

**ANALYSIS OF THE USES OF THE FINANCIAL RESOURCES OF THE IRAQI
ISLAMIC BANK FOR THE PERIOD (2004 – 2020)****Esraa Abdel Reda Musa, Assistant Prof. Dr. Abdul Jassim Abbas Ala Allah**Department of Banking and Finance, College of Administration and Economics, Babylon
University, Iraq**Abstract**

The importance of the research comes from the role of Islamic banks in the banking system, as they exercise their financial and banking activities in accordance with the teachings of the Islamic religion and exclude dealing with usury, and depend on investment deposits to finance their activities. The research aims to analyze the sources and uses of funds in the Iraqi Islamic banking and evaluate the efficiency of performance for the period (2004 - 2020), and the researcher developed a hypothesis that there is a relationship and a significant effect between the uses of funds in Islamic banks and their role in raising the efficiency of banking performance, and the researcher reached the following results: deposits witnessed A clear growth during the years of research due to the bank's success in following a successful policy in attracting customers and depositing their money with the bank. The results of the research also showed that the financial performance indicators (profitability, liquidity and employment) were good results and indicate the efficiency of the bank in its activities.

Introduction

Islamic banks are banking financial institutions that practice their financial and banking activities in accordance with the principles of Islamic Sharia. The principle of halal and haram, and that he is committed to applying the provisions of Islamic Sharia in all his banking and investment transactions through the application of the concept of financial intermediation based on the principle of profit and loss sharing, and these banks seek to achieve the objectives of the Islamic economic system based on the principle of entitlement funds in support of social solidarity and the achievement of prosperity Social and economic, through the dissemination and development of savings awareness and rationalization of the spending behavior of the broad base of peoples with the aim of mobilizing surplus economic resources and idle capital and attracting them into a sound and stable economic base compatible with the Islamic formula and inventing new formulas that are compatible with Islamic Sharia and commensurate with the changes that occur in the banking market Globalism.

Research problem

The problem of the research is the small size of Islamic banks and their poor performance compared to other banks. .

Research hypothesis

The research starts with the hypothesis that there is a great role for the employment of financial resources in raising the efficiency of banking performance at the Iraqi Islamic Bank.

Research Aims

1. The research aims to analyze the sources and uses of funds in the Islamic Iraqi Bank.

2. Evaluation of the financial performance of the Iraqi Islamic Bank.

Research Importance

1. A statement of the nature of the financial resources of Islamic banks.
2. Knowing the uses of deposits and capital for Islamic banks.

Research Methodology

The research relied on the analytical method based on the available data and annual reports of the Iraqi Islamic Bank for the period (2004-2020)

The first topic

the theoretical framework for Islamic banks

First: The establishment of the bank

The Iraqi Islamic Bank for Investment and Development was established on December 19, 1992, and began operating in its full powers by the Central Bank of Iraq on February 23, 1993. It is the first Iraqi bank and the fourth in the Middle East operating in accordance with the regulations and provisions of Islamic Sharia, as it started working through its main branch, with the participation of government banks Operating at that time in providing financial services to individuals and companies, then investing in various investment sectors in accordance with the provisions and regulations of Islamic Sharia. Since its establishment, it has sought to consolidate and confirm Islamic values in financial and banking transactions. The bank works to provide its services in the local market through a network of branches owned by it, which has now reached 15 branches covering the Iraqi governorates. It witnessed a capital growth from 6.067 billion Iraqi dinars in 2004 to 51.2 billion Iraqi dinars in 2009, but there seemed to be a significant growth in the capital, reaching 250 billion dinars in 2014.

Second: Sources of Funds in Islamic Banks

The sources of funds in Islamic banks do not differ from other banks as they are financial institutions whose mission is to collect savings and deposits, but the main difference between them is the method of employing and investing these deposits and savings, which leads to a fundamental difference in the structure of accounts between Islamic banks and other banks, and accordingly these sources can be divided to internal and external sources.

Internal Sources

It means property rights that represent the financial resources available for investment in the financing structure in the budget owned by the bank. They are the sources that the Islamic bank relies on at the beginning of its life, then its role continues with the expansion of its activities and operations and consists of the following (1)

a. capital

The capital, according to Islamic thought, is the value of the money that investors put at the bank's disposal at the beginning of its life, and these may be natural or legal persons, and it is subject to change by offering new shares for subscription (2), it is the resource with which the bank begins its activity, so it must be present There is no debt, and it represents a small percentage of the bank's total sources of funds, and part of it is used to purchase fixed assets such as buildings, devices, equipment, and others.

B. reserves

Reserves are one of the sources of funding in Islamic banks, as is the case in conventional banks. They are obligatory to preserve the bank's capital, and they are defined as the amounts deducted from the net distributable profits that support the financial position of the bank and preserve its capital from any deduction, and avoid any loss, and its amounts consist From the rights of shareholders, because it covers from the profits that were supposed to be distributed to them (4), and it is divided into several sections, the most important of which are (5)

1. Legal reserve: It is the reserve in which the bank is obliged to form by virtue of the law issued by the Central Bank in this regard or by virtue of the prevailing Islamic banking principles, in order to support its financial position and increase its ability to fulfill its obligations towards others.
2. Special reserve: It is voluntarily kept by the bank to support its financial position on the one hand and to face potential losses in the bank's asset values on the other hand.
3. General reserve: It is an account that is not imposed by law, but established by the founders in order to enhance the capital of the bank, and this account can be subject to the same conditions, as stipulated by the founding law and showing the percentage of profits that are transferred to this account
4. T. Retained earnings: It is the remaining part of the profits that have been saved instead of dividing it among the shareholders (7). Retained earnings are the amounts of money held by the bank for the purposes of growth and expansion, and it is the main source of internal financing. Retained earnings are preferred because they are a ready source of cash and have no costs.
5. d. Allocations: The amounts that are deducted from the total profit to meet a possible emergency during the next financial period, but the amount or the time of occurrence is not known accurately, and it differs from the periodic expenses that are precisely measured and determined, and they are charged in whole or in part to the revenues of the period. According to its share.

