



The Role of Exchange Rate Fluctuations in the Profitability of a Sample of Banks Listed on the Iraq Stock Exchange

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Article Info

ISSN (online): 2583-6641

Volume: 05

Issue: 01

Received: 07-11-2025

Accepted: 05-12-2025

Published: 02-01-2026

Page No: 21-29

Abstract

The research aims to analyze the theoretical concepts of the exchange rate, its importance, and the factors affecting it, as well as to identify the theoretical concepts of the profitability of commercial banks and methods of measuring them. It then analyzes the impact of exchange rate fluctuations on the profitability of commercial banks. The Investment Bank of Iraq and the Iraqi Middle East Investment Bank were the sample of the study. The research problem was to analyze the effect of the exchange rate on the profitability of commercial banks, specifically addressing the question: Do commercial banks rely heavily on foreign exchange revenues for their profitability? The research is based on the hypothesis that there is a significant effect relationship of exchange rate fluctuations on the profitability of commercial banks. It consists of two variables: independent (exchange rate) and dependent (bank's profitability). The results of the research showed that exchange rate fluctuations may play an important role in the profitability of the Iraqi Investment Bank through the revenues of selling foreign currencies, which had a role in raising its profitability and increasing its market share. It was found that the Iraqi Investment Bank is more profitable in achieving profits than the Middle East Bank.

DOI: <https://doi.org/10.54660/IJMOR.2026.5.1.21-29>

Keywords: Exchange Rate, Profitability of Commercial Banks

Introduction

The foreign exchange market helps financial investors avoid foreign exchange risks and carry out the hedge process, as foreign exchange rates usually fluctuate over time, so anyone who has to make any delivery in foreign currency at a later date will be exposed to the risk that they will have to pay more or receive less than expected for the hedging process, usually involving an agreement to buy and sell a certain amount of foreign exchange at a later date at a price that is usually agreed upon today 3 months from its date. In this field, it is possible to distinguish geographically between the international foreign exchange market and the local market, and in this field, it is possible to distinguish geographically between the international foreign exchange market and the local market, and in this field, it is possible to distinguish geographically between the international foreign exchange market and the local market, and chronologically, the transactions carried out in the exchange markets can be divided into present and future transactions. There is also a role of the exchange rate in linking the local economy to the global economy through the three markets, which are the asset market, the commodity market, and the factor of production market, at the macro and micro levels. The exchange rate also seeks to achieve the overall goals that are represented in the internal and external balance, and since the main goal of the exchange rate is limited to achieving stability to exchange the country's currency against foreign currencies, which is the desired goal. It may be difficult to achieve because the exchange rate is subject to many determinants, just like any commodity in a completely competitive market, and the exchange rate directly affects the profitability of commercial banks, whenever the foreign exchange rate rises, it will lead to an increase in the bank's revenues from the sale of foreign currencies, often reflected positively in the bank's profitability.

First: Research Problem:

The research problem is to analyze the impact of the exchange rate on the profitability of commercial banks, and that the recent adjustment in the exchange rate has led to the exposure of some Iraqi banks to losses, and others have benefited from the exchange adjustment as a result of the increase in the exchange rate of the US dollar, which led to an increase in the bank's revenues, and the problem can be formulated as follows:

1. Is there an impact of exchange rate fluctuations on the profitability of commercial banks?
2. Do commercial banks rely heavily on foreign exchange revenues for their profitability?

Second: The importance of the research:

The importance of the research comes through the importance of the exchange rate and the profitability of commercial banks, as the exchange rate is one of the most

important macroeconomic variables used by the monetary authority to influence economic activity to achieve economic goals.

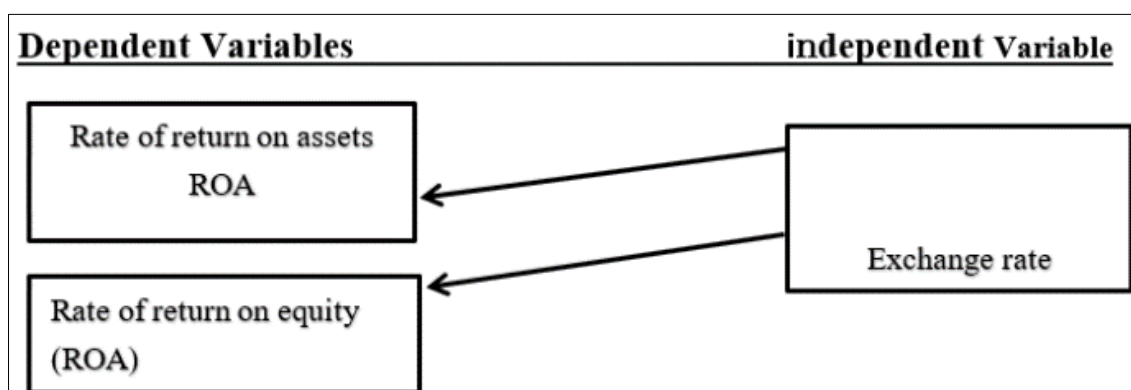
Third: Research Objectives:

The research aims to analyze the theoretical concepts of the exchange rate, its importance and the factors affecting it, as well as to identify the theoretical concepts of the profitability of commercial banks and their methods of measurement, and then analyze the impact of exchange rate fluctuations on the profitability of commercial banks.

