

How to Cite:

Najafabadi, M. K., & Munkhi, E. S. M. (2022). Evaluation of banking performance according to Islamic standards compared to conventional banks: An applied study in Iraqi banks. *International Journal of Health Sciences*, 6(S3), 9876–9903.
<https://doi.org/10.53730/ijhs.v6nS3.8374>

Evaluation of banking performance according to Islamic standards compared to conventional banks: An applied study in Iraqi banks

Prof. Dr. Mostafa Kazemi Najafabadi

Assistant Professor, Research Institute of Howze and University, (Corresponding Author); Mostafakazemi@rihu.ac.ir.00989197457159

Eng. Shafiq Muhammad Munkhi

PhD student in economics, AL Mustafa International University – Islamic Republic of Iran-mail: sh506652@gmail.com, phone:009647702509816

Abstract--The evaluation of banking performance is a holistic continuous activity that reflects the success of banks and their ability to support the public administration in performing its basic functions successfully. Perhaps the evaluation of banking performance according to Islamic standards in comparison with traditional banks stems from an economic, financial and non-financial developmental societal concept characterized by flexibility and connection with reality. It is directed towards economic and social responsibility through the use of distinct tools in mobilizing local and foreign savings and contributing to the financing of investments that represent the backbone of economic activity and play an active role in meeting the requirements of contemporary life for individuals and institutions. When banks depart from the criteria for evaluating sound performance, banking functions become a cause of turmoil and possibly comprehensive crises. And if it is not employed well to serve the economic advancement, it will be a field for wasting resources and wasting opportunities, and in general, the economic and financial conditions were characterized by instability due to many crises, and their effects were reflected on the banking work, which required standing on the level of banking performance and subjecting this sector to the evaluation process in order to maintain the integrity of financial centers For banks and to reach a sound banking sector, which contributes effectively to the development and prosperity of the

local economy. Perhaps the evaluation of banking performance in accordance with Islamic standards in comparison with traditional banks is one of the most important and necessary critical success factors for the application of dimensions related to improving and developing banking performance to build an economy that competes with developed economies.

Keywords---banking performance, financial analysis, bank credit, banking performance evaluation, Islamic banks, conventional banks.

Introduction

The banking industry occupies great importance in economic and social life, and the banking sector is one of the leading pillars of modern economies, where traditional and Islamic banks operate within a number of political, economic, social, cultural and technical variables, and in light of the developments of financial liberalization and innovations in banking work, banking risks have increased and their nature has changed. And the growing use of new financial tools helped by the tremendous technological progress in the banking industry, which requires keeping pace with modernity and competition in the banking industry, and working to find a strong banking sector that helps provide the various sectors with the necessary funding to carry out their activities and provide banking services of all kinds. He wants to put an Islamic model and plans for a non-interest-based bank within a comprehensive planning for the community, as he puts the bank with its Islamic thesis as part of a complete and comprehensive Islamic picture of society) and on this basis, the evaluation of banking performance according to Islamic standards compared to traditional banks is the guiding alternative for usurious banking operations, as long as the possibilities are available. In applying it to dimensions that increase. From improving performance among the interacting elements of the most important units. To achieve this, the path to be followed must be determined, which ensures effective and permanent mobilization of all available energies and resources in order to consolidate good performance and continuous effectiveness that leads to upgrading banking work and supporting developing economies.

The research problem

There is a problem in passing bank performance evaluations according to Islamic standards compared to its own in evaluating the performance of conventional banks, which was expressed by the main question: What is the evaluation of banking performance according to Islamic standards compared to conventional banks in Iraq for the period from 2010 to 2018? The following questions arise from the main problem:

- What is the reality of conventional and Islamic banks in Iraq for the period 2010-2018?
- 2. How is banking performance analyzed according to Islamic standards in Iraq for the period from 2010-2018?

- How can a comparison be made in evaluating the performance between conventional and Islamic banks?

Research Hypothesis

The research relied on the main hypothesis that: (Banking performance in accordance with Islamic standards is the best option to improve banking work and support developing economies).

Among this hypothesis are the following sub-hypotheses:

- Conventional and Islamic banks in Iraq are working to raise the level of their banking performance to support local economies.
- Analysis of banking performance according to Islamic standards depends on a set of banking elements and indicators.
- The use of comparative analysis in evaluating the performance of conventional and Islamic banks opens new horizons in banking.

Research objectives

The research seeks to achieve the following objectives:

- Evaluating the performance of conventional and Islamic banks.
- Determining the factors affecting the performance of conventional banks.
- Develop an Islamic indicative alternative to increase the efficiency of the financing performance of conventional banks.
- Indicating the extent of the possibilities of banking performance in accordance with Islamic standards to develop the banking industry in Iraq.

The importance of research

The importance of the research is summarized in the importance of the banking industry in economic and social life, where traditional and Islamic banks work within a number of political, economic, social, cultural and technical variables. The nature of its products and services and the effects they cause now and in the future, as it passes the evaluations of banking performance according to Islamic standards over its own in evaluations of banking performance of the traditional model in terms of using the most effective tools and methods that increase the efficiency of its performance and achieve its goals in economic and social development. As well as its contribution to research and studies specialized in addressing the applied problems of Islamic and conventional banks and evaluating their banking performance.

Previous Studies

Previous studies dealt with some aspects of the subject of the current study, and in recognition of the researchers' precedence and based on the fact that research in any field of knowledge is often built on what other researchers and interested people have reached from the accumulation of knowledge and application, then the birth of ideas is only an extension of those scientific achievements And a

statement of the trends and paths taken by those studies and the use of them in our current study, and a discussion of the location of this study among them. Among those studies are the following:

Local and Arab Studies

Study: Hamad*, Mahmoud Sami (2019)

- Study title: Requirements for applying the Liquidity Coverage Ratio (LCR) and the Net Stable Financing Ratio (NSFR) in Islamic banks (a comparative study between an Islamic bank and a conventional bank). The problem of the study: In a statement and clarification of the difference between Islamic banks and conventional banks through the application of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) in Islamic banks, and their impact on banking performance.
- Objective of the study: The study aimed to determine the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) and measure them in relation to the traditional banks of the study sample, as well as measuring the differences between the application of the LCR ratio and the NSFR ratio in Islamic banks than in conventional banks, and determining the level of performance of the study sample banks.
- The importance of the study: The importance of this study lies in the importance of the ratio of highly liquid assets held by financial institutions to ensure their continuous ability to meet short-term obligations as an important indicator in evaluating banking performance.
- The most important conclusions of the study: The study came out with results, including: The risk of Islamic banks is greater than that of conventional banks. This requires taking into account the privacy of Islamic banks by the financial authorities, especially the Central Bank of Iraq, and amending some items within the balance sheet to serve the banking system in general in Iraq.
- The most important recommendations of the study: The study concluded that the Central Bank of Iraq should add items within the balance sheet, adjust the inflow and outflow rates in favor of Islamic banks without traditional banks, and provide financial support to Islamic banks.

Study: Shawky,[†] Bourkaba (2011)

- Study title: The operational efficiency of Islamic banks, a comparative study
- The problem of the study: The problem of the study came in the statement of the efficiency of the operations of Islamic banks compared to the efficiency of

^{*}) Hamad, Mahmoud Sami, (2019), requirements for applying the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) in Islamic banks, a comparative study between an Islamic bank and a conventional bank, a research submitted to the Council of the Higher Institute for Accounting and Financial Studies to obtain a higher diploma Equivalent to MA in Banking, University of Baghdad, Iraq.

[†]) Shawky Bourguiba (2011), The Operational Efficiency of Islamic Banks - A Comparative Applied Study, a thesis submitted to obtain a PhD in Economic Sciences, Faculty of Economic and Commercial Sciences, Setif University, Algeria, 2011.

the operations of conventional banks in terms of their reliance on multiple financing formulas.

- Objective of the study: The study aimed to define the concept of operational efficiency and ways to measure it in Islamic banks and to estimate the cost function in them compared to their traditional counterparts.
- The importance of the study: The importance of this study stems from its contribution to research and specialized studies in addressing the applied problems of Islamic banks and evaluating their operational efficiency.
- The most important conclusions of the study: One of the most important results of the study is the existence of latent banking needs that were not satisfied by the traditional banks, and the large conventional banks are more efficient than the large Islamic banks.
- The most important recommendations of the study: The study found the need to harmonize between financing, investment and deposit operations in terms of terms and size. This requires an analysis of the gaps and maturity periods for assets and liabilities.

