

# **Evaluating the Level of Transparency and its Relationship to Performance Evaluation in a Sample of Iraqi Banks Listed on the Iraq Stock Exchange**

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## **Abstract**

The research aims to measure the degree of transparency in disclosure in a sample of Iraqi banks listed in the Iraqi Stock Exchange and to predict the future of these banks by relying on their future expectations and to measure the impact of the degree of transparency of Iraqi banks and its relationship to performance evaluation. The current study gained its importance considering that performance evaluation is the basic process that shows the capabilities of banks to continue their activities with failure or success. Therefore, providing financial or non-financial measures gives the bank a clear image about its products and services and the processes that lead to the production of those products and services, and the need to develop cost accounting and management accounting systems in the bank so that its outputs are not limited to mere financial measures, but extends the scope of those outputs to include the generation of non-financial measures Help to raise the efficiency, effectiveness and economic performance. One of the results of the research is that the Iraqi banks in the research sample vary in the level of their reporting on transparency according to the S&P scale. The highest

level of transparency amounted to (52%) for the ethnic commercial bank and the lowest level was (28.75%) for the Bank of Baghdad. The highest degree of financial ratios for performance evaluation amounted to the Commercial Bank of Iraq and the lowest for Elaf Islamic Bank. The research also concluded that there is positive relationship between transparency and performance evaluation. One of the most important recommendations is to awareness of the investors about the importance of information and their right to obtain it, then holding the relevant authorities accountable for any failure in the event of concealing any necessary information.

### **Keywords**

Iraqi Banks, Stock Exchange, Witnessing Political.

### **Introduction**

In the current situation, Iraq is witnessing political, economic, and social crises, and one of the most important of these crises is terrorism, which had a significant impact on the economic situation in general and the investment environment for Iraq in particular, which led to the difficulty of investing in the country. To improve this, a set of measures must be taken that help attracts investment and increase capital for companies, and among these measures is to increase the level of transparency in the disclosure of information, where the stability of the political and security situation is not sufficient to increase investment in the country, although the investor is looking for a business climate Fair and healthy In addition to political and economic stability, it is also preferred to have a high level of transparency in the disclosure of information to increase the ability to anticipate future developments in the field of investment, specifically investing in banks listed in the Stock Exchange. Performance evaluation takes an important place in most economies, and many accounting and administrative studies and research focus on it. The performance evaluation process is considered one of the important operations practiced at all levels of the bank, where It reflects a realistic image about the extent of the bank's success in achieving its goals. This process requires the necessity of making fundamental modifications to the methodology for measuring and evaluating performance. The research is divided into four sections represented in the first topic and includes (literature review and research methodology), while the second topic includes the theoretical

framework of the research (transparency and performance evaluation), while the third topic includes (the practical aspect) and finally the fourth topic, which is a summary of the conclusions and recommendations reached.

## **Literature Review and Research Methodology**

### **First: Literature Review**

#### **Preamble**

Literature review represents the efforts and achievements of researchers who took the same field of research from a certain point of view or one of the research variables, and therefore it represents a source of information gathering for research and contributes to seeing the views of previous researchers as well as the problems and obstacles that they faced. It also gives the researcher a broader impression and understanding for the subject of the research, therefore a number of studies were taken to evaluate the transparency and its relationship to performance evaluation in a sample of banks listed in the Iraq Stock Exchange.

#### **A- Arabic Studies**

##### **1. Alaa (2007)**

<b>Title of study</b>	The role of strategic cost management information in performance evaluation.
<b>Description of Study</b>	The study aimed to shed light on the concept of strategic cost management and the extent of its contribution to providing information for the purpose of evaluating the bank's success in implementing and developing its competitive strategy. evaluating the strategic performance of the bank using the balanced scorecard.
<b>Result of study</b>	Through relying on financial and non-financial (operational) scales, the study found a set of different perspectives that give a clear image about the bank.

##### **2. Saada (2009)**

<b>Title of study</b>	Using financial analysis in evaluating the performance of economic institutions and rationalizing their decisions.
<b>Description of Study</b>	The study aimed to conclude that the financial analysis is a sufficient tool to reach a realistic assessment of the financial position of the institution and to identify the problems that it suffers from.
<b>Result of study</b>	Identify the estimated budget, which represents the basic document for any real or estimated management work.

### 3. Hamad (2013)

<b>Title of study</b>	The extent to which the financial reports of Iraqi joint-stock companies comply with the requirements of disclosure and transparency in light of the international principles of corporate governance - an empirical study
<b>Description of Study</b>	The study aimed to increase knowledge and awareness of the importance of the issue of corporate governance and its basic principles, and focus on the principle of disclosure and transparency in corporate financial reports, where it represents the accounting aspect of corporate governance, by shedding light on the concept of corporate governance and its reflections on accounting thought, and clarifying the aspects in which corporate financial reports agree. The Iraqi contribution with the requirements of disclosure and transparency in order to increase and support the credibility and confidence in these reports.
<b>Result of study</b>	Weakness and insufficient disclosure and transparency in the financial reports of Iraqi companies, and the incompatibility of these reports with the requirements of the principle of disclosure and transparency issued within the international set of principles.

