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Study the effect of fluctuations in the Syrian pound exchange rate on the stability of the total volume of bank deposits in Syria.

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Abstract:

Since the beginning of the civil war in Syria in 2011, the crisis of the deterioration of the Syrian pound's exchange rate against foreign currencies, especially the US dollar, began, as political unrest led to negative repercussions on macroeconomic variables, including the depreciation of the Syrian currency in the foreign exchange market. This decrease in the value of the Syrian pound depends has affected on the value of deposits and on the value of revenues generated from deposits (credit interest to depositors), and this created psychological pressure on depositors as a result of a decrease in the purchasing value of savings, which prompted them to withdraw their deposits and convert them into foreign currencies, especially the US dollar beside other assets such as real estate and gold.

Therefore, the study aimed to find out the effect of the decrease of the Syrian pound's exchange rate against the US dollar on the total volume of bank deposits in Syrian pounds and US dollars in private commercial banks operating in Syria. To ensure the validity of the study's objectives and hypotheses, the researcher followed the statistical measures represented in the descriptive and quantitative approach, and the study revealed a set of results among which was the existence of a significant correlation between the fluctuation of the Syrian pound's exchange rate and the total volume of bank deposits in the Syrian pound and the US dollar, also the results of a causal Granger test showed has a two-way causal relationship from the exchange rate of the Syrian pound to each of the total volume of bank deposits by Syrian pounds and US dollars.

Key Words: Syrian pound, Exchange Rate, US dollars, Deposits.

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Introduction:

Commercial banks operate in a dangerous environment and face many challenges, and the most important of which is achieving the requirements of banking stability, which represents an advanced level between economic and development goals, as the amount of deposits in the banking system is one of the things necessary to support this stability, and the soundness of the banking system as a whole is based on the soundness of its instruments in terms of deposits and loans, as bank deposits are the most important sources of financing for commercial banks. Therefore, banks are keen to develop, maintain and work to stabilize them in order to benefit from them, and all this is done through the development of banking and savings awareness and the expansion of opening more banking branches, simplifying the procedures of dealing in terms of withdrawal and deposit and raising the efficiency of savings, and that any risk threatens bank deposits and confidence. In it it constitutes a direct danger and threat to the bank in particular and to the banking system in general, and among the risks that constitute a direct risk to bank deposits is the fluctuation of the local currency exchange rate against foreign currencies in the foreign exchange market, as these fluctuations are reflected in the value of deposits, whether increase or decrease, and that the decrease in the local currency exchange rate against other currencies creates psychological pressures (crisis of confidence) for depositors as a result of the erosion of the purchasing power of their savings, which leads depositors to withdraw their deposits and convert them into deposits in foreign currencies, or to other assets, whether they are real estate or precious metals, which leads to Preserving the purchasing power of these deposits (according to the so-called replacement law). Hence the research problem arises and derives its importance which lies in studying the impact of fluctuations in the exchange rate of the Syrian pounds against foreign currencies in the total volume of bank deposits in Syrian pounds and US dollars, and work to find solutions that will help preserve the volume of these deposits by preserving their purchasing power, and then their stability, which is reflected in the stability of the banking system in general.

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II. Review of Literature:

1.A study (Abdullah Abbas, 2007). This study aimed to shed light on the impact of exchange rate policies on the Sudanese banking sector by focusing on deposits and bank financing. The researcher followed the descriptive and quantitative approach in his study. The study concluded that current deposits in local and foreign currencies were not affected by changes in the exchange rate, and the study also found a decrease in the volume of export financing for the banks under study.

2.(Nadur, Elias, 2017). The study aimed to identify the size of deposits and the factors affecting them in traditional private banks, as it was conducted on a sample of seven traditional private banks operating in Syria during the period (2007-2016) and was divided into two periods (2007-2011) and (2012-2016). The study concluded that there was a negative effect between the exchange rate and the volume of bank deposits during the first period and a positive effect during the second period, as well as the absence of differences in the volume of deposits during the two periods.

3.(Ramasamy & Karimi Abar,2015). This study empirically examined the effect of exchange rate fluctuation on banks performance in Nigeria covering the period of ten years between 2005 and 2014.the test was conducted for fixed and random effect preferred option, where found that exchange rates fluctuation had an insignificant effect on banks profitability using ROA as a measure, while exchange rates fluctuation had a significant negative effect on banks liquidity using LDR as a measure.

