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Using Financial Analysis Indicators To Evaluate The Performance Of Banks Registered In The Iraq Stock Exchange

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Abstract
This study sought to show how financial analysis indicators affected the assessment of bank performance, taking into account that these indicators are a systematic way to process data that is available in order to gather information for decision-making, assess the past and present performance of institutions, and forecast future results. A field study was then carried out in Iraqi banks that are listed on the Iraqi Stock Exchange. According to the study's findings, financial analysis indicators are used to assess a bank's ability to borrow money and settle debt by looking over and evaluating its financial accounts from previous periods. Identifying performance anomalies through financial analysis also helps banks perform better in the future.
Keywords: financial analysis, performance, iraq stock exchange.

Introduction
The financial institution is a broad field for scientific and economic studies and field research, as it is the main nucleus of economic activity, as it contains several of them: manufacturing function, sales, human resources...etc., one of the most important of these functions is the financial function, as the role of the financial function is limited to confronting and overcoming financial difficulties and obstacles, by improving financial balance indicators and ensuring the minimum level of profitability and maintaining a reasonable level of liquidity. Among the functions is the financial function of financial analysis, as financial analysis indicators analyze the financial statements, with the aim of planning and making decisions and comparing them with what is planned, and financial analysis is the best tool to detect the performance of the institution. In other words, financial analysis is a financial analytical procedure to evaluate the financial performance of the institution in the past and the possibility of improving it in the

future. The typical case of financial analysis requires the use of methods and tools of financial analysis and interpretation of financial statements and other financial data. If the financial analysis indicators are concerned with diagnosing and evaluating the financial status of a past period of the institution's activity and identifying the positive and negative aspects followed, then financial analysis is a financial analytical procedure.

Scientific Research Methodology

First:-Problem Of The Research

Financial institutions, including banks, practice banking financial functions and activities within the framework of financial mediation in order to improve their performance to be able to compete and make optimal use of resources. Thus, the problem is represented in the following question: What are the most important financial analysis indicators that can be used to measure the evaluation of banks' performance? From the main question, we raise several sub-questions:-

1-What is financial analysis? What are the most important financial analysis indicators that can be used to evaluate banks' performance?

2-What are banks? And their most important characteristics?

3-How is the performance of banks evaluated using financial analysis indicators?

4-Do Iraqi banks have high efficiency that enables them to achieve profit?

Second:-Importance Of The Research

The current study derives its importance from the following:-

1- Identifying the financial analysis and the nature of the Iraqi banks, the study sample and their most important characteristics

2- Identifying the role of Iraqi banks and the most important financial analysis indicators they use.

3- Financial analysis is considered one of the most important indicators used to determine the strengths and weaknesses surrounding the banking institution.

4- Financial analysis indicators are of great importance in management, especially the banking sector.

5- The ability to diagnose the financial performance of the institution.

Third:- Objectives Research

The main objective of the study is to verify the relationship of correlation and influence between (financial analysis indicators and evaluation of banks' performance), within the framework of the study problem and its importance, and the objectives of the study can be limited to the following: -

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1- Conducting an evaluation of the financial analysis of Iraqi banks through financial analysis indicators..
2- Identifying the financial performance of Iraqi banks.
3- Researching how to achieve financial balance for Iraqi banks
4- Verifying the financial position of Iraqi banks and the financial risks that they may be exposed to through indebtedness

Fourth:-Research Hypotheses

1-There is a positive correlation between financial analysis indicators and evaluation of banks' performance at a significance level of 0.05.
2-There is an influence relationship between financial analysis indicators and evaluation of banks' performance at a significance level of 0.05

Fifth:-Methodology

In order to achieve the purpose of the study and solve the problems that were raised, the descriptive analytical approach was relied upon to describe the study variables (financial analysis indicators, and evaluation of banks' performance), in the Bank of Baghdad, Mansour Investment Bank, Al-Ahli Bank of Iraq, and the Gulf Commercial Bank, and the research form (questionnaire) was prepared and developed as the main tool for collecting data.

Theoretical Framework Of The Research

First:-Concept Of Financial Analysis

The modern concept of financial analysis is thought to have originated from the conditions that existed in the early 1930s, during the American Great Depression. These conditions revealed certain fraudulent and deceptive practices by some publicly owned company managements, which hurt both lenders and shareholders. As a result, lawmakers intervened and mandated the publication of financial information about these companies (Grennan, 2021: 26).
One researcher defined financial analysis as: "Examining the financial statements and published data of a specific establishment for a period or periods in the past with the aim of providing information indicating the extent of the establishment's progress during the study period, and predicting the results of the establishment's business and activity for future periods" (Fridson, 2022: 36). While one of the researchers pointed out that financial analysis is: “A process that includes interpreting published financial statements that are prepared and presented according to specific rules and foundations included in accounting theory and understanding them with the help of other additional data in light

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of certain considerations and for specific purposes. The analysis may be for the purposes of evaluating an investment decision or opportunity, or for the purposes of deciding to grant credit, or aims to evaluate the performance of the facility or a specific activity of its activities (Palepu, 2020: 2).

