



## Determinants of Financial Structure and their Impact on Banking Performance (An Analytical Study of Iraqi Private Banks)

**Dr. Ahmed Risian Albahadly**

Lecturer, University of Basrah – College of Administration and Economics, Iraq  
[ahmed.risian@uobasrah.edu.iq](mailto:ahmed.risian@uobasrah.edu.iq)

**Husam A. Ali Al-Hashemi**

Lecturer, University of Basrah – College of Administration and Economics, Iraq  
[husam.ali@uobasrah.edu.iq](mailto:husam.ali@uobasrah.edu.iq)

### ABSTRACT

**Purpose:** The study aims to understand Iraqi commercial banks' behavior toward their financial structures and evaluate their performance using the standard equation method and the Panel Data method.

**Theoretical framework:** An increase in financial leverage leads to an increase in the required rate of return on equity due to the high risk faced by shareholders, is concluded in a theory of corporate finance. There are internal and external determinants that affect the financial structure of a bank and their performance as well. External determinants include taxation policy, inflation rates, and the situation of financial markets while internal determinants include bank size, asset structure and growth rate. However, Iraqi banking sector witnessed major changes due to the openness and reconsidering the existing regulations and laws and dealing with the data of globalization era.

**Design/methodology/approach:** The approach of this research is to find the banking performance of Iraqi banks by incorporating the size of bank, the structure of bank's assets and growth of banks as determinants and return on assets (ROA) is taken as an indicator of banking performance. Multiple regression was applied using the Panel Data method to test the ability of the independent variables in explaining and understanding the dependent

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variable. The study, which was applied on 13 Iraqi commercial banks registered in the Iraq Stock Exchange during the period 2007-2021.

**Findings:** The results of the study shows that the size of the bank, the structure of the bank's assets, and the bank's growth are the determinants that have a significant impact on the banking performance represented by the return on assets (ROA). The major impact on the banking performance is the structure of the assets of the Iraqi banks because they keep their money within these assets, which affects the banking performance. The standard equation proved that the other effect is the growth rate of the banks. Finally, the size of the bank is shown to have the least impact on the evaluation of banking performance.

**Research, Practical & Social implications:** The contribution of this research study demonstrated that using ROA (return on assets) could become helpful in analyzing effectively significant impact of size, structure and growth of banks. Balanced financial structure works more accurately by providing proper support to the managerial level.

**Originality/value:** To date, and to the best of the knowledge of researchers, most of the previous research studies have focused the impact of capital structure towards performances of banking sector in Iraq, but this study investigates the determinants of financial structure and their impact on banks' performance in Iraq.

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## 1. Introduction

### 1.1. Background

One of the most crucial decisions made by financial managers in the current era is the financial structure decision. This decision serves as the corner stone of many others in the field of corporate finance. One of the company's financial manager's objectives is to assure a low cost of capital, hence enhancing shareholder wealth. Therefore, the financial structure is considered one of the effective tools of financial management for the purpose of managing the cost of capital. Modigliani and Miller (1958) demonstrated in their article entitled "The cost of capital, corporation finance and the theory of investment" that the choice between debt and equity financing as well as the value of the firm is unrelated to the structure of financing, and they assumed that capital markets are ideal.

The determinants of the financial structure in financial institutions differ from non-financial institutions because of the particular problems of these institutions, as banks are the largest part of the financial institutions in Iraq. The Iraqi banking sector witnessed major changes due to the openness and reconsidering the existing regulations and laws, and enacting legislation as basic requirements for reforming the infrastructure and making it capable of dealing with the data of the globalization era. Therefore, local banks need to improve their performance and the outcomes of their operations in order to be able to stabilize and grow (Lawal, 2014).

It has become necessary to evaluate the performance of the banking industry to identify strengths and

weaknesses and try to strengthen them so that the banking sector can continue with its activity and achieve the best returns. Developing the banking sector and achieving good levels of performance efficiency is a top priority for maintaining economic growth in developing countries (Tharwah, 2019).

According to Petria et al., financial structure affects both profitability and corporate risk. As a result, many authors and academics have conducted many studies to find out the impact of the determinants on the financial structure in different sectors of companies; however, little attention is given to the financial services sector, which lacks a lot of literature (Petria et al, 2015). Banking performance is considered as the tool that evaluates the work of banks as well as their determinants for positive and negative effects. Some consider the evaluation of banking performance as the return on assets (ROA) and the return on equity (ROE), and others consider that the net interest margin (NIM) has a significant impact on performance evaluation, and they have all succeeded in classifying the indicators that affect performance evaluation and diagnosing the determinants of the financial structure (Uralov, 2020).