### 4. Zoelf (2013)

<b>Title of study</b>	Transparency in the disclosure of future information and its role in limiting the effects of the global financial crisis on the Amman Stock Exchange.
<b>Description of Study</b>	The study aimed to reveal the extent to which transparency contributed to disclosing future information in limiting the effects of the global financial crisis on the Amman Stock Exchange.
<b>Result of study</b>	Transparency in disclosing future information plays a role in mitigating the effects of the global financial crisis on the stock Exchange and restoring investors' confidence in it, where it contributes to a high degree in persuading investors of the fairness of the financial statements, increasing the volume of investment, and reducing investment risks.

## B- Foreign Studies

### 1. RUSLI'S (2004)

<b>Title of study</b>	"Performance appraisal decision in Malaysian public service"
<b>Description of Study</b>	The study aimed to identify the methods of decision-making by residents in the civil service system in Malaysia and to examine the steps followed in the performance appraisal system and methods of decision-making by residents.
<b>Result of study</b>	Identify solutions to enhance concepts among evaluators, and the impact of concepts on evaluation systems. As well as working on using appropriate methods and techniques for the performance evaluation process.

### 2. Chang & Wang (2008)

<b>Title of study</b>	'A performance Evaluation Model for Solar Energy Industry'
<b>Description of Study</b>	The study aimed to develop a proposed model for the purpose of measuring the operational performance of the bank, through using the balanced scorecard (financial, customer, internal operations, learning and growth, and risk).
<b>Result of study</b>	The performance evaluation process has a great benefit, and there is great interest by research and studies centers, which place great emphasis on the performance evaluation process.

### 3. Piri et al (2013)

<b>Title of study</b>	<b>A study of the effects of financial reporting transparency on the Quality of earnings in companies listed in Tehran stock Exchange</b>
<b>Description of Study</b>	The study aimed to examine the relationship between transparency in financial reports and the quality of profits and to provide useful information on the profitability of the bank.
<b>Result of study</b>	The results of the research appeared through hypothesis testing: 1- There is no relationship between the company's transparency in the financial performance dimension and the quality of the profits announced in the reports. 2- There is a relationship between the company's transparency in the dimension of the board of directors and the quality of the declared profits, where the most important factor in predicting the quality of profits is the transparency of the management members. 3- There is no relationship between the transparency of the company in the dimension of the ownership structure and the quality of the declared profits.

### 4. Hajian and Rostami (2014)

<b>Title of study</b>	<b>Transparency and disclosure indices in emerging market</b>
<b>Description of Study</b>	The study aimed to know the extent investors can obtain any necessary financial and non-financial information about the bank.
<b>Result of study</b>	The institution maintains a sufficient amount of liquidity and it is considered frozen money that the institution must invest in other areas.

## Research Methodology

### 1-Research Problem

Despite the importance of the banking sector at the present time and the need for high transparency in bank data, we note that there are shortcomings in the current systems and in obligating Iraqi private banks to international accounting standards, in addition to the banks' failure to disclose their predictions and future expectations about the bank's status and profits and the lack or lack of Iraqi banks evaluating its financial performance.

### 2-The Importance of Research

The importance of the topic of research, in general, is formed from two important and correlative axes. The first relates to the aspect of transparency, its concepts, and culture, which banks should follow in general, since these concepts and culture are linked to the future of any bank in today's world. As for the second axis associated with transparency, it relates to another important aspect, which is performance evaluation as a policy and procedure that banks are committed to in order to know what they must do after

conducting the evaluation, thus developing the national economy by attracting local capital (especially the non-working ones).

### **3-Research Aims**

- 1- Measuring the degree of transparency in disclosure among a sample of Iraqi private banks listed in the Iraq Stock Exchange.
- 2- predicting the future of these banks (research sample) by relying on their future expectations
- 3- Evaluating the performance of banks (the research sample) listed in the Iraqi Stock Exchange according to their financial aspect.
- 4- Knowing the relationship between transparency and performance evaluation.

### **4-Research Hypotheses**

The accounting standards and rules for transparency are insufficient to provide financial reports that display the fairness of the financial position and business results of private banks unless they comply with a high level of performance evaluation to achieve the objectives of banks and the application of accounting rules using the standards of the Global Reporting Initiative (GRI). Accordingly, the research hypothesis can be formulated as follows:

There is a statistically significant effect relationship between the degree of transparency and the performance evaluation of the research sample banks.

### **5-Limitations of the Research**

The spatial Limitations of the research: the accounting environment, specifically a group of private banks listed in the Iraq Stock Exchange, and are as follows:

- 1- **Research community:** Iraqi banks listed in the Iraq Stock Exchange.
- 2- **Research sample:** Three banks in the Iraq Stock Exchange were selected.

Time limits for research: the period from (2018-2017).