Foreign Studies

Study: [‡]Olayton and Ona Koya (2013)

- Study title: The performance of conventional and Islamic banks in the United Kingdom (a comparative analysis).
- Study problem: The problem of the study lies about the extent to which the performance of conventional banks outperforms the performance of their Islamic theory, as well as about what is the analysis of the relationship between the performance of conventional and Islamic banks in the United Kingdom? What is the extent of the needs of the Islamic banking industry to improve the efficiency of its banking performance?
- Objective of the study: The study aimed to analyze a comparison of performance efficiency between conventional banks and Islamic banks in the United Kingdom, and in light of the development of diversification of their banking products and their adoption of Islamic products windows and for the purpose of meeting the needs of companies and individuals wishing to engage in Islamic banking transactions and improve their banking performance.
- The importance of the study: The performance of Islamic banks appears to be more effective in terms of the diversity of their services, as it is more effective in meeting the needs of the banking industry for companies and individuals who wish to engage in non-interest financial transactions, as it is a contribution to the development of the Islamic banking industry in the United Kingdom.
- The most important conclusions of the study: The most important results of the study appeared about the ability and superiority of the performance of traditional banks in providing various banking activities over the performance of their Islamic theory, due to the weakness of professional education in

[‡]) Olaitan & Onakoya (2013) The Performance of Conventional and Islamic Banks in the United Kingdom: A Comparative Analysis.

Islamic finance and the weakness of their professional cadres specialized in the work of Islamic banking.

- The most important recommendations of the study: The study recommended expanding the base of education and skills in Islamic finance, which is important to meet the needs of the Islamic banking industry for qualified cadres, as well as increasing the volume of operations in order to benefit from the positive economies of scale, which is a condition for improving efficiency and performance.

The current study and its most important characteristic

By reviewing previous studies, the researcher believes that previous studies unify the importance of banking services, their types, and systems of use in conventional and Islamic banks to meet the needs of customers. The current study was distinguished in its use of the temporal limits for the specified period between 2010 to 2018, and the spatial aspect through the selection of some conventional and Islamic banks in Iraq, which represent a diversified spectrum that includes different financial institutions (governmental and private banks) with previous experiences, and the current study was distinguished from others in Designing a proposed Islamic banking model in evaluating banking performance according to Islamic standards in comparison with conventional banks operating in Iraq on the one hand, and on the other hand evaluating the level of the proposed Islamic banking model in those banks, and the general framework of the proposed model in evaluating banking performance in accordance with Islamic standards aimed to create A clear comprehensive vision of the nature of its products, services and business, through the use of a number of The main important elements and indicators (financial and non-financial), financing techniques, and investment channels that are directly related to banking performance and according to Islamic standards.

The second topic: the reality of conventional and Islamic banks in Iraq

The banking sector is one of the important pillars of the economy, and all its components are an essential factor in the management of any country. The banking system in Iraq has been linked to various economic, social and political developments in the country, which left their clear effects on the nature of this system in terms of its structure and various activities, so traditional and Islamic banks were affected by these conditions. This study addresses the following demands:

The first requirement: The development of conventional banks

The traditional banking industry has gone through a radical transformation phase that has resulted in offering customers endless options of banking services, so that banks can keep pace with these developments that the world is witnessing in the field of technology.

First - The reality of electronic banking

Global and contemporary thought revolves around a new concept that reflects the comprehensive cultural shift, which is the concept of the conversion mechanism to electronic banking, which reflects the radical change in the banking entity. Where the mechanism for transferring electronic banking business took place according to steps and stages through which a program for a ready and integrated banking system for banking business is selected to support the bank and have the ability to adapt to continue in a competitive environment.^(§) (Alter, 2001: 17) The attention of most banks has shifted Towards this new banking industry and the development of its electronic banking business, and the scene of the development of electronic business in Iraqi banks appears through the efforts of the Central Bank of Iraq to develop payment systems and settle electronic exchanges and develop mechanisms for paying salaries to employees of state departments and retirees electronically, as most employees in state departments receive their salaries Through the (Q Card) card, in addition to the Central Bank's contribution to the settlement of salaries that it started with the Central Bank of Iraq's employees with the participation of a number of private banks by providing automatic payment machines (ATM), as well as encouraging the Central Bank to governmental and private banks to open more Branches to provide financial services to the largest possible segment of society and include them within the official financial system, (**)(Annual Stability Report Mali in Iraq for the year 2016: 75), and the bank's series of banking operations, may achieve the greatest value chain for services and products in the banking industry, and it reflects the radical change in the entity of banks within the modern electronic innovations.

Second: Computer Services

Perhaps the recent technological developments that have occurred in the international community and the information revolution that has affected all patterns of human life have also cast a shadow on payment and cash transfer methods. In the past, cash transfers were made by means of notices that included transfer or by using checks to pay the value of cash payments, but today, with the development of technology, transfers are made electronically, using computer services and through magnetic tapes or cylinders on which transfer instructions are recorded, or what is called the name of the transfer system. Electronic money, this system that uses credit cards as a tool for transfer, and this process we limit it to two basic processes, the withdrawal process and the payment process (††) (Noureddine, 2011: 7).

[§]Alter, Steven,” Information Systems, Foundation of E-Business means of payment in light of”, 2001:17

^{**}) Annual Stability Report Mali in Iraq for the year 2016 : 75.

^{††}) Noureddine, Glade (credit card and the risk management of its use as a means of payment in light of electronic commerce - research presented to the Fourth International Scientific Forum / Algeria - 2011:7

In light of the expected improvement of economic activities, the banking arena of banks operating in Iraq witnessed an expansion in banking services through the use of electronic minds in many aspects of their banking activities, and often these banks find themselves in a position that allows them to provide these services to other banks and institutions in return for a banking commission. Perhaps the use of computer services and the dissemination of banking products and services to the largest number of individuals and institutions, especially marginalized groups of people with limited income, through the creation of appropriate banking services at competitive and fair costs, as the statistical data indicates that the percentage of account ownership for individuals and companies in Iraq amounted to 22.7% In 2017, compared to 10.6% in 2011, the reasons for progress are due to the banks' procedures represented in the electronic services they provide, through the settlement of employee salaries and granting loans, as well as the growth in the number of electronic payment companies, and despite what happened, the reality of computer services indicates the decline and decline in services As the percentage of borrowers via the credit card of conventional and Islamic banks in Iraq, it reached (2.1%), which is a low percentage, and this may be due to the risks associated with the borrowers' lack of the real guarantees required by those banks, such as land and real estate in the event of default. (**)

(The Journal of the Union of Arab Banks, Studies, Research and Reports, Issue 458, April 2021). Despite what happened in 2018, several measures to develop payment systems, for the purpose of achieving stability in the financial and monetary system, the traditional banks operating in Iraq still record one of the lowest levels in the world. This requires moving towards expanding the use of modern financial technologies and increasing the availability of data customers to allow service providers to design digital financial products that meet the needs of unbanked individuals.

Third - The reality of credit activity in conventional banks in Iraq for the period 2010-2018

The traditional borrowing activity of local banks is witnessing a slight expansion in the volume of credit granted, as the credit balance provided by conventional banks operating in Iraq continues to increase during 2010 and in an upward manner. The total balance of credit provided to all economic sectors was recorded (9385) billion dinars, an increase of (4,094). billion dinars, compared to the balance at the end of 2009, which amounted to (5291) billion, or (77.4%), and the outstanding balance of facilities granted by conventional banks (excluding government facilities reached Central) at the end of 2011 amounted to (13) trillion dinars, an increase of (3.6) trillion dinars and a rate of (38.3%) over 2010, which amounted to (9.4) trillion dinars, and the credit balance provided at the end of 2012 reached (28.4) trillion dinars, with a rate of An increase of (60%), as the total balance of credit facilities granted by conventional banks amounted to approximately (30) trillion dinars at the end of 2013, an increase of (1.5) trillion dinars, while the ratio of (6.3%) to the gross domestic product was recorded, which is a percentage Simple that reflects weakness in financial intermediation in banks and the departure of traditional banks towards banking operations that leads to the deepening of the financial market. We find banks invoking market

** (The Journal of the Union of Arab Banks, Studies, Research and Reports, Issue 458, April 2021)

risks in addition to credit risks and failure to pay. Banking facilities for banks operating in Iraq at the end of 2015 also recorded an increase of (2.6) trillion dinars, with a growth rate of (7.7%). local.(§§) (The Annual Economic Report of the Central Bank of Iraq for 2015: 59). As for the personal income data, it was obtained by the Central Statistics Agency, which indicates a decrease in the percentage from (10.2%) in 2015 to (9.2%) in 2016, which indicates a decrease in the demand for credit. It is also noted that the balance of credit facilities (cash) has increased.) granted to the private sector for the year 2017 at a rate of (7%) compared to the previous year, which ranked first in terms of its contribution rate of (51.3%) of the total cash credit granted. In contrast, the balance of credit facilities granted to the central government and public institutions decreased by (-2). 9% (and (- 2.2%) from the previous year, with a contribution rate of (29.7%) and (19.0%) of the total cash credit granted.(***) (Annual Economic Report (2017: 43-44). The decrease in demand indicates that Credit in comparison with the income of individuals leads to the dependence of individuals heavily on personal savings to meet their needs, and the decrease of this percentage reflects the dependence of individuals on informal financing (through borrowing from relatives and friends), to fill their financing gap and there is no data on informal financing (†††) (Ministry of Planning , publishing Annual Statistical Survey, Central Statistical Organization, 2017). The outstanding balance of the total credit facilities granted by banks operating in Iraq at the end of 2018 recorded an estimated increase of (0.5) trillion dinars, and by (1.4%) over the previous year, to reach (38.5) trillion dinars. against (38) trillion dinars, constituting 15.3% of the GDP at current prices. (†††)(Annual Economic Report 2018: 36). When analyzing the structure of the total existing facilities according to their qualitative classification, we find that loans and advances have acquired the majority of credit granted by banks operating in Iraq to record (80.9%) of the total credit balance and show a growth rate of (1%), followed by the overdue debts section to record A growth rate of (12.4%) over the previous year and a contribution rate of (12.7%), (0.7%) respectively of the total credit granted. As for the pledge credit granted by conventional banks operating in Iraq for the year 2018, the record showed a decrease of (-8.4%) from the previous year to reach (25.3) trillion dinars compared to (27.6) trillion dinars in 2017. In general, the credit reality of conventional banks in Iraq is characterized by a set of features (§§§) (Al-Shammari, 2008: 117). –

- The local traditional banks suffer from an imbalance in their banking economic structures, and this imbalance was helped by the continued tendency of banks to provide short-term bank credit and their reluctance to provide loans to the productive economic sectors due to the factor of profit and risks.

