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# The Extent of the Adoption of the 5Cs Credit Criteria Model as a Mechanism for Granting Bank Credit

**Ass. Prof. Wafaa Ghitheer Mezaal**

Southern Technical University, Basra, Iraq

***Correspondence to:** Wafaa Ghitheer Mezaal, Southern Technical University, Basra, Iraq; Email: Waf.ch@stu.edu.irq

**Abstract:** Bank credit represents an important aspect of the functions of commercial banks, and is the core of their work. It is rare to find a project in practical life that relies on its own resources for its activity. Rather, these projects seek to feed their working capital through the credit provided by banks. Therefore, we note that banks pay attention to factors such as security, profitability, and liquidity when granting credit. Hence, the idea of this research emerged, highlighting the mechanism for granting bank credit using the 5Cs credit criteria model, given its significant importance in assessing the extent of risks that may arise from granting credit. This was applied to a group of banks operating in the city of Nasiriya, using a questionnaire designed for this purpose. The results of the study showed that credit analysis using the 5Cs credit criteria model is an important and effective tool for assessing the financial status of the borrowing customer and their ability to repay their debts before granting them bank credit, thus reducing, as much as possible, the extent of the risks to which the bank may be exposed as a result of granting them that credit. In light of this, the most important recommendations were made, which require the need to activate the role of risk management. In credit decision-making, as well as training personnel in the Risk Management Department in the field of monitoring and following up on credit granted according to scientific and advanced principles.

**Keywords:** Bank credit; Credit Standards Model (5Cs); Principles of Credit Granting

## 1. Introduction

The importance of the credit function is highlighted as the backbone of any bank. Without it, a bank loses its primary function as a financial intermediary, and thus its very existence. Furthermore, the return on credit activity represents the main axis of any bank's revenue, regardless of the variety and diversity of its other activities. Credit activity is considered one of the most profitable activities, on the one hand, and one of the riskiest, on the other, if borrowers are unable to repay on the due dates. This leads to losses that directly impact the bank's operations and its ability to continue. Therefore, we note that banks are currently moving towards establishing departments to manage credit risk. However, these risks cannot reach zero levels due to the changing financial circumstances of borrowers. Hence, we note that the bank's credit department is concerned with following sound procedures in the credit granting process to ensure the continuity of credit without facing any defaults. It also contributes to rationalizing credit decisions by studying the borrower's situation in terms of capital, ability to repay, guarantees, and the surrounding economic conditions. This is in addition to the importance of credit oversight, which enables the bank to monitor the progress of the granted credit and ensure that the borrower does not encounter any problems that limit his or her ability to repay. This can only be achieved by adopting one of the credit standards for analyzing the borrower's situation, the most prominent and most widely adopted of which by banks is the credit standards model (5Cs). Therefore, this research will shed light on this model as a means of granting credit, in addition to the nature of bank credit and the basis for granting it, to come up with results and proposals that will contribute to directing the administrations of the banks under study towards adopting new strategies in the field of managing their credit portfolio.

## 2. Theoretical Framework of the Research

### 2.1. The Credit Criteria Model (5Cs)

When conducting their operational activities related to providing credit, commercial banks are exposed to a number of risks that lead to a decline in their profitability and possibly to their failure. Therefore, it has become common practice for commercial banks to study a number of criteria related to the borrower when evaluating credit granted to determine the amount of associated risks. These criteria are known as the 5Cs of Credit system, whereby five basic elements or variables of the borrowing customer are evaluated: (personality, ability, capital, guarantees, and circumstances) (Al-Zubaidi, 2011: 189). This mechanism, which must be implemented with every application submitted for credit, is known as the Five Cs system, as all of its elements begin with the letter (C) in English (Taha, 2007: 471). The following is an explanation of one of these criteria:

1. Character: This refers to the customer's ethics and behavior in terms of fulfilling their obligations on time. A customer's reputation, integrity, business relationships, lifestyle, spending style, personal habits, status in the community in which he lives, and health status are all factors that influence a customer's ethics, as reflected in his dealings with the bank and in his actions. A customer who is not characterized by honesty can cause problems for the bank, as some banking operations are carried out based on trust in the customers' respect for their commitments. Therefore, the importance of honesty and good intentions in those dealing with the bank is evident (Al-Badawi, 2012: 309). 2. Capacity: This refers to the customer's ability to pay his dues on the specified dates. Among the useful indicators in this regard are the customer's history in the business he practices and the extent of his regularity in repaying the loans he previously obtained, the profitability of the business over a number of years, the average cash balance, and the size of the assets he owns that can be easily converted into cash without significant loss. The financial statements represented by the income statement, the balance sheet, and the cash flow statement are considered a primary source of information through which the customer's ability to fulfill his obligations on the specified date can be measured (Issa, 2010: 62-63). 3. Capital: One of the basic elements that banks must take into consideration when granting credit is capital. This refers to all the wealth owned by the borrower, or the stocks, properties, and long-term loans he has granted to others. Capital is all the movable and immovable assets owned by the borrower, minus the liabilities he owes. The borrower's ability to repay what he owes is usually affected by the value of the capital he owns. The higher the capital, the lower the bank's risk, and vice versa, as capital represents additional security in the event that the borrower defaults (Jalda, 2009: 144). 4. Collateral: Collateral refers to the assets that the customer is willing to provide to the bank as collateral in exchange for obtaining credit. The customer does not have the right to dispose of these assets in any way until he has paid his obligations. If he fails to pay his obligations, the bank has the right to sell the mortgaged asset to recover its right. Therefore, we note that the loan application always includes the asset that the customer is willing to provide as collateral for the loan (Hindi, 2010: 222). 5. Conditions: The credit analyst must study the extent to which the general and specific conditions surrounding the client seeking credit affect the activity or project being financed. General conditions refer to the general economic climate, the legislative and legal framework in the country, and the legislation regulating import and export trade activities. Specific conditions relate to the specific activity practiced by the client, such as market share, competition, project location, and others (Abdul Rahim, 2014: 82). These conditions

