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THE IMPACT OF FINANCIAL STATEMENT ANALYSIS ON ACHIEVING COMPETITIVE ADVANTAGE FOR PRIVATE COMMERCIAL BANKS

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A B S T R A C T	K E Y W O R D S
Private commercial banks are among the most important institutions in the financial sector, playing a crucial role in supporting economic growth and financing business activities. Achieving competitive advantage is vital to the continuity of these banks' businesses in a competitive market. Financial statement analysis is considered a strategic tool that enables banks to understand their financial performance and make the right decisions. This research examines the impact of financial statement analysis on achieving competitive advantage for private commercial banks, including Ashur National Bank in Iraq as a sample for research during the period (2010-2021). This research used the statistical analysis method using the statistical program (Eviews9) in order to measure and analyze the relationship between some financial ratios and their impact on achieving competitive advantage (increasing the number of banks). This research reached the conclusion that the bank does not use financial ratio analysis to achieve competitive advantage during... The mentioned period.	Financial statement, competitive advantage, commercial banks.

Introduction

Private commercial banks face increasing challenges in a changing and competitive economic environment. In order to survive and thrive in this context, these banks must achieve a competitive advantage that enables them to meet market needs and attract customers and investors. In this context, the importance of analyzing financial statements is highlighted as a basic tool for understanding and evaluating the financial and operational performance of banks. However, questions remain regarding how to achieve an effective impact of financial statement analysis in achieving the competitive advantage of private commercial banks.

The research should focus on the following aspects:

• The extent to which financial statement analysis affects the ability of private commercial banks to achieve competitive advantage in light of the continuous changes in the surrounding environment.

• The challenges and difficulties that banks may face in the process of analyzing financial statements and translating the results into effective strategies that contribute to achieving competitive advantage.
• Identifying the pivotal factors in the analysis of financial statements that have a direct impact on achieving competitive advantage, such as financial liquidity, profitability, debt structure, and others. This problem requires a comprehensive analytical study to understand how the analysis of the financial statements of private commercial banks achieves competitive advantage, as well as identifying the factors influencing this process.

Research Importance :

1. Improving strategic decision-making: Financial statement analysis gives private banks a deep understanding of their financial performance and competitive position. This helps it make better strategic decisions that enhance its ability to compete in a volatile market.
2. Evaluating financial health: By analyzing financial statements, private commercial banks can evaluate the extent of their financial health or vulnerability. This helps it take early corrective action before problems turn into crises.
3. Identifying growth and expansion opportunities: Analysis of financial statements can help banks identify new markets and investment opportunities that can contribute to achieving sustainable growth and increasing competitive advantage.
4. Attracting investors and clients: Investors and clients depend on analyzing financial statements to evaluate the creditworthiness of banks. Banks that provide clear and understandable financial information are more attractive to them.
5. Enhancing trust and transparency: By analyzing financial statements and presenting the results in a transparent manner, banks increase the level of trust among the public and regulators, which contributes to building a strong reputation.
6. Facing financial challenges: In facing financial challenges such as economic crises, financial statement analysis can help banks identify areas of weakness and develop strategies to overcome those difficulties.
7. Improving financial and operational performance: Analysis of financial statements contributes to improving banks' performance and increasing their profitability and 8. Emphasis on financial transparency: In light of regulatory developments and financial laws, analysis of financial statements enhances banks' commitment to financial transparency and disclosure standards.
8. In general, this research shows the importance of the interaction between financial statement analysis and achieving competitive advantage for private commercial banks, which contributes to enhancing their sustainability and ability to adapt to changing challenges in the financial and economic environment.

effectiveness in using resources.

research aims:

1. Analyze the importance of the competitive advantage of private commercial banks and their role in achieving institutional success.
2. Study the methods and tools of analyzing financial statements and how to apply them in the context of commercial banks.

Analyzing the impact of the results of financial statement analysis on formulating competitive advantage strategies.

Research hypothesis:-

Private commercial banks that invest in analyzing their financial statements accurately and comprehensively are attributable to achieving a greater competitive advantage in the financial market."

This hypothesis indicates that there is a positive relationship between financial statement analysis and achieving competitive advantage for private commercial banks. It is assumed that by utilizing financial statement analysis information, banks can identify current and future opportunities and challenges and make strategic decisions based on solid financial foundations. These decisions enable it to achieve improvements in its financial performance and increase its attractiveness to customers and investors, thus enhancing its position in the market and achieving competitive advantage.

This hypothesis will require careful study and statistical analysis of the financial data and competitive performance of private commercial banks, with the aim of determining the extent to which financial statement analysis affects achieving that competitive advantage.

Research Methodology :

The research relied on combining the descriptive (theoretical) method and the quantitative (measurement) method using the statistical program (Eviews 9) in order to measure and analyze the impact of financial statement analysis using financial ratios on the competitive advantage of one of the private banks in Iraq during the period (2010-2021).

Temporal and spatial limits of research:

Spatial boundaries: The impact of analyzing financial statements using the financial ratios method on the competitive advantage of Assyria National Bank.

Spatial boundaries: Duration (2010-2021).