Second: External Sources

Deposits of all five types are the main source of external financial resources for Islamic banks, which rely heavily on them to cover their activities and to employ and invest funds, which can be clarified as follows:

1. Current deposits (demand deposits): They are the money deposited by their owners with the Islamic bank that undertakes to return it or refund its value without interest or interest, and it remains at the disposal of its owners so that they can resort to it whenever they want and without prior notice, and this type of deposit represents less Ratio compared to other types
2. Investment deposits: They are the funds owned by their owners who cannot invest them themselves, so they deposit them with the Islamic bank that invests them or grants them to whoever does this according to the participation and loss system. Therefore, the bank

guarantees these deposits and the owners of their investment accounts receive returns greater than those obtained by the holders of savings accounts. , because these amounts are relatively large and investment accounts are available with banks (8), and the percentage of these deposits represents the highest financial investment in the Islamic bank, and it varies from one Islamic bank to another, ranging between (74% - 95%)

3. Term deposits (fixed): They are deposits that are linked to a specific term and their owners are not allowed to withdraw from them before the expiry of the specified period. These deposits represent the most important sources of funding for traditional banks that compete to obtain the largest amount of these accounts, and due to the stability of these accounts , the Islamic bank invests the largest part of it, and keeps the remaining part in cash to face withdrawals from it.

The second topic: analysis of the reality of the Iraqi Islamic Bank.

First: The evolution of the uses of the financial resources of the Iraqi Islamic Bank for the period (2004-2020) Evolution of short-term and long-term financial investments for the period (2004 – 2020) It is the sum of the financial and real estate investments made by the bank, and it includes long-term financial investments by contributing to the capital of companies, and short-term financial investments in buying and selling shares called investment (investment portfolio) It is clear from Table (11) that investments have increased from (231) billion dinars in (2004) to (619) million dinars in (2005), with an annual rate of change of (167.96%) due to the expansion of the bank's investments in the field of real estate investments, which amounted to (226) billion dinars and long-term financial investments in the capital of companies, which amounted to (58) billion dinars, and short-term financial investments or the investment portfolio, which are made through buying and selling shares, which amounted to (173) million dinars (9)

In the years (2006-2007) it witnessed a rise to (1.169, 2.546) billion dinars, respectively, with annual rates of change of (88.8%, 117.79%), as the bank's investments were limited to investing in buying and selling shares as a short-term investment with a value of (316,787) billion dinars. , with the investment in corporate capital as a long-term investment with a value of (150) billion dinars, respectively, and that the bank is currently entering into various investments in order to achieve profits, in addition to expanding the sale and purchase of shares through the bank's securities office by increasing the volume of investments In this field, while it witnessed a decrease to (1.455) billion dinars in (2008), the total investments decreased to (1.455) billion dinars with a negative annual change rate of (42.85%) due to the bank's restriction to the activity of long-term financial investments in the capital of companies (Shares of companies) and the failure to achieve short-term financial investments, i.e. his failure to buy and sell shares, as well as real estate investments, while it rose to (5.456) million dinars in (2009) and at an annual rate of change of (274.98%). The increase in real estate investments and long-term investment time in the capital of companies, as well as an increase in short-term investments in buying and selling shares, then it rose to (6.223) billion dinars in (2010) with an annual change rate of (14.05%) due to the high cost of real estate investments represented in Hajj Fathi

Building (10)

And in the years (2011, 2012, 2013) it witnessed a continuous rise to reach (6.373, 29.537, 42.133) million dinars, respectively, with annual rates of change of (2.41%, 363.47%, 42.64%) respectively due to the concentration of the bank's investments on three types of investments. (Real estate, financial and commercial investments) and the employment of shares in the main economic sectors (agricultural, services, hotels, industrial, insurance and the financial sector) In (2014) it witnessed a decline of about (38.740) billion dinars with a negative annual change rate of (8.05%) due to the decline in all three components of investments (real estate, long-term investments and the investment portfolio) and the balance of commercial investments as a result of being affected by the deteriorating security and economic situation, especially After the entry of terrorism into the occupied territories And the collapse of crude oil prices to below (50) dollars per barrel in the global market, which was reflected in the general budget deficit and the low rates of economic growth, and thus reflected negatively on the investment activity of the bank after the account of some shareholders and investors with the bank. While it witnessed a rise to (44.515) billion dinars in (2015) due to the entry of new investors with the bank to employ their securities in order to obtain a return and increase production capacity, while the year (2020) witnessed an increase of about (15.198) billion dinars at an annual rate of change (48.50%) As for commercial investments, the bank started working in them in (2012), reaching (17.670) billion dinars in (2012), then it rose to (27.817) billion dinars in (2013) due to the entry of commercial companies with the bank for the purpose of employing their money and obtaining returns, while it decreased to (24.379) billion dinars in (2014) due to the Iraqi economy being subjected to a double shock (economic and security), which was reflected on the bank's performance. While it rose to (29.261) billion dinars in (2015)