Fourth: Research Hypothesis:

The research is based on the hypothesis that there is a significant effect of exchange rate fluctuations on the profitability of commercial banks.

This can be illustrated by the hypothetical diagram in Figure 1:



Source: Prepared by the researcher.

Fig 1: Research Hypothetical Scheme

Fifth: Research Methodology:

The research relied on the deductive method by combining the general descriptive-analytical method of analyzing the study variables from the theoretical and applied point of view, and the quantitative method (financial analysis) of the Iraqi investment Bank and the Middle East Bank.

Sixth: Research Limits:

1. Spatial limits: investment Bank of Iraq and Middle East Bank.
2. Time Limits: (2019 – 2024).

First topic: The Theoretical Framework of the Research The Concept of Exchange Rate and the Profitability of Commercial Banks**First: the Concept of Exchange Rate:****1. Definition of the exchange rate:**

The exchange rate is one of the macroeconomic variables that represents the exchange of one currency for another, i.e. a local currency for a foreign currency, and it is a tool to link the local economy with the global economy, and it has an impact on some macroeconomic indicators, such as GDP, money, inflation, deflation, etc. the international economy has witnessed many changes, especially after the Second World War, which was represented in the increase in international economic cooperation, which was reflected in the increase in international capital flows, and the exchange rate has become the link for economic transactions between

countries and part of the daily work of economic units. Achieving economic stability, as it contributes to guiding the country's economic policies, both monetary and financial, if it is managed in the best possible way, and at the same time plays a prominent role in the competitiveness of the economy and thus in setting the balance of payments, inflation rates and real growth.

The exchange rate is defined as the exchange of a number of units of the local currency for one unit of foreign currency, and thus the exchange rate is a link between the local economy and the global economy through the relationship between exports and imports (Al-Tarsh, 2007: 96)^[7].

The importance of the role of the exchange rate in linking the local economy to the global economy can also be clarified through the three markets, which are the asset market, the commodity market, and the factor of production market, and at the macro and micro levels. the exchange rate determines the number of units of foreign goods required to buy one unit of local goods, and the exchange rate seeks to achieve the overall goals, which are represented in the internal and external balance, and since the main objective of the price of the Exchange is limited to stabilizing the exchange rate of the country's currency against foreign currencies, which is the desired goal, but it may be difficult to achieve it because the exchange rate is subject to many determinants, just like any commodity in a fully competitive market determined by the interaction of supply and demand forces (Fakhry, 2011: 16).

2. Factors affecting the exchange rate:

There are several factors that affect the exchange rate, which we summarize as follows:

A. Balance of Payments:

In the case of a deficit in the balance of payments, it will lead to an increase in domestic demand for foreign currencies in order to fill that deficit in exchange for a decrease in the demand of foreigners for that country's currency, which leads to a decrease in the value of that country's currency, and vice versa occurs in the event of a surplus (Al-Ghalibi, 2011)^[5].

B. Interest Rates:

The country where real interest rates are increasing will attract foreign capital, which means an increase in the supply of foreign currency at home and thus a deterioration of its exchange rate in exchange for an increase in the demand for the local currency, leading to an increase in the value of the country's currency in the foreign exchange market, as a result of the preference of foreign investors to invest in the country in question to benefit from the rise in prices. This negatively affects exports and the trade account and thus the decline in GDP growth, which leads to a domestic economic recession (Guartini, 1998: 555).

C. Cash offer:

The changes that occur in the money supply generate significant changes in the value of the currency and its exchange rates, as the excessive issuance of money and the increase in the money supply leads to a rise in the level of local prices and thus makes the goods of the country concerned less able to compete with foreign goods in the international market, thus increasing the demand for foreign goods and services, i.e. increasing imports and decreasing exports, and this is offset by an increase in the demand for the currencies of those countries and a decrease in the demand for the local currency, which results in an increase in the demand for the currencies of those countries the decrease in its exchange rate and the increase in the exchange rates of foreign currencies, and therefore the exchange rate is determined by the money supply in the country concerned in relation to the money supply in the other country (Al-Ghalibi, 2002: 63-64)^[6].

3. Types of Exchange Rates:

A. Nominal and Real Exchange Rate:

The nominal exchange rate is the rate at which two currencies are exchanged, and is determined either through the supply and demand mechanism in the currency markets for countries that have liberalized the exchange rates of their national currencies, or directly through a decision of the monetary authorities within countries whose governments still exercise control over exchange rates.

