# The impact of ISIL and COVID-19 on the financial performance of banks listed on the iraq stock exchange: A comparative study

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## Abstract

This study aims to demonstrate the impact of the ISIL crisis and the COVID-19 pandemic crisis on the financial performance of banks listed on the Iraq Stock Exchange by comparing the profitability ratios of the banks in the research sample. In order to achieve this aim, a sample of 10 banks listed on the Iraq Stock Exchange was selected for the period 2011-2021. Using annual financial reports for the periods before and after the emergence of ISIS. Before and after the emergence of the COVID-19 pandemic, the profitability ratios were extracted (represented by return on assets, equity, and deposits). The research problem was to study and compare the impact of the successive crises (the ISIL crisis and COVID-19) that Iraq was exposed to on the financial performance of the banking sector. The study concluded that the ISIL crisis impacts the financial performance of banks listed on the Iraqi Stock Exchange, while the Covid-19 crisis does not impact banks' financial performance. Based on this, the results showed a difference in the impact between the ISIL and COVID-19 crises and banking financial performance, so there is a need for bank administrations to study future forecasts of exceptional circumstances and take them into account to face future crises that may occur.

## Introduction

The banking sector is one of the critical sectors, as it represents an essential link in the development of Qatar's financial system and reflects its economic and financial systems. Therefore, this sector seeks financial and monetary policies to maximize profits. With the development of societies and the expansion of global markets, banks and financial institutions need structured information and financial indicators to be based on when making decisions, so the assessment of financial performance is one of the aspects that have received wide attention from investors, government agencies and others for the role it plays in making investment decisions and monitoring the public safety of the financial sector.

Accordingly, analyzing financial information has become essential to reach indicators that help predict future events. In Iraq, an emerging country, the financial market is experiencing wide fluctuations due to many factors related to the nature of the Iraqi financial market environment. Iraq has gone through many crises and setbacks, which have caused a decline in economic and living conditions since 2014, the most important of which is the ISIL crisis and the COVID-19 pandemic crisis. Therefore, there is a need to assess the financial performance of banks through the use of financial

performance indicators that show the actual performance of the bank, as the banking sector is one of the sectors that respond to financial and global changes and the accompanying crises and serious repercussions, so it was chosen as research. In order to achieve the objective of research and hypothesis testing, the research was divided into three sections (the first section is Research Methodology and previous studies, the second section is theoretical framework of financial performance and the ISIL and COVID-19 crises, the third section is the practical side that clarifies the reality of financial performance represented by profitability indicators for banks before and after the ISIL and covid-19 crises). Finally, the research was concluded with a set of conclusions and recommendations on the impact of these crises on the financial performance of banks.

## research problem

Banks are one of the main pillars on which countries rely in developing their economy because they play an essential and influential role in activating all sectors that contribute to building each country's economy. Therefore, any bank malfunction will be negatively reflected in the national economy and the welfare of society. Iraq has witnessed many crises, including the ISIL crisis and the COVID-19 pandemic crisis, which may have an impact on

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banking financial performance, so the problem of research is centered on the following questions:

• Is there an impact of the ISIL crisis on the financial performance (profitability) of banks listed on the Iraq Stock Exchange?

• Is there an impact of the COVID-19 pandemic crisis on the financial performance (profitability) of banks listed on the Iraq Stock Exchange?

• Is there a difference in the impact between the ISIL and COVID-19 pandemic crises on the financial performance (profitability) of banks listed on the Iraq Stock Exchange?

## Research Importance

The importance of this study stems from its research in one of the most important economic sectors in the country. This banking sector is considered the cornerstone for the economy's growth and society's well-being because of its ability to distribute and allocate financial resources to institutions and individuals and implement monetary policies. Therefore, this sector should have high financial and administrative stability to ensure continued progress. As a result of the crises experienced by Iraq, represented by the ISIL crisis and the COVID-19 pandemic crisis and its effects, there is a need to assess the financial performance of banks to know their financial situation based on these crises to help investors and others in making rational decisions in such crises.

## Research objectives

The research aims to demonstrate the impact of the ISIL crisis and the COVID-19 pandemic on the financial performance of banks listed on the Iraq Stock Exchange. This goal is divided into the following sub-objectives:

• Identify the impact of the ISIL crisis on the financial performance of banks listed on the Iraq Stock Exchange.

• Clarifying the impact of the COVID-19 pandemic crisis on the financial performance of banks listed on the Iraq Stock Exchange.

• Using profitability indicators to measure and compare the impact of the ISIL crisis and the COVID-19 pandemic crisis on the financial performance of banks listed on the Iraq Stock Exchange.

## Research hypothesis

To achieve the research objectives, the following hypotheses were constructed:

• The ISIL crisis has impacted the financial performance of banks on the Iraq Stock Exchange.

• The COVID-19 pandemic has impacted banks' financial performance on the Iraq Stock Exchange.

• There is a difference between the impact of the ISIL crisis and the COVID-19 pandemic on the financial performance (profitability) of banks listed on the Iraq Stock Exchange.

