

Analysis of the impact of human capital in raising the level of financial performance: Al-Janoob Islamic Bank as a model

Muaamal Hussein Jwesim¹, Ghufraan shallal mohammed²

¹⁻² AL –Furat AL –Awsat Technical University, Technical Institute of Dewaniya, Iraq

Email: dw.mol@atu.edu.iq¹, ghufraan.mohamed.idi6@atu.edu.iq²

Abstract. In light of the increasing degree of competition in the international business environment resulting from the technological changes that have occurred recently, which has made companies rely on elements through which they can increase the companies' capabilities to compete and achieve what they aim for, and for this reason the human element (human capital) was the factor. It is decisive in increasing productivity and companies' abilities to compete in light of the changing and evolving business environment, as the research showed that there is a major role for human capital in increasing the financial performance of the research sample (Al-Janoob Islamic Bank) and achieving high profit levels as a result of that company's acquisition of competent and skilled human capital. The research compared two different periods in terms of the company's management at the levels of executive management and the board of directors, and after the bank applied governance and separated ownership of the institution from management, and competent banking and professional cadres took over the management of that company, which was characterized by efficiency and effectiveness, as the research showed the existence of a close and strong relationship between human capital. Efficiency and financial performance represented by the profitability index, where the level of profits achieved before the change of management was low, while it took an upward trend gradually after the change of management and the application of governance. This confirms the relationship between two variables in achieving what the institution aims to achieve in its current and future strategies.

Keyword: analysis of the impact of human capital, increasing the level of financial performance, al janoob Islamic bank as a model.

1. INTRODUCTION

Based on the fact that the individual represents the true wealth of any nation, its capabilities lie in the qualified and trained human resources it possesses, capable of adapting and dealing with any new changes efficiently and effectively. In light of the changes that have occurred in the business environment and developments in modern technology, they have highlighted the necessity of attracting competent human capital to ensure The success of companies, as well as the necessity of its sustainability through its management and development in order to achieve optimal performance, productivity, profitability, and knowing the impact of talent within the company on growth and performance. This includes roles such as building corporate culture, talent management, learning and development, measuring talent impact indicators, measuring leaders' impact indicators, benefits and compensation, and developing the work environment. As a result, most studies confirm the existence of a close and positive relationship between human resources and the financial performance of financial and non-financial institutions, as the

availability of competent personnel helps to perform work effectively and with high productivity, which has made institutions compete in attracting competent human personnel with academic and professional qualifications through which It is possible to advance the institution and achieve its general goals. This matter led the South Islamic Bank to make fundamental changes in its administrative staff at the level of the Board of Directors and Executive Management and to attract the two most important figures in the field of banking so that the bank can achieve its goals and objectives through their management. The research also gains its importance from what human capital achieves and from the increase in the level of institutional operations and activities, as well as its ability to discover and enhance the flow of cognitive and organizational capabilities among individuals, which enables them to produce a new service for companies and exploit their resources optimally and thus expand their market share on the one hand, And maximize their capabilities. On the other hand, not to mention exploiting strengths and confronting weaknesses, exploiting opportunities and confronting threats. On the third hand, this gives it a competitive advantage and achieves profits. Hence, the research assumes that there is a positive relationship between human capital and the financial performance (profitability index) of Al Janoub Islamic Bank.

2. HUMAN CAPITAL

Human resources have a high and distinguished status, because without them, no work will succeed and no plan will be implemented, and it is necessary to recognize their value as an important means of production. We find that the interest of economists in this concept was clear. Despite their differences in defining a concept that expresses it in a form that defines it, they agreed. However, it is “the source of benefit and production, as it is every human being who constitutes a source, place, or path for benefit, or who may have the ability to produce and benefit,” as the human element represents the basis for change and development and the ability to influence and be affected by what surrounds it (Al-Musabeh, 2005 : 2)

It is viewed as an important, effective and essential capital and the real source of advancement for the institution that aims to change and develop itself from one state to a better state. As for the economist Frederick Harbison, he saw human resources as “the basic component of the wealth of nations, and the main effective and active engine that accumulates capital, discovers natural resources, and builds economic, political, and social

institutions. Therefore, a state that is unable to develop the knowledge and skills of its individuals cannot develop anything.” Another” ((Bergen et al.,2002)

Thus, human resources are among the most important components of the economic renaissance of nations, and have become the most important cornerstone of countries' economies. If the classical literature focused its attention on material resources and capital as the engine of the economy, the modern literature focused on human capital represented by the knowledge and skills it possesses and its ability to serve society (Al-Kanani, 2013: 414).

