Available online at www.jlls.org

JOURNAL OF LANGUAGE
AND LINGUISTIC STUDIES

ISSN: 1305-578X

Journal of Language and Linguistic Studies, 18(3), 1-18 ; 2022

The Impact Of The Regulatory And Financial Policies Of The Central Bank On Commercial Banks

Ahmed Mohamed Farhan[a], Samir Abdulwahab Jaradat[a], Amr Nazieh Ezat[a], Yosra Hamza[a], Mohammad Awni Mahmoud[b], Maher Diab Abulaila[a], Alaa Fathi Soliman[a], Abeer Atallah Aloudat[a], Andaleeb Qasim Almomany[a] and Sara Samir Jaradat[c]

[a] Department of General courses, College of Applied Studies and Community Service, Imam Abdulrahman Bin Faisal University, P.O. Box 1982, Dammam, Saudi Arabia.

[b]Management Information Systems Department, Faculty of Applied Studies & Community Service Imam Abdulrahman Bin Faisal University, P.O. Box 1982, Dammam, Saudi Arabia.

[c]Master of Accounting, College of Business Administration, Accounting Department, University of Jordan.

APA Citation:

Mohamed, A.M., Jaradat, S.A., Ezat, A.N., Hamza, Y., Mahmoud, M.A., Abulaila, M.D., Soliman, A.F., Aloudat, A.A., Almomany, A.Q., Jaradat, S.S., (2022). , The Impact Of The Regulatory And Financial Policies Of The Central Bank On Commercial Banks , *Journal of Language and Linguistic Studies, 18*(3), 1-18; 2022

Submission Date: 05/03/2022

Acceptance Date: 12/07/2022

Abstract: The Kingdom of Saudi Arabia has recently sought to activate the role of the Central Bank or the Monetary Agency in supervising commercial banks, in addition to trying to develop the various components of the banking system to the extent that qualifies them to achieve economic development. Based on this role, the main objective of this study is to try to identify the fundamental differences between each of the commercial banks and the Central Bank, and the various mechanisms and methods of banking supervision exercised by the Central Bank on commercial banks, and to evaluate their effectiveness and the reality of their application, especially with regard to prudential control, which is the most recent The most important method of banking supervision. And the extent of the central bank's understanding of the role that commercial banks can play in society if laws encouraging them are found. In achieving its objectives, the research depends on the descriptive analytical approach, and the use of the descriptive approach in exposure to general concepts, and the analytical approach through the analysis and diagnosis of some issues related to central and commercial banks. The research has reached many results, perhaps the most important of which is that the central bank represents a manifestation of economic sovereignty, and although central banks in the world differ in terms of form and functions from one country to another, they are characterized by some general features and characteristi cs that make them a central hub and leader of the monetary market and a supervisor and watchdog. It is organized as the issuing bank, the bank of banks, and the government bank. It undertakes the process of managing reserves and regulating credit. It uses a set of direct and indirect tools and means to perform its functions. There is also confusion between the nature and activity of the central bank with commercial banks. Which requires clarifying the lines between each of them. The study sample also agreed that there is an effective role for central banks in formulating monetary and supervisory policy for commercial banks. Commercial banks must also abide by the supervisory tools decided by the central banks. So achieve customer confidence, and check more warranty.

key words: Regulatory Policies; Financial Policies; The Central Bank; Commercial Banks; The Banking System; The Kingdom Of Saudi Arabia.

Introduction

Commercial banks represent one of the components of the banking system in the Kingdom of Saudi Arabia, and these banks have their own nature and characteristics, which require the central banks or the Monetary Agency to understand their nature when setting laws and instructions that govern work in them and control them. In order to take its role in the process of construction and social and economic development. In recent years, commercial banks have faced a set of crises that resulted in the liberalization of financial markets, which is known as the phenomenon of globalization and financial comprehensiveness. In order for every country to deal with the level of developments, it must practice monetary and financial policy to strengthen its banking system and keep pace with these new requirements. What distinguishes modern economies is the existence of effective supervisory systems on the banking field, as these systems work to achieve monetary balance within the economy, and perhaps the monetary authority represented in the central bank plays an effective and main role in bringing about this balance. In this regard, the Central Bank exercises a set of functions mainly related to commercial banks, and these functions are represented in the issuance of money; lending to commercial banks; Managing the borrowing process between banks, the most important of which is directing and implementing monetary policy through its supervision of commercial banks. The work of the Central Bank does not depend only on the issuance of money, especially following the growing trend towards the independence of central banks - and therefore, monitoring its ability to pump and absorb liquidity is ignoring the size and importance of its other functions, and the danger that could be caused by poor performance and management, and the absence of effective and strict control of banks' tasks. The function of the Central Bank in supervising commercial banks is one of the most important and recent functions entrusted to it, as commercial banks are a means to meet financing needs by receiving deposits and providing loans to their applicants. Failure to provide adequate protection to depositors. On the other hand, the occurrence and wide spread of banking crises, such as those that occurred in Southeast Asian countries, poses the problem of how to avoid and treat them, especially as it is the biggest problem that the economy can know. Banking supervision is no longer confined to monitoring the degree of banks' liquidity only, but is more and more concerned with the quality of the obligations taken by these banks and their reflection on the solvency of the latter. The role of the central bank as an observer dictates that its regulation be tight, through efficient management and advanced structures and means. In addition to the tight administrative and legal regulation of the Central Bank, finding successful methods and mechanisms to control the activity of commercial banks is of importance, as it was to ensure the protection of depositors and the stability of the banking system as a whole. The Kingdom has recently sought to activate the role of the Central Bank or the Monetary Agency in supervising commercial banks, in addition to trying to develop the various components of the banking system to the extent that qualifies them to achieve economic development. The research problem stems from the existing confusion between the role of each of the commercial banks on the one hand and the central bank on the other. And the mechanism by which the Central Bank or the Monetary Agency deals with commercial banks. The main objective of this study is to try to identify the fundamental differences between each of the commercial banks and the Central Bank, and the various mechanisms and methods of banking supervision exercised by the Central Bank on commercial banks, and to evaluate their effectiveness and the reality of their application, especially with regard to prudential control, which is the latest and most important method of banking supervision. . And the extent of the central bank's understanding of the role that commercial banks can play in society if laws encouraging them are found.

