The Impact of Financial Stability Indexes on Broad Money Growth: Empirical Study in Commercial Banks Listed in Muscat Security Market

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Abstract: This study aims to investigate the impact of financial stability indexes on broad money growth in the commercial banking sector of Sultanate of Oman. This study used three indexes consists of financial growth index measured by bank credit to GDP (%), bank deposits to GDP (%) and Herfindahl-Hirschmann index, financial sensitivity index measured by inflation rate, GDP growth and fiscal balance as percentage of GDP. Finally, financial safety index measured by debt to GDP ratio (%), z-score and income velocity of broad money on the dependent variable measured by broad money (M2) growth. Six commercial banks used as a population of this study listed in Muscat Security Market (MSM) over the period 2008-2014. This study used OLS regression analysis and the results shows that there are a significant impact of financial growth index variables, financial sensitivity index variables and financial safety index variables except z-score variable on broad money growth at 1, 5 and 10% significant level. Multiple regression used and the results shows all independent variables of each index are high significant at 1% significant level. Finally, the regression runs for all independent indexes variables and the result shows there is a statistical impact of all financial stability indexes on broad money growth at 1% significant level. Pearson correlations matrix run in this study between all variables and shows there is a significant relationship between financial stability index and all variables of all indexes at 1, 10 and 5% significant level. The researcher recommends that banks are interested in the deal's long-term credit contracts in order to impose control and supervision of the banking credit with interest to grant credit to customers outside of Oman and diversify the economy and create mechanisms to mitigate the potential risks.

Key words: Financial stability, broad money, commercial banks, Sultanate of Oman, customers

INTRODUCTION

In recent years noted that there is interest from both emerging and developed countries in the stability of prices which support sustainable development growth and increase employment rates and hence the Sultanate of Oman worthwhile monetary policy by controlling exchange rates, inflation and interest rates, also focused on liquidity indicators by Central Bank of Oman to maintain the stability on long-term between financial and economic variables. The rapid development of the banking sector in the world led to the transfer of this development and competition across countries, so that banking operations characterized by freedom in foreign trade that means the payment systems has become in addition to adapt of changes in exchange rates and interest rates in banking operations (Shambaugh, 2004).

All economies of the countries seeking to financial stability so that, it leads to a natural and gradual growth in industrial indicators of the country where financial

instability leads to increased costs in the form of financial and economic crises, borne by all members of the community (Anoruo, 2002). Hence, we believe that financial stability is important of the countries in building a long-term consistent strategy in the field of development and investment and this is linked to the need to analyze the concept of money supply which refers to liquidity and liquidity refers to cash and cash equivalents and financial assets quick conversion to cash. This means that the operations were done in the short term as a result, it is not easy to define the concept of money supply. The understanding of the movements of the money supply in the market of the key issues in determining the monetary policy of the country indicates where the money supply refers to the liability side in the financial position of banks and represents information on the current level of expenses in the state's economy also represents additional information on future moves for cash in the market and is also an indicator of future inflation to give an early warning of hedges against these risks (Ibrhim,

2001). To understand these movements in the money supply has to be analysis of the factors affecting the demand and money supply in the market as determined by the money supply through the movements that take place between the banks and the private sector and the most important of these movements is the credit operations where the banks build community through the granting of loans to individuals and companies and thus the deposits automatic a result of this process to arise borrowing process this affects of money supply. The demand for cash operations can crystallize in two uses as the follows: collecting money, conducting financial settlements and focused as a store of value depends on the value of these movements and what they represent the wealth of the owners (Cihak, 2007).

The weakness of growth in money supply is the result of weak banks to increase lending in the economic recession and the impact on the financial stability of banks and thus affect the evaluation of the operation assets (Goshit, 2006). This study aims to explore the impact of financial stability indexes on broad money growth in commercial banks listed in Muscat Security Market where the expression of these indicators of financial growth, financial sensitivity and financial safety. The importance of the study is to attention of financial stability and long-term stability in the demand for cash and this in turn is reflected in the setting of monetary policy by Central Bank of Oman and especially in light of fluctuations in oil prices and continuous government sought in the search for alternatives to inject liquidity into the market where the aim of monetary policy is the stability of the concrete prices and exchange rates to determine the credit limits to-deposit ratio, reduce interest rates, encourage investment and sustainable development in all economic sectors.