## Research Methodology

The nature of the research required relying on the descriptive approach in addition to the comparative approach to compare the impact of the periods before and after ISIS and before and after the COVID-19 pandemic on the financial performance of banks in order to achieve this research.

## Research sample

The study community is represented by banks listed on the Iraq Stock Exchange. There are more than 40 banks, according to the official website of the Iraq Stock Exchange. The researcher relied on the data of 10 banks whose lists were published on the official website as the most committed banks to publish their financial lists for the period 2021-2011and the following Table shows a brief overview of these banks

### Table (1) Banks sample research

| Priority | The bank | Date of establishment | Capital upon establishment | Priory | The bank | Date of establishment | Capital upon establishment |
|---|---|---|---|---|---|---|---|
| 1 | Commercial Sumer | 07/08/1999 | 400 | 6 | Mosul for development | 23/08/2001 | 1,000 |
| 2 | Middle East | 07/07/1993 | 400 | 7 | Bank of Baghdad | 18/02/1992 | 100 |
| 3 | Gulf Commercial | 20/10/1999 | 600 | 8 | The Iraqi national | 02/01/1995 | 400 |
| 4 | Iraqi investment | 13/07/1993 | 100 | 9 | Iraqi credit | 25/07/1998 | 200 |
| 5 | Iraqi commercial | 11/02/1992 | 150 | 10 | Union Bank of Iraq | 23/09/2002 | 2,000 |

## Previous studies :

Many studies have dealt with the relationship between the COVID-19 crisis and the financial performance of companies. However, as for the relationship between the ISIL crisis and financial performance, there are limited studies that have examined this topic, and the following are the most important of these studies:

• **A study (Ahmed, 2022)**

This study dealt with the profitability of companies listed on the DFM based on the COVID-19 pandemic crisis. The

study reached several conclusions, the most important of which is that there is no statistically significant impact of the COVID-19 pandemic on the profitability of companies listed on the DFM.

• **A study (Aigienohuwa & Ezejiofor, 2022)**

This study aimed to determine whether there was a significant variation in earnings per share in industrial companies in Nigeria before and after the emergence of COVID-19 from 2012 to 2021. The results showed that earnings per share positively impacted the market price during the two periods, but the effect Before the appearance of COVID-19 was less than after its appearance.

• **A study (Nguyen, 2022)**

This study aims to determine the consequences of the COVID-19 pandemic on the performance of companies listed on the Vietnam Stock Exchange. The results indicated that during the COVID-19 pandemic, the financial leverage ratio increased while the profitability and efficiency ratios decreased.

• **A study (El-Haddad,2023)**

This study aims to determine the extent of the impact of the coronavirus epidemic crisis on the financial performance of tourist facilities in Egypt by measuring profitability, liquidity, and leverage. The study results concluded that the coronavirus epidemic has a significant moral impact on the profitability of tourist facilities, while there is no impact on liquidity and financial leverage.

• **A study (Devi et al, 2020)**

This study aimed to determine the impact of the COVID-19 pandemic on the financial performance of companies listed on the Indonesian Stock Exchange, and the results showed that the FMCG sector witnessed an increase in liquidity ratio, profitability ratio, and short-term activity ratio. In contrast, the sectors that experienced decreased liquidity and profitability ratios were real estate, construction, finance, trade, services, and investment.

• **A study (Kalbouneh & Alfauori, 2023)**

The study aims to identify the impact of the COVID-19 pandemic on the profitability of Jordanian banks. The study reveals that the COVID-19 pandemic harmed Jordanian banks' Return on Assets (ROA). In addition, earnings per share and non-performing loans were significantly associated with ROA and Return on Equity (ROE).

• **A study (Bouazza & Mokadem, 2022)**

This study aimed to evaluate financial performance during the spread of the COVID-19 pandemic, using a model, Grover, to predict financial failure. The results showed that the pandemic had a negative impact and a significant

decrease in financial performance, but the company is in a good position despite this.

• **A study (Al-Khazraji, 2021)**

This study aimed to identify the impact of the coronavirus pandemic on the financial performance of Arab commercial banks. It concluded that the coronavirus pandemic harms the financial performance of the Arab banks under study.

• **A study (Majeed, Abdullah & Ahmed, 2019)**

This study aims to evaluate and analyze the impact of the financial crisis and the ISIL crisis on the profitability of Asia and Zain Telecom companies. The study results showed a strong negative relationship between the financial and ISIL crisis and the profitability of the sample companies.

• **A study (Bazrafshan, et al., 2021)**

This study aims to demonstrate the relationship between administrative ability and the quality of accounting profits in companies listed on the Iraqi Stock Exchange. The impact of the emergence of the ISIL is of interest to us. The results showed that administrative ability positively affects the quality of accounting profits in companies, but ISIL weakens this relationship.