The supervisory role of the central bank over commercial banks

Central banks exercise major types of control over the credit activity of commercial banks, and from each type a huge number of methods and policies are branched, depending on the extent to which the central bank needs them on the one hand, and the different economic structure that operates in response to emergency circumstances. And quantitative control methods focus the work of quantitative tools or means of quantitative control to influence the credit provided by banks, regardless of its uses (Badis, 2012). A group of these quantitative means is the discount rate policy, the open market policy (Buiter, 2008), and the change in the legal reserve ratio. Re-discount rate policy The re-discount rate is the interest rate charged by the Central Bank in exchange for providing the necessary cash liquidity to banks, either through direct lending or through re-discount or purchase of commercial papers offered by banks (Mohammed, 2018). There is a relationship between the rediscounting rate and interest rates, whereby an increase in the rediscounting rates leads to a decrease in the volume of money, which leads to higher interest rates in the financial markets, and from it discourages borrowing from commercial banks, and consequently a decrease in credit. This rate is reduced when the volume of credit is increased. (Anas, 2018).

Central Bank Tools for Supervising Commercial Banks

The effect of the discount rate: The determination of the discount rate is related to the conditions of the loan market, as reducing the discount rate to affect the volume of loans or credit provided by commercial banks to their customers, and when you want to restrict either for lending banks, when the central bank raises the rediscount rate, commercial banks resort to raising Its discount rate for securities, and also raises the interest rate on its loans granted, which results in a decrease in the demand for loans from its customers because the cost of borrowing becomes high, and consequently the volume of loans granted by commercial banks shrinks and thus affects the size of the money supply, and that the high discount rate will lead to Encouraging owners of savings to increase their various deposits with commercial banks in order to obtain a high interest rate (Midhat, 2001).

Open market policy: The open market policy means that the Central Bank carries out the sale and purchase of securities and commercial transactions in the financial markets, for institutions and investment projects, but the volume of credit provided by commercial banks is subject to the control of central banks, which do not allow the volume of credit to exceed the level of natural economic stability. The impact of the open market policy This policy has a direct impact on the amount of cash reserves, and therefore you can carry out lending operations, which leads to a decrease in the interest rate due to the increase in demand for securities, and the increase in the money supply causes a decrease in the interest rate, which raises the volume of investment, income and employment, This is when the bank follows an expansionary monetary policy to get out of the recession (Mati, 2009), but in the case of inflation, the central bank will work to limit credit, and absorb the excess money supply by following a contractionary monetary policy. Commercial banks pay their price in cash, and commercial banks have cash reserves, so income and employment decrease, bond prices decrease, and the interest rate rises. As for the policy of adjusting the legal reserve ratio (Abdul Muttalib, 2001), it considers reserves as a tool of the central bank to compel commercial banks to leave a certain percentage of their deposits in a credit account with the central bank, that is, to freeze part of their resources and place them with the central bank. The amount of credit offered by commercial banks (Al-Taher, 2003).

Methods of qualitative or qualitative control of the central bank on commercial banks

The use of qualitative control methods began in England since 1924, although the capitalist countries did not give any attention to qualitative control methods, and this is due to the fact that the interest of these countries is limited to monetary stability, which made them focus on using quantitative control methods to treat cases of inflation, and the success of using qualitative control methods depends Methods of qualitative control over the extent of the borrowers' commitment to use the loans in the activities in which the borrowers contracted with the banks upon requesting the loan (Al-Taher, 2003). The central bank uses quantitative tools to control credit, but these tools may not be able to influence commercial banks, especially if they are branches of foreign banks. These tools (Badis, 2012).

Direct supervision: The Central Bank relies on this type of supervision in strengthening the quantitative and qualitative control over credit, and it is used as an alternative to them in regulating the credit activities of commercial banks. Whereas, quantitative and qualitative methods are not effective in confronting the situations that affect the national economy and call for a quick solution. The Central Bank applies the third type of supervision, which is direct supervision (Buiter, 2008).

Control: The orders and instructions issued by the Central Bank to all commercial banks, and related to the maximum limits for loans and investments, as well as the policies that the commercial banks have to abide by in the field of lending and investment.

