The Extent of the Practice of Iraqi Banks to Manage Profits Using the (LLP it) Model and Its Reflection on the Tax Base, A Case Study of a Sample of Iraqi Private Banks Listed in the Iraqi Stock Exchange

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Abstract
The research aims to identify the extent to which Iraqi private banks practice profit management motivated by reducing the taxable base by increasing the provision for loan losses by relying on the LLP it model, which consists of a main independent variable (net profit before tax) and independent sub-variables (bank size, total debts to total equity, loans granted to total obligations) under the name of the variables governing the banking business. (Colmgrove-Smirnov) was used to test the normal distribution of data for all banks during the period 2017-2020, and then find the correlation between the main independent variable sub and the dependent variable by means of the correlation coefficient person, and then using the multiple regression model to find the effect between the research variables according to the equation of the LLP it model for a sample of three banks (the Commercial Bank of Iraq, the Bank of Baghdad, the Ashur International Bank) based on a time series extending from (2017-2020). The researchers reached the most important conclusions: The possibility of using the LLP it model on Iraqi banks to reveal the practice of profit management and there is a significant correlation between the net profit before tax and the provision for loan losses. The researchers recommended the most important recommendations: Conducting continuous tests to detect banks that practice earnings management for the purpose of reducing the tax base, the necessity of using modern tools and methods (LLP it) by the tax administration to limit the practice of profit management in order to reduce the tax base.

Keywords: Provide up to six keywords which encapsulate the principal topics of the paper.
Research type: case study.
1. Introduction

The research sheds light on the Iraqi private banks that practice profit management to achieve many motives, the most important of which is the motive of reducing the tax base, which banks resort to in order to reduce the tax burden on the bank, and in order to distinguish these banks that practice profit management, they will rely on the loan loss allocation model LLP and the importance of this model is adopted in this research. In order to identify the practical reality of the work of these banks and the extent of their practice of profit management motivated by reducing the tax base, the research is divided into three sections. Finally, the conclusions and recommendations reached by the researchers were reviewer, Preface: This topic focuses on the research methodology, which is the field path of research and the organized scientific method to determine the research problem and how to address it in a way that ensures the objective selection of its hypotheses and the achievement of the formulated goals as follows:

Profit management in private Iraqi banks is one of the topics that still lacks a scientific and practical basis in addressing them, and that is why it is practiced to achieve many motives, the most important of which is the impact on the tax base in a way that reduces the tax burden on these banks, and based on the hypothetical scheme of the research variables and the emerging hypotheses. The research problem is formulated in the form of questions:
1. Is there a significant correlation between the net profit before tax NPP and provision for loan losses LLP?
2. Is there a significant correlation between the sums of the variables governing the banking business? CBL* NPPT and provision for loan losses LLP?
3. Is there a significant effect relationship between the net profit before tax NPP and provision for loan losses LLP?
4. Is there a moral influence relationship between the sums of the variables governing the banking business? CBL* NPPT and provision for loan losses LLP?
5. Does the practice of the research sample banks to manage profits affect the tax base of these banks?

The importance of the research emerges through the use of the loan loss allocation model to reveal the practice of private Iraqi banks, the research sample, to manage profits for the purpose of influencing the tax base in a way that leads to a reduction in the tax burden on these banks. The research aims to identify the extent to which Iraqi private banks practice profits management and their impact on the tax base in a manner that serves the interest of the administration in the research sample banks. The dimensions of the variables are chosen according to the intellectual and literary curricula of previous studies, this scheme combines the quantitative and qualitative aspects of the form of this relationship according to the following variables, as shown in the figure below:
In line with the objectives and importance of the research, and through its problem, the researchers seek to test the following hypotheses:

First: HO1 There is no statistically significant relationship at the level (a≤0.05) between the net profit before tax NPP and provision for loan losses LLP.

Secondly: HO2 There is no significant correlation with statistical significance at the level (a≤0.05) between the sum of the variables governing the banking work CBL* NPPT and provision for loan losses LLP.

Third: HO3 There is no significant statistically significant relationship at the level (a≤0.05) between the net profit before tax NPP and provision for loan losses LLP.

