



THE ROLE OF DIVERSIFICATION OF BANKING SERVICES IN THE PROFITABILITY OF COMMERCIAL BANKS: (AN ANALYTICAL STUDY IN THE SUMER COMMERCIAL BANK AND THE INTERNATIONAL DEVELOPMENT BANK)

A.P.Dr. Rahim Shrad Amer Al-Taie

Al-Mustansiriya University / College of Administration and Economics
Baghdad, Iraq
dr_raheem_sh@uomustansiriyah.edu.iq

Researcher: Ibrahim Qais Ibrahim Al-Qaisi

Al-Mustansiriya University / College of Administration and Economics
Baghdad, Iraq
ibrahemkaesk@uomustansiriyah.edu.iq

Article history:	Abstract:
<p>Received: 10th December 2022 Accepted: 8th January 2023 Published: 14th February 2023</p>	<p>This study was prepared to demonstrate the role of diversification of banking services in the profitability of private Iraqi commercial banks. international development), and the research tended to follow the inductive approach, the descriptive approach, and the analytical approach by studying the theoretical framework for diversifying banking services, indicators of profitability in commercial banks, the most important ratios measured, and analyzing the effects left by the diversification of banking services on the profitability of Iraqi private commercial banks, the research sample, in order to strive to achieve the goals set by him and trying to reach them by conducting this type of research.</p> <p>The problem of the study was embodied in the role of diversifying banking services in the profitability of Iraqi private commercial banks.</p> <p>The research also reached a set of conclusions, the most important of which are: The higher the level of diversification of banks in the services they provide to their customers, the higher the net profit and the rest of the profitability indicators, and this was evident in the study sample banks. Also, the high levels of diversification in banking services require a large financial capacity, due to the high cost of producing new services, in addition to its ability to maintain its current business.</p> <p>The research also presented a set of recommendations, the most important of which are: the need for banks to raise the level of their diversification in banking services, because of this important role in the profitability of commercial banks, as diversification contributed to the entry of banks into some areas of new business and thus increase their ability to compete and improve profitability.</p>

Keywords: diversification of banking services, the profitability of commercial banks

INTRODUCTION

Many of the current organizations in the world consider that they are moving towards expanding and improving their business environment. One of the reasons may be meeting the multiple needs of customers, which has a role in their profitability. Therefore, the world of banking business has known a scientific shift from the dimensions and objectives of banks' strategies in the last few decades, and this was a logical result of the new technology revolution in information and

communications, the globalization of financial and banking markets, and the emergence of new types of banking services provided by commercial banks, and perhaps this is what led to banking institutions in particular Finance, in general, tends to diversify the banking services it provides to its customers. This is why many organizations decide to follow the diversification strategy. Increasing productivity and using factors of production effectively has always been crucial and important discussion topics for economists, so



economists are generally divided into two groups: one proposing specialization, the other proposing diversification.

Therefore, the banks worked within the framework of the policy of bringing the service closer to the customer to diversify the various banking services that are provided to their customers, such as electronic technologies, and adapting to the digital economy that operates in an electronic environment. Therefore, it has become a duty for these banks to go hand in hand with technological progress and acceleration in order to develop their performance. And its business and maintaining its ability in the global markets, the individual can carry out many banking operations and manage his account with ease thanks to the development and diversification of banking services provided by banks to their customers.

The first section: research methodology

First: the research problem

In view of the competitive environment experienced by banks in Iraq and their continuous efforts towards improving banking profitability and keeping pace with global developments in this field, this calls for research and study in the reality of keeping pace with private commercial banks in Iraq with global banking developments that leave positive effects on banking profitability, and among these developments is the diversification of services banking.

Through the foregoing, the problem that can be answered through the study can be formulated in the following question: What is the role of diversifying banking services in the profitability of Iraqi private commercial banks?

Second: the importance of research

The banking sector is considered the lifeblood of the economy of any country, so the importance of this topic lies in understanding the role of diversifying banking services in the profitability of Iraqi private commercial banks from studies that have significance in the Iraqi economy, and that diversification in banking services and reviewing its banking and financial activities and effectiveness contributes to enriching the research library. In addition to contributing to the provision of data and information that help Iraqi banking institutions to achieve competitive advantages and satisfactory performance rates in the environmental environment of these banks. The importance of this research is highlighted by the following points:

1- Considering it as an academic attempt for intellectual and conceptual framing towards the cognitive aspects related to the role of diversifying banking services in the profitability of Iraqi private commercial banks.

2- It focuses on one of the modern banking topics, which is the concept of (diversification of banking services), and the role of this concept in enhancing profitability.