4.(behraavan& Jokar, 2014). The purpose of this paper is to study and analyze the effect of exchange rate fluctuations on Deposit value of customers of Meli Bank (case study, Branches of Bushehr province in 2007-2012. after statistical analysis, Exchange rate fluctuations have positive significant on the quantity of current deposits which are examined in two ways, Reference exchange rate volatility has a positive significant effect on current deposits, and Market exchange rate volatility has a positive significant effect on current deposits.

5.(Hossin, 2020). The study aimed at investigating the effects of exchange rate fluctuations on financial performance of financial institutions in Bangladesh. The study found

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that exchange rate fluctuations and financial performance had a weak negative association, and the relationship between inflation and returns on assets was positive and hence it positively impacted performance, also the results concludes that the interest rates spread has been increasing in the recent years since borrowing had become expensive, thus profitable whereas deposits rates were very small.

III. Research problem:

The exchange crisis in Syria began with the beginning of the political crisis, as the political turmoil led to an increase in the demand for foreign currencies in exchange for the significant deterioration in the exchange rate of the Syrian pound. the bank deposits in various forms are affected by changes in exchange rates through the effect on the value of the deposit as well as the impact on the value of the revenues (interest) resulting from them, which is reflected in the financial position of depositors, including individuals, companies and banks, and the reflection of this effect on the stability of the total volume of bank deposits with Banks and then on the activity of the banking system, therefore, from the above, we find that the research raises the following question:

Will the fluctuations in the Syrian pound's exchange rate against the US dollar affect the total volume of bank deposits in the Syrian pound and the US dollar at the traditional private banks operating in Syria?

V. Research Hypotheses:

1. null hypothesis: There is no statistically significant relationship between the fluctuation of the Syrian pound's exchange rate against the dollar and the total volume of bank deposits in the Syrian pound with the private banks operating in Syria.

2. null hypothesis: There is no statistically significant relationship between the fluctuation of the Syrian pound's exchange rate against the dollar and the total volume of bank deposits in US dollars in traditional private banks.

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VI. Research Methodology:

In line with the objectives and hypotheses of the research, both qualitative and quantitative approaches were adopted in data collection. The qualitative approach was based on previous research and studies that dealt with the subject of study directly or indirectly, as well as books and publications that covered the theoretical side, in addition to relying on annual reports and statements of banks issued by the Damascus Stock Exchange, as well as the statistics issued by the Central Bureau of Statistics, and the Central Bank of Syria, which covered the practical side of the study.

The second method is the quantitative approach, whereby the data of the study population was collected during the study period, and for the purposes of statistical analysis, the focus was on processing data and information depending on the statistical programs (Eviews10) in processing the published data.

- Factors affecting the exchange rate:

1. Foreign exchange reserves:

The foreign exchange reserves maintained by the Central Bank represent an important factor in the stability of the local currency exchange rate against foreign currencies in the foreign exchange market. If the country possesses large quantities of foreign currencies, this contributes to the stability of the local currency exchange rate, but if the reserve of currencies Foreign exchange in small quantities, this leads to fluctuation of the local currency exchange rate in the foreign exchange market.

2. Yield difference on interest payable:

The difference between local interest rates and foreign interest rates leads to the fluctuation of the local currency exchange rate, and this fluctuation represents the difference between the local and global interest rate. For example, if the US Federal Reserve decided to raise the interest rate at a specific base rate, this encourages investors to request the dollar as a currency for Depositing it with US banks to benefit from the interest rate differential or buying US Treasury instruments, and this demand for the US dollar leads to an increase in its value against foreign currencies, given that any currency is a commodity that is subject to the

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law of demand and supply, on the contrary, the decrease in the US interest rate leads to Decreased demand for the US dollar as an investment currency(JayachandranG.2013).

3.Inflation rate:

The high rates of local domestic prices compared to the prices of foreign goods lead to a decrease in the value of the local currency, because the demand for import will increase, and this leads to an increase in the demand for foreign currency and an increase in the supply of local currency, which leads to a decrease in the demand for it.

4.Increase the money supply:

The increase in the money supply in the economy without being an increase in the real economy creates inflationary pressures, and this inflation in the economy leads to a reduction in the competitiveness of local goods in foreign commodity markets and also leads to a decrease in the prices of foreign goods in the domestic market, which leads to an increase in imports and thus an increase The demand for foreign currencies against the decrease in the demand for the local currency, thus a decrease in the value of the currency.