The research sample :-

Assyria National Bank was taken as a sample for the research, and the focus was on the following financial ratios (liquidity ratio, rate of return on assets, rate of return on equity, rate of return on capital for the years (2010-2021)) and the extent to which the bank uses these ratios in achieving one of the indicators of competitive advantage, which is Increasing the number of its branches throughout the country.

Previous studies :-

1. A field study of a sample of private contacts in Iraq. A period of time ago, financial statement analysis was used to investigate another part of the Iraqi Gulf Commercial Bank. :- This study examined the extent to which the bank's management used analysis of the bank's liquidity ratios for the period (2005-2022) in achieving competitive advantage by increasing the number of its depositors during the aforementioned period. The study looked at the bank's management reports during the years of research. As well as conducting personal interviews with members of the Board of Directors and branch managers, as well as preparing a survey list for a number of department heads working in the bank. This study concluded that the bank's management relies heavily on liquidity ratios in order to make important decisions in the field of improving the service provided to its customers. This was reflected positively in the increase in the number of its depositors during the aforementioned period.

2. The use of financial indicators in Islamic banks and their impact on achieving competitive advantages in Iraq during the period (2007-2019). This study took a sample of three Islamic banks in Iraq during the period (2007-2019) and took a sample of the financial indicators. approved by the bank's management to improve the quality of banking service provided by these banks and the extent to which it reflects on achieving a set of competitive advantages,

This study used two types of questionnaires, the first type was distributed to members of the board of directors and branch managers of the sample banks, and the other type was distributed to a sample of the bank's customers. This study concluded that bank departments rely heavily on the analysis of financial indicators in making their decisions to improve the quality of Banking service, but this was not reflected in the achievement of competitive advantage for these banks during the aforementioned period.

3. Measuring the extent to which financial statement analysis reduces the cost of services provided to customers for a sample of private banks in Jordan during the period (2009-2017): This study took a sample of four private banks in Jordan during the period (2009). (2017) and I took a sample of the approved financial indicators found in the financial statements published by the bank on the Jordan Securities Commission website, And the extent to which the matter is reflected in the decisions of the managements of these banks to reduce the costs of providing customer services, which is one of the strategies for achieving competitive advantage. This study concluded that the managements of private banks in Jordan mainly use the analysis of financial statements for previous years in order to reduce the current costs of customer services, which was reflected in a significant way. Positively, reducing these costs for subsequent years, and thus reducing the total costs for these four banks.

4. An analytical study of the extent to which financial indicators analysis is used to achieve the ability to grow, expand and compete in the Iraqi Bank for Trade and Finance during the period (2005-2012): The bank's analysis of the financial indicators in the bank for the period (2005-2012) in achieving growth, expansion and competition by increasing the number of its depositors, increasing the number of its branches, and increasing its capital. During the aforementioned period, the study reviewed the management reports of the bank during the years of research, as well as conducting personal interviews with members of the Board of Directors and branch managers. This study concluded that the bank's management relies heavily on the financial indicators of banking performance in order to make its important decisions in the field of Improving the service provided to its customers, and this was reflected positively in increasing the number of its depositors and increasing the number of its branches throughout the country.

Our current study differs from previous studies in the following:

• By using real financial ratios published in the annual reports of Assyria National Bank and published on the official page of the Iraqi Securities Commission, meaning its source of information is very reliable.

• The time period (2010-2021), which is the most recent and comprehensive of previous studies.

• Using the statistical program (Eviews 9) in order to measure and analyze the impact of analyzing financial statements using financial ratios on competitive advantage. This method is the most modern, comprehensive and accurate of the methods used in previous studies.

The first section: The theoretical framework for analyzing financial statements

First: The concept of financial statement analysis

Financial statement analysis is the process of evaluating and understanding an organization's financial performance by analyzing information such as financial statements, budgets, and financial reports (Kanaan, 2013, p. 151). This analysis helps to make more understandable, evidence-based decisions and estimate the financial situation, operational performance, and ability to meet financial obligations. There are several concepts for analyzing financial statements, including (Abu Ahmed and Kadouri, 2019, 275-280) :-

1. Financial ratios: Financial ratios are used to measure the relationships between various financial statements and determine the financial performance of an organization. Financial ratios include profitability ratios, liquidity ratios, debt ratios, return on investment ratios, and others. Such as: the ratio of net profit to total revenue and the current liquidity ratio
2. Time trend analysis: Time trend analysis involves comparing financial data for different time periods to determine the evolutionary pattern of financial performance. This helps identify long-term trends and significant changes in performance.
3. Vertical analysis: Vertical analysis involves comparing financial statements with the financial statements of competitors or the industry in general. This analysis helps determine the organization's position within the market and its ability to compete.
4. Analysis of assets, liabilities and return on investment: This analysis helps to understand how assets are used and financed and how to achieve return on investment. It also includes financial and debt structure analysis.
5. Process and operational analysis: This analysis focuses on knowing how the organization manages its operations and costs and how to achieve operational efficiency.
6. Comparative analysis: This analysis compares the organization's performance with industrial standards or known indicators, which helps determine the extent of its superiority or decline.

By applying this theoretical framework, private commercial banks can comprehensively evaluate their financial performance and make strategic decisions.