3- The possibility of benefiting from this study as a cognitive and applied guide, whether through the conceptual review, as well as the proposals and recommendations that came out of it for managers of Iraqi commercial banks and for all the competent authorities in controlling the banking sector and for investors in the shares of those banks.

Third: the research hypothesis

In order to achieve its objectives, the research stems from a basic hypothesis that "the diversification of banking services has a positive role in the profitability of Iraqi private commercial banks."

Fourth: Research objectives

The main objective of the research is to reveal the role of diversification of banking services in the profitability of Iraqi private commercial banks.

Fifth: Research Methodology

The research approach is based on the problem presented, and in order to test the research hypothesis from its various aspects, obtain the results and give interpretations to them, the researcher followed the inductive approach, the descriptive approach, and the analytical approach by studying the independent variable (diversification of banking services) and its role in the dependent variable (profitability of commercial banks Iraqi private), and analyze the effects left by the diversification of banking services on the profitability of Iraqi private commercial banks, the research sample.

Sixth: Research limits

1- Temporal limits: The time period for the research was determined by the period (2016-2021) by analyzing the financial data, based on the annual financial reports of the Iraqi private commercial banks, as the annual financial reports were obtained directly from the research sample banks.

2- Spatial limits: The search was limited to two banks, namely (Sumer Commercial Bank and the International Development Bank), to conduct a study of the field side of the research, due to the availability of financial data and annual financial reports for the period (2016-2021) published by the research sample banks.

Seventh: Financial methods and measures

The research focused on the use of a set of indicators related to the subject of the study, and they were addressed in the theoretical framework in order to reach their results in the practical framework for the purpose of demonstrating the role of diversifying banking services in the profitability of commercial banks, and



that the approved analysis indicators for the purposes of application will be presented briefly and as shown in the table following:

Table (1): indicators and percentages of profitability in commercial banks

Indicators	Ratios
Return on Equity (ROE)	$(\text{net profit} \div \text{equity}) \times 100$
Return on Deposits (ROD)	$(\text{Net Profit} \div \text{Total Deposits}) \times 100$
Return on Assets (ROA)	$(\text{Net Profit} \div \text{Total Assets}) \times 100$
Return on Funds Available for Employment (ROF)	$\{\text{net profit} \div (\text{equity} + \text{total deposits}) \times 100$
The rate of change in any of the indicators above	$(\text{the following ratio} - \text{the base ratio}) \div \text{the base ratio} \times 100$

Source: Prepared by the researchers.

The second section: the theoretical framework
The first requirement: the diversification of banking services

First: Defining banking services

A group of personal skills, material requirements, norms, and legal rules that are presented and produced in a manner consistent with the customer's directions to make rational banking decisions (Al-Bakri, 82, 2021). Or it is the provision of banking operations (such as loans, payments, or deposit accounts) as a service that uses the secure and regulated infrastructure of an existing licensed bank with modern API-based platforms (Ris, 2022: 121).

From the previous definitions, it is clear to the research that banking services are a group of operations, benefits, and activities, which cannot be counted or determined, they change from one place to another, as well as from one activity to another, and it is not possible to keep them. It has a mutual relationship (providing a benefit to both parties) with a material return to the bank and achieving its future goals, as for the customer, satisfying his desires and financial needs.

Second: the importance of banking services

The importance of banking services has increased in recent times more than it was in the past, for many reasons, the most important of which are: (Al-Zamil et al., 2012, 63)

1- Technological developments that have taken place in business organizations, such as electronic marketing and electronic commerce, and the increase in the use of technology, which has led to an increase in the need for banking services that support these activities.

2- The growing diversification and complexity of the needs, motives, inclinations, and attitudes of the bank's customers. The customer has become smarter and wiser, and the banking services he needs are no longer simple and easy.

3- Increasing the cost involved in satisfying the customer's banking needs and desires, and achieving an appropriate profit from this activity.

4- An increase in the percentage of workers in the banking services sector.

Third: Defining diversification

It is the growth of an organization by starting or acquiring a business outside of the organization's existing products and markets (Armstrong et al, 2020: 669). Or it is the process of distributing assets among several types of investments to reduce risks. In fact, diversification can reduce the risks associated with putting all eggs in one basket - a common mistake made by investors. To avoid this mistake, many financial planners suggest that thinking about the investment program as a four-tiered pyramid, this approach to investing can provide financial growth and protection, regardless of the investor's age, marital status, income, or level of financial sophistication (Kapoor et al, 2018: 344).