Some people define financial analysis as a thorough examination of financial data and the relationships between them, along with posing questions about their implications in an effort to shed light on the circumstances that gave rise to the data's appearance in the quantities that it did. This approach aids in identifying the advantages and disadvantages of the production, sales, and financial policies that the project aims to demonstrate and permits the creation of a scientific plan for the project's financial aspects (Pierson, 2016: 11). It is natural after every crisis that questions are raised about the possibility of predicting these crises before they occur and taking decisions to avoid their recurrence in the future, especially since one of the clear and established matters in contemporary accounting thought and supported by scientific bodies, including the American Accounting Standards Board (FASB), is related to the importance of financial reports and their role in helping all concerned parties in making sound decisions, drawing up sound policies, and evaluating the overall and partial performance of the institution (Zorn, 2018: 9). Through this, financial analysis is nothing but a study of the financial statements in light of a set of additional complementary data with their appropriate classification, using statistical and mathematical methods and financial ratios in order to highlight the connections that link their elements. In this way, financial analysis helps in obtaining objective answers to fundamental questions that concern the parties (Brigham, 2016: 3).

Second:-Importance Of Financial Analysis

Financial analysis is one of the important tools in project management, along with its stakeholders, which requires preserving the interests of these groups by obtaining information related to the institution's performance and the soundness of its financial position, which can only be achieved through the use of appropriate analytical tools by analysts capable of dealing with the available information, its interconnectedness, and the relative importance of each item (Vogel, 2021: 1). The significance of financial analysis is emphasized by the fact that it is one of the fields of social knowledge that deals with the analytical and detailed study of financial statements. It also helps to answer all the questions raised by the parties that stand to gain from the financial statements by elucidating the relationships between the elements of the statements and

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the changes made to them over a given period of time or over several periods of time, as well as the extent of the change in the institution's overall financial structure and its effects (Corbet, 2019: 21). Financial analysis deals with the accounting system data of various projects, regardless of their work, to provide decision-makers in society with indicators that guide their behavior in making rational decisions (Altman, 2017: 15). Financial analysis helps in dividing the economic feasibility of establishing projects and in evaluating performance after establishing projects. It also helps in future planning of project activities in addition to subjecting conditions of uncertainty to control and supervision and protecting the institution from potential deviations (Feinberg, 2022:12).

Third:-Concept Of Bank Performance

Many researchers view the performance evaluation process as a stage or part of the control process, as it focuses on the achievements made in the organization and is practiced in order to answer what has been achieved? What will be achieved? Hence, the definition of performance evaluation is as follows: -

An efficient control phase that compares actual results to planned goals and highlights deviations, their reasons, and scientific and practical solutions to address them in order to meet objectives in a way that maximizes employee productivity and supports management and planning through the use of cutting-edge information systems (García-Meca, 2015: 103-105). Measurement of the economic unit's overall performance based on its results at the end of the accounting year, which is typically one calendar year, is another way to look at performance evaluation. It also involves identifying the factors that contributed to these results and suggesting ways to address them so that future performance can be high (Bhatia, 2021: 60).

suggested that (Gafoor et al., 2018: 311) the bank's future objectives can be met through performance. "A measure of the bank's ability to continue and achieve a balance between the satisfaction of stakeholders and the achievement of its main goal" is how (Phan, 2020: 6) defined performance. It's also referred to as the bank's capacity to turn a profit in return for satisfying client needs (Al-Dmour, 2023: 349) defined performance management as a comprehensive strategic approach that works to achieve the continuous success of business organizations by improving the performance of employees and developing their knowledge and experience in the tasks assigned to them. (Tunay, 2015: 49) described performance as representing: -

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The bank's tool for evaluating the performance of employees during their performance of the tasks included in the job description of the jobs they perform (El-Chaarani, 2018: 13). Employee performance is usually viewed from the perspective of results through behavior and performance standards specified by the bank. Perhaps among the indicators that can be taken into consideration when measuring performance are indicators of productivity, efficiency, effectiveness, quality and profitability. Accordingly, performance includes activities that ensure the achievement of Organizational goals continuously and in an effective and efficient manner (García-Meca, 2015: 103-105).

Fourth:-Importance Of Evaluating Financial Performance

The expansion in the volume of banking activities, their attraction of many clients, and their use of many investment methods, requires analyzing and evaluating performance only after formulating them in the form of indicators with a specific meaning and a certain indication in diagnosing the characteristics and variables of performance periodically. There are also many other parties that need and request financial analysis, especially the bank management, the central bank, depositors, owners, the financial market, the tax authority, and the public in general (García-Meca, 2015: 103-105).