Second: Objectives of financial statement analysis:

1. Evaluating financial performance: Financial statement analysis aims to estimate how the company is performing in achieving its financial goals, including achieving profits and increasing value for shareholders.
2. Assessing the ability to sustain: By analyzing the financial statements, it is possible to judge the extent of the company's ability to survive and face financial challenges in the future (Frederick, 2020, p32).
3. Liquidity assessment: Financial statement analysis can help analyze companies' liquidity, the extent of their ability to repay their debts, and deal with their financial obligations in the future.
4. Financial soundness analysis: It helps to estimate the degree of financial soundness of companies and their ability to bear financial risks.
5. Competitive performance analysis: By comparing the financial statements of companies with those that compete with them, one can estimate the companies' performance compared to the market and industry.

6. Analysis of growth trends: It helps in analyzing growth trends in revenues, profits, and assets, which helps in predicting the future of the company (Dosen, 2021, p45).
7. Evaluating management efficiency: Analysis of financial statements can help estimate the efficiency of the company’s management in using financial resources efficiently and achieving the company’s goals.
8. Decision-making support: Financial statement analysis provides the data and information necessary to make strategic decisions such as directing investment, evaluating financial policies, and determining growth strategies.

Third: The importance of analyzing the financial statements

Financial statement analysis is of great importance for several reasons, including:
1. Understanding Financial Health: Financial statement analysis can help estimate the financial health of a company or organization. This understanding allows investors, managers, and regulators to know whether the company is able to generate profits and meet its financial obligations.
2. Decision making: Financial statement analysis helps in making important decisions regarding investment, expansion, financing, and employment. This analysis can help make better and more impactful strategic decisions (Toni 2019, p12).
3. Performance evaluation: Financial statement analysis allows the company's performance to be followed over time and to determine whether it achieves the specified financial goals. This analysis can also identify strengths and weaknesses in performance and work to improve it.
4. Estimating financial soundness: Financial statement analysis processes help estimate the company’s ability to financially endure and deal with risks. This analysis can also determine whether a company needs to improve its financial policy.
5. Sustainability assessment: Financial statement analysis can estimate a company's ability to survive and thrive in the long term. This includes valuing the ability to generate profits on an ongoing basis and investing in the growth of the company.
6. Comparison with competitors: Financial statement analysis can be used to compare a company's performance with its competitors in the same industry. This can reveal strengths, weaknesses, opportunities and threats in the market.
7. Estimating value: Financial statement analysis can be used to estimate the value of the company in the event of sale or acquisition, which is important for investors and companies wishing to expand or merge their business (Edward), 2021, p. 21).

Fourth: Financial ratios

Financial ratios are a set of ratios and metrics that are used to measure and analyze the relationships between components of financial statements, and provide a better understanding of the financial performance and financial condition of companies and institutions. Financial ratios play an important role in providing a comprehensive picture of financial health and the ability to meet financial obligations (Rizk, 2009, p. 209).

Types of financial ratios:

a. Profitability ratios:

• Net profit to sales ratio: The net profit ratio is evaluated in relation to total sales, which helps in determining the profitability margin.

• Return on Assets Ratio: Evaluates the efficiency of using assets to achieve profit.

B. Liquidity ratios:

• Current Liquidity Ratio: evaluates the company's ability to pay its short-term obligations through liquid assets.

• Quick ratio: It excludes securities from assets to assess the ability to pay off its obligations faster.

C. Debt ratios:

• Debt-to-equity ratio: An assessment of the extent to which a company is financed by debt compared to equity.

• Debt-to-assets ratio: assesses the extent to which assets are financed by debt (Khalil, 1988, 95).

D. Return ratios:

• Return on investment ratio: An assessment of the company's efficiency in achieving returns on its investments.

• Return on equity ratio: An evaluation of shareholders' returns compared to the size of their equity.

H. Productivity ratios:

• Return to Employee Ratio: Evaluating productivity based on revenue versus number of employees.

The importance of using financial ratios:

• Providing an accurate understanding of the organization's financial position and its ability to bear financial risks.

• Providing information for making strategic decisions such as expanding the business or implementing new projects.

• Providing rules for comparing the company's performance with its competitors or with industry standards.

Drawing on this theoretical framework of financial ratios can help better understand and analyze the financial performance of organizations. (Al-Afandi, 2017, p. 177).

Fifth: Analysis of time trends

Time trend analysis is the process of studying changes in financial data and financial indicators over time. This analysis is used to understand the pattern followed by financial performance over multiple years and to identify long-term trends and significant changes in performance (Baker, 2005, pp. 88-96).

The importance of analyzing time trends:

a. Identifying long-term trends: Time trend analysis helps determine the pattern followed by financial performance over time, which contributes to identifying long-term trends and guiding the organization's strategies.

B. Detecting important changes: Analyzing time trends can reveal important changes in the company's performance, whether they are an improvement or a decline, and this helps in identifying the reasons for these changes and taking the necessary measures.

C. Providing a comprehensive view: Analyzing time trends helps provide a comprehensive picture of financial performance and its development over time, enabling managers and shareholders to understand the company's progress.
D. Decision support: By following trends over time, managers can make better strategic decisions based on a better understanding of evolving financial performance.
Steps to analyze time trends:
a. Data collection: Collecting financial data for multiple time periods, such as consecutive years.
B. Data organization: Organizing data into tables or graphs to enable comparative analysis.
C. Pattern monitoring: Analyzing data to discover the general pattern of changes over time, whether increasing or decreasing
D. Decision support: By following trends over time, managers can make better strategic decisions based on a better understanding of evolving financial performance.