- Determinants of Bank Deposits:

1. Credit Interest Rate:¹

previous studies have revealed that bank deposits increase with the increase in interest rates, especially when the real interest rates are, that is, the interest rate changes according to the change in inflation rates prevailing in the economy, If the interest rate is lower than the inflation rate, then this will negative affects bank deposits.

2. The effect of the exchange rate:²

The stability of the exchange rate creates confidence among depositors in the local currency, but in the event that the exchange rate fluctuates, this affects confidence in the currency, forcing them to withdraw their savings and deposit them in other more stable currencies.

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Deposits (US dollar)/ billion	Deposits Syrian pounds / billion	years
17	446	2010
17	329	2011
16	281	2012
15	327	2013
14	438	2014

3. Inflation rate effect:

The effect of the exchange rate on saving appears through inflation, as high inflation rates lead to a decrease in the value of the local currency against foreign currencies, thus eroding purchasing power, and this leads to an increase in the marginal propensity to consume against the savings account, and the monetary authorities can raise the exchange rate of the local currency through raising interest rates on deposits in local currency against deposits in foreign currency, which encourages demand for local currency for the purpose of saving.³

-Development of the total volume of bank deposits in Syrian pounds and in foreign currencies (US dollar) during the period 2010-2017:

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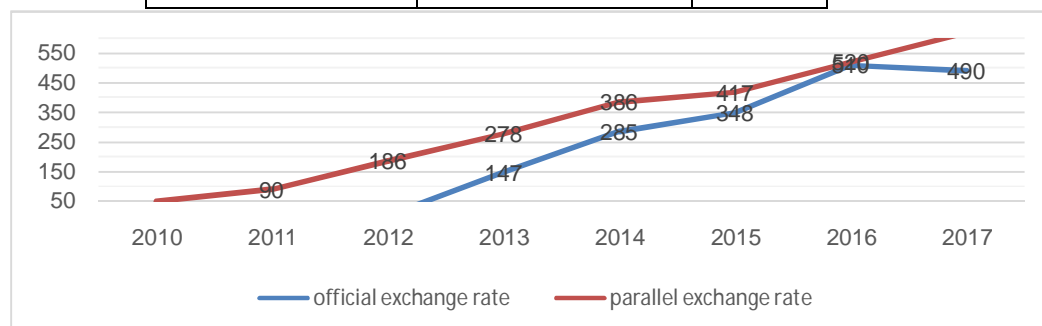
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14	505	2015
12	653	2016
8	1702	2017

-The evolution of the Syrian pound exchange rate during the study period 2010-2017:

parallel exchange rate	official exchange rate	years
49	46	2010
90	55,6	2011
186	77,9	2012
278	147	2013
386	285	2014
417	348	2015
520	510	2016
618	490	2017



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VIII. Analysis and discussion

This study aims to measure the effect of fluctuations in the exchange rate of the Syrian pound against the US dollar on the total volume of bank deposits in Syrian pounds and the US dollar. The study first uses the Dicky-Fuller test to find out whether the study variables are stable over time or not. Engle-Granger for co-integration, and the Granger Causality Test to determine the direction of causation between variables, and the study uses the Autoregressive Model (VAR) to study the long-term relationship between variables, and the study also uses two main tools for the analysis: the response function for reaction, and contrast components.

The study relies on the quantitative analysis method in estimating the deposit model during the study period, using the self-regression methodology, and the study relies on a quarterly time series of study variables starting in the first quarter of 2010 until the fourth quarter of 2017, and the sources of these data are the Central Bank of Syria, as the study variables she:

D: The total volume of bank deposits in Syrian pounds.

D_ \$: The total amount of deposits in US dollars.

EX: the exchange rate of the Syrian pound against the US dollar.

1- Statistical characteristics of the study variables:

The statistical properties of the study variables were calculated using EViews program, and the results are listed in the following table:

Table No. (1) shows the statistical properties of the study variables.

Item	D	D_ \$	EX
Mean	457099.4	232698.0	222.8125
Median	434450.5	208718.0	169.0000
Maximum	698359.0	418002.0	517.0000
Minimum	307813.0	118090.0	46.00000

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Std. Dev.	116956.1	110122.1	182.1792
Skewness	0.624015	0.546954	0.651873
Kurtosis	2.210409	1.756405	1.851828
Jarque-Bera	2.908040	3.657549	4.024066
Probability	0.233629	0.160610	0.133717
Observations	32	32	32

Source: prepared by the researcher using the statistical program (EViews)

Table No. (1) shows that the total deposits amounted to 307 813 million Syrian Pounds in the first quarter of 2013 as their lowest value, and 698359 million Syrian Pounds in the third quarter of 2017 as their highest value during the study period, with an average during the study period of 457099 million Ls, and we note that the corresponding probability value of the Jarque-Bera test is greater than 5% and thus the total deposits data are subject to a normal distribution.