§§)The Annual Economic Report of the Central Bank of Iraq for 2015: 59.

**) Annual Economic Report (2017: 43-44.

†††) Ministry of Planning , publishing Annual Statistical Survey, Central Statistical Organization, 2017.

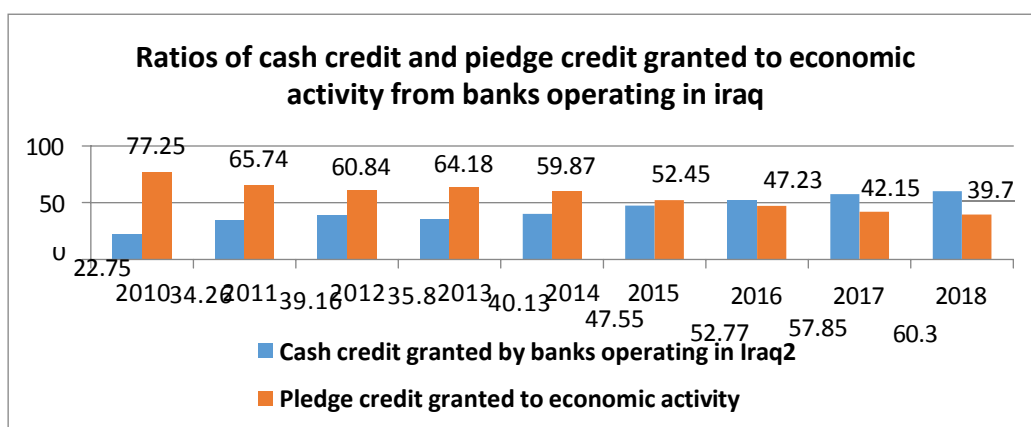
††† (Annual Economic Report 2018: 36.

§§§) Al-Shammari, Sadiq Rashid, "Bank Management, Reality and Applications", Volume 1, Al-Farah Press, Baghdad, 2008: 117.

- B - Local traditional banks suffer from economic dependence on foreign countries and the weakness of the local economy.
- The recent emergence of electronic cash systems and other banking devices, which made them lose relative control over the banking and credit activities of other banks.
- The influence of conventional banks on the banking activity practiced by foreign banks during periods of foreign occupation.

It is noted that the Iraqi banking system needs to form an integrated banking system whose functions go beyond its traditional field of activity, that is, it has to contribute to financing economic development in addition to its traditional contribution to the cycles of commercial and industrial activity. On this basis, the role of the Iraqi banking system appears to regulate and rationalize these relations so that they are not a source of draining the local economic surplus for the benefit of the developed countries.

Figure 1 shows cash credit and pledge credit granted by banks operating in Iraq for the period 2010-2018



Source: Central Bank of Iraq, Department of Statistics and Research

The second requirement: evaluation of traditional banking performance

The evaluation of banking performance is one of the most important and most successful pillars upon which the monitoring and control process is built. It is one of the tools for measuring, examining and analyzing the results achieved using various means and methods in light of specific criteria. This is due to the importance of this financial institution and its role in economic development.

First - the concept of performance evaluation of banking performance

The performance appraisal process is considered an administrative necessity, as it is a measure of the bank's success in achieving its goals, as it provides the necessary information about the various activities in the bank to know the strengths and weaknesses in them so that the senior management can take the right decisions regarding setting future goals to ensure the bank's survival in a

competitive environment. (Al-Husni et al., 2000: 232)(****) , as expressed by Ross, that it represents an essential step in the supervisory process, as the essence of the performance evaluation process is through comparing the actual performance of each of the bank's activities to specific and prior indicators, in order to judge the level of success of the bank as a whole or the level of its internal activities. The purpose of performance appraisal is as a tool to diagnose and review the development process individual performance and the performance of banks in general.(††††) (Ross, 1999: 125) Perhaps the performance evaluation is intended to know the negative and positive deviations and to indicate their causes and to ensure the management of economic resources with high efficiency and at a lower cost and to develop the necessary proposals and solutions to address them.

Second - Methods of evaluating banking performance

There are some methods used in evaluating performance, including:- (****) (Al-Husseini et al., 233:2008)

- **Estimated budgets system:** This system is considered one of the best methods used in evaluating performance, especially flexible budgets, on the basis of estimating expenditures and resources for the work specified in the plan for all banks' activities and comparing them with actual expenditures and resources and showing the deviations through which the performance of banks is evaluated, and these are used Budgets to evaluate performance at the level of banks as a whole or at the level of a particular department.
- **Standard cost accounting system:** In this system, an operating account for each activity or department represents, on the one hand, all the actual costs, and on the other hand, production valued at standard costs. Performance is evaluated by analyzing the difference between the actual cost and the standard cost, which represents a way to identify strengths and weaknesses. in performance.
- **Management system by objectives:** - performance evaluation is carried out by following the following stages:
 - Defining objectives for each activity, as well as indicators to measure their achievement.
 - Tracking the percentages of achieving goals and awarding the reward based on these indicators.
 - Evaluating and redefining the objectives in light of the percentages used to achieve them.
- **Financial ratios:** The internal departments of banks have taken the use of these ratios for the purpose of evaluating their performance and setting a planning program to achieve the desired goals. These ratios are also used by

****) Al-Hasani and others, Falah Hassan and Muayyad Abdul Rahman Al-Douri, Banking Administration, a Contemporary Quantitative and Strategic Introduction, I/1, Dar Wael Publishing, Amman, Jordan, 2000:232.

††††) Rose (1999) , peter,commercial bank managementm,4th ed.,Irwin,mcGraw – Hill companies,Lnc,1999,. p:125

****)Al-Hassani and others, Falah Hassan and Muayyad Abdul Rahman Al-Douri, Banks Management, a Contemporary Quantitative and Strategic Introduction, I/1, Wael Publishing House, Amman Jordan 2008:233.

supervisory authorities and measure the overall performance of the institution or for a specific evaluation.

Third - The objectives and importance of evaluating banking performance

The objectives of banking performance appraisal express the provision of senior management with information about the performance of employees and the extent of their efficiency, knowledge of the extent of their contribution to achieving the objectives of the bank, identifying shortcomings and weaknesses in performance, as well as improving the supervision process and following up on the performance and behavior of subordinates, with the aim of raising the level of performance by raising the efficiency Staff and management assistance in knowing the obstacles to work. (§§§§) Abbas, 2003: 139(The importance of evaluating banking performance emerges, through the importance of this financial institution and its role in economic development, as it is one of the most important and successful pillars upon which the monitoring and control process is built. (****) (Al-Sisi, 2011: 199) . It also directs efforts to achieve better performance, and shows how to perform job tasks, through the use of the principle of competition.(††††) (Robert, 2000, 15), and the importance of evaluating banking performance is indicated in that it makes it easier for banks to fulfill their obligations by providing accuracy in following up on the implementation of projects.

Fourth - Types of banking performance appraisal

Performance appraisal can be divided into the following types:

- **Planned performance appraisal:**

In this type of performance evaluation, the extent to which the banks achieve the planned goals is intended by comparing the indicators mentioned in the scheme and the policies developed with the actual indicators. These comparisons show the extent of development in the actual performance of the bank's activities and clarify the deviations and errors that occurred in the implementation process with an explanation of the causes and treatments necessary for her. (****)(Al-Dawri, 31:2013) Perhaps this type of evaluation confirms that new variables are not entered so as to affect the nature of performance, and they are according to periodic timescales.

- **Actual performance appraisal:**

This evaluation means the efficiency of the available material and human resources by comparing the actual numbers to each other in order to identify the imbalances that occurred and indicate the degree and level of performance

§§§§) Abbas, Suhaila Muhammad, Human Resources Management, a strategic approach, first edition, Dar Wael for Publishing and Distribution, Amman, 2003:139.

*****) Al-Sisi, Salah El-Din Hassan, (2011), Oversight of Business and Business Organizations, Evaluating Banks Performance and Electronic Banking Risks, Dar Al-Kitab Al-Hadith, first edition, Cairo.2011:199.