## 1.2. Objectives of the study

Reason that lead towards finding the performance of private banks of Iraq due to the impact of financial determinants is that the literature in this particular field shows limited studies and considerable attention has been required in the context of banking sectors in Iraq. In order to find out the potential problems towards the banking industry of Iraq, and their attitude towards their financial structure are the main cause of tis investigation.

Most of the research studies have focused the impact of capital structure towards performances of banking sector in Iraq but none of the study investigates the determinants of financial structure and their impact on banks' performance in Iraq. As capital structure includes the combination of long term sources of funds while financial structure incorporates both long term and short term sources of funds. Therefore, the objectives of this study includes:

- To examine the effect between size of the bank and the return on assets.
- To examine the effect between assets structure of the banks and the return on assets.
- To examine the effect between the growth rate of the banks and the return on assets.

## 2. Literature review

Since then, Modigliani and Miller's article put the basics of the theoretical framework to explain decisions in the structure of corporate finance. Modern theories of corporate finance have been trying to find and improve explanations for investor behavior. Modigliani & Miller (1963) modified their theory by incorporating the tax element, that is, under certain circumstances, debt financing may be preferred over equity financing due to tax savings, resulting in an increase in the market value of companies. As a result, there is a surplus that may be invested to earn a return. Likewise, whether there are taxes or not, this theory concluded that an increase in financial leverage leads to an increase in the required rate of return on equity due to the high risk faced by shareholders as a result of debt, and so the cost of equity increases with the increase in financial leverage.

In his study in (1977), Miller showed that the company can generate higher income by increasing financial leverage; however, this additional income will make the company bear larger payments to shareholders and debt holders, and it does not necessarily increase its value accordingly, and this, in turn, would reduce or eliminate the preference for debt financing. According to the Trade-Off theory, there is an optimal capital structure by reconsidering the optimal debt ratios, the exchange between the

costs and benefits of borrowed financing, and its impact on the investment plans of companies, considering the exchange theory as a theory of balance between the tax savings of debt, the costs of bankruptcy, and the costs of agencies (Modiglian & Miller, 1958, 1963,1088) (Kraus & Litzenberger, 1973) (Jensen & Meckling, 1976) (Miller, 1977) (Bradley & Kim, 1984) (Jensen, 1986) (Kim, 1986) (Diamond, 1989) (Stulz, 1990) (Chang, 1999) (Giner & Riverte, 2001).

Although the Trade-Off Theory dominated the field of corporate capital for a long time until it was replaced by the Pecking-Order Theory as a theory of comparison between internal and external financing sources due to the presence of an information gap between the company and potential lenders. The costs related to the lending process differ from one lender to another and the source of financing that is exposed to significant risks due to different information will require a large return of funds to compensate these risks. Companies prefer financing with retained earnings first, then debt, and finally equity financing (Senaratne ,1998 )(Ang & Juny, 1993) (Myers,1984) (Donaldson,1961). The study regarding determinants of capital structure was initially directed at companies in developed countries, specifically in the United States.

Titman and Wessels (1988) investigated the theoretical determinants of capital structure attributed to asset structure, non-debt tax shields, growth, individuality, and industry. Rating, company size, earnings volatility and profitability were tested for how they affect a company's choice of debt-equity mix.

Some studies attempted to conduct tests on banks using the determinants of the financial structure in banks. Amidu's study on the determinants of the financial structure of Ghanaian banks is one of these studies. The results of the study showed that the determinants consisting of profitability, tax rate, growth, asset structure and bank size have an affect on the banks financing or the decision of the financial structure. The study indicated that 87% of banks' assets are financed through debts, especially short-term debts, as they constitute more than three quarters of the banks' capital (Amidu, 2007). Brown's study considered the determinants to have a major role in determining the level of the financial structure through the effects of asset risks on the banking financial structure, which has a significant impact on determining the annual profits of banks (Brown, 2010).

The study of Aremu et al was conducted in Nigeria for the purpose of knowing the determinants of the financial structure in the banking sector by knowing the relationship between leverage rates, size, dividend payments, profitability, asset structure, growth and tax rates. The study indicated that most of the relevant factors in motivating the choice of financial structure in the Nigerian banking industry were between 2006-2010 (Aremu et al., 2013).