The real exchange rate is the exchange rate that measures the external purchasing power of the national currency, i.e. its purchasing power in relation to foreign goods, and is equal to the nominal exchange rate divided by the exchange rate that allows purchasing power parity (Shakhiya, 2022: 172).

B. Fixed and Flexible Exchange Rate:

A fixed exchange rate is the rate that is set by the government or central bank and maintained by intervening in the foreign exchange market such as the dollar or the euro. The flexible rate is the price that is determined based on the supply and demand of currencies in the foreign exchange market without the intervention of the central bank (Al-Wadi *et al.*, 2025: 120).

Second: the Concept of Commercial Banks' Profitability:

1. Definition of the profitability of commercial banks:

The management of banks always seeks to achieve the largest possible profit for the owners of the bank, as the main criterion for the efficiency of the management is the size of the profits it achieves, if the management achieves more profits, it means that it is more efficient than others, and the main function of the management of the commercial bank is to achieve profits, and in order for the bank to be able to achieve profits, its revenues should be greater than its costs, and the bank's revenues include the following items (Abu Hamad and Qaddouri, 2005)^[1]:

- ❖ Fees for services provided by banks that are not related to the nature of banking work, such as providing economic and financial consultations and preparing economic feasibility studies.
- ❖ Interest payable on credit facilities.
- ❖ Foreign currency returns, i.e. profits made from the difference between buy and sell prices.
- ❖ Credits charged by banks for their services provided to others.
- ❖ Other income such as returns on investment in securities, returns on deductions of bills of exchange, and any capital gains resulting from the sale of an asset by the bank at a price higher than its book value.

As for the bank's costs, they include the following:

- ❖ General and administrative expenses.
- ❖ Interest receivable on deposits paid by the bank.
- ❖ Commissions paid by the bank to other institutions for providing services to the same bank.

2. Indicators to measure profitability:

These indicators are one of the most important financial indicators used in evaluating the performance of commercial banks, as these indicators enable the measurement of the commercial bank's ability to achieve a net final return on the invested assets, which means that these indicators focus on profit, which is the effective axis in the continuation and expansion of commercial banks, through the leading role and basis of the profits obtained in achieving the continuous growth of the bank, which enhances its ability to survive, compete and ensure stability by enhancing the confidence of customers and customers With the Commercial Bank (Fahd, 2015: 58)^[9]:

A. Rate of Return on Assets (ROAs):

Assets form the basis of income or return of the bank's operations, as the total return is directly proportional to the assets invested in loans and bank investments, and the return

for a certain period of time (one year) is expressed in the total amount of the bank's exploitation of its assets and the extent of its adequacy in exploiting them. This rate is calculated according to the following formula (Mohamed and Radi, 2012: 109):

$$\text{Rate of Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{total Assets}} * 100$$

B. Rate of return on equity (ROE):

Return on equity is similar in its objective and methodology to return on assets, as it measures a company's performance against its total shareholders' equity. If an airline is valued at \$500 million and makes an annual profit of \$100 million, its return on equity is 5%. This is useful because the resulting ratio indicates how well the company converts its assets into income. the general formula for return on equity can be found by referring to both the income statement and the balance sheet (Vasigh *et al*, 2010: 171)^[11]:

$$\text{Return on Equity Rate} = \frac{\text{Net Profit After Tax}}{\text{Equity}} * 100$$

Unlike return on assets, which may vary greatly between sectors, return on equity does not vary much between sectors. However, there may be greater variation between competing firms in the same sector. While this ratio is beneficial for investors, there may be distortions resulting from a company's financial structure. for example, a company financed with more debt may have an artificially higher return on equity than a company financed by equity Larger. therefore, there are several factors to consider when analyzing the return on equity ratios of companies.

3. Factors affecting the profitability of commercial banks:

A. QIB Website:

The location has an impact on the bank's ability to attract deposits due to the difficulty of moving most of the population from one place to another and the increase in traffic, as the borrower may not be interested in the bank's location, i.e. he is ready to move and long distances to obtain loans, but the depositor may be very concerned with the bank's location as much as its proximity to it and the availability of parking in it or close to it (Al-Barzanji, 2018: 56).

B. internal Control:

The internal control function in commercial banks is of great importance through the important role it plays in achieving banking security and soundness, the integrity and credibility of financial information, as well as those related to management and accounting, as well as respect for legislation, regulations, policies, and internal procedures (Sheikha, 2024: 62-63)^[2].

C. Exchange Rate Fluctuations:

It is the rate at which the value of one country's currency is exchanged for the currency of another, which affects international trade. It also affects banks' profits by influencing foreign currency assets and liabilities, which leads to an impact on international transactions and

increases credit risks, and that the exchange rate has a significant negative impact on the profitability of the banking sector (Noorani, 2020: 71)^[17].

