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Article

The Impact of Financial Slack Indicators on the Level of Banking Safety

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Abstract: This study aims to analyze the impact of financial slack indicators through its dimensions, namely available financial slack, potential financial slack, and recoverable financial slack, on banking safety indicators, including capital adequacy, asset quality, profitability, and liquidity, in a sample of commercial banks listed on the Iraqi Stock Exchange for the period 2015-2021. The methodology used in this study involves a multiple regression model with the least squares approach, utilizing the Eviews-12 software. The results of the study indicate a significant relationship between financial slack indicators and banking safety, where an increase in financial slack generally corresponds to a decrease in banking safety levels. Specifically, capital adequacy is identified as the most crucial element in determining the level of banking safety. Additionally, the study finds that the liquidity ratios of the banks under investigation are relatively high, indicating the presence of idle financial resources that could be invested. Based on these findings, the study recommends improving the management of financial slack to enhance the safety and stability of the banking sector in Iraq.

Keywords: Financial Slack, Financial Safety, Commercial Banks

1. Introduction

From an economic perspective, banks are the main factor in the health and safety of the economy, as they provide the necessary and sufficient financing for individuals, organizations, and governments alike. In addition to being considered the most important aspect in providing the financial intermediation function, central banks pay more attention to maintaining their financial safety.

Financial resources and bank performance are the most important points in the administrative and financial literature. While bank safety is the main issue that is always investigated, recession resources have received significant attention in this field. According to the resource-based theory, financial flexibility is advantageous because it can safeguard organizations during periods of environmental instability, prevent employee conflict, and foster innovation. Additionally, previous empirical studies have conducted a comprehensive examination of the influence of financial slack on corporate performance, which has been corroborated by resource-based and behavioral theories that have identified a positive correlation between financial slack and corporate financial performance (Hailu, 2019:31).

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Banks must be analyzed and evaluated in a manner that enables the smooth correction and elimination of potential weaknesses in order to guarantee a sound, solid, and stable banking sector. The CAMELS framework is one of the most frequently employed methods for assessing and assessing the financial stability of institutions (Roman & Şargu, 2013:2). The objective of our research is to evaluate the financial stability of commercial banks that are currently operating in Iraq. Our methodology is predicated on the CAMELS framework in order to accomplish this objective.

The research dealt with four topics: the first topic dealt with the scientific methodology of the research, the second topic dealt with the theoretical framework of the research, and the third topic dealt with the process and statistics in order to reach the results of the research. In the last topic, the research dealt with the conclusions and recommendations reached by the research.

2. Materials and Methods

Research problem

Commercial banks are the cornerstone of the economic system, so countries strive to maintain the solidity and strength of the banking system and ensure the safety and health of the environment in which the banking system practices its work. Banking safety is an important element that central banks seek to preserve in order to avoid risks that may lead to a financial crisis. For this purpose, central banks have developed periodic assessments through a set of financial indicators that ensure the health and safety of banks and, thus, the safety of the banking sector every year. The internal evaluation system (CAMELS) is the most important indicator of evaluating banking safety. The current expansions in the search for investment opportunities by commercial banks constitute the accumulation of some financial resources, which is called the phenomenon of financial stagnation, which leads to an increase in liquidity ratios to higher than the natural ratios needed by the bank and thus stagnation of financial resources that would affect the safety of the banking system. Based on this purpose, the study problem crystallized, which is represented in the following question: To what extent does Financial slack affect through its following indicators (available, potential, and recoverable Financial slack) in determining the level of financial safety? In order to answer the study question, the following sub-questions must be identified that express the study problem:

1. What is the level of Financial slack indicators in commercial banks, the current study sample?
2. What is the level of financial safety indicators in commercial banks, the current study sample?
3. Is there a correlation between Financial slack indicators and financial safety?
4. Is there an effect between Financial slack indicators and financial safety?
5. What is the direction of the relationship that governs Financial slack indicators and financial safety?

The importance of the research

The importance of the study is evident in two directions:

a. The theoretical aspect:

The current research addressed two variables that are of great importance in the safety and health of the banking and economic system as a whole. Commercial banks often suffer from the risks of stagnant funds, and therefore, they are in constant need to search for profitable investment opportunities, especially in light of the intense competition. The research addressed the available, potential, and recoverable Financial slack while

addressing banking safety and its indicators (capital adequacy, asset quality, liquidity, and profitability).

b. The practical aspect:

From a practical point of view, the importance of the research is evident in the results it reached related to the reality of the Iraqi banking system and studying the most important part that ensures the health and safety of the banking system and not slipping into crises or financial fluctuations that would affect the collapse of the country's economic system. Therefore, it represents an applied contribution to determining the level of banking safety that can be used at the level of the Iraqi banking sector, in addition to being a theoretical contribution to support administrative libraries.

Research objectives

The current research aims to:

1. Knowing and determining the extent of Financial slack indicators in the commercial banks studied.
2. Studying the level of financial safety indicators in the commercial banks studied?
3. Confirm the existence of a correlation between Financial slack indicators and financial safety.
4. Studying the impact of Financial slack indicators on financial safety.
5. Knowing the type of relationship between Financial slack indicators and financial safety.

