) causes (X_t) if:$H_0: a_1 = a_2 = a_3 = \cdots a_n > 0.$

Continuity-:

Table 2 Null Hypothesis: D(OFER,2) has a unit root

	Null Hypothesis: D(OFER,2) has a unit root			
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, maxlag=9)				
Prob.*	t-Statistic			
0.0000	-6.721281	Augmented Dickey-Fuller test statistic		
	-3.584743		1% level	Test critical values:
	-2.928142		5% level	
	-2.602225		10% level	
	*MacKinnon (1996) one-sided p-values.			
	Augmented Dickey-Fuller Test Equation			
	Dependent Variable: D(OFER,3)			
	Method: Least Squares			
	Date: 09/11/23 Time: 23:46			
	Sample (adjusted): 2010Q1 2021Q1			
	Included observations: 45 after adjustments			
Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0000	-6.721281	0.152452	-1.024674	D(OFER(-1),2)
0.3028	1.042981	1.353594	1.411773	C
0.000000	Mean dependent var		0.512337	R-squared
12.69843	S.D. dependent var		0.500996	Adjusted R-squared
7.269119	Akaike info criterion		8.970196	S.E. of regression
7.349415	Schwarz criterion		3459.970	Sum squared resid
7.299052	Hannan-Quinn criter.		-161.5552	Log likelihood
2.001248	Durbin-Watson stat		45.17562	F-statistic
			0.000000	Prob(F-statistic)

Table3 Null Hypothesis: CUDB has a unit root

	Null Hypothesis: CUDB has a unit root			
Exogenous: Constant				
Lag Length: 1 (Automatic - based on SIC, maxlag=9)				
Prob.*	t-Statistic			
0.0367	-3.061168	Augmented Dickey-Fuller test statistic		
	-3.581152	1% level	Test critical values:	
	-2.926622	5% level		
	-2.601424	10% level		
	*MacKinnon (1996) one-sided p-values.			
	Augmented Dickey-Fuller Test Equation			
	Dependent Variable: D(CUDB)			
	Method: Least Squares			
	Date: 09/11/23 Time: 23:47			
	Sample (adjusted): 2009Q4 2021Q1			
	Included observations: 46 after adjustments			
Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0038	-3.061168	0.029668	-0.090820	CUDB(-1)
0.0000	7.373411	0.099145	0.731038	D(CUDB(-1))

0.0034	3.103099	970117.8	3010371.	C
187924.5	Mean dependent var		0.583348	R-squared
815198.8	S.D. dependent var		0.563969	Adjusted R-squared
29.29320	Akaike info criterion		538297.3	S.E. of regression
29.41246	Schwarz criterion		1.25E+13	Sum squared resid
29.33788	Hannan-Quinn criter.		-670.7437	Log likelihood
1.986089	Durbin-Watson stat		30.10183	F-statistic
			0.000000	Prob(F-statistic)

(Table 4)Null Hypothesis: D(SFDB,2) has a unit root

Null Hypothesis: D(SFDB,2) has a unit root				
Exogenous: Constant				
Lag Length: 3 (Automatic - based on SIC, maxlag=9)				
Prob.*	t-Statistic			
0.0000	-6.505245	Augmented Dickey-Fuller test statistic		
	-3.596616		1% level	Test critical values:
	-2.933158		5% level	
	-2.604867		10% level	
	*MacKinnon (1996) one-sided p-values.			
	Augmented Dickey-Fuller Test Equation			
		Dependent Variable: D(SFDB,3)		
		Method: Least Squares		
		Date: 09/11/23 Time: 23:49		
	Sample (adjusted): 2010Q4 2021Q1			
	Included observations: 42 after adjustments			
Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0000	-6.505245	0.252356	-1.641637	D(SFDB(-1),2)
0.0057	2.935246	0.218528	0.641434	D(SFDB(-1),3)
0.0009	3.594052	0.178430	0.641286	D(SFDB(-2),3)
0.0000	5.081060	0.126182	0.641139	D(SFDB(-3),3)
0.8847	-0.145998	46275.47	-6756.133	C
0.000000	Mean dependent var		0.705530	R-squared
524905.1	S.D. dependent var		0.673696	Adjusted R-squared
28.17124	Akaike info criterion		299841.9	S.E. of regression
28.37811	Schwarz criterion		3.33E+12	Sum squared resid
28.24707	Hannan-Quinn criter.		-586.5961	Log likelihood
2.000747	Durbin-Watson stat		22.16239	F-statistic
			0.000000	Prob(F-statistic)

From Table No. (2) above, we note that the independent variable (OFER), which represents the official exchange rate, stabilized at the second difference, with only a categorical presence and at the level of significance (1%) We also notice from Table No. (3) that the dependent variable (CUDB), which represents current deposits with the banking system, has

stabilized at the level with a categorical presence only and at the level of significance (1%.) Through Table No. (4), we notice that the dependent variable (SFDB), which represents savings deposits and fixed deposits with the banking system, has stabilized at the second difference as well, with a categorical presence only and at the level of significance (1%).

