Using Profitability Ratios In Financial Analysis And Studying Its Impact On The Performance Of Commercial Banks

A Case Study In Commercial Banks In Basra Governorate 2019-2023

Hayder Jerri Mohsin
College of Administrative Technology
Southern Technical University
haider.jare@stu.edu.i

Ahmed Talib Hameed
College of Basic education-haditha
University of Anbar
ah.talib1986@uoanbar.edu.iq

استخدام نسب الربحية في التحليل المالي ودراسة أثرها على أداء البنوك التجارية دراسة حالة البنوك التجارية في محافظة البصرة 2019-2023

م.حيدر جري محسن
كلية التكنولوجيا الادارية / الجامعة التقنية الجنوبية

م.م.احمد طالب حميد
كلية التربية الاساسية – حديثة /جامعة الانبار

تاريخ استلام البحث 2024/12/17 تاريخ قبول النشر 2025/5/19 تاريخ النشر 13/ 7 /2025

Abstract

This research aims to know the main role played by commercial banks in the economy of any country and their direct impact on the investment environment. Many investors have tried to find more than one method and approach for the purpose of analyzing the basic factors that affect the bank's achievement of its goals. Profitability is one of those main goals. Therefore, the research attempts to identify the main factors that affect the profitability of commercial banks by using financial ratios for a period of five years from (2019 to 2023) for the study sample consisting of the Commercial Bank of Iraq and the Gulf Commercial Bank. The study was conducted on, and among the most important results reached by this research is the clear impact of the size of assets, the size of debt, the size of equity, and the size of cash flows and the difference in their impact ratios, which indicates the possibility of using financial ratios to determine the factors affecting the profitability of commercial banks and the degree of their impact. Thus, the main and sub-hypotheses of the research were proven. Among the most important recommendations recommended by this study is increasing customer satisfaction by improving the general services provided by the bank to its customers by improving reception and hospitality services and the speed of completing transactions, which is positively reflected in increasing the number of customers and thus increasing the size of deposits, leading to increased profitability.

Keywords: *Financial ratios, profitability, commercial banks.*

المستخلص

يهدف هذا البحث إلى معرفة الدور الرئيسي الذي تلعبه المصارف التجارية في اقتصاد أي دولة وتأثيرها المباشر على بيئة الاستثمار، وقد حاول العديد من المستثمرين إيجاد أكثر من طريقة ومنهج لغرض تحليل العوامل الأساسية التي تؤثر على تحقيق المصرف لأهدافه، وتعد الربحية أحد تلك الأهداف الرئيسية، لذا يحاول البحث التعرف على العوامل الرئيسية المؤثرة على ربحية المصارف التجارية باستخدام النسب المالية لفترة خمس سنوات من (2019-2023) لعينة الدراسة المكونة من المصرف التجاري العراقي والمصرف التجاري الخليجي، وقد أجريت الدراسة على هذه المصارف، ومن أهم النتائج التي توصل إليها هذا البحث هو التأثير الواضح لحجم الأصول وحجم الديون وحجم حقوق الملكية وحجم التدفقات النقدية والاختلاف في نسب تأثيرها، مما يدل على إمكانية استخدام النسب المالية لتحديد العوامل المؤثرة على ربحية المصارف التجارية ودرجة تأثيرها، وبذلك تم إثبات فرضيات البحث الرئيسية والفرعية. ومن أهم التوصيات التي أوصت بها هذه الدراسة زيادة رضا العملاء من خلال تحسين الخدمات العامة التي يقدمها البنك لعملائه من خلال تحسين خدمات الاستقبال والضيافة وسرعة إنجاز المعاملات مما ينعكس إيجابا في زيادة عدد العملاء وبالتالي زيادة حجم الودائع مما يؤدي إلى زيادة الربحية.

الكلمات المفتاحية *: النسب المالية، الربحية، البنوك التجارية*

Introduction

Commercial banks have an effective impact in several aspects, including those related to development trends and paths, by influencing and directing various savings from their sources in the national economy and their efficient distribution in various economic activities, in addition to their ability to create credit through the monetary multiplier and its impact on economic activity, making these banks occupy an important and effective position in economic and financial systems. The importance of financial analysis has increased through the multiplicity and diversity of financial instruments used in financial analysis, as well as the expansion of banking activities, making the management of banks and all financial institutions in dire need of organized information and financial indicators on which they rely in making decisions, and that financial statements are the main source for extracting this information during the presentation of results and their implications, and that the indicators obtained from the process of financial analysis of the statements are mainly affected by the accounting bases on which the financial statements were prepared. In this context, the current study addressed the topic of evaluating banking performance using complex financial analysis by addressing the research problem that revolves around the possibility of financial analysis tools in identifying strengths and weaknesses in order to maintain the financial position of the bank in light of the various economic conditions facing the banking system in Iraq. Financial ratios are important and reliable analytical tools for knowing the business trends of any economic unit, which prompted the researcher to use these ratios in analyzing and identifying the factors that affect the profitability of these banks.

This research consists of four axes. The first axis deals with the research methodology, while the second axis presents the theoretical aspect of the research, represented by financial ratios and commercial banks. The third axis is concerned with presenting the field aspect related to diagnosing the reality of the variables under study and testing the hypotheses on which the research was based. The fourth axis presents the conclusions and recommendations.

The first topic: Research methodology

First: The research problem:

The problem of the research lies in knowing and realizing how to use the most important financial indicators and their impact on financial management represented by profitability ratios and knowing whether they are effective in terms of profitability in developing the distinguished performance of banks. Also, the use of profitability ratios in business management represents one of the most important factors affecting the performance of banks, which requires the administrations of local commercial banks to be aware and realize the importance of these factors in the sustainability and continuity of their work. Therefore, the research came with the aim of reaching the best practices in banking business management ?

