

## **The Role of Banking Merger in Achieving Competitive Advantage A survey of A Sample of Bank Managers' Opinions in Erbil**

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### **Abstract**

The study aims to identify the importance of banking merger by presenting its concepts and types, and its role in achieving competitive advantage from the point of view of a sample of bank managers in the city of Erbil. The study used a questionnaire to collect data from 54 managers of selected banks. An econometrics analytical approach, specifically the quadratic regression model, was used to estimate the impact of banking mergers on achieving a competitive advantage. The study drew several conclusions, with the most significant one being that the merger of banks accounts for 88.6% of the changes that result in improved competitive advantage. The p-value of the linear and quadratic regression slope test is zero, which underscores the importance of the banking merger variable (along with its squares) in the estimated model. Lastly, the study offers some recommendations, including the encouragement of banking mergers to create stronger banking institutions that can better confront competitive risks and challenges.

**Keywords:** Banking merger; Competitive advantage; Banking merger Approaches; Erbil.

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## دور الاندماج المصرفي في تحقيق الميزة التنافسية استطلاع لآراء عينة من مديري المصارف في أربيل

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### مستخلص البحث

تهدف الدراسة إلى التعرف على أهمية الاندماج المصرفي من خلال عرض مفاهيمه وأنواعه، ودوره في تحقيق الميزة التنافسية من وجهة نظر عينة من مديري المصارف في مدينة أربيل. استخدمت الدراسة استبياناً لجمع البيانات من ٥٤ مديراً لبنوك مختارة. واستخدم نهج تحليلي للاقتصاد القياسي، وتحديدًا نموذج الانحدار التربيعي، لتقدير أثر عمليات الاندماج المصرفية على تحقيق ميزة تنافسية. وتوصلت الدراسة إلى عدة استنتاجات، أهمها أن اندماج البنوك يمثل ٨٨.٦٪ من التغيرات التي تؤدي إلى تحسين الميزة التنافسية. القيمة الاحتمالية لاختبار منحدر الانحدار الخطي والتربيعي هي صفر ، مما يؤكد أهمية متغير الاندماج المصرفي (جنباً إلى جنب مع مربعاته) في النموذج المقدر. وأخيراً، تقدم الدراسة بعض التوصيات، بما في ذلك تشجيع عمليات الاندماج المصرفي لإنشاء مؤسسات مصرفية أقوى يمكنها مواجهة التحديات بشكل أفضل.

الكلمات المفتاحية: الاندماج المصرفي؛ الميزة التنافسية؛ مناهج الاندماج المصرفي؛ أربيل.

## Introduction:

The trend towards banking mergers and the formation of banking blocs was considered a general phenomenon within the banking sector, aiming to confront the challenges imposed by globalization and the policy of trade liberalization, including the liberalization of banking services and capital adequacy requirements, as these circumstances called on the banking sector to tend towards the formation of economic blocs capable of facing crises and competition. In post-globalization economies. Banks carry out mergers to increase competitiveness and benefit from economies of scale and other advantages that are achieved in the event of a bank merger or acquisition. Banking mergers formed a global trend starting in the 1980s with the aim of growth, expansion, and enhancing competitiveness. The importance of the research stems from the role of the banking sector resulting from the function it performs in the economy at the internal and external levels. Thus, banking mergers became the basis for banks to play their vital role through their contribution to developing the banking sector and enhancing its role in building the national economy. Banking merger also contributes to increasing the competitiveness of the merged banks by providing services on a broader scale and developing economic performance in light of mobilizing savings. It contributes to confronting contemporary developments, especially economic blocs, financial globalization, and economic crises that make the merged banks able to play their role in the global economy.

**Study Methodology :** The ready- made statistical program (Easy Fit)

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**Study limits:** Spatially a sample of banks in the city of Erbil and Time Period 2022-2023

**Study importance:** The importance of the research lies in the fact that it touches a sensitive and effective sector that contributes to achieving economic development and the issue of banking merger because of its role in achieving the competitive advantage of banks and serving as a reform for banks about to bankruptcy.