D. Cash:

Understanding the impact of liquidity on profitability is a strategic priority to support business expansion goals while maintaining financial soundness (Alex and Julius, 2024). there are more than thirty commercial banks in Uganda today, compared to only six major banks two decades ago (Bank of Uganda, 2024). Digital payments that have changed customers' preferences regarding liquidity (Sophie and Crispus, 2024)^[16]. these trends create both opportunities and challenges in terms of banks' liquidity risks and profitability outcomes.

Third: the Impact of Exchange Rate Fluctuations on the Profitability of Commercial Banks:

Exchange rate volatility directly affects banks' income through foreign exchange transactions, revaluation of foreign-denominated assets and liabilities, and translation of foreign exchange gains and losses into financial reports, these are based on the relationship to recent academic work linking macroeconomic variables to bank performance. the research of Choi Li (2021)^[15] and Khara and Pena (2023) has shown how exchange rate instability can lead to fluctuations in the profitability of the banking sector and capital adequacy.

Exchange Rate Fluctuations Risk and their Impact on Banks' Profitability: Understanding the impact of foreign exchange fluctuations on bank profitability is becoming increasingly important, particularly for banks in developing and transition economies where foreign exchange exposure is high and the financial instruments available to hedge risk are limited. the theoretical basis for this relationship is based on the concept of exchange rate fluctuation risk, which includes both transaction risk and economic risk. Transaction risk refers to gains or losses resulting from actual currency conversions in the operations, while economic risks reflect the long-term impact on a company's market capitalization as a result of ongoing currency fluctuations (Madura, 2020)^[12].

Empirical evidence from global banking markets consistently suggests that exchange rate fluctuations are a critical factor in financial performance. Ali and Ariff, 2020: 33,^[13] in a study of banks in emerging markets, found that unhedged currency exposures significantly affect net income and return on assets, particularly in countries with liberalized capital accounts. they explained that while some banks benefit from foreign exchange market speculation, the inability to Predicting exchange rate movements often leads to net losses when currency risk is not effectively managed. Similarly, Choi Li (2021)^[15] found that exchange rate fluctuations had a negative impact on the financial stability of Asian banks, as the severity of this impact depends on the bank's balance sheet structure and its exposure to US dollar-denominated debt.

In the context of Central Asia, recent studies highlight structural weaknesses in the region's financial systems, which amplify the effects of exchange rate fluctuations. Kasyanenko & Omarov (2023)^[14] point out that most banks in Uzbekistan lack sophisticated hedging tools, such as futures, options, and swaps, making them more vulnerable to currency shocks. their research shows that banks

operating in developing financial markets tend to rely more on natural hedging or management strategies Negative, which may not be sufficient under conditions of rapid currency depreciation. This is supported by data from the Kenya Development Bank of Uzbekistan, which shows significant fluctuations in net profit that coincide with years of significant foreign exchange losses. the inability to manage exposure to the US dollar and the euro, the bank's two most important foreign currencies, has effectively led to inconsistent financial results and increased risk (Kasyanenko and Omarov, 2023) ^[14].

Second topic

Practical Aspect

Exchange Rate Fluctuations and Bank Profitability Research Sample

First: Analysis of the exchange rate fluctuations in Iraq for the period (2019-2024):

It can be noted from the data of Table (1) that the official

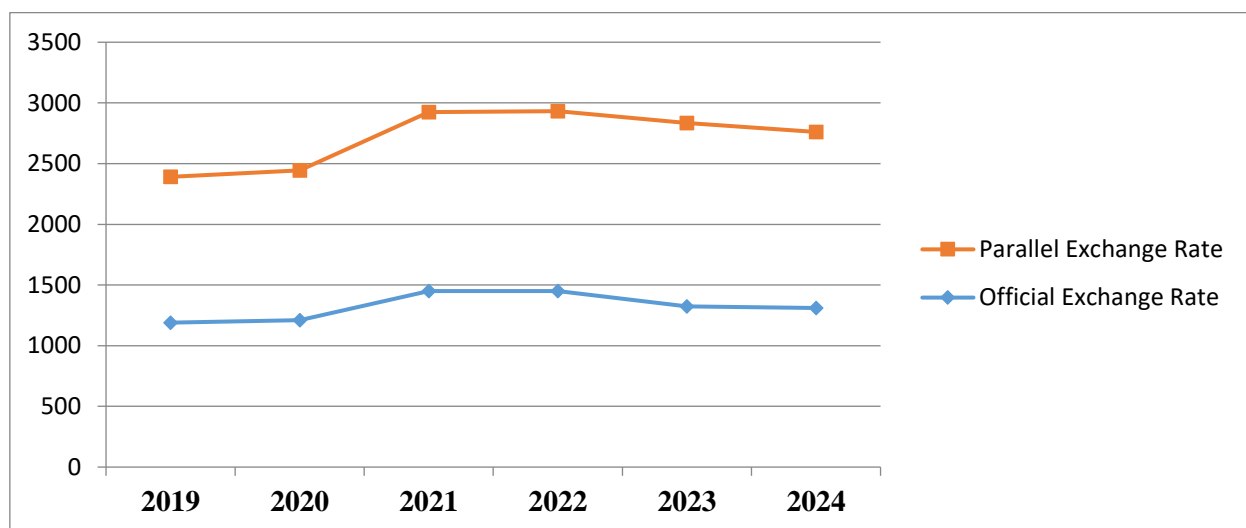
exchange rate reached the highest value of (1450) dinars per dollar in (2022), and the lowest percentage of (1190) dinars per dollar in (2019), which represents the stage of stability of the Iraqi dinar and the goal of the Central Bank to achieve currency stability, economic stability, support economic activities, and work to strengthen the local currency against the foreign currency. As for the parallel rate, the highest value reached (1510) dinars per dollar in (2023) due to speculative operations and to take advantage of the high prices in the parallel market.

