

Comparative Study on Performance Evaluation of Selected Banks in Iraq

Yousif Hameed Nayyef

Corresponding Email: josephnayyef@gmail.com

¹Ministry of Education, General Directorate of Education Salah Al-deen, Financial
Department, Iraq

Received: October 15, 2022

Received in Revised: December 4, 2022

Accepted: December 10, 2022

Abstract

Bank works as a backbone for any economy. It performs very crucial role for the development and movement of economy. Present paper aims to compare two banks in Iraq namely commercial bank of Iraq and Central bank of Iraq. Researcher has used data from the annual reports of the bank. Study period is 2018-2020. Different ratio return on asset, return on equity, Cash to deposit, debt to total asset and net profit ratio were used as accounting tool. For hypotheses testing t-test was used by researcher. From the statistical analysis it was observed that there is no significant difference found in the different performance level of selected samples.

Keywords: Bank, Different Ratios, Performance, Commercial

Introduction

Banking sector is most prominent sector for all the economy. For success and development of country banking sector plays very important roll. Internal management as well as external support both required for success. Form the different financial tools performance of bank can be checked. This analysis provides basic evaluation about performance of selected banks. Banks has to perform different functions such as deposits, lending, different kinds of agency services and general services etc. specific rules and regulations are formed for banking. All the banks have to follow it strictly. Central bank of Iraq was established in 1947 and headquarter is situated in Baghdad. Prime object is price stability and fostering of financial market. Commercial bank of Iraq was established in 1992. Its branches spread across Baghdad and neighbor district of Iraq.

Literature Review

Araz Mohammed Rashid Omer (2021) has studied on the impact of the Basel III committee decisions on the performance of banks in Iraq. Study is based on secondary data. Study period is 2013 to 2019 for 7 years. Five banks listed in Iraq stock exchange were selected randomly. For statistical method and hypothesis testing correlation and multiple regression used by researcher. Calculation was done with the help of SPSS software. It found that liquidity coverage ratio and Net stable funding ration have positive impact on return on assets and return on equity while leverage ratio has negative impact on return on assets and return on equity. On the basis of Basel III liquidity coverage, net stable funding and leverage ratios were analyzed and it observed that profitability ratio and liquidity ratio has significant relationship.

Sabah alnajar and Khawla H. Kalaf (2012) has studied on a designing a balance score card to measure banks performance : a case study. Present paper is based on secondary data for the period of 2006-2009. Data collected from the financial statement of the bank. Purpose of the

study is to provide valuable information regarding adoption of balance score card. From the result researcher feels that proper adoption of balance score card can improve banks overall performance. This study is limited to bank only. It has also added that other banks and policy makers will also start use of balance score card soon in the Iraq.

Raad naser hanoon, azam abdelhakeem khalid, nor hanani ahamad rapani, talal mohammed aljajawy and abbas jumaah al-waeli (2021) have worked upon the impact of internal control components on the financial performance of banks in Iraq. The main purpose of the study is to evaluate the impact of internal control on financial performance. Study is based on primary data. For data collection 365 respondents includes, CFO, CEO, accountant, auditor etc. internal control authorities were asked with the help of questionnaire. Structured equation modeling was used as sample design. It is found that internal control has significant impact on financial performance. if bank focused on improvement of internal control, financial performance will also improved.

Methods

Population and Sample of the Study

For the present study all the banks in Iraq is population. While for the study as sample out of all the banks of Iraq two banks were selected randomly for the study. For the study data of central bank and commercial bank of Iraq was used for the period of 3years from 2018-2020.

Nature of the study - Study is secondary in the nature

Data collection- for the study data has been collected from the annual report of the selected banks

Objective of the study; (1) To understand and check overall performance of the selected bank; (2) To compare the performance of selected banks

Parameters covered

Return on Assets

It represents relationship of profit with total assets. Compare to total assets, what firm has gain as part of profit can be known with the help of this ratio

Return on Equity

It shows the relationship of profit with total equity. This ratio refers how company is profitable compare to total equity

Cash to deposit ratio

This ratio represents relationship of cash with total deposits. It shows the availability of cash means it is an indicator for liquidity

Debt to total asset ratio

It represents the ratio of firm's liability with its total assets. It provides data about firms debt obligations to total assets.

Net profit ratio

It represents relationship of profit with its investing and financing. Compare to investments what firm has earned as profit can be measured with net profit ratio.