Deposits in dollars reached 2.567 billion dollars in the third quarter of 2011 as their highest value, and they reached 808 million dollars in the third quarter of 2016 as the lowest value during the study period, with an average during the study period of 1.044 billion US dollars, and we note that the potential value Corresponding to the Jarque-Bera test is greater than 5% and therefore dollar deposits data are subject to a normal distribution. As for the exchange rate variable, it is an increasing series that started with the lowest value of 46 Syrian Pounds against the US dollar in the first quarter of 2010, and started increasing to reach 517 Syrian Pounds against the US dollar at its end, and with an average of 223 during the study period, and we note that the corresponding probability value of the Jarque test -Bera is greater than 5% hence the exchange rate data is subject to normal distribution.

2- Correlation Analysis:

Correlation analysis is used to study the presence of a linear correlation between two variables and the direction of this relationship. Correlation coefficients were calculated

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between study variables using Eviews program as shown in the following table: Table No. (2) shows the correlation coefficients between the study variables.

Correlation	D	D_ \$
EX	0.954900	0.991900
t-Statistic	17.61439	42.77208
Probability	0.0000	0.0000

Source: Prepared by the researcher using the statistical program (Eviews)

Table No. (2) shows that there is a correlation between the exchange rate and the study variables (represented by deposits of all kinds), and we note that the probability value corresponding to the t-Statistic test is smaller than the level of significance 5% for all bilateral relations. Therefore, we reject the null hypothesis and accept the alternative hypothesis that says the meaning Correlation relationship.

3- Stability test graphically: The stability of the variables, each one of which is a necessary condition for conducting the standard study, is that the use of unstable time series in the regression equations gives us misleading and unreal results, and for this, the manifestations of inactivity in the series will first be eliminated, by following the following methodology: No. (3) shows a graph of the study variables.

4- Verifying the staticity of the time series for the study variables through the unit root tests:

The Extended Dicke Fuller Test (ADF) will be used to test the staticness of time series for variables, as the following tables illustrate the results of the ADF test using the EViews statistical program: Table No. (4) shows the results of the ADF static test for the study variables.

Augmented Dickey-Fuller test statistic				
Null Hypothesis: variable has a unit root				
Test for unit root in Level				
Exogenous	Constant, Linear Trend	Constant	None	حالة التكامل

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Variable	t-Statistic			I(d)
L_D	-1.916499	-0.369382	1.313476	
Prob.*	0.6219	0.9026	0.9489	
L_D_\$	-2.967089	-0.636958	1.292650	
Prob.*	0.1570	0.8480	0.9469	
L_EX	-2.622142	-0.423425	2.619568	
Prob.*	0.2737	0.8930	0.9970	

*MacKinnon (1996) one-sided p-values.

Table No. (4) shows the results of applying the ADF test to all time series of study variables at the general level and using the three formulas shown in the table, and it appears that all series of variables did not stabilize at the general level and at the level of 5% significance, using slowdown periods that were automatically determined by the program. The statistician is based on the (SIC) standard, so we test the stability at the first differences, so we get the following table:

Table No. (5) shows the results of the ADF static test for the study variables:

Augmented Dickey-Fuller test statistic				
Null Hypothesis: variable has a unit root				
Test for unit root in 1st difference				
Exogenous	Constant, Linear Trend	Constant	None	حالة التكامل
Variable	t-Statistic			I(d)
L_D	-5.766670	-5.663447	-5.479473	I(1)
Prob.*	0.0003	0.0001	0.0000	
L_D_\$	-5.667536	-5.749615	-5.507959	I(1)
Prob.*	0.0004	0.0000	0.0000	
L_EX	-5.083231	-5.182947	-4.291984	I(1)
Prob.*	0.0015	0.0002	0.0001	

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Table No. (5) shows that all the variables of the study have become stable after taking the first difference, with a significant level of 5%, that is, they are integrated from the first order (1). Since the application of traditional econometric methods (OLS) to economic variables whose time series is unstable leads to false and misleading results, another method will be resorted to.

5- Lag Intervals test:

The following table shows the results of testing the optimal slowdown period for the model variables, using the statistical program (EViews): Table No. (6) shows the criteria for choosing the optimal slowdown period using a model VAR.