significantly impact the client's ability to repay their obligations, which may be unfavorable, as the expected economic conditions make it illogical to expand the granting of credit. Therefore, credit management must anticipate these conditions in advance, especially if the loan is long-term (Abdul Hamid, 2009: 155). A thorough study of these criteria together can give a clear picture of the situation of the credit applicant and his credit standing. However, these criteria vary in their relative importance. Some references tend to focus on the first three criteria, while the guarantee is seen as the least important of these criteria. It is also natural that not all five criteria above meet their optimal level. Weakness in one of the criteria can be compensated by the strength of the other, provided that the study conducted for these five criteria is complete and balanced (Dhib et al., 2012: 102). These criteria can be represented in the following form:

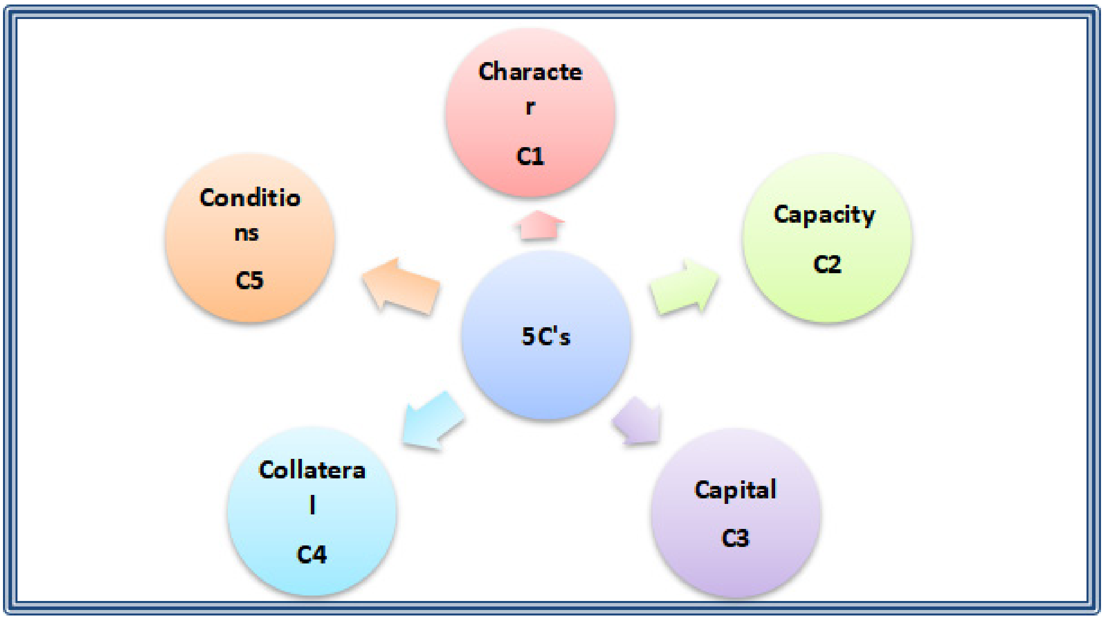


**Figure 1.** The 5Cs Credit Criteria Model

Source: Othman, Muhammad Daoud, Credit and Risk Management and Analysis, Dar Al Fikr Publishing and Distribution, First Edition, Amman, Jordan, 2013, p. 76.

**2.2. Previous Studies**

A study (Ahbak, 2013), titled "Credit Granting Mechanisms in Commercial Banks - A Sample Study of Commercial Banks Operating in Tamanrasset Province," aimed to identify the extent to which commercial banks in Tamanrasset Province adhere to credit granting mechanisms and methods. It reviewed the subject of bank credit by presenting the most important concepts of bank credit, the steps undertaken by these banks, and the foundations upon which bank credit is based, including the elements of credit decision-making. The study also aimed to analyze the opinions of professionals in commercial banks on a number of issues related to credit granting mechanisms in these banks. The study reached a number of conclusions, the most important of which was that banks accept credit applications after conducting the necessary analyses and studies before approving or rejecting the credit application. This is done to gather information about customers to determine their financial capabilities through the credit analysis, as well as to determine the eligibility of grants in accordance with the lending policy. This is accomplished through adequate study of the credit application. The study's most prominent recommendation was the need to equip banks with an advanced information network that facilitates the storage and rapid processing of information about each customer, thus saving time, effort, and cost.

