International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 10, 2020
ISSN: 1475-7192

Using of liquidity and Profitability Ratios in Evaluating Financial Performance An Empirical Study

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Abstract:

The purpose of the current research is to use the financial analysis ratios represented in the liquidity and profitability ratios in evaluating the financial performance of the banks listed in the Iraqi Stock Exchange. The ratios of each index were used. A sample of five banks applied to the terms of the research. The most important of which is that most of the banks have maintained reasonable liquidity ratios and are consistent with the nature of their work in the banking sector. This is a good indication of their ability to meet their short-term liabilities and the efficiency of the company's management in an existing investment To generate revenue appropriate to its value and then maximize the benefit of its owner. As well as the high margin of profit and this is the result of the large profits achieved by private Iraqi banks in relation to their investments, and kept banks high net profit while decreasing their ability to generate profits, in general it can be said that the profitability indicators in banks were good and give an acceptable indicator of their ability to grow and continue.

Keywords: *Financial Analysis, Liquidity Ratios, Profitability Ratios, Profit Margin, Return on Assets, Return on Equity.*

I. Introduction:

Financial analysis is one of the most important topics in the field of financial management and accounting. The management of the institution can identify strengths and weaknesses in its internal environment and evaluate its financial and investment decisions. It can also be used as an important basis in determining its strategic choice. The increasing role played by the financial markets, and the huge development in the information technology and its various uses, which requires increasing the importance of providing tools to solve One of the most widely used tools in financial analysis is the financial ratios, which represent a valuable opportunity to interpret the relationship between the items of the balance sheet and the income statement. The comparison of the current financial ratios with what a particular company achieved in the past years will enable it to identify the general trend, In the volume of its activities and evaluate the efficiency of the performance of the company in question. Or retreat if the company achieved progress. The research includes two chapters, the first devoted to the theoretical side, while the second chapter was devoted to the applied side. The research concluded with the necessary conclusions and recommendations.

II. Research Methodology:

2.1. Research problem

Companies rely on the preparation of the statement of financial position (balance sheet) and the statement of income at the end of the financial year without using the financial ratios and the analysis and interpretation of these ratios is the main problem of the research because the figures of the financial statements indicate only the existence of assets, liabilities and ownership at a given date, Financial can not be used for planning purposes and assess the efficiency of performance without using one of the means of financial analysis, which is the use of financial ratios and compare the data of financial statements for the current year in previous years, which enhances the detection of weaknesses and strength and achieve efficiency

2.2. The hypothesis of research:

The hypothesis ofresearch is the following:

(Using and analyzing liquidity and profitability ratios enhances the chances of measuring the efficiency of the company's financial policy by comparing these financial ratios for the current year with the rates of previous years)

2.3. Research Objective: The research aims at the following:

1. Provide a study to benefit the companies sample research represented by using the financial ratios for the purpose of evaluating the efficiency of performance.
2. Analyzing the variables involved in calculating liquidity and profitability ratios and interpreting their results.
3. Analyzing financial ratios of liquidity and profitability and interpreting their results.

2.4. The importance of research

The research derives its importance from the fact that most Iraqi companies do not apply the techniques of money management. Therefore, it requires the use of financial analysis methods, including financial ratios for the purposes of planning and control of the efficiency of performance and to optimize the use of available resources, as well as the importance of using ratios of liquidity in making private financial decisions liquid To avoid financial or bankruptcy stumbling as well as financial decisions taken under the profitability ratios for making appropriate investment decisions that give a positive return that enables the company to grow, expand and invest future opportunities Available.

2.5. sample of the research:

The research complex in the private banking sector listed in the Iraqi market for securities, the sample of the study included five banks only applied the following conditions:

A. Banks shall be listed before the research period.

B. All financial statements must be published during the research period.

The circulation of its shares shall not cease during the period of the research.

The research period included the period 2009-2013 for the availability of all research data. A group of Iraqi banks have been selected and are practicing in accordance with the provisions of the Public Companies Law No. 22 of 1977 and the laws, regulations and instructions in force. The following banks were selected from the Companies Directory (Iraq Stock Exchange) for the years (2009-2013)Bank of Baghdad. Bank of Babylon. Gulf Commercial Bank. Iraqi Union Bank. Al Mansour Investment Bank.

2.6. The financial methods: Used in the analysis

The data on the sample banks were based on the Directory of Companies (Iraq Stock Exchange) From (2009-2013)

III. Theoretical Side

3.1. Evaluation of financial performance:

The evaluation of financial performance is a valuable judgment on the management of the natural, material and financial resources available to the management of the Organization and on the manner of responding to the satisfaction of the wishes of its various parties. In a literal sense, the financial performance of the Organization is measured against the results achieved or anticipated in the light of predetermined criteria. Providing the procedures and means of measurement methods The only definition of what can be measured and therefore reveals its importance to the administration for the following reasons (Jumah, 1995: 38):

Determine the level of achievement of the objectives by measuring and comparing the results, which allows judging the effectiveness. Determine the relative importance of the results and the resources used, allowing judgment on efficiency

3.2. Concept of Financial Analysis

Financial analysis is the analysis of financial statements, especially the statement of financial position and income statement for the purpose of extracting financial indicators that help to read the figures contained in them and the diagnosis of financial status and performance measurement (Sheikh, 2003: 1). Financial analysis is defined as knowledge of rules, standards and principles that are concerned with the compilation and classification of data and information about the entity's financial statements, and then subject them to a detailed and detailed study and to find the link between them, to interpret the findings and to search for their causes. And financial policies as well as the evaluation of control systems and the development of necessary solutions and recommendations in a timely manner (Sharif, 2001: 151) (Henin, 2001: 151) (Jaabari, 2001: 151).

