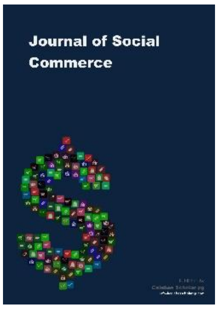


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## An Analysis of the Financial Performance Metrics for the Companies Listed on the Iraq Stock Exchange

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**Abstract**

Both theoretical research and analytical investigation are included in the study. To emphasize the significance of this subject in explaining the financial status of businesses, the theoretical study focused on the subject of financial analysis and performance evaluation in general and company performance evaluation in particular. This causes the investor to seek out financial information about businesses, which increases the investor's dependence on these statistics and increases the investor's trust in the businesses that it might invest in. The relevance of financial indicators in assessing a company's liquidity, capacity to pay long- and short-term obligations, and capacity to make a profit was another topic covered in this study (Tahu & Susilo, 2017). Regarding the analytical or practical component, it involved the analysis of a sample from Al-Hamra Insurance Company, an insurance provider registered on the Iraq Stock Exchange. The research arrived at the prospect of relying on the information provided by the company in its latest financial statement after applying financial indicators to the research sample through a re-analysis of its financial performance.

## Introduction

Financial analysis is one of the important topics in financial management in general and companies in particular, through which the financial situation can reflect the strengths and weaknesses that the company faces (Doyle et al., 2007; Waddock & Graves, 1997). During the exercise of its operational and investment activities according to the environment in which it operates and the sector to which it belongs in addition to competition with companies working with them in the same sector. Where it became more important it has been used in recent years as a result of common factors, including the intensity of competition, the increasing role it plays in financial markets, and the massive development in information technology (AM Abdulkareem, 2021)

### Important of Study

In light of the openness of the markets and the great competition, it becomes difficult to distinguish between the companies that the investor goes to invest in, and the difficulty may

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come from the results of the companies' business which may be tainted by some inaccuracy, clarity, or credibility. Therefore, the importance of the research lies in enhancing the confidence aspect in the information provided by the companies through re-entry Evaluation of the company's performance, the research community, by taking financial performance indicators (Ganotakis et al., 2022; Hanna et al., 2020).

### Problem of Study

The investors face the risk of a reversal in firms due to the loss of trust and total dependence on data Firms prepare their financial statements for this and help to improve the aspect of trust between the investor and the firm the disengagement of firms must be re-evaluated through analysis indicators to ensure the credibility of its information. Some investors do not have absolute confidence in the auditor's report, so the role of performance evaluation comes in Enhancing confidence on the one hand instead of the company.

### Objective of the Study

The research objectives are determined by showing the role of (performance evaluation, financial indicators, financial indicators in evaluating performance, and financial indicators in increasing confidence between the investor and the company as a whole).

### Hypothesis of Study

The companies listed on the Iraq Stock Exchange suffer from a lack of Credibility in presenting their financial performance.

## Methods

To achieve the research objectives and reach the results, the descriptive approach has been relied on, as studies and theoretical theses that dealt with the subject were used, and the analytical approach was relied upon to complete the practical side of the research. The first section (what is financial analysis): Firstly The concept of financial analysis: Financial analysis is defined as "the science that has rules, standards, and foundations that concern by collecting the data and information related to the financial statements of the financial institution and carrying out the necessary classification and classification for them to subject them to a detailed study and to find the relationship between them (Ahmed Mahdi Abdulkareem, 2020).

It is also known as "the method used by financial managers to evaluate the financial position and operational performance of the company." (Al-Nuaimi & Al-Tamimi, 2008). Wild also defined it as "the application of financial analysis tools on financial statements and related data to make financial decisions, through which financial statements can be transformed into more useful information to reduce guesswork and the inability to make a decision" (Wild, et al., 2008). If the financial analysis is a control process in addition to being an information system that derives its inputs from the data, indicators, and ratios found in the reports and financial statements of the establishment (Spathis et al., 2002; Feng et al., 2015). As well as from the external environment, whether it is from the sector in which this establishment operates or from other sectors, and then conducts analytical operations on this data. In special ways, the outputs of this system are the reports, ratios, and charts that are presented to the different levels of management, whether in the establishment or the organization or at the macroeconomic level (Al-Aridi, 2013; Boland & Fowler, 2000).

Secondly the importance of financial analysis: The importance of financial analysis in general is evaluating the performance of economic units in terms of financial aspects and in a way that serves the objectives of users of financial information who have interests in these units in order to identify strengths and weaknesses and then benefit from the information it provides to them in rationalizing their financial decisions related to the unit, and its importance lies Also with the following (Al-Sheikh, 2008); (1) Determining the efficiency of the administration in collecting funds on the one hand, and how to operate it on the other hand; (2) Obtaining indicators that show the company's ability and effectiveness in growth; (3) Checking the success or failure of the company in achieving its desired objectives; (4) Checking the efficiency of the company's activities; (5) Contribute to the company's financial planning process; (6) Ascertaining the real financial position of the company; (7) Preparing the appropriate ground for taking appropriate decisions; (8) Assists in making strategic decisions, especially with regard to merger and expansion decisions; (9) It is used in evaluating the economic feasibility of establishing projects and evaluating performance.