## **The Theoretical Aspect for Research**

### **The Transparency**

#### **1-The Concept of Transparency**

A concept recently emerged that has been widely circulated, especial The emergence of the term transparency on the trading table as a result of the crises that have befallen some countries of the world, whether these crises were financial, political, or social so that some researchers believe that the financial crises are the result of failure to address responsibility, which leads to the emergence of a significant weakness in transparency (Al-Ani 2005) ally in light of the interaction between corruption and the desire to expand the circle of government. Transparency is defined as an attempt for the purpose of providing a legal bulletin for all information, whether positive or negative in nature, in a sound, accurate and timely manner, for the purpose of enhancing the ability of banks to operate in an orderly manner (Rawlins, 2009). Transparency is also defined as the disclosure of the regulations, procedures, and operations of the banks' strategies, which are determined through interaction with the external environment, the establishment of advanced and stable organizational structures in the internal life of these banks, and the creation and operation of an integrated system (Albu, 2014). Transparency can be defined as a presentation of financial and non-financial information and disclosure of the company's strategy, provided that this information is comprehensive, important, quality, and reliable, and meets the requirements of all parties, including external ones, to make the right decisions.

#### **2-Transparency Goals**

Everything has a goal, and accordingly, transparency in reports and financial statements aims to:

- 1- Eliminating misinformation in presenting information and helping decision-makers to make sound decisions, where it requires that the volume, value and quality of accounting information be commensurate with the importance of decisions, where transparency improves predictability, thus the efficiency of decisions (Al-Hayali: 2008).

- 2- Transparency focuses primarily on information transparency and information disclosure depends on the availability of this information with its required characteristics of accuracy, clarity, honesty and comprehensiveness (Hussain, 2011).
- 3- Providing information to investors and creditors to evaluate risks and provide important information that allows users of financial statements to make comparisons between years (Ashour, 2008), where transparency can help reduce uncertainty in the markets (Hassoun, 2013).
- 4- Transparency aims to maintain confidence in the markets and helps improve the public's understanding of the structure and aspects of the bank's activities and policies. (Al-Tamimi and Shaker, 2009).

### **3-The Importance of Transparency**

The importance of transparency is demonstrated by the following:

- 1- The absence of transparency in some legislation and laws and the lack of clarity in the texts is a reason for personal judgments in a way that does not serve the public interest (Hussain et al., 2010).
- 2- The role of transparency appears in that it discloses information that is clear and appropriate with the requirements of time and is important to all parties that exchange interests with the bank (Shibli and Manhal, 2012).
- 3- The role of transparency in revitalizing the markets appears by achieving credibility and reliability in the provision of financial information (Al-Kaabi and Abdul-Hamid, 2008).
- 4- Transparency provides information and data that reduce the degree of uncertainty and increase the ability of financial markets to assess risks (Khazali and Shia, 2013).

### **4-Obstacles to Transparency (Harb, 2011)**

- 1- Absence of regulations and legislations that are obligatory to enhance the application of transparency.



- 2- The absence of transparency in the accounting information or the misuse of this absence, especially negative or wrong accounting practices such as the exploitation of information related to trading in the financial markets.
- 3- Ignorance: This obstacle relates to either ignorance of the importance of applying transparency in accounting information, or lack of familiarity with its application and calculating its effects.
- 4- Misinterpretation of information by its users, which may be due to intended bias.
- 5- Conflict of interests between personal goals and the goals of the organization and between the parties, and the routine, complexity, and ambiguity in the procedures constitute an obstacle to the application of transparency.

## **The Performance Evaluation**

### **1-The Concept of Performance Evaluation**

The performance evaluation is a stage or part of the monitoring process where it focuses on the achievements made in the company and is practiced in order to answer what has been achieved and what must be achieved. The performance evaluation process includes studying the deviations and determining their causes and the steps to be taken (Saudi, 2018). Performance evaluation is defined as a comprehensive critical analytical examination of plans, objectives, methods of operation, and using human and material resources in order to verify the efficiency and effectiveness of using available materials (Hamadi and Abadi, 2009). It is defined as a system for providing companies with feedback, on the basis of which their strategy is formulated and the level of their performance is improved. The performance evaluation system also provides companies with feedback on financial performance to be developed with plans in the future, as well as providing them with documents based on them in making decisions related to financial matters (Jones & George, 2004). It was also defined as a system used to know the volume and level of what has been accomplished within the predetermined period and in comparison with what is required to be accomplished in quantity and quality (Shawish, 2005). Accordingly, performance evaluation can be defined as an evaluation of the goals that have been achieved through using available resources and using financial criteria and indicators that help the economic unit in making decisions related to financial matters.

## **2-Performance Evaluation Aims: (Mohammed, 2009)**

The general objective of performance evaluation is to ensure that the actual performance of the bank is in accordance with the drawn-up plans. There are some other objectives of the performance evaluation process that can be summarized in the following points:

- 1- Determining the responsibility of each department or center in the bank for the weaknesses and defects in the activity it undertakes. Comparing the actual performance of the bank with the planned performance.
- 2- Activating the supervisory bodies on the performance of their work through the valuable information provided by the performance evaluation, so that they are able to verify that the bank has achieved its set goals as required, where the performance reports provide the best information that can be used in following up and developing the bank's activity, as well as verifying its activity with high efficiency.
- 3- Obtaining the best returns and advancing the development movement is usually done through establishing and expanding new organizations.