1. Do financial ratios help identify the factors that affect the profitability of commercial banks?
2. Is the level of profitability of commercial banks affected by the size of equity?
3. Is the level of profitability of commercial banks affected by the size of assets?
4. Is the level of profitability of commercial banks affected by the size of debt?
5. Is the level of profitability of commercial banks affected by the size of cash surplus?

Second: The importance of the research:

Profitability is one of the most important indicators of the success of banking operations, in addition to its role in enhancing confidence among all relevant parties, which enhances the investment environment in the banking sector and attracts the necessary expertise and technologies that help provide services efficiently and effectively. Hence, the importance of the research comes through studying the factors affecting the profitability of Iraqi commercial banks represented by the Commercial Bank of Iraq and the Gulf Commercial Bank "the research sample" if we take into account the fertile investment environment in Iraq in light of the economic and urban openness witnessed by the country, which requires creating the appropriate atmosphere to encourage investment, especially in the banking sector.

Third: Research objectives:

The most important objectives that the research seeks to achieve can be identified through the use of financial ratios as follows:

- Identifying the most important factors and their impact on the profitability of commercial banks.
- Working to find appropriate solutions to address failures and setbacks that negatively and directly affect financial profitability ratios in order to achieve large profits.
- Contributing to improving and raising the efficiency of the performance of these banks to advance their work through the modernization process to develop the financial services environment and work on technical and technological development to ensure their quality and work to achieve high profitability ratios..

Fourth: Research hypotheses:

The research was based on a main hypothesis stating:

Financial ratios help in determining the nature of the factors affecting the profitability of commercial banks and the profits achieved from these factors of utmost importance in achieving large profits for commercial banks. ((

The following hypotheses branch out from the main hypothesis:

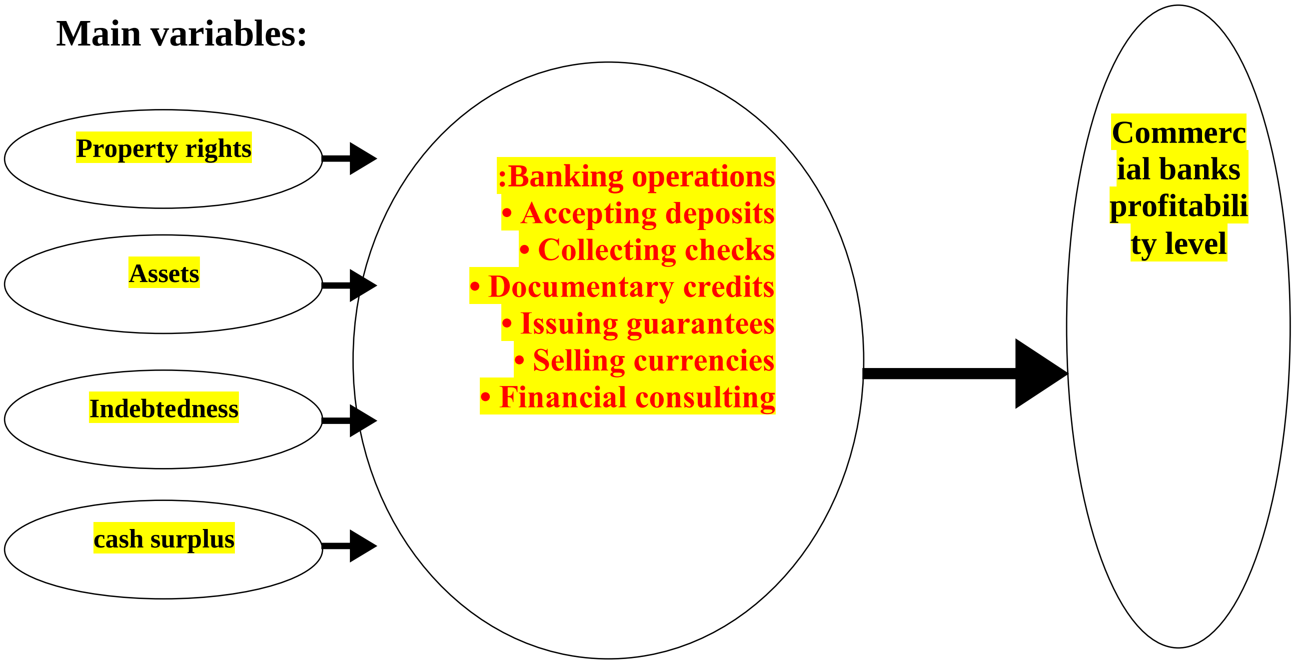
- **The first sub-hypothesis:** The level of profitability of commercial banks is affected by the size of equity.
- **The second sub-hypothesis:** The level of profitability of commercial banks is affected by the size of assets.
- **The third sub-hypothesis:** The level of profitability of commercial banks is affected by the size of debt.
- **The fourth sub-hypothesis:** The level of profitability of commercial banks is affected by the size of cash surplus.

Fifth: Research variables:

The hypothetical research plan: Figure (1) depicts the hypothetical research plan that clarifies the nature of the relationship between the main (independent) variables, which are (the size of equity, the size of the company measured by assets, the size of debt, the cash surplus) on the one hand and the level of profitability (the dependent variable) on the other hand.

Figure (1) Study model

Main variables:



Source: Prepared by the researcher

Sixth: Research limits:

Spatial limits: The Commercial Bank of Iraq and the Gulf Commercial Bank.

