

The Impact of Concentration and Market Share on the Financial Leverage of Commercial Banks

An Analytical Study of Iraqi Private Banks

Dr. Ahmed Risian Albahadly
Email: ahmed.risian@uobasrah.edu.iq

Abstract

This study intends to investigate the drivers of financial leverage in Iraqi commercial banks and pinpoint the most significant influences on financial leverage using performance indicators for banks. Using time series cross-section data (Panel Data) for the years 2007 to 2021, this study was conducted on the thirteen Iraqi commercial banks listed on the stock exchange. Three models were utilized in this investigation. The results of the first model to assess the association between concentration and market share using return on assets (ROA) did not support concentration but did support the relationship between the bank's market share and financial leverage. As for the results of the second model, using the ROE as an indicator of performance, the results of the model indicated that there is a statistically significant direct relationship between concentration, market share, and financial leverage, which means that the performance of banks responds directly to concentration and growth in market share with financial leverage. As for the results of the third model, the performance indicator was not supportive of the market share, and the assessment of this model indicated that there is a direct statistically significant relationship between market concentration and the performance of banks, as measured by the ROD performance scale. This means that the performance of banks responds directly to market concentration with financial leverage. The three models differ in terms of the control variables that affect banking performance, with some being directly connected and others being inverse. Through the results of the three models, the study found that the controlling variable AT has a fixed inverse relationship in the three models. This is evidence that banks, whenever the financial leverage increases, the asset structure decreases, and vice versa.

Keywords: Market Share, Financial Leverage, ROD, ROE

1. Introduction