The elements of importance are arranged as follows (Bhatia, 2021: 60): -

1-Financial performance evaluation provides information about the progress of operations in the institution to achieve goals, and thus helps to focus the effort towards achieving goals and making sound decisions.

2-Financial performance evaluation contributes to improving internal communications in the institution between employees, as well as external communications with customers, which leads to the formation of a positive climate within the institution that positively affects the operations that take place inside and outside it.

3-Providing a clear picture of the costs of implementing programs and activities on a regular basis.

4-Financial performance evaluation can show that the institution achieves social goals and provides solutions to many social problems in addition to meeting many social needs and demands.

5-Performance evaluation helps in developing training plans and choosing programs for appropriate training programs as well as identifying departments and individuals who need training.

6-The process of evaluating financial performance leads to achieving many benefits for the institution, as it provides a clear entry point to focus on the strategic plan of the

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program as well as its purpose and level of performance, and the evaluation also provides a specific mechanism for reporting on the performance of the work program.

Fifth:-Elements of Bank Performance

Several elements of bank performance can be identified (Bhatia, 2021: 60), namely:-

1-Employee satisfaction

Employee satisfaction is defined as a positive emotional state between the individual in his job and the bank (Zhang & Li, 2013: 48; Deb et al., 2018: 2). (Alimov, 2019: 35) believes that employee satisfaction represents a combination of emotional reactions to differential expectations of what employees need to obtain compared to what they receive in the workplace.

2-Improving productivity

Improving productivity depends on exploring joint productive opportunities in the bank in order to develop products (Abolhassani, 2017: 1), as employee productivity represents the ratio between the work accomplished and the working hours spent in implementing the bank's projects (Nasirzadeh & Nojedehi, 2013: 903 ; Chaudhary et al, 2020: 390).

3-Growth

Growth is the fundamental component that reflects the bank's intention to achieve simple growth and increase its partial value through the allocation of resources and ongoing focus on enhancing the bank's growth strategies. It also represents the bank's continuous goal to achieve a higher-than-average share in the market, sales, and volume (i.e., number of employees), as well as to contribute above-averagely to the bank's performance in the market, since the practice of implementing pro-profit and pro-growth strategies simultaneously raises the value of the entire organization (Han, 2007: 48-50). The growth rate is one of the important foundations in making administrative and financial decisions in various banks (Paldor et al., 2016: 1).

4-Creative Capabilities

Today, in a world characterized by development and openness, enhancing creativity is a must, as creative capabilities are the basic way through which businessmen can keep pace with the continuous change that occurs in the internal and external environment (Ganciu&Ganciu,2014:111). Capability is the skilled ability of an individual to use creativity in order to produce a useful vision and/or meaningful results for the individual's life in order to increase his contributions to society (Huddart,2016:1).

5-Functional Embeddedness

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Growth is the cornerstone that demonstrates the bank's goal of achieving both basic growth and an increase in its partial value (Robinson et al.,2014:105). The concept of employment embeddedness encompasses a multitude of factors that impact an employee's choice to remain employed (Mitchell et al.,2001:1109).

The Third Section: The Applied Aspect Of The Research

1-Study community

The purpose of this study was to examine and assess the banking industry in Iraq, with a focus on private commercial banks. As indicated in Table (1), four private commercial banks that are listed on the Iraq Stock Exchange were chosen to represent the study community. These banks operate inside the Iraqi banking system.

Table (1) Study sample banks

ت	Bank	Year of Establishment	Listing History In The Financial Market
1	**Bank of Baghdad**	**1992**	**2004**
2	**Mansour Investment Bank**	**2005**	**2008**
3	**National Bank of Iraq**	**1995**	**2004**
4	**Gulf Commercial Bank**	**1999**	**2004**

2-Structural structure of the measurement tool

The Cronbach alpha test was utilized by the researcher to determine the validity of the scale and the reliability of the questionnaire form for the present variables. The results indicated that the main study variables and their sub-dimensions had coefficient values ranging from 0.863 to 0.752. Given that these values are higher than the typical Cronbach alpha values of 0.70, they are appropriate for use in descriptive investigations. Additionally, it was discovered that the accepted scales' structural validity coefficient values were high and helpful, making the study tool valid for final application as it is characterized by accuracy and high reliability. Table (2) shows the reliability and validity coefficients for the measurement tool adopted in the current study.

Table No. (2): Stability and validity coefficients at the level of the main variables and their sub-dimensions

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Main variables and their sub-dimensions	Cronbach's alpha value	Structural validity coefficient value
Financial Analysis Indicators	0.883	0.831
Bank Performance Evaluation	0.885	0.786

In addition to the fact that all values ranged between (0.883 - 0.885), which are statistically acceptable values, the results of table (2) show that the Cronbach's alpha coefficients for the variables included in the analysis were higher than (0.75), indicating that the measurement tool is characterized by high relative stability. the stability coefficients for the axis (financial analysis indicators) reached (0.883), and the stability coefficient for the axis (bank performance evaluation) reached (0.885), indicating that the measurement tool is compatible with the responses of employees in the Iraqi banks studied.