Human capital has been defined as “the set of human abilities, skills, and experiences (males and females) that differ in their level of performance and that are currently working in the organization or that will be prepared for future work or that are disabled due to accidents, work injuries, vacations, or involuntary absences, and to which the minimum standard applies.” Description and specifications of the job at the very least, and it is responsible for achieving the general objectives of the organization” (El-Arabi, 2007: 55).

There are advantages to human capital that can be summarized as follows (Al-Jamil, 2005: 48): a- The knowledge, skills and experience possessed by the human resource are the basis for determining the value of other components. For example, creativity and innovation represented by intellectual assets (designs, software, drawings and documents) and intellectual property (patents, trademarks, copyrights) are only the result of The value of human capital.

b- It is directly related to the individual who carries it, meaning that the personal experiences and knowledge that the individual possesses, such as specialized knowledge, competence, knowledge of means, methods and methods of work, knowledge of the institution's buying and selling markets, experience and knowledge of the institution's objectives.

3. FINANCIAL PERFORMANCE

Financial performance represents the narrow concept of corporate performance, as it focuses on the use of financial indicators to measure the extent of achieving goals. Financial performance expresses the performance of companies (Miller & Bromiley ,1990:75) as it is the primary supporter of the various businesses practiced by the company, and contributes to making financial resources available and providing the company with investment opportunities in various fields of performance that help Meeting

the needs of stakeholders and achieving their goals. It is a motivating tool for making investment decisions and directing them towards successful companies. It works to motivate investors to go to the company or stocks whose financial standards indicate progress and success over others (Aellen and Parwade,2004: 115). It also represents a tool for correcting the gaps, problems and obstacles that may appear in the process. The company's indicators sound the alarm if the company is facing monetary or profitable difficulties, or because of the large number of debts and loans, and the problem of financial and monetary hardship, and thus warns its management to work to address the defect. Accordingly, it represents a tool for identifying the existing financial situation in the company at a specific moment as a whole or for a specific aspect of the company's performance or performance. Its shares in the financial market on a specific day and a specific period (Daft, 2001: 12).

The importance of financial performance also stems, particularly in the process of following up on companies' actions, examining their behavior, monitoring their conditions, evaluating their performance levels and effectiveness, and directing performance in the right and desired direction by identifying obstacles, explaining their causes, and proposing their procedures. Corrective and rationalization of general uses 4 - Analysis of changes in human capital and financial performance at Al Janoub Islamic Bank 4-1 Al Janoub Islamic Bank An overview of the bank's establishment after it was transformed from a financial transfer company under the name (Al-Janoub Financial Transfer Company, Private Joint Stock) to Al-Janoob Islamic Bank for Investment and Finance in 2016. The bank began its actual activity in the same year. The bank seeks to practice Islamic, banking and investment activities in accordance with tolerant Islamic law and under the supervision and control of the Central Bank of Iraq and the relevant sectoral bodies. The bank seeks continuously and seriously to develop banking services through the acquisition of modern systems and increasing banking awareness among the public by educating them on the use of services. Modern electronic technology to keep pace with developments taking place in other countries of the world. Developing the quality of banking and Islamic products in a way that is consistent with the nature of society and its various segments, in addition to preserving the bank's distinguished location and position among its peers among other Islamic banks. Contributing to supporting the monetary policy established by the Central Bank and the country's economic and development projects.