## **3-The Importance of Performance Evaluation in the Bank**

The importance of evaluating the bank's performance can be stated in the following aspects: (Al-Mawla, 2007).

- 1- Evaluating the continuous and periodic performance of the bank helps to detect imbalances quickly and at their inception, and leads to addressing the deviations quickly and directing the work towards the right track.
- 2- The speedy detection of deviations helps to prevent them from leaking to other sites, which leads to reducing losses.
- 3- Knowing the deviations caused when implementing the company's plan and addressing them, leads to avoiding such deviations when developing plans in the future.
- 4- Follow up on the implementation of the bank's goals for the purpose of ensuring that they are achieved in the best manner.

#### **4-Stages of Performance Evaluation**

The evaluation process correctly and properly helps to reach the goals that banks want to achieve, and this process goes through several stages:

- 1- The first stage: through which the performance evaluation process is planned, where the estimated lists and budgets are prepared, as well as defining the tools to be used and the centers of responsibility for the evaluation process and the expected goals in the future (Al-Muhtadi, 2014).
- 2- The second stage: It is the stage of the technical and financial analysis of the bank, where the technical and financial aspects of the bank are reviewed, according to the nature of the company (Al-Mawla, 2002).
- 3- The third stage: through which the necessary analysis is conducted for the purpose of knowing the nature of the deviations in order to identify the causes and propose the necessary solutions to address them within the specified period and to provide the authorities responsible for the follow-up with information and data on the performance evaluation process to be used in drawing up future plans and increasing the effectiveness of follow-up and control (Rezika, 2012).

#### **The Relationship between Transparency and Performance Evaluation**

Numerous studies and reports prepared in the wake of the collapse and financial crises that many companies have been exposed to during the past few years have revealed the failure of these companies in the process of preparing their financial reports, and these companies include (Enron) and (Global crossing) and (Livent) company and other international giants. This failure is attributed to numerous accounting violations and a lack of transparency required by these companies, which negatively affected their credibility and the level of integrity and confidence of these companies, and consequently on the capital markets of the companies listed in them. This turmoil and collapse led to shedding light on the importance of sound accounting and reporting standards, and investors are now demanding transparent financial reports that allow them to determine the economics of the company's operations so that they can reduce the risks and benefits of their investments.

There are a number of steps that show the importance of using performance evaluation as a measure of transparency, including:

- 1- Performance evaluation helps to improve the efficiency of the accounting information system in banks to provide financial information on the results of performance in the past and non-financial information on the results of performance in the present and the future (Ibrahim, 2005), which makes accounting disclosure in published financial reports more transparent, and Users of these reports can evaluate the bank's performance and understand the main aspects of its development, such as operational performance scales, market information and future aspirations.
- 2- The performance evaluation represents an interactive control system as well as a feedback system, and therefore it is a warning tool that provides information that helps users of published financial reports to determine the extent to which the bank has achieved its strategic vision and its ability to create value (Abdul Malik, 2007) through the following dimensions:
  - A- The financial performance dimension: This dimension reflects the bank's profitability measures for the users of financial reports and its ability to generate value for shareholders, and thus the extent of its ability to continue and use the available resources in the most efficient way possible.
  - B- Relationships with customers: It is considered the essence of non-financial measures, and the strategic goal of achieving customer satisfaction and gaining their continuous loyalty to the bank entails increasing the bank's share or market share through acquiring new customers and maintaining existing customers, where banks need to direct their attention to meet the needs of and the desires of its customers (Mustafa et al., 2017).
  - C- Internal operations dimension: This dimension reflects measures related to providing information on the extent of the bank's focus on developing activities that add value, and excluding unnecessary activities that do not add value to the product, which reduces production costs and leads to increased revenues.
  - D- Learning and growth dimension: This dimension enables banks to ensure their ability to renew as a prerequisite for their long-term continuity and survival,

where banks study what they must do to retain the knowledge required to understand and satisfy the needs of customers and develop that knowledge and interest in how to maintain the necessary efficiency and productivity that create value for the customer (Mustafa et al., 2017).

- 3- Disclosing the important indicators for evaluating performance in a special report attached to the annual report of the bank that ensures that sufficient information is available to users of the published financial reports, which helps to take decisions instead of flooding investors with information that exceeds their analytical ability (Zaghloul, 2006).
- 4- The information derived from the performance evaluation indicators is consistent with the characteristics of the quality of the information, which is reflected in improving the transparency of the published financial reports. This information has a predictive ability and is available in an appropriate and timely manner, making it suitable for the needs of the users of financial reports. It is also characterized by the comprehensiveness of the financial and non-financial aspects. The financial performance as well as its interest in the internal and external performance of the company and its competitive position in the market.
- 5- The performance evaluation depends on a holistic and integrative theory of the bank's performance with which a balanced interest is achieved by the bank's management in the different dimensions of performance (financial, non-financial), and therefore the disclosure of measurement indicators to evaluate performance reflects what has been accomplished from the bank's strategy, which enables users of financial reports to take Peaceful decisions based on financial and non-financial measurement results (Al-Ibari, 2010). From the analysis of the previous concepts, it is clear that performance evaluation is a comprehensive systematic framework for measuring and managing performance from a strategic perspective, whereby the bank's strategy is translated into goals, target values , and clear initiatives through the integration of a balanced set of financial and non-financial indicators linked together with a set of causal relationships, which They appear in the four basic dimensions on which the scale is based: financial performance, relationships with customers, internal operations, and aspects of learning, growth, and innovation.