Hafiz et al. (2014) conducted a study on the determinants of financial structure in the banking sector. The results, using the determinants and financial leverage, revealed that there is an unclear negative relationship between financial leverage and return on equity, due to the determinants of bank size and profitability that affect the decision of the debt-to-equity mix (Hafiz et al., 2014).

In his study, Ebenzer conducted an analysis on the determinants of the financial structure of banks in Africa. Through the study, it was found that the return on assets, the size of the bank, the rate of inflation, the structure of assets and the rate of growth have an impact on determining the financial structure of banks in Africa (Ebenzer, 2015).

Ibrahim (2019) investigated the impact of capital structure on the performance of few private banks in Iraq. The data has been collected from six banks of Iraq over the period of 2005 to 2015 and then calculation would be performed. Size of bank, asset growth and total debt to capital are taken as independent variable while asset return and equity return are considered as dependent variable.

Application of panel least square technique is used. Results shows that independent variables have insignificant impact on assets return while equity return has been positively impacted by the total debt to capital.

Jadah et al. (2021) investigated the determinants of capital structure through dynamic panel data analysis of Iraqi banks. It is also examined in this study that whether theory of capital structure has been followed in Iraq or not, because this theory is applicable in western economies. The data has been taken from 18 banks of Iraq from the time period of 2005 to 2019. General models for panel data has been used in this study. Financial leverage is taken as dependent variable while bank specific which includes size of bank, profitability of bank, and growth of bank, tangibility and age of bank all are taken as independent variables. The results of this study shows that size, profitability and age of bank have a great impact on long term debt ratios in case of Iraqi banks while the variation in short term ratios of debt is mostly influenced by size, profitability, growth and age of banks.

## 2.1. Determinants of Banks Capital Structures

The financial structure of any company is determined by many internal and external determinants. The general variables of the economy of any country, such as taxation policy, inflation rates, and the situation of financial markets, are among the external determinants that affect the financial structure. There are also internal or partial determinants that have an impact on the financial structure, such as:

### 2.1.1. Bank Size

The size of the company is a crucial determinant that has an influential role in determining the financial structure. There are several reasons for the relationship between the financial structure and the size of the company, where financing small companies is higher compared to large companies, due to the unidentical of information in small companies, especially the information needed by lenders and suppliers. In this case, small companies will face great difficulties in loans from finance, as well as hindering external financing (Smith & Warner, 1979). The bankruptcy costs showed the positive relationship between the capital structure and the size of the company, as large companies are more diverse (Remmers et al., 1974).

However, it can be seen that the most diversified companies are characterized by their easy access to the capital markets as well as borrowing money at appropriate interest rates (Pinches & Mingo, 1973). The abundance of large companies leads to a decrease in fixed costs, as the cost per unit is lower, which encourages them to increase the debt ratio and, thus, be less prone to bankruptcy (Titman & Wessels, 1988).

The researcher believes that the field of commercial banks among depositors and lenders prefer to deal with large and well-established banks in the banking sector and consider them a kind of guarantee for their money in commercial banks. Therefore, the first hypothesis can be formulated as follows:

H01: There is no statistically significant effect between the size of the bank and the return on assets.

H11: There is a statistically significant effect between the size of the bank and the return on assets.

### 2.1.2. Assets Structure

The assets structure of the company plays a vital role in determining its financial structure, because the increase in the value of the company's tangible assets gives positive signs of the increase in the value of its assets at liquidation prices (Harris & Raviv, 1991). There is a positive relationship between reliance on debt and the assets structure, that is, the more the assets of the company that can be offered as a

mortgage, the greater the possibility of the company to rely more on debt to finance their activities (Myers, 1977).

As a result, companies that have large investments in their tangible assets have a higher debt ratio than companies that do not use tangible assets (Bradley et al, 1984). (Scott, 1977) (Myers, 1977) (Weiss, 1981) (Williamson, 1988) (Harris & Raviv, 1990) (Storey, 1994) (Berger & Udell, 1998) (Joseph, 1999) have found that companies that has a high level of tangible assets borrows money at a lower interest rate, and the reason is that the borrowed money is at the value of the company's tangible assets, and therefore the debt is used more easily.

Companies with fixed assets can issue equity in the presence of buildings and machinery, making debt financing an option. Therefore, the second hypothesis can be formulated as follows:

H02: There is no statistically significant effect between assets structure of the banks and the return on assets.