Accordingly, in applying this method, the Central Bank relies on the legislation that defines the relationship between it and the commercial banks and the measures it is entitled to take to ensure the enforcement of its instructions (Abdul Muttalib, 2001). As well as the strong financial position that the Central Bank enjoys as a result of being the issuing bank, which makes commercial banks seek to improve their relationship with it to ensure that they obtain loans in times of crisis. In implementing this policy, the Central Bank relies on two methods. First, the method of moral persuasion. A literary position as a result of the role it plays in serving the national economy and is considered feasible in countries where the central bank has exercised its responsibilities for a long time. As for countries that are new to central banks or where the central bank engages in normal banking business alongside its work as a central bank, the method of persuasion may be useful Limited, forcing the Central Bank to use the method of orders and binding instructions. Secondly, direct instructions and orders According to this method, the Central Bank issues decisions to commercial banks in line with the requirements of monetary management that aim to achieve monetary political purposes, for example, that the Central Bank sets the maximum limit for the total number of commercial bank loans for small industries (Hussain, 2011), in order to be able to increase their production There is no doubt about the success of this method, especially since the Central Bank may resort to imposing sanctions on banks that follow the Central Bank's credit policy for the violating policies, and that it is necessary to coordinate Between different economic policies, especially fiscal policy and monetary policy, so as not to conflict with the policies followed, and the result is the failure of these policies to achieve their goals. Fiscal policy tends to increase the volume of government spending at the same time (Mati, 2009).

The Central Bank and its Relationship with Commercial Banks: The Central Bank is the institution that occupies a major place in the money market, as it stands at the top of the banking system and is concerned with matters of credit and banking policy in the country, and supervises its implementation. In view of the great similarity in the functions performed by central banks under the various monetary and banking systems, a set of rules and foundations have emerged that work to regulate the work of central banks, but the general framework in which these banks exercise their functions differs from one country to another, according to the composition The prevailing credit structure, the amount of available financial resources (Badis, 2012), the extent of the money and money markets, the degree of banking awareness, and in general the degree of economic growth and the type of monetary system in which the central bank performs its various functions (Midhat, 2001).

The functions of the central bank in supervising commercial banks and regulating credit is the main function, as this oversight is carried out through the relationship that links the central bank with commercial banks as the bank of banks and the last lender, and the state bank represents an increase in being the issuer of banknotes.

Distinguished by the Central Bank in supervising commercial banks:

The Central Bank is characterized by the issuance of legal money (Ali, 2012): The importance of the issuance function, in addition to being represented in controlling the volume of legal money in circulation (or the largest part of it), is related to the importance of the volume of legal money in circulation (or the largest part of it). This money depends on the ability of commercial banks to create deposit money, as the latter's ability to grant credit is related to their liquid balances and the volume of deposits (Abdul Muttalib, 2001). The central bank is also the state bank: the central bank is the main tool in the government's hands to implement its monetary policy, as it maintains its accounts and provides it with the short and long-term loans it needs. The consumption of public debt and the payment of interests, and the Central Bank is considered as a monetary advisor to the state with regard to the policies to be followed to meet various circumstances. The central bank is also the bank of banks, where commercial banks maintain with the central bank a certain percentage of their cash balances, and this makes it easier for them to conduct the clearing process between the rights and debts of these banks. The Central Bank also undertakes the process of lending to commercial banks, where it is always ready to assist them in the event of a financial deficit or when necessary, and for this reason the Central Bank is the last lender to the credit system. It is possible to distinguish between ordinary credit operations and exceptional credit operations. Ordinary either takes the form of discounting, re-discounting, or loans with guarantees, or the exceptional, which means that the central bank grants credit to commercial banks in times of financial crises within conditions that it determines (Anas, 2010). In addition to credit control, this function is considered one of the most important functions of the central bank, as it represents the main tool on which it depends in the implementation of monetary policy. The legal requirements for the compulsory reserve, including the method, represented in the framing of loans, the required guarantee margin, the maximum interest rate, and control over the mortgage terms (Badis, 2012).

The independence of the central bank and its relationship with commercial banks

The independence of the Central Bank is one of the most important debates in the current era in the banking arena, as this independence would increase the credibility of central banks and the effectiveness of monetary policy. It has been observed during the past two decades that the trend towards the independence of the Central Bank has grown on both the theoretical and practical levels, especially after the International Monetary Fund officially adopted it in its recommendations for financial and banking reform (Al-Taher, 2003). This independence is the basic condition for the central bank's ability to set and implement monetary policy objectives, in order to ensure the achievement of its main objective of achieving price stability and preserving the value of the currency. The independence of the Central Bank is meant to give it complete independence in managing monetary policy, by isolating it from any political practices by the executive authority on the one hand, and giving it complete freedom of action in setting and implementing monetary policy. , and vice versa if those objectives are precisely defined. Also, the central bank is considered independent if it is free to set and implement the appropriate monetary policy to achieve its objectives, and is not considered independent if it is bound by a specific monetary base or to finance the budget deficit, for example. However, granting the Central Bank its independence does not mean that it is not responsible towards any party, and this requires at least the need for it to explain and justify its actions and policies, through publications and reports in the face of public opinion or in the face of parliamentary institutions by appearing before their specialized committees (Hussein, 2011).