Steps to analyze time trends:
a. Data collection: Collecting financial data for multiple time periods, such as consecutive years.
B. Data organization: Organizing data into tables or graphs to enable comparative analysis.
C. Pattern monitoring: Analyzing data to discover the general pattern of changes over time, whether increasing or decreasing.
D. Reason analysis: Analysis of the possible reasons behind changes, such as changes in the market, company strategies, changes in the economic environment, and others.
H. Presenting results: Presenting results through tables or graphs that show important trends and changes.
And the. Take Action: Based on the results, take necessary actions to improve performance or address any challenges.
Analyzing time trends enhances your understanding of how financial performance evolves over time and how the advantage is achieved (Al-Sabah and Al-Amri, 2019, 45).

Sixth: Vertical analysis
Vertical trend analysis focuses on comparing an organization's financial data with data for other organizations in the same industry or with general industry averages. This analysis aims to determine the organization's position within its market and measure its performance compared to competitors and the industry as a whole (Al-Birmani, 2020, p. 115).

The importance of analyzing vertical trends:
a. Comparison with competitors: Analyzing vertical trends helps in comparing an organization's performance with that of direct competitors and understanding the extent of its superiority or decline.
B. Accurate identification of strengths and weaknesses: This analysis helps identify areas in which the organization excels and areas that need improvement.
C. Adjusting competitive strategies: The results of vertical analysis can be used to develop strategies to achieve competitive advantage by relying on the rules used by successful competitors.
D. Identify opportunities and challenges: Vertical analysis can identify opportunities that can be exploited and challenges that must be overcome in order to achieve superiority.

Steps to analyze vertical trends:

a. Determine financial metrics: Select appropriate financial metrics to compare performance, such as revenues, profitability, liquidity, debt, and others.

B. Data Collection: Collect enterprise data, competitor data, or industry averages for specific time periods.

C. Data organization: Organize data into tables or graphs for easy comparison.

D. Data analysis: Compare organization data with competitor data or industry averages and identify similarities and differences.

H. Extract results: Extract comparison results and identify the financial rules that the organization excels at and those that need improvement.

And the. Interpreting the results: Interpret the results in relation to the organization and its ability to compete and achieve competitive advantage.

Analyzing vertical trends enhances your ability to understand the organization's position within the market and the extent of its ability to compete and excel (Al-Atrash, 2010, p. 63).

Seventh: Analysis of assets, liabilities and return on investment

Analysis of assets, liabilities, and return on investment is an essential part of financial statement analysis that aims to understand how the organization uses and finances assets and how to achieve a return on investment from these assets (Al-Bayati, 2014, p. 195).

The importance of analyzing assets, liabilities and return on investment:

a. Evaluating operational efficiency: Analysis of assets, liabilities and return on investment helps estimate how assets are used and how they are financed from liabilities, and this reflects the operational efficiency of the organization.

B. Understanding financing structure: This analysis helps determine the extent to which an organization is financed with debt compared to equity and how assets are allocated.

C. Return on Investment Analysis: It helps in analyzing the organization's efficiency in achieving a profitable return from various investments.

D. Determine financial viability: Helps evaluate whether investments generate sufficient returns to justify the cost and risks associated with them.

Steps to analyze assets, liabilities and return on investment:

a. Define financial items: Select the financial items related to assets, liabilities, and return on investment to be analyzed.

B. Data collection: Collecting organization data from financial statements for different periods.

C. Data organization: Organize data into tables or graphs to facilitate analysis and comparison.

D. Calculating ratios and indicators: According to financial ratios related to assets, liabilities, and return on investment, such as the debt-to-equity ratio and the return on investment ratio.

H. Analyze results: Compare organization data over time and analyze important trends and changes.

And the. Drawing conclusions: Draw your conclusions from the analysis regarding the efficiency of assets and liabilities, return on investment, and the extent to which the organization achieves its financial goals.

Analyzing assets, liabilities and return on investment provides you with a better understanding of how assets are used and financed and how return on investment is achieved, and this helps in making informed decisions regarding financial management and financing strategies (Bilal Mustafa Khalil, Banking and Finance Management, 2011, p. 55).

Eighth: Analysis of processes and operation

Operations and operations analysis focuses on studying how an organization manages its operations and how to achieve operating efficiency. This analysis helps in understanding operational and procedural matters that affect financial performance.

Importance of process and operational analysis:

a. Increased efficiency: Process and operational analysis helps identify areas that can be improved to increase efficiency and reduce costs.

B. Improving the quality of products and services: Process and operational analysis can improve the quality of products or services provided by identifying weak points and making improvements.

C. Improve planning and organization: Planning and organization can be improved by understanding processes and improving the sequence of activities and tasks.

D. Reduce waste: Opportunities can be discovered to reduce waste and increase the efficient use of resources.

Steps to analyze processes and operation*:*

a. Identify key processes and processes: Identify the key processes and activities that impact the organization's performance.

B. Document processes: Describe processes in detail, from beginning to end.

C. Analyze flows and activities: Analyze the flow of activities and tasks and identify any delays or interruptions in the sequence.