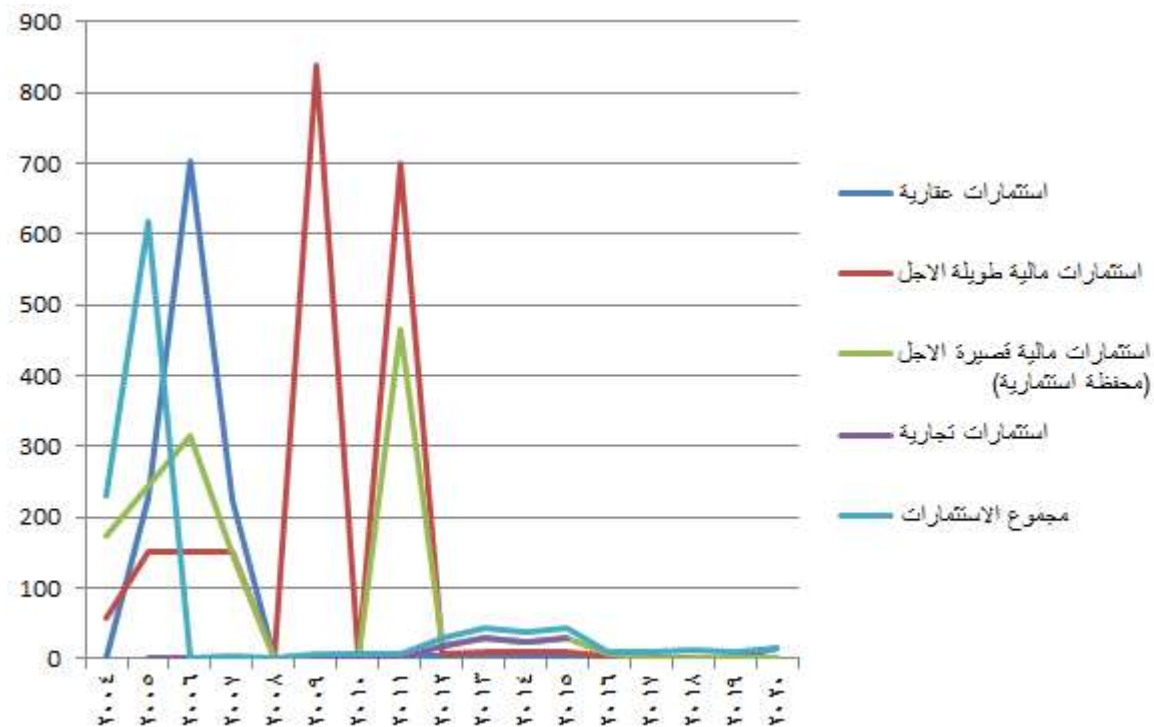
Table (11) The development of investments at the Iraqi Islamic Bank (million dinars)

| Annual rate of change% | total investment | business investments | Short-term financial investments (investment portfolio) | long-term financial investments | Real Estate Investments | the years |
|------------------------|------------------|----------------------|---|---------------------------------|-------------------------|-----------|
| ---- | 231 | | 173 | 58 | - | 2004 |
| 167.96 | 619 | - | 243 | 150 | 226 | 2005 |
| 88.85 | 1.169 | - | 316 | 150 | 702 | 2006 |
| 117.79 | 2.546 | - | 147 | 150 | 224 | 2007 |
| -42.85 | 1.455 | - | - | 1.455 | - | 2008 |
| 274.98 | 5.456 | - | - | 839 | 4.617 | 2009 |
| 14.05 | 6.223 | - | - | 1.016 | 5.206 | 2010 |
| 2.41 | 6.373 | - | 466 | 700 | 5.206 | 2011 |
| 363.47 | 29,537 | 17,670 | 18,041 | 6.677 | 4.817 | 2012 |
| 42.64 | 42.133 | 27,817 | 28.271 | 8.599 | 5.261 | 2013 |
| -8.05 | 38,740 | 24,379 | 24,833 | 8.818 | 5.083 | 2014 |
| 14.90 | 44.515 | 29.261 | 29,704 | 10.017 | 4.792 | 2015 |

| | | | | | | |
|---------|--------|--|-------|-------|--------|------|
| 3.71 | 10.164 | | 7.403 | 2.761 | - | 2016 |
| -6.65 | 9,488 | | - | - | - | 2017 |
| 30.24 | 12,358 | | - | - | - | 2018 |
| - 17.18 | 10.234 | | - | - | - | 2019 |
| 48.50 | 15.198 | | - | - | 15.198 | 2020 |

Source: Prepared by the researcher, based on the annual reports of the Iraqi Islamic Bank, for the period (2004 -2020)

Figure (3)The development of investment at the Iraqi Islamic Bank for the period (2004 - 2020)



Source: Prepared by the researcher based on the data in Table (11)

The bank’s investments in the cash credit of the Iraqi Islamic Bank for the period (2004-2020)It is also called Islamic finance, and its objective is to finance economic and social development projects and depends on the foundations of Islamic banking. Therefore, the bank’s finances (loans) were in accordance with the provisions of Islamic Sharia, and it includes financing by Murabaha and Mudaraba, Istisna’a and Musharaka. It is clear from the data of Table (13) that Islamic finance (credit The direct cash) of the Iraqi Islamic Bank has increased from (1.730) billion dinars in (2004) to (3.499) billion dinars in (2005) with an annual change rate of (102.25%), and the participation amounted to (90) billion dinars and the Murabaha (1.640) billion dinars. Because of seeking to finance customers and development projects, and financing trade operations (import and export), then cash credit rose to (353) billion dinars in (2006) and an annual rate of change of (89.91%), but cash credit decreased to (228) billion dinars in In (2007), with a negative annual change rate of (35.41%), the Murabaha financing also decreased to (228) billion dinars due to the reflection of the deteriorating and unstable

security and political conditions at the time, which led to the withdrawal of liquidity from banks in general and the Iraqi Islamic Bank in particular. The following was reflected in the decrease in the volume of cash credit for this year, but the cash credit rose to (916) billion dinars in (2008), and at an annual rate of change of (301.75%) due to the increase in demand for loans and financing by customers (individuals and companies) and projects to finance their needs and meeting their requirements after the improvement of the security situation in the country, in addition to granting cash credit to finance economic and social development projects in the Iraqi economy, while it decreased to (4.913) billion dinars in (2009) and at an annual rate of change of (436.35%) due to the reflection of the effects of the global financial crisis. The year (2008) affected international banks in general and Iraqi banks in particular, as well as what the Iraqi economy witnessed a decrease in oil prices, a decrease in the rate of economic growth and a budget deficit, which was reflected in the deterioration of banking activity, a decrease in deposits and a decrease in the volume of liquidity in most banks, and consequently, the bank's ability to grant Credit and financing of customers.