Or it is entering new markets or acquiring other organizations, and diversification is considered a dangerous strategy, in the event that these new endeavors are not compatible with the mission of the organization, and business history is full of stories of organizations that explored new opportunities that were outside their mission and core values. An organization may follow a diversification strategy when it has many internal strengths and is exposed to many external threats (Ferrell et al, 2022: 103).

Through the previous definitions, the research shows that diversification is an expansion process at different levels to achieve the goals of growth, which ultimately leads to improving the competitive position of banks by increasing and maximizing the volume and results of its business, through its reliance on the distinguished capabilities and capabilities that enable it to pursue this diversification, In addition, diversification contributes to



reducing risks and distributing them across a number of asset classes.

It is noted that all previous definitions of diversification share the idea of expanding the activity of banks, through:

- 1- Gaining new market shares.
- 2- Providing new services or products in addition to the existing ones.

Thus, the adoption of diversification is considered mainly in the case of working in an inflexible market, meaning in those circumstances that do not provide the organization with good opportunities to develop and develop profits within the organization's current conditions, either because of competition, which occupies a strong share or because this market is constantly declining and declining, so diversification comes as a suitable solution to enter new fields and activities.

The second requirement: the profitability of commercial banks

First: the definition of profitability

The concept of profitability occupies an important place in various businesses, as it is the primary goal pursued by financial companies, as through it work efficiency is measured, and profitability is the reason for the existence of organizations that work for profit, and the most prominent of these organizations are banks (Caliskan & Lecuna, 2020: 162).

Therefore, it is defined as the basic measure that reflects the overall success of the bank, which consists of a set of different ratios that express the bank's ability to achieve profits, in which shareholders, management, depositors, and investors are interested. (Khalaf, 2021: 56). Or it is the indicator to measure the bank's ability to achieve an appropriate return on the money invested in its activities, and this indicator shows the actual results of the competitive position of shareholders and customers (Hassoun and Khalaf, 2022: 301).

Based on the foregoing, it can be said that the profitability of commercial banks is (the ability of the bank to achieve profits through the optimal investment of the bank's resources, in a manner that achieves a return commensurate with the size of the bank's resources in a certain period of time, and profitability is expressed in percentages that represent the rate of return on investment in a specific resource of the bank's resources).

Second: Indicators for measuring profitability in commercial banks

There are many indicators of measuring profitability in commercial banks. We will discuss four of the most important of these indicators, which will help us reach

the results and analyze them in the practical aspect of this research:

1- The rate of return on assets (ROA)

The rate of return on assets is the most used indicator for measuring financial performance in banks, which shows the ability of bank management to achieve net profits in terms of investing assets in loans and investments, which is defined as net income after interest and taxes to total assets (Do et al, 2020: 375). This indicator is calculated by measuring net profit after tax on total assets, which expresses the bank's ability to generate profits by investing in the assets available to the bank, and is calculated according to the following equation: (Cao, 2022: 15)

The rate of return on assets = (net profit after tax) / (total assets) x 100

2- The rate of return on equity (ROE)

The measure of return on equity is an important indicator to show the ability of the bank's management to achieve financial returns on shareholders' investments, as it measures the number of returns that shareholders earn from investing their money in the bank, that is, the amount that the bank earns from their investments in stocks, and thus the return on equity is defined as the net profit after taxes for each dinar of the bank's capital (251, 2019: Mishkin).

This indicator is considered one of the most important indicators for measuring the efficiency of using funds, as this indicator measures the efficiency of management in the optimal exploitation of the owners' funds and the ability of these funds to generate profits (Saeed and Hussein, 2022: 302). It is calculated through the following equation: (Cao, 2022: 15)

rate of return on equity = net profit after tax / equity x 100

3- The rate of return on deposits

This indicator expresses the extent of the bank's ability to generate profits in terms of employing customers' deposits in various investment activities, which results in an increase in the bank's returns. The return on deposits is calculated by dividing the profit after tax by the total deposits (current, savings, and fixed) (Rashm et al., 2020: 27).

It shows the extent of the bank's ability to compete for funds, and the high rate of return on assets indicates the bank's efficiency in collecting deposits and converting them into profitable investments. The rate of return on deposits is calculated from the following equation: (Sabti, 2020: 68)

The average return on deposits = (net profit tax after) / (deposits total) x 100



4- The rate of return on funds available for employment

This rate measures the ratio of the net income generated to the total resources available for employees represented in deposits and equity. This rate is calculated by dividing the net profit after tax on equity and total deposits. This rate shows the ratio of net profit achieved to the sum of each equity and deposit. It is explained in the following mathematical formula: (Majid, 2020: 95)

return on funds available for employment = (net profit) / (property rights + total deposits) x 100

The third section: the practical framework

The first requirement: an overview of the Iraqi private commercial banks, the study sample