D. Efficiency and cost analysis: Analyze the efficiency of operations and verify the achievement of planned costs.

H. Process Quality Analysis: Analyze the quality of products or services provided by the processes.

And the. Process Improvement: Build on analysis results to identify and implement potential improvements.

g. Monitor and measure results: After implementing improvements, monitor the results and evaluate whether they have resulted in effective improvements in performance.

Process and operation analysis contributes to improving the organization’s efficiency and increasing the quality of its products or services, which contributes to achieving competitive advantage and achieving better financial performance (Al-Abrash, 2018, pp. 63-67)

Ninth: Comparative analysis

Comparative analysis focuses on comparing the financial performance and financial indicators of an organization with similar organizations in the same industry, industry averages, or other comparison standards. This analysis aims to determine the organization’s position within the market and understand performance compared to others (Bel-Eid, 2018, p. 25)

The importance of comparative analysis:

a. Understanding the competitive situation: Comparison analysis helps in understanding the extent to which an organization is superior or inferior compared to its competitors.

B. Extracting lessons from the past: Comparative results can be used to draw lessons from the experiences of successful and failed institutions.
C. Identify strengths and weaknesses: Strengths and weaknesses can be identified by comparing performance with competitors.
D. Directing improvement strategies: Helps identify areas that need improvement and areas that are already doing well.

Comparison analysis steps:
a. Identify Comparators: Identify similar organizations in the same industry, industry averages, or other benchmarks to compare.
B. Data collection: Collecting the organization’s data and comparators’ data from the financial statements for the same periods.
C. Data organization: Organize data into tables or graphs to facilitate comparison.
D. Data analysis: Compare the organization's data with comparators' data and identify similarities and differences.
H. Difference Analysis: Analyze differences between the financial performance of the organization and comparables and identify potential reasons for these differences.
And the. Extracting results: Extract the results of the comparison and determine whether the institution outperformed the comparators or fell behind.
g. Conclusions and recommendations: Draw recommendations from the comparison results to improve the organization’s performance or continue its success.
Comparative analysis provides you with a comprehensive view of where you stand in the market and how you can achieve competitive advantage, and can be a powerful guide to making informed strategic decisions.

The second section: The theoretical framework for competitive advantage
First: The concept of competitive advantage
A competitive advantage is the characteristic or element that makes a particular product or service stand out from competitors in the market and makes an organization able to achieve better performance or provide greater value to customers. Competitive advantage can include several factors such as quality, cost, innovation, and customer service (Al-Shafi’i, 2014, pp. 88-100).

Second: The importance of competitive advantage:
1. Achieving sustainable success: Competitive advantage enables an organization to achieve success and survive in the market in the long term by offering something unique and valuable to customers.
2. Increase market share: Competitive advantage enables an organization to attract more customers and increase its market share at the expense of competitors.
3. Increasing financial value: Competitive advantage contributes to increasing the financial value of the organization by attracting investors and increasing revenues and profits.
4. Attracting talent: Competitive advantage can help attract talented employees and experts who contribute to achieving innovation and success (Al-Salami, 2019, p. 55).

Third: Competitive advantage factors:

1. Quality: Providing high quality and performance products or services can have a positive impact on competitive advantage.
2. Cost: Achieving low cost may allow an organization to offer products or services at competitive prices.
3. Innovation and excellence: The organization's ability to innovate and provide unique products or services that enhance competitive advantage.
4. Customer service: Providing distinguished customer service and meeting their needs effectively can contribute to competitive advantage.

Fourth: Strategies to achieve competitive advantage

1. Cost-plus strategy: achieving a low cost compared to competitors, allowing the provision of products or services at competitive prices.
2. Differentiation strategy: Focus on providing unique or high-quality products or services that distinguish the organization from competitors.
3. Innovation strategy: Invest in research and development to develop new products and services that innovatively meet customer needs.
4. Focus strategy: Focusing on a specific market or category of customers and providing products or services that uniquely meet their needs (Al-Yamani, 2013, pp. 61-65).

Fifth: Stages of achieving competitive advantage:

1. Market analysis: Study customer needs and preferences and understand the market and competitors.
2. Identify opportunities: Identify unique opportunities that can contribute to achieving competitive advantage.
3. Capacity development: Developing the capabilities and resources necessary to achieve competitive advantage, such as technology and skills.
4. Strategy implementation: Effectively implement the chosen strategy and monitor its performance.
5. Continuous innovation: Continue to develop and innovate to maintain competitive advantage and overcome challenges. (Al-Yamani, 2013, pp. 73-75).