Temporal limits: During the time period 2019 - 2023**.**

The second topic: The theoretical aspect

First: Iraqi commercial banks

1. Definition of commercial banks, their characteristics and objectives:

Definition of commercial banks: Commercial banks have several definitions, including:

A commercial bank can be defined as an institution that primarily engages in the activity of accepting deposits and granting loans. Or an institution where savers and investors meet, and it is thus an intermediary between the two previous parties. It can be said that the role played by the commercial bank cannot be played by any other institution, or that the method by which the commercial bank operates and the method of communication are not available in other forms of communication (Kočišová, K., & Stavárek, 2018:38). Commercial banks, sometimes called "deposit banks", are those that deal with credit and their most important feature is their acceptance of deposits on demand and current accounts, which results in what is called money creation" (33: 2015, Petriaa). Simply accepting deposits is something that different types of banks share. The central bank accepts deposits from commercial banks, and some specialized banks accept deposits from citizens, but the most important feature of commercial banks is their acceptance of current accounts, which makes them ready to pay these deposits to their owners whenever they want without procrastination or delay (24: 2014, Yenesew). The activity of banks has developed with the development of economic activity, and is no longer limited to preserving depositors' money from theft or loss or paying debts. The depositor without the need to transfer money, but rather it extended to include another group of credit functions, in addition to lending with many guarantees, as it discounts and collects commercial papers, and maintains and collects securities. Its activity extended to international activity, as it became an important means of settling international debts and facilitating the process of receiving and delivering money between exporters and importers (14: 2016, Abdallah).

2. Characteristics and objectives of commercial banks:

Commercial banks have been distinguished by many characteristics that distinguish them from other financial intermediary institutions, and this relates to three aspects: (12: 2013, Sohail) (23: 2019 Dahham,)

Profitability: Considering that commercial banks are capital projects, their main objective is to achieve and maximize profit at the lowest possible costs by providing banking services and creating what is called deposit money.

Liquidity: Liquidity constitutes an aspect of every commercial bank, and liquidity here is the bank's ability to meet its obligations in meeting the requests of its depositors and meeting credit requests. We distinguish here two types of liquidity:

Present liquidity: It is the amount of money available to the bank in its treasury or account with the Central Bank or in checks under collection.

Quasi-cash liquidity: It consists of the sum of financial assets that can be converted into full liquidity after subjecting them to certain procedures, including treasury bills, discounted bills of exchange, and securities consisting of stocks and bonds.

Safety: The bank plays its role within the framework of the money market, so it must provide an element of trust and security for all its clients, considering that all its activities depend on people's deposits for their existence, and that all the bank's investments depend on its capital, which constitutes only a small part of the liabilities, so the bank must not incur losses that exceed its capital, because this actually means affecting the money of its depositors to meet its obligations.

3. Functions of Commercial Banks:

Commercial banks are credit institutions that typically deal with short-term credit, receive mainly demand deposits, and provide numerous banking services that meet customer needs. These functions can be classified as follows (Yenesew, 2014: 24):

A. Traditional Functions:

Accepting various types of deposits: demand deposits, time deposits, and savings deposits.

Creating money:

- Providing loans to the public treasury in the form of purchasing treasury bills.
- Granting institutions different types of loans: short-term, medium-term, long-term, independence loans, or investment loans.
- Independence loans: These loans are directed to finance the operational side of an institution and usually do not exceed two years.

Investment loans: These are directed to finance fixed assets and may either be medium-term loans (two to three years) or long-term loans (seven years or more). Such loans are provided against guarantees.

B. Modern Functions:

- Dealing with documentary credits, facilitating foreign trade operations by settling obligations between importers and exporters.
- Trading in securities and commercial papers, where commercial banks may act as buyers or sellers of securities in the financial market, either for their own account or on behalf of their clients.
- Buying and selling foreign currencies at rates set by the central bank or the exchange market.
- Collecting customer checks on their behalf.
- Renting modern safes for a specific fee.
- Providing investment services to customers.

Issuing travelers' checks and some future products, such as:

- Automatic cash dispensers, which have already been implemented.
- Automatic banking networks

Second: Financial analysis:

1. Definition of financial analysis:

(Blokdyk,2018) defined financial analysis as (an organized study and analysis of current and historical data and information available about the project through financial statements and other sources using mathematical and statistical methods and tools to obtain additional indications and indicators that help in evaluating the current performance of the project and anticipating its future status). As defined (2018 (Singhvi, Financial analysis is a process through which a set of quantitative and qualitative indicators are derived about the economic activity of the project that contribute to determining the importance and characteristics of the operational and financial activities of the project through information extracted from the financial statements and other sources so that these indicators can then be used to evaluate the performance of the facility for the purpose of making decisions. (21: 2018, Blokdyk).

2. Financial analysis steps:

The financial analyst relies on a set of successive steps in implementing the analysis process that constitute the scientific method of analysis, such as choosing the appropriate analysis tools by which the analyst can reach certain results related to the subject of the analysis, which helps him in developing the required perceptions by interpreting the results achieved. In general, the steps of financial analysis are: (13: 2019, Weygandt).

1. Determine the purpose or goal of the analysis, such as analyzing the company's ability to meet its current obligations or analysis for the purposes of evaluating the final performance, or analyzing labor productivity ..... etc.
2. Collecting data related to the form Directly by the purpose of the analysis, if the purpose is to analyze the project's ability to meet its current obligations, it requires knowing the current assets and their different types for a specific period and then determining the current obligations for the same period, but if the purpose of the analysis is for the purposes of evaluating the final performance, the required data relates to expenses and revenues for a specific period and determining the main indicators that play a decisive role in the project's performance such as sales or production.
3. Determine the appropriate analysis tool or tools that the analyst applies to reach the best results in the fastest time, and this step depends primarily on the technical and scientific level of the cadre that performs the analysis process, and the extent of the person's or analysis team's knowledge of the different methods of the analysis process.
4. Operating the data related to the purpose of the analysis based on the tools used to reach some indicators related to the purpose of the analysis.
5. Analyzing the indicators that have been reached to know their future direction.
6. Writing the final conclusions and recommendations**.**