First: Sumer Commercial Bank

Sumer Commercial Bank was established in 7-8-1999 as a private joint stock company. The capital upon incorporation amounted to (400) million Iraqi dinars. On 4.9.2004, the bank's shares were listed in the Iraq Stock Exchange, and the capital upon listing amounted to (6,000) million dinars, the current capital amounted to (250,000) million dinars, and the nominal value of the share is 1 Iraqi dinar, and the message of the bank is "We are an Iraqi institution that provides comprehensive banking services with professionalism and high quality by providing a permanent partnership with our customers in all commercial and development sectors We also harness our technological capabilities and the capabilities of our distinguished functional apparatus to improve the levels of services provided that meet the needs and aspirations of customers, and in a way that contributes to the development of the Iraqi national economy and the well-being of society.

Second: The International Development Bank for Investment and Finance

The International Development Bank was established in 2011 with a capital of (100,000) million Iraqi dinars. 2015) to become, with a paid-up capital of (250,000) million Iraqi dinars, and quickly became one of the leading banks at the local and regional levels, as it provides advanced banking services to all its customers at the level of the individual and corporate sectors.

The second requirement: the reality of diversifying banking services in the Iraqi private commercial banks, the study sample, and the study for the period (2016-2021)

First: The reality of diversifying banking services in the Sumer Commercial Bank

Sumer Commercial Bank offers a variety of banking services, but what it lacks is that it is somewhat late in providing electronic services to its customers, meaning

that it is using modern technologies in completing its business late compared to the other bank, the study sample.

Therefore, researchers must clarify the reality of diversifying the bank's banking services as it is illustrated in Table (2), where the bank provided the services in the table throughout the study period, with the exception of the salary domiciliation service, which it did not provide at all during the study period, and the electronic services the bank started working within 2018, as it added some electronic services such as the RTGS system, and also relied on a special system.

It is called the ORION system that serves individual and corporate customers, as this system helped to invest the Internet in the field of electronic commercial activity, and it is one of the systems and programs that helped expand the bank's electronic database, as well as the bank expanded its diversification of services by adding the bank in its dealings in the year 2018, dealing in foreign currencies through the window of buying and selling foreign currencies from the Central Bank of Iraq and continued to deal with them until the end of the study period, and this led to an increase in the buying and selling of foreign currencies was permitted from (1073) million dinars at the end of 2018, to (1283) million dinars at the end of 2019, with an increase of (210) million dinars, i.e. an increase of (19.57%) over the previous year. With regard to deposit insurance, the bank contributed to the Iraqi Deposit Insurance Company for the first time in 2021, which increased depositors' confidence in the bank.

Second: The reality of diversification of banking services in the International Development Bank

The Development Bank is considered to be distinguished in the development and diversification of banking services provided to customers, and this was evident in the annual reports of the bank in the years that pertain to the period of study, as it is keen to transfer the experiences of leading banks and to create new electronic banking services that are in line with the requirements of the Iraqi economy in general and the Iraqi banking sector in particular private. Where the main objective of the bank is to become the most innovative and technologically advanced in Iraq by diversifying banking services by providing the latest technology of transactions and electronic banking services to its customers.

The bank, as one of the pioneering banks in using electronic banking services and transactions in Iraq, seeks to facilitate banking dealings and make it accessible to all Iraqis inside and outside Iraq. The Board of Directors has determined that the various



banking services provided by the bank to its customers, as indicated in its annual reports, must be accompanied by four elements, which are integrity, credibility, the safety of operations, and customer satisfaction. Therefore, it is necessary for the researchers to clarify the reality of the diversification of the distinguished banking services of the bank, as shown in Table (2), where the bank provided the services that are in the

table throughout the study period, with the exception of the deposit insurance service (through the Iraqi Deposit Insurance Company), which the bank began contributing to in the year 2019. The results of this positive service, which increased the confidence of depositors, appeared in the subsequent years after this year.

Table (2): The diversification of banking services for the study sample banks

sequencing	The Iraqi private commercial banks, the study sample	Services banking	Deposit accepted			Granting facilities				credit		electronic services		investments		Remittances		Foreign exchange buying and selling window	Deposit insurance (through the Iraqi Deposit Insurance Company)	Brokerage	domestic salaries	
			savings	fixed	current	Cash		Pledge		for individuals	For companies	internal	external	Internal	external							
						Current	papers	Letters of credit	letters of													
																loans	Current					
1	Sumer Commercial Bank	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
2	International Development Bank	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

Source: prepared by the researchers based on: - The annual reports of the banks, and the study sample for the period (2016-2021).