The third section: Measuring and analyzing the financial statements using financial ratios and their impact on indicators of competitive advantage for Assyria National Bank for the years (2010-2021)

First: Description of the standard model

n this study, we will explain the effect of financial ratios on the number of bank branches (competitive advantage) and their relationship with each other, which can be described in the following table (1):

Table (3-1): Variables of the standard model

Type	**code**	**Variable name**
independent	**LIRA**	Rate of return on capital
independent	**RARC**	Rate of return on assets
independent	**RARAS**	Rate of return on equity
independent	**RAREQ**	Number of bank branches
continued	**NUBB**	Rate of return on capital

The study relied on time series data consisting of (48) observations, which are (4) chapters for the period (2010-2021), as that data was obtained from the (Iraqi Securities Commission), and as shown in the table below: -

Number of bank branches	Rate of return on equity	Rate of return on assets	Rate of return on capital	Liquidity ratio (current assets/total deposits)	the year
4	0.11648862	0.063991422	0.133711668	2.39241252	2010
4	0.11826611	0.05910571	0.150019572	2.228923152	2011
5	0.116089418	0.073895371	0.131973567	3.499523964	2012
7	0.08308442	0.053920035	0.09136352	3.986714078	2013
7	0.034061757	0.02102461	0.03668782	3.736702369	2014
8	0.06020351	0.022676786	0.040984248	3.49990429	2015
9	0.058350013	0.038512817	0.058966304	26.45974871	2016
9	0.050720963	0.035869305	0.05399272	0.033857997	2017
9	0.017640988	0.010128776	0.01894	0.01500247	2018
9	0.022652037	0.014244471	0.024196	0.019366465	2019
9	0.054203038	0.031285737	0.059312	0.025605449	2020
9	0.027383536	0.012563465	0.030832	0.024870917	2021

Second: Measuring and analyzing the impact of analyzing the financial statements using financial ratios and their impact on indicators of the competitive advantage of Assyria National Bank for the years (2010-2021) using the statistical program (9EVIEWS).

1. Stability:-

From Table No. (2) below, we notice that the independent variable stabilized at the first difference, without a categorical point or general trend, and at the level of significance (1%).

Null Hypothesis: D(LIRA) has a unit root
Exogenous: None
Lag Length: 4 (Automatic - based on SIC, maxlag=9)

Prob.*	t-Statistic		
0.0173	-2.409874	Augmented Dickey-Fuller test statistic	
	-2.627238	1% level	Test critical values:
	-1.949856	5% level	
	-1.611469	10% level	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(LIRA,2)
Method: Least Squares
Date: 09/28/23 Time: 00:45
Sample (adjusted): 2011Q4 2021Q1
Included observations: 38 after adjustments

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0217	-2.409874	0.206777	-0.498307	D(LIRA(-1))
0.1249	1.574740	0.158149	0.249044	D(LIRA(-1),2)
0.1247	1.575382	0.158153	0.249152	D(LIRA(-2),2)
0.1247	1.575382	0.158153	0.249152	D(LIRA(-3),2)
0.0127	-2.635862	0.158153	-0.416870	D(LIRA(-4),2)

-0.008364	Mean dependent var	0.527058	R-squared
2.491703	S.D. dependent var	0.469731	Adjusted R-squared
4.151518	Akaike info criterion	1.814447	S.E. of regression
4.366990	Schwarz criterion	108.6432	Sum squared resid
4.228181	Hannan-Quinn criter.	-73.87884	Log likelihood
		1.853399	Durbin-Watson stat

From Table No. (3) below, we notice that the dependent variable stabilized at the first difference, without a categorical point or general trend, and at the level of significance (1%).

Table (3)

Null Hypothesis: D(NUBB) has a unit root
Exogenous: None
Lag Length: 8 (Automatic - based on SIC, maxlag=9)

Prob.*	t-Statistic		
0.0202	-2.348954	Augmented Dickey-Fuller test statistic	
	-2.634731	1% level	Test critical values:
	-1.951000	5% level	
	-1.610907	10% level	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(NUBB,2)
Method: Least Squares
Date: 09/28/23 Time: 00:47
Sample (adjusted): 2012Q4 2021Q1
Included observations: 34 after adjustments

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0270	-2.348954	0.063197	-0.148446	D(NUBB(-1))
0.8888	0.141301	0.121220	0.017128	D(NUBB(-1),2)
0.4148	0.829295	0.102832	0.085278	D(NUBB(-2),2)
0.4148	0.829295	0.102832	0.085278	D(NUBB(-3),2)
0.0000	-7.033174	0.102832	-0.723233	D(NUBB(-4),2)
0.9197	-0.101837	0.112130	-0.011419	D(NUBB(-5),2)
0.5898	0.546136	0.092532	0.050535	D(NUBB(-6),2)
0.5898	0.546136	0.092532	0.050535	D(NUBB(-7),2)
0.0000	-5.432258	0.092532	-0.502657	D(NUBB(-8),2)

-0.014706	Mean dependent var	0.768881	R-squared
0.105550	S.D. dependent var	0.694923	Adjusted R-squared
-2.624526	Akaike info criterion	0.058299	S.E. of regression
-2.220490	Schwarz criterion	0.084970	Sum squared resid
-2.486738	Hannan-Quinn criter.	53.61695	Log likelihood
		2.159685	Durbin-Watson stat

Through Table No. (4) below, we notice that the independent variable stabilized at the second difference, with a categorical presence and no general trend, and at the level of significance (1%).