## **Elements for Good Performance**

The elements of good performance mean the set of characteristics and requirements that they provide to judge the quality, efficiency, and effectiveness of the banks' performance. These elements are: (Al-Salmi, 2005).

- 1- Strategic management: It is the method through which senior management builds banks' strategies and achieves performance through careful evaluation of the implementation and continuous evaluation of the strategies set.
- 2- Transparency: It is the right to access information and knowledge of institutional decision-making mechanisms, and the right to transparency is a necessary requirement for setting ethical standards and an institutional work charter that leads to confidence and assistance in discovering errors.

## **The Applied Framework for Research**

### **A Brief History of the Iraq Stock Exchange**

It is a Stock Exchange in Baghdad, Iraq. The market was founded in 1992 and it was a government market in which more than 113 Iraqi companies were listed between private and mixed joint-stock and the value of its trading amounted to more than 17 million dollars. It was called the Baghdad Stock Exchange and it closed in March 2003, The market was reopened in June 2004 under the supervision of the Iraqi Securities Commission and the name of the market was changed to the Iraq Stock Exchange and more than 100 companies were listed. 2- The extent of transparency in the financial reporting of banks (research sample) according to the (S&P) transparency model. The S&P scale is one of the most important and best-used transparency measures, prepared after a series of foundation research (Standard & Poor), which is symbolized by (S&P). Therefore, it will be used with the flexibility of behavior allowed in increasing the clarifications to adapt the scale with the requirements of the Iraqi environment to be suitable for measuring the sample and reaching as accurate results as possible. It consists of (3) clauses that contain (13) indicators and each indicator includes a set of special reporting requirements. It is (80) requirements on the basis of which the degree of transparency in reporting will be measured for each bank (research sample) and during the

period (2018-2017). It can be clarified how to measure transparency in reporting as follows:

$$\text{Disclosed Requirements} / \text{Total clause Indicators} * 100\%$$

Iraqi banks research sample

- 1- **Elaf Islamic Bank:** Through the following tables it is possible to clarify the requirements disclosed and undisclosed during the research period for Elaf Islamic Bank and the degree of transparency of their reporting for the period (2017-2018) and the percentages of transparency in reporting to Elaf Islamic Bank during the research period as follows:-

**Table 1 The disclosure and undisclosed requirements for transparency during the research period for Elaf Islamic Bank\***

Details			Years			
			2017		2018	
clauses (standards)	Indicators for each clause	Total disclosure requirements for each indicator	Disclosed requirements	Undisclosed requirements	Disclosed requirements	Undisclosed requirements
First: the structure of ownership and the rights of investors	1. Transparency regarding ownership	8	3	5	3	5
	2. Centralization of ownership	2	0	2	0	2
	3. Voting and meeting procedures for shareholders	8	5	3	5	3
Total	(3) Indications	<b>18</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>10</b>
Second: Transparency on financial and non-financial information	1. Company trends	11	5	6	7	4
	2. Accounting policies and their details	8	5	3	5	3
	3.	3	1	2	1	2

	Transactions with related parties					
	4. Information about the auditor	4	2	2	2	2
	5. Information about opportunities and dangers	7	5	2	2	5
	6. Information on the intensity of industry competition	4	1	3	1	3
	7. Information on employee satisfaction	3	0	3	0	3
Total	(7) Indications	<b>40</b>	<b>19</b>	<b>21</b>	<b>18</b>	<b>22</b>
Third: Transparency of information about the board of directors	1. Board structure and composition	6	5	1	5	1
	2. The role of the council	8	3	5	3	5
	3. Members training and rewards	8	4	4	4	4
Total	(3) Indications	<b>22</b>	<b>12</b>	<b>10</b>	<b>12</b>	<b>10</b>
total summation	(13) Indicator	<b>80</b>	<b>39</b>	<b>41</b>	<b>38</b>	<b>42</b>

\* Table prepared by researchers.

**Table 2 Transparency rates in reporting for Elaf Islamic Bank (2017-2018)\***

clauses	2017	2018
First: the structure of ownership and the rights of investors	% 44.4	% 44.4
Second: Transparency on financial and non-financial information	% 47.5	% 45
Third: Transparency of information about the board of directors	% 54.5	% 54.5
The grand total of the ratios	<b>48.57</b>	<b>%47.5</b>

\* Table prepared by researchers.