H12: There is a statistically significant effect between assets structure of the banks and the return on assets.

### 2.1.3. Growth Rate

The company is in a state of growth, so it is likely seeking to raise internal funds and looking for borrowing. Thus, companies with high growth will tend to have high ratios of debt, especially when companies are characterized by a high percentage of ownership with a high growth rate, so they require more external financing (Hall et al, 2004) (Heshmati, 2001). Jensen & Meckling noticed that the expected relationship between companies' financial structure and growth opportunities is not clear. Companies that have high growth are expected to have less debt, and the reason for this is that in the event of growth opportunities, the company replaces the assets on which it relies in granting of loans (Jensen & Meckling, 1976) (Michael & William, 2019).

On the other hand, it is found that information asymmetry is associated with growth opportunities and affects the financial structure. Companies with higher growth opportunities face asymmetry in information, so they are expected to have a higher level of debt comparing to ownership. Accordingly, a positive effect is expected between the growth rate associated with information asymmetry and the debt ratio that the company prefers to issue equity in the event of information asymmetry (Chaplinsky & Niehaus, 1990) (Sinha, 1992). Some studies confirmed that the relationship between financial leverage and growth rate is an inverse relationship due to tax savings achieved by debt interest, which is less important for fast-growing companies due to the profits they achieve (Michalas et al, 1999).

The researcher believes that the diversity of the financial resources of banks, particularly the diversity of investments, gives growth in the financial resources of banks, and accordingly, the third hypothesis can be formulated as follows:

H03: There is no statistically significant effect between the growth rate of the bank and the return on assets.

H13: There is a statistically significant effect between the growth rate of the bank and the return on assets.

### 3. Material and Methodology

#### 3.1. Statistical Technique

In order to test the hypotheses of the study, multiple regression was applied using the Panel Data method to test the ability of the independent variables in explaining and understanding the dependent variable. This method is commonly used in the field of financial management, where it combines two methods: Cross-Section and Cross-Section Chi-Square. Thus, the same variable is measured for more than one period of time using the Panel Data method through the use of the statistical program Eviews, through which the researcher can make the selection process.

There are three types of regression models: Pooled Model, Fixed Model, and Random Model. For the purpose of testing among the three models, the Husman application was used, and to test the stability of the data, the Dickey-Fuller method and the Phillips-Perron method were used.

We will formulate a standard model to test the determinants of the financial structure and its impact on the performance of the commercial banks listed in the Iraq Stock Exchange through the independent variables AT, BS, BG, while the dependent variable represents the measurement of banking performance using the ROM tool as follows:

$$Y_1 = \beta_0 + \beta_1 AT + \beta_2 BS + \beta_3 BG + \epsilon_i$$

Where

$Y_1$  represents the measurement of banking performance by ROA

$\beta_0$  represents stator

$\beta_3, \beta_2, \beta_1$  represent regression coefficient

AT represents Bank asset structure

BS represents bank size

BG represents bank growth rate

##### 3.1.1. Stability Tests

The validity of the data was verified through time series testing using unit root tests to test the stability of the time series stationarity before starting with the data analysis, estimating the study model, and testing the hypotheses. According to Table (1), the absolute value of the parametric Augmented Dickey - Fuller Test (ADF test) and the non-parametric Phillips-Perron test (PP test) is less than the tabulated value at 5%, and this means rejecting the null hypothesis and accepting the alternative hypothesis, that is, the data of the time series (2007-2021) is stable.

The data of the study represented by return on assets (ROA), asset structure (AT), growth rate (BG), and bank size (BS) were tested. The results demonstrated the stability of series in the three cases: Constant and Trend, Constant, No Constant for the variables return on assets and growth rate. The table also indicates stability when taking the first difference for the variables asset structure (AT) and bank size (BS) for the three cases.