Table (4)

Null Hypothesis: D(RARAS,2) has a unit root
Exogenous: Constant
Lag Length: 7 (Automatic - based on SIC, maxlag=9)

Prob.*	t-Statistic		
0.0000	-10.04520	Augmented Dickey-Fuller test statistic	
	-3.639407	1% level	Test critical values:
	-2.951125	5% level	
	-2.614300	10% level	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(RARAS,3)
Method: Least Squares
Date: 09/28/23 Time: 00:48
Sample (adjusted): 2012Q4 2021Q1
Included observations: 34 after adjustments

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0000	-10.04520	0.200330	-2.012350	D(RARAS(-1),2)
0.0000	5.407920	0.187183	1.012270	D(RARAS(-1),3)
0.0000	5.867394	0.172780	1.013769	D(RARAS(-2),3)
0.0000	6.459323	0.157179	1.015268	D(RARAS(-3),3)
0.0000	6.714384	0.138085	0.927157	D(RARAS(-4),3)
0.0000	7.801797	0.118821	0.927015	D(RARAS(-5),3)
0.0000	9.539298	0.097071	0.925991	D(RARAS(-6),3)
0.0000	13.42881	0.068879	0.924968	D(RARAS(-7),3)
0.7290	0.350334	0.000208	7.30E-05	C

3.90E-19	Mean dependent var	0.939156	R-squared
0.004252	S.D. dependent var	0.919686	Adjusted R-squared
-10.38250	Akaike info criterion	0.001205	S.E. of regression
-9.978464	Schwarz criterion	3.63E-05	Sum squared resid
-10.24471	Hannan-Quinn criter.	185.5025	Log likelihood
2.009714	Durbin-Watson stat	48.23569	F-statistic
		0.000000	Prob(F-statistic)

From Table No. (5) below, we notice that the independent variable stabilized at the level, without any conclusiveness or general trend, and at the level of significance (1%).

Table (5)

Null Hypothesis: RARC has a unit root
Exogenous: None
Lag Length: 1 (Automatic - based on SIC, maxlag=9)

Prob.*	t-Statistic		
0.0243	-2.265901	Augmented Dickey-Fuller test statistic	
	-2.621185	1% level	Test critical values:
	-1.948886	5% level	
	-1.611932	10% level	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(RARC)
Method: Least Squares
Date: 09/28/23 Time: 00:49
Sample (adjusted): 2010Q4 2021Q1
Included observations: 42 after adjustments

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0289	-2.265901	0.008711	-0.019738	RARC(-1)
0.0000	7.868416	0.094207	0.741262	D(RARC(-1))

-0.002644	Mean dependent var	0.640357	R-squared
0.006803	S.D. dependent var	0.631365	Adjusted R-squared
-8.094386	Akaike info criterion	0.004131	S.E. of regression
-8.011640	Schwarz criterion	0.000682	Sum squared resid
-8.064057	Hannan-Quinn criter.	171.9821	Log likelihood
		1.880909	Durbin-Watson stat

From Table No. (6) below, we notice that the independent variable stabilized at the first difference, without a categorical point or general trend, and at the level of significance (1%).

Table (6)

Null Hypothesis: D(RAREQ) has a unit root
Exogenous: None
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

Prob.*	t-Statistic		
0.0230	-2.288613	Augmented Dickey-Fuller test statistic	
	-2.621185	1% level	Test critical values:
	-1.948886	5% level	
	-1.611932	10% level	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(RAREQ,2)
Method: Least Squares
Date: 09/28/23 Time: 00:51
Sample (adjusted): 2010Q4 2021Q1
Included observations: 42 after adjustments

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0273	-2.288613	0.104371	-0.238864	D(RAREQ(-1))

-0.000170	Mean dependent var	0.112035	R-squared
0.004600	S.D. dependent var	0.112035	Adjusted R-squared
-8.020887	Akaike info criterion	0.004335	S.E. of regression
-7.979514	Schwarz criterion	0.000770	Sum squared resid
-8.005722	Hannan-Quinn criter.	169.4386	Log likelihood
		1.781087	Durbin-Watson stat

2. Determine the optimal number of slowdown periods:-

From Table No. (7), we note that the optimal number of slowdown periods is two time periods based on the Swartj (SC), Akaik (AIC), and Hanan-Quin (HQ) criteria.

Table (7)

VAR Lag Order Selection Criteria
Endogenous variables: LIRA NUBB RARAS RARC RAREQ
Exogenous variables: C
Date: 09/28/23 Time: 00:53
Sample: 2010Q1 2021Q4
Included observations: 41

HQ	SC	AIC	FPE	LR	LogL	Lag
-10.78878	-10.65590	-10.86488	1.32e-11	NA	227.7300	0
-23.84622	-23.04896	-24.30280	1.94e-17	513.0101	528.2073	1
-25.24992*	-23.78829*	-26.08698*	3.45e-18*	90.11090*	589.7831	2
-24.61663	-22.49062	-25.83417	5.16e-18	24.16760	609.6005	3

* indicates lag order selected by the criterion
LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

3. Co-integration:-

From Table No. (8), we notice the presence of (5) integral vectors in the impact test, and three integral vectors in the maximum value test, which indicates the existence of a long-term complementary relationship between the variables of the standard model.