Third Objectives of financial analysis: The objectives of the financial analysis are centered on the following: (Ammar, 2011) (Al-Naimi and Al-Tamimi, 2008); (1) Determining the company's ability to fulfill its obligations by evaluating the company's financial position; (2) Benefit from the results of the analysis to prepare budgets and future plans; (3) Determine the opportunities available to the company that can be invested; (4) Predicting the financial failure that the company may face; (5) Financial analysis is a source of quantitative and qualitative information for decision makers; (6) Evaluate the financial results by determining the taxable figures.

Fourthly Financial Analysis Steps: The financial analysis methodology expresses the methods and tools used by before the financial analyst to reach the final results based on the data in the financial statements (Ravisankar et al., 2011). In order to complete the financial analysis process, the financial analyst must follow a set of general principles and foundations that must be taken into account in a way that allows him to achieve the required goals, which are (Fatima, 2015); (1) Determine the objective of the financial analysis that the financial analyst seeks to achieve; (2) Determine the period of time it takes to analyze the financial statements; (3) Determine the type of financial information that the financial analyst seeks to access and achieve his goals; (4) Choosing the appropriate method and tool through which he seeks to solve the problem; (5) Using the information and standards obtained by the financial analyst to take the appropriate decision; (6) Choosing the appropriate criteria to measure the results against and more than one criterion can be used if necessary; (7) Determine the deviation from the measured standard in order to determine the importance of absolute and relative numbers; (8) Identify the causes of deviation; (9) Reaching appropriate recommendations regarding the results of the analysis process.

Fifth Financial Analysis Indicators: There are many methods and technical methods used by the financial analyst in order to reach certain indicators during the analysis process (Bouwman et al., 1987), the most important of which are the financial ratios, which in turn are divided into six groups (Lin et al., 2011).. and each group is divided in turn into financial ratios and equations, and these groups are:

Liquidity ratios: which are used to refer to the company’s ability to pay off short-term debts, which are usually related to the company’s creditors (suppliers and bankers) who are interested in assessing liquidity through a set of ratios, which are usually the most common (the current ratio, the quick ratio, and the cash ratio)

First: Trading Ratio = Current Assets / Current Liabilities.

Indebtedness ratios (financial leverage): They show the company's ability to cover its long-term obligations, and mean the amount of borrowed funds that the company relies on, in addition to its funds, to finance its assets. (Al- Ardhi, 2013) It consists of a set of basic ratios, which are (the ratio of debts / total assets; the ratio of debts / total equity), as it measures the ratio of the existing company with debt financing as a percentage.

Indebtedness (borrowing) ratio = total liabilities / total assets.

Debt ratio (equity) = total liabilities/equity.

Equity multiplier = Total Assets/Total Equity, or = 1 + Debt/Equity.

Dividend and interest coverage ratio = earnings before interest and taxes/interest

Profitability indicators: which reflect the overall performance of the company and mean the company's ability to generate profits based on its annual sales in addition to assets and ownership rights? Profits are a measure of the effectiveness of the company's investment, financing and operational policies and decisions related to these policies (Murniati et al., 2019). The most common indicators are:

Net Income Margin Ratio = Net Income / Net Sales.

Return on investment = net income / total assets.

Rate of return on equity = net income/equity.

The second section (performance evaluation)

The concept of performance appraisal It is defined as "the level of achievement of the individual for the work entrusted to him after his submission of the exerted effort (Heinrich & Marschke, 2010)." It is also defined as the evaluation of the activities of the economic unit (establishment) in the light of its results at the end of a certain period (AM Abdulkareem, 2020), and it includes the process of evaluating performance is the relationship between the desired or set goals and the extent of their achievement and how to use economic resources and their financial value to produce the best quantity of products and between the lowest cost and the best quality and avoiding waste, loss, extravagance and squandering of economic resources.

According to Kumar et al (2013) the performance appraisal process for companies is defined as a set of studies aimed at identifying the extent of the company's ability and efficiency in managing its activities from various financial, administrative, production and marketing aspects...etc, during a specific period and the extent of its skill in converting inputs and resources into outputs of the required quality, quantity and quality (Ammar, 2011). In addition to the above, the performance appraisal process is of great importance to companies, as follows; (1) Shows the extent of the efficiency of planning when individuals implement their tasks to the fullest; (2) An attempt to overcome the deficiencies that occur in the company's financial planning process; (3) A necessary and important process in order to know the extent to which the company has achieved its plans and objectives; (4) It helps to coordinate between the various aspects of the establishment in the company through its work in an integrated system for the various departments of the company.