In the years (2010-2013), it witnessed a continuous rise to reach (15,786, 46.825, 83.979, 114,401) billion dinars, respectively, at annual rates of change of (221.31%, 82.59%, 97.14%, 99.36), respectively due to the improvement in the country's economic and financial situation after an improvement Oil prices, an increase in deposits and the volume of cash flow with Iraqi banks in general and Islamic banks in particular, and an increase in the demand for cash credit by production and service projects to finance their invasions and their requirements, such as directed loans, as well as the directives of the Central Bank of Iraq to Islamic banks to grant loans to investment projects to develop the local economy Including (murabaha financing, financing of the industrial sector, factories, workshops and workshops, services sector, health sector, education sector, commercial sector, tourism and hotels sector), while cash credit decreased to (120.639) billion dinars in (2016) with a negative annual change rate of (5.74.%) As for the years (2017, 2018), cash credit witnessed a decrease to (112,886, 60,019) billion dinars, respectively, with negative annual rates of change of (6.42%, 46.83%), respectively due to the increase in deposits and the volume of cash flow with the bank after the improvement in the security and economic situation and the rise in Oil prices and the bank granting cash credit to small and medium enterprises and after the Central Bank of Iraq directed to grant (1,000) billion Iraqi dinars to those projects to develop the national economy, support production capacity and solve the unemployment problem in (2017), as well as support the economic sectors (tourism, hotels, trade, Education) and the financing of educational institutions and humanitarian organizations. As for the Murabaha section, it witnessed a continuous decrease (69.809, 59.785, 58.327) billion dinars due to non-payment of payments by customers. While it rose to (144.800) billion dinars in (2020) with an annual change rate of (147.54%) due to the deterioration of the health situation as a result of the spread of the Corona pandemic and the imposition of a comprehensive curfew, which was reflected in the decrease in the level of economic and banking activity, and despite the deterioration of the deteriorating health and economic conditions. The bank finances projects and employs manpower.

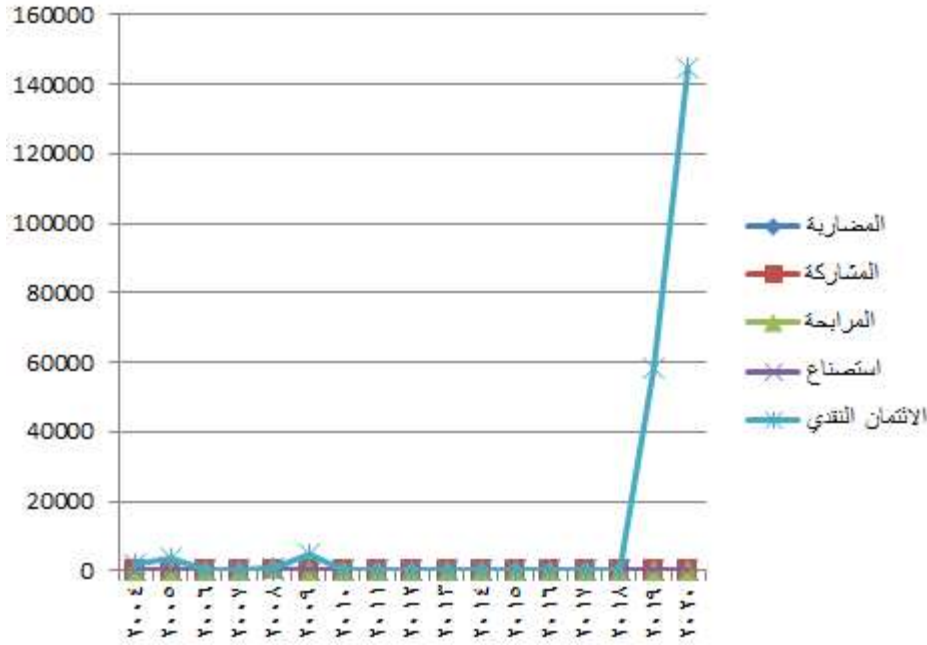
Table (2) The evolution of the monetary credit components of the Iraqi Islamic Bank (billion

dinars)

| Annual rate of change% | cash credit | Istisna' | Murabaha | Share | speculation | the years |
|------------------------|-------------|----------|----------|--------|-------------|-----------|
| ---- | 1,730 | - | 1.640 | 90 | - | 2004 |
| 102.25 | 3,499 | - | 3.465 | 34 | - | 2005 |
| 89.91 | 353 | - | 353 | - | - | 2006 |
| -35.41 | 228 | - | 228 | - | - | 2007 |
| 301.75 | 916 | - | 916 | - | - | 2008 |
| 436.35 | 4,913 | - | 4.913 | - | - | 2009 |
| 221.31 | 15.786 | - | 15.786 | - | - | 2010 |
| 82.59 | 46.825 | - | 28,825 | - | 18,000 | 2011 |
| 97.14 | 83.979 | - | 56,826 | 15,000 | 12.144 | 2012 |
| 36.22 | 114,401 | - | 113,292 | - | 1.109 | 2013 |
| -9.88 | 102.097 | 121 | 101.976 | - | - | 2014 |
| 11.74 | 114.09 | 121 | 84.607 | 29.261 | - | 2015 |
| 5.74 | 120.639 | 121 | 68.730 | 51.788 | - | 2016 |
| -6.42 | 112.886 | 412 | 69.809 | 52,665 | - | 2017 |
| -46.83 | 60.019 | 160 | 59.785 | 74.106 | - | 2018 |
| -2.54 | 58,494 | 35 | 58.327 | 132 | - | 2019 |
| 147.54 | 144,800 | 28 | 144,772 | - | - | 2020 |

Source: Prepared by the researcher, based on the annual reports of the Iraqi Islamic Bank, for the period (2004 – 2020)

Figure (2) The evolution of the cash credit of the Iraqi Islamic Bank for the period (2004-2020)



Source: Prepared by the researcher based on the data in Table (3)

The third topic: evaluating the financial performance of the Iraqi Islamic Bank

Performance indicator analysis of the Iraqi Islamic Bank

The financial statements for the period (2004-2020) will be analyzed using indicators to evaluate the performance of the Iraqi Islamic Egypt for Investment and Development and the necessary budget for the average performance indicators, which enables us to analyze the indicators of profitability - liquidity - employment

First: Profitability Indicator

It is one of the important indicators that indicate the extent to which the bank’s management has succeeded in achieving profits from deposits received from customers. It measures the return achieved by the bank, indicating the efficiency of investment and operating decisions in banking operations. It also indicates the achievement of profits from its available funds represented in the right of ownership and deposits as follows:

A- The rate of return to equity: It is considered one of the important indicators for owners and shareholders, as it measures the rate of return achieved on the investment of shareholders’ funds. It is considered from the banking efficiency to achieve profits ranging from (5-20%) in the normal conditions of the financial sectors, i.e. periods that do not witness crises (12). It depends on the efficiency of recruitment and investment. It is calculated according to the following equation:

$$\text{Return on Equity} = \text{Distributable Profit} / \text{Total Assets}$$

Table (3) Ratio of return to assets for the period (2004-2020)

| rate of return on assets | | | | |
|--------------------------|--------------------------|----------------------|--------------|----------|
| average | Rate of Return on assets | Distributable profit | total assets | the year |
| | | | | |

| | | | | |
|---------|---------|-------------|----------------|------|
| 0.01681 | 0.00388 | 67,187,287 | 17,300,351,616 | 2004 |
| | 0.01081 | 446,728,071 | 41,314,168,377 | 2005 |
| | 0.00575 | 255,288,733 | 44,393,616,887 | 2006 |
| | 0.00037 | 16,872,138 | 45,778,627,759 | 2007 |
| | 0.00387 | 03,523,446 | 52,568,725,172 | 2008 |
| | 0.00729 | 618,771,742 | 84,845,675,330 | 2009 |
| | 0.00124 | 99,200,851 | 80,272,842,318 | 2010 |
| | 0.04107 | 12,735,005 | 310,103,679 | 2011 |
| | 0.07150 | 26,719,551 | 373,682,873 | 2012 |
| | 0.07330 | 33,385,189 | 455,486,699 | 2013 |
| | 0.01813 | 8,546,555 | 471,442,666 | 2014 |
| | 0.01605 | 7,678,153 | 478,478,052 | 2015 |
| | 0.01556 | 6,958,038 | 447,196,700 | 2016 |
| | 0.01509 | 7,088,260 | 469,739,636 | 2017 |
| | 0.00999 | 5,039,911 | 504,542,790 | 2018 |
| | 0.01526 | 11,932,699 | 782,159,287 | 2019 |
| | 0.01888 | 15,221,162 | 806,091,845 | 2020 |

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

It is clear from Table (3) that the average value of the rate of return on assets amounted to (0.01681%). We note that there are three years, a rate higher than the general average was achieved in five years (2011-2012-2013-2014-2020) from 17 years in a sample Research and this indicates that the bank is able to record ratios higher than the average and has the ability to employ optimal assets and create profits. The year (2004-2006-2007-2008-2009) recorded a negative value, and this is a natural result of the effects of the war on Iraq that did not affect the bank, but on Iraq as a whole, and we see that there are high rates in the period (2011-2013) to return and start to decline and come This is due to the terrorist operations that Iraq witnessed, which affected investment and the significant increase in assets also played a role, as the value of assets reached (310,103,679) in 2011, while its value reached (806.091,845) in the year 2020, an increase of 2.6%.

Figure (4) The general average of the rate of return to assets

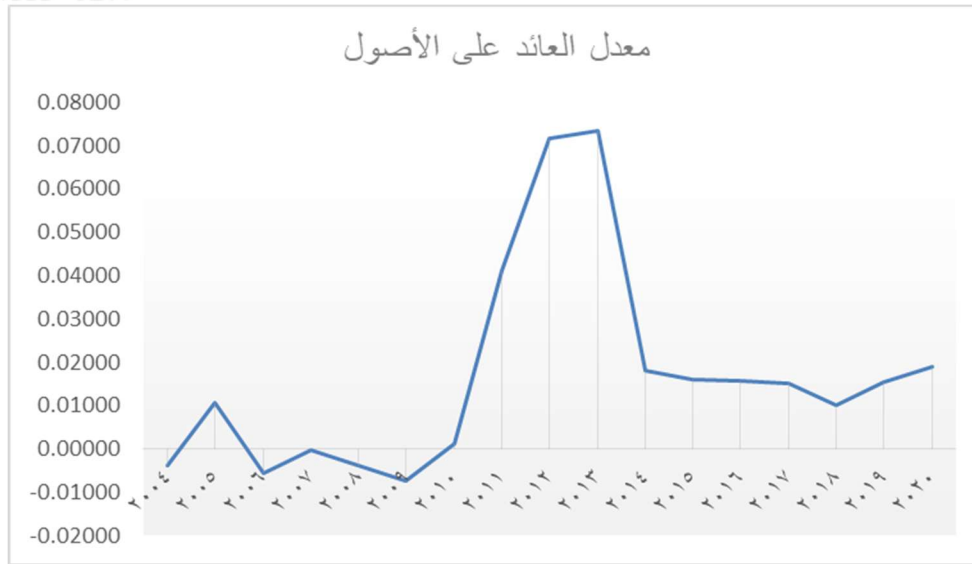


Figure prepared by the researcher based on the data in Table (21)

b- The rate of return on deposits: This indicator measures the return achieved from the investment and investment of funds deposited with the bank. It is an important criterion for depositors and shareholders and is calculated according to the following equation:

$$\text{Rate of return on deposits} = \text{distributable profit} / \text{total deposits.}$$

Table (4) The rate of return to deposits for the period (2004-2020)

| rate of return on deposit | | | | |
|---------------------------|-----------|-------------|-------------------|----------|
| average | The ratio | The ratio | total and deposit | the year |
| 0.04175 | -0.00889 | 67,187,287 | 7,558,754,711 | 2004 |
| | 0.03236 | 446,728,071 | 13,805,848,854 | 2005 |
| | -0.01494 | 255,288,733 | 17,084,017,090 | 2006 |
| | -0.00087 | 16,872,138 | 19,481,044,709 | 2007 |
| | -0.00765 | 203,523,446 | 26,592,286,323 | 2008 |
| | -0.01931 | 618,771,742 | 32,041,512,148 | 2009 |
| | 0.00389 | 99,200,851 | 25,488,086,452 | 2010 |
| | 0.06692 | 12,735,005 | 190,311,486 | 2011 |
| | 0.06692 | 26,719,551 | 173,067,361 | 2012 |
| | 0.17018 | 33,385,189 | 196,173,980 | 2013 |
| | 0.04670 | 8,546,555 | 183,006,837 | 2014 |
| | 0.04100 | 7,678,153 | 187,271,605 | 2015 |
| | 0.04927 | 6,958,038 | 141,221,593 | 2016 |
| | 0.06124 | 7,088,260 | 115,751,406 | 2017 |
| | 0.03104 | 5,039,911 | 162,344,515 | 2018 |
| | 0.04232 | 11,932,699 | 281,968,916 | 2019 |
| | 0.06212 | 15,221,162 | 245,026,332 | 2020 |