3-Descriptive Analysis

First Axis: Financial Analysis Indicators

Employees in Iraqi banks are aware of the significance of financial analysis indicators, which increases their interest in them with the goal of improving the banks where they work, according to Table 3's results, which also show that the general arithmetic mean of the financial analysis indicators axis is heading towards neutral and has a moderate response level of (3.844) and a standard deviation of (1.165).

Table No. (3) Description of the Financial Analysis Indicators Axis

Paragraphs	Mean	Standard deviation	Order of importance
FA1	4.103	1.044	1
FA2	3.808	1.204	8
FA3	3.853	1.315	6
FA4	3.863	1.432	5
FA5	3.884	1.028	3
FA6	3.924	1.036	2

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FA7	3.808	1.084	9
FA8	3.866	1.548	4
FA9	3.595	1.052	12
FA10	3.832	1.072	7
FA11	3.805	1.137	10
FAI2	3.784	1.154	11

The Second Axis: Evaluating the performance of banks

Employees in Iraqi banks are aware of the significance of evaluating the performance of banks, which increases their interest in doing so with the goal of improving the banks where they work. Table (4)'s results demonstrate that the general arithmetic mean rate for the axis of evaluating the performance of banks is heading towards neutral and has a moderate response level of (3.784) and a standard deviation of (1.109).

Table No. (4) Description of the axis of evaluating the performance of banks

Paragraphs	Mean	Standard deviation	Order of importance
EPB1	3.784	1.015	8
EPB2	3.781	1.016	11
EPB3	3.780	1.033	12
EPB4	3.780	1.043	13
EPB5	3.779	1.053	14
EPB6	3.779	1.063	15
EPB7	3.783	1.072	9
EPB8	3.788	0.078	5

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EPB9	**3.785**	**1.083**	**7**
EPB10	**3.790**	**1.090**	**3**
EPB11	**3.786**	**1.095**	**6**
EPB12	**3.783**	**1.102**	**10**
EPB13	**3.788**	**1.109**	**4**
EPB14	**3.793**	**1.113**	**1**

4-Testing Of Association Hypotheses

Testing the first correlation hypothesis: There is a positive correlation between financial analysis indicators and evaluation of banks' performance at a significance level of 0.05.

In order to determine the relationship between financial analysis indicators and performance assessments of banks, this paragraph employs analytical statistical techniques, which are symbolized by the basic Pearson correlation coefficient.

Table (5) Values of simple correlation coefficients (Person) between the study variables

Variables		**Bank performance evaluation**
Financial analysis indicators	**Person Correlation**	**0.35**
	Sig. (2-tailed)	0.000
	N	381

The results of Table (5) show that the financial analysis indicators and the assessment of banks' performance have a moderately significant statistical correlation, with a value of (0.35) and at a significance level less than (0.05), indicating the acceptance of the alternative hypothesis that states (The financial analysis indicators and the performance assessment of banks exhibit a statistically significant association.

Results and Recommendations

Results

1- The findings demonstrated a statistically significant relationship between performance ratings of banks and financial analysis metrics. The correlation's value is 0.35, indicating a moderate strength and a significance level below 0.05.

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2-The results supported the validity of the second main hypothesis, which was that there should be a statistically significant financial analysis indicator for evaluating banks' performance, based on the stability of the regression's significance.

3-The results showed the interest of the banks in the research sample in using financial analysis techniques, which increases confidence in the financial statements of borrowing companies.

4-That the banks in the research sample rely on sound financial analysis techniques to provide qualified and trained human cadres to perform the function of banking credit and provide modern electronic equipment.

Recommendations

1-The need for the banks in the research sample to pay attention to evaluating the financial performance in banks in order to improve profitability and increase the bank's ability to generate additional profits by continuously evaluating its performance.

2-It is necessary to focus on job specialization in work and clarifying powers helps in evaluating the financial performance in banks.

3-The need for employees in the deliberate sets to pay attention to the standing of performance evaluation, which contributes to implementing the plan and monitoring it and determines responsibilities and following up on corrective operations.

4-The need for the banks in the research sample to pay attention to financial analysis techniques in predicting the failure of Iraqi banks.

5-The administrations of the Iraqi banks in the research sample must use financial ratios for financial analysis in measuring and evaluating the profitability and liquidity of the borrowing companies.

6-The administrations of the Iraqi banks in the research sample must rely mainly on the financial analysis technique, which increases confidence in the financial statements of the borrowing companies.

Reviewer

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