Fourthly: HO4 There is no significant statistically significant relationship at the level (a≤0.05) between the total variables governing banking work CBL* NPPT and provision for loan losses LLP.

From this fourth main hypothesis, the following sub-hypotheses emerge
HO4.1 There is no significant statistically significant relationship at the level (a≤0.05) between the size of the bank SIZE and provision for loan losses LLP.
HO4.2 There is no significant statistically significant relationship at the level (a≤0.05) between total debts to total equity DE and provision for loan losses LLP.
HO4.3 There is no significant statistically significant relationship at the level (a≤0.05) between the percentage of loans given to the total obligations LD and provision for loan losses LLP.

Fifth: HO5 There is no reflection of the practice of profit management on the tax base of the sample banks.

Research sample: Reliance on three banks due to the availability of their data.
Spatial boundaries: Include three banks (the Commercial Bank of Iraq, the Bank of Baghdad, the Ashur International Bank).
Time limits: Reliance was made on a time series of data for the fiscal year 2017 to 2020.

Previous studies:
1. Al-Sahli study, entitled “Profit Management in Saudi Companies” (2006):
   This study aimed to address the phenomenon of profit management in Saudi joint stock companies by estimating the voluntary maturity and studying some of the basic motives that make corporate management practice profit management. And there are (40) companies that met the study conditions during the period from 2001-2004. The study concluded several results, including:
companies manage profit in order to maintain the expected level of profits, where they exercise the accrual in a positive manner when profits are low or when relatively low losses are achieved, while they exercise the accrual in a negative way when the profits are high compared to previous years.


This study tested the extent to which Australian banks used loan loss provisions (LLP it) in profit management, capital management and signals on stock market trends, and also tested whether there were changes in the use of (LLP it) as a result of the application of banking legislation in accordance with the Basel Agreement of 1988. In this study, a special model for provisions for loan losses, the study population consisted of Australian commercial banks during the period from 1991-2001, where the sample of the study included 50 banks. The study found the following: Australian banks use loan loss provisions in the management of capital, but the study did not find any evidence of a change in this behavior after the application of the Basel Agreement, and the results also indicate the use of provisions to manage profits.


This study aimed to try to reveal the extent of the impact of earnings management practices on the decision to change auditors, by analyzing the profit management drivers and their measurement approaches, considering that this represented the basis on which the researcher relied in studying the relationship between earnings management practices on the one hand and the management’s desire to change the auditor from on the other hand. The research community consisted of all the 118 companies registered in the Saudi financial market, while the research sample consisted of 78 companies after excluding companies for which data were not available during the study period from 2004-2006. The researcher relied on measuring the profit management on the measurement of the total receivables. The study found the following: 72.7% of the companies that changed the external auditor had a fundamental change in the total accruals, and 65.0% of these companies had shifted from negative accruals to positive accruals, and that 60.5% of the companies that did not change the references External where there was no fundamental change in the total accruals.


This study dealt with the impact of the accounting theoretical approaches on the management of accounting profits and the interpretation and analysis of their motives and the ways and methods of their practice, and the impact of these erroneous practices on the fair values of private financial investments and on the integrity of public financial statements, and financial analysts at the Amman Financial Market and Beirut Stock Exchange, in addition to some auditors. The study found the following: There was a significant impact of the motives and benefits of profit management and the positive approach applications represented by the agency theory on the quality of the announced profits and consequently on the fair values of financial investments, negatively on the fair value of financial investments.
Conclusion: Previous studies examined a topic that was unanimously agreed on its importance, which is the evaluation of earnings management in joint stock companies. These studies also unanimously agreed that the basis of entitlement, especially the estimation of voluntary receivables, is what allows management to practice earnings management, and therefore the developed models that were developed to measure this phenomenon should be used. Al-Sahli’s study focused on voluntary provisions and motives for profit management practices according to the Jones model, while the study of Anandarajan et al focused on the extent to which Australian banks use to manage profits and their impact on the stock prices of those banks in the financial markets, while the study of groups focused on the extent of the impact of profit management practices on the decision to change the external auditor. Finally, the study of Al-Zahir focused on contemporary approaches to accounting profit management and its impact on the fair values of financial investments, while our research focused on the extent to which Iraqi banks practice profit management through the use of the (LLP it) model, and then study its impact on the tax base of those banks.