One of the most important criteria for the independence of the Central Bank is the extent of the Central Bank's commitment to financing the deficit in government spending and granting credit facilities to the government. And the extent of the freedom and authority of the Central Bank in setting and implementing monetary policy, and the limits of the executive authority’s intervention in that. And the importance of the goal of maintaining price stability and the value of the currency in relation to the rest of the other goals. The extent of the government's authority to appoint and dismiss the governor of the central bank and members of the board of directors, and its authority with regard to the bank's budget. And the extent to which the central bank is subject to accountability (Midhat, 2001). The most important reasons for calling for the independence of central banks revolve around three main points, which are the outcome of theoretical studies that proved the inflationary bias of the absolute freedom of governments in setting monetary policy. The outcome of applied studies regarding the relationship between the independence of central banks and low inflation rates, is the link between the independence of the central bank and price stability as the main objective of monetary policy. It should be noted here that the independence of the Central Bank is not determined only by what is stipulated in the relevant legislative texts, it is also linked to other factors, including the multiplicity of objectives, the human capabilities working in the Central Bank, the traditions that govern the working relations between the monetary authority and the government, and the personal qualities of senior officials in the bank. The central bank, in addition to the extension of the authority of the central bank to include the exchange rate policy, due to the strong correlation of the effectiveness of monetary policy with the exchange rate policy. In practice, by following up on the independence of central banks, it becomes clear that there is no absolute independence from the government, but rather there is a certain limit for the government to impose its authority directly or indirectly, regardless of the degree of independence. In addition to the existence of several obstacles that affect the effectiveness of legal independence in reality, and these factors often gather in developing countries, and differ from one country to another, such as the nature of inflation, its causes and development, the level of culture in society, the extent of the existence of a broad and effective developed market (Abdul Muttalib, 2001).

Direct Quantitative Controls

As the central bank can, by means of these tools, determine the higher volume of credit and loans granted by commercial banks during a certain period of time, which qualifies it to control the volume of total flows and balance them with the requirements of the internal economic movement in order to stabilize the movement of stability and balance in the national economy and the most important of these tools (Badis, 2012), charging selective rediscount rates. and selective requirements for the legal cash reserve of commercial banks. and setting selective upper limits on monetary investment to compel banks to extend credit to certain sectors. And set interest rates on some types of loans, in order to encourage a specific type of loan. Pre-approval of some types and amounts of loans, especially long-term loans. And the imposition of selective exemptions from the severe restrictions of the general credit control (Anas, 2010).

Complementary quality controls to conventional monetary policy

Direct qualitative control deals with the intervention of the Central Bank in clarifying the conditions and modalities of using credit, i.e. showing how commercial banks must grant credit according to the specific aspects, and these means can be summarized as follows. Required guarantee margins The policy of direct control of the Central Bank requires a change in the required guarantee margins on loans granted for speculation in the stock market. The Central Bank uses this direct control by raising or lowering those guarantee margins according to the situation of inflation. The interpretation of this is that speculative individuals should pay a part of their purchases of securities from their own money and the other part by borrowing from commercial banks. In times of inflation, the margin that speculative individuals must pay for the purchased securities increases. However, the effectiveness of this tool is limited, especially if there is no urgent need to request credit from banks, and this is often available in the case of the availability of cash reserves in the hands of individuals, as it enables them to purchase all securities, and speculate on them without the need to request credit from banks. Monitoring consumer credit (sales in installments) and this means monitoring consumer insurance operations, i.e. terms of sales in installments, in order to ensure the control of public cash spending rates, i.e. by facilitating terms of sales in installments in times of depression and restrictions from us in times of inflation, given the harmful effects of the increase in the rate of consumption At a time when there is an urgent need to reduce it, such as during times of war. Real estate credit control: It is intended to influence the amount of credit granted for the purposes of real estate financing by constructing buildings and purchasing land and other real estate facilities, in order to achieve the requirements of development and the interest of the national economy, such as restricting housing facilities in favor of industrial facilities, or achieving a balance between real estate financing and financing other projects that require them. movement of economic activity. This is in order to reduce the volume of cash flows that stimulate inflationary phenomena (Hussain, 2011). Interbank clearing policy: The Central Bank has direct control over credit through the settlement of debit and credit accounts, which is carried out under its supervision in the clearing house, which leads to greater knowledge of the credit policies and monetary conditions of commercial banks, which facilitates the Central Bank to advise and issue instructions related to credit operations. Or a shortage, depending on the conditions of economic activity (Al Bakri, 2010).

Alternative monetary policy tools

Monetary authorities may use means and tools that are in themselves different from other monetary policy tools, but they are mostly used as a complement to monetary policy and in emergency circumstances, often physical control of credit. And control the algebraic pricing and influence it. and use the cards. And the use of special licenses to obtain raw materials. Determining the quotas or diversification of imports. and exchange control.

Criticism of the effectiveness of selective qualitative monetary policy

Some economists see that the selective and qualitative means of monetary policy have a limited and partial impact on investment and consumer spending because it can be avoided and because it is short-term, in addition to having a greater impact and benefit as an expansionary monetary policy, by allowing a certain type of desired spending, which may be an amplification, which reduces the effectiveness and efficiency Credit Constraints (Al-Taher, 2003).

Cairncross believes that selective qualitative methods are not a substitute for general quantitative methods to limit the expansion of credit and control inflation, and may be ineffective sometimes. Directly, as well as by influencing the size and direction of inflationary financing, and there is no hesitation in saying that this policy can be a strong bond and a source of assistance for indirect quantitative means in achieving economic stability, controlling inflation, getting rid of its suspicious effects, and managing the inflationary monetary right according to patterns The planned and desired productive investment in the developing national economy (Badis, 2012).