**Study problem:** The research problem bodied in the following questions:

1. How important is a banking merger from the point of view of a sample of bank managers in the city of Erbil?
2. Does a merger contribute to achieving the competitive advantage of banks?

**Study objective:** The research aims to:

- 1- Identify banking merger by presenting its concepts, types, and effects.
- 2- Knowing the importance of banking merger and its role in achieving competitive advantage for a sample of banks in Erbil.

**Study hypothesis:** The main hypothesis of the study is that banking merger has a very important role in achieving competitive advantage, this hypothesis is divided into the following hypotheses:

- 1- Null hypothesis: There is no agreement on the provisions of the banking merger

Alternative hypothesis: There is agreement on the provisions of the banking merger

- 2- Null hypothesis: There is no agreement on the items of the dependent variable (competitive advantage)

Alternative hypothesis: There is agreement on the items of the dependent variable (competitive advantage)

3- Null hypothesis: Banking merger has no significant effect on enhancing competitive advantage

Alternative hypothesis: Banking merger has a significant effect on enhancing competitive advantage

### **The concept of banking merger:**

Mergers and financial re-engineering are a huge part of businesses in the world of finance. Companies and financial institutions, including banks, achieved growth and expansion through mergers. The separate financial institutions formed a large and financially strong institution after the merger and have competitive ability through lower average costs that they obtain from economies of scale, expanding the volume of their activity, and obtaining new markets globally (Gupta & Banerjee, 2017, p. 23).

There are many definitions of the banking merger, as it is defined as a collective movement towards conglomeration, cooperation and integration between two or more banks to create a form of unification that goes beyond the current pattern and form, to create an entity is more capable and effective in achieving goals that seemed impossible to achieve before the merger process, and banking merger. It means a process of moving from a certain competitive position to a better competitive position, and it also attempts to achieve three dimensions. The first dimension: more confidence, reassurance, and security among the public of customers and dealers. The second dimension: creating a better competitive position for the new banking entity in which the competitive ability of the new bank, investment opportunities, returns, and resource and income management increases. The new one is more effective, efficient, and creative. The third dimension: replacing a new, more experienced administrative entity to perform the bank's functions with a higher degree of efficiency,

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and then the new banking entity acquires a more mature and brighter personality on the part of the employees with a more secure career future (Awad, 2019, p. 6).

Decisions related to merger and acquisition deals require serious focus and attention when companies acquire because it may affect the financial performance of the bidding company. Where such mergers and acquisitions require a place, the acquiring company may not always be in a profitable position; It affects the liquidity, profitability, operation, and state of administrative efficiency of the acquiring companies. Companies should not pursue mergers and acquisitions unless they create value. Mergers and acquisitions become fruitful if synergies arise in the forms of operational, financial, and administrative synergies, and an increase in market share is achieved (Joash and Njangiru, 2015: 104). From the above, it can be said that a banking merger is the merging of two or more banks for several reasons and to achieve a set of goals related to capital, size of deposits, investment opportunities, and returns, as well as competitiveness and market share.

### **Conditions and controls for banking merger:**

The decision to merge between banks requires a set of conditions and controls for it to be successful and more effective. The following is a presentation of the most important conditions and controls for a banking merger (Andrieş et al., 2021, pp. 3–5):

- 1- There is a real, sincere desire among those in charge of the merger, and they have the self-motivation to do it, with no opposition or resistance to it.
- 2- The merger decision must be subject to economic, market, and social studies and address the imbalances that already exist within the banks wishing to merge.

3- A comprehensive evaluation and examination of all assets and liabilities of the banks involved in the merger process, as well as determining the shareholders' rights, assets, and liabilities that transfer to the merging banks.

4- Develop a realistic and practical vision for the stages of the merger process, and include the appropriate timetable for it, as well as prepare the internal environment to accept the merger process and the external environment to welcome it, and a time plan is drawn up to implement the merger process.

5- The name of the new banking entity, the brand, the members of the board of directors, and the banking services with which it will be dealt must be chosen.

6- Providing the financial and human resources and equipment necessary for the banking merger process.

7- The merger process should be carried out with the utmost precision and extreme care, and not overlook everything that might lead to trouble for the merging banks now or in the future.