Financial analysis is the process by which a set of quantitative and qualitative indicators about the economic activity of the project are explored or derived, which contributes to determining the importance and characteristics of the project's operational and financial activities through information extracted from the financial statements and other sources. Decision Making (Matar, 2006: 3).

The concept of financial analysis refers to its ease of understanding and understanding of the mechanism of its work, but it is very difficult to implement it, because proper application requires a great knowledge of accounting, economics and the special circumstances surrounding the institution and its management and its capabilities. Of mechanical process based on specific foundations. "This logic is supported by the divergence of views that two individuals who analyzed the financial data of a single institution (Akkal, 2006: 233) can come up with.

3.3. Financial Analysis Criteria:

Financial ratios measure the relationships between inputs (cost) and outputs (benefits), which facilitate the comparison of these relationships over a given period of time. Where the financial performance of an enterprise can be assessed using ratios

Comparison of the financial ratios of the establishment with the ratios of the industrial sector.Comparison of the financial ratios of the same entity for several periods of time (ie, the historical criterion).Comparison of the financial ratios of the entity with the financial ratios of other sectors.

3.4. Types of Standards Financial Analysis:

The criteria of financial analysis (the cyclone, 2001: 157) (Al-Akhras, 2001: 157):

A. **Absolute criteria:** They are the accepted standards in the field of financial analysis that can be used regardless of the type of establishment, type of industry and prevailing conditions and are among the weakest standards used, for example the criteria used to measure liquidity.

B. **Industry Standards:** This standard is reached by means of the arithmetic average of the ratios of a group of companies and institutions belonging to one industry over a single period of time. This criterion is considered the most widely used standard.

C. **The historical trend criterion:** A ratio of the rates of companies in the past and used in governance from the level of companies in the present and future compared to the ratios and rates with current ratios and rates in the past, and in the light of comparison can detect the deviations and governance of the performance of these companies. It can be used in the following cases:

A. In the absence of other alternative criteria such as standard or industrial standards.

B. There are no other similar industries for comparison for comparing among them .

C. The difficulty of identifying the direction of the performance of the company over time.

D. **Planning or Targeted Standard or Benchmark:** A percentage or number usually set by specialized management committees to be used to measure certain activities by comparing this expected standard with what has already been achieved within a specified time period, for example the ratios set by the Bank The central banks are required to comply with such ratio as loans to deposits and other ratios.

3.5. Objectives and Benefits of Performance Evaluation: The process of evaluating performance (Karkhi, 2006: 32):

A. To assess the level of achievement of the economic unit compared to the objectives included in its production plan.

B. To detect the continued imbalance and weakness in the activity of the economic unit and conduct a comprehensive analysis.

C. Determine the responsibility of each center or section of the economic unit for the imbalances and weaknesses in the activity carried out by measuring the productivity of each section of the production process and determine its achievements negatively or positively.

D. Assessing the efficiency of using available resources in a rational manner achieves greater returns with lower costs of good quality.

E. To facilitate the achievement of a comprehensive evaluation of performance at the level of the national economy, based on the results of the performance evaluation of each project.

F. Correcting the planning budgets and setting their indicators in the correct way, balancing the ambition and the possibilities available. Performance evaluation results constitute a great informational base in the formulation of non-realistic policies and scientific plans.

3.6. Conditions of Financial Analysis:

The financial analysis should have certain conditions to become standard and hence to be relied on in the decision-making process and among these conditions (Al-Shih, 2003: 50) (Amiri, 2003: 50)

A. Financial analysis should have the flexibility to change from time to time to suit change requirements.

B. The financial analysis should be comprehensive of the company's activities so as to show the different indicators of the activities of the establishment.

C. Financial analysis must be both cost-effective and timely.

D. Financial analysis should be based on predicting the future rather than on examining the historical circumstances of the company.

E. Financial analysis should be fast in terms of achievement so as not to make data or information obsolete in terms of time.