The contribution of this study in light of increased competition in the banking sector in the local and global market which it requires to identify the factors affecting the financial stability and which have been classified as financial, sensitive and safety factors which can by diagnosing the extent of the impact on money supply growth with clarifying the relationship between these factors on money supply growth, especially after the global financial crisis which has become all the developed and emerging countries think about how to build a stable system for the banking system which is the main engine of sustainable development. In addition to the financial stability leads to the development of the financial system and ability to predict financial crises and the ability to good communication with other effective and efficient financial institutions.

Literature review: Mallik and Chowdhury (2001) focused into the relationship between economic variables and the growth of gross domestic product in terms of results indicated that there is a long-term positive relationship between inflation and GDP and this has helped to boost economic growth and financial stability. The study of Kuttner and Mosser (2002) indicated that monetary policy affects the economy through tools such as interest rates, exchange rates and index Tobin q-credit rates in the bank, where it was noted that the main role of monetary policy in controlling inflation through the money supply in the market. Min explained that there is a significant negative effect between inflation and economic growth which affect the financial stability rate.

Khan and Schimmelpfennig indicated that the correlation between inflation, the interest rate and the exchange rate on money supply in the market so that, it supports price stability and works to increase the credit growth in the banking sector. Qayyum (2006) focused that there is a relationship between the increase in money supply growth and inflation so that the impact on gross domestic product and this supports the monetary policy of the country. Shamshad indicated that higher interest rates in the banks leads to higher inflation and extends from the short term to the long term and thereby affect monetary policy and the stability. White explained that financial stability variable and price stability cannot be separated and focused that monetary policy affects the macro environmental and financial variables.

A study of Borio explained that financial cycle characterized by rising and landing from period to period at specified times, so the result confirm that the financial stability information's assist in the growth of corporate profitability and thus competitiveness in the domestic and international market. Cukierman (2013) indicated that the financial stability impact on price stability and contribute positively in the money supply. Smets (2013) indicated that there is a relationship between the financial sector and stabilize prices in the market, this explains how use these tools of country as monetary policy to contribute positively on economic growth. Serletis and Gogas (2014) explained that money supply growth contributes to increasing change in cash and the growth of which is directly linked to the growth of economic activity and achieve a sustainable development. Aizenman indicated that the cash reserves in banks mitigate financial crises when they occur and therefore constitute a bridge to insure against financial shocks and maintain financial stability. Previous studies can be classified in dealing with one economic variable such as Qayyum (2006) and Mallik and Chowdhury (2001) or one

financial variable such as Kuttner and Mosser (2002) and their reflection on the money supply while other study of White have taken environmental variables to show the impact on financial stability. Finally, the study by Serletis and Rahman (2015) dealt with the impact of financial stability in the achievement of sustainable development factors. This study is distinct from previous studies in the analysis of financial growth, financial sensitivity and financial safety variables may affect the behavior of the money supply in the market and reflects the financial stability and applied in an environment characterized by the necessity that the government operates to intensify efforts towards the analytical studies to discuss these factors in light of fluctuations in oil prices in the world which form the bulk of country revenues in economic growth.

MATERIALS AND METHODS

The study used quantitative equation to analysis the impact of financial stability indexes on broad money growth in commercial banks listed in Muscat Security Market (MSM) of Sultanate of Oman.

Data population and variables selection: Six banking represent the population of banking sector listed in MSM used in this study over the period 2008-2014. All data collected from annual companies guides (2008-2015) listed in MSM and Statistical Bulletin from (2008-2014) published in Central Bank of Oman. The independent variables include three indexes as follows: financial growth index, financial sensitivity index and financial safety index. Each index measured by three variables as follows.

Independent variables classified in three indexes as follows: Financial growth is the growth in the value of investments in regular basis and the ability of banks to re-investment to build a long-term strategy and achieve the maximum profit, this behavior is reflected in the gross domestic product and share price. The Financial Growth Index (FGI) measured by bank credit to GDP (%) (BCG), bank deposits to GDP (%) (BDG) and Herfindahl-Hirschmann Index (HHI). Financial sensitivity is the analysis of the profitability of investments, according to internal and external changes in the environment which can affect of return on investment and therefore reflected in the inflation rate which the government calls that use financial instruments to make the appropriate decisions to maintain market balance. The Financial Sensitivity Index (FSEI) measured by Inflation Rate (IR), GDP Growth (GDPG) and fiscal balance as percentage of GDP (FBG). Financial safety is the financial

system and the procedures in the banks through which the prediction of the potential financial crises at home and abroad to hedge against potential losses. The Financial Safety Index (FSAI) measured by debt to GDP ratio (%) (DG), Z-Score (ZS) measured by [ROA+(E/TA)]/SD of ROA and Income Velocity of broad money (IV). Dependent variable is broad Money Growth (M2G).