**Theoretical background and hypotheses:**

**1. Financial performance of banks**

Many researchers have been interested in the concept of financial performance as an effective and distinctive tool that contributes to measuring the effectiveness and efficiency of management. The success of companies can be measured through financial indicators that help identify strengths and weaknesses in performance (Sekar & Gowri, 2015). Financial performance can be defined as the ability of a company to use its assets to generate revenue and maintain survival and continuity. Alternatively, it is the extent to which activities contribute to value creation or effectiveness in using available financial resources to achieve financial goals at minimal costs (Devi et al. al, 2020). Banks' most crucial financial performance is evidenced by many things, including that it shows the bank's actual performance during a specific period.

Furthermore, it provides information to all levels of management to make supervisory and planning decisions, as the continuous review of performance helps to make adjustments continuously (Ahmed, 2022). In addition, it shows the extent of coordination between the bank's various departments. Therefore,

financial performance is the most appropriate measure of banks ' performance. Financial ratios derived from data in the Income Statement and balance sheet are crucial measurement tools in determining the financial performance of companies, and many studies have shown the benefits of financial ratios in that they allow the user to summarize and analyze relevant data to provide meaningful information for decision-making (Oubya, 2016). It can be defined as a series of financial methods used to determine a company's strengths and weaknesses, so it is mainly used to compare past performance with current and expected performance to identify deviations (Devi et. al, 2020). Ekinci & Poyraz (2019) pointed out that most of the financial ratios and indicators used in performance evaluation are (profitability, liquidity, activity, and indebtedness ratios). Profitability ratios are one of the most common metrics used in financial analysis. It can be defined as a class of financial metrics that are used to assess a company's ability to generate profits related to its revenues, operating costs, balance sheet assets, or shareholders ' equity over time, using data from a specific point in time (Al-Khazraji, 2021). Profitability indicators are one of the financial indicators that reflect the efficiency and performance of the bank, as they are the correct tools to measure the results of the implementation of the bank's operations. The bank's profitability is the final result of various policies and efforts made by the management. These indicators provide expressive information about how the bank is managed and reflect the efficiency of the management's investment decisions. Profits help banks grow, which in turn contributes to achieving more significant profits. This is reflected in the survival, competitiveness, and increasing public confidence of banks (Robbetze, Villiers & Harmse, 2017). Therefore, it is considered the primary measure of the bank's overall success. Several financial ratios can indicate the level of profitability of the bank, the most important of which are:

### a. Return on Equity (ROE)
It is the ratio used to assess the return on shareholders ' investments. The company's ability to earn a return on its investments in shares or the rate that shareholders receive from investing their money in

the bank. The high percentage indicates the efficiency of management in exploiting the owners ' funds and is measured by the following Equation (Purnamasari, 2015):

$$\text{Return on Equity} = \frac{\text{Net income after tax}}{\text{Total Equity}} \times \%100$$

### b. Return on Assets (ROA)
The rate of return on assets measures the extent of the bank's ability and efficiency to generate profits over a particular time. It shows the extent of the bank's success in investing the assets that it owns and its sufficiency in directing them toward profitable investment opportunities. It is a comprehensive measure of the bank's profitability, so the high percentage indicates the bank's efficiency in properly employing its assets and is represented by the following Equation (Mulyani & Ichwanudin, 2022):

$$\text{Return on Assets} = \frac{\text{Net income after tax}}{\text{Total Assets}} \times \%100$$

### c. Return on Deposit
This ratio shows the bank's ability to compete in obtaining funds. It is considered one of the best measures of profitability performance from the point of view of some financial analysts. It can be calculated by dividing the bank's Profit after tax by the total deposits of the bank as in the following Equation (Abdi, 2010):

$$\text{Return on Deposit} = \frac{\text{Net income after tax}}{\text{Total deposits}} \times \%100$$

### 2. ISIL crisis
The Islamic State in Iraq and the Levant, known as ISIL, is an armed organization that follows the ideology of Salafi jihadist groups and a semi-state that is not recognized internationally. Its members allegedly aim to restore the Islamic caliphate and apply Sharia law (Kadercan, 2018).   On June 29, 2014, the Islamic State of Iraq and the Levant (ISIL) declared an Islamic caliphate and took control of several cities in Iraq and Syria. It was followed by the arrival and joining of extremist fighters from several countries around the world trying to take control of many cities and villages with financial and military support (Al-Maliki, 2022). Islamic religious leaders in

most countries of the world have condemned the practices and ideas of ISIL (Majeed, Abdullah & Ahmed, 2019). Saudi Arabia was the first to list ISIL as a terrorist organization, followed by the United Nations, the European Union and its member states, the United States of America, India, Indonesia, Israel, Turkey, Syria, Iran, and other countries. In September 2014, the United States announced the formation of an international coalition to eliminate ISIL (Mohammed, 2022). The United Nations has held ISIL responsible for human rights violations and war crimes. More than 60 countries (Arab, Islamic, and Foreign) have participated directly or indirectly in military operations against ISIL(Al-Anbari,2014). In 2017, after the defeat of Daesh in the Battle of Mosul by the Iraqi government forces, the end of the Daesh state was announced, noting that a new chapter of transformations had begun in the West Asian region after the cooperation of resistance forces with the countries of the region in the fight against terrorism, extremism, and humanitarian crimes, putting the world in front of a historical experience in this field.