This year, the Central Bank of Iraq has built an electronic platform, where banks submit the requests of their customers through it, as the Central Bank of Iraq has started building this platform in coordination with international bodies for the purpose of regulating and regulating the operations of the window for the sale and purchase of foreign currency and ensuring the effectiveness of its control.

Table 1: The Evolution of the Exchange Rate in the Iraqi Economy for the Period (2019-2024)

Annual rate of change	Parallel Exchange Rate	Annual rate of change	official Exchange Rate	Years
-	1201	-	1190	2019
2.74	1234	1.76	1211	2020
19.44	1474	19.73	1450	2021
0.54	1482	0	1450	2022
1.88	1510	-8.68	1324	2023
-3.97	1450	-1.05	1310	2024
	1510		1460	Max
	1201		1190	Min
	1391.833		1324.167	Average

Source: Prepared by the researcher based on the annual reports, Central Bank of Iraq, for the years (2019-2024) ^[18]



Source: Prepared by the researcher based on the data of Table (1).

Fig 2: The Evolution of the Exchange Rate in the Iraqi Economy for the Period (2019-2024)

Second: Analysis of the Profitability of Banks Research Sample:

1. Analysis of the profitability of the investment Bank of Iraq:

It is clear by following up the data of Table (2) that the rate of return on assets reached the highest percentage (3.42%) in (2022), which is considered a good indicator for the bank, which reflects its success in generating profits from the employment of assets, and it reached the lowest percentage

of (0.1417%) in (2020), and the reason for this is the increase in assets that amounted to (571,480,175,360) JDs compared to (529,829,506,291) JDs in (2019). the average duration was achieved (3.94%).

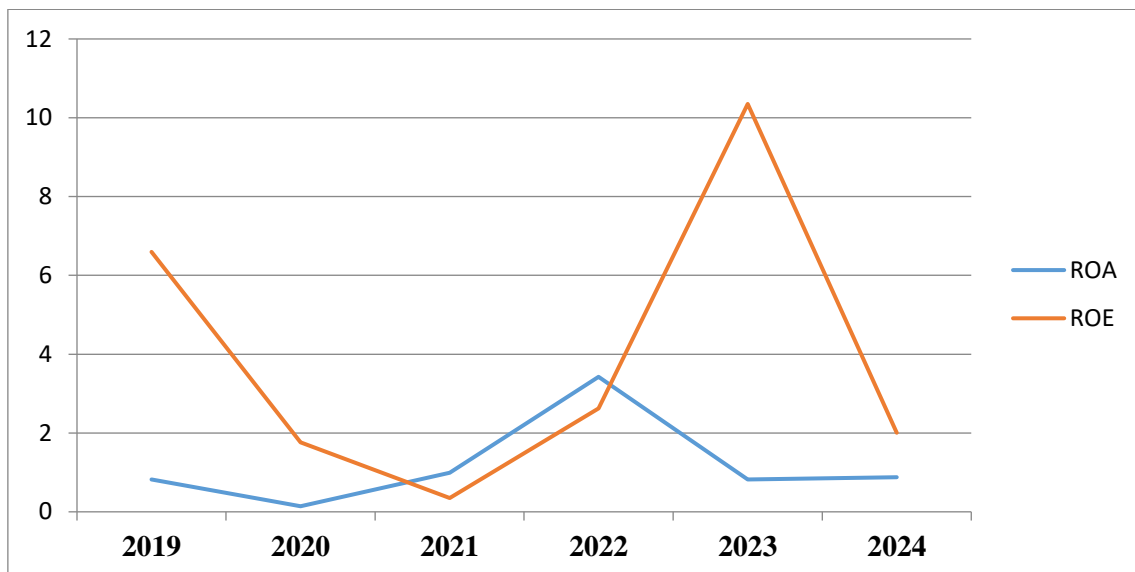
The return on equity ratio reached the highest percentage (10.35%) in 2023, which is very high, which reflects the bank's ability and ability to generate profits for shareholders. the lowest percentage was (0.35%) in 2021, and it achieved an average duration of (1.17%).