Noting that developing economies are characterized by the presence of limited monetary, financial and banking institutions that constitute important obstacles that limit the effectiveness and efficiency of public quantitative means in injecting and controlling inflation and credit and directing production. From what can be said that the selective monetary policy, through its direct control over the important strategic sectors in the developing economy, can exert an effective qualitative and quantitative influence on the level of aggregate demand, and consequently it is necessary to achieve a monetary restriction or monetary payment according to the requirements of economic growth (Abdul Muttalib, 2001).

The function of the central bank is to control the bank credit of commercial banks

It indicates the extent to which the banks are able to cover the loans. This important and large edifice in any country undertakes several tasks, including. Quantitative control methods aimed at influencing the amount of bank credit regardless of the object of use. Rediscount rate policy. The rediscount rate is the interest rate charged by the central bank in exchange for providing loans and advances to commercial banks. The central bank can influence the size of the cash reserves present with the banks, and consequently in their ability to create credit (Midhat, 2001).

If the central bank wants to reduce the volume of bank credit, it resorts to raising the re-discount rate, which means an increase in the interest rate at which commercial banks borrow by extension. Here, the banks are forced to raise the price at which they discount the commercial papers presented to them, as well as the interest rate they charge on the loans granted, which leads to a restriction of the volume of credit and vice versa. In conditions of undesirable inflation and economic expansion, the Central Bank resorts to raising the rediscount rate, which leads to raising interest rates in commercial banks and raising the cost of borrowing, thus resulting in a contraction of credit movement and a decrease in investment and employment levels, and then a decrease in demand for goods and services and a decline in the inflationary trend until Demand balances with aggregate supply at worst (Ali, 2012).

In conditions of deflation and unemployment, the Central Bank resorts to reducing the re-discount rate to reduce loan interest, expand activity, increase production levels, employment and wages. These developments lead to an increase in demand for goods and services and break the efforts of the deflationary situation, so income levels and prices rise. For the effectiveness of the re-discount rate policy, it is required that the cost of borrowing is an influencing factor in investment and production decisions. And that the changes that occur in interest rates are to the degree that they have the desired effect on the volume of credit (Badis, 2012).

The absence of organized money markets outside the commercial banks, so that high interest rates lead to businessmen's shift away from these banks and towards alternative sources of financing, and that re-discount rates affect the profit expectations of regulators. Open market policy: It means the central bank buying and selling government securities of varying maturities in the stock market. It is one of the most important policies that central banks follow to influence the size of banks' cash reserves and then their ability to find credit (Midhat, 2001).

Therefore, open market operations affect the general investment climate, as the central bank’s sale of government bonds results in a decrease in their prices, which means higher interest rates in light of the stability of bond returns, which constitute an important determinant of investment determinants. This selling policy also exerts a psychological impact on dealers because it Reflect the government's tendency to follow a strict policy in relation to the financial markets, which makes businessmen reluctance to expand investment or make new investments, and these developments lead to a decrease in the aggregate demand for goods and services and thus reduce inflationary trends. On the contrary, if the central bank buys some government bonds, their prices will rise, which means lower interest rates on them and interest rates in the market in general, which stimulates investment. There is also an optimistic tendency about the government's policy towards investment, which in turn leads to the expansion of investments and to an increase in production. And aggregate demand in the market and then out of the state of economic depression that the society may suffer. Accordingly, in times of inflation, the central bank resorts to selling government securities to reduce the cash balances available with banks and thus limit their ability to grant credit (Hussain, 2011).

The Required Conditions

For the effectiveness of this policy, the central bank must have the appropriate amount of securities that enable it to have the desired effect in the credit market, and it also requires that the expectations of profits and optimism in the investment market not be to the degree that it weakens the impact of higher interest rates resulting from lower stock prices. In the event of a recession, the central bank resorts to buying securities and injecting a quantity of money with the aim of urging banks to expand credit in light of the abundance of cash reserves. Profitability, where businessmen do not accept to borrow from banks despite their ability to grant credit, and the low interest rate as a result of high stock prices, may not constitute a sufficient incentive to take a new investment in light of low levels of profitability, and therefore open market policy is usually few Feasibility in periods of deflation, especially in the case of the weak ability of the central bank to bear financial losses resulting from the purchase of securities at high prices in times of economic downturn. Changing the reserve ratio is considered one of the most effective policies in influencing the volume of bank credit. In times of depression, the central bank resorts to reducing the reserve ratio, that is, the possibility of commercial banks using some of the cash balances that were present in their vaults with the central bank in granting more loans, which leads to an increase The size of the means of payment, the activation of transactions, the increase in aggregate demand, and then the levels of employment and national income (Al Bakri, 2010).

In times of inflation, the Central Bank resorts to raising the cash reserve ratio to limit the ability of commercial banks to find credit, as these banks are forced to reduce credit and increase their cash balance to meet the requirements of the Central Bank, which results in a decrease in aggregate demand for goods and services and thus lower price levels (Anas, 2010).