Models of study: Many studies such as Mbutor (2010) and Anoruo (2002). Analyzed the financial stability in banking sector but in different methods. In this study, three equations are developed to test the objectives of the study and investigating the impact of financial stability indexes on broad money growth as presented:

Main model:

$$\text{Broad Money Growth } (M2G_{it}) = \alpha_0 + \beta_1 FGI_{it} + \beta_2 FSEI + \beta_3 FSAI_{it} + \varepsilon_{it} \quad (1)$$

Then the study divided the main model to three sub models as follows:

$$\text{Broad Money Growth } (M2G_{it}) = \alpha_0 + \beta_1 BCG_{it} + \beta_2 BDG + \beta_3 HHI + \varepsilon_{it} \quad (2)$$

$$\text{Broad Money Growth } (M2G_{it}) = \alpha_0 + \beta_1 IR_{it} + \beta_2 GDPG + \beta 3FBG + \varepsilon_{it} \quad (3)$$

$$\text{Broad Money Growth } (M2G_{it}) = \alpha_0 + \beta_1 DG_{it} + \beta_2 ZS + \beta_3 IV + \varepsilon_{it} \quad (4)$$

RESULTS AND DISCUSSION

Analysis of OLS regression of each independent variable: Table 1 shows the results of OLS regression analysis of financial growth index measured by bank credit to GDP (%), bank deposits to GDP (%) and Herfindahl-Hirschmann index on broad money growth at *significant at $p<0.10$, **significant at $p<0.05$ and ***significant at $p<0.01$ and found there is a significant impact of all variables on broad money growth at 1 and 10% significant level, respectively (Sig. = 0.000, 0.000 and 0.056) at t = -4.818, -4.255 and -1.971 with correlation 60.6, 55.8 and 29.8%. The results can be explained that Sultanate of Oman has a solid financial sector and funded mostly through the work of bank lending instead of bonds or shares subscription. The banks continue to rely on state support. In many cases, these banks are owned directly by the country while foreign ownership is

Table 1: OLS regression analysis of financial growth index on broad money growth

Variables	R	R^2	t-values	Sig.	Unstandardized coefficient	
					SE	B
Financial growth index						
Bank credit to GDP (%)	0.606	0.367	-4.818	0.000***	0.128	-0.617
Bank deposits to GDP (%)	0.558	0.312	-4.255	0.000***	0.124	-0.527
Herfindahl-Hirschmann index	0.298	0.089	-1.971	0.056*	12.064	-23.782

Table 2: OLS regression analysis of financial sensitivity index on broad money growth

Variables	R	R^2	t-values	Sig.	Unstandardized coefficient	
					SE	B
Financial sensitivity index						
Inflation rate	0.403	0.163	2.787	0.008***	6.316	17.603
GDP growth	0.705	0.497	6.284	0.000***	0.663	4.165
Fiscal balance as % of GDP	0.391	0.153	2.689	0.010**	0.504	1.354

considered low due to restrictions set by the government. The dependence on oil wealth makes the financial system, relying on the public sector which will provide unconditional support to the parties to the financial system, especially local banks which reduces the incentives and penalties that are a pillar market discipline for the prevention of financial crises and achieve financial stability. And the absence of market discipline resulting from total or near-total reliance on oil wealth is reflected in every pillar of the financial system. Banks, especially if they are owned by the government, least incentive to have to extend loans and if I did, at least the incentive to have in the evaluation caution of the loan and assume control costs proxy because they know that the government will re-capitalized periodically if exposed to the financial problems and will provide with liquidity is conditional upon as representing the entity banking to the state. Thus, it may reduce financial instability.

But the dominance of state ownership in the banking sector is also implications for the development of private banks. In many cases, state-owned banks have the guarantees, express or implied such as access to public funding, may be subject to less stringent or more flexible than other private banks to the rules which creates a situation unfavorable to other investors. In addition, the government ownership of the banking sector banks subject to a potential conflict interests due to the government's role as a regulator and the responsibility for the supervision of financial markets and to the ability of the political authorities to intervene in the operations of the Bank for the financing of public projects that may not be eligible for funding from the private sector.