3. Analysis using financial ratios:

The idea of financial analysis is based on using financial ratios to find quantitative relationships either between financial position data, or between income statement data, or between financial position statement data and income statement together, on a specific date, as the trends taken by these relationships over time facilitate the financial analysis process, by abbreviating a huge amount of information to a specific amount that is easy to use, with its meaningful indicators. (102: 2011, Brigham), provided that the relationship expresses the performance part and is linked to it and explains it, which means that there are relationships between accounting data that must be adopted without compromising the components of the numerator or the components of the denominator. On the other hand, the results of each financial ratio cannot be understood or how to judge performance except by comparing it to some standard criteria. By comparing the result of the ratio and the value of the standard used, performance can be judged (Otterburn, 2016, 33). There is no agreement among specialists on the number of these ratios or their totals, as there are a large number of ratios that can be used to evaluate the performance of commercial banks, and from here the problem of selection arises, which is the basic problem of financial ratios, as choosing ratios that suit the needs of those responsible for evaluating performance will be difficult and complex with the presence of this large number of diverse ratios. Thus, the options vary according to the vision and conviction of each researcher, as well as according to the nature, circumstances and objectives of the evaluation and classification of financial ratios used as indicators to evaluate the performance of commercial banks in several classifications, including :

1. **Profitability Index:** One of the most important indicators used in evaluating the performance of commercial banks, as it enables us to measure the ability of the commercial bank to achieve a final net return on invested funds, which means that profitability focuses on profit, which is the effective axis in the continuity and expansion of commercial banks. Using profitability ratios enables investors to know the extent to which management is successfully managing assets efficiently. These ratios are considered the strongest standard for judging the overall performance of the unit, and are among the most important indicators that financial analysts and management are interested in, as they reflect the results of analyzing other financial ratios (2016, Otterburn).
2. **Liquidity indicators:** Liquidity is one of the most important vital features that distinguish commercial banks from other economic establishments. While units can postpone payment of their dues, even for some time, simply spreading the rumor of a lack of liquidity in the bank is enough to shake the confidence of depositors and push them to withdraw their deposits, which may expose the bank to bankruptcy (34: 2018, Singhvi). Liquidity management in commercial banks requires harmonization between financial reserves in the short and medium term and investment in various assets, which necessitates studying the nature and pattern of deposits in the bank in terms of the cost of obtaining deposits, the return achieved from using these deposits in various investments, and the sufficiency of this return to meet the cost of deposits on the one hand, and achieve a surplus for distribution on the other hand.
3. **Capital adequacy index:** Solvency means the ability of the bank's capital to absorb all shocks and cover the losses it is exposed to. Because it is the protective shield that the bank's management is armed with to cover its needs for equipment, supplies and other fixed assets and achieve profits, in addition to what enables it to confront losses or risks, especially credit risks, while practicing its banking activity, which leads to the

deterioration of the value of existing assets in the form of loans and advances (23: 2020, Tulsian)

4. **Money employment index:** It is a quantitative measure used to evaluate the effectiveness and efficiency of financial institutions, companies and individuals in investing the funds available to them. This index reflects the return achieved on investments compared to the risks incurred, and is used as a basic tool for making investment decisions and evaluating financial performance (191: 2007, Howells)

4. Historical overview of the study sample banks

Commercial Bank of Iraq:

The bank was established on (1992/2/11) as a private joint-stock company with a nominal capital of (150) million Iraqi dinars and its paid-up capital amounted to (250) million Iraqi dinars. The number of bank branches amounted to (10) branches, including (6) branches in Baghdad and (4) branches distributed in the governorates. The number of bank employees also amounted to (219) employees, as mentioned in the bank's report. As for the services provided by the bank, in addition to the traditional services provided by the bank, which are represented by accepting deposits of all kinds and opening accounts, current, savings and term, and granting cash and contractual credit, the bank continues its efforts to keep pace with modern developments in the banking industry, especially in the field of developing the electronic payment channels system by updating the bank's website on the Internet and adding ATM locations (Annual Report of the Commercial Bank of Iraq for the year 2023).

Gulf Commercial Bank:

Gulf Commercial Bank was established as a private joint stock company on (10/20/1999) with a capital of (600) million Iraqi dinars and its paid-up capital amounted to (300) billion Iraqi dinars. The number of the bank's branches also amounted to (18) branches, (4) of which are in Baghdad and (14) branches in other governorates. The number of employees in the bank amounted to (284) employees as of the end of the year. The bank also provides a group of services - in addition to the traditional services of banks represented by granting loans, accepting deposits, opening current accounts, granting credits, and others. The bank provides economic and financial consultations. Gulf Commercial Bank also provides modern electronic services through modern credit cards represented by the ATM service, Visa Card service, and MasterCard (Annual Report of the Commercial Bank of Iraq for the year 2023).

Section Three: Practical Aspect

Data Analysis:

In line with the research topic, the data and information obtained from financial reports and official statistics will be analyzed using direct analysis of financial ratios for the years from 2019 to 2023, and then those ratios will be compared based on the balance sheet and profit and loss account issued by the Gulf Commercial Bank and the Trade Bank of Iraq.

Measuring the factors affecting profitability:

First: Regarding the analysis of the 2019 data for the Trade Bank of Iraq:

The size of equity: It is measured by adding the capital with the legal, optional and other reserves, in addition to the retained earnings for all elements that fall within shareholders' equity, equity, so:

Size of Equity = Capital + Legal Reserves + Optional Reserves + Retained Earnings