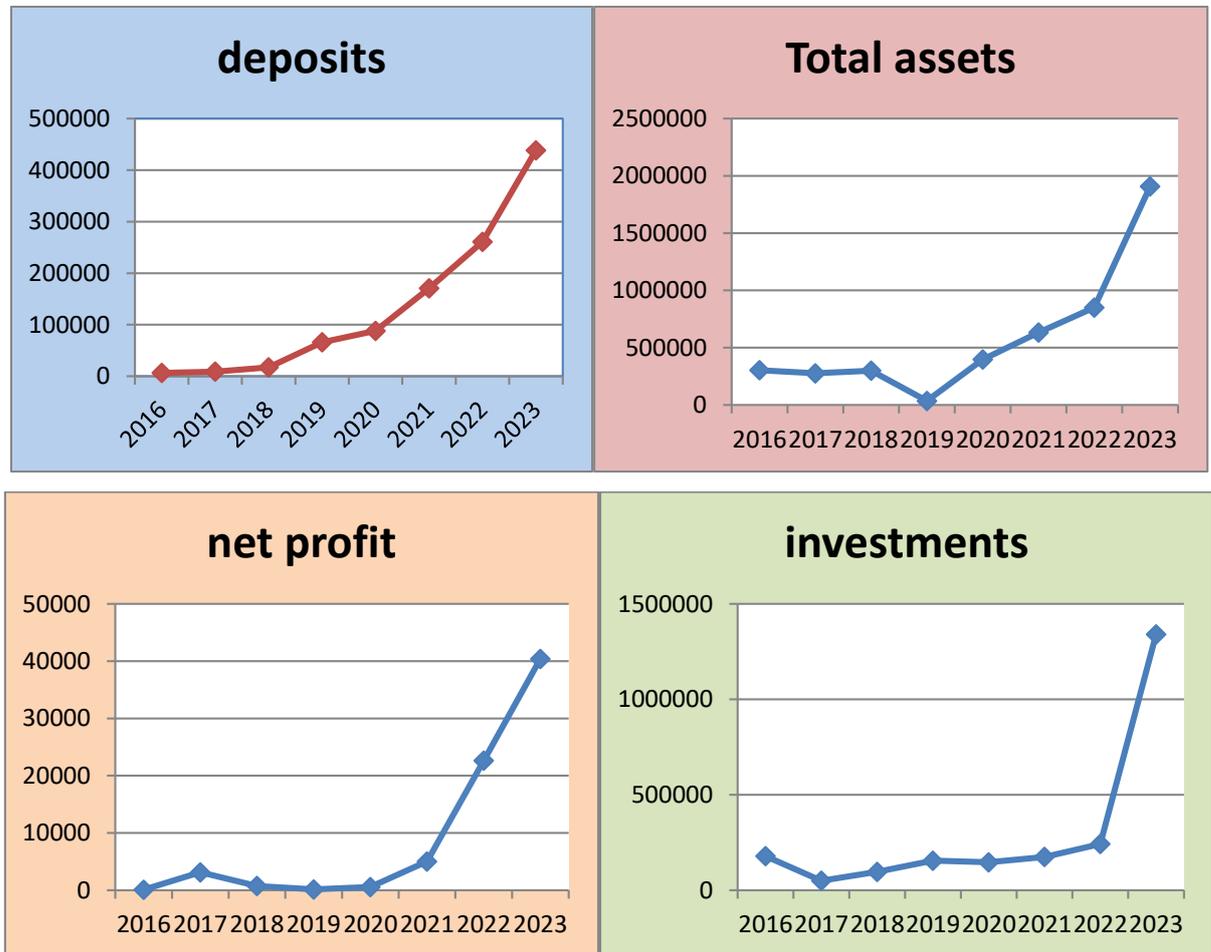
Analysis of the most important financial variables of Al Janoub Islamic Bank The researcher may focus on the most important financial indicators that occupy a fundamental pillar of the work of any banking institution, as the size of the bank's assets and its ability to attract customers will be highlighted by knowing the size of its deposits, in addition to that, the extent of the bank's ability to use those resources in financial and non-financial investments to achieve The desired goals are reflected in the bank's profitability index. It is clear from Table (1) and Figure (1) that total assets increased significantly during the study period compared to the age of the bank, as they rose from about (303,425.4) million dinars in 2016 to about (1,907,169.9) million dinars in 2023, with a compound growth rate of (30%).) for the same period, and this is due to the bank's ability to acquire various types of assets, its successful policy of commitment and implementation of the strategic plan, as well as its ability to attract customers, and this is clearly demonstrated by the increase in the volume of its deposits of various types and terms, which increased from about (6551.8) billion dinars in 2016 to about (438,534.7 million dinars in 2023, with a compound growth rate of (82.3%) for the same period, which enabled the bank to use those deposits to invest them in pledging, cash, finance, and other financial investments, increasing the volume of the bank's investments from about (178,492.3) million dinars in 2016 to about (1,339,962) million dinars in 2023, with a compound growth rate of (33.4%) for the same period, resulting in the bank achieving good profitability rates, especially in the last three years, despite the economic, security, and health events it went through, as the volume of profits achieved increased from about (90.2).) million dinars in 2016 to about (40,386.5) million dinars in 2023, with a growth rate of (139.2%) for the same period.