## 3. COVID-19 crisis

In December 2019, a new type of virus called the new coronavirus COVID-19 was identified. The World Health Organization identified its first case on December 31, 2019, in the Chinese Wuhan region. In early 2020, the virus spread to other Chinese provinces and spread terribly in all countries. Many countries resorted to the application of quarantine in order to prevent the spread of the virus (Kaka, 2020). Given the deterioration of the crisis, most governments around the world, including the Iraqi government, have taken a set of precautionary measures to reduce the risks of the outbreak of the pandemic through many decisions, including the imposition of a curfew and restricting the movement of citizens and wheels, as well as the closure of shops, companies, factories and government departments (Velashani, Sallal & Salehi, 2022). Under these circumstances, the accounting profession is not isolated from the effects of this pandemic. The pandemic has led most international commercial companies, and this was reflected negatively on their financial performance, as the impact was evident in some sectors, such as the tourism sector, hotels, and the banking sector, compared to other sectors where

the pandemic led to the emergence of weaknesses and imbalances in the management and performance of most companies. Therefore, the COVID-19 pandemic is considered one of the most robust challenges of our time (Alao & Gbolagade, 2020).

## 4. The impact of the ISIL crisis and the COVID-19 pandemic on the Iraqi banking sector

After the economic opening that Iraq witnessed after 2003 in all sectors operating in Iraq to adopt an internal and external investment policy in order to develop the country's economy, the Iraqi banking sector witnessed a qualitative leap and a clear development in its business and a noticeable increase in its capital in addition to the rise in its market value within the Iraqi Stock Exchange. The Iraqi banking sector listed on the Iraq Stock Exchange is the basic infrastructure in this market (Hassan, 2022). In 2014, the seizure of the banking system by ISIL in Nineveh and Salah al-Din provinces raised questions about the repercussions of this development on the banking situation in Baghdad and the rest of Iraq (Salehi, Moradi& Faysal, 2023). The consultant of the Association of Private Banks pointed out that ISIL's control over some banks in Mosul negatively affected the banks' performance in general. Also, the performance of private banks, in particular, and the confidence of the citizens, whether Iraqi or foreign, in the capabilities of the state to protect the banking system. It pointed out that the ISIL control over banks prompted the foreign banking of some foreign companies that entered as contributors to investment branches in Iraq or as partners of banks in Iraq to hesitate and withdraw. One of the banking experts pointed out that ISIL's first goal at that time was to control the Iraqi banking system (Al-Anbari, 2014).

On the other hand, the year 2020 witnessed an unprecedented economic contraction in modern history based on the rapid and severe health, economic, and social crisis experienced by the world as a result of the spread of the COVID-19 pandemic (Açikgöz & Günay, 2020). This resulted in a decline in the global gross product by 3.5 percent, which caused a sudden economic turmoil that significantly affected many sectors, including the financial markets sector, especially the banking sector, through feelings of fear and panic that plagued investors. The closure measures taken to contain the crisis plunged the

global economy into the midst of a severe downturn and caused severe disruptions, negatively reflecting on the international financial markets( Auti, et al, 2021). Therefore, the period of the existence of ISIL and the period of the spread of the COVID-19 pandemic are periods with economic effects that included all sectors. This period has become an opportunity for all researchers to address this issue and measure its effects to come up with practical results that can be relied upon in the future to face similar situations that may occur.

**The practical framework of the study**

The financial performance of banks can be measured through many financial indicators, and profitability indicators will be used as they are among the most important financial indicators used to evaluate banking performance, as they measure the bank's ability to achieve a return on invested funds.

The profitability index is considered one of the bank's most important aims and directions, as it determines its competitive position. Whenever the bank's profitability ratio is higher than the profitability of another bank, the bank is distinguished by its efficiency and high level of performance. In addition, obtaining a higher value relative to the same ratio from the previous period indicates That the company is doing well. Accordingly, the profitability of the banks sampled in the research was analyzed as shown below:

**1. Financial analysis using the rate of return on assets**

The rate of return on assets was analyzed according to Formula (1), as this percentage measures the bank's ability to achieve Profit through the optimal use of available assets, and the high of this percentage indicates the efficiency of the bank's management in investing its funds, as shown in Tables (2, 3):

