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The Profitability Index and Its Role in Evaluating the Performance of Specialized Banks in Iraq

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ABSTRACT

Central banks around the world typically use various financial indicators to evaluate performance. In Iraq, the indicators used by central banks to evaluate the performance of banks are of great importance to ensure that the banks operating within the Iraqi banking system comply with the regulatory and legal requirements issued by the Central Bank of Iraq or the Ministry of Finance. Given the need to study the profitability indicator to ensure its ability to evaluate the performance of specialized banks in Iraq, these banks carry out their banking activities and businesses through capital funded by the government. The use of profitability indicators in evaluating the performance of specialized banks provides information about the profitability resulting from the activities of these banks, but it does not indicate whether they have achieved their developmental goals, as generating profits is one of the goals that commercial banks aspire to achieve. Based on the assumption that compliance with the profitability indicator has a negative impact on specialized banks' ability to achieve their developmental goals, the research aims to shed light on the requirements of performance evaluation indicators, with profitability indicators being one of its important tools in the performance evaluation process. To prove this hypothesis, researchers evaluated the performance of specialized banks using the profitability indicator, and then analyzed those results to determine their impact on the possibility of achieving the banks' developmental goals. The study concluded several important findings, including that the profitability indicator does not align with the objectives of specialized banks and significantly hinders their ability to achieve their developmental goals, represented by developing the three sectors: agricultural, industrial, and real estate. Furthermore, the research results led to a number of recommendations that the entities responsible for performance evaluation should adopt when evaluating the performance of specialized banks.

1. Introduction

Performance evaluation is considered one of the most important pillars that contribute to the success of various organizations, companies, and service, production, and commercial institutions.

The more performance is coordinated with the pre-prepared plans, the closer the organization becomes to achieving its goals. Since performance evaluation indicators are designed to meet the

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needs of those institutions in preparing integrated systems for performance evaluation that are consistent with what is planned, drawn, and defined in their effective laws, regulations, and instructions, banking performance indicators are considered integrated systems through which the performance of specialized banks has been evaluated by the Central Bank of Iraq or any legislative or regulatory authority. Due to the strategic role played by banks, which are the main sources of the Iraqi banking system, in supporting and developing economic growth by providing sufficient financing to elevate the levels of the three sectors: industrial, agricultural, and real estate, it is necessary to study and evaluate these financial indicators to identify the extent of their consistency with the objectives of these banks. As the foreseen targets of specialized banks differ from those of comprehensive commercial banks, it is essential to evaluate their performance with indicators that are appropriate to these goals. This research focuses on the role of profitability indicators in evaluating the performance of specialized banks in Iraq as one of the control tools to confirm the possibility of achieving the objectives stipulated in the laws of those banks. The research aims to identify the profitability indicator and the methods followed in performance evaluation indicators by the Central Bank of Iraq. Thus, the significance of this research is to highlight the particularity of the funding sources of specialized banks and their non-profit developmental nature. This research consists of four sections. The first section presents the methodology used, the research problem, its importance, and its objectives. It also identifies the research hypothesis, the sample and place, and the scientific technique used to collect the data. The second section provides an overview of previous studies that have enriched the theoretical and practical framework. It also highlights the value of the current study compared to previous studies. The third section represents the theoretical framework, which includes four topics. The first topic focuses on studying the profitability indicator. The second topic explains the concept of performance evaluation indicators. The third topic sheds light on performance evaluation and assessment. The fourth topic includes the practical structure to prove the research problem and hypothesis. This section concludes with several appropriate recommendations and conclusions.