2. Theoretical Aspect

2.1: Earning Management Practices

Earnings management can be defined as a deliberate intervention by management in the preparation of external financial reports with the aim of realizing some private financial gain (Schipper, 1989, 42). Earnings management is defined as the company manager's use of personal judgment when preparing financial reports and structuring transactions in order to alter these reports with the aim of misleading stakeholders about the economic performance of the company or to influence the results of contracts that rely on data and accounting information (Healy and Wahlen, 1999: 368). It is also defined as a departure from normal operating practices with the intent of management to mislead some stakeholders and make them believe that the objectives of financial reporting have been achieved and that they are in the best interests of all (Roychowdri, 2006: 337). It is defined as the development of estimation methods accounting to influence the result of the activity or the profit number shown in the financial statements in order to avoid obstacles and obligations on the company (Al-Sahli, 2006: 516), and that the lack of a unified definition of profit management led to the emergence of a set of terms through which management practices are described esarnings, which are income adjustment, financial statement management, creative accounting, financial statement manipulation, income statement re-engineering, financial deception, misrepresentation of facts and other terms (Thomas, 2005: 43). Here, it should be noted that the company's management does not violate accounting principles and laws and instructions when practicing the management of profits to the legality of this practice.

1. Material motives: Most corporate management practices profit management in companies that, in the process of distributing incentives, depend on the net profit achieved by the company through the use of accounting methods and methods to manipulate the net profit, and this means transferring wealth from the company to the management through an incentive plan that depends on Bonuses, salary or plan based on stock options and quotas.
2. Contractual motives: They are the contracts concluded between the company’s management and the lenders. These contracts include restrictions or conditions on the management’s procedures by determining the maximum profit distribution, liquidity ratio, indebtedness and management restrictions. In limiting the contract of new debts except with the availability of certain conditions, as well as imposing certain restrictions on companies when merging or joining other companies (Al-Hindi, 2015: 33).

3. Political costs: These are costs incurred by companies as a result of external interventions from governments or other parties that affect the value of the company, for example, increasing or imposing new taxes, increasing workers' wages, labor union demands and social burdens.

4. Regulatory motives: These motives have two types of organizational motives for profit management, the first is industrial regulation and the second is anti-monopoly regulation. (Watts and Zimmerman, 2008).

5. The motive behind reducing the tax base: The motive behind reducing the tax base from which income tax is taken is one of the most important motives for managing profits, as this is done through the selection of accounting methods that help reduce the current value of the tax. Payments, such as making allowances, and methods for valuing a company's inventory of goods that affect taxable earnings. Thus, reducing the tax burden on the company (Al-Da’our and Abd, 2009: 826), and here it should be noted that this motive will be focused on by researchers.

2.2: Loan Loss Provision Form LLPS

Loan management provisions are defined as a relatively large accumulation of commercial banks that have a significant impact on the income and regulatory capital of the banks, and the objective of these provisions is to control or control loan losses for savings with the aim of reversing the expected future losses on loans. (Anandarajan, ET, 2007). Here it is to be noted that some managers of commercial banks exercise their personal judgment in estimating provision for loan losses which are mainly related to banks and profits and this naturally motivates management to practice management using profits or by such deductions. Provision model for loss provisions the loan (LLPS) is based on three representatives: the first is bad loans during the year, the second is the compensation of losses or loan reserves at the beginning of the year, and the third is the change in non-operating loans during the year (Oosterbosch, 2009, 42).