VAR Lag Order Selection Criteria				
Exogenous variables: C				
Sample: 2010Q1 2017Q4				
Included observations: 29				
Lag	LogL	AIC	SC	HQ
Endogenous variables: L_D L_EX				
0	-14.16391	1.114753	1.209049	1.144285
1	61.59100	-3.833862*	-3.550973*	-3.745265*
2	62.24620	-3.603186	-3.131705	-3.455524
3	63.95079	-3.444882	-2.784808	-3.238155
Endogenous variables: L_D \$ L_EX				
0	-7.459981	0.652412	0.746709	0.681945
1	78.66496	-5.011377*	-4.728488*	-4.922779*
2	79.42927	-4.788225	-4.316744	-4.640563
3	80.67532	-4.598298	-3.938224	-4.391571
* indicates lag order selected by the criterion				
AIC: Akaike information criterion				
SC: Schwarz information criterion				

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HQ: Hannan-Quinn information criterion

Source: Prepared by the researcher using the statistical program (EViews).

It is evident from Table No. (6) that the optimal slowdown period is one slowdown period (Lag = 1) being significant for most of the differentiation criteria (AIC, SC, H-Q), for all the variables of the study.

6- Verifying the existence of a co-integration relationship using the Engle-Granger method.

The following table shows the results of using the Angle-Granger method within a single slowdown period according to the EViews program:

Table No. (7) shows the results of the joint integration test using the Angle-Granger method.

Sample: 2010Q1 2017Q4				
Included observations: 32				
Null hypothesis: Series are not cointegrated				
Automatic lags specification based on Schwarz criterion (maxlag=2)				
Dependent	tau-statistic	Prob.*	z-statistic	Prob.*
Series: L_D L_EX				
L_D	-1.054978	0.6763	-1.041971	0.8556
L_EX	-0.633324	0.8268	-0.648338	0.8895
Series: L_D_\$ L_EX				
L_D_\$	-1.051114	0.6778	-1.414753	0.8190
L_EX	-0.763208	0.7884	-1.074692	0.8525
*MacKinnon (1996) p-values.				

We note from Table No. (7) that the probability value of the test statistic is greater than the level of significance 5% for all variables, and therefore we accept the null hypothesis that there is no co-integration between the variables.

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7. Granger Causality

The following table shows the results of testing the causality of the model variables, using the Eviews statistical program: Table No. (8) shows the results of the causality test for the study variables.

Pairwise Granger Causality Tests			
Sample: 1980 2016			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
L_EX does not Granger Cause L_D	31	5.02105	0.0332
L_D does not Granger Cause L_EX		7.84204	0.0091
L_EX does not Granger Cause L_D_\$	31	12.2978	0.0015
L_D_\$ does not Granger Cause L_EX		20.6972	9.E-05

Source: Prepared by the researcher using the statistical program (EViews).

Table No. (8) shows that there is a two-way causal relationship between the exchange rate and the total volume of deposits in the Syrian pound at the level of 5%, and there is also a two-way causal relationship between the exchange rate and the volume of deposits in US dollars at the level of 5% significance.

8. Estimation of the Vector Automatic Regression (VAR) model:

The VAR model is considered one of the modern standard models to study the relationships between macroeconomic variables. In this model, every variable of the study is written as a linear function with the values of the same variable in the previous periods and values of the other variables in the model in the previous periods, all we have to do in this model is to specify the study variables and the number of time lag periods only. In our study, we have five regression models:

1. The first model studies the relationship between the total volume of bank deposits in Syrian pounds and the exchange rate.

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- The second model studies the relationship between the total volume of deposits in US dollars and the exchange rate.

Depending on the results of testing the values of the criteria for determining the number of time lag duration, we choose one time slot for all models, except for the fourth model.

$$y_t = c + \sum_{i=1}^p \alpha_i y_{t-i} + \sum_{i=1}^{q_1} \beta_i x_{1t-i} + \sum_{i=1}^{q_2} \gamma_i x_{2t-i} + \dots + \sum_{i=1}^{q_k} \phi_i x_{kt-i} + \varepsilon_t.$$

whereas:

P, q1, q2, ..., qk: represent the slowdown periods for the study variables.