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

The average return in the research sample was (0.04175%), and by looking at the above table, we note that the bank has exceeded the average in four years (2011-2012-2013-2017-2020). It reached /245,026,332 / Iraqi dinars in the year 2020, and this indicates the extent of the bank's efficiency in collecting deposits and employing them in profitable forms.

Figure (5) The general average of the rate of return to assets



The rate of return on available funds

This indicator refers to measuring the bank's ability to achieve profits from operating the resources available to it in financing assets. The available resources are money in the fund, banks returning to equity and deposits. It also measures the efficiency of the bank's management in making a profit from the funds available to it. Achieving a profit from investing money in profitable assets (13) and the rate is calculated by the following equation:

Rate of return on available funds = distributable profit / money in the fund and banks

Table (5) The ratio of the rate of return to available funds for the period (2004-2020)

| rate of return on deposit | | | | |
|---------------------------|-----------|----------------------|------------------------------|----------|
| average | The ratio | Distributable profit | Money in the chest and banks | the year |
| 0.04143 | -0.02184 | - 67,187,287 | 3,076,977,250 | 2004 |
| | 0.03334 | 994,059,964 | 29,818,528,151 | 2005 |
| | -0.00847 | - 255,288,733 | 30,152,715,496 | 2006 |
| | -0.00087 | - 16,872,138 | 19,481,044,709 | 2007 |
| | -0.00765 | - 203,523,446 | 26,592,286,323 | 2008 |
| | -0.01931 | - 618,771,742 | 32,041,512,148 | 2009 |
| | 0.00389 | 99,200,851 | 25,488,086,452 | 2010 |
| | 0.06692 | 12,735,005 | 190,311,486 | 2011 |
| | 0.15439 | 26,719,551 | 173,067,361 | 2012 |

| | | | | |
|--|---------|-------------|-------------|------|
| | 0.17018 | 33,385,189 | 196,173,980 | 2013 |
| | 0.04670 | 8,546,555 | 183,006,837 | 2014 |
| | 0.04100 | 7,678,153 | 187,271,605 | 2015 |
| | 0.04927 | 6,958,038 | 141,221,593 | 2016 |
| | 0.06124 | 7,088,260 | 115,751,406 | 2017 |
| | 0.03104 | 162,344,515 | 162,344,515 | 2018 |
| | 0.04232 | 11,932,699 | 281,968,916 | 2019 |
| | 0.06212 | 15,221,162 | 245,026,332 | 2020 |

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

By looking at the data in Table (5), we note that the average amounted to (0.04143%), and this indicates the efficiency of the bank's management and employees to use the available resources to make a profit.

Figure (5) The general average of the rate of return on available funds



Figure prepared by the researcher based on the data in Table (23)

Second: Liquidity Indicators

A- Trading Ratio: This criterion reflects the extent to which the productive unit can meet the current liabilities of its current assets in the short term. The current ratio expresses the number of times the current assets cover the current liabilities. The typical ratio of trading is (1:2), which is the desired ratio to judge the extent of the bank's ability to meet its obligations. This indicator is calculated according to the following equation: $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$

Table (6) Trading Percentage for the Period (2004-2020)

| rate of return on deposit | | | | |
|---------------------------|----------------|---------------------|--------------|----------|
| average | turnover ratio | Current liabilities | total assets | the year |

| | | | | |
|---------|---------|----------------|----------------|------|
| 1.92448 | 1.37332 | 12,540,721,781 | 17,222,421,853 | 2004 |
| | 2.36789 | 15,152,202,380 | 35,878,782,202 | 2005 |
| | 2.09046 | 18,540,182,713 | 38,757,579,907 | 2006 |
| | 2.00850 | 20,021,167,900 | 40,212,491,536 | 2007 |
| | 1.76646 | 24,485,866,678 | 43,253,319,744 | 2008 |
| | 1.53623 | 51,657,974,716 | 79,358,692,896 | 2009 |
| | 2.60332 | 28,514,541,751 | 74,232,502,383 | 2010 |
| | 1.51716 | 195,417,002 | 296,478,926 | 2011 |
| | 1.79878 | 198,189,262 | 356,499,267 | 2012 |
| | 1.96228 | 223,760,031 | 439,080,061 | 2013 |
| | 2.18108 | 207,585,842 | 452,760,901 | 2014 |
| | 2.21315 | 206,572,440 | 457,176,240 | 2015 |
| | 2.41025 | 176,575,025 | 425,589,696 | 2016 |
| | 2.27983 | 192,708,118 | 439,342,486 | 2017 |
| | 1.89296 | 238,965,275 | 452,352,380 | 2018 |
| | 1.34270 | 503,089,583 | 675,496,502 | 2019 |
| | 1.37181 | 481,757,209 | 660,880,946 | 2020 |

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

By reading the data in Table (6), we note that the average amounted to (1.92448%) and this percentage has been exceeded in 10 years out of the 17-year sample size, which indicates the strength and ability of the bank to fulfill its obligations towards others.