**Table (2) return on assets for the period 2011-2016**

| Year | Union Bank of Iraq | Credit Bank of Iraq | National Bank of Iraq | Bank Of Baghdad | Mosul Bank for Development | Commercial Bank of Iraq | Investment Bank | Gulf Commercial | Iraqi Middle East | Commercial Sumer | Mean |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2011 | 2.65% | 3.54% | 1.35% | 2.39% | 4.13% | 2.90% | 3.03% | 3.38% | 2.76% | 0.15% | 2.628% |
| 2012 | 2.92% | 4.09% | 4.57% | 1.93% | 3.44% | 4.50% | 0.36% | 7.26% | 2.96% | 0.44% | 3.25% |
| 2013 | 8.70% | 1.91% | 2.56% | 1.82% | 6.90% | 2.65% | 5.15% | 6.07% | 2.70% | 0.55% | 3.90% |
| Mean | 4.77% | 3.18% | 2.82% | 2.045% | 4.82% | 3.35% | 2.84% | 5.57% | 2.80% | 0.38% | 3.26% |
| Std. | 0.034176 | 0.011337 | 0.01626 | 0.00302 | 0.018312 | 0.010037 | 0.024002 | 0.0198773 | 0.001361 | 0.002066 | 0.01405 |
| 2014 | 2.03% | 2.15% | 1.15% | 1.52% | 0.52% | 2.05% | 5.17% | 4.43% | 0.53% | 0.55% | 2.01% |
| 2015 | -0.12% | 1.88% | 0.43% | 0.39% | -0.09% | 1.75% | 3.17% | 1.22% | 0.80% | 0.98% | 1.04% |
| 2016 | 0.00% | 0.97% | 4.06% | 1.69% | 0.86% | 1.79% | 1.76% | 0.73% | 1.85% | 1.07% | 1.48% |
| Mean | 0. 6367 | 1. 06% | 1. 88% | 1.2% | 0.43% | 1.86% | 3.37% | 2. 12% | 1.06% | 0. 87% | 1.51% |
| Std. | 0.012081 | 0.006182 | 0.019219 | 0.007066 | 0.004813 | 0.001628 | 0.017134 | 0.0200973 | 0.006973 | 0.002779 | 0.0098 |

0.0098 indicates an impact of the ISIL crisis on the rate of return on assets for the research sample. It also turns out that the Mosul Bank for Development was the most affected by the crisis; it was 0.43% and standard (0.004813).

Table (2) shows the results of the rate of return on assets for the research sample before and during the ISIL crisis. The average rate before the ISIL crisis was 3.26%, with a standard deviation of 0.01405. During the crisis, 1.51% with a standard deviation of

**Table (3) return on assets for the period from 2017 -2021**

| Year | Union Bank of Iraq | Credit Bank of Iraq | National Bank of Iraq | Bank Of Baghdad | Mosul Bank for Development | Commercial Bank of Iraq | Investment Bank | Gulf Commercial | Iraqi Middle East | Commercial Sumer | Mean |
|------|------|------|------|------|------|------|------|------|------|------|------|
| 2017 | 0.02% | 1.41% | 0.47% | 0.56% | 1.20% | 2.18% | 0.70% | 0.70% | -0.08% | 0.10% | 0.73% |
| 2018 | 0.01% | 1.12% | -1.52% | 0.37% | 0.63% | 2.45% | 0.06% | 0.10% | -0.29% | 0.22% | 0.31% |
| 2019 | 0.34% | - 0.98% | 1.44% | 0.64% | 0.83% | 1.45% | 0.00% | -0.72% | 0.01% | 0.29% | 0. 33% |
| Mean | 0.123 % | 0.51 % | 0.13 % | 0.52 % | 0.89 % | 2.027% | 0.25% | 0.02% | -0. 12% | 0.20% | 0.46% |
| Std. | 0.0018770 | 0.013042367 | 0.015090063 | 0.0013868 | 0.002891943 | 0.0051733 | 0.0038798 | 0.0071283 | 0.0015394 | 0.0009609 | 0.0053 |
| 2020 | 0.17% | - 0.65% | 2.22% | 1.42% | 0.38% | 5.75% | 0.82% | 0.02% | -0.32% | 0.32% | 1.01% |
| 2021 | 0.20% | -1.05% | 1.43% | 1.94% | 0.48% | 2.50% | 0.14% | -0.9% | 0.04% | 0.31% | 0.59% |
| Mean | 0.18 % | -0.85 % | 1.82 % | 1.68 % | 0.43 % | 4.12 % | 0.48 % | 0.01 % | -0.14 % | 0.32 % | 0.81% |
| Std. | 0.0002121 | 0.002828427 | 0.005586144 | 0.0036769 | 0.000707107 | 0.0229809 | 0.0048083 | 0.0065053 | 0.0025455 | 0.0002121 | 0.00501 |

Table (3) shows the results of the average rate of return on assets for the research sample before and during the COVID-19 crisis. The average rate before the COVID-19 crisis was 0.46% with a standard deviation of 0.0053)) and during the crisis, it was 0.81% with a standard deviation (of 0.00501), which indicates that there is no impact of the COVID-19 crisis on the rate of return on assets for the research sample.

**2. Financial analysis using the rate of return on equity**

The rate of return on equity was analyzed according to Equation (2), which measures profitability ratios from the shareholders' point of view. The higher the return on equity, the faster the growth of total shareholders ' equity due to the share price increase. The increase in this ratio is a positive indicator for the bank, as shown in Tables (4,5).