Research hypotheses

After reviewing the study problem and its sub-questions and after determining the objectives that the current research seeks, the research addressed eight main hypotheses represented in the following:

1. The first hypothesis: There is a statistically significant relationship between Financial slack in capital adequacy.
2. The second hypothesis: There is a statistically significant relationship between Financial slack in asset quality.
3. The third hypothesis: There is a statistically significant relationship between Financial slack in liquidity.
4. Fourth hypothesis: There is a statistically significant relationship between Financial slack and profitabilityl safety.

Hypothetical Research Plan

Based on the research variables and in order to clarify the relationships of influence between them, a hypothetical research plan was developed as follows:

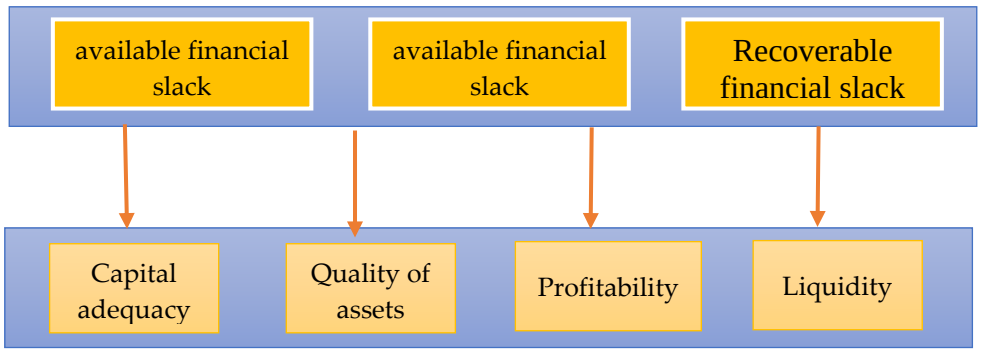


Figure (1). Hypothetical diagram of the study

Scope of the research

The current researcher focuses on commercial banks, so the study community represents the commercial banks listed on the Iraq Stock Exchange. In contrast, the study

sample was the commercial group that has complete data that contributes to achieving the purpose of the research, as in the following Table:

Table (1). Research sample Commercial banks

Bank	Location
Bank of Baghdad	Iraq / Baghdad / Al-Nidhal Street
Commercial Bank of Iraq	Iraq / Baghdad, Al-Saadoun Street
Gulf Commercial Bank	Iraq / Baghdad, Al-Saadoun Street
Erbil Bank for Investment and Finance	Iraq / Baghdad, Al-Karrada
Economy Bank	Iraq / Baghdad, Al-Mansour
Investment Bank	Iraq / Baghdad, Al-Alawiya Hospital
Mosul Bank for Development and Investment	Iraq / Baghdad, Al-Nidhal Street
United Investment Bank	Iraq / Baghdad, Al-Wahda District

According to Given by the investigator

The Theoretical Aspect

1. **The Concept of Financial Slack:**

Financial slack is the term used to describe the excess of uncommitted financial resources, such as cash and accounts receivable. These financial resources are highly adaptable and can be utilized for a diverse array of activities, resulting in a significant amount of discretionary leisure. Financial slack can be redeployed more easily than other forms of slack to support R&D investments, and it provides decision-makers with the greatest degree of freedom in allocating it to alternative uses. As a result, the distribution of financial slack will be susceptible to the influence of various investor categories. Financial slack has been the subject of numerous prior studies as a strategy for addressing agency issues, thereby ensuring theoretical and empirical consistency. The concept of free cash flow in agency theory is more accurately represented by financial slack, which enables a more rigorous examination of the predictions of agency theory (Kim et al., 2008:405).

Financial slack is a theoretical construct that is largely invisible in organization research. This is surprising for a complex concept whose elements have received tremendous attention in the literature. For example, theories of the unexpected have explored how organizations are affected by and shape surprises or what the organizational response to highly successful events is. In parallel, scholars have also focused on the financial advantage provided by certain resources, emphasizing that liquidity induces internal changes among entrepreneurial ventures, as well as environmental changes in their business environment. Independently, slack theories have conceptualized it as excess resources that influence behavior. Unexpected financial slack is the slack received by an organization due to sudden liquidity events. For clarity, all elements of this definition are available separately in the classifications of slack resources (Natividad, 2013:2).

Four primary functions have been identified by advocates of financial slack: Initially, the resource-based perspective posits that a company with surplus or unused resources can capitalize on external opportunities, thereby accelerating its growth. Secondly, behavioral considerations indicate that slack has a beneficial impact on risk-taking, thereby enabling innovation and change and establishing competitive advantages. Third, established behavioral theorists propose that financial slack serves as a buffer between organizations and external contingencies, thereby accelerating the firm's adaptation to environmental change

and thereby enhancing corporate performance over the long term. Consequently, spare resources offer a margin of error (Grüner & Raastad, 2018:4).

2. **Financial slack indicators:**

Three metrics were implemented to calculate the available financial slack: the current ratio (current assets divided by current liabilities), the fast ratio (current assets minus inventories divided by current liabilities), and working capital (current assets minus current liabilities divided by total sales). Three metrics were implemented to operationalize potential slack: debt-to-equity, debt-to-sales, and debt-to-assets. The final metric employed to determine recoverable slack was the division of sales by selling, general, and administrative expenses (Marlin & Geiger, 2015:4). The following indicators will be employed to quantify financial slack in commercial institutions in this study.

a) Available financial slack: Available financial slack = Current assets / Current liabilities
b) Potential financial slack: Potential financial slack = Debt / Assets
c) Recoverable financial slack: Recoverable financial slack = General, administrative, and marketing expenses / Total revenues

3. **The concept of banking safety:**

The banking sector's profitability has experienced a substantial decline in both developed and emergent countries following the onset of the global financial crisis. This distress has been significantly exacerbated by the unsustainable credit policies that banks implemented prior to the crisis. In emerging markets, the ease of obtaining loans following the financial crisis has resulted in a substantial number of non-performing loans, which has consequently impacted the profitability of banks. Furthermore, the short-term profitability is also expected to be adversely affected by the necessity to increase capitalization (Albulescu, 2015: 1).