Table 2: shows that the third item (transparency of information on the Board of Directors) recorded an increase compared to the other two clauses, where its percentage amounted to 54.5%, which is an acceptable percentage. It was noted that the transparency ratio of the bank as a whole decreased in 2018, amounting to 47.5, compared to the previous year 2017, which amounted to 48.75%. This decrease is due to the low percentage of the second clause (transparency on financial and non-financial information), which has the largest share in the standard (50% of the standard) in 2018, amounting to 45% compared to 47.5% in the previous year.

2- Bank of Baghdad: Table (3) of the disclosed and undisclosed requirements during the research period for the Bank of Baghdad and Table (4) Transparency percentages in reporting for the Bank of Baghdad for the period 2017-2018) can be clarified as follows:

**Table 3 The disclosed and undisclosed transparency requirements for the Bank of Baghdad during the research period \***

Details			Years			
			2017		2018	
clauses (standards)	Indicators for each clause	Total disclosure requirements for each indicator	Disclosed requirements	Undisclosed requirements	Disclosed requirements	Undisclosed requirements
First: the structure of ownership and the rights of investors	1. Transparency regarding ownership	8	3	5	4	4
	2. Centralization of ownership	2	0	2	0	2
	3. Voting and meeting procedures for shareholders	8	2	6	2	6
Total	(3) Indications	<b>18</b>	<b>5</b>	<b>13</b>	<b>6</b>	<b>12</b>
Second: Transparency on financial	1. Company trends	11	8	3	5	6
	2. Accounting	8	2	6	2	6

and non-financial information	policies and their details					
	3. Transactions with related parties	3	0	3	0	3
	4. Information about the auditor	4	2	2	2	2
	5. Information about opportunities and dangers	7	1	6	1	6
	6. Information on the intensity of industry competition	4	1	3	1	3
	7. Information on employee satisfaction	3	0	3	0	3
	<b>Total</b>	<b>(7) Indications</b>	<b>40</b>	<b>14</b>	<b>26</b>	<b>11</b>
Third: Transparency of information about the board of directors	1. Board structure and composition	6	4	2	4	2
	2. The role of the council	8	0	8	0	8
	3. Members training and rewards	8	2	6	2	6
<b>Total</b>	<b>(3) Indications</b>	<b>22</b>	<b>6</b>	<b>16</b>	<b>6</b>	<b>16</b>
<b>total summation</b>	<b>(13) Indicator</b>	<b>80</b>	<b>25</b>	<b>55</b>	<b>23</b>	<b>57</b>

\* Table prepared by researchers.

**Table 4 Transparency rates in reporting for Bank of Baghdad (2017-2018)\***

<b>Clauses</b>	<b>2017</b>	<b>2018</b>
First: the structure of ownership and the rights of investors	%27.8	%33.3
Second: Transparency on financial and non-financial information	%35	%27.5
Third: Transparency of information about the board of directors	%27.3	%27.3
The grand total of the ratios	<b>%31.25</b>	<b>%28.75</b>

\* Table prepared by researchers.

Table (4) shows that the second item, which is the transparency of financial and non-financial information, is high compared to the other two clauses, where it amounted to 35%. It was noted that the transparency ratio of the bank as a whole decreased in 2018 to 28.75% compared to the previous year 2017 when it amounted to 31.25%. This decrease is due to the decrease in the second clause, which has the largest share in the standard (50% of the standard) in 2018, amounted to 27.5% after it was 35% in 2017.

3- The Commercial Bank of Iraq: Table (5) of the disclosed and undisclosed requirements during the research period for the Commercial Bank of Iraq and development, and Table (6) transparency ratios in reporting for the Commercial Bank of Iraq for the period (2017-2018) can be clarified as follows:

**Table 5 Disclosed and undisclosed transparency requirements during the research period of the Commercial Bank of Iraq for the period 2017-2018)\***

Details			Years			
			2017		2018	
clauses (standards)	Indicators for each clause	Total disclosure requirements for each indicator	Disclosed requirement	Undisclosed requirements	Disclosed requirements	Undisclosed requirements
First: the structure of ownership and the rights of investors	1. Transparency regarding ownership	8	3	5	3	5
	2. Centralization of ownership	2	0	2	0	2
	3. Voting and meeting procedures for shareholders	8	5	3	3	5
Total	(3) Indications	<b>18</b>	<b>8</b>	<b>10</b>	<b>6</b>	<b>12</b>
Second: Transparency on financial and non-financial information	1. Company trends	11	6	5	8	3
	2. Accounting policies and their details	8	6	2	6	2
	3. Transactions with related parties	3	2	1	2	1
	4. Information about the auditor	4	2	2	3	1
	5. Information about	7	4	3	4	3

	opportunities and dangers					
	6. Information on the intensity of industry competition	4	1	3	2	2
	7. Information on employee satisfaction	3	0	3	0	3
Total	(7) Indications	<b>40</b>	<b>21</b>	<b>19</b>	<b>25</b>	<b>15</b>
Third: Transparency of information about the board of directors	1. Board structure and composition	6	4	2	4	2
	2. The role of the council	8	4	4	4	3
	3. Members training and rewards	8	3	5	3	5
Total	(3) Indications	<b>22</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
total summation	(13) Indicator	<b>80</b>	<b>40</b>	<b>41</b>	<b>42</b>	<b>38</b>

\* Table prepared by researchers.