2. Research methodology and previous studies (Review of The Related)

I. - Research methodology

1.1 Research Problem

The problem with using profitability indicators in assessing specialized banks is that it portrays them as banks incapable of generating profits, which categorizes them as unsuccessful in managing their assets and unable to optimally exploit them. Profitability indicators aim to incentivize management to effectively manage their assets to generate profits while considering the risk aspect. Therefore, profitability indicators are adversely affected when measuring the performance of specialized banks because these banks do not target profits in their overall activities. Typically, they operate with minimal returns that may not cover the costs of granting credit or recovering the principal, as they finance credit through government grants or bank capital rather than through their deposits and customer funds. Using profitability indicators to evaluate the performance of specialized banks may suggest that these banks are granting credit without achieving significant returns due to the nature of the interest rates imposed on loans, which are usually very low, based on the government's developmental vision to support the three sectors (industry, agriculture, and housing) to encourage these sectors to grow and play a significant role in successfully managing and developing the economy. Therefore, the following questions can be raised regarding the research problem:

1. Does using profitability indicators as a tool for performance evaluation align with the goals of specialized banks?
2. Does using profitability indicators lead to evaluating the success or failure of the management of these banks in how they manage the bank's resources, including assets and capital, to achieve returns through them?

1.2. The importance of research

The importance of this research lies in identifying the particularities of funding sources for specialized banks and their efforts to provide specialized development credit. Through this

credit, the degree of compatibility with the indicators that evaluate specialized banks is determined, specifically the profitability indicator necessary to evaluate their active role in developing economic sectors. Therefore, these banks were named according to each sector, such as the industrial, agricultural, and real estate sectors.

1.3 The objectives of research:

A. To define the profitability indicator and explain its importance in evaluating the performance of specialized banks.

B. To evaluate the performance of specialized banks using the profitability indicator and demonstrate the impact of this indicator in achieving the goals of these banks.

C. To present the results of the research in a form of data that can be useful to relevant parties.

1.4 Research Hypothesis:

This research is based on the following hypothesis: the use of the profitability index as one of the performance evaluation indicators for specialized banks is not consistent with the nature and objectives of these banks.

1.5 Community and Research Sample:

The banking system in Iraq represents the research community, while specialized banks in the capital, Baghdad represent the research sample. The sample includes the following banks. :

1. Iraqi Industrial Bank
2. Agricultural Cooperative Bank
3. Real Estate Bank.

1.6 The Spatial and Temporal Boundaries of the Research:

A. Spatial Boundaries:

The General Directorates of the Iraqi Industrial Bank, Agricultural Cooperative Bank, and Real Estate Bank represent the research sample and the spatial boundaries of the research.

B. Temporal Boundaries:

The financial data of the specialized banks and the annual reports issued by the banks represent the research sample for the years (2010-2012), which represents the temporal boundaries of the research.

II . Previous studies

1st . Review of the Related:

1- The study of Al-Taie and Ismail: 2016

The title of the study	The particularity of performance evaluation indicators for development banks and a case study in the Industrial Bank of Iraq
Nature of the study	Research published in a journal of the arts, literature, humanities, and social sciences.
Research Problem	Specialized banks are of great importance as they are the main source of financing for economic development. Therefore, these banks are in dire need of assessing their performance levels in this regard, and this requires the use of indicators and standards that are consistent and reflect the reality of this performance.
The main objectives of the study	Adapting commercial indicators used in evaluating development banks
The main conclusions	The profitability indicator does not reflect the extent to which development banks achieve their goals.
The main recommendations	It is not recommended to use profitability indicators in evaluating those banks.

2- The study of Saleh : 2014

The title of the study	Evaluation of the performance of the Agricultural Cooperative Bank in granting loans for the Agricultural Initiative (Case Study 2008–2012)
Nature of the study	A higher diploma thesis equivalent to a master's degree in banking was submitted to the Council of the Higher Institute for Accounting and Financial Studies at the University of Baghdad.
Research Problem	The problem faced during the implementation of the agricultural initiative was identifying the entities that were tasked with providing loans to their applicants. It has been agreed that the Cooperative Agricultural Bank would be one of those entities. To assess the success of granting loans, it has become necessary to evaluate the experience of the Agricultural Bank since it undertakes these tasks.
The main objectives of the study	Introduction of performance evaluation indicators for specialized agricultural banks with development objectives and government capital.
The main conclusions	There has been a weakness in utilizing the financial resources available to the bank during the first three years of lending for the agricultural initiative.
The main recommendations	Enhancing the developmental role of the cooperative agricultural bank to transform government support amounts for agricultural initiative funds into strengthening the bank's balances and capital, allowing it to resume its developmental activities.