††††)Robert J. Vokura, Karyl) , "a comparative analysis of national and regional quality awards, quality progress", Standing Jason Brazil, 2000:15.

*****) Al-Douri Omar Ali Kamel, Evaluating Banking Performance, Dar Al-Ulum, Iraq - Baghdad, 1st Edition, 2013:31.

in employing these resources in the bank's operations. The same applies to comparing these indicators with the actual figures for the previous years in the same bank, as well as comparing them with the results achieved during the relevant fiscal year and previous years as well. (§§§§§) (Al-Karkhi 2008: 32), and it turns out that the basis of this evaluation is to compare the aspects and activities of the actual performance of the banks with each other to diagnose the strengths and weaknesses in their performance.

- **Standard performance evaluation:**

It is intended to compare the actual results with the standard values, and this takes two types of comparison, either by comparing the results achieved by banks for various banking activities and events, with standard results that were developed to be a measure for judging whether the actual results are satisfactory or not. The standard numbers are set in the light of a set of considerations, including the capabilities and capabilities available to the banks. As for the other level of comparison, it is done by comparing the actual indicators and rates with the indicators and standard rates (standard) such as the liquidity indicator and investment return or others. (*****) (Al Douri, 2013:32) It can be said that the evaluation is based on comparing the actual performance of banks with standards set in advance for performance that are consistent with the available banking conditions and capabilities.

- **Evaluation of the overall performance (comprehensive):**

According to this assessment, it is necessary to include all aspects of activity in banks and to use all planned, actual and standard indicators in the process of measuring and distinguishing between the importance of one activity and another, by giving weights to the activities of the bank. The credit volume has a higher probability than the rest of the activities, or the profitability of the project may be given this probability or the return on investment. By using these odds and indicators of planned, actual and standard results, the degree of comprehensive evaluation of the banks' performance is reached. (+++++) (Al-Karkhi , 2008: 58). It is clear from this that the basis of this evaluation is to compare the actual performance of the banks with the goals and plans drawn for them and with the specific standards of performance and with their actual indicators achieved during the time period.

The third topic - The reality of Islamic banks in Iraq:

Islamic banks are linked in their lines and details to the Islamic economic system whose goal is to reconstruct the earth and rationalize consumption. Perhaps the idea of Islamic banks emerged from the need of the Islamic community to find formulas for banking and investment transactions that are compatible with the standards and rules of Islamic Sharia.

The first requirement: the reality of the growth and development of Islamic banks in Iraq

§§§§§) Al-Karkhi, Majid Abdul Jaafar (2008), Evaluating the performance of economic units using financial ratios, Dar Al-Manhaj for Public Publishing and Distribution, Baghdad, 2008: 32.

*****) Previous source, Al-Douri, 2013:32

+++++) Al-Karkhi, Majid Abdul Jaafar, Performance Evaluation in Economic Units Using Financial Ratios, Dar Al-Manhaj for Public Publishing and Distribution, Baghdad 2008:58.

The Islamic banking industry is witnessing intense competition in the international and local markets, especially in light of the global financial crises, which resulted from the growth and development of Islamic banks. Perhaps the reality of Islamic banks in Iraq indicates the delay in the emergence of Islamic banks. In reality, except during the last decade of the last century, the reality of Islamic banks can be addressed as follows:

First: The stages of growth and development of Islamic banks in Iraq

It is believed that the Islamic banking business is relatively recent compared to the traditional banking business, as the march of Islamic banks passed through several historical stages that preceded the establishment of the first Islamic bank in Pakistan. Then the stage of establishment of Islamic banks in the Arab world and the development that accompanied their work up to the present day. We can summarize the stages of growth and development in two stages:

- The first stage: It is the stage that extends between (1991- 2003) (*****) (Awad, 2013: 3), which was marked by the issuance of Law No. (12) Of (1991) amending the Central Bank of Iraq Law No. (64) of (1976), as it was completed Approval of the establishment of private banks, after government banks had monopolized commercial banking activity since (1964), (***** (Thuwaini, 2010: 257) as several private commercial banks were established, while one Islamic bank was established in (1992) by a special law, which is The Iraqi Islamic Bank for Investment and Development, and its tasks were determined according to the founding statement of the bank to carry out banking and commercial and financial activities, in accordance with the provisions of Islamic Sharia (*****)(previous source, 2010: 259), and in (2001) another Islamic bank appeared, Al Baraka Bank for Investment and Finance, which was In 2007, its name was changed to Elaf Islamic Bank.
- The second stage: This stage began in difficult circumstances, specifically in the year (2004 and so far) and this stage was characterized by structural changes in the state's philosophy to transform the Iraqi economy from a centrally planned economy to a free market economy, as well as by lifting the economic siege, so the private sector began to be motivated to establish banks An Iraqi civil society that absorbs the movement of major economic and financial transformations in order to contribute to the developmental role of the economy. (***** (Awad, 2013: 3) The spread of Islamic banks has expanded at this stage, as the Kurdistan International Bank was established in (2004) as an Islamic banking, and then the expansion in Islamic banking began. ***** (Abdulaziz, 2012: 8). The positive effects of these banks continued

*****) Awad, Adeed Shiaa (2013), Challenges of the Iraqi Islamic Banking Industry, research published in Banks News Magazine, Issue 109, Baghdad, 15/8/2013.

***** Thuwaini, Falah Hassan, (2010), The Evolution of Money and Banks in Iraq, Al-Rafa Press, 1st Edition, Baghdad. 2010: 257

*****) Earlier source, 2010: 259

***** (Awad, Adeed Shiaa (2013), Challenges of the Iraqi Islamic Banking Industry, research published in Banks News Magazine, Issue 109, Baghdad

*****) Abdul Aziz, Ali Al-Katib, (2012), Islamic banking can contribute to promoting investment and combating unemployment, Al-Mada newspaper, No. 2652 on 11/17/2012, Iraq.

until they became twenty banks in 2014, although some of them are under establishment. §§§§§§§§ (Central Bank of Iraq, Annual Bulletin, 2014), Islamic banks in Iraq may acquire 25% of the private banking activity, and this percentage is expected to rise to 40% in the event of a new law regulating the work of Islamic banks is enacted, and a Central Bank law was issued regarding Islamic Banking Instructions No. (16) for the year 2011, while 2015 witnessed the establishment of the first governmental Islamic bank, Al-Nahrain Islamic Governmental Bank, (*****) (Annual Report on Financial Stability in Iraq, 2015:30) and it is the only governmental Islamic bank among the banks operating in Iraq. The spread of the number of Islamic banks increased until the Islamic banks that continue to work in banking now reached (28) banks. (††††††††) (Central Bank of Iraq, Annual Bulletin, 2018). Despite the development in Islamic banking, Islamic banks still face many challenges and efforts to develop work, use modern technological methods, and develop and innovate local and international financial tools in order to meet the growing needs of customers and face banking competition in local and international markets. (*****) (El-Beltagy 2010:12)

The second requirement: the structure of Islamic banking activity in Iraq

Perhaps the first work of Islamic banks began in Iraq in 1993 when the Iraqi Islamic Bank for Investment and Development was established to be the first private Iraqi bank to operate in this type of banking activity. While the banking arena in 2015 witnessed the establishment of the first government Islamic bank in Iraq, Al-Nahrain Bank, which coincided with the issuance of the Islamic Banking Law No. 43 of 2015. The structure of the Islamic banking system in Iraq appears to consist of one government bank, Al-Nahrain Islamic Bank and (27) local private banks, in addition to two Arab and foreign banks. The total number of Islamic banks operating in Iraq reached (97) branches at the end of 2019, distributed by (34) branches in Baghdad And (63) branches in the governorates. The branches of Islamic banks were distributed among (4) branches of government banks, (89) branches of private banks, and (4) branches of Arab and foreign banks. The structure of Islamic banking activity in Iraq can be shed light on as follows:

• First: The reality of deposits and credit for Islamic banks:

The banking scene of the reality of deposit and credit balances of Islamic banks has resulted in total balances amounting to (1.3) trillion dinars at the end of 2015 and the balance of private Iraqi banks was (1.2) trillion dinars. As for the proceeds of Arab and foreign banks from those deposits, it was (144.7) billion dinars, (§§§§§§§§) (The Annual Report of Financial Stability in Iraq, 2015:30) There is no doubt about the impact of the financial crisis in 2014 in

§§§§§§§§) Central Bank of Iraq , Annual Bulletin, 2014.