A study (Lakshmi & Murugan, 2009), titled “A market study on bank credit facilities to small and medium enterprises in India,” aimed to analyze the bank facilities granted to small and medium enterprises, as well as to examine the main requirements for granting them to these enterprises. The study concluded that most small and medium enterprises face great difficulty in benefiting from bank financing due to the requirements imposed by banks on these enterprises. Therefore, it recommended the need to develop an appropriate credit policy through which enterprises can invest the financing granted by banks, so that the requirements for granting bank facilities are not so numerous and complex that they prevent small and medium enterprises from dealing with banks.

The study (Al-Shaikhli, 2012), the title of the study (The main factors determining the bank credit decision in Jordanian commercial banks), this study aimed to know the main factors determining the decision to grant bank credit in Jordanian commercial banks, and to achieve the study goal, a questionnaire was designed that included (30) questions covering three main axes: (elements of the customer's financial situation, elements related to the customer's personal characteristics, and elements related to the credit policy pattern of the lending bank). This questionnaire was distributed to the study sample, which is all credit managers and employees in the commercial banks under study, with a total of (201) questionnaires. The researcher used the descriptive analytical approach to reach the results through the statistical program (SPSS). These results showed that there is an important role for the factors (the customer's financial situation, the customer's personal characteristics, and the credit policy pattern of the lending bank) in making the bank credit decision in Jordanian commercial banks. As for the study recommendations, the most important of them was the need for credit managers and employees in Jordanian commercial banks to focus on the customer's financial situation and his ability to repay to reduce credit risks. Focus on the size and type of the client's business and request sufficient guarantees from clients to ensure their rights to receive their dues on time.

**2.3. Bank Credit**

The Concept of Bank Credit: Definitions of credit vary and differ depending on the perspectives from which it is viewed. The word credit is derived from the word "trust" or "trust," meaning the trust that binds the creditor to the debtor, resulting in the payment of a deferred amount. Therefore, credit is defined as funds lent to individuals and companies in the form of cash or in kind, in exchange for the borrower's pledge to repay the funds and their interest in one payment or in installments on agreed-upon dates, in exchange for guarantees (Saeed, 2011: 234). Therefore, bank credit is defined as a process whereby a bank agrees, in exchange for interest or a commission, to grant its customer, upon their request, facilities in the form of cash or other forms to cover a liquidity deficit, enabling the bank to continue its normal business, or to lend to the customer for investment purposes. This can also take the form of a pledge, represented by the bank's guarantee to the customer or its pledge on behalf of the customer to a third party (Musa et al., 2012: 89). Bank credit is also defined as everything a bank provides. To its customers, whether in terms of money or services (Al-Mahaweli, 2012: 45), or it is a process through which something of value or money is exchanged in the present for a future payment. Hence, bank credit is an important process in banks, given their role as a financial intermediary between depositors and borrowers (Al-Qardaghi, 2011: 33). Given this importance, banks continually strive to develop their services to suit their existing customers and attract new ones by diversifying credit and directing it toward various investment areas and sectors (Angro, 2007: 65).

Elements of Bank Credit: Credit assumes a debt relationship: i.e., the presence of two parties, one a debtor and the other a creditor, regardless of the reason or source of this relationship. This means that credit assumes an element of trust between the debtor and creditor.

- It assumes the presence of debt: i.e., the presence of a sum of money that must be paid. Hence, credit is closely linked to money (Saeed, 2013: 186).
- It assumes the presence of a time element: that is, there is a time lag between the type of debt and its disposition. This means that time is the essential element in credit, as it distinguishes between immediate transactions and credit transactions.
- It assumes the presence of risk: This is the risk that threatens the creditor with the possibility of the debtor not paying what he owes. The creditor is usually rewarded by receiving a known counterpart for his risk, which is interest (Khalaf, 2006: 265).

Forms of Bank Credit: Given the development of bank marketing and the diversity of credit services provided by banks, bank credit takes many forms, perhaps the most prominent of which are the following:

- Loans and advances: These are sums of money placed at the disposal of bank customers to finance their needs in the short, medium, and long term for a specific agreed-upon period, with the borrower pledging to repay the borrowed amount and its interest to the bank in a single payment, in installments, or as agreed upon by the two parties (Abdullah and Al-Tarad, 2006: 170).

- Debit Current Account: Also called an overdraft, it is a banking facility granted by a bank to its customers in exchange for collateral. It allows customers to withdraw from the current account according to a specific credit limit. In return, the bank has the right to determine the interest and commissions it charges for providing this facility (Al-Shammari, 2014: 78).

- Discounting of Commercial Papers: Banks provide direct credit facilities to their customers by discounting commercial papers or papers issued to the bank's order. This is achieved by paying the value of the bill presented for discount to its holder after deducting interest, commission, and other expenses (Jabr, 2008: 226).

- Letter of Guarantee: A written pledge issued by the bank, at the customer's request, to pay a specific or deferred sum to the beneficiary without restriction or condition, upon the customer submitting a written request within the period specified in the letter, indicating the customer's breach of the obligations for which the letter was issued (Yamalki, 2009: 326).

- Documentary Credit: Any arrangement by which the issuing bank, acting upon the request of its client, may pay a third party (the beneficiary) or authorize another bank to pay the value of the documents submitted under this credit, provided they fully comply with its terms and conditions (Al-Malkawi, 2010: 52).

Foundations for Granting Bank Credit: Bank credit is granted based on generally accepted rules and principles:

- Providing security for the bank's funds: This means the bank's assurance that the individuals and institutions obtaining the credit will be able to repay it, along with the interest due, on the dates specified and agreed upon by both parties.