2nd. Areas of benefit from previous studies

The previous studies contributed to framing the theoretical aspect of this research, as they identified the profitability indicators adopted in

evaluating the performance of banks, regardless of their activities, whether they are commercial or specialized banks. These studies also helped in identifying the developmental roles played by specialized banks.

3. Theoretical framework of the research

Topic 1: Performance evaluation indicators

2.1 Performance evaluation

Performance evaluation is considered one of the most important tools relied upon by central banks to assess compliance with regulatory requirements, laws, and guidelines issued by central banks. It is used when conducting performance evaluation indicators for banks. Performance evaluation is defined as "comparing actual performance with predetermined indicators set by the organization's management, to identify deviations and take corrective actions by comparing what is actually achieved with what is planned or targeted" (Al-Husseini and Al-Douri, 2000: 232), while the concept of "performance evaluation" refers to an administrative function that represents the final link in the continuous administrative work chain and includes several procedures taken by top management to ensure that the results are achieved in the required manner, with the highest degree of efficiency, and at the lowest possible cost (Alaa and Al-Mushhadani, 2011: 75). Also, performance evaluation refers to all administrative procedures that ultimately lead to issuing a judgment on the extent of achievement that has been made towards the intended goal within a specified time frame and at a specific level of quality (Abbas, 2012: 250). Al-Murjushi defined performance evaluation in two ways. The first is based on the financial and economic position of the organization and considers it a process that follows the decision-making process, the aim of which is to examine the financial and economic position of the organization within a specific period. The second definition is based on the subsequent decision-making process for evaluation, that is, the process of making decisions based on supervisory information to redirect project activities toward achieving predetermined objectives (Al-Murjushi and Aitoun, 2008:17). Based on the previous definitions, a comprehensive definition for performance evaluation can be formulated as follows: "Performance evaluation is a supervisory administrative process carried out by the senior executive management or any external or legal supervisory authority that has the authority to conduct the evaluation process systematically and

organized to ensure that the adopted procedures and practices to achieve objectives have been properly implemented. To ensure this, several indicators or criteria are used to facilitate efficient and effective decision-making, and to take corrective actions if any deviations are found."

2.2 The concept of performance evaluation indicators:

Determining performance evaluation indicators is one of the most important functions of central banks worldwide, which are responsible for creating a strong, sound, and competitive banking system. This is ensured by the Iraqi Central Bank Law No. (56) of 2004, Article (40), which states that "The Central Bank has the exclusive authority to take all necessary measures to grant licenses to banks and their branches, regulate them, and supervise them in accordance with this law and the banking law, including the authority of regulatory supervision and on-site inspection of licensed banks and their branches in the manner chosen by the Central Bank, at the time it deems appropriate, and obliging banks and their branches to provide all information requested regarding the affairs of the relevant bank, its branches, and its customers, and to take corrective measures in accordance with this law and the banking law to impose compliance on licensed banks and their branches with these laws and any precautionary regulations or guidelines or any instructions issued by the Central Bank regarding the implementation of these laws. No government entity has the legal status to take any measures regarding the regulation of lending and credit activities carried out by banks except for the Central Bank." (Official Gazette of Iraq, 2004: 28).

Third: Iraqi Central Bank indicators for evaluating the performance of banks.

The Central Bank of Iraq performs the function of banking supervision to identify weaknesses in the financial, administrative, and operational aspects of banks by determining the degree of banking risks that banks are exposed to in order to maintain the financial safety of the banking sector. The Central Bank of Iraq relies on Law No. (94) On banks issued in 2004, specifically Article (53) relating to bank inspection, to carry out this legal role. According to this law, the Central Bank of

Iraq monitors banks on a uniform basis, as follows:

1. The Central Bank of Iraq reviews all data, documents, information, clarifications, and evidence provided to it by banks in accordance with this law.
2. The Central Bank of Iraq may request written proof from the banks or their affiliated entities if there is a need for any additional information, reports, documents, clarifications, or evidence.
3. The Central Bank of Iraq conducts on-site inspections of the bank or its affiliated entities, which are assigned to one or more employees or other individuals designated by the Central Bank of Iraq for this purpose. The inspection team verifies the bank's financial position and compliance with laws and regulations related to the management of its activities and internal policies. The Central Bank of Iraq carries out inspections on all banks regularly, at least once a year, except for representative offices that are inspected at least once every two years.
4. Any person authorized under this article is subject to inspecting a bank under conditions of confidentiality and has the right to request access to all necessary ledgers, accounts, documents, and records, as well as any information deemed necessary by the inspector from any manager, official, employee, or agent in the bank or its affiliated entities, provided during the inspection.
- 5: "The inspection team presents a report to the Central Bank of Iraq on the results of the inspection, and notifies the relevant bank's board of directors of the inspection results". (Official Gazette of Iraqi, 2004:104).

2.3. The importance of performance evaluation

The topic of performance evaluation has received increasing attention from most profit and non-profit economic organizations due to its importance in helping them make better use of their resources by maximizing their available potential, as well as focusing on developing production elements and striving to continually increase their capabilities (Al-Karkhi, 2001: 5).

Several points highlight the importance of performance evaluation in banks, including:

- A. Performance evaluation provides a comprehensive picture of the bank's performance at various managerial levels and enhances its role in the economy, as well as the mechanisms for achieving this enhancement (Al-Sisi, 2010: 242).
- B. Performance evaluation helps determine the financial level, ensure the availability of financial liquidity, and measure the level of profitability in light of investment and financing decisions and the risks associated with these decisions (Karaja, 2001: 26).
- C. Performance evaluation assists management in planning for the future, justifying the need for resources based on scientific and objective criteria, and promoting the principles of accountability based on objective evidence and proof (Haddad, 2007: 127).
- D. Performance evaluation helps disclose the degree of alignment and harmony between different objectives, adopted strategies, and their relationship with the competitive environment (Talib & Al-Mashhadani, 2011: 76).

2.4 Performance Evaluation Objectives

The general purpose of a performance evaluation process is to ensure that actual performance follows established and defined plans. However, other objectives of performance evaluation can be identified and clarified, such as:

- A. To determine the level of an organization's achievement compared to its predetermined goals, performance evaluation is a measure of the extent to which the establishment has succeeded in continuing its activities to achieve its objectives, as success is a measure (Dawri, 2013: 26).
- B. To drive the organization's activities towards achieving its goals and preventing them from deviating, this can only be achieved through continuous monitoring of work progress. In other words, performance evaluation is a continuous process that is not done once work is completed (Abbas, 2012: 250).

Topic 2: Profitability Index

It is considered one of the important indicators that can demonstrate the overall performance of the bank, represented by the profit return per share, net profit on the total assets of the bank, or return on assets. The bank's profitability has been measured by the following indicators: (Hamad, Tarek, 2011: 81)

A- Return on Assets (ROA*)

The ROA* indicator helps measure the operational efficiency of the bank (Rose & Hudgin, 2013:173) and is also called the profit return (rate) on assets. This indicator measures the ability and efficiency of management to generate revenue through its total investments in assets (Al-Amiri, 2001:141). Therefore, an increase in the value of this indicator indicates an increase in the achieved return, which is evidence of the efficiency and ability of the bank's management to use and employ its assets and turn them into profits (Abbas, Nizar, 2015:49). "The assets form the basis of the bank's income or profit return for its operating activities, as the return is directly proportional to the size of the investments in loans and banking investments. This return is expressed for a certain period (one year) as the bank's utilization of its assets and the degree of efficiency in exploiting them, to measure the efficiency of the bank's management and its ability to achieve additional profits by employing its assets in loans and investments" (Abdelhadi, Saba, 2009:27). An increase in this indicator indicates several implications, the most important of which is that the use of more assets and their employment in high-income loans and investments leads to an increase in the bank's returns (Mohsin and Radi, 2013:149).