*****) Annual Report on Financial Stability in Iraq, 2015:30

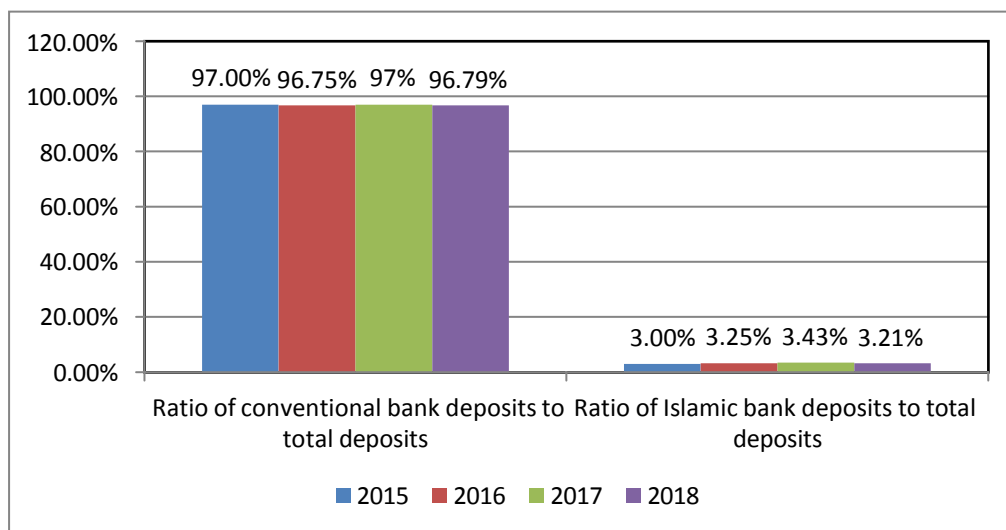
††††††††) Central Bank of Iraq, Annual Bulletin, 2018.

*****) El-Beltagy, Muhammad, (2010) , Human Resource Development in Islamic Financial Institutions, Second Islamic Financial Services Conference. 2010:12

§§§§§§§§) The Annual Report of Financial Stability in Iraq, 2015:30

Iraq resulting from the drop in oil prices and the increase in the expenditures of the war on terrorism and support for the displaced and the displaced. The decline in the growth of private sector deposits was moderate, as the growth rate of deposits reached its lowest level in 2015, and then began to grow in 2016, especially private deposits, and the data indicate that the highest market share of deposits was in the government-owned Rafidain Bank, which Without it, there is no concentration in the deposits of the banking system, as Rafidain Bank deposits amounted to (49%) of the total deposits in 2016. In this case, the impact of Rafidain Bank on the rest of the banks appears. In this case, if it is exposed to any financial crisis, it will quickly transfer to the banking system as a whole.(*****) (The Annual Report of Financial Stability in Iraq, 2016: 8). The banking scene with regard to the share of Islamic banks in the deposit balance for the year 2018 resulted in a ratio of (3.40%), while conventional banks acquired the highest percentage of them, as their share amounted to (96.60) in the same year, and this reflects the limited role of Islamic banks in attracting deposits compared to traditional banks. because they constitute (36.9%) of the total number of banks, while conventional banks constitute (63%) of the total number of banks operating in Iraq. The reason for the limited deposits in Islamic banks is due to the fact that most of them were newly established and in light of the fluctuations of political and economic conditions that affected their performance.(+++++) (Annual Financial Stability Report in Iraq, 2018:4) This is on the one hand, and on the other hand there is a poor balance in the management of liquidity between the quality of deposits and the areas of their employment.

Figure 2 shows the ratio of conventional and Islamic bank deposits to total deposits



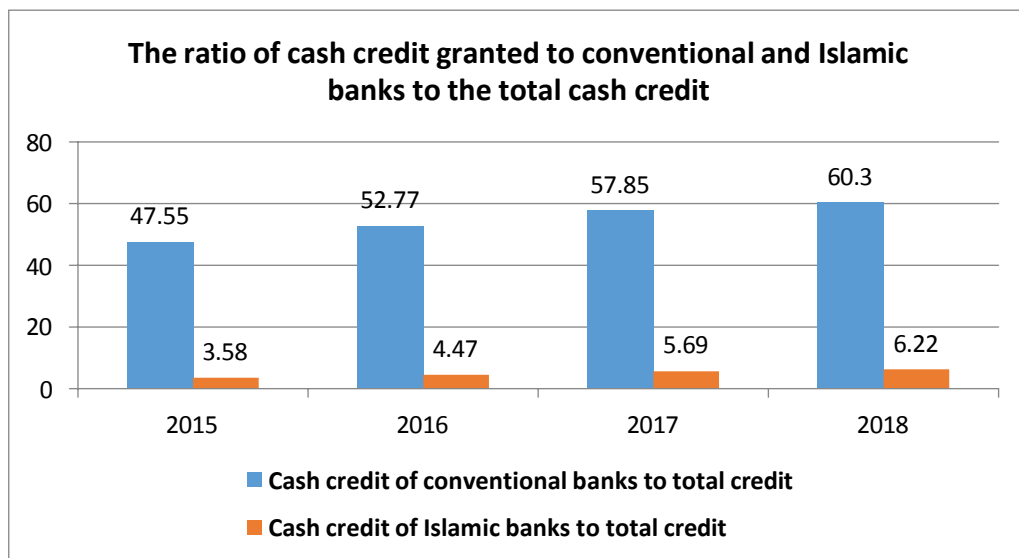
Source: Central Bank of Iraq, Department of Statistics and Research

*****) The Annual Report of Financial Stability in Iraq, 2016: 8

+++++) Annual Financial Stability Report in Iraq, 2018:4

With regard to the total cash credit balances at the end of 2015, it recorded (1.85) trillion dinars out of the total of those balances, with a contribution rate of (3.58%), and the share of Arab and foreign banks in it was (154.1) billion dinars. The banking scene also ranked with regard to the share of Islamic banks in the credit balance in 2016, which amounted to (4.47%), while the traditional banks acquired the largest share, reaching (52.77%), as a result of the progress of the traditional banks against the newly established Islamic banks, and a contribution percentage appeared Of the credit balance for 2017, Islamic banks accounted for (5.69%) of the total cash credit balance, which is a small percentage, while the share of traditional banks appeared (57.85%), which explains their acquisition of the largest share of the cash credit contribution in the banking sector, and perhaps a total record The cash credit for the year 2018 recorded the contribution of Islamic banks amounted to (6.22%), while the percentage of cash credit to conventional banks reached (60.3%), which is a good percentage. Risky banking and exposed to moral risks. In this regard, the Central Bank, through its supervision of the banking system, focuses on a sound credit policy that takes into account the harmonization between the terms of funding sources and their uses and the lack of opacity. This leads to volatile and short-term funding sources to finance long-term assets.(#####) (The Annual Report on Financial Stability in Iraq, 2015:28).

Figure 3 shows the percentage of cash credit granted to conventional and Islamic banks operating



Source: Central Bank of Iraq, Department of Statistics and Research

With regard to liquidity and capital adequacy ratios for Islamic banks, it was found through the table of liquidity and capital adequacy ratios for Islamic banks that Cihan Islamic Bank recorded the highest liquidity ratio among all Islamic banks operating in Iraq in 2015 and the ratio reached (331%), while the Tigris

#####The Annual Report on Financial Stability in Iraq, 2015:28.

and Euphrates Bank recorded For Islamic development and investment, the lowest liquidity ratio reached (6%). As for capital adequacy, the highest percentage of the share of Kurdistan International Bank for Investment and Development amounted to (303%), while records indicate the lowest capital adequacy ratio is (15%) at Abu Bank Islamic dab. It is worth mentioning with the exception of Al-Nahrain Islamic Bank from these ratios related to liquidity and capital adequacy. (#####) (The Annual Report on Financial Stability in Iraq, 2015:30)

• **Second: The contribution of Islamic banks in the Iraqi stock market for the period (2010-2018)**

The study depends on analyzing the percentage of Iraqi Islamic banks' contribution to the Iraqi stock market for the period (2010-2018: on the indicators that will be studied, namely (market value, trading volume) and as follows:

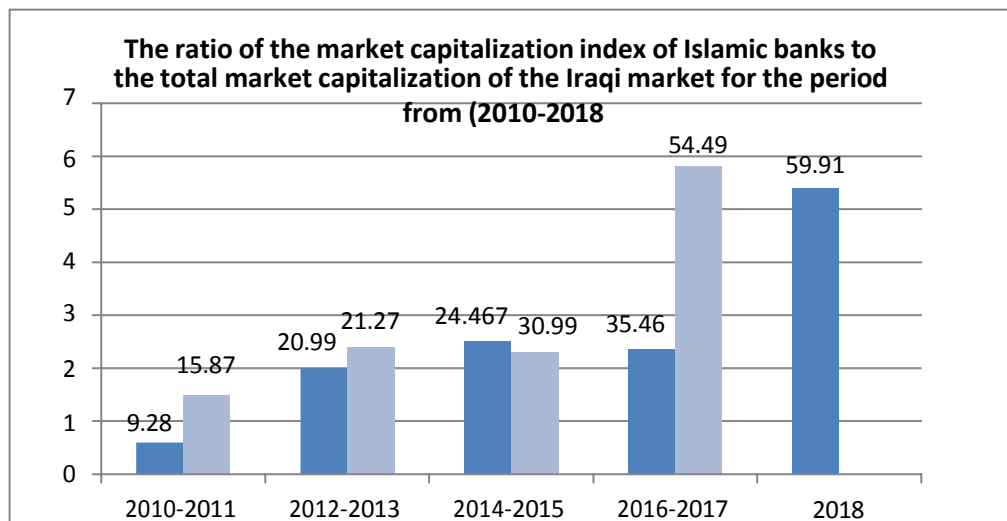
Analysis of the market value index in the Iraqi Stock Exchange for the period from (2010-2018)