Table (1): The results of the stability test (ADF Test &amp; PP Test) for the Panel data

Variable	Deference	Test	Constant & Trend		Constant		No Constant	
			Test Value	Probability Value	Test Value	Probability Value	Test Value	Probability Value
ROA	I(0)	ADF	69.221	0.000	45.095	0.012	61.667	0.000
		pp	95.598	0.000	86.586	0.000	100.844	0.000
AT	I(0)	ADF	34.623	0.120				
		Pp	53.811	0.001	47.045	0.007	25.004	0.519
	I(1)	ADF	75.881	0.000	96.840	0.000	144.665	0.000
		pp	114.454	0.000	147.657	0.000	178.284	0.000
BG	I(0)	ADF	45.454	0.011	55.579	0.001	81.139	0.000
		pp	58.413	0.000	55.083	0.001	72.657	0.000
BS	I(0)	ADF	34.312	0.127	41.609	0.027	21.947	0.692
		pp	26.718	0.424	74.061	0.000	21.982	0.690
	I(1)	ADF	65.790	0.000	79.747	0.000	117.263	0.000
		Pp	80.879	0.000	97.306	0.000	158.185	0.000

### 3.1.2. Estimating the Study Models

The study data included panel data, so there are three possible models for describing this data. These models are the pooled model, the fixed model, and the random model. The three potential models were estimated in order to compare them and extract the most appropriate model by adopting statistical tests.

Table (2) shows the results of estimating the parameters of the models. The estimated value of the parameters of the three models, the test value, the significant value and the coefficient of determination of the three models are appeared. Determine the most appropriate model for describing the data is done by conducting statistical tests to find out the most appropriate model, as the Cross-section F & Cross-Section Chi-square test must first be conducted to test the comparison between the pooled model and the fixed model. If it appears that the pooled model is the best model, it is chosen.

However, if the opposite appears, a comparison is made between the fixed model of regression and the random model of regression by adopting the Husman test by conducting a comparison between the two pooled and fixed models.

Table (3) showed the results of the comparison test between the pooled model and the fixed model, as the null hypothesis is tested, which indicates that the pooled model is the appropriate one, against the null hypothesis, which indicates that the fixed model is the appropriate one. From the results in the table, since the value of prob is less than the level of significance (0.05), the hypothesis which indicates that the pooled model is the appropriate model for the data is rejected. In this case, a comparison test will be made between the fixed model and the random model, and then a comparison is made between the fixed and random models using the Hausman test. Here, the null hypothesis will be that the random model is the appropriate one for the data, while the alternative hypothesis states that the random model is the appropriate one for data analysis.

Table (4) shows the results of the Hausman test for choosing the appropriate models for analyzing panel data, as a comparison will be made between the fixed model and the random model. In this case, the null hypothesis states that the random model is the appropriate one for data analysis, while the alternative hypothesis states that the fixed model is the appropriate one for data analysis. According to the results in the table, where the value of prob is less than the level of significance 0.05, the null hypothesis is rejected and the alternative is accepted; that is, the fixed effects regression model is the appropriate model for data analysis.



Table (2): The results of estimating models parameters

	Parameter	Coefficient	t-Statistic	Prob.	Adjusted R-squared	F-statistic	Prob.
Pooled Model	$\beta_0$	0.178	2.614	0.010	0.003	1.17	0.320
	$\beta_1$	0.950	1.712	0.089			
	$\beta_2$	0.000	0.536	0.593			
	$\beta_3$	0.083	0.892	0.373			
Fixed Model	$\beta_0$	0.174	2.930	0.004	0.65	5.130	0.000
	$\beta_1$	1.191	2.477	0.014			
	$\beta_2$	0.000	0.045	0.964			
	$\beta_3$	0.064	0.782	0.436			
Random Model	$\beta_0$	0.174	1.589	0.114	0.014	1.838	0.141
	$\beta_1$	1.124	2.341	0.020			
	$\beta_2$	0.000	0.231	0.817			
	$\beta_3$	0.070	0.855	0.394			

Table (3): Comparison test between pooled model and fixed model for the study sample

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.019	-12163.000	0.000
Cross-section Chi-square	65.655	12.000	0.000

Table (4): Hausman test results for the model

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.5296	4	0.009

#### 4. Results and Discussion

After conducting the Hausman test, the P-value for the two indicators was less than 0.05, which means that the appropriate estimation method is the fixed model after estimating the effect of financial structure determinants on banking performance. The results are shown in Table (5).

Table (5): The results of estimating the data according to the fixed model

	Parameter	Coefficient	t-Statistic	Prob.	Adjusted R-squared	F-statistic	Prob.
Fixed Model	$\beta_0$	0.174	2.930	0.004	0.65	5.130	0.000
	$\beta_1$ AT	1.191	-2.477	0.014			
	$\beta_2$ BS	0.020	-0.045	0.964			
	$\beta_3$ BG	0.064	-0.782	0.436			

According to the values of the model's estimated parameters, the results of the estimation between the performance of banks using the ROA measurement tool and the size of the bank BS indicated that the null hypothesis was rejected and the alternative hypothesis was accepted, which states that there is a statistically significant effect between the size of the bank and the return on assets by 0.020. This indicates that there is an effect of evaluating the performance and size of the bank which seems to agree with the result of Berryman's (1982) study.