**Table (4) return on equity for the period from 2011 -2016**

| Year | Union Bank of Iraq | Credit Bank of Iraq | National Bank of Iraq | Bank Of Baghdad | Mosul Bank for Development | Commercial Bank of Iraq | Investment Bank | Gulf Commercial | Iraqi Middle East | Commercial Sumer | Mean |
|------|------|------|------|------|------|------|------|------|------|------|------|
| 2011 | 5.94% | 10.35% | 2.37% | 15.01% | 11.97% | 5.31% | 8.47% | 9.84% | 13.38% | 0.24% | 8.28% |
| 2012 | 14.90% | 13.07% | 9.97% | 12.11% | 7.31% | 9.23% | 1.17% | 20.70% | 12.93% | 0.75% | 10.21% |
| 2013 | 19.97% | 5.85% | 8.23% | 11.01% | 14.82% | 4.52% | 14.38% | 15.61% | 10.29% | 0.86% | 10.55% |
| Mean | 13.60% | 9.76% | 6.85% | 12.71 % | 11.36% | 6. 35% | 8. 00% | 15.38% | 12.2 % | 0.61% | 9.685% |
| Std. | 0.071043109 | 0.036463863 | 0.03981775 | 0.02066397 | 0.037911784 | 0.02522386 | 0.06617177 | 0.05433547 | 0.016693412 | 0.00330807 | 0.012 |
| 2014 | 5.25% | 4.63% | 2.68% | 9.50% | 0.69% | 3.24% | 10.18% | 14.70% | 1.17% | 0.89% | 5.29% |
| 2015 | -0.28% | 3.86% | 0.88% | 2.13% | -0.13% | 2.64% | 6.22% | 3.07% | 1.96% | 1.37% | 2.17% |
| 2016 | 0.01% | 1.62% | 8.17% | 7.16% | 0.96% | 2.69% | 3.51% | 1.85% | 4.32% | 1.41% | 3.17% |
| Mean | 1.66% | 3.37% | 3.91% | 6.26% | 0.51% | 2.85% | 6.64% | 6.54% | 2.48% | 1.22% | 3.54 % |

| Std. | 0.031124106 | 0.015636816 | 0.03797457 0.03765930 | 0.00567656 | 0.00332916 0.03354464 | 0.070930459 | 0.016389122 | 0.00289367 | 0.016 |
|------|-------------|-------------|-----------------------|------------|------------------------|-------------|-------------|-------------|-------|

Table (4) shows the results of the research sample's average rate of return on ownership for the period before and after the ISIL crisis. The average rate before the ISIL crisis was 9.685% with a standard deviation of 0.012, and then 3.54% with a standard deviation of 0.016, and this indicates that there is an impact of the ISIL crisis on the rate of return on 0.00567656.

### Table (5) return on equity for the period from 2017 to 2021

| Year | Union Bank of Iraq | Credit Bank of Iraq | National Bank of Iraq | Bank Of Baghdad | Mosul Bank for Development | Commercial Bank of Iraq | Investment Bank | Gulf Commercial | Iraqi Middle East | Commercial Sumer | Mean |
|------|------|------|------|------|------|------|------|------|------|------|------|
| 2017 | 0.04% | 2.13% | 1.00% | 2.21% | 1.81% | 3.45% | 1.41% | 1.32% | -0.21% | 0.15% | 1.331% |
| 2018 | 0.03% | 1.79% | -3.09% | 1.56% | 0.97% | 3.83% | 0.12% | 0.19% | -0.86% | 0.34% | 0.488% |
| 2019 | 0.62% | -1.72% | 3.55% | 2.67% | 1.27% | 2.39% | 0.01% | -1.28% | 0.03% | 0.37% | 0.791% |
| Mean | 0.23% | 0.73% | 0.48% | 2.146% | 1.35% | 3.22% | 0.51% | 0.07% | -0.346% | 0.286% | 0.87% |
| Std. | 0.00337786 | 0.02131439 | 0.03349631 | 0.00557703 | 0.00425675 | 0.00746279 | 0.007784814 | 0.01303699 | 0.00460470 | 0.0011930 | 0.00427 |
| 2020 | 0.32% | -1.17% | 6.45% | 7.25% | 0.54% | 11.52% | 1.76% | 0.00% | -0.79% | 0.41% | 2.629% |
| 2021 | 0.38% | -1.7% | 8.28% | 9.69% | 1.36% | 4.13% | 0. 35% | -1.65% | 0.10% | 0.44% | 2.103% |
| Mean | 0.35% | -1.435% | 7.36% | 8.47% | 0.95% | 7.825% | 1.06% | -0.825% | -0.345% | 0.425% | 2.38% |
| Std. | 0.0004243 | 0.0037477 | 0.0129401 | 0.0172534 | 0.0057983 | 0.0522552 | 0.0099702 | 0.0116673 | 0.0062933 | 0.00021213 | 0.003471 |

Table (5) shows the results of the average rate of return on property for the research sample for the period before and after the COVID-19 crisis. The average rate before the COVID-19 crisis was 0.87%, with a standard deviation of 0.00427. After the crisis, it was 2.38% with a standard deviation of 0.003471, which indicates that the COVID-19 crisis has no impact on the rate of return on property for the research sample.