Table (8)

Date: 09/28/23 Time: 00:55
Sample (adjusted): 2011Q1 2021Q1
Included observations: 41 after adjustments
Trend assumption: Linear deterministic trend
Series: LIRA NUBB RARAS RARC RAREQ
Lags interval (in first differences): 1 to 2

Unrestricted Cointegration Rank Test (Trace)

Prob.**	0.05 Critical Value	Trace Statistic	Eigenvalue	Hypothesized No. of CE(s)
0.0000	69.81889	132.8993	0.751556	None *
0.0000	47.85613	75.80530	0.553846	At most 1 *
0.0010	29.79707	42.71453	0.432531	At most 2 *
0.0118	15.49471	19.48517	0.273467	At most 3 *
0.0115	3.841466	6.386873	0.144250	At most 4 *

Trace test indicates 5 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Prob.**	0.05 Critical Value	Max-Eigen Statistic	Eigenvalue	Hypothesized No. of CE(s)
0.0000	33.87687	57.09398	0.751556	None *
0.0088	27.58434	33.09077	0.553846	At most 1 *
0.0250	21.13162	23.22936	0.432531	At most 2 *
0.0758	14.26460	13.09830	0.273467	At most 3
0.0115	3.841466	6.386873	0.144250	At most 4 *

5. Todayamoto causality model

Since the variables of the standard model stabilized at the first difference, others at the second difference, and others at the level, and because there is a long-term complementary relationship between the variables of the standard model, all of these things led us to use a causal model (Todayamoto) in order to measure and analyze the relationship between the variables of the standard model.

Through Table No. (9), we note that the independent variables (LIRA RARAS, RARC RAREQ), which represent (liquidity ratio, rate of return on assets, rate of return on capital, rate of return on equity), which are the financial ratios chosen in the financial analysis, are It has no effect on the dependent variable (NUBB), which represents the number of bank branches, which is one of the indicators of the competitive advantage of Assyria National Bank during the period (2010-2021), because the values of (Prob) appeared at values (0.66, 0.39, .017, 0.52), which are larger. From (0.05), meaning it is not significant.

The reason why the financial ratios do not affect the number of branches of the aforementioned bank is due to the fact that the banking sector in Iraq is a backward sector and does not use modern banking management systems to achieve competitive advantage, and therefore this matter was reflected in the fact that the bank's branches increased during the period from (2010-2021).) from (4-9) only, while the bank has achieved continuous profits during the above years, meaning that the bank has branches in (9) Iraqi governorates only and not in all the governorates of the country, which amount to (18) governorates, and therefore the Bank of Assyria did not use the analysis Financial statements using important financial ratios in making important decisions in achieving competitive advantage among private banks, which is increasing the number of banking services provided by them to members of society by increasing the number of branches.

Table No. (9)

VAR Granger Causality/Block Exogeneity Wald Tests
Date: 09/28/23 Time: 01:19
Sample: 2010Q1 2021Q4
Included observations: 42

Dependent variable: NUBB

Prob.	df	Chi-sq	Excluded
0.6671	2	0.809570	LIRA
0.3957	2	1.854446	RARAS
0.1731	2	3.507589	RARC
0.5245	2	1.290617	RAREQ
0.7502	8	5.068655	All

Conclusions and recommendations:

First: Conclusions

1. Ashur National Bank does not rely on analyzing the financial statements using the financial ratios method in making its decisions to achieve competitive advantage.
2. The reason why financial ratios do not affect the number of branches of the aforementioned bank is due to the fact that the banking sector in Iraq is a backward sector and does not use modern banking management systems to achieve competitive advantage.
3. The laws and regulations governing banking in Iraq are laws that do not support the private sector in achieving growth in the banking system, and this is reflected in the lack of development of the banking system in Iraq, and thus the weakness of the banking sector in contributing to the gross domestic product in Iraq.
4. The management of most banks in Iraq focuses on the issue of managing profits and their growth in order to increase the shares of profits distributed to shareholders, and thus this is reflected in the lack of desire of the managements of most private banks to develop aspects of growth and expansion and achieve competitive aspects.

5. Through the above, the hypothesis of the study was denied, which states (there is a positive relationship between analyzing financial statements and achieving a competitive advantage for private commercial banks, including Assyria National Bank).

Second: Recommendations

1. The necessity for Assyria National Bank to adopt the method of analyzing financial statements, using more than one method and more than one standard in making its decisions related to achieving competitive advantage, not only by expanding the bank's branches, but also by increasing and improving the quality of service.
2. The necessity of the aforementioned bank's values of dealing by opening the horizons of dealing with a group of international banks in order to develop its administrative systems and staff and provide them with the latest findings of international banking management systems, which will subsequently be reflected in the quantity and quality of banking service provided to customers, and thus achieve a competitive advantage among banks. The other in Iraq.
3. The need for the Central Bank of Iraq to update its oversight policies on the banking sector and adopt a mechanism for analyzing financial statements and financial ratios in order to activate competition policies among private banks operating in Iraq, and this is what ensures an increase in banking services provided in Iraq and an improvement in their quality as well.
4. The need for the monetary authority to update the laws governing banking work, in line with the trends that support its growth by supporting private banks. This is reflected in the increase in the volume of banking work and its contribution to the gross domestic product in Iraq.
5. The necessity of developing the administrative visions of the members of the boards of directors of private banks, by directing a large portion of the profits achieved in those banks to support development programs that aim to attract clients and customers, increase the number of branches of private banks, and improve the type and quality of banking services, and thus ensure the achievement of competitive advantages with Other banks.

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