Table 2 shows the results of OLS regression analysis of financial sensitivity index measured by inflation rate, GDP growth and fiscal balance as percentage of GDP and found there is a significant impact of all variables on broad money growth at 1 and 5% significant level, respectively (Sig. = 0.000, 0.000 and 0.010) at t = 2.787, 6.284 and 2.689 with correlation 40.3, 70.5 and 39.1%. Results can be explained by the monetary policy pursued by the country to control money supply to achieve the economic stability of the price level and to control inflation rates where to achieving economic stability, it could contribute to increased employment and relative stability in the exchange rates, currencies and tangible goods ratio so that the government can create a stable environment which encourages investment and thereby promote economic growth. The central bank is set interest rate as part of its role in monetary policy control after conducting studies on the market and assess economic sectors and activities in the country and in the same time the government is working on the study of fluctuations in the price and size of demand and supply in the market after a study of monetary policy with fiscal policy to control expenses and create the desired balance in the market.

Table 3 shows the results of OLS regression analysis of financial safety index measured by Debt to GDP ratio (%), z-score and income velocity of broad money and found there is a significant impact of all variables except z-score on broad money growth at 1% high significant level (Sig. = 0.000 and 0.000) at t = -10.124 and 6.393 with correlation 84.4 and 71.7%. The previous findings reinforced the importance of the framework provides for the management of risk in each bank, characterized by inclusiveness so that, it covers all risks that might be exposed to where they are through risk identification and procedures management systems and should be characterized by flexibility so that it conforms with the changes in the business environment and a framework for effective management risks.

The cash and cash equivalents and available liquidity are the fundamental objectives of the banks and continued to their need for specific levels of liquidity to be able to meet its financial obligations when due where his greater the degree of liquidity will result in an increase in the banking degree of safety. The most important factors leading to bank failures are high risk rates in credit facilities (lousy) provided by these banks to their clients, so if the banks achieve higher credit spreads, this may be impacted negatively banking degree of safety. Also, capital adequacy is the property necessary for the safety

Table 3: OLS regression analysis of financial safety index on broad money growth

Variables	R	R²	t-values	Sig.	Unstandardized coefficient	
					SE	B
Financial safety index						
Debt to GDP ratio (%)	0.848	0.719	-10.124	0.000***	1.008	-10.206
Z-Score	0.034	0.001	-0.218	0.829	0.251	-5.47.E-02
Income velocity of broad money	0.717	0.505	6.393	0.000***	2.346	15.000

of the bank and to strengthen confidence in him and to maintain an appropriate level of security where he pointed out the higher capital adequacy will result in an increase in the banking degree of safety. The bank can cover the position against the risk of rising interest rates on deposits to conclude interest rate swaps where it is a swap whereby the fixed interest rate on the loan at a variable rate interest margins, the higher the interest rate will result in an increase in the banking degree of safety.

Analysis of multiple regressions of all independent variable: Table 4 shows the results of OLS multiple regression analysis of financial stability indexes measured by financial growth index, financial sensitivity index and financial safety index on broad money growth and found there is a significant impact in each variable of financial stability indexes on broad money growth at 1% high significant level (Sig. = 0.000, 0.000 and 0.000) at F = 16.028, 17.504 and 33.469 with correlation 74.7, 76.2 and 85.2%. Table 5 shows the results of OLS multiple regression analysis of all financial stability indexes on broad money growth and found there is a significant impact at 1% high significant level (Sig. = 0.000) at F = 182.663 with correlation 98.7% and R² is 97.4%.

These indexes mean that the banking system of any country could be vulnerable to financial crisis which will not be able or willing to absorb financial shocks on the price changes in goods and services, interest rates, foreign exchange rates and liquidity crises and debt. Therefore, developed several systems for financial indicators help to early warning and reflect the anticipated financial shocks so as to address financial crises and avoid surprises that shake from the financial and economic sector of the economies of the developed or emerging. Banking sector in Oman was not affected much by the global financial crisis as happened in many of the neighboring countries, due in large part to its focus on the domestic market and the policy of the central bank's cautious. However while the outlook in the short term looks good and strong, the decline in oil prices and increased competition at home poses challenges in the long term.