2.3: Tax base

The statement of the concept of the tax base first requires a statement of the concept of tax in general as well as tax income, and accordingly the tax is defined as a mandatory cash discount imposed by the state through one of its public bodies. On the resources of economic units and people with the intention of covering public burdens without specific consideration, provided that these burdens are distributed to economic units and individuals according to their ability entrusted to them (Al-Janabi, 2007: 136). Of taxable income, there are two theories to define the concept of the first taxable income called source or source theory. Income according to this theory is defined as every new purchasing power that flows periodically in a certain period of time, so that it can be consumed without compromising its source, provided that this income is characterized by periodicity, permanence and exploitation of the source, the ability to estimate cash and finally the new purchasing power. One of them or came spontaneously and by chance
without effort or money, income according to this theory becomes comprehensive profit and interest, commercial and industrial profits, wages and salaries, gifts and inheritance, lottery winnings, and fixed profits resulting from the sale of assets (Penguin: 2005, 128). While we note that a tax base has a specific concept that is not mixed with other concepts and is known as the substance, item or thing on which the tax is imposed, and it may be a normal thing. Or a legal person or money such as a taxpayer, his capital, his income, or goods, whether they are imported from abroad or produced from within (Ramadan, 2002: 62). The tax base differs from its source. The source of the tax is the wealth from which the tax is actually paid, that is, that which is affected by the tax, and the main source of taxes is income based on the fact that the tax is a renewable duty that must be from renewable wealth, and it can be excluded from the capital when the income is insufficient (Sidqi, 2006: 327). The second article of the Iraqi Income Tax Law No. 113 of 1982 dealt with the sources of taxable income, which can be categorized into three main sources of labor income, capital income, and mixed income from work and capital (Al-Jajjawi and Al-Anbaki, 2014, 53).

3. Practical Aspect

Introduction: This topic of profit reviews the applied aspect of research through the application of the LLP model equation. It focuses on the use of the loan loss allowance as a management tool (dependent variable) through the multiple regression models to measure the size of the change in the value of the loan loss allowance as a result of the change in net profit. Pre-tax (the main independent variable) as well as changes in some of the governing variables (independent sub-variables) which are related to bank characteristics, such as bank size, new applicable rules such as Basel or IAS, ratio of loans to total customer deposits, ratio of liabilities to equity ownership, and finally, the focus will be on the implications of profit management practices by banks, and the research sample on the tax base.

3.1: LLP Equation Variables Model

Most of the studies that dealt with profit management in terms of measurement in companies, used the voluntary receivables approach and its amendments, but banks and financial institutions often do not deal with the Jones model and this is due to the special nature of those institutions that differ from industrial companies, as these institutions have different procedures for processing receivables that are not It may be specified by the Optional Entitlement Models (Peasnell, et al. 2000). Since recent studies have indicated a link between loan loss provisions (LLP it) and profit management, there are three representatives of the non-voluntary component in this model, the first is bad loans during the year, the second is allowance for losses or loan reserves at the beginning of the year, and the third is the change in non-discretionary loans operating during the year, so the LLP it model consists, (Oosterbosch, 2009):

\[ LLP \text{ it} = B1 \text{ NPPT} + B2 \text{ CBL }\times \text{ NPPT} + B3 + B4 \text{ LD} + B5 \text{ DE} + Ei \ldots 1 \]

3.1.1: Where it represents

- **LLP it**: Provision for loan losses for a particular bank for a given year (dependent variable)
- **NPPT**: the net profit before tax for a particular bank for a given year (independent major variable)
3.1.2: It can be measured by the following equation
NPPT = (NP it + T it + LLP) ÷ TAs
3.1.3: Where it represents
The net profit of a particular bank for a given year.
The income taxes of a particular bank for a particular year.
LLP Provision for loan losses.
TAs: total assets.
3.1.4: CBL, NPPT governing variables for the LLP model equation
There are variables that affect the loan loss allowance model as a result of operating under misleading international disclosure standards, Basel standards and the laws of the Central Bank of Iraq, examples of which are:
1. Its size: The size of a particular bank for a given year (the governing variable, the independent sub-variable)
2. DE it: Total debt/total equity of a particular bank for a given year (ruling variable, independent sub-variable)
3. LD it: The percentage of loans granted to customers / total obligations to a particular bank for a given year (ruling variable, independent sub-variable)

3.2: Statistical Analysis Methods
The researchers' group of exams statistics are used to achieve the research objectives, as the statistical analysis program SPSS.25 is used and some ratios for the natural logarithm, the mean and the standard deviation are calculated, and they are as follows:
1. Test the normal distribution of the data with Kolmogorov Smirnov test.
2. Arithmetic mean and standard deviation of the banks data to find out the dispersion among the data.
3. The person correlation coefficient to measure the correlation coefficient of the relationship of the dependent variable with the rest of the main and subsidiary independent variables.
4. The Mann-witny test to measure the effect of applying the rules governing banking business on the amount of the provision for loan losses.
5. Multi Stepwise Regression to measure the dependent change due to changes in a variable independent of the main base and the variables.