Table 2: Evolution of the profitability of the investment Bank of Iraq for the period (2019-2023)

Rate of return on equity (5)	Rate of return on assets (4)	Proprietary Rights (3)	Total Assets (2)	Net income (1)	Years
6.60	0.8178	260,626,478,492	529,829,506,291	17,216,299	2019
1.761	0.1417	265,274,449,718	571,480,175,360	4,673,583,718	2020
0.35	0.9922	263,138,358,446	650,958,668,058	922,599,195	2021
2.624	3.4256	284,362,870,949	752,255,033,028	7,464,079,063	2022
10.35	0.8178	317,069,442,119	958,172,734,303	32,823,913,216	2023
2.01	0.88	326,082,317,422	741,291,308,738	6,574,555,338	2024
10.35	3.42				Max
0.35	0.1417				Min
1.17	3.94				Average

Source:

- Column (1, 2, 3) prepared by the researcher based on the financial statements of the investment Bank of Iraq, for the period (2019-2024).
- Column (4, 5) prepared by the researcher in the following formats:
 1. Return on Assets Ratio = Net Profit After Tax / total Assets *100
 2. Return on Equity Rate = Net Profit After Tax / total Equity * 100



Source: Prepared by the researcher based on the data of Table (2).

Fig 3: Evolution of the profitability of the Iraqi investment Bank for the period (2019-2024)

2. Analysis of the Bank's Revenues from the Sale of foreign Currencies to the Iraqi investment Bank:

The investment Bank of Iraq is keen to have an effective role in participating in sustainable development through banking

products such as credits, foreign transfers, and the sale and purchase of foreign currency, and the dollar has been valued at the price of (1190) dinars per dollar, which is the price announced by the Central Bank of Iraq as of 31/12/2019.

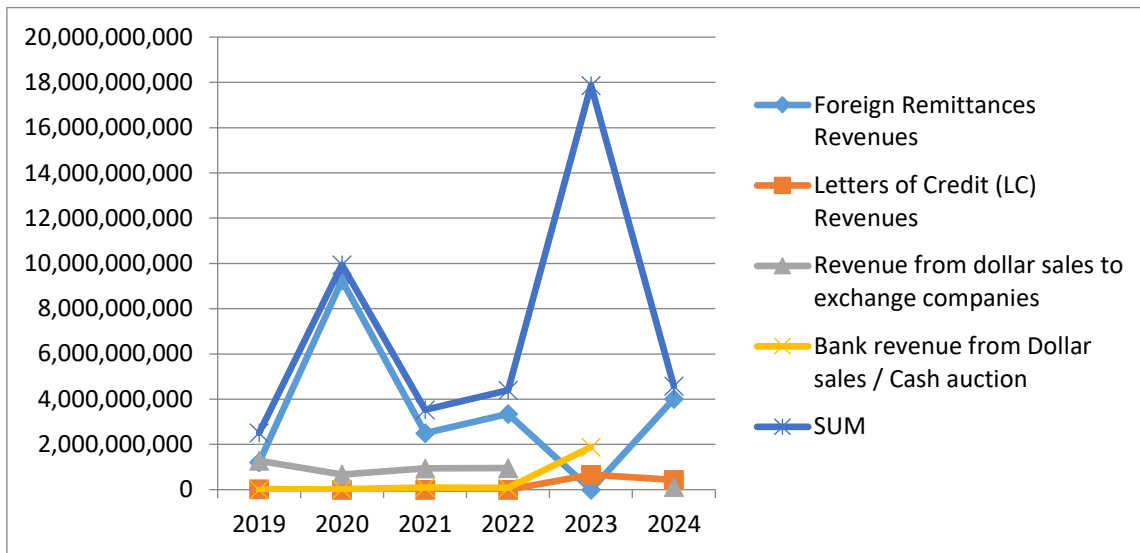
Table 3: QIB's income (Profits) from foreign Currency Sales to the investment Bank of Iraq for the Period (2019 – 2024)

Total	income from the sale of dollars/cash auctions to the bank	Revenue from the sale of dollars to exchange companies	Appropriations income	Revenue of foreign remittances	Years
2,513,712,500		1,278,000,000	28,250,152	1,207,712,500	2019
9,944,339,000	23,900,000	669,540,000	There isn't any	9,250,899,000	2020
3,528,595,500	92100000	944140000	There isn't any	2492355500	2021
4,389,619,509	84,500,000	951,200,000	There isn't any	3,353,919,509	2022
17,867,396,129	1,881,140,000		661,079,596	15,325,176,53	2023
4,577,081,498		125,532,796	436,852,355	4,014,696,347	2024
17,867,396,129					Max
2,513,712,500					Min
7,136,790,689					Average

Source: Prepared by the researcher based on the financial statements of the investment Bank of Iraq, for the period (2019-2024)

The bank's profit margin through the foreign currency sales window until 31/12/2020 amounted to JD9,944,339,000 billion, and the average selling price during the year reached JD124,720 billion per dollar, which is higher than the previous year, and the reason for this is due to the increase

in the US dollar by the Central Bank of Iraq, which led to an increase in the income of foreign currency sales at the bank, which contributed to increasing its profitability. It achieved the highest revenue in 2023, which amounted to (17,867,396,129 billion dinars.