8- Effective coordination between the merged banking units, regulations, laws, and decisions, as well as developing an internal network with a high degree of efficiency in communications (Darousi & Bouzaarour, 2014, pp. 139-140).

#### **- Types of banking mergers:**

Mergers and acquisitions are the most useful methods used by various companies to increase profitability, efficiency, and business expansion. However, the financial market and economic environment of the country play a pivotal role in developing fruitful mergers and acquisitions. For three decades, companies have been using this technique extensively as a strategic tool to restructure the sector. Banks. Initially, these trends were limited to the United States and the United Kingdom. However, the same



pattern was adopted in developing countries mergers multiplied with multiple motives and reasons, as well as future conditions and goals of the merger process (Kishwar & Ullah, 2019, p. 113). Banking mergers can be classified into different types according to some bases as below:

### **A/ Classification of banking merger according to the relationship between the parties to the merger:**

2.3.1 Types of banking mergers according to the relationship between their parties: According to this base, mergers are divided into three types:

- 1- Voluntary banking merger: This type is known as a friendly merger that takes place with the approval of the management of merging banks. This merger takes place through identical will and common understanding between the boards of directors of the banks participating in the merger to achieve a common interest.
- 2- Forced banking merger: This type takes place as a result of the default of a bank, forcing the monetary authorities in many countries to forcefully merge. This merger often takes place on an exceptional basis in accordance with conditions determined by the state's monetary authorities to serve the national economy in general and the banking sector in particular. Merger-forced banking is used as a safe haven for the technology of the banking system from troubled banks or those on the verge of bankruptcy and liquidation. This type of merger must take place through a law that encourages banks to merge in exchange for encouraging tax exemptions or by providing the merging bank with assistance loans in exchange for its pledge to bear all special obligations. (Ibn Atallah & Touati, 2017, pp. 87-88).
- 3- Hostile banking merger: This type takes place against the desire of the management of the bank targeted for the merger. It is



an involuntary merger and adopts the concept of takeover. This type usually occurs when a weak management controls the capabilities of a company with good potential. Therefore, strong and successful companies in the market set their sights on these companies to take over. It must replace the weak management with strong management that can optimally exploit the capabilities of this company (Hammad, 2001, p. 5).

### **2.3.2 Types of banking mergers according to the nature of the activity of the merged banks:**

According to this base, mergers are divided into three types (Oloye and Osuma, 2015: 26):

- 1- Horizontal merger: It takes place between two or more banks operating in the same type of activity or interconnected activities, such as commercial banks, investment banks, or specialized banks.
- 2- Vertical merger: It usually takes place between small banks, in different regions, and a main bank, which is usually a larger bank, as these small banks and their various branches turn into an extension of the main bank.
- 3- A mixed merger takes place between two or more banks operating in unrelated activities, i.e., it takes place between a commercial bank and a specialized bank, or between a specialized bank and an investment bank (Ibn Mansour & Ibn Maatouq, 2018, pp. 12-13).

### **2.3.3 Types of banking mergers according to other bases:**

banking mergers can be divided into the following types (Qader, 2010: 113):

- 1- Merger by gradual swallowing: This is done by one bank gradually swallowing another bank by purchasing a specific branch or branches of the bank that is being swallowed, then after

a period another branch is purchased, and so on until all the branches and units of this bank are purchased, and this is done both in the global banking market.

2- Differential merger: It is a merger that takes place between various institutions included in one entity. It is a merger based on extension, expansion, increase, growth, integration, diversity, and size, and absorbing others.

3- Merger by acquisition and transfer of ownership: through purchasing the bank that is being merged and here this type occurs, whether suddenly or gradually.

4- Merger by absorption: through the purchase of banking operations themselves, such as operations related to securities portfolios, credit operations, debt securitization operations, and banking derivatives, and this is done sequentially until the final merger decision is taken.

5- Merger by annexation: It is based on a unified board of directors for the two banks together, with the new banking entity bearing their names together.

6- Merger by blending: by creating an optimistic combination between two or more banks to emerge a new banking entity, which is a mixture between the two banks or the merging banks, and thus the new bank takes on a new name and a new brand.