F. The tool used in the analysis must be effective, objective and up-to-date in order to arrive at realistic and accurate results

3.7. The purposes of financial analysis:

The aim of financial analysis is to evaluate the performance of the project from multiple angles and in a manner that serves the objectives of the users of the information who have financial interests in the project in order to identify the strengths and weaknesses and thus benefit from the information provided by the financial analysis to them in rationalizing their financial decisions related to quality. The purposes of financial analysis in the following aspects (Matar, 2006: 3)

A. Evaluation of project profitability

B. Evaluation of the financial position of the project.

C. Evaluation of the credit center of the project.

D. Assessing the efficiency of funding policies.

E. Assess the efficiency of asset and liability management.

F. Evaluation of the competitive position of the project.

G. Evaluating project sustainability (financial failure)

H. Develop some indicators that provide management with tools for planning, monitoring and evaluating performance.

3.8. Financial Analysis in Ratios: Financial analysis by ratios means finding quantitative relationships between the elements of the statement of financial position and the income statement. For example, by dividing current assets on current liabilities, you can determine the extent of the current assets' ability to meet the current liabilities (Elmabrok, 2014: 27).Comparing the proportions of an establishment with those in industry or the conventional ratios (typical ratios), we have been able to judge activity in many ways: the use of financial analysis in relation to it (Joseph, 2002: 177)

A. Easy to calculate financial ratio.

B. The possibility of using ratios in comparison from year to year or between establishment and others.

C. Disclosure of information not disclosed in final accounts and balance sheet.

3.9. Financial Ratios: It used to evaluate the performance of the company:

Financial ratios are classified into five main groups, each group indicating a specific performance of the company and as follows:

A. **Liquidity Group**: The indicators of this group are a function of the Company's short-term balance sheet and are intended to meet its short-term liabilities (Mustabsar& et al., 2015: 23), ie the adequacy of cash flows that enable the Company to meet its financial obligations and to avoid technical solvency and content. The company has sufficient money to pay its debts but the lack of liquidity of this money at a specific point in time may expose the company to the liquidity risk, whether the solvency of the company or not is a suitable measure and real liquidity risk.

Liquidity ratios are used as tools to assess an entity's credit rating, which usually reflects its ability to meet short-term obligations, including the following (Karajah, 2002: 183) (Sukran, 2002: 183)

1. **Current Ratio:** Its objective is to measure the ability of an enterprise to meet its due dates on time and its typical ratio of 1: 2 (Al-Sukran, 2002: 183) (Matar, 2002: 183)

Current Rate = (Current assets) / (current liabilities.).

2. **Quick Ratio:** Many current assets do not easily convert into cash that can be used to repay debts. For example, prepaid expenses are not converted into cash but rather used in operation. Commodity inventories are usually converted to receivables and are subsequently converted into cash when they are due. Some of the current assets are less liquid than others. Therefore, to test the facility's ability to settle its current liabilities, (1986: 681). Liquidity ratios are the main ratios predicting financial failure (Kirkham, 2012: 91). The most important liquidity ratios are as follows (Heather and Matulich, 1988: 681)

Quick Ratio = (Current Assets – Inventory) / (Current Liabilities)

The extent to which the entity is able to pay its short-term liabilities without relying on the goods and their typical ratios is 1: 1 (Karajah, 2002: 184) (Yusuf, 2002: 184)

3. **Working Capital Net:** It is an absolute measure of the liquidity of the company, provides a margin of safety for lenders in the short term, and net can indicate the volume of funds held and debt in working capital. Therefore, the rise of the net is desirable. The net capital equal to zero means that the trading ratio is equal to the correct one, and calculated net as follows:

Net Working Capital = Total Assets - Total Liabilities

It reflects the margin of safety available for short-term debt and the ability of the project to finance its ongoing operations.

B. **Activity group:** The indicators of this group are a function of the efficiency of the asset use. the efficiency of the dinar invested in achieving one dinar of net sales. Therefore, the sales number is attributed to each component of the assets. Therefore, the appropriate measure is rotation, which is also an indicator of risk. This is in addition to using the sales number as a measure of the activity time.

Financial leverage refers to the extent to which the company relies on debt to finance its investments. Therefore, its indicators are a function of the company's long-term solvency, the likelihood of the company's collapse and its inability to repay its debts. And their indicators are an appropriate measure of financial risk. Therefore, the excessive use of the leverage may cause the company to face a real uncertainty and its content. The market value of the Company's assets is insufficient to meet its financial obligations at liquidation.

C. **Profitability group:** Profitability and operating ratios are the financial ratios that executives use to make decisions (Singh and Schmidgall, 2012: 134). This group is one of the difficult trends of the company as a concept and measurement, because there is no integrated means to determine when the company is profitable, as many of the investment opportunities include sacrificing the current profit against future profits. For example, the new product requires high initial costs which generates a low profit in the beginning . Therefore, the current profit can be weak to reflect profitability. The other problem in accounting profitability is that it ignores risk. Therefore, one of the most important intellectual problems of accounting profitability is that it is not comparable. However, they provide important information on short-term operational activity on the assumption that a company that is not able to survive in the short term is not expected to survive in the long term.

Profitability is a relative measure of success. It indicates the level of assets required to support operations and sales. Therefore, the indicators of this group are a function of the efficiency of investment and financing decisions. The profitability ratios are as follows:

1. **Profit margin:** The profit margin reflects the ability of the company to offer products at a lower cost or at a higher price, so it indicates the ability of the dinar from sales to profit. The profit margin can be used to increase the effectiveness of administrative control over costs and the profit margin is measured as follows:

Profit margin= (Net profit) / (net sales)

2. **Revenue Capability:** This is the company's ability to generate operating profit from its core activity. It reflects the relationship between the dinar's sales ability to generate profit, expressed by the operating profit margin, and the dinar's ability to invest in sales. The following mathematical formula reflects this relationship:

Revenue capability = (profitsbeforeInterest tax) / (assets).