The market capitalization index (market capitalization) is one of the indicators for measuring the size of banks in the Iraqi stock market. The market capitalization means the sum of the values of the shares listed in the market multiplied by their average prices at the end of the period. It also refers to the total value of the securities listed in the market, and the market capitalization rate is often measured By dividing the market value of the shares registered in the stock exchange by the gross domestic product, a group of economic analysts goes to the fact that market capitalization is closely related to the ability to mobilize capital and diversify risks, and the market value index is a mirror that reflects the level of market activity, as the higher the value of this indicator, So on the high market volume. In 2010, the total market value amounted to (223,573) million dinars, with a contribution rate of (9.28%), which is an increase from the previous year 2009. The reason is due to the entry of a new bank, the Tigris and Euphrates Islamic Bank, and it continued to rise further in 2011 with the entry of another bank to trade in the market It is Elaf Islamic Bank, as the total market value amounted to (617,908) million dinars, with a contribution rate of (15.87%), then it increased further, reaching (20.99%) in 2011 due to the improvement of the political and security conditions, and we note in 2013 a significant increase in the total market value For Islamic banks in the market, it amounted to (1111,890) million dinars, with a contribution rate of (21.27%), and the rise continued in 2014, as the total market value reached (1174460) million dinars, with a contribution rate of (24.46%), and in 2015 a new Islamic bank entered into The market is the National Islamic Bank, so the total market value of Islamic banks amounted to (1084,610) million dinars, where the ratio of the contribution of the market value of Iraqi Islamic banks to the total market value of the banking sector (30.99%), after the National Islamic Bank entered the market, While the contribution of the market value of Iraqi Islamic banks to the total market value of the banking sector amounted to (35.43%) in 2016, with the entry of the Arab Islamic Bank and the International Islamic Bank, as the total amounted to

)The Annual Report on Financial Stability in Iraq, 2015:30

(1233960) million dinars, and in 2017, the increase in the percentage continued, the total market value Iraqi Islamic banks have more banks to enter the market, namely Zain Iraq Islamic Bank, Noor Iraq Islamic Bank, Al-Qaddiq Bank, Cihan Bank and Al-Bilad Islamic Bank, where the ratio reached 54.49%, and the total market value reached (2934960) million dinars, but in 2018, the market value increased More banks entered the stock market, where the total market value index of Iraqi Islamic banks reached (2629150) million dinars, with a contribution percentage to the total market value of the banking sector amounting to (59.91%), and the reason for the rise in the market value during the study period is due to several factors Including what is related to the improvement of the security situation and the application of the investment law that encourages the entry of investment and the implementation of electronic trading activity and the activation of the database of the market .(*****) The annual bulletins of the Iraq Stock Exchange for the period from (2010-2018) and The figure (4) shows the value indicator Market capitalization of Iraqi Islamic banks for the period from (2010-2018)

Figure 4 shows the ratio of the market capitalization index of Islamic banks to the total market capitalization of the Iraqi market for the period from (2010-2018)



Source / data of the annual bulletins of the Iraq Stock Exchange for the period from (2010-2018)

Analysis of the trading volume index of the Iraqi Islamic banks for the period from 2010-2018

Perhaps the trading volume index refers to the value of what is traded in stocks and bonds at various prices during a certain period of time. This indicator is measured by dividing the total shares traded on the stock exchange by the gross domestic product, and then it reflects the liquidity in the economy in

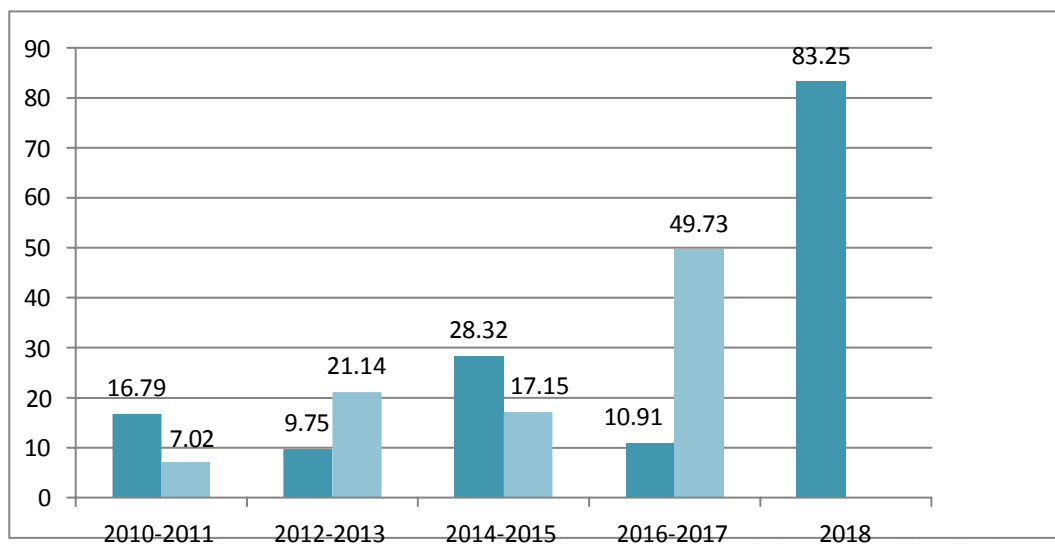
***** The annual bulletins of the Iraq Stock Exchange for the period from (2010-2018).

general.(++++++))The annual bulletin of the Iraq Stock Exchange for the year 2018) and this indicator is extracted according to the following formula:

$$\text{Trading volume} = \text{number of shares traded} / \text{GDP}$$

Through Table (5), it becomes clear to us the trading volume index for Iraqi Islamic banks for the period from (2010-2018) for the banks that traded in the Iraqi Stock Exchange, there is a clear fluctuation in the trading volume values during the study period. In 2009, the total trading volume amounted to (43549) million dinars due to the relative improvement of the security, economic and political conditions of the country. The increase continued in 2013, as the total trading volume of Iraqi Islamic banks amounted to (201624) million dinars, and the total volume amounted to (216,252) million dinars for the year 2014, and in 2015 the total volume of trading decreased to (61115) million dinars due to the bad security and political conditions, and it continued The decrease in 2016 as the total trading volume amounted to (41758) million dinars, and in 2017, the total trading volume increased even more, as it reached (368249) million dinars due to the emergency improvement in the security, economic and investment situation. In 2018, the total volume reached (246996) million Dinar.(++++++) Data of the annual bulletins of the Iraq Stock Exchange for the period from (2010-2018).

Figure 5 The trading volume index of Islamic banks operating in Iraq to the total trading volume of the banking sector for the period from 2010-2018



Source / from the researcher's work based on the data of the annual bulletins of the Iraq Stock Exchange for the period from (2010-2018)

The second requirement - the challenges faced by Islamic banks in achieving their development goals

++++++))The annual bulletin of the Iraq Stock Exchange for the year 2018

++++++) (Data of the annual bulletins of the Iraq Stock Exchange for the period from (2010-2018).

Islamic banks face several challenges, including() (Neama et al., 2010: 144-145)

The challenges of globalization:

Many studies indicate that globalization has an impact on the banking system in general and on the Islamic banking system in particular, the most important of which are the following:() (Samhan et al., 2010: 225-227)

- The weak ability of the Islamic banking system to open branches abroad, which makes its work less compared to other banks, and thus the weak competitiveness of Islamic banks.
- Loss of appreciation of the importance of merger to form the optimal size of the Islamic banking system, and lack of awareness of the dangers that Islamic banks may face.
- Establishment of foreign banks within Islamic countries, with the entry of conventional and foreign banks into the Islamic investment market.

Failure to provide legal cover

The failure to enact laws, which is considered one of the most important challenges, as it obstructs the progress of Islamic banks and limits their expansion due to the lack of legislation and laws appropriate to their nature, and there must be a solution to this problem, as Islamic banks in Iraq face challenges in the application of the Basel Convention (3) as well as the application of the adequacy ratio Capital on investment deposits, by the Central Bank of Iraq.

Small sizes (capital) for Islamic banks

The capital is an obstacle to the growth and achievement of the bank's goals, as the working capital in Islamic banks is small compared to other banks, and for the purpose of achieving the goals of Islamic banks, this problem can be addressed by applying the policy of raising money and expanding the shareholder base through economic openness as well as the integration of banks among themselves to be banks Great, able to face many obstacles.