The third Section: The applied side (evaluation of the financial analysis of Al-Hamra Health Insurance Company): Al-Hamra Insurance Company is one of the companies operating in the insurance sector in Iraq (Habeeb, 2020). It started its work in the year (2001) and provides a range of services (such as insurance for the health sector and health insurance life, air, land, and sea transport insurance, travel insurance, and energy insurance), It was listed in the Iraq Stock Exchange under the name (Al-Hamra Insurance Company). Private General 2006 when its incorporation capital reached (300) million Iraqi dinars at that time, while its capital amounted to Listed until the end of 2018 (2 billion Iraqi dinars). The following are the financial statements of Al-Hamra Insurance Company for the year (2013-2017). To evaluate the financial position of the company, the research community must conduct a financial analysis based on the financial ratios that were discussed in the second topic and the data contained in the final accounts for the company, a set of ratios was calculated by the two researchers, as shown in the table below.

Table 1. the results of calculating the financial ratios for the year 2013 to 2017, Al-Hamra Insurance Company.

| Ratios | Units | 2013 | 2014 | 2015 | 2016 | 2017 | variability Ratio | Notes |
|---|---|---|---|---|---|---|---|---|
| Current ratio | one | 1.42 | 1.79 | 1.98 | 2.27 | 2.42 | 0.066 | Increasing |
| ownership percentage | % | 57.98 | 60.4 | 68.7 | 72.03 | 71.06 | 0.013 | Decreasing |
| Net Income Margin | % | 7.11 | 60.45 | 22.2 | 15.11 | 8.547 | 0.43 | Decreasing |
| Gross profit ratio | % | 8.36 | 33.3 | 26.64 | 17.66 | 15.55 | 0.12 | Decreasing |

The table was prepared by the researcher based on the final accounts of the company in the ending fiscal year 31-12-2018.

Table 2. the balance sheet of Al-Hamra Insurance Company (private shareholding)

| Particular | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Current Assets | | | | | |
| Cash | 1,969,967,144 | 1,617,960,073 | 1,018,725,547 | 879,847,629 | 777,127,157 |
| Investment | 5, 252,149, 273 | 3,700,467,454 | 3,179,797,854 | 3,159, 255,636 | 3,139, 232,227 |
| Debtors | 834859537.00 | 806, 089,080 | 1,637,467,533 | 644, 667,212 | 1,667,520,177 |
| Total Current Assets | 8,056,975,954 | 6,124,516,607 | 5,835,990,934 | 4,683,770,477 | 5,583,879,561 |
| Fixed Assets | | | | | |
| At Book Value | 343,676, 660 | 3510351393.00 | 3,592,527,586 | 3,682,802,329 | |
| Total Fixed Assets | 3,436,766, 660 | 3,510,351,393 | 3,592,527,586 | 3,682,802,329 | |
| Total Assets | 11,493,742, 614 | 9,634,868,000 | 9,428,518,520 | 9,518,793,263 | |
| Short Term sources | | | | | |
| Creditors | 3,326,191, 672 | 2,695,119,702 | 2,822,170,141 | 2,557, 200,051 | 1,347,957,971 |
| income tax provision | 2,479,995, 080 | | 130093116.00 | 61,380,030 | 184,130,520 |
| Short Term Loans | | | | | 2400000000.00 |
| Total Short Term sources | 3,326,191, 672 | 2,695,119,702 | 2,952,263, 257 | 2,618,580,081 | 3932088491.00 |
| Long Term Sources | | | | | |
| Paid -up Capital | 5,000,000, 000 | 5,000, 000,000 | 5,000,000, 000 | 5,000, 000,000 | 3,000, 000,000 |
| Reserves | 2,479,995, 080 | 1,831,703,930 | 1,329,296,390 | 592102062.00 | 2,244, 280,027 |
| Technical Reserves | 687,555,862 | 108, 044,368 | 146,958,873 | 155,890,663 | 180,950,845 |
| Total Long term sources | 8,167,550,942 | 6,939,748,298 | 6,476,255,263 | 5,747,992,725 | 5,425, 230,872 |
| Total sources of Finance | 11,493,742t61•4 | 9,634,868,000 | 9,428,518,520 | 8,700, 255,982 | 9,357,319,363 |