In order to ensure the rights of depositors, stakeholders, employees, and the economy as a whole, it is crucial to establish a robust, stable, and healthy banking environment. Academic researchers and national and international regulatory and supervisory authorities have intensified their interest in assessing and analyzing the soundness and performance of the banking sector and the financial system in general as a result of this evaluation (Roman & Şargu, 2013:704).

A robust banking infrastructure is instrumental in the support of economic activity and the fulfillment of the financial requirements of all societal segments, thereby contributing to the country's overall growth. In order to facilitate the efficient passage of credit throughout the economy, banks must be financially stable in order to satisfy the diverse needs of other sectors. Capital adequacy ratio. Because banks are a highly leveraged sector of the economy, they are exposed to a variety of hazards when conducting financial intermediation activities. Consequently, banking services are inextricably linked with risks and uncertainties. Consequently, the necessity of a sufficient capital adequacy ratio is evident, as risk management is the foundation of any banking service. Capital regulation is of paramount importance in order to mitigate bankruptcies and improve the stability and security of banking services (Fatima, 2014:771).

4. **Banking Safety Indicators**

Periodically, banks' financial results and performance levels are assessed to guarantee the stability of their financial position. This duty is performed by numerous committees, including central banks and accounting bodies. Although each committee employs distinct measurement methods, the results are nearly identical. The CAMELS performance rating model is the most renowned of the First State Such models that the United States employs in response to the recurrent collapse and bankruptcy of its banks. The CAMELS system is widely regarded as

one of the most critical rating systems utilized by regulatory authorities worldwide to evaluate the safety of institutions. It was first employed by the US Federal Council for the Examination of Financial Institutions in November 1979, marking the beginning of its history. This system was subsequently approved by the Federal National Council for Bank Credit Administration (Jothr et al., 2021: 535). We can use the following indicators approved by the Central Bank according to the CAMELS model

a) Capital adequacy: Capital adequacy = Core capital/risk assets
b) Asset quality: Asset quality = Loan loss provision / Total loans
c) Liquidity: Liquidity = Liquid assets / Total assets
d) Profitability: Profitability = Total income / Equity

Section Three - Practical aspect

Financial analysis of study variables

The financial analysis of the research variables dealt with some financial indicators that describe the time series ratios of the banks in the research sample. The research dealt with the average and standard deviation indicators and the upper and lower limits of the time series specific to the scope of the current research. The ratios that reflect the levels of variables in banks are as follows:

Table (1) Level of variables utilized in a sample of commercial banks

Banks variables		Banks							
		Iraqi Commercial	Business Gulf	Erbil Investment	The Middle East	Iraqi investment	International Development	Al Mansour Investment	North Finance
Financial slack	x1	0.72	0.717	0.749	0.794	0.755	0.71	0.581	0.767
	x2	0.343	0.337	0.31	0.3	0.38	0.333	0.384	0.433
	x3	0.608	0.632	0.642	0.645	0.618	0.654	0.607	0.627
	Overall average	0.557	0.562	0.567	0.580	0.584	0.566	0.524	0.609
Financial safety	y1	0.797	0.757	0.741	0.781	0.749	0.783	0.768	0.779
	y2	0.364	0.415	0.404	0.346	0.384	0.4	0.406	0.321
	y3	0.683	0.714	0.678	0.662	0.66	0.615	0.667	0.653
	y4	0.037	0.038	0.033	0.033	0.034	0.034	0.028	0.027
	Overall average	0.361	0.389	0.372	0.347	0.359	0.350	0.367	0.334

Origin: The researcher's work based on Excel results

Table (2): "Description of the" available Financial slack variable

Years	Arithmetic mean	deviation	The highest	The least	Ranks
2015	0.725	0.188	0.924	0.378	3
2016	0.77	0.104	0.876	0.605	1
2017	0.718	0.092	0.87	0.61	5
2018	0.723	0.192	0.977	0.341	4
2019	0.739	0.244	0.999	0.279	2
2020	0.699	0.2	0.979	0.401	6
2021	0.695	0.244	0.995	0.208	7
Overall Average	0.7241	0.025	0.999	0.208	

Origin: The researcher's work based on Excel results

The financial analysis of the available Financial slack variable, as shown in Table (2), showed that the highest statistic in the time series extending from (2015 to 2021) for the study sample banks is the year (2016), as it reached (0.77), while the second highest statistic is the year (2019), as it reached (0.739), while the lowest statistic for the variable was in the year (2021), as it reached (0.695), noting that the general average reached (0.724).