- Profit Achievement: This means that the bank earns interest on the credit it grants, enabling it to repay depositors, meet its various expenses, and achieve returns on invested capital in the form of net profits (Dheeb et al., 2012: 109).

Liquidity: Liquidity means that the bank maintains a liquid financial position, i.e. providing a sufficient amount of liquid funds to meet withdrawal requests on deposits without any delay (Ashish, 2010: 60).

The Importance of Bank Credit: Technological and economic developments have given bank credit significant importance through its ability to provide and mobilize the necessary funds for productive and consumer activities, driving economic activity toward full employment. The importance of credit can be summarized as follows:

- Increasing production: This is achieved by providing the financial resources needed by large industrial and agricultural projects.

- Increasing consumption: This is achieved by stimulating demand for consumer goods and services, thereby increasing market share, increasing production volume, and supporting the national economy (Al-Duri and Al-Samarrai, 2013: 76).

- Distributing cash resources across various economic activities: This is achieved by distributing them to all projects according to their needs and in a manner that achieves economic growth.

- Employing idle resources: This is achieved by utilizing surplus cash and investing it in productive opportunities.

- Settling transactions: The use of credit instruments such as contracts, bonds, and checks as a means of exchange has made the exchange of goods and services faster and more efficient than paper and metal money (Saeed, 2013: 188).

## 3. Methodology

1. Research Problem: The importance of bank credit for commercial banks is increasing, as it constitutes more than half of their assets and is the primary source of their income. Hence, it becomes clear that the most important responsibility of bank management is the proper management of funds. If these funds are not managed properly, all other functions of the bank will fail to yield their desired results in terms of profitability. Furthermore, banks' failure to adopt a credit standards model for analyzing the borrower's situation in terms of their ability to repay will expose them to the risk of non-payment and, consequently, financial distress. Therefore, the research problem can be formulated with the following question:

((Do the banks in the research sample rely on the credit standards model (5Cs) as a mechanism for granting bank credit?)).

2. Significance of the Research: The importance of the research stems from its ability to provide a clear and accurate understanding of the 5Cs credit criteria model as a mechanism for granting bank credit. It represents the procedures and steps that bank management must follow to analyze a customer's financial and legal status and determine their ability to repay. This, in turn, avoids the risks of financial distress, or limits its impact when it does occur.

3. Research Objectives: The primary objective of the research is to identify the 5Cs credit criteria model, demonstrate its importance as a means of rationalizing decisions related to granting bank credit, and then present a set of proposals that would activate and adopt this model in the banks that comprise the research sample.

4. Research Hypotheses: To achieve its objectives, the research relies on the following hypotheses:

a) Is the borrower's personality considered one of the criteria affecting the granting of bank credit?

b) Is the customer's ability to repay the loan considered one of the criteria affecting the granting of bank credit?

c) Is the borrower's capital one of the criteria affecting the granting of bank credit?

d) Are the guarantees required by the bank one of the criteria affecting the granting of bank credit?

e) Are the general conditions surrounding the borrower's activity one of the criteria affecting the granting of bank credit?

4. Research Population and Sample: The research population consists of commercial banks operating in the city of Nasiriya (Rafidain Bank, Branch 324, Rashid Bank, Branch 13, and the Trade Bank of Iraq Dhi-Qar Branch). The sample consists of managers and heads of departments and divisions responsible for granting credit at these banks.

5. Research Methodology: The research problem and its hypotheses require the use of SPSS for statistical analysis. A number of statistical tools and methods were chosen, such as percentages, frequencies, arithmetic means, and standard deviations, to calculate statistical indicators related to each paragraph of the questionnaire.

6. Data and Information Collection Methods: With regard to the theoretical aspect of the research under study, the researcher relied on books, research, dissertations, and university theses to collect data. As for the practical aspect, a questionnaire was designed that included (25) questions that were posed to the research sample as a data collection tool.

## 4. Practical Aspect

This research measures the extent to which the 5Cs model is adopted as a mechanism for granting bank credit by modeling it to complement the methodology of integration between research variables. To measure the extent to which the 5Cs model is adopted as a mechanism for granting bank credit, a questionnaire was designed, including (5) main axes, each containing (5) paragraphs. Simplicity and clarity were taken into account in its formulation, as it serves as a tool for collecting the necessary data and information. To test its validity, it was presented to a number of (4) referees who possess scientific and academic experience in the field of specialization. The esteemed referees expressed their comments and suggestions regarding merging, deleting, or modifying some paragraphs. These suggestions were taken into account, and the questionnaire format was modified to align with the objectives and hypothesis of the research. After its final formulation was finalized, it was distributed to the research sample as follows:

First: Details of the questionnaire, the research community, and its sample specifications:

The research sample was targeted. Based on the extent of the benefit of adopting the Credit Standards Model (5Cs) as a mechanism for granting bank credit, they are the entities responsible for granting credit in the banks under study, as follows:

1. Details of the questionnaire form: The validated questionnaire form included (5) main axes, with (5) questions for each axe, with the aim of determining the extent of adoption of the Credit Standards Model (5Cs) as a mechanism for granting bank credit. The respondent was informed of the objectives of the questionnaire form and the research in general, and its main purpose. The questionnaire was distributed to the target groups, which the researcher believes are the aforementioned groups that are the catalyst for developing bank credit granting. Of the (80) questionnaires, (72) were retrieved, and (8) were

invalid. The table below shows the validity of the data entered into the statistical program (SPSS) for the research sample, as follows:

| Table (1) summary spss | | | | | | |
|---|---|---|---|---|---|---|
| | | sex | age | Certificate | Position | Years of Service |
| N | Valid | 72 | 72 | 72 | 72 | 72 |
| | Missing | 0 | 0 | 0 | 0 | 0 |

Source: Prepared by the researcher based on SPSS outputs.