• A symbol expressing that the bank provided the service throughout the time period for the study sample years (2016-2021).

○ A symbol expressing that the bank provided the service, but not from the beginning of the time period for the study sample years (2016-2021).



The third requirement: analysis and discussion of the results of the study of the role of diversifying banking services in the profitability of Iraqi private commercial banks, the study sample for the period (2016-2021)

First: Sumer Commercial Bank:

1. The rate of return on equity (ROE)

It is clear from Table (3) that the return on equity index took different rates during the study period, as its rate fluctuated between high and low at the beginning of the study period, and then this ratio increased from year to year. And that the continued high rate of return on equity from one year to another is a good indicator for Sumer Commercial Bank, as the bank faced economic challenges and changes, especially at the end of the study period resulting from the Corona pandemic, which was accompanied by an economic downturn in Iraq, where most of the economic sectors were damaged and business was disrupted due to the procedures health conditions, including a comprehensive and partial curfew, specific closures of certain sectors, and the adoption of a policy of social divergence, in addition to the security and political conditions in the environment and changes in exchange rates, in addition to applying the requirements of the regulatory authorities, which is a challenge for the bank.

This is what forced him to take more caution and caution by continuing to keep pace with him by diversifying into banking services, and therefore all of this has a positive impact on the rate of return on equity, which led to its rise from year to year.

2. Rate of Return on Deposits (ROD)

The behavior of this indicator did not differ from the return on equity index referred to above, as it is clear from Table (3) that the return on deposits index took

different rates during the study period, as its rate began to fluctuate between the rise and fall at the beginning of the study period, and then this percentage increased from year to year.

And that the continued high rate of return on deposits between the two years (2020, 2021) is considered a good indicator for Sumer Commercial Bank, as the bank faced challenges and economic changes resulting from the Corona pandemic, which was accompanied by an economic downturn in Iraq and the world, where most of the economic sectors were damaged and business was disrupted due to health measures from a comprehensive and partial curfew, specific closures of certain sectors, and the adoption of a policy of social divergence, in addition to the security and political conditions in the environment and changes in exchange rates, in addition to applying the requirements of the regulatory authorities, which is considered a challenge for the bank.

This forced him to take more caution and caution by continuing to keep pace with him by diversifying into banking services, and therefore all of this had a positive impact on the rate of return on deposits, which led to its rise from year to year.

3- The rate of return on assets (ROA)

The rate of return on assets took the same direction as that of the two previous indicators, as shown in Table (3) and Figure (1), which were based on the data from the bank's financial reports.

4- The rate of return on funds available for employment (ROF)

The behavior of this indicator did not differ from the previous indicators that were referred to above and as shown in

Table (3) and Figure (1).

Table (3): Profitability indicators in the Sumer Commercial Bank for the period (2016-2021)

Indicators	Rate of return on equity %	Rate of change in the rate of return on equity %	Rate of return on deposits %	Rate of change in the rate of return on deposits %	Rate of return on assets %	Rate of change in the rate of return on assets %	Rate of return on funds available for employment %	Rate Change in return on funds available for employment, %
the years	%	%	%	%	%	%	%	%
2016	1.41		5.58		1.07		1.12	
2017	0.14	-90.07	0.44	-92.11	0.10	-90.65	0.11	-8.33
2018	0.34	142.85	1.13	156.81	0.22	120	0.26	136.36
2019	0.37	8.82	1.60	41.59	0.28	27.27	0.30	15.38
2020	0.40	8.10	1.95	21.87	0.32	14.28	0.33	10
2021	0.44	10	2.42	24.10	0.31	-3.12	0.37	12.12

Source: prepared by researchers based on: - The annual reports of the bank for the period (2016-2021)



Figure (1) shows trends in the path of profitability indicators (return rate on equity %, rate of return on deposits %, rate of return on assets %, rate of return on funds available for employment %) in Sumer Commercial Bank for the period (2016-2021).