3.3: Characterization variables model LLP it
The researchers subject the data of the research sample to banks for statistical treatments within time series from 2017 to 2020 to verify whether Iraqi banks use provisions losses in management, and the statistical results are analyzed as follows:

3.4: Test for the normal distribution of the data
Colmgrove-Smirnov test to learn to do trace data normally, it is necessary to test in case the test hypotheses are most of the tests that my teachers require to normally distribute trace data.
Table 1 shows the results of the normal test distribution of data for all banks during the period 2017 – 2020.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Test Kolmogorov-Smirnov</th>
<th>P - value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLP</td>
<td>0.064</td>
<td>2.34</td>
</tr>
<tr>
<td>NPP</td>
<td>0.089</td>
<td>3.52</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.081</td>
<td>2.77</td>
</tr>
<tr>
<td>DE</td>
<td>0.073</td>
<td>1.78</td>
</tr>
<tr>
<td>LD</td>
<td>0.088</td>
<td>2.88</td>
</tr>
</tbody>
</table>

Source: The table prepared by researchers, based on the results of the normal distribution test for the data.

From Table 1 It is clear that the results of test distribution natural for the data of the banks, the research sample follows a normal distribution with an indicative level P - value bigger 0.05 against all search variables.

3.5: Descriptive statistics of the research variables

The researchers will use the arithmetic mean and standard deviation to process the data of the research sample banks:

Table 2 shows the results analysis the arithmetic mean and standard deviation of the research variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Standard deviation</th>
<th>Arithmetic mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLP</td>
<td>0.061</td>
<td>0.089</td>
</tr>
<tr>
<td>NPP</td>
<td>0.055</td>
<td>0.085</td>
</tr>
<tr>
<td>SIZE</td>
<td>3.11</td>
<td>10.10</td>
</tr>
<tr>
<td>DE</td>
<td>35.98</td>
<td>16.99</td>
</tr>
<tr>
<td>LD</td>
<td>0.645</td>
<td>0.733</td>
</tr>
</tbody>
</table>

Source: Table prepared by researchers based on program results SSPS. 25.

From Table 2 it is clear that
1. The average LLP loan loss provision for the research sample from banks was (0.089), with a standard deviation of (0.061)
2. Average net profit before tax (NPP). The value of the research sample banks was (0.085) with a standard deviation (0.055)
3. The average size of the bank with the size of the natural logarithm of the value. The assets of the research sample banks amounted to (10.10) and with a standard deviation of (3.11)
4. The average debt-equity ratio DE for the research sample of banks (16.99) with a standard deviation of (35.98)
5. Average ratio of loans granted to customers to total obligations LD. The average ratio of loans to customers to total obligations was LD. The research sample for banks was (0.733) with a standard deviation of (0.645).

This means that the collected data of the research sample banks can be used in the multiple regression equation of a model LLP it because of the low scattering between the data.
3.6: Analysis of the extent to which banks use loan provisions in profit management

The test of the extent to which the research sample banks practice profit management through the use of the correlation coefficients' person to measure the correlation coefficient between the relationship of the dependent variable with the rest of the main and subsidiary independent variables:

Table. 3 Shows the correlation matrix between the relationship of the dependent variable with the rest of the main and subsidiary independent variables:

<table>
<thead>
<tr>
<th>Variables</th>
<th>NPP</th>
<th>SIZE</th>
<th>DE</th>
<th>LD</th>
<th>CBL*NPPT</th>
<th>LLP P-value</th>
<th>NPP P-value</th>
<th>SIZE P-value</th>
<th>DE P-value</th>
<th>LD P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.867</td>
<td>0.857</td>
<td>0.843</td>
<td>0.901</td>
<td>0.897</td>
<td>0.023</td>
<td>0.897</td>
<td>0.023</td>
<td>0.017</td>
<td>0.021</td>
<td>0.023</td>
</tr>
<tr>
<td>0.019</td>
<td>0.019</td>
<td>0.017</td>
<td>0.021</td>
<td>0.023</td>
<td>0.867</td>
<td>0.007</td>
<td>0.897</td>
<td>0.897</td>
<td>0.897</td>
<td>0.897</td>
</tr>
<tr>
<td>0.825</td>
<td>0.798</td>
<td>0.797</td>
<td>0.881</td>
<td>1</td>
<td>0.016</td>
<td>0.097</td>
<td>0.016</td>
<td>0.897</td>
<td>0.897</td>
<td>0.897</td>
</tr>
<tr>
<td>0.016</td>
<td>0.013</td>
<td>0.007</td>
<td>0.223</td>
<td>0.223</td>
<td>1.005</td>
<td>0.023</td>
<td>0.023</td>
<td>0.023</td>
<td>0.023</td>
<td>0.023</td>
</tr>
<tr>
<td>0.602</td>
<td>0.100</td>
<td>0.111</td>
<td>0.041</td>
<td>0.051</td>
<td>0.333</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
<td>0.019</td>
</tr>
</tbody>
</table>

Source: The matrix was prepared by researchers based on the results of the Program SSPS.25

It is clear to the researchers that the matrix in Table. 3 shows the following:

1. There is a correlation between the net profit before NPP tax and between the loan loss allowance variable LLP With a direct relationship of (0.897) and a significant level P - Value (0.023) with evidence that it is less than (0.05), which indicates the existence of profit management activity in the banks of the research sample, which supports the researchers by rejecting the first hypothesis, and thus the researchers have answered the first question posed in the research problem.

2. There is a correlation between the sum of the variables governing the banking business CBL* NPPT And between the loan loss allowance variable LLP in a positive relationship (0.867 ) on a moral level P - Value (0.019) with evidence that it is less than (0.05), which shows that the governing variables are related to an increase in profits before tax, and does not limit them at all, which supports the researchers by rejecting the second hypothesis, and thus the researchers have answered the second question posed in the research problem.

3.7: Test Mann - witny

This test is to show the extent of the impact of the application of the rules governing banking work (sub-independent variables) on the value of the provision for loan losses (the dependent variable) for the banks of the research sample through a test Mann – witny. The following table shows the test results:

Table. 4 Test results Mann - witny to measure the differences in the provision for loan losses.

<table>
<thead>
<tr>
<th>p-value</th>
<th>Values Z</th>
<th>Test Mann - witny</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.004</td>
<td>10,761</td>
<td>Provision for loan losses</td>
</tr>
</tbody>
</table>

Source: Test Mann - witny Prepared by researchers based on the results of the program SSPS.25
From Table 4 the researchers find after analyzing the z-value which is (10.761) and at the significance level of p-value (0.004), which means that there are significant differences between the average provisions for pre-tax profits. For all banks during the time limits of the research sample on banks despite the application of the rules governing banking work (independent sub-variables), which means that the banks of the research sample worked to change the policies of creating a provision for loan losses. The profit may be reflected mainly in the net amount before tax.

3.8: Multiple regressions to measure the impact of the loan loss allowance on profit management

To determine the effect values of net profit before tax and the governing variables on the loan loss provision, researchers will perform a multiple regression equation using the statistical analysis software SPSS. 25 on the data collected from the research sample banks according to the model equation:

\[ \text{LLP} = B0 + B1 \text{NPPT} + B2 \text{CBL} * \text{NPPT} + B3 \text{SIZE} + B4 \text{LD} + B5 \text{DE} + Ei \ldots 1 \]

Table 5 shows the multiple regression relationship between the loan loss allowance and between the main variable and the sub-variables:

| Source: Table prepared by researchers based on program results SPSS.25 |
|---|---|---|---|---|
| | Sig. | T degree of analysis | Regression coefficient | Arithmetic mean LLP it | Sample |
| 0.001 | 30.45 | 0.911 | 0.089 | NPP |
| 0.018 | 11.72 | 0.792 | 0.089 | CBL * NPPT |
| 0.021 | 10.82 | 0.732 | 0.089 | SIZE |
| 0.025 | 12.12 | 0.811 | 0.089 | DE |
| 0.008 | 12.24 | 0.833 | 0.089 | LD |