3. **Rate of return on assets:** This rate is a comprehensive measure of the effectiveness of management in making profit from available resources. And it measures the productivity of the dinar invested in the assets (investment decision) and the rate is calculated as follows:

Rate of return on assets = (Net income) / (assets)

4. **Rate of Return On Equity**: This rate indicates the extent to which the leverage contributes to increase the wealth of shareholders , that this rate indicates the wealth of one dinar invested from the owners' funds according to the following equation:

Rate of Return on Equity = (Net income) / (Equity)

5. **Earnings per share:** This measure provides the amount of profit available to ordinary shareholders. It also indicates the potential growth in equity which is reflected in the market price of shares to achieve capital gains. Therefore, the management attempts to maximize earnings per share due to its positive impact on maximizing shareholders' For the long term, earnings per share are calculated according to the following formula:

Earnings per share = (Net income) / (shares number)

6. **Dividends per share:** This measure indicates the share per share of cash dividends distributed to shareholders. This measure is described as one of the indicators of assessment of the rate of return realized for ordinary shareholders. It should be noted here that the share per share of the dividends depends on the type of share, Growth shares (tend to hold the bulk of profits) or income shares (the share is high) This index is calculated according to the following index (Al Naimi, 2008: 104) (Tamimi, 2008: 104):

Dividends per share = (cash dividends) / (shares number)

D. **Market Group:** The indicators of this group are used in the valuation of investment in shares of companies, because the financial statements do not disclose the market value of the company. Under the market efficiency hypothesis, the indicators of this group are mainly based on the information disclosed by liquidity and leverage indicators and profitability and their ability to maximize the stock's market share. Although this price is subject to the extent to which customers know the financial facts of the company, market prices reflect the true value of the company's assets (Al-Nuaimi, 2008: 86) (Al-Tamimi, 2008: 86)

IV. EMPIRICAL FINDINGS

This course will analyze the variables related to liquidity and profitability ratios and according to the following

4.1. Analysis of calculations in the calculation of financial ratios.

4.1.1.Current assets:

Table (1) shows the current assets of banks Sample Research During the Period (2009-2013)

Table (1) Current Assets of Companies Sample Research During the Period (2009-2013) (billion dinars)

Standard deviation	**General mean**	**2013**	**2012**	**2011**	**2010**	**2009**	**Bank Name**
383.257	1105.05	1708.094	1257.408	841.254	930.808	787.686	**Bank of Baghdad**
57.919	228.2786	286.458	274.275	244.656	181.843	154.161	**Babylon Bank**
203.838	394.0086	739.693	401.602	333.928	252.505	242.315	**Gulf Bank**
237.884	284.8658	476.963	603.674	136.505	97.073	110.114	**Union Bank of Iraq**
260.016	350.2828	778.933	398.623	264.828	168.702	140.328	**AL- Mansour Bank**
228.583	472.4972	798.0282	587.1164	364.2342	326.1862	286.9208	**The General Average**

It is noted from the table above that the average value of current assets amounted to (472.4972) ID billion for the sample banks during the period of five years. The highest average was achieved at the Bank of Baghdad to reach (1105.050) million dinars, which indicates that the high volume of investment in assets traded, which leads to any decline in returns and low risk and also to high liquidity.

We also note that "from the table, the lowest average has been achieved in the Bank of Babylon has reached (228279) million dinars, which indicates a decline in the volume of investment and retention of assets traded, which leads to higher volume of returns and also increase risk. And there is an increase in the size of assets traded in general for each sample during the search period due to high sales volume which directly affects all other variables. As shown in Table (1), the average standard deviation was (228.583). The lowest standard deviation of the assets in the Bank of Babylon was (57.919), which is much lower than the average. This indicates a decrease in the risk of the current assets. Its decline indicates the stability of the variable (current assets) during the research period. The highest deviation was found in Bank of Baghdad (383.257), which is much higher than the average, which indicates the high risk of traded assets and the high standard deviation indicates the fluctuation of assets traded durin the period of research.

4.1.2. Current Liabilities:

Table (2) the current liabilities of banks for the period 2009-2013 (billion dinars).

Standard deviation	**General mean**	**2013**	**2012**	**2011**	**2010**	**2009**	**Bank Name**
322.802	967.598	1.473.642	1.093.402	735.647	842.2745	693.025	**Bank of Baghdad**

29.657	155.583	167.235	191.684	164.432	141.409	113.159	**Babylon Bank**
114.560	278.208	476.167	274.510	234.662	207.352	198.349	**Gulf Bank**
193.116	192.869	278.910	494.576	80.237	44.985	65.636	**Union Bank of Iraq**
180.796	195.296	508.982	157.123	162.417	87.699	60.258	**AL- Mansour Bank**
168.186	357.911	357.824	279.473	275.479	264.744	226.085	**The General Average**

Table (2) shows the current liabilities of banks for the period 2009-2013. It is also noted that the average level of current liabilities reached (357.911) ID billion. It is also noted that the highest average achieved in Bank of Baghdad was JD (967598) million and the lowest average of the current liabilities in Babil Bank was JD 155583 million. Note that the value of current liabilities of banks is increasing during the period of research (2009 to 2013), indicating an increase in sales volume and thus affect the volume of investment.