Qualitative or qualitative means

These means aim to influence how credit is used and the different aspects it is directed to. The aim of qualitative control may be to direct a greater percentage of loans to areas of commodity production, especially export commodities, and to reduce non-productive credit that is directed to speculative purposes in the markets (Abdul Muttalib, 2001). One of the methods of qualitative control is to set different interest rates according to the type of loans. And distinguishing between loans by origin provided as collateral. Determining the maturity dates of the various loans according to the purposes of using the loan. Determining specific quotas for each type of loans, such as increasing loans directed to industry at the expense of loans directed to financing service activities (Ali, 2012). And the requirement to obtain the approval of the Central Bank for loans whose value exceeds a certain amount. Determining the operations that commercial banks are not allowed to engage in, or specifying a maximum limit for what they may acquire from certain assets. Direct control Central banks resort to direct explicit intervention in the banking market through the so-called direct control. This control takes one of two forms, a mitigating form represented in moral persuasion and a strict form represented in direct instructions and orders. The Central Bank relies on the method of moral persuasion by virtue of its position in The banking system and the role it plays in serving the national economy. This method takes the form of statements made by the Central Bank, general directions and advice directed to banks, in addition to the meetings it holds with bank representatives to exchange opinions on monetary and credit affairs. In the event that the moral persuasion method is ineffective, the central bank resorts to the method of binding orders and instructions, which may take the form of a maximum limit for loans granted by commercial banks, or obligating the bank to direct a certain part of its resources in the purchase of government bonds, treasury bills, or others. The Central Bank resorts to imposing penalties on the violating banks, such as depriving them of borrowing, charging them higher interest, or refraining from re-discounting the commercial papers submitted by them (Al-Taher, 2003).

Practical Application

This part aims to present the results of using some descriptive statistical methods that were produced by the questionnaire, by analyzing the respondents' opinions on the role of central banks in drawing up the supervisory policy of commercial banks.

Statistical description of the demographic variables (personal) for the study sample: 74 questionnaires were distributed, and 8 questionnaires were excluded as a result of the insignificance of their results. 66 sample items were subjected to analysis, and the statistical analysis program SPSS was relied upon in the statistical analysis, and the table The following shows the frequency and relative distribution of the components of the sample: -

Table No. (1): It shows the frequency and relative distribution of the components of the sample

Gender		age					total
		less than 30	31-40	41-50	51-60	more than 60	
Male	Number	7	21	12	6	2	48
	%	14.6%	43.8%	25.0%	12.5%	4.2%	72.7%
Female	Number	4	8	3	2	1	18
	%	22.2%	44.4%	16.7%	11.1%	5.6%	27.3%
total		11	29	15th	8	3	66

Measuring stability, validity, and homogeneity of the total responses

Table No. (2): Shows the values of validity and reliability coefficients for the questionnaire axes

Element	N of Items	Cronbach's Alpha	Credibility
Total survey	12	0.970	0.985
first axis	3	0.883	0.940
second axis	3	0.863	0.929
third axis	3	0.782	0.884
fourth Axis	3	0.823	0.912

The reliability coefficient (Cronbach's alpha) was calculated after deleting any of the items and paragraphs for each of the questionnaire axes, and this did not lead to an increase in the overall reliability coefficient, as it is clear from the previous table that the value of the reliability coefficient (Cronbach's alpha) is very high for the total of the questionnaire and the axes. Which reflects the significance of the results that can be reached by analyzing the questionnaire items, and that the study tool is characterized by high stability. These results also indicate that the study tool has great stability, which makes us fully confident in the validity of the questionnaire and its validity to analyze and interpret the results.

Weighted average and trend of sub-items and measures of total responses

Table No. (3): The relative importance of the first axis paragraphs

M	Questions	weighted average	standard deviation	Direction
The nature and activity of the central bank does not differ with commercial banks				

1	**I feel that there is a great similarity between the role of the central bank and commercial banks**	3.80	1.33	Agree
2	**Central bankers do not feel that there is much difference with commercial banks**	4.27	1.05	Strongly Agree
3	**The nature of central banks is similar to that of commercial banks**	4.49	1.45	Strongly Agree
There is an active role for central banks in formulating monetary and supervisory policy for commercial banks				
1	**The central bank is an effective tool in formulating monetary policy for commercial banks**	4.14	1.38	Agree
2	**The central bank is an effective tool in drawing supervision for commercial banks**	4.08	1.17	Agree
3	**Commercial banks comply with the decisions of the Central Bank**	3.96	0.59	Agree
Commercial banks abide by the supervisory tools decided by the central banks				
1	**I see that commercial banks are sufficiently committed to what the Central Bank decides**	3.90	1.44	OK
2	**Represents the commitment of commercial banks to the control tools imposed by the central banks, which represent an effective tool for customer support**	4.24	1.12	Strongly Agree
3	**Supervision of commercial banks is only one of the tools of central banks**	3.63	1.47	Agree
There is sufficient awareness among those who draw up monetary policies at the Central Bank to take decisions regarding the business of commercial banks				
1	**Those in charge of banking policy are sufficiently aware of the control tools of commercial banks**	3.66	0.74	Agree
2	**Central banks represent the most important areas of internal and external control over banks**	3.70	1.08	Agree
3	**Central bank employees are sufficiently aware of the requirements of effective regulatory policies**	4.14	0.66	Agree