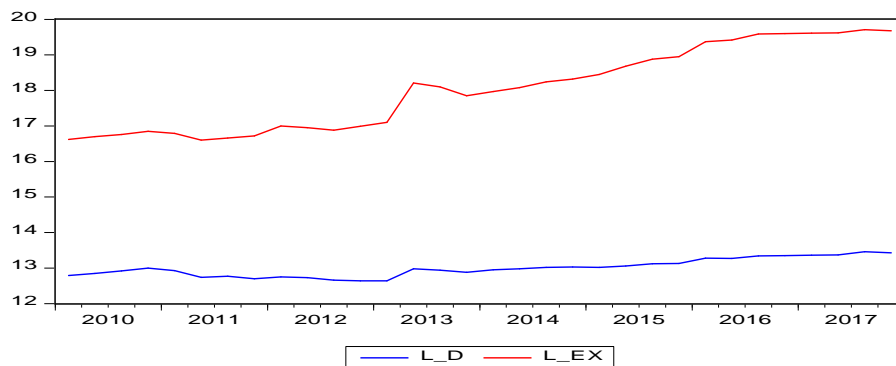
ε_t : the random error threshold.

By applying the previous equation to the model variables, which are five dependent variables, L_D_D, L_D_ \$ and one independent variable L_EX. The forms are written as follows:

- $L_D_t = c + \alpha_1 L_D_{t-1} + \beta_1 L_{EX}_{t-1} + \varepsilon_t.$
- $L_D_{\$}_t = c + \alpha_1 L_D_{\$}_{t-1} + \beta_1 L_{EX}_{t-1} + \varepsilon_t.$

The first model: a study of the effect of the exchange rate on total bank deposits:

The following figure shows the positive relationship between total bank deposits and the exchange rate. Figure No. () shows the relationship of the two variables of the model with each other.



Source: Prepared by the researcher using the statistical program (EViews)

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The following table shows the results of the VAR test on the variables of the first model, using the statistical program (EViews):

Table No. (9) shows the results of the VAR test for the variables of the first model.

Vector Autoregression Estimates		
Sample (adjusted): 2010Q2 2017Q4		
Included observations: 31 after adjustments		
Standard errors in () & t-statistics in []		
	L_D	L_EX
L_D(-1)	0.720742 (0.12988) [5.54923]	-0.629552 (0.22481) [-2.80036]
L_EX(-1)	0.076337 (0.03407) [2.24077]	1.130853 (0.05897) [19.1778]
C	3.267213 (1.54081) [2.12046]	7.602724 (2.66697) [2.85070]
R-squared	0.897019	0.977086
Adj. R-squared	0.889663	0.975449
Sum sq. resids	0.191740	0.574450
S.E. equation	0.082752	0.143234
F-statistic	121.9476	596.9837
Log likelihood	34.83976	17.83201
Akaike AIC	-2.054178	-0.956904
Schwarz SC	-1.915405	-0.818131
Mean dependent	13.00968	5.065484
S.D. dependent	0.249125	0.914147
Determinant resid covariance (dof adj.)	7.05E-05	

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Determinant resid covariance	5.75E-05
Log likelihood	63.35596
Akaike information criterion	-3.700385
Schwarz criterion	-3.422839
Number of coefficients	6

From the previous table, we can express the long-term correlation (long-term elasticities) between the study variables, as follows:

$$L_D_t = 3.27 + 0.721 L_D_{t-1} + 0.076 L_EX_{t-1}.$$

Figure No. (19) shows a graph of the direction of the remainder of the model regression chronologically