From Table 5 the researchers find the following:
1. There is an effect relationship between the net profit before tax NPPA and the loan loss allowance of (0.911), and this means that the research sample banks use the loan loss allowance in the management of profits, which supports the researchers' rejection. From the third hypothesis, the researchers explained the reason for the research sample of banks trying to avoid disclosing a high net profit and thus increasing the tax base, and thus the researchers have answered the third question posed in the research problem.
2. There is an influence relationship between the factors that govern CBL * NPPTA banking and the loan loss allowance of (0.792), which means that the banks in the research sample use the loan loss allowance in profit management, which the researchers support rejecting the fourth hypothesis, and the reason for this is the inability of the governing factors on restricting the practice of profit management through the use of loan loss provisions, and thus the researchers have answered the fourth question posed in the research problem.
3. The existence of an influence relationship between the variable size of the bank (number of branches) and allocated to loan losses amounting to (0.732), which indicates the presence of profit management activity in the banks of the research sample, which supports the researchers. Rejecting the researchers' first sub-
hypothesis, the reason for this is the inability of the external auditor to prevent the research sample banks from using loan loss provisions in profit management.

4. There is an influence relationship between the average ratio of debt to equity variable (DE) and the variable loan loss allowance LLP of (0.811), which indicates the presence of earnings' management activity in the banks of the research sample, which supports the researchers by rejecting it. The second hypothesis.

5. There is an effect relationship between the average variable ratio of loans granted to customers to total liabilities LD and the LLPI loan loss provision of (0.833), which indicates the presence of profit management activity in the research sample banks, which supports the researchers in rejecting the third hypothesis of the researchers, and explaining the reason for this is because the banks of the research sample have increased the value of loan loss provisions to reduce credit risk, and this means using loan loss provisions in profit management from those banks.

3.9: The extent to which the loan provision is included in the tax procedures:

The Central Bank of Iraq, as is well known, obliges the Iraqi private banks to calculate the loan provision, and this calculation or formation of the provision is according to estimated ratios. As for the tax administration in Iraq, it does not take these provisions, given that the Income Tax Law No. 113 of 1982, as amended, was not subject to these provisions. The provisions within the exemptions, that is, they are included in the tax, except for the provisions related to the depreciation of assets that are formed or calculated according to the estimated depreciation rates in Instructions No. 9 of 1995, as well as bad debts are exempted provided that they are approved by a judicial decision, and here it should be noted that all banks in the research sample exaggerate the formation of these provisions for the purpose of influencing the result of the activity and thus affecting the tax base, as it works to reduce the profit before tax in the income statement with the expenses of the credit provision. Income tax is an unacceptable expense for tax purposes.

3.10: Change in the amount of loan loss provision and its reflection on the tax base

The identification of the change in the loan losses provisions for the banks the research sample requires first displaying the provisions for these banks for the financial years approved by the research and then showing the change in these provisions and Table. 6 reviews these changes.

Table. 6 Shows the change in the provision for loan losses (amounts in thousands of dinars)

<table>
<thead>
<tr>
<th>the difference</th>
<th>2020</th>
<th>2019</th>
<th>the difference</th>
<th>2018</th>
<th>2017</th>
<th>Bank name</th>
</tr>
</thead>
<tbody>
<tr>
<td>95395</td>
<td>560100</td>
<td>464705</td>
<td>662397</td>
<td>925356</td>
<td>262959</td>
<td>Commercial Bank of Iraq</td>
</tr>
<tr>
<td>7433926</td>
<td>7990846</td>
<td>556920</td>
<td>(4879963)</td>
<td>182070</td>
<td>5062033</td>
<td>Baghdad Bank</td>
</tr>
<tr>
<td>2044912</td>
<td>3184045</td>
<td>1139233</td>
<td>17373</td>
<td>1153122</td>
<td>1135749</td>
<td>Ashur International Bank</td>
</tr>
</tbody>
</table>