The average deviation was 168.186 and the lowest deviation of the current liabilities in Bank of Babylon was (29656), which is much lower than the average, which indicates a decrease in the risk of current liabilities. The standard deviation measures the dispersion of current liabilities during the research period. Above the standard deviation appeared in the Bank of Baghdad and reached (322802), which is much higher indicating the fluctuation of current liabilities during the period of research

4.1.3. Net Profit:

Table (3) Net profit of the banks sample research for the period (2009 - 2013) (billion dinars)

Standard deviation	**General mean**	**2013**	**2012**	**2011**	**2010**	**2009**	**Bank Name**
7.394	21.519	32.067	25.099	20.958	13.669	15.802	**Bank of Baghdad**
627	4.308	3.554	5.024	4.834	4.471	3.657	**Babylon Bank**
17.848	20.816	47.452	30.857	11.632	6.162	7.977	**Gulf Bank**
16.364	14.780	42.020	17.935	3.828	7.324	2.795	**Union Bank of Iraq**
8.814	10.571	25.278	11.937	7.912	3.671	4.356	**AL- Mansour Bank**
135.484	14.399	30.074	18.170	9.833	7.059	6.917	**The General Average**

Table (3) shows the net profit of the banks sample research for the period (2009 - 2013). The average net profit for the sample companies during the research period is (14.399) billion dinars. It is also noted that the highest average achieved in the Bank of Baghdad amounted to (21519) million dinars, which indicates an increase in the volume of revenues during While the lowest average net profit was achieved at Babil Bank amounting to (4308) million JD due to the increase in the volume of expenses during the research period. It also shows that the average deviation was 135.484 and showed the lowest deviation of the net profit in Babil Bank which reached (627) which is much lower indicating the stability of the net profit during the research period at the highest deviation in the standard deviation at (17848), indicating the volatility of the net profit during the period.

4.1.4. Sales:

Table (4) The sales of banks sample research for the period (2009 - 2013) (billion dinars)

Standard deviation	**General mean**	**2013**	**2012**	**2011**	**2010**	**2009**	**Bank Name**
18.239	56.749	84.520	62.583	55.512	40.639	40.491	**Bank of Baghdad**
4.130	17.336	23.687	17.657	17.922	14.453	12.961	**Babylon Bank**
29.142	42.990	87.495	57.692	27.823	20.606	21.332	**Gulf Bank**
41.623	36.226	106.499	41.765	9.021	16.371	7.476	**Union Bank of Iraq**
11.117	20.146	38.126	21.717	18.843	10.592	11.453	**AL- Mansour Bank**
20.850	34.689	68.065	40.283	25.824	20.532	18.743	**The General Average**

Table (4) shows the sales of banks sample research for the period (2009 - 2013)

It is also noted that the highest average achieved in the Bank of Baghdad was (56749) million dinars, while achieving the lowest average sales In the Bank of Babylon and amounted to (17335) million dinars and also there is an increase in the volume of sales for other banks during the period of research.

The most important variable affecting the banks is (sales) represented by (current activity revenues) when increasing the demand for production or services provided by banks sample research, this requires an increase in sales.

The average deviation of the standard deviation was (20.850) and the lowest deviation of the standard sales in the Bank of Babylon was (29.656), which is much lower than the average, indicating the low sales risk because the standard deviation measures the dispersion of the variable from the arithmetic mean and low indicates the stability of the variable) During the period of research. The highest deviation of the standard of sales in the Bank of the Iraqi Union amounted to (41,622), indicating the fluctuation of sales during the period of research.

4.1.5. Gross profit:

Table (5) Total profit of banks sample research during the period (2009 - 2013) (billion dinars).

Standard deviation	General mean	2013	2012	2011	2010	2009	Bank Name
9.052	25.647	38.797	29.638	24.972	16.211	18.618	Bank of Baghdad
0.66	5.177	4.901	5.877	5.799	5.000	4.307	Babylon Bank
21.705	23.804	56.027	36.343	12.470	6.162	8.019	Gulf Bank
21.300	17.719	52.943	22.008	4.534	8.755	355	Union Bank of Iraq
10.359	12.697	30.001	13.892	9.583	4.567	5.444	AL- Mansour Bank
12.6152	17.009	36.534	21.552	11.472	8.139	78.278	The Genera l Average

Table (5) shows the total profit of banks sample research during the period (2009 - 2013). The general average for the variable is (17.009) million dinars.It is noted that the highest average was achieved in the Bank of Baghdad reached (25647) billion dinars, while achieving the lowest average for the total profit in the Bank of Babylon and amounted to (5177) million dinars.

It is also noted from Table (5) that the average deviation was 12.6152, and the lowest deviation of the total profit in Bank of Babylon and 0.660 was significantly lower than the average, indicating that the total profit during the research period was stable. The highest deviation of the standard was found at Gulf Commercial Bank at (21.705), indicating a fluctuation of the total profit during the research period.