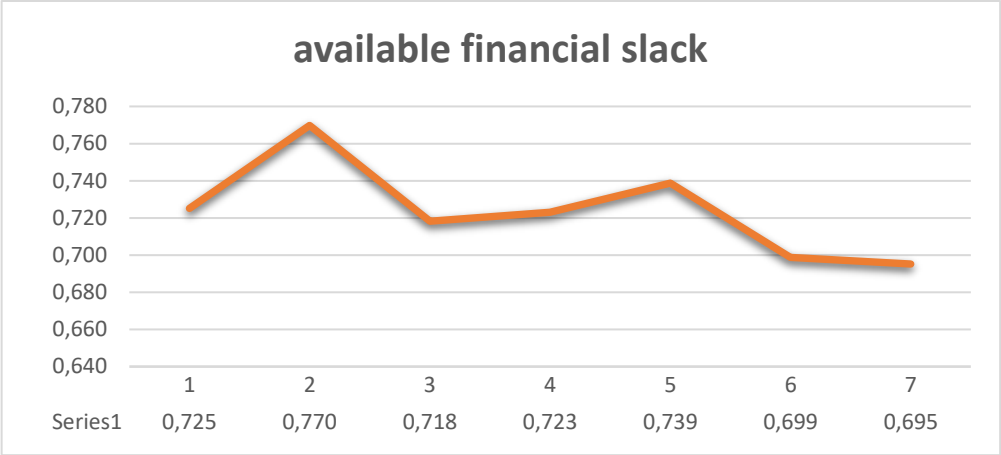


Figure (2) "Time (series) of the (research) variable" Financial slack available

Table (3): "Description of the" potential Financial slack variable

Years	Arithmetic mean	deviation	The highest	The least	Ranks
2015	0.368	0.092	0.48	0.25	3
2016	0.379	0.09	0.5	0.26	2
2017	0.303	0.065	0.4	0.23	7
2018	0.325	0.112	0.48	0.2	6
2019	0.334	0.103	0.47	0.21	5
2020	0.364	0.104	0.5	0.21	4
2021	0.396	0.085	0.49	0.21	1
Overall Average	0.353	0.033	0.500	0.200	

Origin: The researcher's work based on Excel results

The financial analysis of the potential Financial slack variable, as shown in Table (3), showed that the highest statistic in the time series extending from (2015 to 2021) for the study sample banks is the year (2021), as it reached (0.396), while the second highest statistic is the year (2016), as it reached (0.379), while the lowest statistic for the potential Financial slack was in the year (2017), as it reached (0.303), noting that the general rate reached (0.353).

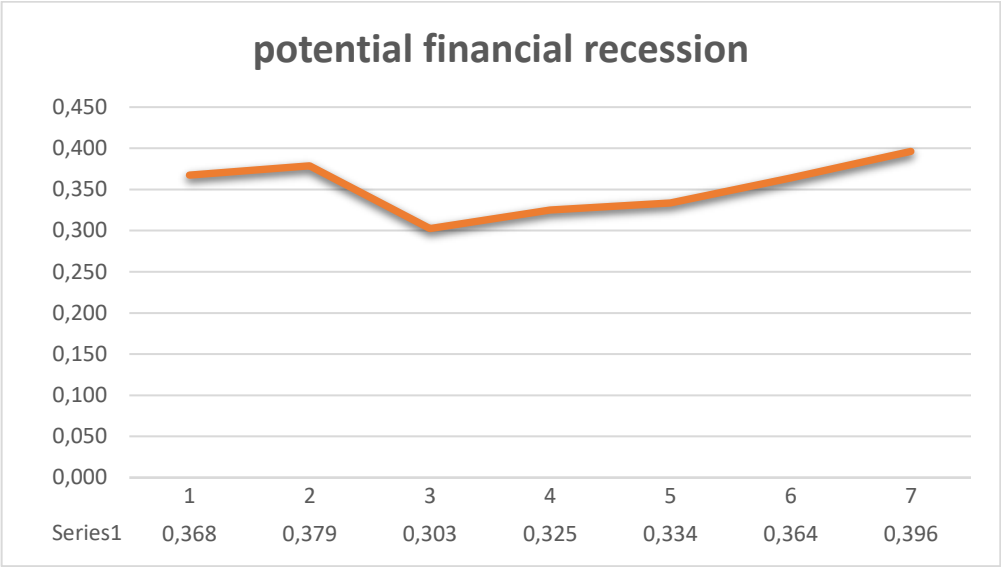


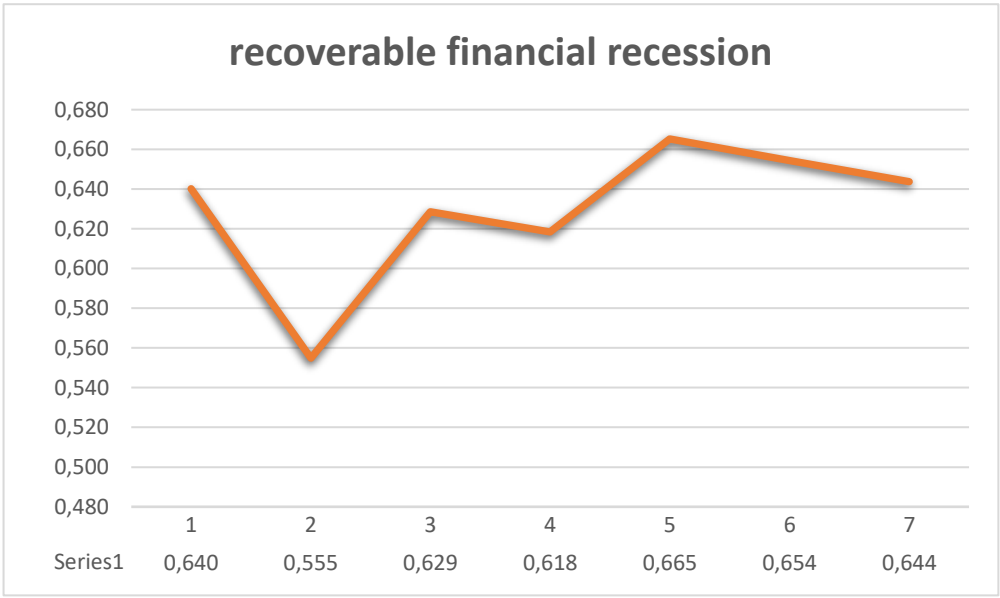
Figure (3) "Time (series) of the (research) variable" Potential Financial slack