## 2.4 The competitiveness of the bank:

Competitive ability is defined as the distinct skill, technology, or resource that allows the bank to produce values and benefits for customers that exceed what competitors offer them and confirms its distinction and difference from these competitors from the point of view of customers who accept this difference and distinction.

On the other hand, competitive ability is defined as the ability and opportunities of current and future banks to design, produce, and market products in their surrounding environments, whose price and non-price characteristics are more attractive than their competitors (Atallah and Touati, 2017: 91).

#### **2.4.2 Banking merger approaches to achieve banks competitive:**

There are three main approaches (Benhammou and Sab, 2023: 64-65):

- 1- A comprehensive and integrated encyclopedic approach: It deals with all aspects of merger and subjects them to careful research. It is a comprehensive approach that includes many other tools and methods, transforming them into basic axes and strategies qualified to build a strong competitive advantage.
- 2- the gradual, successive approach is a gradual approach to the merger process using a step-by-step policy to ensure its success or address all the imbalances that already exist in the merging banks. It also ensures that the merged entity is not exposed to any negative consequences: and it depends on each of the following:
  - 1) Develop a comprehensive and integrated strategy for a banking merger with all its advanced aspirations and goals and translate them into a comprehensive plan.
  - 2) Develop a standard timetable program to be implemented within the framework of the merger plan.
  - 3) Determine the operational tasks that must be followed to achieve successive gradual mergers.
- 3- The innovative, renewable approach: It depends on new forms and methods to achieve the merger process. This approach



depends on the fact that the bank that is merging has innovation and development units responsible for searching for new and innovative ideas and forms for the banking merger process. The more innovative these units are, the more they can achieve an innovative merger., and then the impact of innovation, performance, implementation, and operation becomes the standard by which the success of the merger is measured. In addition, the use of any of these methods is determined according to the nature and personality of the people responsible for the merger process.

### **2.4.3 Competitiveness position after banking merger**

The large-scale merger process is considered important for various policy areas, including competition policies to ensure market discipline and the effective performance of the financial sector, prudential policies to maintain stability, and monetary policies concerning both liquidity management in the banking sector in implementing monetary policy and the monetary financing mechanism (Carletti et al., 2002, 36).

The importance of banks having a strong competitive ability to face the effects of the globalization phenomenon has increased. Therefore, policies must be adopted that strengthen the competitive capabilities among banks to offer better services. Among these policies that strengthen competitive capabilities is the merger policy between banks, as it affects the competitive capabilities of the merging banks in terms of the following:

1- Increasing the bank's capital and the size of deposits: Bank capital and deposits are considered the most important financing sources for commercial banks. Therefore, banks are keen to develop and increase them. The bank's capital can be increased by issuing new shares, through retained earnings, or mergers, as

mergers result in Restructuring the capital and unifying the shares, which increases the capital of the merged banks (Singh & Das, 2018, 25).

2- Reducing costs: The low cost of the bank's products allows it to continue achieving profits during periods of intense competition, and the low prices offered by cost-leading banks are used as a barrier to the entry of others into the banking activity, and therefore the low cost will enable banks to offer their products at a lower price. Achieving a satisfactory volume of profits, and then achieving a competitive advantage over other competitors.

3- Banking workforce efficiency: Banking mergers lead to the new bank acquiring qualified banking workers, either through its ability to spend on training and developing the skills of its employees or attracting new employees with high technical banking capabilities, which works to increase the competitiveness of the merged banks.

4- Quality of banking services provided: Quality in banking services is the main means to distinguish the bank's services from its competitors and to achieve competitive ability. Banks can reap many advantages if they provide high-quality banking services, as they can increase customer loyalty and push them to continue dealing with the bank. and reducing their sensitivity to the prices of services provided by the bank, which allows them to achieve a higher amount of profits and obtain a larger share of the market share (Gohlich, 2012, p. 12).

### 3. Methodology: Sample of the study

The study sample consists of randomly selected bank managers in Erbil (it is better here, to determine the selected banks).