It is clear from the previous table that the general trend of responses to the total of the first axis, which is related to the axis, was "agree", with an average of 3.98, while the trends of the sample's responses towards the axis of the nature and activity of the central bank with commercial banks was "agree to severity", with an average of 4.49. As for the respondents' attitudes towards the paragraphs of the second axis, an effective role of central banks in drawing up the monetary and supervisory policy of commercial banks, it was in agreement with an average of 3.96. While the third sub-axis, which reflects the commitment of commercial banks to the control tools decided by the central banks, the respondents' attitudes were "agree", with an average of 3.63. While the trends of the sample’s responses towards the fourth sub-axis “there is sufficient awareness among those who draw up monetary policies at the Central Bank to take decisions regarding the business of commercial banks is “agree”, with an average of 3.53

The relative importance of the axes

Table No. (4): The relative importance of the paragraphs of the axes

Sub items	**the scale**	**weighted average**	**%**	**direction**
The nature and activity of the central bank does not differ with commercial banks	I feel that there is a great similarity between the role of the central bank and commercial banks	4.04	80.84%	Agree
	Central bankers do not feel that there is much difference with commercial banks	4.16	83.28%	Agree
	The nature of central banks is similar to that of commercial banks	4.28	85.68%	Strongly Agree
There is an active role for central banks in formulating monetary and supervisory policy for commercial banks	The central bank is an effective tool in formulating monetary policy for commercial banks	4.29	85.73%	Strongly Agree
	The central bank is an effective tool in drawing supervision for commercial banks	4.02	80.40%	Agree
	Commercial banks comply with the decisions of the Central Bank	3.80	75.98%	Agree
The general direction of the sub element		4.10	82.14%	Agree
Sub elements	the scale	weighted average	%	direction
Commercial banks abide by the supervisory tools decided by the central banks	I see that commercial banks are sufficiently committed to what the Central Bank decides	4.16	83.29%	Agree
	Represents the commitment of commercial banks to the control tools imposed by the central banks, which represent an effective tool for customer support	4.08	81.50%	Agree
	Supervision of commercial banks is only one of the tools of central banks	4.09	81.78%	Agree
The general direction of the sub element		4.09	81.90%	Agree

There is sufficient awareness among those who draw up monetary policies at the Central Bank to take decisions regarding the business of commercial banks	Those in charge of banking policy are sufficiently aware of the control tools of commercial banks	4.16	83.28%	Agree
	Central banks represent the most important areas of internal and external control over banks	4.08	81.50%	Agree
	Central bank employees are sufficiently aware of the requirements of effective regulatory policies	4.28	85.68%	Strongly Agree
Total		4.17	83.49%	Agree

It is clear from the previous table that the general trend of responses to the total of the first axes, which is related to an axis, the nature and activity of the central bank with commercial banks does not differ, was “OK”, with an average of 4.28, while the trends of the sample’s responses were towards the second sub-axis “there is an effective role of central banks in policy-making.” The monetary and supervisory bank for commercial banks" is "agree with severity", with an average of 4.10. As for the respondents' attitudes towards the items of the second sub-axis, "Creative Ability", it was OK with an average of 3.80. The following figures show the degree of relative importance of the inter-components of the sub-axes of the second axis of the questionnaire.

Analysis of the significance of differences between respondents' attitudes according to demographic variables

Significance of differences between sample responses according to gender: The research team relied on the results of the t-test to examine the significance of differences between males and females, and through the following table No. (6) and based on the value of the Sig test statistic, we find that there are no significant differences between each of the respondents according to gender for all The paragraphs of the first and second axis, all of which were higher than the value of the level of morale used by 5%, while there are differences between both males and females for the paragraphs of the third axis. Referring to the average values of the third axis, we find that the sample average for females is higher than for males, as it reached 1,842, while it reached 1.222 for males.

Table No. (5): T-test to test the significance of differences according to gender

Independent Samples Test		
	Levene's Test for Equality of Variances	t-test for Equality of Means

		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	std. Error Difference	95% Confidence Interval of the difference	
									Lower	Upper
first axis	Equal variances assumed	5.104	.026	-1.124-	100	.264	-.0584-	.0520	-.1615-	.0447
	Equal variances not assumed			-1.023-	57.851	.310	-.0584-	.0570	-.1726-	.0558
second axis	Equal variances assumed	.118	.732	-.110-	100	.912	-.0164-	.1491	-.3123-	.2794
	Equal variances not assumed			-.111-	78.757	.912	-.0164-	.1486	-.3122-	.2793
third axis	Equal variances assumed	22.529	.000	-2.502-	100	.014	-.3964-	.1584	-.7107-	-.0821-
	Equal variances not assumed			-2.210-	52.747	.031	-.3964-	.1793	-.7561-	-.0366-
fourth Axis	Equal variances assumed	.469	.273	-.385-	210	.931	-.2165-	.2496	-.4125-	.3779
	Equal variances not assumed			-.334-	64,469	.624	-.0259-	.2595	-.4256-	.3654

Significance of differences between sample responses according to age: The ANOVA test was relied on to examine the difference between the sample responses according to age and through the following table and based on the statistical value of the Sig test, we find that there are no significant differences between each of the respondents in each of the different age groups, as all of them came higher From the value of the level of significance used is 5%, which confirms that there are no significant differences in the responses according to the age variable.