Figure (6) The general average of the turnover ratio



Figure prepared by the researcher based on the data in Table (6)

B- Ratio of deposits to total bank financing: It measures the extent to which the total bank financing covers short and long-term deposits. It is considered an important indicator for depositors wishing to open accounts with the bank because it measures the extent of the bank's commitment to cover withdrawals in the event that customers want to withdraw their money

from the bank and it is calculated according to the following equation:

Core Deposits to Total Financing = Total Deposits / Total Bank Financing

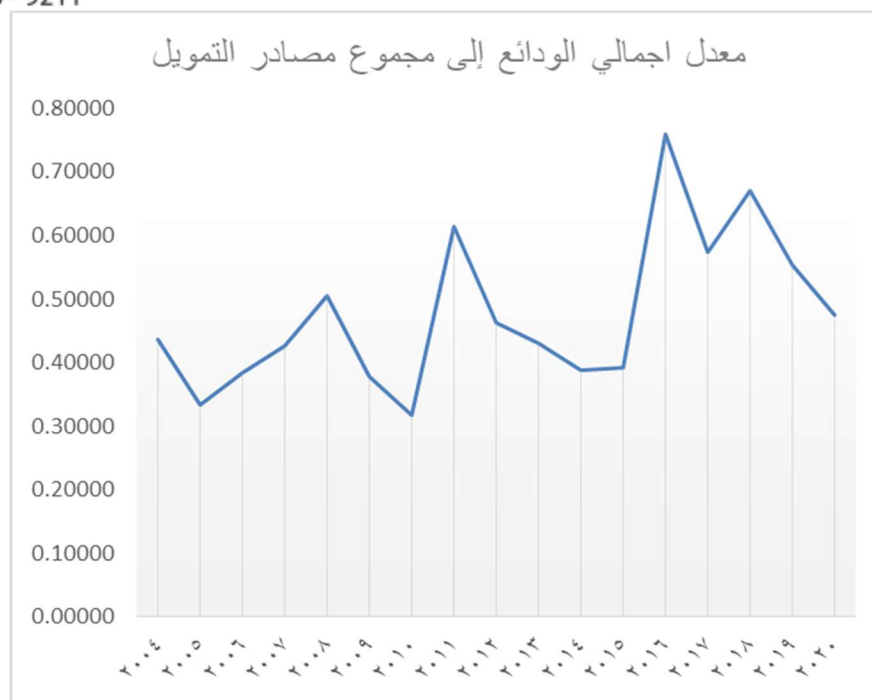
Table (7) Basic Deposits to Total Funding (2004-2020)

| average | The ratio | Current accounts and deposits | Total sources of bank financing | the year |
|---------|-------------|-------------------------------|---------------------------------|----------|
| 0.47649 | 0.43691 | 7,558,754,711 | 17,300,351,616 | 2004 |
| | 0.33417 | 13,805,848,854 | 41,314,168,377 | 2005 |
| | 0.38483 | 17,084,017,090 | 44,393,616,887 | 2006 |
| | 0.42555 | 19,481,044,709 | 45,778,627,759 | 2007 |
| | 0.50586 | 26,592,286,323 | 52,568,725,172 | 2008 |
| | 0.37764 | 32,041,512,148 | 84,845,675,330 | 2009 |
| | 0.31752 | 25,488,086,452 | 80,272,842,318 | 2010 |
| | 0.61370 | 190,311,486 | 310,103,679 | 2011 |
| | 0.46314 | 173,067,361 | 373,682,873 | 2012 |
| | 0.43069 | 196,173,980 | 455,486,699 | 2013 |
| | 0.38818 | 183,006,837 | 471,442,666 | 2014 |
| | 0.39139 | 187,271,605 | 478,478,052 | 2015 |
| | 0.75948 | 141,221,593 | 185,945,674 | 2016 |
| | 0.57306 | 115,751,406 | 201,987,549 | 2017 |
| | 0.67100 | 162,344,515 | 241,945,492 | 2018 |
| | 0.55286 | 281,968,916 | 510,019,376 | 2019 |
| 0.47440 | 245,026,332 | 516,497,785 | 2020 | |

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

We note from our reading of the data in Table (7) that the average amounted to (0.47649%), and this indicates that the liquidity ratio of the bank is high, which encourages customers to deposit their money with the bank. We note that this percentage has been exceeded in six years of the research sample, which indicates the The bank's power to pay its obligations towards its customers and depositors.

Figure (7) The general average of the turnover ratio



The figure was prepared by the researcher based on the data in Table (7)

C- Temporary Investment Ratio (Quick Liquidity) This criterion measures the bank’s ability to meet its current obligations in the short term, with the exception of what can be converted from assets to cash, and it is calculated according to the following equation:

$$\text{Temporary Investment Ratio} = \text{Total Current Assets} / \text{Total Liabilities}$$

Table (8) Temporary Investment Percentage (2004-2020)

| average | The ratio | Total Liabilities | Total current assets | the year |
|---------|-----------|-------------------|----------------------|----------|
| 0.87183 | 0.99550 | 17,300,351,616 | 17,222,421,853 | 2004 |
| | 0.86844 | 41,314,168,377 | 35,878,782,202 | 2005 |
| | 0.87304 | 44,393,616,887 | 38,757,579,907 | 2006 |
| | 0.87841 | 45,778,627,759 | 40,212,491,536 | 2007 |
| | 0.82280 | 52,568,725,172 | 43,253,319,744 | 2008 |
| | 0.93533 | 84,845,675,330 | 79,358,692,896 | 2009 |
| | 0.92475 | 80,272,842,318 | 74,232,502,383 | 2010 |
| | 0.95606 | 310,103,679 | 296,478,926 | 2011 |
| | 0.95402 | 373,682,873 | 356,499,267 | 2012 |
| | 0.96398 | 455,486,699 | 439,080,061 | 2013 |
| | 0.96037 | 471,442,666 | 452,760,901 | 2014 |
| | 0.95548 | 478,478,052 | 457,176,240 | 2015 |
| | 0.93542 | 447,196,700 | 418,318,923 | 2016 |
| | 0.95668 | 459,235,016 | 439,342,486 | 2017 |
| | 0.90515 | 499,754,874 | 452,352,380 | 2018 |
| | 0.87886 | 768,605,528 | 675,496,502 | 2019 |

| | | | | |
|--|---------|-------------|-------------|------|
| | 0.84732 | 779,968,479 | 660,880,946 | 2020 |
|--|---------|-------------|-------------|------|

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

We note from the data table (8) that the average amounted to (0.87183%), and this reflects that the quick liquidity ratio in the bank is high, and the ratio has increased in 12 years than the average out of the research sample.