Equity Size = 250,000,000 + 15,892,597 + 6,036,657 = 271,929,254

Profitability of the Bank in Relation to Total Equity

Profitability = Profit / Total Equity

Profitability = 6,532,195 / 271,929,254 = 0.02

The Impact of Equity Components as Sub-variables

1. Impact of Capital on Profitability:

Impact of Capital = Profit / Capital

Impact of Capital = 6,532,195 / 250,000,000 = 0.0261

2. Impact of Reserves on Profitability:

Impact of Reserves = Profit / Reserves

Impact of Reserves = 6,532,195 / 15,892,597 = 0.4110

3. Impact of Retained Earnings on Profitability:

Impact of Retained Earnings = Profit / Retained Earnings

Impact of Retained Earnings = 6,532,195 / 6,036,657 = 1.08%

Impact of Asset Size on the Profitability of Commercial Banks

Impact of Assets = Profit / Total Assets

Impact of Assets = 6,532,195 / 449,777,104 = 0.0145%

Impact of Each Item of Assets

1. Impact of Current Assets on Profitability:

Impact of Current Assets = Profit / Current Assets

Impact of Current Assets = 6,532,195 / 439,903,267 = 0.03%

2. Impact of Fixed Assets on Profitability:

Impact of Fixed Assets = Profit / Fixed Assets

Impact of Fixed Assets = 6,532,195 / 9,873,837 = 0.6%

Impact of Liability Size on the Profitability of Commercial Banks

Measured as the ratio of total liabilities to profit:

Impact of Liabilities = Profit / Total Liabilities

Impact of Liabilities = 6,532,195 / 439,903,267 = 0.03%

Impact of Liability Components on Profitability:

1. Impact of Short-term Liabilities:

Impact of Short-term Liabilities = Profit / Short-term Liabilities

Impact of Short-term Liabilities = 6,532,195 / 146,615,365 = 0.04

2. Impact of Long-term Liabilities:

Impact of Long-term Liabilities = Profit / Long-term Liabilities

Impact of Long-term Liabilities = 6,532,195 / 31,232,485 = 0.20

Impact of Cash Surplus on Profitability.

Measured using the cash flow statement:

Impact of Cash Surplus = Profit / Cash Surplus

Impact of Cash Surplus = 6,532,195 / 221,693,580 = 0.029%

It is clear from Table (1) for the Trade Bank of Iraq that the equity ratio has an impact on the profitability of the Trade Bank of Iraq for the year 2019, as it shows an impact of 2% on the bank's profitability, as well as taking the impact of equity components as sub-variables, the impact of capital on profitability by 2%, as well as the impact of reserves (legal, optional, fair value) on profitability by 41%, and the impact of retained earnings on profitability came at 1%.

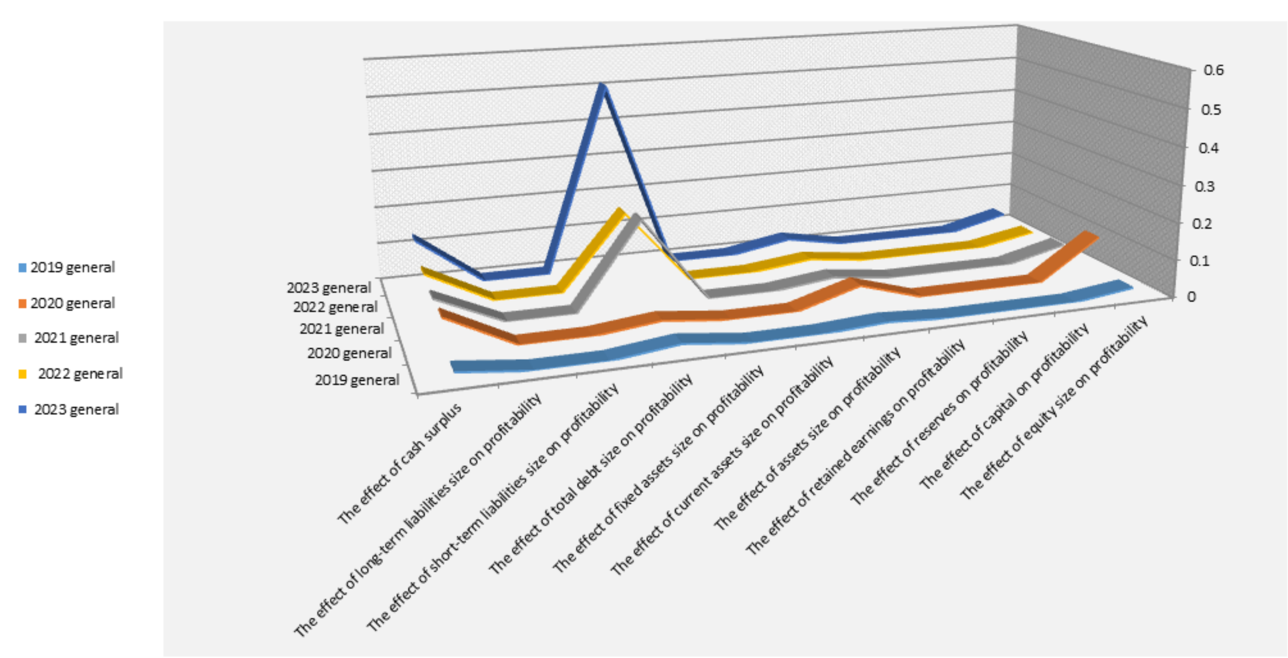
Thus, using the same calculation method for the years from 2019 to 2023, it can be calculated for the Gulf Commercial Bank for the same period and the results can be shown according to Tables (1 and 2) below for the Trade Bank of Iraq as well as for the Gulf Commercial Bank, and it is possible to refer to the priorities in the following two tables:

Table No. (1) of the Commercial Bank of Iraq

	Commercial Bank of Iraq									
Financial Analysis Standards Items	2019		2020		2021		2022		2023	
	general	sub-	general	sub-	general	sub-	general	sub-	general	sub-
The effect of equity size on profitability	2%	0	11%	0	4%	0	3%	0	4%	0
The effect of capital on profitability	0	2%	0	14%	0	5%	0	4%	0	6%
The effect of reserves on profitability	0	41%	0	1.80%	0	62%	0	53%	0	64%
The effect of retained earnings on profitability	0	1.08%	0	92%	0	29%	0	21%	0	34%
The effect of asset size on profitability	1%	0	5%	0	2%	0	2%	0	3%	0
The effect of the size of current assets on profitability	0	1%	0	5%	0	2%	0	2%	0	3%
The effect of fixed assets size on profitability	0	6.00%	0	10.97%	0	3.30%	0	2.15 %	0	2.47%
The effect of total debt volume on profitability	2%	0	1.88%	0	23%	0	20%	0	51%	0
The effect of the size of short-term liabilities on profitability	0	4%	0	12%	0	8%	0	6%	0	11%
The effect of the size of long-term liabilities on profitability	0	20%	0	1.12%	0	34%	0	33%	0	45%
The effect of surplus cash	2%	0	9%	0	8%	0	9%	0	13%	0

Source: Prepared by the researcher based on the annual report of the Commercial Bank of Iraq for the year 2019-2023.