Regarding the demographic data of the research sample members, such as gender, age, degree, position, and number of years of service, they were shown in Tables (2-6), where males constituted the highest percentage, amounting to (75%), while females accounted for (25%), according to Table No. (2). As for age, the age group (50) years and over had the highest percentage, which was (30.2%), and the age group (30) years and under had (19.8%), which was the lowest, according to Table No. (3). Regarding the certificate variable, the bachelor's degree had the highest percentage, which was (38%), and the preparatory and doctoral certificates had the lowest percentage, which was (17%), according to Table (4). When distributing the sample members according to the job position, the position of director had the highest percentage, which was (50%), and the lowest percentage was for the position of department head, amounting to (13%), according to Table (5). As for their distribution in terms of years of service, the (20) years and over had the highest percentage, which was (29.2%), and less than 10 years had the lowest percentage. It is (20.8%) according to Table (6), and from observing the above results it is clear that the data of the research sample individuals can be relied upon in filling out the questionnaire form and obtaining accurate results that benefit the research and achieve its objectives.

| Table(2) Distribution of sample members by gender | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Percent Cumulative |
| Valid | Male | 54 | 75.0 | 75.0 | 75.0 |
| | Female | 18 | 25.0 | 25.0 | 100.0 |
| | Total | 72 | 100.0 | 100.0 | |

Source: Prepared by the researcher based on SPSS outputs.

| Table(3) Distribution of sample members by age | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Percent Cumulative |
| Valid | 30 years | 14 | 19.8 | 19.8 | 20.8 |
| | 31-40 years | 19 | 26.0 | 26.0 | 45.8 |
| | 41-50 years | 17 | 24.0 | 24.0 | 70.8 |
| | 51 years | 22 | 30.2 | 30.2 | 100.0 |
| | Total | 72 | 100.0 | 100.0 | |

Source: Prepared by the researcher based on SPSS outputs.

| Table(4) Distribution of sample members according to certificate | | | | |
|---|---|---|---|---|
| | | Frequency | Percent | Percent Cumulative |
| Valid | Preparatory | 12 | 17.0% | 17.0% |
| | Bachelor's | 28 | 38.0% | 55.0% |
| | Master's | 20 | 28.0% | 83.0% |
| | PhD | 12 | 17.0% | 100.0% |
| | Total | 72 | 100.0% | |

Source: Prepared by the researcher based on SPSS outputs.

| Table(5) Distribution of sample members according to position | | | | |
|---|---|---|---|---|
| | | Frequency | Percent | Percent Cumulative |
| | Manager | 36 | 50.0% | 50.0% |
| | Department | 9 | 13.0% | 63.0% |
| Valid | Directory | 13 | 18.0% | 81.0% |
| | Employers | 14 | 19.0% | 100.0% |
| | Total | 72 | 100.0% | |

Source: Prepared by the researcher based on SPSS outputs.

| Table(6) Distribution of sample members according to years of service | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Percent Cumulative |
| | Less than 10 | 15 | 20.8 | 20.8 | 20.8 |
| | 10-15 years | 18 | 25.0 | 25.0 | 45.8 |
| Valid | 15-20 years | 18 | 25.0 | 25.0 | 70.8 |
| | 20 years | 21 | 29.2 | 29.2 | 100.0% |
| | Total | 72 | 100.0 | 100.0 | |

Source: Prepared by the researcher based on SPSS outputs.

Statistical Analysis of Questionnaire Data: Designing the research tool is one of the most difficult stages of research, as it is linked to the method of collecting data and the methods of analyzing that data. Consequently, SPSS statistical tools will be used to test the validity of the research hypotheses, which will include the following:

a) Cronbach's Alpha: A measure of the degree of internal consistency of the questionnaire items.

b) Spearman-Brown coefficient: A measure of homogeneity between questionnaire items.

c) Arithmetic mean: The sum of the sample items divided by their number.

d) Standard deviation (σ): Calculates the deviation from the average value.

e) Correlation coefficient (R): A simple correlation coefficient that indicates the correlation value between the research variables.

f) T-test: Demonstrates the relationship between the research variables and compares the calculated T-test result with the tabular T value.