B. Return on Equity (ROE)

The ROE indicator is commonly used to measure the profitability of a bank's equity. It represents the net profit generated on the bank's total equity capital. A high ROE is generally seen as a sign of efficient management, but it could also indicate high risk-taking resulting from a high leverage ratio. On the other hand, a low ROE could be an indication of conservative loan financing practices (Al-Amiri, 2001: 142). This ratio indicates the amount of money invested by the owners and the

returns achieved, which is a sign of successful and efficient management. However, a high ROE can also indicate high risk-taking resulting from a high leverage ratio, and vice versa (Hussein, Ahmed, 2016: 46). "This indicator represents the most important profitability measure because it determines the extent to which all other profit categories contribute to creating profit, and also indicates the ability of any bank to compete in the field of gathering capital from various sources, both different and private, in the face of two variables: a limited economy and market conditions" (Abdelhadi, Saba, 2009: 27). Therefore, this indicator is a measure of the return on ordinary shares or the investment made by shareholders (Noor & Al-Nami, 2003: 110).

C. Return on Total Deposits

The return on total deposits indicator measures the ability of deposits to generate profits. In other words, it measures the amount of profit generated by employing those deposits in income-generating loans (Noor & Al-Nami, 2003: 110).

Topic 3: The concept of specialized banks and their developmental goals

Banks often stand out in developing countries, in particular, to stimulate economic sectors in these countries by providing the necessary financing, as commercial banks in these countries may not direct funding towards these sectors (Al-Ghazzi, Faleh, 1976: 30). These banks are general development banks that specialize in providing long- and medium-term financial resources in order to establish or expand projects (Todaro, Michael, 2009: 755). They have also been defined as "specialized financial institutions that grant credit to certain sectors, whether agricultural, industrial, or real estate, to finance these sectors for their economic development; thus, these institutions carry out various banking operations through their practice of comprehensive banking" (Hussein, Faten, 2015: 22).

One of the important definitions that do not contradict the previous definitions and on which researchers agree is the one that sheds light on the capital of these specialized banks, which is often in the form of loans from the government and local institutions. The definition refers to them as "institutions that provide long and

medium-term loans for projects that aim to finance them, as the conditions of their loans are determined by their sources of funds that consist mainly of long-term loans with favorable conditions from local and international governments and institutions" (Al-Samara'i, Sa'id, 1983: 107).

Based on the concept of specialized banks, the goals of these banks are derived from the main objective of their establishment, which is also expressed in their names. Thus, they seek to achieve economic and developmental goals for the economic sectors they target.

4. The practical aspect of research:

Topic 1: Profitability indicators

Banks' profitability is evaluated according to several indicators adopted by the Federal Financial Supervisory Authority, which are measured by net profit on a range of items such as total assets, capital base, total deposits, or available funds for the bank. These indicators include:

1- Return on Assets (ROA) or Net profit / Total Assets:

The Return on Assets (ROA) indicator helps measure the operational efficiency of a bank. It is also called the rate of return on assets, which measures the management's efficiency in achieving profits through its investments in assets. An increase in the value of the indicator is evidence of higher returns achieved, which is a sign of the bank's administrative efficiency in deploying its assets and turning them into profits.

Net profit / Total Assets

2- Return on Equity (ROE):

An increase in the ROE indicator is evidence of management's efficiency in deploying the bank's funds in profitable and income-generating assets. At the same time, it can be an indicator of high risk. A decrease in ROE may also indicate a conservative lending policy. This ratio reflects the amount of money invested by shareholders and the returns generated from it.

Net profit / Capital Base

3- Net profit to total deposits:

This indicator measures the ability of deposits to generate profits, i.e. the extent to which profits have been achieved based on deposits.

Net profit / Total Deposits

Topic 2: Issues related to evaluating specialized banks based on profitability indicators.