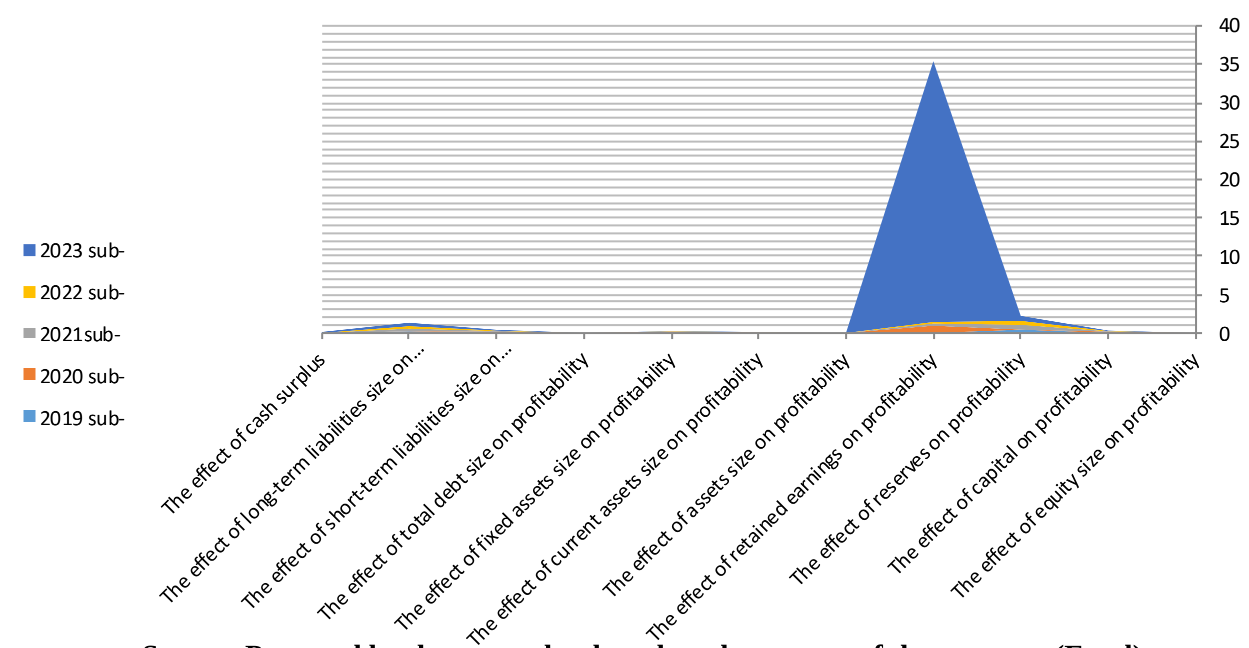
Figure (1) shows



Source: Prepared by the researcher based on the outputs of the program (Excel).

Figure (1) shows a graphic description of the Commercial Bank of Iraq for the bank's general centers, which represent the items of the financial analysis standards.

Figure (2) shows



Source: Prepared by the researcher based on the outputs of the program (Excel).

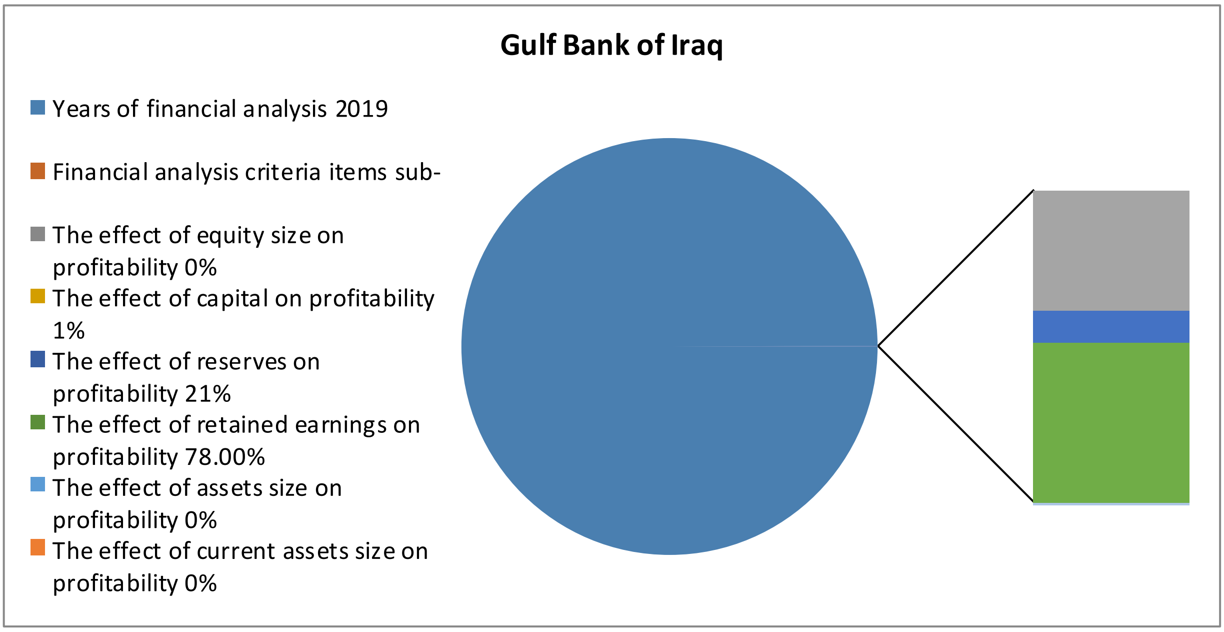
Figure (2) shows a graphic description of the Gulf Bank of Iraq for the bank's centers (branches) which represent the items of the financial analysis standards. It is clear from the figure above that there is a large and clear impact of the impact of retained earnings during the period studied.