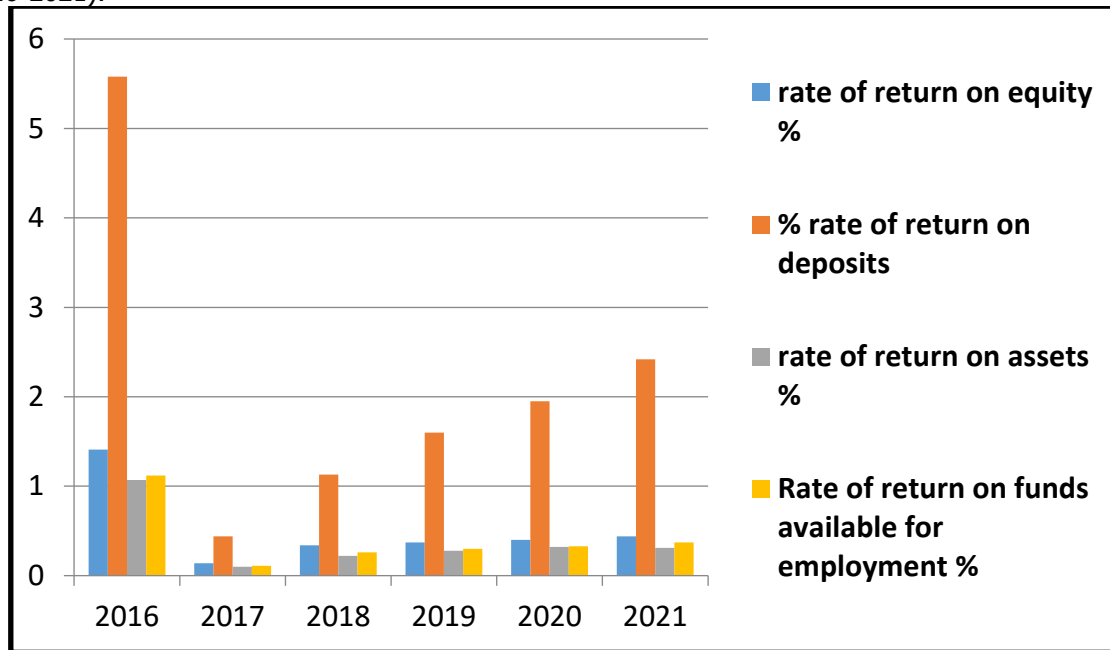


Figure (1) shows trends in the path of profitability indicators in Sumer Commercial Bank for the period (2016-2021)
 Source: Prepared by researchers based on the financial data in the above table for the Sumer Commercial Bank for the period (2016-2021).

Second: International Development Bank

1. The rate of return on equity (ROE)

It is clear from Table (4) that the return on equity index took different rates during the study period, as its rate fluctuated between high and low at the beginning of the study period, and then this ratio increased from year to year.

Where the bank achieved its highest percentage in relation to this indicator during the first four years of the study in 2016, and as shown in Table (4), as it reached (6.06%) at the end of 2016, and the reason for this is because the bank has achieved the highest net profit during the years of the first four of the study in 2016 and as proven by the bank's lists, where the net profit after tax at the end of 2016 reached (16535) million dinars, and also achieved the highest net income from interest and commissions during the first four years of the study at the end of 2016, which amounted to (41682) One million dinars, due to the excellent diversification of banking services this year, and since this diversification in services is accompanied by commissions, so diversification had a clear positive role, because it is known that the various services provided by the bank are accompanied by commissions, and this led to an increase in net interest and commission

income Thus, it had a positive impact on profitability and the rate of return on equity.

After 2016, the rate of return on equity gradually decreased from year to year during the years (2017, 2018, 2019), due to the decrease in net profit as well as net interest and commission income gradually from year to year, and also that the bank did not add other services during the years (2017, 2018, 2019).

And compared to the year (2020, 2021) and despite the emergence of the Corona pandemic, which had an impact on the economy in general, due to the circumstances that accompanied this pandemic, and this is what called the bank to provide new electronic services as well as strengthened its previous services, and thus the bank faced these challenges positively from In order to continue to communicate with customers, and this led to an increase in the rate of return on equity, which amounted to (4.28%) at the end of 2020, with an increase rate of (122.91%) compared to the previous year, and thus this percentage is considered the highest rate of increase between two years during a period of the study for this indicator, due to the increase in net interest and commission revenues, as shown in the bank's income statement, which reached (41084) million dinars at the



end of 2020, and reached (26015) million dinars at the end of 2019, thus the amount of the increase at the end of 2020 (15069) million dinars, an increase of (57.92%) over the year 2019, and as a result, this led to an increase in net profit after tax from (5181) million dinars at the end of 2019, to (13631) million dinars at the end of 2020, an increase of (8450) million dinars, an increase of (163.09)% compared to the previous year, and as a result, this led to an increase in the rate of return on equity.

In comparison with the year 2021 and despite the continuation of the Corona pandemic, the rate of return on equity continued to rise, reaching (5.78%) at the end of 2021, because the bank kept pace with developments and expanded its modern electronic services in this year, which is considered the year of challenges and opportunities for the bank.

2. Rate of Return on Deposits (ROD)

The behavior of this indicator did not differ from the return on an equity index. Table (4) and Figure (2) explain this, which was based on the data from the bank's financial reports.