Table (4): "Description of the" recoverable Financial slack variable

Years	Arithmetic mean	deviation	The highest	The least	Ranks
2015	0.64	0.078	0.732	0.531	4
2016	0.555	0.047	0.639	0.512	7
2017	0.629	0.08	0.791	0.558	5
2018	0.618	0.094	0.783	0.504	6
2019	0.665	0.102	0.794	0.509	1
2020	0.654	0.089	0.786	0.5	2
2021	0.644	0.111	0.762	0.506	3
Overall Average	0.629	0.036	0.794	0.5	

Origin: The researcher's work based on Excel results

The financial analysis of the electronic payment cards variable, as shown in Table (4), showed that the highest statistic in the time series extending from (2015 to 2021) for the study sample banks is the year (2019), as it reached (0.665), while the second highest statistic is the year (2020), as it reached (0.654), while the lowest



statistic of recoverable Financial slack was in the year (2016), as it reached (0.555), noting that the general rate reached (0.629).

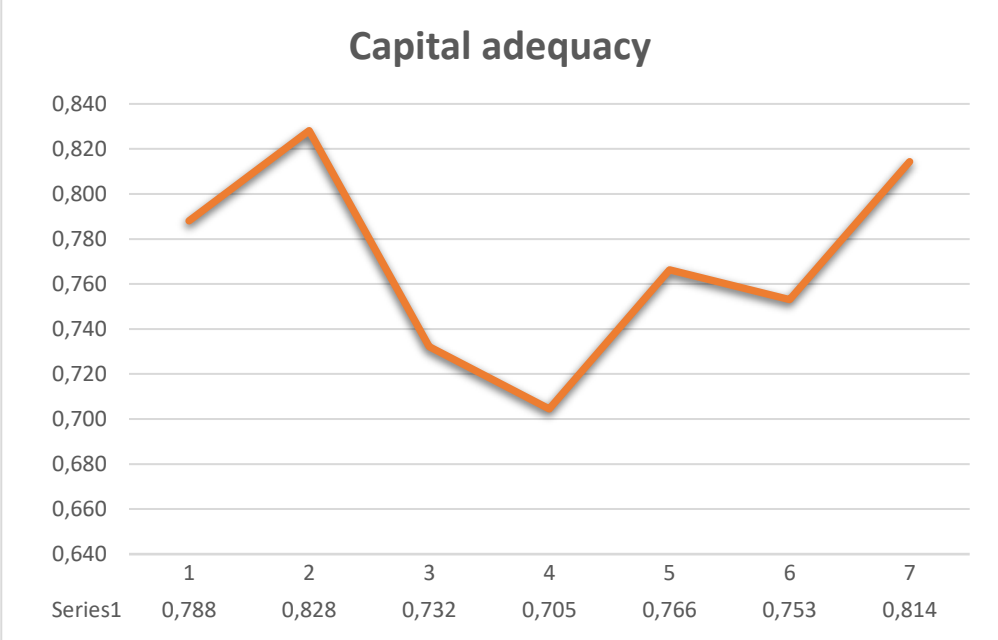
Figure (4) "Time (series) of the (research) variable" recoverable Financial slack

Table (5): "Description of the" capital adequacy variable

Years	Arithmetic mean	deviation	The highest	The least	Ranks
2015	0.788	0.108	0.884	0.608	3
2016	0.828	0.077	0.897	0.673	1
2017	0.732	0.077	0.862	0.641	6
2018	0.705	0.061	0.798	0.641	7
2019	0.766	0.073	0.89	0.655	4
2020	0.753	0.094	0.874	0.638	5
2021	0.814	0.095	0.899	0.607	2
Overall Average	0.769	0.044	0.899	0.607	

Origin: The researcher's work based on Excel results

The financial analysis of the capital adequacy variable, as shown in Table (5), showed that the highest statistic in the time series extending from (2015 to 2021) for



the study sample banks is the year (2016), as it reached (0.828), while the second highest statistic is the year (2021), as it reached (0.814), while the lowest capital adequacy statistic was in the year (2018), as it reached (0.705), noting that the general average reached (0.769).