Table No.(2)For the Gulf Bank of Iraq

Gulf Bank of Iraq										
Financial Analysis Standards Items	2019		2020		2021		2022		2023	
	general	sub-	general	sub-	general	sub-	general	sub-	general	sub-
The effect of equity size on profitability	1%		0.00004 %		0.016 %		1%		1%	
The effect of capital on profitability		1%		0.000040 %		0.016%		1%		1%
The effect of reserves on profitability		21%		0.000080 %		631%		37%		35%
The effect of retained earnings on profitability		78%		0.0002%		5%		1.03 %		984%
The effect of asset size on profitability	0.01 %		0.0002 %		0.009 %		0.01 %		0.009 %	
The effect of the size of current assets on profitability		0.01%		0.000003 %		1%		1%		1%
The effect of fixed assets size on profitability		9%		0.000003 %		15%		14%		14%
The effect of total debt volume on profitability	11%		0.00001 %		10%		11%		11%	
The effect of the size of short-term liabilities on profitability		1%		0.000008 %		2%		2%		2%
The effect of the size of long-term liabilities on profitability		1.95%		0.0004%		83%		87%		86%
The effect of surplus cash	1%		0.0007 %		2%		2%		2%	

Source: Prepared by the researcher based on the annual report of the Gulf Bank of Iraq for the year 2019-2023.

Figure (3)



Source: Prepared by the researcher based on the outputs of the program (Excel).

Figure (3) shows a graphic description of the Iraqi Gulf Bank for the bank's centers (branches) which represent the items of the financial analysis standards. It is clear from the figure above that there is a large and clear impact of the impact of reserves on profitability during the period studied.

Section Four

Conclusions and Recommendations

First: Conclusions :

1. 1. Commercial banks have a significant impact on the Iraqi stock market and economy if the prevailing economic conditions in the country lead to a decline in the level of profitability ratios in all banks.
2. It is clear from Table (1) for the commercial Bank of Iraq that the size of assets had the greatest impact on the bank's profitability, as it reached the highest impact rate for the years from 2020 to 2023, and despite the decrease in the level of that impact in the years from 2019, it maintained its first impact on profitability and the sub-variable of assets represented by current assets had the greatest impact on profitability at a rate of 5% and 3% for the years 2020 and 2023, respectively, and this first arrangement continued to influence despite its decrease to reach 1% in 2019, and this is logical considering that banks are financial companies that rely heavily on their current assets, especially cash, in their work and achieving their goals, in addition to the positive impact that current assets leave on the confidence of investors and customers, as for

Fixed assets, which had the highest impact in 2020 at 10.97%, indicate that fixed assets have a positive impact on profitability. Thus, for the Gulf Commercial Bank, we see from Table (2) that assets also had the greatest impact on the bank's profitability, despite the fact that this impact was equal to the impact of the debt size, and that the sub-variable represented by current assets had the greatest impact on the bank's profitability .

3. The debt size for the Trade Bank of Iraq ranked first in terms of impact on the bank's profitability, reaching 23% and 51% for the years 2021 and 2023, respectively. Despite the decrease in this percentage in the years from 2019 to 2020, which reached 2%, it continued to have the same impact. The sub-variable of short-term liabilities had the largest and main impact on profitability, as the impact of long-term liabilities was non-existent in the years from 2019 to 2023. The same applies to Khaleeji Commercial Bank, as the size of debt ranked second in terms of impact on profitability, and the sub-variable of short-term liabilities had the largest impact on profitability. Short-term liabilities are one of the sources of incoming cash flows to the bank that can be used to expand its banking business, in addition to reflecting the extent of customers' confidence in the bank
4. The size of equity for the Trade Bank of Iraq ranked second in terms of its impact on the bank's profitability for the years from 2019 to 2023, and this ranking declined in 2019 to fourth in terms of impact by 2% due to the increase in cash flows. This is an indication that the Trade Bank of Iraq began to invest its funds gradually to increase the size of cash flows and achieve a cash surplus. The sub-variable represented by capital has a greater impact on profitability for all years of the study, despite its gradual decrease in percentage. As for the Gulf Commercial Bank, equity also ranked third in terms of its impact on profitability, and the sub-variable represented by capital had the greatest impact despite its gradual decrease in impact due to the increase in reserves. The size of equity, including reserves, is an important factor in increasing customer confidence in the bank's ability to meet its obligations on their due dates, but it ranked third in terms of its impact on the bank's profitability. The researcher believes that increasing customer awareness of the possibility of achieving profits through increasing the size of short-term debt, in conjunction with the increase in the size of investment opportunities and the increase in demand for bank credit, are all factors that help achieve profits without relying on capital alone.
5. The size of cash flows for the Iraqi Trade Bank represented the third impact among the factors in the bank's profitability, but we notice a gradual increase in the percentage of this impact from 2% during the year 2019 to reach 13% during the year 2023, thus competing with the size of equity in third place in terms of its impact on profitability. The same applies to the Gulf Commercial Bank, where cash flows ranked fourth in terms of impact on profitability, despite their low percentage compared to the size of cash flows of the Iraqi Trade Bank.