3. Rate of Return on Assets (ROA)

The behavior of this indicator did not differ from the return on an equity index. Table (4) and Figure (2) explain this, which was based on the data from the bank's financial reports.

4. Rate of Return on Funds Available for Employment (ROF)

The behavior of this indicator did not differ from the return on an equity index. Table (4) and Figure (2) explain this, which was based on the bank's financial reporting data.

Table (4): Indicators for measuring profitability in the International Development Bank for the period (2016-2021)

Indicators the years	Rate of return on equity %	Rate of change in the rate of return on equity %	Rate of return on deposits %	Rate of change in the rate of return on deposits %	Rate of return on assets %	Rate of change in the rate of return on assets %	Rate of return on funds available for employment %	Rate Change in return on funds available for employment, %
2016	6.06		5.30		2.52		2.82	
2017	4.72	22.11-	3.97	25.09-	1.95	22.61-	2.15	23.57-
2018	2.90	38.55-	2.34	41.05-	1.15	41.02-	1.29	40-
2019	1.92	33.79-	1.27	45.72-	0.67	41.73-	0.76	41.08-
2020	4.28	122.91	2.06	62.20	1.27	89.55	1.44	89.47
2021	5.78	35.04	1.88	8.73-	1.14	10.23-	1.42	1.38-

source: prepared by researchers based on: - The annual reports of the bank for the period (2016-2021)

Figure (2) shows trends in the path of profitability indicators (return rate on equity %, rate of return on deposits %, rate of return on assets %, rate of return on funds available for employment %) in the International Development Bank for the period (2016-2021).

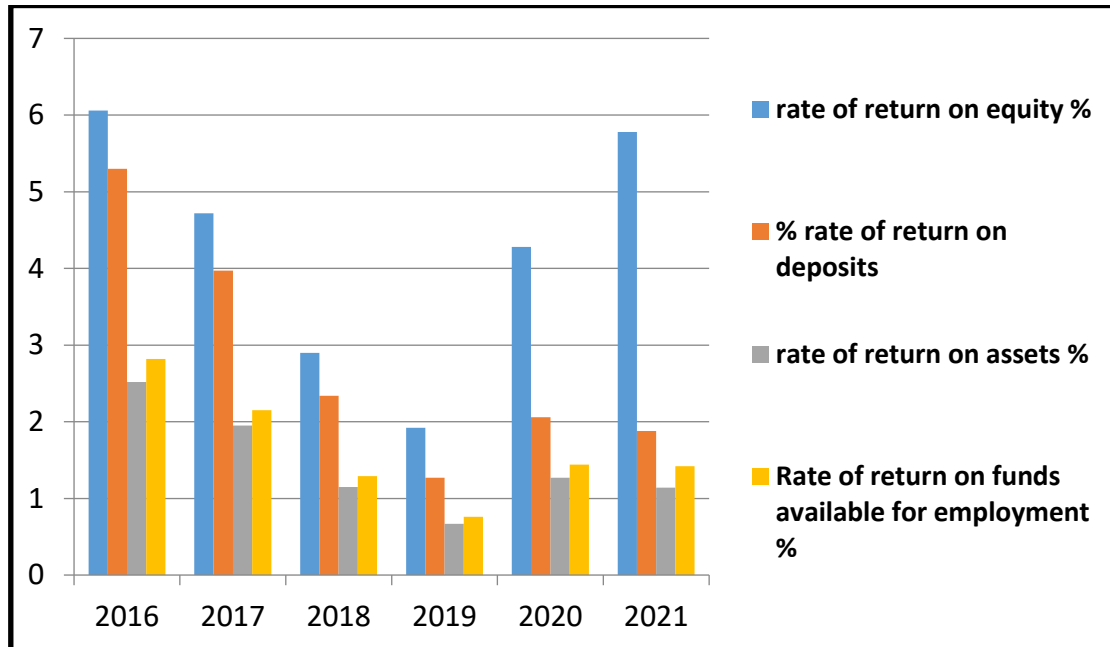


Figure (2) shows trends in the path of profitability indicators in the International Development Bank for the period (2016-2021)

Source: Prepared by researchers based on the financial data in the above table of the International Development Bank for the period (2016-2021).