### 3.2 Data type and sources:

The study collected data by distributing a questionnaire to 60 bank managers in Erbil. 54 responses were suitable for analysis.

### 3.3 The study variables:

The study used two variables which are the dependent variable and the independent variable. The independent represents the banking merger, while the dependent variable represents a competitive advantage.

### 3.4 The study method:

This study uses a descriptive analysis approach to discuss the role of banking mergers in achieving a competitive advantage. Additionally, econometric analysis is conducted to estimate the effect of banking mergers on achieving a competitive advantage using the quadratic regression model.

### 3.5 Data distribution test:

It is recommended to prepare and rearrange this section in the following way:

## 4. EMPIRICAL RESULTS AND DISCUSSION

### 4.1 Statistical Description of General Information:

The study covered some general information about the respondents and selected banks such as.

**Table (1): General information about respondents**

Information	options	Frequency	Percentage (%)
Gender	Male	33	61.1
	Female	21	38.9
age	25-30	3	5.6
	31-40	18	33.3
	41-50	15	27.8

	51 or more	18	33.3
Educational level	Preparatory school	12	22.2
	diploma	12	22.2
	Bachelor's	27	50
	Master's	3	5.6
Specialization	2	9	16.7
	3	21	38.9
	4	9	16.7
	Other	15	27.8
Number of years of service at the current site	10-15	27	50
	16-20	24	44.4
	More than 20 years	3	5.6
Training courses in the field of banking management	Nothing	42	77.8
	There are	12	22.2
Number of employees in the bank	40-45	33	61.1
	46-50	12	22.2
	More than 50	9	16.7
		54	% 100

Source: Prepared by researchers, depending on questionnaire data

: As shown in Table (1), the study sample consisted of 33 males, comprising 61.1% of the sample, and 21

females, comprising 38.9%. The age range of the respondents was from 25 years to 51 years and above. The age group of 25-30 years had three individuals, which represents 5.6%. The 31-40 age group had 18 individuals, accounting for 33.3%. The age group of 41-50 years had 15 individuals, accounting for 27.8%. Finally, the age group of 51 years and over had 18 individuals, accounting for 33.3%. In terms of the respondents' education level, 22.2% attained a diploma from a preparatory school, 50% obtained a bachelor's degree from 27 banks, and only 5.6% earned a master's degree from three banks.

Regarding the respondents' specialization, it divided among 54 banks as follows: two banks (16.7%) offer specialization in one field, 21 banks (38.9%) offer specialization in three fields, nine banks (16.7%)

offer specialization in four fields, and finally, 15 banks (27.8%) offer specializations other than these. The years of service in the current position are distributed as



follows: 50% of employees have worked between 10-15 years in 27 banks, 44.4% have worked between 16-20 years in 24 banks, and only 5.6%

have worked **for** more than 20 years in three banks. Regarding the participation of managers in training courses, out of the 54 bank managers, only 12 (22.2%) participated in management training courses, while the remaining 42 (77.8%) did not. Finally, there are 33 banks with a workforce ranging from 40 to 45 employees, making up 61.1% of all employees. Additionally, 12 banks have 46 to 50 employees, accounting for 22.2% of the total workforce. Finally, there are nine banks with more than 50 employees, accounting for 16.7% of the total workforce.

#### 4.2 Measuring Study Variables:

The questionnaire consisted of twenty questions that were evenly divided into two variables. One variable was independent and represented banking mergers, while the other was dependent and represented competitive advantage. Both variables had ten questions each, and they were measured on a scale of (yes = 2) and (no = 1). It was assumed that the mean value of the dependent variable was (1.5). Based on this assumption, the variables on the questionnaire were measured as follows:

**First: The independent variable:** banking merger was measured by calculating the mean and standard deviation for each item as shown in Table (2):