6. From the above, we note the clear impact of the size of assets, the size of debt, the size of equity, and the size of cash flows and the difference in their impact ratios, which indicates the possibility of using financial ratios to determine the factors affecting the profitability of commercial banks and the degree of their impact, thus proving the main and sub-hypotheses of the research.

Second: Recommendations

Based on the results reached by the research, the researcher recommends the following:

1. The need for banks to pay attention to various financial analysis tools, and it is preferable to use more than one tool; because each of them gives a clear detailed picture in evaluating the performance of banks.
2. Commercial banks should disclose all information honestly and transparently in the financial statements in a way that enables users of these statements to conduct sound analysis and judge the banking performance of these banks.
3. Directing commercial banks to use modern methods to keep pace with economic developments, and focusing on revenue-generating activities and investing in projects that achieve the least risks and the best profits in order to maximize the bank's profitability.
4. The need for commercial banks to rely on comprehensive analytical studies that include all variables of the investment environment in which they operate and the circumstances and variables surrounding them.
5. Increasing customer satisfaction by improving the general services provided by the bank to its customers by improving reception and hospitality services and the speed of completing transactions, which is positively reflected in increasing the number of customers and thus increasing the volume of deposits, leading to increased profitability.
6. Financial and accounting disclosure should be expanded in more detail to allow customers to view the bank's results in greater detail and thus increase trust and dealings.
7. Reducing the percentage of bank deposits in the Central Bank in order to give commercial banks a greater opportunity to expand their business, increase the credit granted and increase their investments to achieve greater returns. The bank can compensate for this risk by increasing control over the business of these banks.
8. The bank should evaluate its capital in a way that enables it to achieve profits by increasing its credit capacity, which in turn leads to achieving greater returns, in addition to strengthening its position and influence in the investment market, provided that this coincides with the adoption of an effective regulatory system that helps in governing the credit process to avoid the high risks resulting from misuse of the credit granting process.

References

1- Abdallah O. A., 2016, "the Effect of Credit Risk on Financial Performance of Commercial Banks in Kirinyaga County", Master of of Commerce (Finance Option) of Kirinyaga University.

2-Achim M. V., & Borlea S., 2008,"Business performances: between profitability, return and growth",Research Gate

3-Adalessossia K., & Erdoğanb E. O., 2019, "Analysis of Factors Influencing Bank Profitability: Evidence from the West African Economic and Monetary Union Banking Sector", Article in journal of accounting finance and auditing studies (JAFAS), DOI: 10.32602/jafas

Annual Report of the Commercial Bank of Iraq for the year 2023

4-Blokdyk, Gerardus, (2018), ROE Return on Equity Complete Self- Assessment Guide. Emereo Pty Limited.

5-Blokdyk, Gerardus, (2018), ROE Return on Equity Complete Self- Assessment Guide. Emereo Pty Limited.

6-Brigham , E. Ehrhardt, M, (2011),Financial management :theory and practice " 13th Edition ,library of congress control, USA,P:102

7-Caliskana T., & Lecunab Hale Kirer S., 2020, "The Determinants of Banking Sector Profitability in Turkey", Business and Economics Research Journal Vol. 11, No. 1

8-Dahham, D.L., et.al., (2019). Sources of Non-Deposit Financing and its impact on the profitability of Jordanian Commercial Banks, "Article". Australian Journal of Education: AUS journal.

9-Ebrahimi .S. Kazem & Ali .B. & Maryam. Y.Fard.(2017) Performance Assessment of Banks listed on Tehran Stock Exchange based on CAMEL Indicators: International Journal of Economics and Financial .Issues, Vol. 2, No.6.

10-Girisha M C., 2020, "Management of Banking Operations", Research Gate

Howells, P., & Bain, K. (2007). Financial markets and institutions. Pearson Education.

11-Jackson, Dudley, (2018), Profitability, Mechanization and Economies of Scale. 3 ed. United States: Routledge Taylor and Francis Group.

12-Jackson, Dudley, (2018), Profitability, Mechanization and Economies of Scale. 3 ed. United States: Routledge Taylor and Francis Group.

13-Kočišová, K., & Stavárek, D. (2018). The evaluation of banking stability in the European Union countries. International Journal of Monetary Economics and Finance, 11(1), 36-55.

14-Muraina S. A., 2018,“Determinants of Listed Deposit Money Banks”,Profitability in Nigeria, International Journal of Finance and Banking Research, Vol.4, No.3.

15-Otterburn, Andrew, (2016), Profitability and Law Firm Management. 3ed. Ireland: The Law Society.

16-Otterburn, Andrew, (2016), Profitability and Law Firm Management. 3ed. Ireland: The Law Society

17-Petriaa N., Caprarub B., & Ihnatovc I., 2015, “Determinants of banks’ profitability: evidence from EU 27 banking systems”, 7th International Conference on Globalization and Higher Education in Economics and Business Administration, GEBA 2013, Published by Elsevier B.V.

18-Singhvi, N.M, and Ruzbeh J. Bodhanwala, (2018), Management Accounting, Third Edition: Text and Cases. 3ed. Delhi: PHI Learning Private Limited.

19-Singhvi, N.M, and Ruzbeh J. Bodhanwala, (2018), Management Accounting, Third Edition: Text and Cases. 3ed. Delhi: PHI Learning Private Limited.

20-Sohail N., Iqbal J., Tariq H., & Mumtaz R., 2013, “Determinants of Commercial Banks Profitability: Panel Data Evidence from Pakistan”,Research Journal of Finance and Accounting, Vol.4, No.10

21-Tulsian, P. C., Bharat Tulsian, and Tushar Tulsian, (2020), Tulsian’s Financial Management for CA Intermediate. 1ed. India: McGraw-Hill Education.

22-Weygandt, Jerry J., (2019), Accounting Principles. 8ed. canada: John Wiley & Sons Inc.

23-Yenesew A., 2014, “Determinants of Financial Performance: A Study on Selected Micro Finance Institution’s in Ethiopia”,A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Master of Science