**Table 6 Transparency rates in reporting for Commercial Bank of Iraq (2017-2018)\***

Clauses	2017	2018
First: the structure of ownership and the rights of investors	44.4%	33.3%
Second: Transparency on financial and non-financial information	52.5%	62.5%
Third: Transparency of information about the board of directors	50%	50%
The grand total of the ratios	<b>%50</b>	<b>%52.5</b>

\* Table prepared by researchers.

Table (6) shows that the second clause (transparency on financial and non-financial information) recorded an increase compared to the other two clauses, amounting to 52.5% for the year 2017 and 62.5% for the year 2018, which is an acceptable and positive percentage. It was noted that the transparency percentage of the bank as a whole increased in 2018, amounting to 52.5% compared to the previous year 2017 which recorded 50%, which is an acceptable percentage. This increase is due to the increase in the percentage of the second clause (transparency on financial and non-financial information) in 2018, which amounted to 62.5% compared to 52.5% in the previous year.

### **Performance Evaluation According to Financial Percentage**

Financial percentages: It is a convenient way to summarize a large amount of accounting and financial information in order to compare the performance of companies. In general,

we can attribute any number in the financial statements to another number to reach a meaningful significance, and it is usually expressed as a percentage or number of times. Financial percentages are one of the most common analysis tools, and there is no specific list that includes all the percentages approved for the purpose of analysis. But it is possible for the analyst to attribute any number in the financial statements to another number in the current year or in previous years if this comparison gives a meaningful indication. The financial percentages are distinguished by the fact that they enable the analyst to overcome the so-called problem of size in the financial and accounting literature. The problem of size arises when comparing the accounting numbers and financial indicators of companies between which there is a large discrepancy in size (market value), and ignoring the problem of size leads to misleading conclusions in some aspects of the analysis because many of the accounting numbers and financial indicators for companies of varying sizes are not comparable. Iraqi banks, the research sample: It includes Elaf Islamic Bank, Bank of Baghdad, and the Commercial Bank of Iraq.

**1- Elaf Islamic Bank:** Table (7) shows the financial percentages for evaluating the performance of the bank for the period (2017-2018) as follows:

Financial percentages for performance evaluation	2017	2018
return on equity	0.92	0.262
Return on deposit	2.236	0.500
profit repeater	37.47	81.87
earnings per share	0.008	0.002
rate of return on assets	0.534	0.162
percentage of Liabilities Coverage	0.036	3.807

\* Table prepared by researchers.

It is clear from the foregoing that there is a discrepancy in the financial performance indicators of Elaf Islamic Bank over the two years under study, and the reason for this is due to the clear discrepancy in the return achieved over the two years. Better in terms of achieving return, and this is clear in the earnings per share index. In the first year, the bank achieved 0.008 dinars per share, compared to 0.002 dinars per share in the second year in light of the stability of the number of issued shares, as well as the rest of the other ratios with regard to the return on Ownership and return on deposits and return on assets were better than in 2018. When we return to the financial reports, we note that the net return achieved for the year 2018 decreased to approximately 672 million dinars,

compared to what was achieved in 2017, which amounted to 2 billion dinars, and this is a big difference, meaning that profits decreased to Almost half, and this matter is not in the interest of the bank, because the bank's survival and continuity in business requires continuing to generate profits.

**2- Bank of Baghdad:** Table (8) shows the financial percentages for evaluating the performance of the Bank of Baghdad for the period (2017-2018) as follows:

**Table 8 Financial percentages to evaluate the performance of the Bank of Baghdad for the period (2017-2018)**

Financial percentages for performance evaluation	2017	2018
return on equity	2.296%	1.557%
Return on deposit	0.795%	0.520%
profit repeater	24.91	17.46
earnings per share	0.244	0.0166
rate of return on assets	6.789	0.034
percentage of Liabilities Coverage	0.755	0.760

\* Table prepared by researchers.

As for the Commercial Bank of Baghdad, the indicators of 2017 were better than the indicators of 2018. The bank achieved earnings per share of 0.02 dinars per share in 2017, which is greater than the other year 2018, which amounted to 0.01 and the reason for this is the decrease in the net return achieved in the second year, where We note that the amount achieved by the Bank of Baghdad in the year 2017 is approximately 6 billion dinars, compared to 4 billion dinars achieved in the year 2018. It is from the management of the Bank of Baghdad to search for investment opportunities to enhance its financial resources in order to achieve the greatest financial benefits for the shareholders.

**3- The Commercial Bank of Iraq:** Table (9) shows the financial percentages for evaluating the performance of the bank for the period (2017-2018) as follows:

**Table 9 Financial percentages for evaluating the performance of the Commercial Bank of Iraq (2017-2018)**

Financial percentages for performance evaluation	2017	2018
return on equity	3.444	3.326
Return on deposit	7.488	8.750
profit repeater	15.52	22.50
earnings per share	0.0402	0.0435
rate of return on assets	0.021	0.025
percentage of Liabilities Coverage	0.368	3.664

\* Table prepared by researchers.