**Table (2): Measurement of the independent variable (banking merger)**

Q	items	Average	Standard deviation
x1	Banking merger is a way to increase profits	1.9444	.23121
x9	Tax protection arising from increased leverage	1.8889	.31722
x3	Banking merger gives banks the possibility of expansion and diversification in the provision of services	1.7778	.41964

x6	To achieve the goals of growth and expansion, some banks resort to mergers.	1.7222	.45211
x2	Banking merger helps cope with risks	1.6852	.46880
x5	Integration is currently necessary in light of the free global competition.	1.6667	.47583
x7	Providing a complete chain of banking services	1.6667	.47583
x10	Increasing the quality of banking services	1.5000	.50469
x8	Provide a periodic statement to customers with the required details that correspond to their privacy	1.5000	.50469
x4	Banking merger contributes to a change in energies and expansion in attracting deposits	1.5000	.50469
<b>average</b>		<b>1.6852</b>	<b>0.4355</b>

Source: Prepared by researchers, depending on questionnaire data

According to Table (2), the overall mean of the independent variable (banking merger) was 1.6852, which is higher than the expected mean of 1.5 by 0.1852. This indicates that the sample studied agreed with the items related to banking merger, and there was a limited deviation, indicating agreement among the sample. The opinions of the researched sample were not diverse when it came to the items measuring the independent variable. The first item, "Banking merger is a way to increase profits," had the highest average of 1.9444, which is 0.4444 higher than the expected mean of 1.5, with a standard deviation of 0.2312. The ninth item, "Tax protection arising from increasing financial leverage," had an average agreement of 1.8889, which is 0.3889 higher than the expected mean of 1.5, with a standard deviation of 0.3172. On the other hand, the rest of the paragraphs had lower averages. The item "Banking merger contributes to a change in capabilities and expansion in attracting deposits" had the lowest average agreement among the sample members. This reflects the weak volume of bank deposits due to the lack of individuals' dealings with banks.

**Second: The dependent variable:** competitive advantage was measured by calculating the mean and standard deviation for each item as shown in Table (3):

**Table (3): Measurement of the dependent variable (competitive advantage)**

Q	Items	Average	Standard deviation
z7	Combined banks reduce administrative costs	1.8889	.31722
z9	Merged banks seek to reduce costs related to marketing banking services	1.8704	.33905



z1	Benefit from the services of specialists in various banking, businesses which ensures that the work is reduced from additional costs	1.8333	.37618
z3	Integrated banks adopt modern technology to suit the needs and desires of customers	1.7963	.40653
z8	Integrated banks coordinate and integrate functions, reducing costs	1.7778	.41964
z6	Reduce costs through expertise and practice	1.7222	.45211
z5	Low training and learning costs	1.6296	.48744
z10	Achieving a high concentration rate in the main and secondary banking markets	1.5370	.50331
z4	Merger banks are distinguished by providing modern services that differ from others	1.5000	.50469
z2	Merged banks focus on customer segmentation and on a specific category	1.5000	.50469
<b>average</b>		<b>1.7056</b>	<b>0.4311</b>

**Source: Prepared by researchers, depending on questionnaire data**

: Table (3) presents the findings of the study regarding the dependent variable, competitive advantage. The overall mean of the dependent variable was 1.7056, which is higher than the hypothesized mean of 1.5 by 0.2056. This indicates that the sample agreed with the items measuring competitive advantage, and the limited standard deviation of 0.4311 suggests convergence. The sample showed a high level of agreement, and there was little dispersion regarding the items measuring the dependent variable. The seventh item, "Merged banks contribute to reducing administrative costs," scored the highest with a mean of 1.8889, which is higher than the hypothesized mean of 1.5 by 0.3889. The standard deviation for this paragraph is 0.31722. This indicates that administrative costs are a burden for banks, and when they merge, they are reduced. The ninth item, "The merged banks seek to reduce costs related to marketing banking services," scored an average agreement of 1.8704, which was higher than the hypothesized mean of 1.5 by 0.3704. The standard deviation for this paragraph is 0.33905. On the other hand, the remaining paragraphs had lower averages. The two items that scored the lowest were "Merged banks are distinguished by providing modern services that differ from others" and "Merged banks focus on customer segmentation and a specific category." These two items were not significant during the merger process

### 3.5: Data distribution test:

It can be confirmed that the data follows a normal distribution by using the chi-square test (Ali, T. H. 2019), based on which the appropriate test for the study hypotheses will be determined, i.e., testing the following hypothesis:

Null hypothesis: The questionnaire variables follow a normal distribution.