Figure (5) "Time (series) of the (research) variable" capital adequacy

Table (6): "Description of the" asset quality variable

Years	Arithmetic mean	deviation	The highest	The least	Ranks
2015	0.38	0.091	0.479	0.211	5
2016	0.394	0.085	0.475	0.285	2

2017	0.394	0.091	0.483	0.212	3
2018	0.401	0.059	0.496	0.329	1
2019	0.332	0.082	0.431	0.226	7
2020	0.375	0.084	0.478	0.22	6
2021	0.384	0.082	0.484	0.256	4
Overall Average	0.38	0.023	0.496	0.211	

Origin: The researcher's work based on Excel results

The financial analysis of the capital adequacy variable, as shown in Table (6), showed that the highest statistic in the time series extending from (2015 to 2021) for the study sample banks is the year (2018), as it reached (0.401), while the second highest statistic is the year (2016), as it reached (0.394), while the lowest asset quality statistic was in the year (2019), as it reached (0.332), noting that the general average reached (0.380).

Figure (6) "Time (series) of the (research) variable" Asset Quality

Table (7): "Description of the" liquidity variable

Years	Arithmetic mean	deviation	The highest	The least	Ranks
2015	0.621	0.103	0.79	0.507	7
2016	0.688	0.096	0.826	0.539	3
2017	0.64	0.101	0.79	0.52	5
2018	0.636	0.092	0.793	0.512	6
2019	0.689	0.096	0.806	0.55	2
2020	0.676	0.068	0.805	0.599	4
2021	0.716	0.088	0.805	0.545	1
Overall Average	0.667	0.034	0.826	0.507	

Origin: The researcher's work based on Excel results

The financial analysis of the profitability variable, as shown in Table (7), showed that the highest statistic in the time series extending from (2015 to 2021) for the study sample banks is the year (2021), as it reached (0.716), while the second highest statistic is the year (2019), as it reached (0.689), while the lowest liquidity

statistic was in the year (2015), as it reached (0.621), noting that the general average reached (0.667).

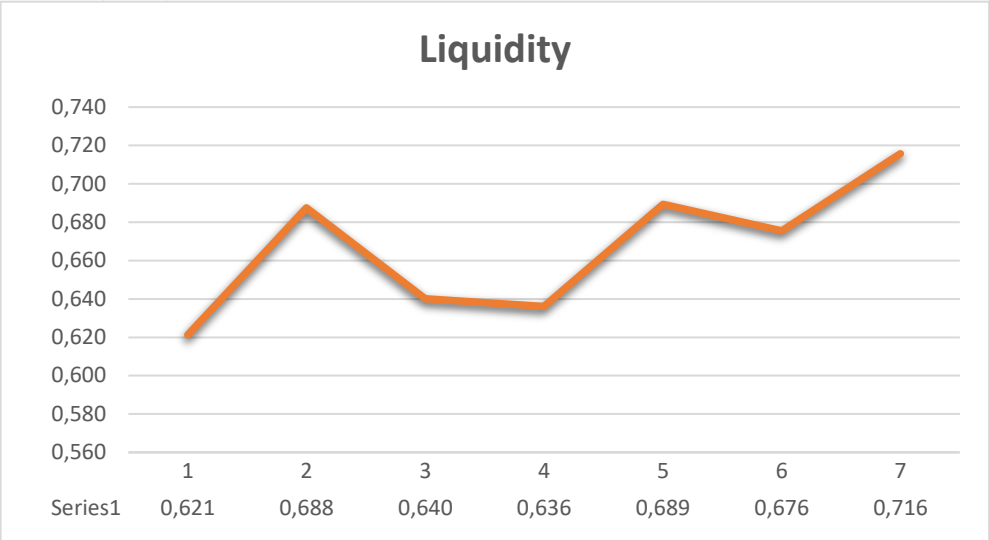


Figure (7) Time series of the liquidity variable

Table (8): "Description of the" profitability variable

Years	Arithmetic mean	deviation	The highest	The least	Ranks
2015	0.033	0.009	0.045	0.024	4
2016	0.031	0.006	0.038	0.021	7
2017	0.034	0.008	0.042	0.02	2
2018	0.033	0.007	0.043	0.024	3
2019	0.036	0.009	0.045	0.02	1
2020	0.033	0.006	0.044	0.024	5
2021	0.032	0.011	0.045	0.02	6
Overall Average	0.033	0.002	0.045	0.02	

Origin: The researcher's work based on Excel results

The financial analysis of the credit risk variable, as shown in Table (8), showed that the highest statistic in the time series extending from (2015 to 2021) for the study sample banks is the year (2019), as it reached (0.036), while the second highest statistic is the year (2017), as it reached (0.034), while the lowest profitability statistic was in the year (2016), as it reached (0.031), noting that the general rate reached (0.033).