Lack of competencies and qualified cadres

The Islamic banking system faces the challenge of its lack of competencies and qualified professional cadres, as the efficient human element is one of the most important factors to achieve many goals and objectives. Therefore, Islamic banks

(Nima and others, Nagham Hussein Nima and Raghad Muhammad Najm, Islamic Banks and Financial Institutions in the Gulf Cooperation Council Countries: Reality and Challenges, Al-Qadisiyah Journal for Administrative and Economic Sciences, Vol. 12, No. 2, 2010, pp.: 144-145

(Samhan and others, Hussein Muhammad Samhan and Mahmoud Hussein Al-Wadi, Islamic economics, money and banking, first edition, Dar Al Masirah, Amman, 2010, pp.: 225-226

must provide adequate and legally qualified human resources for the application of Islamic banking work.(††††††††††) (Al-Kuwari, 2011: (3 -4)

Weak coordination between Shariah boards in Islamic banks and the multiplicity of fatwas

The weakness of the legal bodies is a challenge facing Islamic banks, and the multiplicity of legal fatwas in banking transactions is a challenge to the path of Islamic banks, so it is necessary to adopt unified standards based on a common reference with unified fatwas. (††††††††††)(Shira et al., 2000: no numbering)

The third requirement - comparative analysis evaluations between conventional and Islamic banks

Since its inception, traditional banks have been characterized by a materialistic individual tendency to trade in money and maximize wealth. Perhaps Islamic banks have another issue, as it is a legitimate matter to purify the banking business from usurious interests and legal violations, and to save banks from dealing in usury and eliminate on the basis of the contradiction between it and the provisions of Islam, by presenting a model and a thesis that regulates its relations. It is applied to depositors and investors on a new basis that differs from the interest-bearing deposit and interest-based lending system.(§§§§§§§§§§) (Al-Sadr, 2006: 29) In the traditional banking concept, it is one of the money market institutions that deals in monetary credit, and its main work is usually accepting deposits for use in banking operations such as discounting commercial papers, buying and selling them, granting loans and other banking operations. .(*****)(Al-Shammari, 2008:16) and the thinker (Muhammad Baqir Al-Sadr) mentions that the bank with this description is indebted to depositors and pays them interest if their deposits are not on demand.(††††††††††) (Al-Sadr, 2006:34) In this way, the concept of Islamic banks differs, as they are banking financial institutions that accept funds on the basis of the two principles of tax withholding and sheep for fines for trading and investing in accordance with the purposes of Sharia and its detailed provisions. . While the nature and role of traditional banks is based on intermediary and neutral financial institutions between savers and investors, the role of Islamic banks is not characterized by the neutrality of the mediator, but rather practices the banking and financial intermediation profession with investment tools in which it is a seller, a buyer and a partner. While we find the basis of financing in traditional banks based on the lending base at the interest rate, and it is worth noting that we differentiate between the

†††††††††† (Al-Kuwari, Ahmed Abdullah (2011), Challenges Facing Workers in Islamic Financial Institutions, Second Islamic Financial Conference, Islamic Banks between Reality and Ambition, Qatar Doha, November / 2011, p.: 3-4.

††††††††††(Shaira and others, Muhammad Omar Shabra and Tariqullah Khan, Supervision and Supervision in Islamic Banks, Discussion Paper No. 3, Islamic Development Bank, Islamic Research and Training Institute, Saudi Arabia, 2000: Without numbering.

§§§§§§§§§§(A previous source, Al-Sadr, 2006:29

***** (Previous source, Al-Shammari, 2008:16

†††††††††† Previous source, Al-Sadr, 2006:29

possibility of collecting the loan and the safety of the loan, not every loan that can be collected is a sound loan. Establishing a specific program to return the loan, regardless of whether the loan is with or without a guarantee, while the financing in the Islamic banking model is on the basis of the production base according to the principle of profit and loss. From the burdens (risk) to the extent of the advantages it obtains (return), there is always the possibility that the jointly financed operation will fail and the bank will bear part of the loss in proportion to its contribution to the financing. *****(Al-Makawi, 2010:27)

In the context of this, we find the comparison analysis evaluations between conventional and Islamic banks to clarify the differences between Islamic and conventional banks, and perhaps this means cooperation between them based on positive results stemming from platforms that open new horizons in evaluating banking performance and according to Islamic standards, as it contributes to expanding the base of Those dealing with the banking system and deepening its role in financing development through mobilizing financial surpluses.

Study summary

There is no doubt that performance evaluations when they move away from the developments of contemporary developments in the banking environment becomes the need for a model with financial and other non-financial formulas bearing a strategic dimension in line with changes in the business environment, and perhaps the emergence of the many transformations that cast a shadow on the performance of banking business, increased interest in evaluations The performance between conventional and Islamic banks, which forced them to employ their energies and adapt their philosophy and objectives by searching for modern tools that are in line with the requirements of contemporary life. Iraq for the period from 2010-2018, as the study was launched based on the hypothesis that (banking performance according to Islamic standards is the best option to improve banking work and support developing economies) and according to this hypothesis, as traditional banks are purely financial institutions that operate in light of economic standards only, their first goal is to achieve profits Only and maximizing the wealth of the owners, and through the reality of the traditional banks that have appeared, they suffer from an imbalance in their structure It has the banking economic, which helped to maintain this imbalance, its continuation in providing short-term bank credit and its reluctance to provide loans to the productive economic sectors due to the factor of profit and risks and the instability of the security situation Challenges of banking performance evaluations because of its specificity that distinguishes it from the traditional model of banks. It depends on a set of rules, standards and mechanisms that are in line with the spirit of the times and development and stems from the Islamic economic theory, as it is comprehensive for all the affairs of banking activities and also has the ability to solve the problems of the banking environment. Conventional and Islamic, the ability of Islamic banks to face the challenges that hinder their progress, but the real challenges lie in their ability to confront until they reach a degree close to integration through which they can challenge distinguished banks. Then, Islamic banks must keep pace with changes and

***** (Al-Makkawi , Muhammad Mahmoud (2010), “Islamic Banking” “Traditional, Islamic” The Scientific Method for Decision Making, Al-Asriyya Library, Mansoura, Egypt 2010:27

developments in the banking industry, The international community and the development of its services and products systems according to the latest banking technologies. Through the development of the Islamic guiding alternative to increase the efficiency of the credit performance of conventional banks, and protect banks from threats and unexpected events and thus the safety of the banking sector as a whole.

Results

The study concluded the findings of the researcher through the following:

- The keenness of most people on what is permissible and permissible and their desire to avoid usurious transactions is the most important motive for their dealings with Islamic banks, which establishes an opportunity to evaluate banking performance in accordance with Islamic standards so that it becomes a guiding alternative for increasing the efficiency of banks' financing performance.
- The evaluation of banking performance according to Islamic standards contributes to revealing the future state of the traditional and Islamic banking systems that have been classified, identifying their behavior and determining the degree of its development and the direction of this development, and its impact on the surroundings of the banking system.
- The evaluation of banking performance according to Islamic standards compared to traditional banks in Iraq represents the modern trend of competition in banks, and this encourages effective and frequent communication with the various parties related to banks, and encourages building networks of banking services and developing new and advanced networks and methods, which is an important part Active and positive in banking institutions.
- The Islamic model of banks helps to provide opportunities to achieve social solidarity for members of society through carrying out some activities of a social nature, or some investment projects or banking activities carried out by Islamic banks.
- The results of the study showed the importance of liquidity, especially in Iraqi banks and the environment in which these banks operate, which is dominated by the nature of cash dealing, on the need to prepare to meet the movement of withdrawals from deposits, and although this ratio is high, it witnessed the lowest rate of liquidity ratio recorded for the year 2018 amounting to (46.1%) according to the ratio of liquid assets to the total assets of the banking system, which indicates that the bank has reduced its liquidity, and perhaps this lies in our assessment that the bank does not expect to face immediate withdrawals.
- The results showed the contribution of Islamic banks in avoiding credit risks through the principle of risk sharing within the framework of the public and private agency, and the various aspects that they enjoy help the banks to show different results of the alternatives in the decisions and the consequent of this providing them with a conscious basis for choosing between these alternatives.

Study recommendations

The most important actions recommended by the researcher through the results he reached are:

- Work to raise the capabilities and capabilities of the Iraqi banking departments at all their administrative and operational levels, increase their efficiency and enhance their position to advance the reality of financial and banking services.
- Increasing the number of Islamic banks and enhancing their integration to form strong banking entities capable of facing various challenges, and increasing the scope of cooperation and joint coordination between them.
- Facilitating the work of Islamic banks and the follow-up and control of their activities by specialized Sharia committees, as well as the supervision of the Central Bank.
- Spreading the concept of Islamic banking culture and developing its business with the aim of increasing its role in the Iraqi economy by carrying out development projects aimed at achieving economic development.
- Facilitating the process of listing Islamic banks in the Iraqi Stock Exchange and encouraging them to trade their shares in the market.
- Interweaving the details of the experiences of Arab and Islamic countries, especially in Iran, Pakistan, Malaysia, Egypt and Saudi Arabia, in the applied reality of Iraqi Islamic banks with updates that are compatible with the reality of the investment environment in Iraq.