Source: The table prepared by researchers based on the financial data of the research sample published in the Iraq Stock Exchange.
By presenting the results in Table. 6 above, as well as the results obtained from applying the LLP model, it was found that the Commercial Bank of Iraq and Ashur International Bank had practiced profit management through the change in the increase in the loan loss provision between 2017-2018, amounting to (662397) and (17373), respectively, driven by the impact on the tax base to reduce the tax burden on the bank. While we note that the Bank of Baghdad practiced profit management, but it was not motivated by the reduction of the tax burden, and the evidence was the decrease in the loss allowance for loans in the amount of (-487, 9963). between the year 2017-2018. For the year 2019-2020, we note that all banks in the research sample practiced profit management in the amount of (95395), (7433926) and (2044912), respectively, from the tax base and reducing the tax burden on it was previously reached through the application of the LLP model. The researchers found that the research sample banks practiced profit management by reducing the net profit before tax by increasing the provision for loan losses, and this would certainly reflect on the tax base of the research sample banks, which supports the researchers by rejecting the fifth hypothesis, and thus the researchers have answered the fifth question posed in the search for a problem.

4. Conclusions and Recommendations

4.1: Conclusions

1. The possibility of using the LLP model from Iraqi banks to disclose the practice of profit management.
2. There is a significant correlation between the net profit before tax and the provision for loan profit losses.
3. There is a significant correlation between the sum of the variables that govern the banking business and the provision for loan losses.
4. There is a significant effect relationship between the net profit before tax and the provision for loan losses.
5. There is a statistically significant impact relationship between the sum of the variables that govern banking business and the provision for loan losses.
6. The existence of a reflection of the practice of profit management on the tax base for a sample of banks.

4.2: Recommendations

1. Conducting continuous tests to detect banks that use profit management for the purpose of reducing the tax base.
2. The necessity of using modern means and methods (LLP it) by the tax administration to limit the practice of profit management, motivated by the reduction of the tax base.
3. Activating the tools of the Central Bank of Iraq in monitoring banks, especially the allocations offered by banks.
4. Researchers recommend paying attention to the topic of management research, investigation and profit through research that serves this direction.
References

مدى ممارسة المصارف العراقية لأدارة الارباح باستخدام نموذج LLP it (كاملية) وانعكاسه على الوعاء الضريبي دراسة حالة لعينة من المصارف العراقية الخاصة المرجع في سوق العراق للأوراق المالية

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مستخلص البحث:

يهدف البحث إلى التعرف على مدى ممارسة المصارف العراقية الخاصة لأدارة الارباح بدافع تخفيض الوعاء الخاضع للضريبة من خلال زيادة مخصص خسائر الفروض من خلال الاعتماد على نموذج LLP it كمثير مستقل (صافي الربح قبل الضريبة) ومتغيرات مستقلة فرعية (حجم المصرف، مجموع الديون إلى مجموع حقوق الملكية، القروض الممنوحة إلى مجموع الالتزامات) تحت مسمي المتغيرات الحاصلة للعمل المصرفية. وقد تم استخدام (كولمبوس - سمرنوف) لاختبار التوزيع الطبيعي للبيانات لجميع المصارف خلال الفترة 2017 - 2020، ومن ثم ايجاد علاقة الارتباط بين المتغير المستقل الرئيسي الفرعية والمتغير التابع بواسطة معامل الارتباط بين person's نموذج الاجداد المعدل لايجاد التأثير بين NPP i من متغيرات الوعاء وحسب معادلة NMOOJ it معينة مكونة من ثلاثة مصارف في المصرف التجاري العراقي، مصرف بغداد، مصرف مصرف آشور الدولي) معتمدين على سلسلة زمنية تمتد من (2017 - 2020)، وقد توصل الباحثون إلى استنتاجات همها: إمكانية استخدام NMOOJ i ادارة الارباح، يوجد علاقة الارتباط معني بين صافي الربح قبل الضريبة وبين مخصص خسائر الفروض، وقد أوصى الباحثين بتوصيات أهمها: إجراء الاختبارات المستمرة للكشف عن اقتصاد الارباح التي تمارس إدارة الارباح بغرض تخفيف الوعاء الضريبي، ضرورة استخدام أدوات واساسية حداثية (LLP it) للحد من ممارسة إدارة الارباح بدافع تخفيض الوعاء الضريبي.

المصطلحات الرئيسية للبحث: إدارة الارباح، صافي الربح قبل الضريبة، نموذج مخصص خسائر الفروض، الوعاء الضريبي.

نوع البحث: دراسة الحالة.