Source: Prepared by the researcher based on the data of Table (3).

Fig 4: Revenues of the investment Bank of Iraq from the sale of foreign currencies for the period (2019-2024)

3. Middle East Bank's profitability analysis:

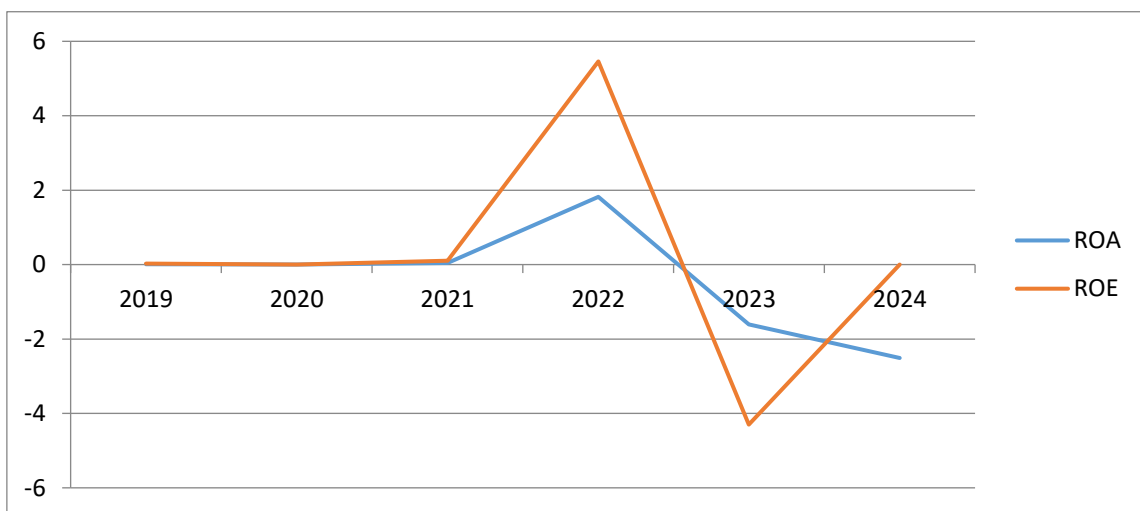
It is noted by following up the data of Table (4) that the Middle East Bank has lost for three years (2020), (2023) and (2024), and the reason for this is due to the fluctuations in

the exchange rate and the bank's cessation of participation in the window of buying and selling foreign currency on 6/22/2022, which has negatively affected the bank's profits until 31/12/2024.

Table 4: Middle East Bank's Profitability Evolution for the Period (2019-2024)

Return on Title	Return on Assets	Proprietary Rights	total Assets	Net profit after tax	Years
0.029	0.01	267.290.296	658.321.494	78.677	2019
0.15-	0.06 -	264.891.189	647.868.750	-408.572	2020
0.10	0.04	265.181.362	640.721.811	290.173	2021
5.46	1.82	265.195.849	795.103.959	14.488.000	2022
-4.30	-1.61	254.239.017	680.111.596	10.956.832-	2023
5.96-	-2.51	239.935.822	569.750.580	14.303.195-	2024
5	2				Max
-4	2.51-				Min
0	0				Average

Source: Prepared by the researcher based on the financial statements of the Middle East Bank, for the period (2019-2024)



Source: Prepared by the researcher based on the data of Table (4).

Fig 5: Evolution of Middle East Bank's profitability for the period (2019-2024).