Alternative hypothesis: The questionnaire variables do not follow a normal distribution.

The ready-made statistical program (Easy Fit) was used to test the above hypothesis under a significance level (0.05), and the most important test results are summarized in Table (4):

**Table (4): Test of normal distribution of questionnaire variables.**

Variables	Statistics	P-value	table value
Independent Variable (Banking Merger)	5.6391	0.228	9.4877
Dependent variable (competitive advantage)	12.320	0.006	7.8147

**Source: Prepared by researchers, depending on questionnaire data.**

The results of the chi-square test are presented in Table (4). The independent variable (banking merger) is normally distributed, as indicated by the test statistic value of (5.6391), which is less than its tabular value at the 0.05 level of significance, and the degrees of freedom (3), which are equal to (9.4877). This is further confirmed by the p-value of (0.228), which is greater than the significance level (0.05). However, the dependent variable (competitive advantage) is not normally distributed, as the test statistic value of (12.320) is greater than its tabular value at the 0.05 level of significance, and the degrees of freedom (4), which are equal to (7.8147). This is supported by the p-value of (0.006), which is less than the

significance level (0.05)

**4.3: Testing the study hypotheses:** The study examined the following hypotheses:

First hypothesis

Null hypothesis: There is no agreement on the provisions of the banking merger.

Alternative hypothesis: There is agreement on the provisions of the banking merger.

Here, the existence of agreement on the items of the independent variable (banking merger) will be tested by the members of the studied sample, which consist of (10) items, based on the extent of their agreement with the study hypothesis, specifically

testing the sample mean equal to the hypothesized mean (1.5) of the respondents' answers against greater than the hypothesized mean (1.5). On this basis, a parametric t-test was used (because the independent variable data follows a normal distribution as shown in Table 4) and the results are summarized in the following table:

**Table (5): t-test for the mean of the independent variable**

Hypothetical mean = 1.5							
Independent variable	Arithmetic mean	Difference between two middles	Standard average error	t Calculated	t Table	Degrees of freedom	P-value
Banking Merger	1,6852	0,1852	0,034	5,447	1,663	53	0,000

Source: Prepared by researchers, depending on questionnaire data

As noted in Table (5), the average agreement with the hypothesis of representing the items of the independent variable of banking merger reached (1.6852), which is greater than the hypothesized average by (0.1852), while the p-value was equal to (0.000), which is less than the level of significance (0.05). The calculated t-value reached (5.447), which is greater than its table value, below the level of significance (0.05), and degrees of freedom equal to (53), which amounted to (1.663), means that: this means that the null hypothesis has been rejected and the alternative hypothesis has been accepted, which states that there is agreement on the banking merger items by the studied sample. Which has been tested and its results can be generalized to society as a whole.

### Second hypothesis

Null hypothesis: There is no agreement on the items of the dependent variable (competitive advantage)

Alternative hypothesis: There is agreement on the items of the dependent variable (competitive advantage)

This test represents a comparison of the median (instead of the arithmetic mean because the dependent variable does not follow a normal distribution as presented in Table 2 of the answers to the agreement on the competitive advantage items with the hypothesized median equal to (1.5), based on the nonparametric Wilcoxon test (Taha et al, 2021). The results are summarized in Table (6):

Table (6): Wilcoxon test on the mediator of the dependent variable

Hypothesized median = 1.5							
Arithm etic mean	Broker	Mediator teams	Standar d error	Test Statistic s	t Standar d	P- value	The result
١,٧٠٥٦	١.700	٠,٢٠٠	٨٤,٨٤٥	٩٨١,٥	٥,٧٣٤	٠,٠٠٠	Moral

Source: Prepared by researchers, depending on questionnaire data

From Table (6), we notice that the average agreement answers with the competitive advantage items amounted to (1.7056), and the value of the agreement median was (1.700), which is greater than the hypothesized median (and mean) (0.200), with a standard error of (84.845) and a test statistic of (981.5). ), while the p-value was equal to (0.000), which is less than the level of significance (0.05), and the standard t-value was equal to (5.734), which is greater than its tabular value (1.64), which means rejecting the null hypothesis and accepting the alternative hypothesis, which states that there is Agreement on the competitive advantage items according to the opinions of the sample studied, which was tested, and the possibility of generalizing its results to society as a whole.