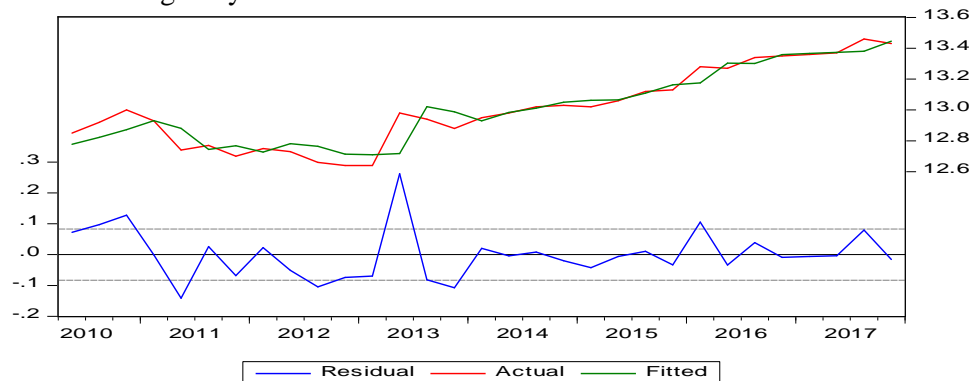


Figure (19) shows the stability of a series of residual regression of the model in time, and the table shows the convergence of the predicted series from the original series. The values of (t) indicate the significance of all the variables, and the value of the coefficient of determination ($R^2 = 90\%$) is approximately, meaning that changes in the exchange rate are likely to explain 90% of the changes in total bank deposits, and the value of Fisher indicates ($F = 121.95$) To the significance of the model as the corresponding probability value is less than 5%, meaning that there is a long-term relationship between the exchange rate and the total bank deposits, and by calculating the value of Durban Watson, we find that it is ($DW = 2.11$) and this indicates the absence of the self-correlation problem, and we infer from the results of The estimate is as follows: A positive impact of the exchange rate increase in the previous period in the current period for total bank deposits in the long term, as the partial

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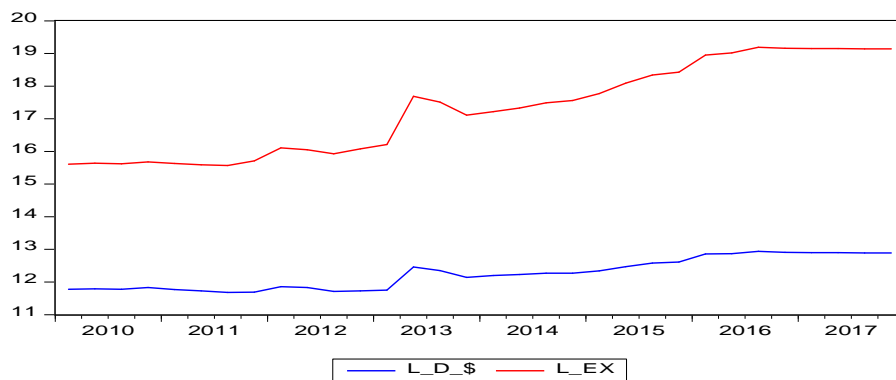
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elasticity of the exchange rate relative to total bank deposits reached (0.076) and this means that a 10% increase in the exchange rate will lead to an increase in total deposits. Banking by 0.76% in the long term.

The second model: a study of the effect of the exchange rate on the volume of deposits in US dollars:

The following figure shows the positive relationship between the size of deposits in US dollars and the exchange rate.



Source: Prepared by the researcher using the statistical program (EViews).

Table No. (10) shows the results of the VAR test for the variables of the second model.

1		
Sample (adjusted): 2010Q2 2017Q4		
Included observations: 31 after adjustments		
Standard errors in () & t-statistics in []		
	L_D_\$	L_EX
L_D_\$(-1)	0.119719 (0.24546)	-1.059397 (0.23286)

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	[0.48774]	[-4.54942]
L_EX(-1)	0.434954 (0.12403) [3.50682]	1.510032 (0.11767) [12.8330]
C	8.632065 (2.40050) [3.59595]	10.49040 (2.27734) [4.60642]
R-squared	0.928591	0.983135
Adj. R-squared	0.923490	0.981930
Sum sq. resid	0.469770	0.422806
S.E. equation	0.129528	0.122883
F-statistic	182.0532	816.1203
Log likelihood	20.95014	22.58277
Akaike AIC	-1.158073	-1.263404
Schwarz SC	-1.019300	-1.124632
Mean dependent	12.26548	5.065484
S.D. dependent	0.468279	0.914147
Determinant resid covariance (dof adj.)	1.78E-05	
Determinant resid covariance	1.45E-05	
Log likelihood	84.70556	
Akaike information criterion	-5.077778	
Schwarz criterion	-4.800232	
Number of coefficients	6	

From the previous table, we can express the long-term correlation (long-term elasticities) between the study variables, as follows:

$$L_D_t = 8.63 + 0.12 L_D_t-1 + 0.435 L_EX_{t-1}.$$

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Figure No. () shows a graph of the direction of the remainder of the model regression chronologically.