The fourth section

Conclusions

- 1- The most important finding of the study is that the higher the level of diversification of banks in the services they provide to their customers, the net profit and the rest of the indicators of profitability rise with it, and this was evident in the study sample banks.
- 2- It became clear from the study that diversification in banking services has an important role in the profitability of commercial banks, as diversification contributed to the entry of banks into some areas of business and thus increasing their ability to compete and improve profitability.
- 3- It became clear from the study, that the higher the level of diversification of the banks in the services they provide to their customers from one year to the next, the corresponding increase in the net profit and the rest of the indicators of profitability from one year to the next as well, and this was due to the increase in net interest and commission income due to the high level of diversification of the services provided by banks.
- 4- The high levels of diversification in banking services require a large financial capacity, and as the study showed that deciding on high levels of diversification in banking services may require a large financial capacity, due to the high cost of producing new services in addition to its ability to maintain its current business.

5- It turns out that banks interested in diversifying banking services make them enjoy a comparative advantage over banks that are not interested in diversifying banking services.

6- It turned out that banks with a high level of diversification are exposed to higher risks than those with a low level of diversification, due to economic conditions.

7- It became clear that the benefit of diversification exceeds its cost, and therefore the benefit of diversification in banking services, in general, exceeds its cost, due to the revenues expected to be achieved by banks as a result of this diversification.

8- Based on the results reached through the financial analysis of the net profit and the rest of the profitability indicators, the research hypothesis has been proven correct, that the role of diversifying banking services directly affects the profitability of private commercial banks.

LIST OF SOURCES AND REFERENCES

First: Arabic references and sources

a. Arabic books

1. Al-Bakri, Thamer Yasser, (2021), "Marketing Banking Services", first edition, Dar Al-Manhaj for Publishing and Distribution, Baghdad.



2. Al-Zamil, Ahmed Mahmoud and others, "Marketing Banking Services," first edition, Ithraa for Publishing and Distribution, 2012, p. 63.

B. Magazines and periodicals

1. Hassoun, Hala Idan Hassoun, and Khalaf, Waheeda Jabr, (2022), "Analysis and Measurement of Internal Factors Affecting the Profitability of Commercial Banks: An Applied Study on the Bank of Baghdad and the Middle East Bank," *Al-Riyadah Journal for Finance and Business*, Volume 3, Issue 1.

2. Rashm, Muhammad Hassan, Daghim, Alaa Dashi, and Jawad, Haider Thajeel, (2020), "Measuring hedge capital according to the requirements of the Basel III Committee and its impact on the profitability of commercial banks: an applied study in the Iraqi Credit Bank," *Journal of Studies in Economics and Management Business*, Volume 3, Issue 50.

C. Theses and Dissertations

1. Khalaf, Hala Idan Hassoun, (2021), "The Impact of Service Quality Dimensions and Financial Indicators on Banks' Profitability: A Comparative Study of a Sample of Iraqi Commercial and Islamic Banks," Master Thesis, Department of Banking and Financial Sciences, College of Administration and Economics - Al-Mustansiriya University, Baghdad.

2. Sebti, Ola Samir, (2020), "The Impact of Some Electronic Payment Systems on the Profitability of Banks: Applied Research in a Sample of Iraqi Commercial Banks," submitted to the Council of the Higher Institute for Accounting and Financial Studies at the University of Baghdad, which is part of the requirements for obtaining a higher diploma Equivalent to Masters in Banking.

3. Majeed, Haider Kamel, (2020), "The Impact of Electronic Payment Methods on the Profitability of a Sample of Iraqi Private Commercial Banks for the Period (2010-2018)," Master Thesis, Department of Economics, College of Administration and Economics - Al-Mustansiriya University, Baghdad.

D. reports

1. Al-Ahly Bank of Iraq, the annual reports of the bank for the period (2016-2021).

2. Credit Bank of Iraq, annual reports of the bank for the period (2016-2021).

Second: Foreign sources and references

A. Book

1. RIS, SC Krunoslav. (2022), "5G and Next-gen Consumer Banking Services." First edition, CRC Press.

2. Armstrong, Gary., Kotler, Philip & Opresnik, Marc, (2020), "Marketing: An Introduction", Fourteenth Edition, by Pearson Education Limited.

3. Pride, W.M., Hughes, R.J., & Kapoor, J.R. (2019). "Foundations of Business". 6 ed. Cengage Learning.

4. Ferrell, O.C., Hartline, M., & Hochstein, B.W. (2022). "Marketing strategy". Cengage Learning

5. Cao, Jin, 2022, "THE ECONOMICS OF BANKING", First Edition, Routledge.

6. Mishkin, Frederic S., (2019), "The Economics of Money, Banking, and Financial Markets", Twelfth Edition, published by Pearson Education.

B. Journals & Periodicals

1. Do, H., Ngo, T., & Phung, Q. (2020). "The effect of non-performing loans on the profitability of commercial banks: the case of Vietnam", *National Economics University, Vietnam, Accounting*, 6(3), pp. 373-386.