The aforementioned statistical tools will be used to test the validity of the research hypotheses, as required by the test's significance to prove the validity of the research hypotheses, which are: By (arithmetic mean, standard deviation, T-test), and since the variable that expresses the answers is an ordinal scale and the numbers express the weights, which are (strongly agree = 5, agree = 4, neutral = 3, disagree = 2, strongly disagree = 1), as a result, the calculation of the arithmetic mean (weighted average) will be (0.8) the result of dividing (4/5), as (4) reflects the number of distances (from 1 to 2 is the first distance, from 2 to 3 is the second distance, from 3 to 4 is the third distance, and from 4 to 5 is the fourth distance) and (5) is the number of choices, and the distribution becomes as in Table No. (7) and as follows:

| Table (7) Weighted Average Number and Response Trend | | |
|---|---|---|
| Weighted Average | Response Scale | Response Level |
| From 1 to 1.80 | Strongly disagree | Very Weak |
| From 1.81 to 2.60 | Disagree | Weak |
| From 2.61 to 3.40 | Neutral | Average |
| From 3.41 to 4.20 | Agree | Good |
| From 4.21 to 5 | Strongly agree | Very Good |

Source: The table was prepared by the researcher.

To measure the internal consistency between the axis's items, Cronbach's alpha was used. This is a test reliability coefficient and the most common and appropriate measure for scales with graded weights, according to Table No. (8), as follows:

| Table (8) Results of the Cronbach's alpha reliability test | | | | | | |
|---|---|---|---|---|---|---|
| Axes | Dimensions | Sample | paragraphs | Cronbach's | Correlation | Result |
| First | Personal | Personal | 5 | .775 | .640 | Good |
| Second | Estimate | Estimated | 5 | .829 | .350 | V.Good |
| Third | Capital | Capital | 5 | .743 | .766 | Good |
| Fourth | Guarantees | Warranties | 5 | .794 | .570 | Good |
| Fifth | Circumstances | Circumstances | 5 | .789 | .578 | Good |
| | all paragraphs | G.M | 20 | .817 | .810 | V.Good |

Source: Researcher's preparation based on SPSS program outputs.

Table (8) shows the degree of internal consistency of the axes' items across all dimensions. The closer it is to (0.70), the stronger the reliability and validity of the axis' items.

Second: Confirming the research hypotheses: To test the validity of the hypotheses, the results of the statistical analysis will be adopted according to the (SPSS-25) program at the level of each of the axes, according to Table (9), as follows:

| Table (9) Correlation values between the credit criteria model (5C,s) | | | | |
|---|---|---|---|---|
| | $(T_{test})$ | | (5C,s) | |
| T. cal | Test T | Correlation | | |
| | | .640** | Correlation value | |
| | 4.551 | 0.000 | Significance level | Personality |
| | | 72 | Sample size | |
| | | 0.350** | Correlation value | |
| | 5.419 | 0.000 | Significance level | Capacity |
| | | 72 | Sample size | |
| | | 0.766** | Correlation value | |
| 1.990 | 6.026 | 0.000 | Significance level | Capital |
| | | 72 | Sample size | |
| | | 0.570** | Correlation value | |
| | 3.312 | 0.001 | Significance level | Guarantees |
| | | 72 | Sample size | |
| | | 0.578** | Correlation value | |
| | 7.116 | 0.000 | Significance level | Personality |
| | | 72 | Sample size | |

Source: Researcher's preparation based on SPSS program outputs.

| Table (10) Arithmetic mean and standard deviation for the first axis (personality) | | | | | |
|---|---|---|---|---|---|
| No. | Details | Input | Mean | St. division | Scale |
| 1 | A customer's personality and social status are factors influencing credit granting. | 72 | 4.01 | 0.681 | Agree |
| 2 | The bank is interested in gathering information about the borrower's personality before granting credit. | 72 | 4.21 | 0.565 | Agree |
| 3 | The bank is interested in determining the customer's commitment to repaying his or her debts to others. | 72 | 4.33 | 0.712 | Strongly Agree |
| 4 | The customer's personal relationships with the bank's management influence whether or not they obtain credit. | 72 | 4.11 | 0.688 | Agree |

Continuation Table:

| No. | Details | Input | Mean | St. division | Scale |
|---|---|---|---|---|---|
| | **Table (10) Arithmetic mean and standard deviation for the first axis (personality)** | | | | |
| 5 | The bank is interested in determining the customer's culture, personal behavior, and job position before granting credit. | 72 | 3.92 | 0.922 | Agree |
| | For all paragraphs | | 4.11 | | Agree |

Source: Researcher's preparation based on SPSS program outputs.

According to the hypothetical model of the research, the criterion (personality) was adopted as one of the variables of the credit criteria model (5C,s), which affects the mechanism of granting bank credit. Table No. (10) shows the arithmetic mean and standard deviation of the entered data, the results of which show that the highest value was at paragraph (3), which stated that (the bank is interested in knowing the extent of the customer's commitment to paying his debts to others) with an arithmetic mean of (4.33) and a standard deviation of (0.712), while the lowest value came at paragraph (5), which stated that (the bank is interested in knowing the customer's culture, personal behavior, and job position before granting him credit) with an arithmetic mean of (3.92) and a standard deviation of (0.922). Indicative of Tables (9) and (10), the validity of the first hypothesis is proven, which stated that (the personality of the borrowing customer is one of the criteria affecting the granting of bank credit) with a correlation degree between the paragraphs of (0.640), and an arithmetic mean of (0.922). (4.11), where the calculated T value reached (4.551), which is greater than the table (T) value of (1.990), with a significance level of 0.000.