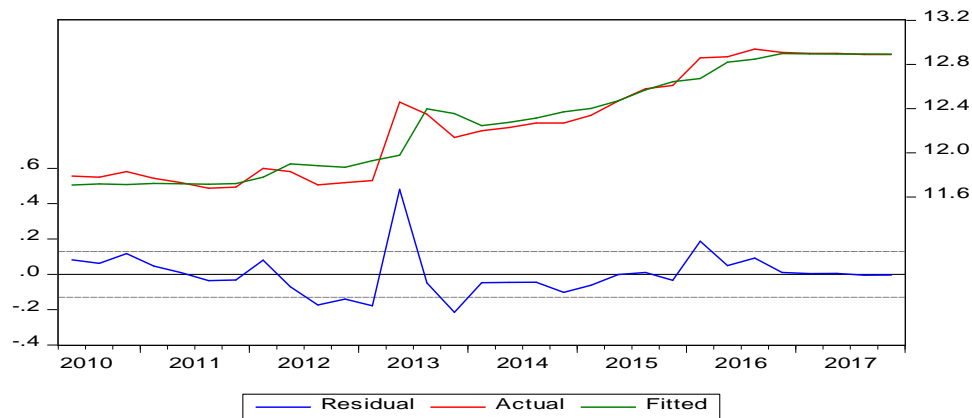


Figure () shows the stability of a series of residual regression of the model in time, and the table shows the convergence of the predicted series from the original series. (T) values indicate the significance of the exchange rate, and the value of the coefficient of determination ($R^2 = 93\%$) is approximately, meaning that changes in the exchange rate are likely to explain 93% of the changes in the volume of deposits in US dollars, and the value of Fisher indicates ($F = 182.05$) To the significance of the model as the corresponding probability value is less than 5%, that is, there is a long-term relationship between the exchange rate and the size of deposits in US dollars, and by calculating the value of Durbin Watson, we find that it is ($DW = 1.96$), and this indicates that there is no self-correlation problem. We infer from the results of the estimate the following: The presence of a positive impact of the increase in the exchange rate in the previous period in the current period of the volume of deposits in US dollars in the long term, as the partial elasticity of the exchange rate in relation to the volume of deposits in US dollars reached (0.435), which means that the exchange rate increased by 10%. It will lead to an increase in the volume of deposits in USD by 4.35% in the long term.

Results:

1. The continued deterioration of the Syrian pound's exchange rate against foreign currencies in the exchange market, as a result of the civil war and instability at the political,

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economic and social level, which led to the disruption of the production and export wheel and the inability of the Syrian Central Bank to meet the increasing demand for foreign currencies, especially the dollar.

2. There has been a decrease in the total volume of bank deposits in the Syrian pound by 10% between 2010-2011 and by 20% during the two years of the 2011-2012 crisis, and even more at the beginning of 2013, and this decrease is due to the deterioration of the exchange rate of the Syrian pound in the foreign exchange market. , Which affected the confidence of dealers in the Syrian pound and the acquisition of more stable assets, such as the US dollar, real estate and gold, and then the total volume of bank deposits in the Syrian pound increased after 2014 as a result of increased customer confidence in the banking sector and its ability to meet withdrawal requests during the first years of the crisis.

3. The volume of bank deposits in US dollars decreased, due to depositors withdrawing their savings from local banks and depositing them in banks in neighboring countries with the motive of investing in those countries, especially with cases instability and destruction the infrastructure of the economy and the disruption of the production machine as a result of the continuing war.

Recommendations:

Based on what was presented in the theoretical side of this study and the results that were reached through the statistical study, the researcher recommends the following:

1. Work to develop an integrated strategy supervised by each of the Ministry of Economy and Foreign Trade, the Ministry of Finance and the Central Bank of Syria in order to identify the tools to reduce the structural deficit in the general budget and the balance of payments, and to work on both the supply and demand sides of foreign exchange, so it is necessary to strive to reduce the domestic demand for foreign exchange through (Controlling imports, controlling smuggling of foreign currencies abroad and limiting speculation on the Syrian pound in the parallel market) and at the same time working to increase the supply of

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foreign parts by (stimulating production and exports and obtaining soft loans from friendly countries) and all these procedures contribute, even partially, to Limiting the decline in the exchange rate of the Syrian pound.

2. Working to raise interest on deposits in the Syrian pound and on investment certificates in order to enhance the motives for keeping the Syrian pound in banks and reduce speculation operations, and thus which limits inflationary expectations and contributes to maintaining the relative stability of the exchange rate of the Syrian pound, and thus the stability of bank deposits.

3. Work to oblige private banks to return part of the funds employed for their account with foreign banks abroad, which are foreign currencies that can be estimated at more than 4 billion dollars, and raise the interest rate in foreign currencies and create employment opportunities for these funds by depositing them with the Central Bank of Syria with interest ranging between 1.5% - 2%, which can be used to finance economic activities, noting that these funds earn interest in banks in neighboring countries with less than 1%.

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