4.1.6. Total Assets:

Table (6) the total assets of the banks (2013-2009) (billion dinars)

Standard deviation	General mean	2013	2012	2011	2010	2009	Bank Name
397.658	1.140.816	1.764.90	1.300.655	875.267	961.063	802.194	Bank of Baghdad
67.743	254.592	328.167	303.653	271.377	201.243	168.521	Babylon Bank
213.864	418.194	781.479	424.766	354.046	272.032	258.650	Gulf Bank
240.639	295.683	494.335	614.982	144.643	105.563	118.890	Union Bank of Iraq

263.207	356.441	789.087	407.544	271.897	172.411	141.264	**AL- Mansour Bank**
236.622	331.228	598.267	437.736	383.446	342.462	297.904	**The General Average**

Table (6) shows the total assets of the companies during the research period. The general average of the variable reached (331.228) billion dinars. It is also noted that the highest average has been achieved in the Bank of Baghdad (1140816) For the total assets in the Bank of Babylon and amounted to (254592) million dinars. In general, there is an increase in the total assets of all research samples during the period due to the increase in the sales volume represented by (total income of the current activity), which directly affects all variables, including total assets.

As shown from the table, the average standard deviation was 236.622. The lowest standard deviation of the total assets in the Bank of Babylon and the Bank was (67,742), which is significantly lower than the average, indicating the total assets were confiscated during the research period. The highest standard deviation of total assets was recorded at Bank of Baghdad and Baghdad (397,657). This indicates the fluctuation of total assets during the period of research.

4.1.7. Right of Ownership:

Table (7) Right of ownership of the banks during the (2013-2009)(billion dinars).

Standard deviation	**General mean**	**2013**	**2012**	**2011**	**2010**	**2009**	**Bank Name**
76.300	173.218	291.262	207.253	139.620	118.788	109.170	**Bank of Baghdad**
43.316	99.009	160.932	111.969	106.946	59.834	55.363	**Babylon Bank**
99.854	139.986	305.312	150.256	119.385	64.679	60.301	**Gulf Bank**
68.385	102.814	215.426	120.405	64.406	60.579	53.255	**Union Bank of Iraq**
96.249	161.145	280.106	250.420	109.480	84.711	81.006	**AL- Mansour Bank**
76.821	135.234	250.608	168.061	107.967	77.718	71.819	**The General Average**

Table (7) shows the right of ownership of the banks during the search period(2013-2009). The average value of the variable for the companies is (135.234) ID billion. It is also noted that the highest average was achieved in Bank of Baghdad, which reached (173219) million dinars, while achieving the lowest average To the property in the Bank of Babylon and amounted to (99009) million dinars. The average standard deviation was 76.821, and the lowest standard deviation of the property rights in Bank of Babylon was (43316), which is much lower than the average, indicating the stability of the property right during the research period. Gulf Commercial Bank, indicating the volatility of ownership during the research period.

4.1.8. Number of Shares:

Table (8) Number of shares of banks sample research during the period(2013-2009)(billion dinars).

Standard deviation	**General mean**	**2013**	**2012**	**2011**	**2010**	**2009**	**Bank Name**
11.299	20.638	27.152	15.183	11.295	12.190	37.367	**Bank of Baghdad**
41.034	36.026	92.643	66.984	7.085	9.407	4.011	**Babylon Bank**
11.024	20.961	33.671	32.251	14.809	11.963	12.110	**Gulf Bank**
38.023	26.541	36.549	89.176	1.694	2.342	2.946	**Union Bank of Iraq**
3.107	9.178	14.142	10.356	7.161	7.131	7.101	**AL- Mansour Bank**
20.897	22.669	40.831	42.790	8.409	8.607	12.707	**The General Average**

Table (8) shows the number of shares of banks sample research during the period of research. Note that the average number of shares of the companies during the research period was (22.669) billion dinars, and the highest average was achieved in the Bank of Babylon and amounted to (36026) million dinars, while achieving the lowest average in (9178) million dinars.

The average deviation of (20,897) and the lowest deviation of the number of shares in Al-Mansour Investment Bank reached (3.107), which is much lower than the average, indicating the stability of the number of shares during the research period. The highest deviation of the standard And it appeared in the Bank of Babylon has reached (41,034), which indicates the fluctuation of the case of the variable number of shares during the period of research.

4.2. Analysis of financial ratios:

4.2.1. Analysis of liquidity ratios:

- Trading ratio: The trading ratio is measured by dividing the current assets with the current liabilities.

Table (9) presents of trading ratio of the banks for the period (2009-2013)

General Mean	**2013**	**2012**	**2011**	**2010**	**2009**	**Bank Name**
1.14	1.16	1.15	1.14	1.11	1.14	**Bank of Baghdad**
1.46	1.71	1.43	1.49	1.29	1.36	**Babylon Bank**

1.38	1.55	1.46	1.42	1.22	1.22	**Gulf Bank**
1.69	1.71	1.22	1.70	2.16	1.68	**Union Bank of Iraq**
1.99	1.53	2.54	1.63	1.92	2.33	**AL- Mansour Bank**
1.532	1.532	1.56	1.476	1.54	1.546	**The General Average**

Table 9 presents the results of the analysis of the trading ratio of the banks for the period (2009-2013). The table shows that the general average is (1.532) once. From Table (1) of current Assets that the general average for companies during the period of research is increasing in general for all research samples, as well as table (2) of current liabilities in increasing. Which also affect the trading ratio directly. We also note that the highest rate of trading has been achieved in the Mansour Investment Bank amounted to (1.99) times and this ratio is close to the standard ratio of the (1: 2), while achieving the lowest circulation in the Bank of Baghdad and reached (1.14) times.