**Table (11) Arithmetic mean and standard deviation for the second axis (estimate)**

| No. | Details | Input | Mean | St. division | Scale |
|---|---|---|---|---|---|
| 1 | The bank inquires about the borrowing customer to verify the amount of money borrowed. | 72 | 4.06 | 0.579 | Agree |
| 2 | The bank inquires about the customer with other banks it deals with to determine their commitment to repaying their debts on time. | 72 | 3.97 | 0.604 | Agree |
| 3 | The customer's experience in their field of work, both financially and administratively, is an important indicator of their ability to repay. | 72 | 3.86 | 0.827 | Agree |
| 4 | The bank verifies the accuracy of the data and information provided by the borrowing customer regarding their financial and administrative capabilities. | 72 | 4.31 | 0.646 | Strongly Agree |
| 5 | The bank analyzes the activity ratios of the borrowing customer's project to verify the profits achieved. | 72 | 4.11 | 0.728 | Agree |
| | For all paragraphs | | 4.06 | | Agree |

Source: Researcher's preparation based on SPSS program outputs.

According to the hypothetical model of the research, the criterion (capability) was adopted as one of the variables of the credit criteria model (5C,s), which affects the mechanism of granting bank credit. Table No. (11) shows the arithmetic mean and standard deviation of the entered data, the results of which show that the highest value was at paragraph (5), which stipulated that (the bank analyzes the activity ratios of the borrowing customer's project to ensure the achieved profits) with an arithmetic mean of (4.11) and a standard deviation of (0.728). The lowest value came at paragraph (3), which stipulated that (the customer's experience in his field of work from the financial and administrative aspect is considered an important indicator for determining his ability to repay) with an arithmetic mean of (3.86) and a standard deviation of (0.827). In light of Tables (9) and (11), the validity of the second hypothesis is proven, which stipulated that (the customer's ability to repay the loan is one of the criteria affecting the granting of bank credit) with a correlation degree between paragraphs of (0.350) and an arithmetic mean of (0.827). (4.06), where the calculated T value reached (5.419), which is greater than the tabular (T) value of (1.990), with a significance level of 0.000.

**Table (12) Arithmetic mean and standard deviation for the third axis (capital)**

| No. | Details | Input | Mean | St. division | Scale |
|---|---|---|---|---|---|
| 1 | High capital is considered an encouraging factor for granting bank credit to a customer. | 72 | 4.14 | 0.861 | Agree |
| 2 | The bank is interested in determining the customer's ability to repay the interest due from its net profits. | 72 | 3.83 | 0.926 | Agree |
| 3 | The bank identifies the customer's various sources of financing before granting bank credit. | 72 | 3.58 | 1.017 | Agree |
| 4 | The bank studies the customer's sources of income and expected profits. | 72 | 3.83 | 0.926 | Strongly Agree |
| 5 | The bank analyzes the customer's financial statements to determine their financial position. | 72 | 4.23 | 0.882 | Agree |
| | For all paragraphs | | 3.92 | | Agree |

Source: Researcher's preparation based on SPSS program outputs.

According to the hypothetical model of the research, the criterion (capital) was adopted as one of the variables of the credit criteria model (5C,s), which affects the mechanism of granting bank credit. Table No. (12) shows the arithmetic mean and standard deviation of the entered data, the results of which show that the highest value was at paragraph (5), which stipulated that (the bank analyzes the customer's financial statements to know his financial position) with an arithmetic mean of (4.23) and a standard deviation of (0.882), while the lowest value came at paragraph (3), which stipulated (the bank identifies the customer's various sources of financing before granting him bank credit) with an arithmetic mean of (3.58) and a standard deviation of (1.017). In light of Tables (9) and (12), the validity of the third hypothesis is proven, which stipulated that (the borrowed customer's capital is one of the criteria affecting the granting of bank credit), with a degree of correlation between paragraphs of (0.766) and an arithmetic mean of (3.92), where the calculated T value reached (6.026) is greater than the table value of (T) of (1.990), with a significance level of 0.000.

**Table (13) Arithmetic mean and standard deviation for the fourth axis (guarantees)**

| No. | Details | Input | Mean | St. division | Scale |
|---|---|---|---|---|---|
| 1 | The bank is strict in requiring guarantees in exchange for granting bank credit. | 72 | 4.18 | 0.882 | موافق |
| 2 | The bank requests all relevant documents from the customer to enable it to make a credit decision. | 72 | 3.90 | 0.958 | موافق |
| 3 | The bank maintains comprehensive files on the guarantees provided in exchange for granting credit to mitigate the risks associated with such credit. | 72 | 4.08 | 0.801 | موافق |
| 4 | The bank analyzes the quality of the guarantees provided in exchange for granting credit. | 72 | 4.13 | 0.975 | موافق |
| 5 | The bank verifies the validity of the guarantees provided by the customer before granting credit. | 72 | 4.00 | 0.941 | موافق |
| | For all paragraphs | | 4.05 | | موافق |

Source: Researcher's preparation based on SPSS program outputs.

According to the hypothetical research model, the criterion (guarantees) was adopted as one of the variables of the credit criteria model (5C,s), which affects the mechanism of granting bank credit. Table No. (13) shows the arithmetic mean and standard deviation of the entered data, the results of which show that the highest value was at paragraph (1), which stipulated that (the bank is strict in requesting guarantees in exchange for granting bank credit) with an arithmetic mean of (4.18) and a standard deviation of (0.882). The lowest value came at paragraph (2), which stipulated that (the bank requests from the customer all documents related to the guarantees to be able to make the credit decision) with an arithmetic mean of (3.90) and a standard deviation of (0.958). In light of Tables (9) and (13), the validity of the fourth hypothesis is proven, which stipulated that (the guarantees requested by the bank are among the criteria that affect the granting of bank credit) with a correlation degree between paragraphs of (0.570) and an arithmetic mean of (4.05), where the value of T reached The calculated value is (3.312), which is greater than the table value of (T) of (1.990), with a significance level of 0.000.