### 3. Financial analysis using the rate of return on deposits

This ratio shows the extent to which the bank can achieve profits by employing deposits in various investment activities. This ratio was analyzed according to Equation (3). A high ratio indicates the optimal utilization of deposits in achieving returns, and a high is a positive indicator for the bank:

### Table (6) return on deposits for the period from 2011 to 2016

| Year | Union Bank of Iraq | Credit Bank of Iraq | National Bank of Iraq | Bank Of Baghdad | Mosul Bank for Development | Commercial Bank of Iraq | Investment Bank | Gulf Commercial | Iraqi Middle East | Commercial Sumer | Mean |
|------|------|------|------|------|------|------|------|------|------|------|------|
| 2011 | 8.38% | 6.32% | 3.42% | 4.18% | 8.55% | 8.71% | 6.12% | 6.09% | 3.88% | 0.78% | 5.64% |
| 2012 | 4.89% | 7.07% | 10.80% | 3.11% | 7.55% | 12.22% | 0.79% | 13.29% | 4.08% | 1.82% | 6.56% |
| 2013 | 24.45% | 3.15% | 5.03% | 2.60% | 16.94% | 9.51% | 23.10% | 12.59% | 3.98% | 2.27% | 10.36% |
| Mean | 12.12% | 5.51% | 6.416% | 3.296% | 11.013% | 10.14% | 10.00% | 10.65% | 3.98% | 1.62% | 7.52% |
| Std. | 0.104324701 | 0.0208077 | 0.03880494 | 0.008063705 | 0.0515694 | 0.018395742 | 0.116509327 | 0.039703065 | 0.001 | 0.0076422 | 0.02502 |
| 2014 | 4.45% | 4.39% | 2.93% | 2.06% | 3.00% | 7.65% | 12.04% | 8.66% | 1.06% | 3.02% | 4.926% |
| 2015 | -0.25% | 7.33% | 1.32% | 0.71% | -0.45% | 8.11% | 6.95% | 2.64% | 1.71% | 4.20% | 3.227% |
| 2016 | 0.01% | 2.78% | 15.76% | 2.69% | 3.89% | 6.44% | 4.01% | 1.37% | 4.67% | 5.56% | 4.718% |

| Mean | 1.40% | 4.83% | 6.67% | 1.82% | 2.146% | 7.4% | 7.66% | 4.223% | 2.48% | 4.26% | 4.29% |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Std. | 0.026416914 | 0.0230717 | 0.079132231 | 0.010115829 | 0.0229238 | 0.008626123 | 0.040626879 | 0.038943848 | 0.0192424 | 0.0127106 | 0.00927 |

Table (6) shows the results of the average rate of return on deposits for the research sample before and after the ISIL crisis. The average rate before the ISIL crisis was 7.52%, with a standard deviation of 0.02502. Then, 4.29% with a standard deviation of 0.00927 indicates that the ISIL crisis impacts the rate of return on deposits for the research sample. It turned out that the most affected bank was Standard 0.026416914.

**Table (7) return on deposits for the period from 2017 to 2021**

| Year | Union Bank of Iraq | Credit Bank of Iraq | National Bank of Iraq | Bank Of Baghdad | Mosul Bank for Development | Commercial Bank of Iraq | Investment Bank | Gulf Commercial | Iraqi Middle East | Commercial Sumer | Mean |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 0.07% | 4.65% | 1.55% | 0.90% | 4.97% | 7.46% | 1.62% | 1.59% | -0.18% | 0.45% | 2.31% |
| 2018 | 0.06% | 3.45% | -4.20% | 0.53% | 2.22% | 8.04% | 0.14% | 0.25% | -0.53% | 1.13% | 1.11% |
| 2019 | 1.81% | -2.46% | 3.64% | 0.91% | 2.88% | 4.46% | 0.01% | -1.95% | 0.03% | 1.61% | 1.09% |
| Mean | 0.646% | 1.88% | 0.33% | 0.78% | 3.356% | 6.653% | 0.59% | -0.036% | -0.226% | 1.06% | 1.50% |
| Std. | 0.01007488 | 0.038061398 | 0.04059889 | 0.00216564 | 0.01435629 | 0.019214492 | 0.00894371 | 0.01787325 | 0.00282901 | 0.00582866 | 0.015037 |
| 2020 | 1.04% | -1.58% | 4.74% | 1.88% | 1.44% | 13.00% | 1.74% | 0.00% | -0.79% | 1.95% | 2. 342% |
| 2021 | 1.20% | -3.10% | 2.12% | 2.58% | 0.93% | 8.13% | 0.37% | 2.45% | 0.104% | 2.42% | 1.721% |
| Mean | 1.12% | -2.34% | 3.43% | 2.234% | 1.185% | 10.565 | 1.055% | 1.225 | -0.343% | 2.187% | 2.0317% |
| Std. | 0.001131 | 0.010769 | 0.018526 | 0.005006 | 0.00360624 | 0.0344361 | 0.00968736 | 0.01732411 | 0.00632153 | 0.003351 | 0.004389 |

Table (7) shows the results of the average rate of return on deposits for the research sample before and after the COVID-19 crisis. The average rate before the COVID-19 crisis was 1. 50% with a standard deviation of 0.015037, and after the crisis, it was 2.03% with a standard deviation of 0.004389. This indicates that the COVID-19 crisis has no impact on the rate of return on deposits for the research sample.