Table No. (6): T-test to test the significance of differences according to age

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
first axis	Between Groups	.727	6	.121	1.987	.075
	Within Groups	5.793	95	.061		
	Total	6.520	101			
second axis	Between Groups	4.160	6	.693	1.348	.244
	Within Groups	48,860	95	.514		
	Total	53.020	101			
third axis	Between Groups	6.482	6	1.080	1.798	.108
	Within Groups	57.096	95	.601		
	Total	63.578	101			
fourth Axis	Between Groups	5.160	6	.793	2.983	.176
	Within Groups	34.860	95	.414		
	Total	76.020	101			

Significant differences between the sample responses according to the educational qualification: The ANOVA test was relied on to examine the difference between the sample responses according to the educational qualification and through the following table No. (9) depending on the value of the Sig statistician, we find that there are no significant differences between each of the respondents in each of the qualification categories The different scientific levels, for each of the first and second axes, all of which came higher than the value of the level of morale used 5%, which confirms that there are no significant differences in the responses according to the educational qualification variable for the first and second axes. While it was found that there is a difference between the sample responses according to the educational qualification towards the third axis. Where we find that the value of the Sig statistic is less than the 5% level of significance, which is 0.009.

Table No. (7): T-test to test the significance of differences according to the educational qualification

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
first axis	Between Groups	.721	4	.180	3.017	.022

	Within Groups	5.798	97	.060		
	Total	6.520	101			
second axis	Between Groups	4.631	4	1.158	2.321	.062
	Within Groups	48.389	97	.499		
	Total	53.020	101			
third axis	Between Groups	8.158	4	2.039	3.569	009
	Within Groups	55.421	97	.571		
	Total	63.578	101			

Conclusion

The central bank represents a manifestation of economic sovereignty. It is a state-owned monetary institution located at the top of the banking system and undertakes the process of setting and implementing monetary policy. Although central banks in the world differ in terms of form and functions from one country to another, they are characterized by some general features and characteristics that make them a focus It is considered the issuing bank, the bank of banks, and the government bank, and it undertakes the process of managing reserves and regulating credit, and uses a set of direct and indirect tools and means in its tool for its functions. Through the previous presentation as well as the statistical analysis of the research tool represented in the questionnaire distributed to the study sample, the study found that there is confusion between the nature and activity of the central bank with commercial banks. Which requires clarifying the lines between each of them. The study sample also agreed that there is an effective role for central banks in formulating monetary and supervisory policy for commercial banks. Commercial banks must also abide by the supervisory tools decided by the central banks. So achieve customer confidence, and check more warranty. The opinions of the study sample also tended that there is sufficient awareness among those who draw up monetary policies at the Central Bank to take decisions regarding the business of commercial banks.

References

Al-Bakri, Anas, Walid Al-Safi, (2010), "Money and Banks Between Theory and Practice", first edition, Dar Al-Mustaqbal, Amman.

Badis, Iman, (2012), “The Role of the Central Bank in Exercising Supervision on Commercial Banks”, an unpublished MA thesis, Faculty of Economics, Commercial Sciences and Management Sciences - Larbi Ben M'hidi University - Oum El Bouaghi.

Buiter, Willem (2008), “Central Banks Should Stick to Their Knitting”, Buiter’s Maverecom, 28 January.

Hamni, Houria, (2006). “Central Bank Control Mechanisms on Commercial Banks and Their Efficiency” Unpublished Master's Thesis, Faculty of Economics, Commercial Sciences and Management, Mentouri University - Constantine.

Hattab, Kamal Tawfiq, (2002), "Islamic Banks' Relationship with Central Banks, Problems and Obstacles and How to Overcome them", Book of Facts - The Role of Islamic Banking

Institutions in Investment and Development, College of Sharia and Islamic Studies - University of Sharjah.

Hussein, Salah, (2011), “Banks and the risks of global financial markets, Cairo, Modern Book House, first edition.

Jeanneau, Serge (2009), “Communication of Monetary Policy Decisions by Central Banks: What is Revealed and Why?”, BIS paper, No. 47.

Julien Allard, Marco Catenaro, Jean-Pierre Vidal and Guido Wolswijk,.(2012),” Central Bank Communication On Fiscal Policy”, working paper series, European central bank.

Matti, Maryam, "The Independence of Central Banks and Its Impact on the Effectiveness of Monetary Policy", an unpublished master's thesis, Faculty of Economics and Management Sciences, Larbi Ben M'hidi University - Oum El Bouaghi.

Matti, Maryam, (2009). “The Independence of Central Banks and Its Impact on the Effectiveness of Monetary Policy”, an unpublished Master's thesis, Faculty of Economics, Commercial Sciences and Management, Larbi Ben M'hidi University - Oum El Bouaghi.

Mohamed, Rabhi, (2018). “The Central Bank’s Relationship with Commercial Banks and Islamic Banks: A Comparative Study”, an unpublished master’s thesis, Institute of Commercial Economics and Management Sciences - Belhadj Bouchaib University Center - Ain Thouchant.

Muhammad, Saad Abd, (2014), “The Relationship between the Central Bank and Islamic Banks,” Baghdad College of Economic Sciences, forty issue.

Rice Hadda, (2004), "The Central Bank's Role in Renewing Liquidity", Itrak for Publishing, Printing and Distribution, 1st Edition.