4. Analysis of the foreign exchange sales revenues of the Middle East Bank:

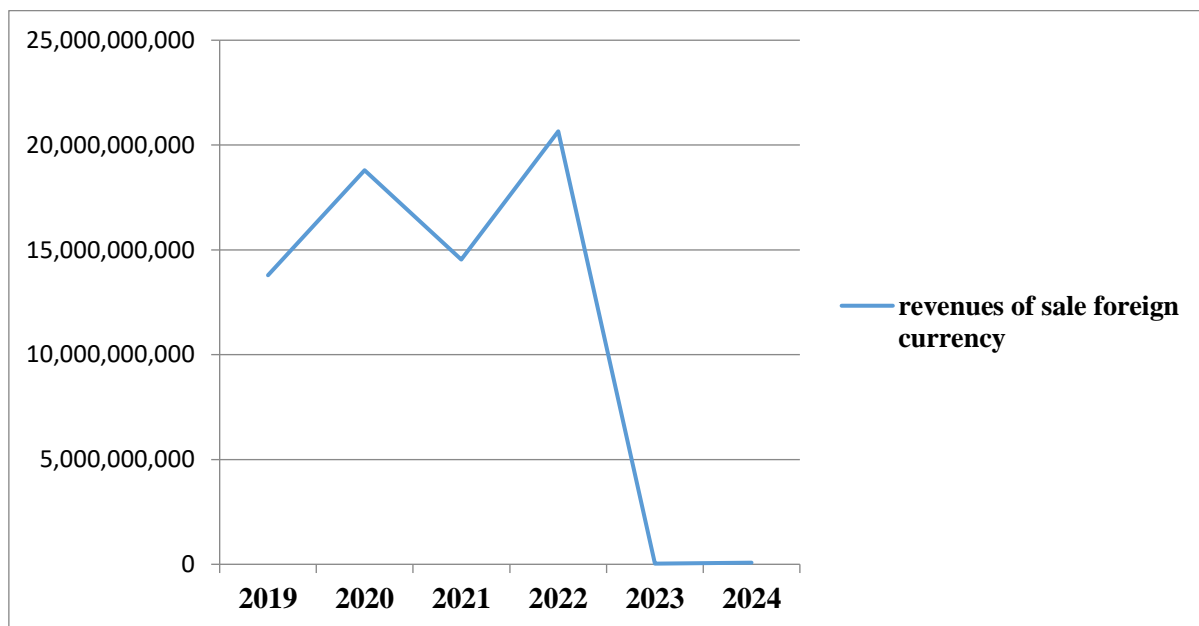
It can be seen from the results of Table (5) that Middle East Bank achieved the highest revenue from the sale of foreign currencies with a value of (20,653,856,725) dinars in (2022),

and the lowest value of (32,128,000) dinars in (2023) due to the adjustment of the exchange rate by the Central Bank of Iraq and the bank's suspension of participation in the foreign currency buying and selling window on 6/22/2022, which negatively affected the bank's profits until 31/12/2024.

Table 5: Analysis of Middle East Bank's foreign Exchange Earnings for the Period (2019-2024).

Total	Income from the sale of dollars/cash auctions to the bank	Revenue from the sale of dollars to exchange companies	Accreditation	Revenue of foreign remittances	Years
13,782,938,000	13,900,000	588,420,000		13,180,618,000	2019
18,794,980,040	5,130,000	291,180,000	6,841,620,040	11,657,050,000	2020
14,536,680,000	16,400,000		404,280,000	14,116,000,000	2021
20,653,856,725	16,800,000	513,160,000	351,896,725	19,772,000,000	2022
32,128,000	-	31,799	-	329	2023
80,119,000	-	77,891	-	2,228	2024
20,653,856,725					Max
32,128,000					Min
11,313,450,294					Average

Source: Prepared by the researcher based on the financial statements of the Middle East Bank, for the period (2019-2024).



Source: Prepared by the researcher based on the data of Table (5).

Fig 6: Evolution of Middle East Bank's foreign Currency Sales Revenues for the Period (2019-2024)

Conclusions and recommendations

First: Conclusions:

1. The exchange rate plays an important role in economic activity in general and banking activity in particular, as the higher the foreign exchange rate, the more profitability of commercial banks resulting from the sale of foreign currencies increases.
2. It contributes to opening investment horizons for the public (bank customers) for the purpose of developing their investments and economic projects and providing the necessary currency for the performance of religious tourism and medical treatment.
3. The exchange rate fluctuated in 2020 and began to escalate due to the policy adopted by the Central Bank of Iraq to raise the US dollar in exchange for the reduction of the Iraqi dinar to finance the general budget deficit in light of the fluctuations in crude oil prices in the global markets.
4. The results of the financial analysis showed that exchange rate fluctuations played an important role in the profitability of the investment Bank of Iraq through foreign currency sales revenues, which had a role in raising its profitability and increasing its market share, but the Middle East Bank achieved losses for three years according to the selected period due to the exchange rate fluctuations and the bank's wrong policy.

Second: Recommendations:

1. Motivating the banking sector to contribute to monetary policy through the financial surplus of commercial banks to support economic projects to increase its contribution to production.
2. Working to increase the control by the Central Bank of Egypt on all buyers of hard currency from the bank, especially commercial banks that enter the currency auction, in order to preserve the hard currency inside the country and prevent its smuggling abroad.
3. Work to develop and increase the contribution of local industries to preserve the hard currency within the country, as well as work on diversifying the sources of operating revenues to reduce the dependence on the profits of unstable currency spreads, which ensures the continuation of profitability.
4. Working on the transition from traditional management to proactive management and exposing potential risks to get rid of unstable exchange risks.

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How to Cite This Article

Al-Wetaifi ASKO, Hamza AF, Al-Shlah AAN. The role of exchange rate fluctuations in the profitability of a sample of banks listed on the Iraq Stock Exchange. *Int J Manag Organ Res*. 2026;5(1):21–29. doi:10.54660/IJMOR.2026.5.1.21-29

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