The result showed that the larger the size of the bank, the greater its ability to attract the money of others. One of the reasons for this relationship may be the ability of large banks to diversify the management of their investments, which makes them less vulnerable to fluctuation in revenues, and thus, has the ability to manage larger levels of deposits and debts, because lenders and depositors are usually willing to deal with large banks on the basis that they are exposed to less risk compared to banks of small size, which face the problem of discrepancies in information with depositors; therefore, these banks get a lower level of money than others.

The relationship between ROA and AT was 1,191, whereby the assets owned by the company are considered as collateral that can be presented to lenders and have the motive to be highly dependent on borrowed funds. This means that there is a relationship between the infrastructure of assets and the capacity of debt. When the ratio of fixed assets to total assets is high, this means that the operating leverage, i.e. the ratio of fixed assets to total assets, is high because of the size of the depreciation cost of fixed assets. This indicates that the company is characterized by a high degree of operating leverage, and that its profits are highly sensitive to any small change in sales.

Here, borrowing is a factor for increasing volatility and instability in the profits available to shareholders. Hence, it is clear that there is a difference between companies and banks, and this result can be explained on the basis that banks have more fixed assets within their total assets, and these banks are considered in a stronger position because they depend more on debt. Therefore, these fixed assets guarantee the return of the money of depositors and lenders.

The results of the relationship between ROA and BG were 0.064, and this relationship can be explained on the basis that banks have opportunities for growth by expanding their financial resources depending on internal or external financing. Since the dependence of banks on depositors and the investment of these funds in the portfolio of loans and advances in a large way for the purposes of obtaining growth by the amount of the annual profit achieved on the one hand, and what they distribute from those profits to shareholders on the other hand, or, in other words, on what is known as the profit retention ratio, hence the higher the value of the annual profit achieved, and with it the percentage of retention, the accumulation of retained profits also rises, and thus the growth rate is high for the bank, and vice versa.

This, in turn, is reflected in the financing policy of the bank's management. The researcher believes that benefiting from the tax savings for debts is supposed to be within certain limits in order to avoid or mitigate the risks of bankruptcy or stop payment due to the increase in borrowed funds at the expense of owned funds; however, commercial banks have to do that because they were established by relying on the funds of others to finance their activities.

## 5. Conclusion and policy recommendation

The results demonstrated that by using the standard equation for analyzing the financial statements of Iraqi banks for the period 2007-2021, there is an impact of each of the bank's size, the structure of the bank's assets and the growth rate on the banking performance using ROA.

The study concluded that the selected explanatory variables could be used in interpreting the behavior of commercial banks towards relying upon the funds of others in the Iraqi business environment, as the size of the bank, the bank's assets, and the growth rate are positively correlated and statistically significant with the banking performance. The biggest impact on performance evaluation was the structure of the banks' assets, given that the Iraqi banks' retention of a large number of assets has a clear impact on banking performance, which causes the liquidation of those assets and their conversion into liquidity for the purpose of facing financial obligations with depositors, lenders, and workers.

Likewise, banks exploit depositors' money to buy assets, which causes financial problems for some banks.

Then, the growth rate of banks came second by influencing performance evaluation. Finally, the size of the bank was considered to have little effect on performance because Iraqi banks have limited expansion of their size.

From the above findings of the present study suggested that in conducive environment of business to the banks should be provided by the policy makers of Iraq, so these banks could think optimally regarding on any circumstances and responds dynamically towards critical situation. Moreover, support should be provided to the managers of bank, so they can be able to create a balanced financial structure under the regulations assigned by central bank of the country. Based on results of this study, it is recommended that in order to enhance the performance of banks of Iraq and avoid financial risks, so amount of capital stored by the banks should be sufficient.

It is suggested for research work in future that more banks would be add up in order to conduct the results. Furthermore, various other variables related to this study would also incorporated to get the true reflection of current situation. Comparison between performances of conventional banking and Islamic banks of Iraq in relation with determinants of financial structure might be included in research of future.

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