Return on assets

Table 1. Return on assets of selected banks

Banks	2018	2019	2020
Central Bank of Iraq	0.015	0.029	0.130
Commercial Bank of Iraq	0.024	0.014	0.057

Source: annual report of Bank

From the above table return on assets found lower in both the banks. Highest ratio found in central bank in year 2020 which is 0.130 while lowest observed in commercial bank in the year 2019 which is 0.014

Return on Equity

Table 2. Return on equity of selected banks

Banks	2018	2019	2020
Central Bank of Iraq	0.19	0.27	0.6
Commercial Bank of Iraq	0.038	0.024	0.11

Source: annual report of Bank

Above table shows return compare to equity. High return found 0.60 in the year 2020 of central bank while lower found 0.024 of commercial bank in the year 2019. Overall return found low in both the banks.

Cash to Deposit Ratio

Table 3. Cash to Deposit Ratio of selected banks

Banks	2018	2019	2020
Central Bank of Iraq	0.31	0.30	0.59
Commercial Bank of Iraq	1.08	1.39	1.27

Net profit Ratio

Table 5. Net profit Ratio of

Banks	2018	2019	2020
Central Bank of Iraq	0.91	0.89	0.78
Commercial Bank of Iraq	0.36	0.39	0.50

selected banks

Source: annual report of Bank

Above table depicts earnings of bank compare to its investments and financings. Net profit ratio of central bank of Iraq is found better compare to commercial bank of Iraq. There is high ratio found in central bank but its trend is decreasing while there is increasing trend observed in commercial bank of Iraq.

Hypothesis Testing

Null hypothesis (H₀): There is no significant difference in the Return on assets of selected banks under study.

Null hypothesis (H₀): There is no significant difference in the Return on equity of selected banks under study.

Null hypothesis (H0): There is no significant difference in the cash to deposit ratio of selected banks under study.

Null hypothesis (H0): There is no significant difference in the debt to total assets ratio of selected banks under study.

Null hypothesis (H0): There is no significant difference in the net profit ratio of selected banks under study.

Table 6. calculation using t-test

Ratio	Bank	Bank	DF	t (cal)	t(tab)
Return on assets	Central Bank of Iraq	Comm. Bank of Iraq	4	0.26	2.13
Return on equity	Central Bank of Iraq	Comm. Bank of Iraq	4	0.041	2.13
Cash to deposit	Central Bank of Iraq	Comm. Bank of Iraq	4	0.0014	2.13
Debt to total assets	Central Bank of Iraq	Comm. Bank of Iraq	4	0.0008	2.13
Net profit	Central Bank of Iraq	Comm. Bank of Iraq	4	0.18	2.13

Above table depicts t-test calculation between central bank of Iraq and commercial bank of Iraq. From the above table it observed that tabulated value (5% level of significance) is 2.13 and calculated value is 0.26, 0.041, 0.0014, 0.0008 and 0.18 respectively for all the ratios under study. Calculated value is lower in the cases therefore null hypothesis is accepted for all. There is no significant difference found in the return on assets, return on equity, Cash to deposit, Debt to total assets and Net profit ratio of banks under study.

Limitations of the study; (1) Study consist two samples only namely central bank of Iraq and commercial bank of Iraq only; (2) Study has limited time period said 2018-2020; (3) Study has based on secondary data and it has its own limitations;(4) Study has based on the knowledge of researcher.

Conclusion

Present study was conducted to see the performance of selected banks in Iraq. For the purpose of study commercial bank of Iraq and central bank of Iraq were selected. From the study it has been observed that in different ratio there is much difference was not observed. Overall performance of both the banks was found nearer. Position of return on assets and return of equity are found quite similar while position of cash to deposit and debt to total assets found better in commercial bank. Position of net profit ratio is good in central bank compare to commercial bank of Iraq.

References

- Arora. M.N. (n.d) *Management Account*. Himalaya Publishing House.
- Chandra, P. (2011). *Financial Management*. Mc Graw Hill Education.
- Khan, P. K. (1999). *Management and Cost Accounting*. Tata McGraw HILL.
- Kothari. C.R., (2014). *Research Methodology*. New Delhi: New Edge International Publishers.
- Omer, A. M. (2021). The Impact Of The Basel Iii Committee Decisions On The Performance Of Banks In Iraq. *International Journal Of Economics And Finance Studies* , 13 (2), 477-499.
- Raad Naser Hanoon, A. A.W., (2021). The Impact of Internal Control Components on the Financial Performance, in the Iraqi Banking Sector. *Journal of Contemporary Issues in Business and Government* , 27 (3).

Sabah M. Al-Najjar, K. H. (2012). Designing a Balanced Scorecard to Measure a Bank's Performance: A Case Study. *International Journal of Business Administration* , 3 (4), 44-53