3:3 Statistical Testing :

Table (5) Regression for exchange rate and Current deposits

Model Summary[b]

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
						R Square Change	F Change	df1	df2	Sig. F Change	
dimension 0	1	.370[a]	.137	.058	3.23609E6	.137	1.744	1	11	.213	1.290

a. Predictors: (Constant), exchange rate

b. Dependent Variable: Current deposits

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.826E13	1	1.826E13	1.744	.213[a]
	Residual	1.152E14	11	1.047E13		
	Total	1.335E14	12			

a. Predictors: (Constant), exchange rate

b. Dependent Variable: Current deposits

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.276E7	1.494E7		.854	.411
	exchange rate	16379.174	12402.433	.370	1.321	.213

a. Dependent Variable: Current deposits

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.1854E7	3.6506E	3.2451E7	1.23372E6	13
Residual	-4.51836E6	4.75057E6	.00000	3.09832E6	13

Std. Predicted Value	-.484-	3.286	.000	1.000	13
Std. Residual	-1.396-	1.468	.000	.957	13
a. Dependent Variable: Current deposits					

Table (6) (Regression for exchange rate and Savings and fixed deposits

Model Summary[b]											
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
						R Square Change	F Change	df1	df2	Sig. F Change	
dimension0	1	.407[a]	.166	.090	3.92691E6	.166	2.184	1	11	.168	.400
a. Predictors: (Constant), exchange rate											
b. Dependent Variable: Savings and fixed											

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.367E13	1	3.367E13	2.184	.168[a]
	Residual	1.696E14	11	1.542E13		
	Total	2.033E14	12			
a. Predictors: (Constant), exchange rate						
b. Dependent Variable: Savings and fixed						

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.404E7	1.813E7		-.774-	.455
exchange rate	22239.802	15050.026	.407	1.478	.168
a. Dependent Variable: Savings and fixed					

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.1892E7	1.8208E7	1.2703E7	1.67515E6	13
Residual	-5.75375E6	4.87642E6	.00000	3.75973E6	13
Std. Predicted Value	-.484-	3.286	.000	1.000	13
Std. Residual	-1.465-	1.242	.000	.957	13
a. Dependent Variable: Savings and fixed					

It is evident from the statistics listed in the previous tables of the results of testing the statistical relationships between the study

variables that the correlation relationship that was measured through the calculated T test was weak, which amounted to (1.321) and (1.478) for the relationship between the exchange rate and current and fixed deposits, respectively, which is less than the value. The tabular relationship, which confirms the weakness of the correlation between the two variables, and the reason is likely due to the stability of the official exchange rate for long periods. As for the influential relationship, it was also weak, as it reached via the F test (1.744) and (2.184) for the relationship between the exchange rate and current and fixed deposits on respectively, while R^2, which is the explanatory factor, reached (13%) and (16%) respectively for the dependent variables, which means that 13% of the factors that occur on current deposits are explained by the fluctuation in the exchange rate, which is a low percentage explained by the results of the weak influential relationship. Between the two variables. The same matter is also due to the interpretation factor between the exchange rate and fixed and investment deposits, which means that 16% of the factors that affect them are due to exchange rate fluctuations.

4.conclusion

1.The results of the research that dealt with the relationship between exchange rate fluctuations and bank deposits vary between a supporter of the effect of exchange rate fluctuations on bank deposits, and an affirmation of the opposite direction of the effect, and an opinion that sees the absence of any relationship between the two variables.

2.The value of the Iraqi dinar decreased significantly during the crisis. The exchange rate of the Iraqi dinar against the US dollar witnessed significant fluctuations in 2016, which affected the

sectors of the national economy in general and the banking sector in particular, especially the size of deposits.

3.Exchange rate fluctuations have a positive and significant impact on deposit money banks' in Iraq .

4.There is no causality relationship between exchange rate fluctuations and deposit money banks' performance in Iraq

5.Financial deepening has a positive and insignificant impact on deposit money banks' performance in Iraq.

6.The Iraqi economy is very sensitive to changes occurring in the international economy, especially in the exchange rates of the dollar, through the characteristics that characterize this economy, as the commodity composition of exports consists of one or relatively limited goods, and It is usually denominated in dollars, so any change in the value The dollar reflects on the Iraqi economy through the commodity composition of foreign trade and its trends.

5.Suggestions

- Based on the results that the research reached in the practical aspect, and in line with the conclusions that were presented, the researcher presents a set of recommendations that would contribute to reaching and achieving the goal of the research, as these recommendations came as follows:

1.The need for banks to pay attention to spreading awareness or banking culture in order to contribute to the development of the economy through national campaigns to mobilize savings and also for the purpose of achieving the bank’s objectives. This is done through advertising, promotional and marketing to all segments of society in order to restore trust between the individual and the bank by providing individuals with information. sufficient

information about the nature of banking work, the services it provides, and the benefits it accrues to them.

2.The central bank must play a role in protecting deposits through the formation of a deposit insurance institution co-founded by banks and introducing it to the public to ensure increased confidence in the bank by potential and current customers.

3.The researcher recommends to the responsible authorities and decision-makers to disengage government banks from the Ministry of Finance from an administrative standpoint in order to give the Board of Directors ample space to make quick and appropriate decisions.

4.Government sector deposits should not be limited to government banks only, but rather a portion of them should be deposited with private banks in order to support them and for the purpose of creating a kind of competition between banks: because competition is considered the ideal solution in improving the quality of banking service and lowering its costs.

5.Banks innovate new banking services and various methods to attract individuals to deal with them, and they must not operate under the fear of legal issues and potential losses, which push many administrators away from assuming positions.

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