### The third hypothesis:

Null hypothesis: Banking merger has no effect in enhancing competitive advantage

Alternative hypothesis: Banking merger has an effect in enhancing competitive advantage

The hypothesis being tested is whether banking mergers (independent variable) enhance competitive

advantage (dependent variable). To test this, a quadratic regression model was estimated and several linear and non-linear models were tested, with the quadratic model being the best fit. The coefficient of

determination was then calculated and tested for significance below the 0.05 level. The results are summarized in Table 7.

Table (7): The Study Model Summary

variable		p-values	F	p-value	R <sup>2</sup>
	coefficients				
(Constant)	2.476	0.000	197.8	0.000	0.886
Slope of linear regression	-1.723	0.000			
Slope of squared regression	0.735	0.000			

Source: Prepared by researchers, depending on questionnaire data

Table (7) shows that banking merger explains 88.6% of the changes in enhancing competitive advantage, and the p-value of the linear and quadratic regression slope test is equal to zero, which indicates to significance and the importance of the presence of the banking merger variable (with its squares) in the estimated model. Additionally, the study observed that the calculated F-value is equal to (197.8), it is greater than its tabulated value, below the level of significance (0.05), and the degrees of freedom (2 and 51) amounted to (3.17). This means that the estimated quadratic model is appropriate to the data, and this is confirmed by the p-value, which is equal to zero, which is less than the level of Significant 0.05) Therefore, the null hypothesis will be rejected and the alternative hypothesis will be accepted, which states that there is a positive effect of banking merger in enhancing competitive advantage, The alternative hypothesis states that banking mergers have a positive effect in enhancing competition.

The following quadratic regression model was tested and generalized to the study population as a whole:

$$\hat{Z}_i = 2.476 - 1.723x_i + 0.735x_i^2$$

## Conclusions:

The independent variable, banking merger, had an overall average of 1.6852, and a limited standard deviation of 0.4355, which indicates that the opinions of the sample studied were relatively consistent and not widely dispersed with the items that measured the independent variable. Among the items that were evaluated, the first item, (Banking merger is a means of increasing profits)



had the highest average score of 1.9444, while the paragraph that stated (Banking merger contributes to a change in capabilities and expansion in attracting deposits) had the lowest average score. The general average of the dependent variable (competitive advantage) was (1.7056). The seventh item (merged banks contribute to reducing administrative costs) took first place with an average of (1.8889). In contrast, the two items (merged banks are characterized by providing modern services that differ from others) and (merged banks focus on customer segmentation and a specific category) ranked last. These two items were not important during the merger process. The study shows that the chi-square test supports the normal distribution of the independent variable (bank merger) because the value of the test statistic is equal to (5.6391). The dependent variable (competitive advantage) does not follow a normal distribution because the test statistic value is equal to (12.320). Banking merger explains 88.6% of the changes in enhancing competitive advantage, and the p-value of the linear and quadratic regression slope test is equal to zero, which indicates its significance and the importance of the presence of the banking merger variable (with its squares) in the estimated model. The calculated F-value is equal to (197.8), which is greater than its table value under the level of significance (0.05) and the degrees of freedom (2 and 51). This means that the estimated quadratic model is appropriate to the data, and this is confirmed by the p-value, which is equal to zero. Therefore, the null hypothesis will be rejected. The alternative hypothesis will be accepted, which states that there is a positive effect of banking merger in enhancing competitive advantage.

## Recommendation:

1. Encouraging the trend towards banking mergers to create stronger banking entities that can face competitive risks and challenges.
2. It is important to promote banking mergers in the Kurdistan Region and clarify their positive impact.
3. It is necessary to periodically evaluate the performance and indicators of banks operating in the Kurdistan Region to develop the banking sector
4. The region's banks must play a more effective role by providing loans of various types, financing economic projects, and expanding the establishment of productive projects.

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