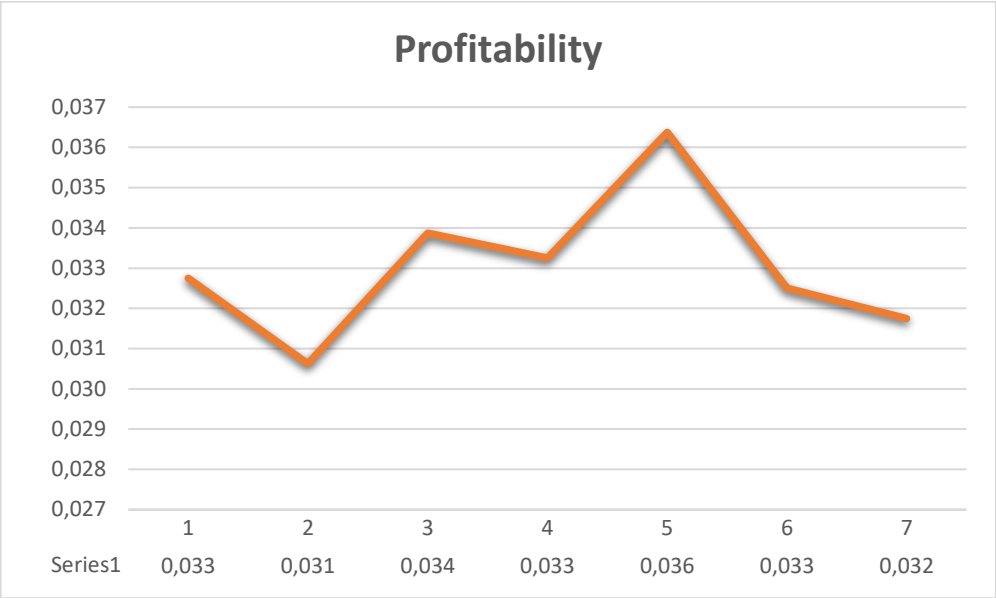


Figure (8). Time series of the profitability variable

3. Results

The first hypothesis:

The study presupposes the presence of a statistically notable influence link between capital adequacy and financial flexibility (available, potential, and replaceable). The first hypothesis was accepted based on the multiple regression analysis's findings in Table (9) and the program (Eviews-12).

Table (9). Statistical analysis of the first hypothesis "for the banks in the study sample for the period (2015-2021)"

Variables	**Estimates**	**Std. Error**	**t-Statistic**	**Prob.**
Constant	0.489202	0.103359	4.733011	0.000
Available slack	-0.00171	0.065055	-0.02628	0.9792
Potential slack	-0.06052	0.139312	-0.43439	0.6664
Replaceable financial slack	0.481219	0.133688	3.599581	0.0009
Fixed effect (for banks)		**Fixed effect (for periods)**		
Bank of Baghdad	0.015802	2015	0.014177	
Commercial Bank of Iraq	0.010879	2016	0.096143	
Gulf Commercial Bank	0.000512	2017	-0.03999	
Erbil Bank for Investment and Finance	-0.01345	2018	-0.06137	
Economy Bank	0.001004	2019	-0.02162	
Investment Bank	-0.03739	2020	-0.02789	
Mosul Bank for Development and Investment	-0.0147	2021	0.040556	
United Investment Bank	0.037344			
R-squared	0.437194			
Adjusted R-squared	0.2063			
F-statistic	1.893481			

Prob(F-statistic)	0.05
Dependent variable: capital adequacy	

Original: The examiner's effort is founded on the utilization of the software Eviews-12.

The second hypothesis:

The study posits that there is a statistically significant causal relationship between Financial slack (including available Financial slack, potential Financial slack, and replaceable Financial slack) and the quality of assets. The program Eviews-12 yielded findings from the multiple regression analysis presented in Table 10, which confirmed the acceptance of the second hypothesis.

Table (10). Statistical analysis of the second hypothesis "for the banks in the study sample for the period (2015-2021)"

Variables	Estimates	Std. Error	t-Statistic	Prob.
Constant	0.557318	0.102574	5.433317	0.000
Available slack	-0.05231	0.064561	-0.81019	0.4227
Potential slack	-0.25675	0.138254	-1.85711	0.0709
Replaceable financial slack	-0.0779	0.132672	-0.58718	0.5605
Fixed effect (for banks)		Fixed effect (for periods)		
Bank of Baghdad	-0.03633	2015	0.004587	
Commercial Bank of Iraq	0.024765	2016	0.017541	
Gulf Commercial Bank	0.015947	2017	0.00036	
Erbil Bank for Investment and Finance	0.011868	2018	0.013123	
Economy Bank	-0.04217	2019	-0.04879	
Investment Bank	0.015195	2020	-0.00164	
Mosul Bank for Development and Investment	0.031125	2021	0.01481	
United Investment Bank	-0.0204			
R-squared	0.310913			
Adjusted R-squared	0.028211			
F-statistic	1.099792			
Prob(F-statistic)	0.00796			
Dependent variable: asset quality				

Original: The examiner's effort is founded on the utilization of the software Eviews-12.

The third hypothesis:

The study makes the assumption that there is a statistically significant relationship between financial slack (available, potential, and replaceable financial slack) and liquidity. The third hypothesis was accepted based on the multiple regression analysis's findings in Table (11) and the program's results (Eviews-12).

Table (11). Statistical analysis of the third hypothesis "for the banks in the study sample for the period (2015-2021)"

Variables	Estimates	Std. Error	t-Statistic	Prob.
Constant	0.663989	0.12341	5.380337	0.000
Available slack	0.066688	0.077675	0.858545	0.3958
Potential slack	0.139123	0.166338	0.836388	0.408
Replaceable financial slack	-0.15064	0.159622	-0.9437	0.3511
Fixed effect (for banks)		Fixed effect (for periods)		
Bank of Baghdad	0.001726	2015	-0.04577	
Commercial Bank of Iraq	-0.01147	2016	0.003069	
Gulf Commercial Bank	0.007616	2017	-0.01915	
Erbil Bank for Investment and Finance	-0.05866	2018	-0.02815	
Economy Bank	-0.00162	2019	0.029899	
Investment Bank	0.001695	2020	0.012863	
Mosul Bank for Development and Investment	0.014351	2021	0.047241	
United Investment Bank	0.046374			
R-squared	0.247686			
Adjusted R-squared	-0.06096			
F-statistic	0.802503			
Prob(F-statistic)	0.004288			
Dependent variable: liquidity				

Original: The examiner's effort is founded on the utilization of the software Eviews-12.