Shedding light on the philosophy adopted by profitability indicators in measuring and evaluating a bank's performance when it comes to profitability and what it means for specialized banks, it indicates the following:

1. One of the main objectives of commercial banks is to maximize the wealth of shareholders by achieving profits, which is not included in the objectives of specialized banks that aim to contribute to the development of the three economic sectors (industry, agriculture, and real estate). Therefore, it is not fair to measure their performance according to profitability indicators. Given that specialized banks primarily aim to serve economic development by providing credit to these three aforementioned sectors, it is clear that their returns are lower despite having high credit indicators. The reason for this is that the credit is directed at very low-interest rates that may not cover the cost of providing this credit. An example of this is when specialized banks borrow from the Rashid and Rafidain banks at an interest rate of 4% and then provide developmental loans at an interest rate of 2%, as is the case with the Real Estate Bank. It may even reach the point of providing credit without any interest through government support and policies to support economic sectors with funds, as in the case of agricultural loans in the Cooperative Agricultural Bank, where fees were collected at a rate of 2% of the total loan amount and only once.

2. Specialized banks carry out their financing and lending operations with their funds, including the capital, reserves, government support funds, and loans received from other government banks such

as Rafidain and Rashid banks, as mentioned in the previous paragraph. However, the main objective of these financing operations is to develop the economic sectors they target, without the need to compare the costs of these operations with their returns, which is in line with the true objectives of establishing these banks as stated in their current laws. Therefore, evaluating the profitability performance of specialized banks using profitability indicators is not in line with these objectives, and the goal of having a specialized bank is achieved whenever it contributes directly by providing the necessary financing for the economic sectors' needs of funds for the development or the creation of industrial, agricultural, or real estate development projects, rather than achieving financial profit from the credit granting process.

Topic 3: Using Profitability Ratio as a part of the specialized banks evaluation requirements

In this topic, a performance evaluation will be conducted for specialized banks using the profitability ratio adopted by the Central Bank of Iraq in assessing the compliance of banks operating in Iraq with supervisory requirements.

The results obtained will be studied to determine the extent of their impact on the ability of these banks to achieve their development goals.

1- Profitability Ratios for the Iraqi Industrial Bank

From Table (1) regarding the profitability ratios of the Iraqi Industrial Bank for the years 2010–2012, which were measured through the three indicators mentioned in the profitability section, we note that the highest percentage of the three indicators was achieved in 2011, reaching (1%, 6.6%, and 4%) respectively. On the other hand, the lowest percentages for the three indicators of profitability for this bank were in 2010 and 2012, which were (0.18% and 0.34%) respectively.

As for the net profit ratio to capital, which reached (1.1%), upon examining these low ratios concerning the size of the bank's assets and the available funds, it can be observed that the reason behind this is the bank's focus on "specialized banking". This is one of the basic duties included in its valid law, through which it directs its funds toward developing the industrial sector by granting long-term loans and facilities with the lowest or no interest.

Table (1) Profitability Indicators for the Iraqi Industrial Bank for the years (2010-2012)

							(Thousand dinars)
Year	Net Profit (1)	Total Assets (2)	Capital Base (3)	Total Deposits (4)	Net Profit/Total Assets (1)(2) %	Net Profit/Capital (1)(3) Base %	Net Profit/Total (1)(4) Deposits %
2010	490000	271642000	37481000	145974000	0.18	1.3	0.34
2011	5920000	398401000	90267000	155134000	1	6.6	4
2012	1607000	591383000	140700000	144761000	0.27	1.1	1

Source: Prepared by researchers based on the financial data of the Iraqi Industrial Bank.

2- Cooperative Agricultural Bank Profitability Index:

Through Table (2) for the profitability index of the Agricultural Cooperative Bank for the years 2010–2012, which was measured through the three indicators mentioned in the profitability section, we notice that the highest percentage of the three indicators was attributed to the net profit on the basic capital, which reached (55% for the year

2011), while the lowest percentages for the three indicators of the bank's profitability were in the year 2012 and amounted to (0.0006%). These percentages appear to be low compared to the size of the bank's assets mentioned in the table as well as the available funds. Therefore, we can conclude that the reason for this is due to the bank's

orientation towards specialized banking, through which the bank directs its funds towards developing the agricultural sector by granting

long-term loans with the lowest or no interest rates.