4.2.2. Analysis of profitability ratios:

4.2.2.1. Profit Margin:

Profit margin is measured by dividing the net profit on sales. Table (10) presents the results of the profit margin analysis of the banks for the period (2009-2013)

Table (10) Profit Margin for Companies Sample Research (2009-2013) (Ratio)

General Mean	2013	2012	2011	2010	2009	Bank Name
0.38	0.38	0.40	0.38	0.34	0.39	**Bank of Baghdad**
0.26	0.15	0.28	0.27	0.31	0.28	**Babylon Bank**
0.43	0.54	0.53	0.42	0.30	0.37	**Gulf Bank**
0.41	0.39	0.43	0.42	0.45	0.37	**Union Bank of Iraq**
0.47	0.66	0.54	0.42	0.35	0.38	**AL- Mansour Bank**
0.39	0.424	0.436	0.382	0.35	0.358	**The General Average**

Table (10) shows the average of the average profit margin in banks during the period (2009-2013) was 0.39 and the average was increasing for most of the research years. The highest average profit margin in Al-Mansour Investment Bank was (0.47) The sharp increase in total revenues during the five years (the duration of the research). The lowest average profit margin was achieved at Babil Bank (0.26), indicating the fluctuation of the profit margin during the period of the research.

4.2.2.2. The irrigational capacity: The irradiation capacity is measured by dividing the profits before interest and tax on the total assets. Table (11) presents the results of the analysis of the ratio of the irradiation capacity of the banks to the sample of the research during the research period:

Table (11) Companies' Research Capability During the Period (2009-2013)

General Mean	2013	2012	2011	2010	2009	Bank Name
0.02	0.02	0.02	0.03	0.02	0.02	**Bank of Baghdad**
0.02	0.01	0.02	0.02	0.02	0.03	**Babylon Bank**
0.05	0.07	0.09	0.04	0.02	0.03	**Gulf Bank**
0.05	0.11	0.04	0.03	0.08	0.00	**Union Bank of Iraq**
0.03	0.04	0.03	0.04	0.03	0.04	**AL- Mansour Bank**
0.034	0.05	0.04	0.032	0.034	0.024	**The General Average**

From the table above the general average of the irradiated power ratio reached 0.034 and the highest percentage achieved in the Gulf Commercial Bank and the Iraqi Union Bank where it reached (0.05) means the bank's ability to achieve the operating profit from the activity of bank, while achieving the lowest percentage in Bank of Baghdad And Babylon (0.02) each, respectively, due to the significant increase in total assets during the research period.

4.2.2.3. Rate of return on assets: The rate of return on assets is measured by dividing the net profit on total assets.

Table (12) Rate of Return on Assets of Companies Sample Research during the Period (2009-2013) (Ratio)

General Mean	2013	2012	2011	2010	2009	Bank Name
0.02	0.02	0.02	0.02	0.01	0.02	**Bank of Baghdad**
0.02	0.01	0.02	0.02	0.02	0.02	**Babylon Bank**
0.04	0.06	0.07	0.03	0.02	0.03	**Gulf Bank**
0.05	0.09	0.03	0.03	0.07	0.02	**Union Bank of Iraq**
0.03	0.03	0.03	0.03	0.02	0.03	**AL- Mansour Bank**

0.032	0.042	0.034	0.026	0.028	0.024	**The General Average**

Table (12) presents the results of the analysis of the rate of return on assets of the banks. The average of the average rate of return on assets was 0.032 for banks during the period of research. The highest average was recorded in the Iraqi Union Bank (0.05) indicating the increase in the value of net profit to the value of total assets during the period of five Years, while the lowest rate of return on assets in the bank (Baghdad, Babylon) was (0.02), indicating the stability of the value of net profit to the value of total assets during the period of research.

4.2.2.4. The Rate of Return on the right of ownership: The ratio of the rate of return on the right of ownership is measured by dividing the net profit on the right ownership. Table (13) presents the results of the analysis of the rate of return on the ownership rights of the banks.

Table (13) Rate of Return on the Right of Ownership of Companies Sample Research during the Period (2009-2013) (Percentage)

General Mean	2013	2012	2011	2010	2009	Bank Name
0.13	0.11	0.12	0.15	0.12	0.14	**Bank of Baghdad**
0.05	0.02	0.04	0.05	0.07	0.07	**Babylon Bank**
0.14	0.16	0.21	0.10	0.10	0.13	**Gulf Bank**
0.12	0.20	0.15	0.06	0.12	0.05	**Union Bank of Iraq**
0.06	0.09	0.05	0.07	0.04	0.05	**AL- Mansour Bank**
0.1	0.116	0.114	0.086	0.09	0.088	**The General Average**

From the Table (13), the general average ROE ratio reached (0.1) for banks during the period of research. The highest average was recorded at Gulf Commercial Bank (0.14), indicating a rise in net profit and a decrease in the value of ownership during the research period , And we note that the lowest average appeared in the Bank of Babylon (0.05), indicating the increase in the value of property rights and the decline in the value of net profit during the period of research.