The fourth hypothesis:

The study assumes the presence of a statistically notable influence link between Financial slack (available Financial slack, potential Financial slack, and replaceable Financial slack) on profitability, and according to the results of the program (Eviews-12), the multiple regression analysis's findings in Table (12) showed the acceptance of the third hypothesis.

Table (12). Statistical analysis of the third hypothesis "for the banks in the study sample for the period (2015-2021)"

Variables	Estimates	Std. Error	t-Statistic	Prob.
Constant	0.024932	0.009846	2.532266	0.0155
Available slack	0.004953	0.006197	0.799311	0.429
Potential slack	0.017841	0.013271	1.344376	0.1866
Replaceable financial slack	-0.00284	0.012735	-0.22332	0.8245
Fixed effect (for banks)		Fixed effect (for periods)		
Bank of Baghdad	-0.00767	2015	-0.00051	
Commercial Bank of Iraq	-0.00537	2016	-0.0033	
Gulf Commercial Bank	0.001617	2017	0.001778	
Erbil Bank for Investment and Finance	0.000451	2018	0.000696	
Economy Bank	0.000616	2019	0.003721	
Investment Bank	0.00094	2020	-0.00052	

Mosul Bank for Development and Investment	0.005442	2021	-0.00186
United Investment Bank	0.003973		
R-squared	0.322404		
Adjusted R-squared	0.044416		
F-statistic	1.159776		
Prob(F-statistic)	0.00199		
Dependent variable: profitability			

Original: The examiner's effort is founded on the utilization of the software Eviews-12.

4. Discussion

Inverse Relationship Between Financial Slack and Banking Safety:

The research indicates an inverse relationship between financial slack indicators and banking safety levels. An increase in financial slack tends to be followed by a decrease in banking safety, as measured by capital adequacy, asset quality, profitability, and liquidity. The discussion could focus on the causes of this relationship and how banks can balance financial slack to maintain banking safety.

The Role of Capital Adequacy in Ensuring Banking Safety:

Capital adequacy is identified as the most critical element in determining banking safety. Discussions could delve into why capital adequacy plays such a vital role and how banks can improve their capital adequacy ratios to reduce risk.

Liquidity Management in Commercial Banks:

The finding that liquidity ratios in the studied banks are relatively high suggests that banks have financial resources that are not being optimally utilized. The discussion might include strategies that banks can implement to invest these resources more effectively without compromising the liquidity needed to maintain financial stability.

Implications of Financial Slack Management on Banking Stability:

Given the impact of financial slack on banking safety, it is important to discuss how effective financial slack management can help strengthen banking stability and performance in the long term. The discussion could also cover best practices and challenges in managing financial slack.

Asset Quality and Credit Risk:

The research shows that low asset quality, indicated by a high number of non-performing loans, poses a significant risk to banking safety. The discussion could focus on how banks can manage credit risk and improve asset quality through more prudent lending policies.

Contribution to Financial Management and Banking Literature:

This research contributes both theoretically and practically to the literature on financial management and banking, particularly in the context of emerging markets like Iraq. Discussions could explore how these findings might be applied in different banking contexts or in other countries facing similar economic challenges.

Recommendations for Banking Policy:

The article recommends several measures for commercial banks in Iraq, such as improving capital adequacy ratios, investing in more profitable opportunities, and conducting regular assessments of banking safety indicators. The discussion could explore how these recommendations can be practically implemented and the challenges that may arise in the process.

These discussion points can be used to deepen the analysis and understanding of the relationship between financial slack and banking safety, as well as how banks can manage their financial resources more effectively.

5. Conclusion

The research results indicate that:

1. The relationship between Financial slack indicators and financial safety is an inverse linear relationship in most indicators, meaning that the higher the level of Financial slack, the lower the levels of financial safety represented by capital adequacy, asset quality, profitability, and liquidity.
2. Capital adequacy is the most important element in determining the level of financial safety in commercial banks, as it represents the pillar that protects the bank from slipping into risks.
3. The cash liquidity ratios are high in commercial banks, which means that they have the financial capacity and stagnant financial resources that can be invested in seizing investment opportunities.
4. The profitability ratios are acceptable for commercial banks, and this is reflected in the ability of the studied banks to invest and employ funds.
5. The level of asset quality is high, which means that there are many bad or non-recoverable loans, and thus represent a worrying risk for commercial banks.

6. Recommendations

In light of the conclusions mentioned above reached by the research, the researcher recommended the following:

1. Commercial banks in Iraq should pay attention to enhancing their capital adequacy ratios due to their role in reducing the risk of bad debts.
2. Commercial banks should pay attention to investing a large volume of their cash assets in investment opportunities.
3. Commercial banks must conduct periodic assessments of financial safety indicators, especially with regard to the quality of assets, as they are risk indicators.
4. Commercial banks should avoid keeping more money and move towards investing it due to the levels of liquidity enjoyed by commercial banks.
5. Commercial banks should pay attention to monitoring the levels of Financial slack and work to avoid excessive withholding of funds in order to enhance profits as well as expand their business scope.

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