The banks in the Sultanate of Oman in the interest of sustainable growth which reduced their exposure to risk compared to its neighbors in the Gulf Cooperation Council (GCC). Where under the guidance of the central bank in the country, most lenders are focused on the domestic market; this strategy generated a banking system flexible

Table 4: Multiple regression analysis of each financial stability indexes on broad money growth

Financial stability indexes	R	R²	F-values	Sig.
Financial growth index	0.747	0.559	16.028	0.000***
Financial sensitivity index	0.762	0.580	17.504	0.000***
Financial safety index	0.852	0.725	33.469	0.000***

Table 5: Multiple regression analysis of all financial stability indexes on broad money growth

Variable	R	R²	F-values	Sig.
All financial stability indexes	0.987	0.974	182.663	0.000***

and stable. This approach has produced a remarkable upward path as a result of the control characteristic of the Central Bank of Oman who was put in mind the creation of a banking "business model administrator" while the Oman last Gulf country to authorize and allow Islamic operations in 2012, it became the first Gulf country to establish a central body Sharia Islamic banks in late 2014 which includes experts in Islamic law determine the financial instruments and activities Shariah compliant. However, despite the optimistic outlook bullish which combines the most lenders in the country, the oil prices depressed environment provides challenges in the long term. While government spending continues and infrastructure development currently under way will rduce the impact of these price environment in the short term. But Oman has been affected by the decline in oil prices due to high financial break-even point with respect to the price of oil is relatively low financial reserves which is owned, compared with its neighbors in the Gulf Cooperation Council (GCC). And thus the reduction of the projects is the strategy such as the abolition of the huge non-essential capital projects at this stage but the Omani government issued a budget of 2015 which increased spending by 4.5% from the previous year which would turn the fiscal balance in the country into deficit while the government may intervene either by cutting spending or raising taxes issuing sovereign bonds to finance this expansion in the deficit. But now, the government has given priority to diversify the economy by allowing small and medium businesses to flourish and here, the banking sector plays a major role, after the introduction of the minimum lending for small and medium-sized enterprise requirements by the Central Bank in 2013. At the moment, the Sultanate looking for a self solutions enable them to overcome the crisis with minimal damage which would make them avoid yet to resort to borrowing from abroad, despite the temptations of low interest rates to a minimum

Table 6: Pearson correlations matrix between all variables

Variables	M2G	BCG	BDG	HHI	IR	GDPG	FBG	DG	ZS	IV
M2G										
P C	1									
Sig. 2-T										
BCG										
P C	-0.606	1								
Sig. 2-T	0.000									
BDG										
P C	-0.558	0.968	1							
Sig. 2-T	0.000	0.000								
HHI										
P C	-0.298	0.352	0.549	1						
Sig. 2-T	0.056	0.022	0.000							
IR										
P C	0.403	-0.413	-0.514	-0.602	1					
Sig. 2-T	0.008	0.007	0.000	0.000						
GDPG										
P C	0.705	-0.695	-0.528	0.240	0.256	1				
Sig. 2-T	0.000	0.000	0.000	0.126	0.102					
FBG										
P C	0.391	-0.817	-0.673	0.187	-0.066	0.783	1			
Sig. 2-T	0.010	0.000	0.000	0.235	0.676	0.000				
DG										
P C	-0.848	0.653	0.512	-0.025	-0.182	-0.895	-0.694	1		
Sig. 2-T	0.000	0.000	0.000	0.875	0.247	0.000	0.000			
ZS										
P C	-0.034	-0.091	-0.137	-0.165	0.079	-0.050	0.003	0.043	1	
Sig. 2-T	0.829	0.565	0.386	0.298	0.621	0.755	0.985	0.787		
IV										
P C	0.711	-0.973	-0.928	-0.366	0.391	0.739	0.809	-0.781	0.071	1
Sig. 2-T	0.000	0.000	0.000	0.017	0.010	0.000	0.000	0.000	0.654	

and classification of higher credit to the Sultanate and the strength of its financial position and that is the government so now worked on covering the shortfall in the budget through domestic borrowing by 500 million riyals, through two versions of the development bonds as the Sultanate has the development of infrastructure and social as necessary for the growth of non-oil sectors and industry and exports of oil derivatives development at the expense of exports of crude oil and the development of industries rely mainly the generated energy from crude oil or natural gas and the development of import substitution industries. Sultanate of Oman develop the role of the private sector in economic activity and its ability to create jobs and reduce the public sector's role as a mediator in economic growth and work to attract foreign direct investments, especially with the ability to bring modern technology and create jobs for national labor. Finally, the development of Gulf investments abroad is providing a return of these investments could exceed the availability of crude oil exports.