Table No. (2) Profitability indicators for the Agricultural Cooperative Bank (2010-2012)

							(Thousand dinars)
Year	Net Profit (1)	Total Assets) 2(	Capital Base) 3(	Total Deposits) 4(	Net Profit/Total Assets)2)(1 (%	Net Profit/Capital Base) 3)(1 (%	Net Profit/Total Deposits) 4)(1(%
2010	1859000	2015002 000	6149000	1006356 000	0.009	30	0.002
2011	6905000	2812991000	12570000	728218 000	0.0025	55	0.003
2012	2183000	3561840000	58685000	734827 000	0.0006	4	0.003

Source: Prepared by the researchers based on the financial data of the Cooperative Agricultural Bank

3- Profitability Indicators for the Real Estate Bank

Through Table (3), which displays the profitability indicators for the real estate bank for the years 2010–2012, measured through the three indicators mentioned in the profitability section, we notice that the highest percentages for the three indicators during the research years were (11%, 10%, and 10%), respectively, while the lowest percentages for the three indicators for the

bank's profitability were (1%, 7%, 7%), respectively. After examining these low percentages in comparison to the size of the bank's assets in the mentioned table and comparing them to the available funds, it was noticed that the reason for this decline is due to the bank's orientation towards specialized banking. Through this approach, the bank directs its funds towards developing the real estate sector by granting long-term loans with facilities, lower interest rates, or without them.

Table (3) Profitability Indicators for Real Estate Bank (2010-2012)

							(Thousand dinars)
Year	Net Profit (1)	Total Assets (2)	Capital Base (3)	Total Deposits (4)	Net Profit/Total Assets (1)(2) %	Net Profit/Capital Base (1)(3) %	Net Profit/Total (1)(4) Deposits %
2010	13339000	122405000	129542000	131713000	11	10	10
2011	10863000	1536537000	133210000	149708000	1	8	7
2012	10256000	1538851000	143309000	134022000	1	7	8

Source: Prepared by the researchers based on the financial data of the Real Estate Bank.

Finally, after analyzing the previous data and evaluating the performance of specialized banks based on profitability indicators, the research hypothesis was accepted, which indicated that the use of profitability indicators in evaluating the performance of specialized banks does not reflect the true performance of these banks. These

indicators were developed to evaluate the performance of commercial banks that operate within a framework aimed at making a profit and maximizing the wealth of their owners. Therefore, their operations are funded through the deposits of customers. Specialized banks were established by the government to serve specific economic

sectors such as industry, agriculture, housing, and real estate, and they operate according to non-profit principles and finance their loans using their own funds and government support.

5. Conclusions and Recommendations

Topic 1: Conclusions

Hence, based on the evaluation of the performance of specialized banks using profitability indicators according to regulatory requirements, the following conclusions were drawn from this study:

Specialized banks do not consider profit one of their main objectives, unlike global commercial banks that prioritize profit. Specialized banks operate according to a developmental vision aimed at raising the levels of development in the economic sectors they serve.

The profitability indicators of specialized banks during the years of research showed a decrease in their profitability compared to their capital or the funds available to them to provide development credit. The average profit margin for the Iraqi Industrial Bank was (0.48%, 3%, and 1.8%), respectively. As for the average profitability index for the cooperative agricultural bank, it was (0.4%, 29.7%, and 0.03%), respectively, and the average profitability index for the real estate bank was (4.3%, 8.3%, and 8.3%), respectively. This indicates that profit is not among the priorities of these banks since they pursue developmental objectives by providing cash credit at very low-interest rates or providing it without interest as in agricultural initiative loans.

Topic 2: Recommendations

1- Based on the research results, the study recommends striving not to evaluate the performance of specialized banks based on profitability indicators as one of the indicators used to measure the performance of these banks due to the difference in the philosophy of this indicator, which aims to evaluate the ability of banks to generate profits from depositor funds and ownership rights, contrary to specialized banks that do not aim to profit from their overall credit operations.

2: The study also recommends The Iraqi Central Bank adopt alternative standards when evaluating the performance of specialized banks to align the results of these standards with the objectives of these banks and take into account the exceptional importance of their funding sources compared to other commercial banks.

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