**Table (14) Arithmetic mean and standard deviation for the fifth axis (circumstances)**

| No. | Details | Input | Mean | St. division | Scale |
|---|---|---|---|---|---|
| 1 | The economic conditions surrounding a customer's business are among the factors influencing the granting of bank credit. | 72 | 3.94 | 0.854 | Agree |
| 2 | The bank relies on planning and forecasting economic conditions before granting bank credit. | 72 | 3.88 | 0.850 | Agree |
| 3 | The bank determines the amount of credit granted based on the prevailing economic situation in the country. | 72 | 3.74 | 0.879 | Agree |
| 4 | The bank determines the type of credit granted to customers based on the economic sectors in which they operate. | 72 | 3.83 | 0.839 | Agree |
| 5 | The bank studies the conditions surrounding the sector in which the customer operates, in terms of the degree of competition and technological development. | 72 | 4.17 | 0.926 | Agree |
| | For all paragraphs | | 3.91 | | Agree |

Source: Researcher's preparation based on SPSS program outputs.

According to the hypothetical study model, the criterion (circumstances) was adopted as one of the variables of the credit criteria model (5C,s), which affects the mechanism of granting bank credit. Table No. (14) shows the arithmetic mean and standard deviation of the entered data, the results of which show that the highest value was at paragraph (5), which stipulated that (the bank works to study the conditions surrounding the sector in which the customer works in terms of the degree of competition and technological development) with an arithmetic mean of (4.19) and a standard deviation of (0.926). The lowest value came at paragraph (3), which stipulated that (the bank determines the size of the credit granted based on the prevailing economic situation in the country) with an arithmetic mean of (3.74) and a standard deviation of (0.879). In light of Tables (9) and (14), the validity of the fifth sub-hypothesis is proven, which stipulated that (the general conditions surrounding the borrowing customer's activity are among the criteria affecting the granting of bank credit), with a correlation degree between paragraphs (0.578) and an arithmetic mean of (3.91), where The Calculated T value was (7.116), which is greater than the table T value of (1.990), with a significance level of 0.000.

## 5. Conclusions and Recommendations

First: Conclusions: Through the theoretical framework and practical aspects of the research, the researcher reached a number of conclusions, namely:

1. Credit analysis using the 5Cs credit criteria model is an important and effective tool for assessing the financial status of the borrowing customer and their ability to repay their debts before granting them bank credit, thus minimizing the risks to which the bank may be exposed as a result of granting them credit.

2. The results of the statistical analysis showed that personality criteria are among the criteria that banks should take into consideration when granting bank credit, and that they should not rely on personal relationships to do so.

3. The results of the statistical analysis showed that the majority of respondents indicated that banks analyze the activity ratios of the borrowing customer's project, given its significant importance in determining the size of the profits that will be generated from the project financed by them, and consequently, the customer's ability to repay their loans and interest.

4. All members of the research sample considered the borrower's capital to be an additional guarantee in the event that the borrower is unable to pay their obligations to the bank. Their ability to repay is affected by the amount of assets they own. The greater the customer's capital, the lower the bank's risk in terms of the credit granted.

5. Upon analyzing the opinions of the research sample regarding guarantees, it became clear that the banks surveyed are stringent in requesting guarantees

in exchange for granting bank credit, fearing the risk of default. Therefore, they request all necessary documents related to the guarantee provided by the customer in exchange for obtaining credit.

6. The general conditions, particularly economic ones, surrounding the customer's activity or project they intend to finance through credit, significantly influence the success or failure of the project and, consequently, the profits that the project can generate. Therefore, we note that banks seek to study these conditions in detail, both external and internal, before granting bank credit.

Second: Recommendations: Based on the above, the following recommendations can be made:

1. The need to activate the role of risk management in credit decision-making, as well as to train existing personnel in the Risk Management Department in the field of monitoring and following up on credit granted according to scientific and advanced principles.

2. Pay attention to the borrower's personality criterion, as this criterion is of great importance in identifying the borrower's personal characteristics, including their reputation, business relationships, behavior, and ethics, whether with merchants or with other banks from which they have borrowed before granting credit.

3. Banks should focus on the borrower's ability to repay the loan amount, including fees and interest, on the due dates to ensure they are not exposed to the risk of non-payment before initiating the credit granting process.

4. The need to request a copy of the borrower's financial statements to review their financial position, capital, profitability ratios, and other ratios that demonstrate the size of their business transactions and, consequently, their ability to repay their loans on time.

5. It is necessary to request guarantees that are equivalent to the amount of credit granted, as these guarantees constitute additional security through which the bank can recover its funds in the event that the customer is unable to repay what is owed, provided that they are not so stringent and complex that they would discourage customers from seeking credit.

6. Consider the general and specific circumstances surrounding the borrowing customer, which significantly impact the volume of their commercial transactions, their activity, and, consequently, their profits, before granting bank credit.

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