4.2.2.5. Earnings Per Share Earnings per share is calculated by dividing the net profit by the number of shares. Table (14) presents the results of the analysis of the earnings per share ratio of the banks for the period 2009-2013

Table (14) Earnings per Share of Companies Sample Research During

(2009-2013) (ID)

General Mean	2013	2012	2011	2010	2009	Bank Name
1.25	1.18	1.65	1.86	1.12	0.42	**Bank of Baghdad**
0.44	0.04	0.07	0.68	0.48	0.91	**Babylon Bank**
0.87	1.41	0.96	0.79	0.52	0.66	**Gulf Bank**
1.54	1.15	0.20	2.26	3.13	0.95	**Union Bank of Iraq**
1.03	1.79	1.12	1.10	0.51	0.61	**AL- Mansour Bank**
1.026	1.114	0.8	1.338	1.152	0.71	**The General Average**

From the table above the average of the average per share was 1.026 ID for banks during the period of research. The highest average was found in the Iraqi Union Bank (1.54) which indicates a rise in the net profit of the bank during the research period. The reason for the high value of net profit to the value of the number of shares. On average, the average profit per share in the Bank of Babylon was 0.44, which is low compared to the general average. The reason for the increase in the number of shares compared to the value of net profit during the period of research.

4.3. Results of the analysis of financial ratios: Table (15) presents the results of the average of the financial ratios of the banks for the period (2009-2013):

Table (15) General average of companies Sample of research during (2009-2013)

Earnings per share	Return On Equity	Return on assets	Revenue Capability	Profit margin	Current Ratio	Bank Name
1.25	0.13	0.02	0.02	0.38	**1.14**	**Bank of Baghdad**
0.44	0.05	0.02	0.02	0.26	1.46	**Babylon Bank**
0.84	0.14	0.04	0.05	0.43	1.38	**Gulf Bank**
1.54	0.12	0.05	0.05	0.41	1.69	**Union Bank of Iraq**
1.03	0.06	0.03	0.03	0.47	1.99	**AL- Mansour Bank**

1.026	0.1	0.032	0.034	0.39	1.532	**General Average**

The general average is used as the basis for measuring ratios. It is noted that the highest percentage of trading has been achieved at Al-Mansour Investment Bank (1.99) once, which indicates the possibility of the company's ability to meet its obligations towards others knowing that the standard ratio of trading ratio (1: 2) (0.47) compared to the general average of (0.39). As for the basic capacity index, the Gulf and the Union Bank achieved the highest percentage of (0.05) each. Its ability to achieve basic profits through the investment of its assets, while achieved Gulf Bank has the highest return on equity (14%) compared to the average of (10%). The Union Bank achieved the highest revenue per share and reached (1.54) JD, which is much higher than the average of ID (1.026). Achieved in the Bank of Babylon and amounted to (0.44) dinars per share only. So the table (16) presents the priority of the classification of banks in achieving the ratios analyzed in advance: **Table (16) Ranking of companies according to the advantage of achieving**

financial analysis ratios (liquidity and profitability)

Earnings per share	Return on Equity	Return on assets	Revenue Capability	Profit margin	Current Ratio	Bank Name
2	2	*4	*3	4	**5**	**Bank of Baghdad**
5	5	4	3	5	3	**Babylon Bank**
4	1	2	*1	2	4	**Gulf Bank**
1	3	1	1	3	2	**Union Bank of Iraq**
3	4	3	2	1	1	**AL- Mansour Bank**
						General Average

V. Conclusion:

Through the results reached in the previous study, we draw the following conclusions:

A. All banks have maintained reasonable liquidity ratios and are consistent with the nature of their work in the banking sector, which is a good indication of their ability to meet their short-term commitments

B. The efficiency of the company's management in the investment of its assets to generate revenue appropriate to its value and thereby maximize the benefit of its owner.

C. high profit margin ratio and this is the result of the large profits achieved by Iraqi private banks in relation to their investments, and kept banks high net profit with decreasing ability to generate profits, in general it can be said that the profitability indicators in banks were good and give an acceptable indicator of their ability to grow and continue .

D. The need for investors to rely on analysis of financial ratios in improving the quality of financial statement information to increase the ability to assess the performance of banks listed in the Iraqi market for securities.

E. Studying all the means that would increase the investment revenues and the revenues of the banking operations related to these revenues.

F. Study and develop new policies to grant loans and increase the imposition of investment and the development of procedures for banking operations in the coming period to achieve the benefits of banks sample research.

G. The management of banks should review the reasons for the decline in the ability to generate profit well to find out the reasons for this decline in the ability of assets to generate profits, and develop future plans to overcome it.

H. Need to hold seminars and meetings for small investors in the Iraqi market for securities to familiarize them with the importance of financial analysis, tools used in the analysis to rationalize their investment decisions.

I. Search indicators for improving the quality of financial statement information to increase the ability to assess the performance of listed companies Iraq Stock Exchange.

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