Analysis of Pearson correlations matrix: Pearson correlations matrix run between all variables in this study and the Table 6 shows there is a significant relationship between all variables of all financial stability indexes and broad Money Growth (M2G) at 1, 10 and 5% significant level; also, there is a relationship between bank credit to

GDP (%) (BCG) and all variables of all indexes at 1, 10 and 5% significant level while there is a relationship between bank deposits to GDP (%) (BDG) and all variables of all indexes at 1, 10 and 5% significant level except Z-Score (ZS) and between Herfindahl-Hirschmann Index (HHI) and Inflation Rate (IR) and Income Velocity of broad money (IV). Also, there is a relationship between Inflation Rate (IR) and Income Velocity of broad money (IV). Also, there is a significant relationship between GDP Growth (GDPG) and fiscal balance as percentage of GDP (FBG), debt to GDP ratio (%) (DG) and Income Velocity of broad money (IV), also between Fiscal Balance as percentage of GDP (FBG) and debt to GDP ratio (%) (DG) and Income Velocity of broad money (IV). Finally, there is a significant relationship between debt to GDP ratio (%) (DG) and Income Velocity of broad money (IV). The Sultanate of Oman now studying ways to be taken to enhance government revenues and roads in order to reduce the effects of the decline of oil prices which constitutes >85% of government revenues over the past 5 year and the most important ways to enhance revenue is to impose taxes and this behavior lead to decrease the purchasing power of consumer spending which works to get rid of inflation in many cases, though to varying degrees, it is possible that this will lead to slower economic growth and who cannot think about it now because of the economic growth and sustainability and acceleration may be one of the most

important tools to assist in the continuity of the economic process. Reduced government spending to lower overall spending and leads thereby reducing inflationary gap and thus affect the economic growth rates. On the contrary, it may require that the fiscal policy to be taken to cure the economic downturn (aggregate demand is less than the overall width) by reducing government spending or follow both taxes.

CONCLUSION

The concept of financial stability is important and which seeks to achieve each country so as to ensure continuity of its banks over the long term in an attempt to achieve sustainable development issues. This study aims to investigate the impact of financial stability indexes on broad money growth in the commercial banking sector of Sultanate of Oman. This study used three indexes consists of financial growth index measured by bank credit to GDP (%), bank deposits to GDP (%) and Herfindahl-Hirschmann index, financial sensitivity index measured by inflation rate, GDP growth and fiscal balance as percentage of GDP. Finally, financial safety index measured by debt to GDP ratio (%), z-score and income velocity of broad money on the dependent variable measured by broad money (M2) growth. Six commercial banks used as a population of this study listed in Muscat Security Market (MSM) over the period 2008-2014. This study used OLS regression analysis and the results shows that there are a significant impact of financial growth index variables, financial sensitivity index variables and financial safety index variables except z-score variable on broad money growth at 1, 5 and 10% significant level. Multiple regression used and the results shows all independent variables of each index are high significant at 1% significant level. Finally, the regression runs for all independent indexes variables and the result shows there is a statistical impact of all financial stability indexes on broad money growth at 1% significant level. Pearson correlations matrix run in this study between all variables and shows there is a significant relationship between financial stability index and all variables of all indexes at 1, 10 and 5% significant level. The researcher recommends that banks are interested in the deal's long-term credit contracts in order to impose control and supervision of the banking credit with interest to grant credit to customers outside of Oman to achieve competitiveness as the Central Bank should be vigilant in monitoring emerging risks and dealing with them. Also, should consider taking measures to promote the head of preventive money that provides banks needed to cope with any further potential declines in the price of oil tools, including enhanced specialized capabilities of banks in risk management, pointing to the possibility that the banks are under pressure from cash on hand if pulled deposits government on a steep and sudden about. To avoid such a situation, it should increase coordination between the central bank and the government.

In addition to focusing on the diversification of economic activity, so as to reduce dependence on oil and create jobs for citizens and remove the obstacles that hinder the physical infrastructure and legal to do business. Although, the government is making a serious effort to develop the small and medium enterprise sector, it would be useful to increase the coordination between the various stakeholders. And it will result in the establishment of local debt markets to support the process of diversifying the economy and reducing the concentration of risks associated with business banks. Finally, should work to develop a culture and mechanisms to deal with banking risks and the statement of the seriousness of the absence of that and the consequent negative impact on the banking degree of safety, an investigation of the elements of discipline, stability and dealing in financial market. Researcher suggests in future studies that can be used as quality indicators in diagnosing the extent of financial stability as indicators of behavioral as well as quantitative indicators which can look for other economic and financial variables.

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