Figure (8) Temporary Investment



Figure prepared by the researcher based on the data in Table (26)

Third: Employment Indicator:

Resource Employment Rate:

It means resources (deposits + equity) that express the main source of funds in many banks, and this rate is calculated by dividing the total investments by the total resources.

$$(\text{Total Investments}) / (\text{Ownership Equity} + \text{Deposits}) = \text{Resource Employment Rate} \times 100$$

Table (9) Resource Employment Rate (2004-2020)

| average | The ratio | Investments | Deposits + Equity | the year |
|---------|-----------|---------------|-------------------|----------|
| 0.04886 | 0.01881 | 231,698,602 | 12,318,384,546 | 2004 |
| | 0.01551 | 619,972,066 | 39,967,814,851 | 2005 |
| | 0.02724 | 1,169,733,870 | 42,937,451,264 | 2006 |
| | 0.05628 | 2,546,228,036 | 45,238,504,568 | 2007 |
| | 0.00664 | 338,942,174 | 51,078,153,001 | 2008 |
| | 0.06518 | 5,456,244,099 | 83,709,486,864 | 2009 |
| | 0.08116 | 6,223,221,698 | 76,680,086,452 | 2010 |
| | 0.02090 | 6,373,221 | 304,998,163 | 2011 |
| | 0.08474 | 29,537,482 | 348,560,972 | 2012 |

| | | | | |
|--|---------|------------|-------------|------|
| | 0.09847 | 42,133,278 | 427,900,648 | 2013 |
| | 0.08669 | 38,740,727 | 446,863,661 | 2014 |
| | 0.09695 | 44,515,300 | 459,177,217 | 2015 |
| | 0.02661 | 10,709,483 | 402,472,619 | 2016 |
| | 0.02604 | 9,988,289 | 383,503,493 | 2017 |
| | 0.02908 | 12,358,262 | 424,941,813 | 2018 |
| | 0.01847 | 10,234,597 | 554,108,827 | 2019 |
| | 0.07192 | 38,450,000 | 534,620,392 | 2020 |

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

We note that the average amounted to (0.04886%) and this percentage indicates the extent to which the bank exploits its resources and operates them in the best way, and the decline and rise that we are witnessing in the following figure comes due to the economic and political conditions of the country and we had previously mentioned about them.

Figure (9) Resource Employment Rate



The figure was prepared by the researcher based on the data in Table (9)

B- Deposit Employment Rate: This rate indicates the extent of the efficiency and ability of the bank to operate its deposits. Its importance comes in the fact that deposits, especially investment ones, are paid interest on them to depositors, so it is necessary to operate them in order to achieve profits. However, this indicator is defective in that it does not take into account all available funds. It only takes deposits and is calculated through the following mathematical equation:

$$\text{Deposit Employment Ratio} = \text{Total Investments} / \text{Total Deposits}$$

Table (10) Deposit Employment Rate (2004-2020)

| average | The ratio | Investments | total and deposit | the year |
|---------|-----------|-------------|-------------------|----------|
| 0.11721 | 0.07530 | 231,698,602 | 3,076,977,250 | 2004 |
| | 0.02079 | 619,972,066 | 29,818,528,151 | 2005 |

| | | | | |
|--|---------|---------------|----------------|------|
| | 0.03879 | 1,169,733,870 | 30,152,715,496 | 2006 |
| | 0.13070 | 2,546,228,036 | 19,481,044,709 | 2007 |
| | 0.01275 | 338,942,174 | 26,592,286,323 | 2008 |
| | 0.17029 | 5,456,244,099 | 32,041,512,148 | 2009 |
| | 0.24416 | 6,223,221,698 | 25,488,086,452 | 2010 |
| | 0.03349 | 6,373,221 | 190,311,486 | 2011 |
| | 0.17067 | 29,537,482 | 173,067,361 | 2012 |
| | 0.21478 | 42,133,278 | 196,173,980 | 2013 |
| | 0.21169 | 38,740,727 | 183,006,837 | 2014 |
| | 0.23770 | 44,515,300 | 187,271,605 | 2015 |
| | 0.07583 | 10,709,483 | 141,221,593 | 2016 |
| | 0.08629 | 9,988,289 | 115,751,406 | 2017 |
| | 0.07612 | 12,358,262 | 162,344,515 | 2018 |
| | 0.03630 | 10,234,597 | 281,968,916 | 2019 |
| | 0.15692 | 38,450,000 | 245,026,332 | 2020 |

The table was prepared by the researcher based on the annual financial reports of the Iraqi Islamic Bank for Investment and Development for the period (2004-2020)

Through the data contained in Table (10), we see that the average amounted to (0.11721%) and we see that this rate was exceeded during the eight years of the study sample, and this indicates the extent of the bank's ability to employ deposits.

Figure (16) Deposit Employment Rate



Figure prepared by the researcher based on the data in Table (28)

Conclusions and recommendations

Conclusions

1. Islamic banks are financial institutions that accept deposits and accept loans, but do not deal with usury, but rather deal with the principle of good loan in order to achieve social and economic development and activate the zakat system in society.

2. The capital of the Iraqi Bank witnessed a clear growth for the period (2004 - 2013), while the period (2014 - 2020) witnessed stability due to the decision of the Central Bank of Iraq to install the capital of private banks.
3. Deposits witnessed a clear growth during the years of research due to the bank's success in following a successful policy in attracting customers and depositing their money with the bank.
4. The results of the research showed that the financial performance indicators (profitability, liquidity and employment) were good results and indicate the efficiency of the bank in its activities.

Recommendations

1. Encouraging customers to deposit their money in Islamic banks to spread awareness among customers and their interest in bank deposits.
2. Work on the development of Islamic banking activities through the role of the Central Bank of Iraq to undertake the task of obligating Islamic banks to follow modern technologies in banking operations such as the use of the electronic payment card.
3. Continuous auditing and follow-up of the banks' financial statements to assess the bank's financial performance.
4. The Central Bank of Iraq to develop a specific plan to face the risks faced by the bank suddenly and unexpectedly.

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