We note from the above table regarding the performance of the Commercial Bank of Iraq that its performance in the second year was better than the first year, unlike the previous two banks. We note that all financial ratios were high for the year 2018, and this means that there is a decrease in the paragraphs of financial indicators such as property rights and assets, which led to the indicators of 2018 being better than the indicators of 2017, and at the same time the bank achieved profits of more than 10 billion dinars, while it achieved in the year 2017 9.2 billion dinars, which is high compared to what the previous two banks achieved, and this matter is in the interest of the bank and makes it better than others. Through the above presentation, it can be concluded that the Iraqi banks, the research sample, vary in the financial ratios to evaluate the performance of each bank and that the highest financial ratio obtained by Elaf Islamic Bank. We note that there is a significant increase in evaluating the performance of the Iraqi Trade Bank, while the Bank of Baghdad recorded low rates

**Table 11 The degree of transparency and financial percentages to evaluate the performance of the research sample banks for the period (2017-2018)\***

Banks names	Transparency		Performance evaluation			
			Earnings per share		Net realized return	
	2017	2018	2017	2018	2017	2018
1. Elaf Islamic Bank	48.75%	47.5%	0.008	0.002	2 billion	672 million
2. Bank of Baghdad	31.25%	28.75%	0.02	0.01	6 billion	4 billion
3. Commercial Bank of Iraq	50%	52%	0.040	0.044	9.2 billion	10 billion

\* Table prepared by researchers.

Through the above table, a comparison is made between the percentages of development of the degree of transparency and the financial percentages for evaluating performance, as follows:

1. Elaf Islamic Bank: We note a decrease in the degree of transparency for the year 2018 compared to the previous one in 2017. At the same time, we note a decrease in the performance evaluation for the year 2018 compared to the previous one in 2017.
2. Bank of Baghdad: We note that there is a decrease in the degree of transparency for the year 2018 compared to the previous one in 2017. At the same time, we note that there is a decrease in the performance evaluation for the year 2018 compared to the previous one in 2017.

3. The Commercial Bank of Iraq: We note that there is an increase in the degree of transparency for the year 2018 compared to the previous year in 2017. At the same time, we note that there is an increase in the evaluation of the bank's performance for the year 2018 compared to its predecessor in 2017. From the above, we conclude that there is a direct relationship between the degree of transparency and performance evaluation for the research sample banks.

## **Conclusions and Recommendations**

### **Conclusions**

1. The availability of transparency in the characteristics of the information helps to give more accurate and reliable information and thus the users of the financial statements can predict and reach reliable results in making decisions.
2. Compliance with accounting standards is considered one of the important factors in achieving transparency for the bank.
3. The traditional performance evaluation approaches lack the possibility of achieving strategic benefits as a result of rapid changes and developments in the competitive business environment, and accordingly, the need has arisen to use a set of financial and non-financial measures to evaluate performance that are consistent with the changes and allow the possibility of giving a clear and comprehensive picture of it in a way that benefits management Banks in practice
4. Some information necessary for the investor is not disclosed by the Iraqi Stock Exchange.
5. The degree of transparency of the banks listed in the market can be measured using the American S&P scale since this measure depends on transparent disclosure of information related to the ownership structure and rights of investors, disclosure of financial and non-financial information, and disclosure of information related to the structure of the board of directors, and on the basis of this information the level of transparency is determined in the company.
6. Through the results that were reached using the S&P scale, the degree of transparency of the Iraqi banks listed in the market was uneven, and that the highest level amounted to (52%) for the Iraqi Commercial Bank, and the lowest



- level recorded (28.75%) for the Bank of Baghdad, and this is evidence of weakness Transparency in the banking sector listed on the Iraq Stock Exchange
7. The highest degree of financial percentages for performance evaluation was amounted to for the Commercial Bank of Iraq and the lowest for Elaf Islamic Bank
  8. There is a direct effect relationship between transparency and performance evaluation.

### **Recommendations**

1. Issuing local standards that support and enhance the role of transparency for banks listed on the Iraq Stock Exchange
2. Increasing interest in bank transparency by the Iraqi Stock Exchange by strengthening laws and legislation that enhance the role of transparency in disclosure to banks and increasing the level of transparency in disclosing information to all users.
3. Educating investors about the importance of information and their right to obtain it, and holding the relevant authorities accountable for any failure in the event of concealing any necessary information.
4. The banks listed in the financial market can benefit from the S&P scale to measure the degree of transparency to determine the extent of the transparency rate of these banks.
5. Pay more attention to the issue of transparency, conduct more research for various sectors, whether banks or companies, compare the results to determine the best sector in the field of investment, and conduct studies and research on the relationship of transparency to performance evaluation and the role of the company's board of directors in achieving profits and developing its future activity.
6. Using financial percentages that contribute to future predictions about the status of banks and their profits in the near future.

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