Research sources

1. Hamad, Mahmoud Sami, (2019), the requirements for applying the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) in Islamic banks, a comparative study between an Islamic bank and a conventional bank, a research submitted to the Council of the Higher Institute for Accounting and Financial Studies to obtain a diploma Higher Equivalent to MA in Banking, University of Baghdad, Iraq.
2. Al-Hasani and others, Falah Hassan and Muayyad Abdul Rahman Al-Douri, Banking Administration, a Contemporary Quantitative and Strategic Introduction, Edition 1, Dar Wael Publishing, Amman, Jordan. 2000.
3. Al-Hasani and others, Falah Hassan and Muayyad Abdul Rahman Al-Douri, Banking Administration, a Contemporary Quantitative and Strategic Introduction, 1st Edition, Dar Wael Publishing, Amman, Jordan 2008.
4. Abbas, Suhaila Muhammad, Human Resources Management, a strategic approach, first edition, Dar Wael for Publishing and Distribution, Amman, 2003.
5. Al-Sisi, Salah El-Din Hassan, (2011), Supervision of Businesses and Business Organizations, Evaluating Banks Performance and Electronic Banking Risks, Dar Al-Kitab Al-Hadith, first edition, Cairo. 2011.
6. Al-Douri Omar Ali Kamel, Evaluation of Banking Performance, Dar Al-Ulum, Iraq - Baghdad, 1st Edition, 2013.
7. Al-Karkhi, Majid Abdul Jaafar (2008), Evaluating the Performance of Economic Units Using Financial Ratios, Dar Al-Manhaj for Public Publishing and Distribution, Baghdad, 2008.

8. Al-Karkhi, Majid Abdul Jaafar, Evaluating the performance of economic units using financial ratios, Dar Al-Manhaj for Public Publishing and Distribution, Baghdad 2008.
9. Chawki Bourguiba (2011), The Operational Efficiency of Islamic Banks - A Comparative Applied Study, a thesis submitted to obtain a PhD in Economic Sciences, Faculty of Economic and Commercial Sciences, Setif University, Algeria, 2011.
10. Awad, Adeed Shiaa (2013), Challenges of the Iraqi Islamic Banking Industry, research published in Banks News Magazine, Issue 109, Baghdad, 15/8/2013.
11. Thuwaini, Falah Hassan, (2010), The Evolution of Money and Banks in Iraq, Al-Rafa Press, 1st Edition, Baghdad.
12. (previous source, 2010)
13. Awad, Adeed Shiaa (2013), Challenges of the Iraqi Islamic Banking Industry, research published in Banks News Magazine, Issue 109, Baghdad, 2013.
14. Abdul Aziz, Ali Al-Katib, (2012), Islamic banking can contribute to promoting investment and combating unemployment, Al-Mada newspaper, No. 2652 on 11/17/2012, Iraq.
15. Central Bank of Iraq, Annual Bulletin, for the years, 2010, 2011. 2012, 2013, 2014, 2015, 2016, 2017, 2018,
16. El-Beltagy, Muhammad, (2010), Human Resources Development in Islamic Financial Institutions, Second Islamic Financial Services Conference.
17. 17- The annual report on financial stability in Iraq, for the years, 2010, 2011. 2012, 2013, 2014, 2015, 2016, 2017, 2018,
18. Nima and others, Nagham Hussein Nima and Raghad Muhammad Najm, Islamic Banks and Financial Institutions in the Gulf Cooperation Council Countries: Reality and Challenges, Al-Qadisiyah Journal of Administrative and Economic Sciences, Volume 12, Issue 2, 2010
19. Samhan and others, Hussein Muhammad Samhan and Mahmoud Hussein Al-Wadi, Islamic economics, money and banking, first edition, Dar Al-Masira, Amman, 2010.
20. Nouredine, Jadeed (credit card and the risk management of its use as a means of payment in light of electronic commerce - a research presented to the Fourth International Scientific Forum / Algeria 2011).
21. Journal of the Union of Arab Banks, Studies, Research and Reports, Issue, 458, April, 2021
22. Al-Shammari, Sadeq Rashid, "Bank Management, Reality and Applications", i/1, Al-Farah Press, Baghdad, 2012.
23. 23- Al-Kuwari, Ahmed Abdullah (2011), Challenges Facing Workers in Islamic Financial Institutions, Second Islamic Financial Conference, Islamic Banks between Reality and Ambition, Qatar Doha, November/2011
24. Shayra and others, Muhammad Omar Shabra and Tariqullah Khan, Supervision and Supervision in Islamic Banks, Discussion Paper No. 3, Islamic Development Bank, Islamic Research and Training Institute, Saudi Arabia, 2000: Without numbering.
25. Al-Makawi, Muhammad Mahmoud (2010), Islamic, traditional and Islamic banking finance, the scientific approach to decision-making, Al-Asriya Library, Mansoura, Egypt 2010.
26. Website: The Islamic Investment Methods Program in the Banking and Commercial Fields

27. stok. Com www.KartOun

Foreign sources

1. Olaitan & Onakoya (2013) The Performance of Conventional and Islamic Banks in the United Kingdom: A Comparative Analysis.
2. Alter, Steven," Information Systems, Foundation of E-Business".
3. Rose (1999) , peter,commercial bank management,4th ed.,Irwin,mcGraw – Hill companies,Lnc,1999,.
4. Robert J. Vokura, Karyl) ,"a comparative analysis of national and regional quality awards, quality progress", Standing Jason Brazil, 2000.
5. Hill, Allan, strategic Financial Management, Ventus Publishing, United State of America ,2008.
6. Gup,Benton E , “ An Introduction ,Financial Intermediaries “ , Hanghton Miffing Co.1979 .p.3
7. Eccles , Robert G. ,” The Performance Measurement Manifesto ” , Harvard Business Review , January- February , 1991 .

Margins

1. Ed. Mostafa Kazemi Najafabadi, Member of the Seminary and University Research Center, Islamic Republic of Iran / Holy Qom mostafakazemi@rihu.ac.ir: E-mail
2. Eng. Shafiq Muhammad Mankhi, former director of Al-Rasheed Bank / Baghdad / PhD student in economics, Al-Mustafa International University, Islamic Republic of Iran, E-mail: Sh506652@gmail.com
3. Study: Hamad, Mahmoud Sami, (2019), the requirements for applying the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) in Islamic Banks, University of Baghdad, Iraq.
4. Study: Shawky Bourguiba (2011), the operational efficiency of Islamic banks, University of Setif, Algeria.
5. Olaitan & Onakoya (2013) The Performance of Conventional and Islamic Banks in the United Kingdom: A Comparative Analysis. Alter, Steven,” 2001:17.
6. Annual Report of Financial Stability in Iraq for 2016 Nouredine, Jadeed, (2011:7).
7. Journal of the Union of Arab Banks, Studies, Research and Reports, Issue, 458, April, 2021
8. The Annual Economic Report of the Central Bank of Iraq for 2015: 59).
9. Annual Economic Report (2017: 43-44)
10. Ministry of Planning, Annual Statistical Bulletin, Central Statistical Organization, 2017. Annual Economic Report 2018: 36
11. Al-Shammari, (2012: 117).
12. Al-Husni and others, (232:2000).
13. Rose (1999) p:125
14. Al-Husni and others, (233:2008).
15. Abbas, (2003:139)
16. Al-Sisi, (2011: 199).
17. Robert J. Vokura, Karyl) , 2000.P:15
18. Al-Douri, Omar, (2013: 31)

19. Al-Karkhi, 32:2008.
20. Previous source, Al-Douri, 2013 : 32
21. Al-Karkhi, (2008: 32).
22. Awad, Banks News Magazine, Issue 109, Baghdad, 15/8/2013.
23. Thuwaini, (2010: 257).
24. A previous source, Thuwaini, (259:2010)
25. Awad, (2013: 109).
26. Abdul Aziz, Ali Al-Katib, Al-Mada Newspaper, No. 2652, on November 17, 2012, Iraq.
27. Central Bank of Iraq, Annual Bulletin, 2014.
28. Annual Report on Financial Stability in Iraq, 2015 :30
29. Central Bank of Iraq, Annual Bulletin, 2018.
30. Al-Beltagy, Muhammad, (12:2010).
31. Annual Report of Financial Stability in Iraq, 30:2015.
32. Annual Report on Financial Stability in Iraq, 2016: 8.
33. The Annual Report on Financial Stability in Iraq, 2018:4.
34. Annual Report of Financial Stability in Iraq, 2015: 28.
35. Annual Report of Financial Stability in Iraq, 2015: 30.
36. The annual bulletins of the Iraq Stock Exchange for the period from (2010-2018).
37. The annual bulletin of the Iraq Stock Exchange for the year 2018.
38. Data of the annual bulletins of the Iraq Stock Exchange for the period from (2010-2018)
39. Nima and others, Nagham Hussein, Al-Qadisiyah Journal for Administrative and Economic Sciences, Volume 12, No. 2, 2010: 144-145
40. Samhan et al., 2010: 225-226.
41. Al-Kuwari, (4-3: 2011), the Second Islamic Financial Conference, Qatar, Doha, November/2011.
42. Shaira et al., 2000: Without numbering.
43. A previous source, Al-Sadr, 2006: 29.
44. A previous source, Al-Shammari, 2008: 16.
45. A previous source, Al-Sadr, 29:2006.
46. Al-Makawi, 2010: 27.