**4. Testing research hypotheses**

The T-test is used for samples to determine the difference between the two averages for the pre-and post-test on the same group, as shown in Table (8).

**Table (8) results of hypothesis testing**

| P | Sig | T | The variable | Result | Period |
|---|---|---|---|---|---|
| | 0.028855 | 22.04762 | return on assets | Accept the decision | 2011-2016 (Before and after the ISIL crisis) |
| | 0.027 | 23.36 | return on Equity | | |
| | 0.075 | 2.042323 | return on deposits | | |
| 0.000 | 0.359 | 0.971589 | return on assets | Reject the decision | 2017 -2021 (Before and after the covid-19 pandemic) |
| | 0.172 | 1.499819 | return on Equity | | |
| | 0.293 | 1.125083 | return on deposits | | |

Table (8) shows that the calculated value of the variables' return on assets (return on equity, return on deposits) for the period before and after the ISIL crisis amounted to (22.04, 23.36, 2.04) and that the morale level of the test reached (0.028, 0.027, 0.075) respectively, which is less or close to (0.05) in all indicators, which indicates acceptance of the first hypothesis. It also shows that the calculated value of

the variables' returns on assets), return on equity, return on deposits) for the period before and after the COVID-19 pandemic amounted to (0.971589, 1.499819, 1.125083) and the morale level of the test amounted to (0.359, 0.172, 0.293) respectively, which is greater than (0.05) in all indications are that this indicates the rejection of the second hypothesis. Based on the results of the first and second hypotheses and the existence of a difference between the impact of the ISIL crises and the COVID-19 pandemic on the financial performance (profitability) of banks listed on the Iraq Stock Exchange, this indicates acceptance of the third hypothesis.

## Conclusions

This study aims to demonstrate the impact of the ISIL and Corona crises on the financial performance (profitability) of banks listed on the Iraqi Securities Market by calculating the rate of return on assets, the rate of return on ownership, and the rate of return on deposits for banks sample research, the study has shown the following results:

a. There is an impact of the ISIL crisis on the financial performance (profitability) of banks in the research sample, which means accepting the study's first hypothesis. This result corresponds to the study of Majeed, Abdullah & Ahmed (2019), which showed a negative impact of the ISIL crisis on the profitability of Companies (Asia and Zain Telecom). This is due to many reasons, the most important of which are the events of June 2014 and the subsequent military operations as a result of the ISIL invasion of Mosul and its neighboring areas, where most of the bank's branches were destroyed, their buildings and facilities were destroyed, and their cash and fixed assets were lost.

b. The COVID-19 pandemic crisis has no impact on the financial performance (profitability) of the banks' research sample, which means that the study's second hypothesis is not accepted. This result corresponds to the study of Ahmed (2022) and does not correspond to the study of Al-Khazraji (2021). The study of Kalbouneh & Alfauori (2023) and El-Haddad (2023) may show that since the banking sector is an important pillar in the Iraqi economy, it attracts investments despite the epidemic crisis, as investment opportunities may be generated during crises. The

high profitability of some companies shows this despite the crisis.

c. The results showed through the analysis of profitability indicators of banks sample study that some banks achieved positive values during the study periods (Bank of Baghdad, The Iraqi National, Union Bank of Iraq, Commercial Sumer, Iraqi Investment Iraqi Commercial) while other banks achieved negative values during one or more study periods (Mosul for development, Middle East, Iraqi credit, Gulf Commercial). As well as an increase or decrease in profitability ratios during those periods.

d. There is a difference between the impact of the ISIL crisis and the COVID-19 pandemic on the financial performance (profitability) of banks listed on the Iraq Stock Exchange, which means accepting the third hypothesis of the study, as the financial performance of banks sample research during the covid crisis was not affected by the crisis, on the contrary, the ISIL crisis, which affected the profitability of banks. This may be due to the political and economic events that Iraq was exposed to in the years leading up to the COVID-19 crisis, which made some banks take many measures for fear of financial default and instability. The higher the bank's profitability, the more it will help reduce future losses. In the light of the results obtained, the following recommendations can be proposed:

1 .The need for banks (study sample) to pay attention to the application of financial performance indicators represented by profitability ratios to find out the profits they achieve and adopt them as indicators to measure financial performance, analyze and study the reasons for their decline, considering that profitability is the main aim of the bank.

2 .There is a need for bank administrations to study future forecasts of exceptional circumstances and take them into account to face future crises that may occur.

3. Conducting studies on the impact of the ISIL and COVID-19 crises on other indicators related to financial performance, such as liquidity ratios or activity ratios.

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