*Source: Iraq Stock Exchange, Companies Directory*

Table 3. Profit and loss account for Al-Hamra Insurance Company for the period

| Current Activities Revenues | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Insurance operations Revenue | 7,501,631,954. 00 | 3,117,696,405.00 | 3,327,365, 029 | 5,679,416,55 6.00 | 14,602,151,019 |

| | | | | | |
|---|---|---|---|---|---|
| Investment Revenue | 83,375,833 | 57,197,833.00 | 64,649,818 | 24, 055,525 | 68,570,539 |
| Lent land Revenue | | | | 61,320,000 | |
| Total Revenues | 7,585,007,787 | 3,174,894,238 | 3,392,014,847 | 5,764,792,081 | |
| Current Activities expenses | | | | | |
| Insurance operations expenses | 5,984,885,357 | 2,018, 068,760 | 1,842,813,535 | 4,492,913,262 | |
| Depreciation | 99,121,133 | 96, 996,693 | 95,085,443 | 94, 604,373 | |
| Administrative expenses | 320,927,395 | 498,976,094 | 550,449,489 | 738,981,902 | |
| Total expenses | 6,404,933,885 | 2,614, 041,547 | 2,488,348,467 | 5,326,499,537 | |
| Surplus of Current Operations | 1,180,073,902 | 560,852,691 | 903,666,380 | -1,934,484,690 | |
| Other transferring Revenue | | | | | |
| transferring Revenue | 35,486,128 | 27,586,500 | 30,903,763 | 121,103,018.00 | |
| Other Revenues | 112,613 | 22,832,310 | 2,254,030.00 | 506,000 | |
| Total Other transferring Revenue | 35,598,741 | 50,418,810 | 33,157,793 | 121, 609,018 | |
| Transferring operations and other Expenses | | | | | |
| Transferring operations Expenses | 567,38fi,493 | 131,554,362.00 | 69,536,729 | 150, 699,497 | 378,156,948 |
| other expenses | | | | | |
| Total expenses | 567,381,493 | 131,554,362.00 | 69,536,729 | 150,699,497 | |
| surplus for distrbution | 648,291,150 | 479,717,139 | 867,287,444 | 409,202,065 | |
| To Be distributed as : | | | | | |
| income provision | | | 130,093,116.00 | 61,380,030 | |
| Legal Reserve | 32,414,558 | 23,985,857 | 36,859,716 | 17,391,102 | |
| Undistribute incomes | 615,876,592 | 455,731,282 | 700,334, 612 | 330,430,933 | |
| Excess Activity | 648,291,150 | 479,717,139 | 867,287,444 | 409, 202,065 | |
| Annual Net Profit (Revenue) | 648,291,150 | | 737,194,328 | 347,822,035 | |

*Source: Iraq Stock Exchange, Companies Directory*.

## Results and Discussion

Turnover Ratio The trend of the turnover ratio in the company over two consecutive years has been continuously increasing (2,42and 2, 27) respectively as a result of the increase in current assets and accompanied in the same way Time increase in current liabilities. Ownership percentage the ownership percentage decreased in 2017 compared to 2016 the ratio is (72, 02) in 2017, while it reached (71, 06) in 2016 (despite the increase in the ownership right the company is represented by (reserves and technical reserves) with a fixed value of the paid-up capital. The net income margin ratio decreased in 2017 compared to 2016 the percentage was (15, 11) in 2017, while it reached (8,547) in 2016, despite the increase in net profit and total revenue. Gross Profit Percentage the ratio decreased in 2017 from what it was in 2016 when it reached A ratio was (17, 66) in 2017, while it reached (15, 55) in 2016, despite the increase in Gross profit and total revenue.

Increase in net working capital during the two consecutive years as a result of the increase in current assets and current liabilities. The process of preparing the financial statements from the reality of the company's records is in an environment that is far from the investor's environment. This does not inform the investor about the truth of these data except what can be displayed and explained through those lists for that He needs tools and mechanisms that raise his level of trust in the company to remove the ambiguity that might happen Because of the difference between the environment for preparing the financial statements (the company's work environment with the investor's work environment). Accordingly, the researcher believes that it is one of the best tools for removing ambiguity and mistrust between what the company issues from the data between the investor is the financial analysis.

For re-evaluation in any company to achieve optimum efficiency and effectiveness, the financial analysis must be relied upon because it is the best way to evaluate performance.

It was found by the researcher through the use of some important financial analysis indicators in analyzing the results of the company. The research community for five years reported that the company had a high degree of credibility in the presentation of The financial statements, as what the researcher did in terms of re-analyzing the financial statements of a company was identical to what The company came up with it, and this is contrary to the hypothesis of the research, which assumed that the company suffers from a lack of credibility its financial statements.

## Conclusion

The researcher believes that it is necessary to educate the investor community regarding financial indicators and the method of dealing with scientific foundations. The rest of the companies should follow the example of the company in the research community in stating the financial ratios and presenting them to a degree of High Reliability**.** Issuing appendices that include the financial analysis carried out by the company to facilitate its study and review investors.

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