Table (1) Development of the most important indicators of Al Janoub Islamic Bank for the period 2016 - 2023 (million dinars)

Year	Total assets	deposits	investments	net profit
2016	303425.4	6551.8	178492.3	90.2
2017	276227.3	8956.2	49883.4	3127.5
2018	298824.8	17413	96327.9	740
2019	34882.9	65967.9	154561	134.2
2020	396694.3	88123.7	146286.9	556.1
2021	631796.3	170689.1	174556.4	5016.4
2022	850196.4	260995.3	241890.7	22623.9
2023	1907169.9	438534.7	1339962	40386.5

Source: Iraq Stock Exchange, annual bulletins, Al Janoub Islamic Bank, multiple years.

Figure (1) Development of the most important indicators of Al Janoub Islamic Bank for the period 2016 – 2023



Source: Prepared by the researcher based on the data in Table (1).

4. ANALYZING THE PATH OF DEVELOPMENT OF STAFF IN LIGHT OF BANKING GOVERNANCE

Through its annual strategies, the bank sought to focus on the human element and its role in achieving the bank’s goals and future aspirations, which enabled it to attract a large number of customers and activate the role of the banker through the bank’s network of branches, which reflected positively on the bank’s financial indicators and achieving profits, as can be seen from the table. (2) The number of attractive banking staff in the bank increased during the study period, as it rose from about (102) in 2016 to (293) in 2023. Bachelor’s academic qualifications also constituted the largest share of those staff,

at a rate of (70.7%) as an average percentage during the study period. It is also noted that the bank continues its policy of attracting scientific and professional competencies, and this is evident through the increase in the number of staff members with advanced degrees from about (4) in 2016 to about (20) in 2023, bringing its contribution percentage of the total staff to an average of about (4.8%) for the same period.

It is also noted the extent of the Bank of the South's focus on developing its banking staff by involving them in workshops and training courses inside and outside Iraq, as these courses increased from about (20) in 2016 to about (81) in 2023, and this naturally affects the bank's overall financial indicators. In a positive way.

Table (2) Development of the number of staff at Al Janoub Islamic Bank for the period 2016-2023

year	Postgraduate degree	Bachelor's	Less than that	total	Courses
2016	4	63	36	102	20
2017	3	100	35	138	31
2018	3	129	68	200	20
2019	5	184	41	230	27
2020	14	161	55	230	15
2021	16	153	46	216	37
2022	20	170	53	243	74
2023	20	224	49	293	81

Source: Prepared by the researcher based on data from the Iraq

Stock Exchange, annual bulletins, Al-Janoob Islamic Bank, several years.

The impact of human capital on the financial performance of Al Janoub Islamic Bank In this paragraph, we will rely on one of the most important financial indicators for banks in general, which is the profitability index, which basically represents the bank's entire performance from the administrative aspects and its role in attracting customers on the one hand, as well as the financial aspects through investing the available resources to achieve the appropriate return on the other hand, not to mention its commitment to international standards. The oversight established by the Central Bank of Iraq is that implementing it exposes the bank to legal consequences with financial implications, and the most important thing the bank's board of directors has taken in accordance with its implementation of institutional governance, separating ownership from management , and assuming management by a specialist in banking aspects has helped the bank very significantly to achieve very large profits. This can be traced through the size of profits before the administrative changes that affected the bank in the presidency of its board of

directors on the one hand and its CEO in the year 2020, as the bank achieved total profits after this change amounting to (68582.9) million dinars for the period 2020-2023 after it was (4091.9) million dinars during the period 2016-2019. This is due to the efficiency of the human capital that the bank acquired in its management at the level of the Board of Directors and Executive Management. Not to mention the development of all financial indicators, which were shown in Table (1) after the change of management in the bank as a result of institutional governance, and we can clearly explain this in the following table.

Table (3) Development of financial indicators of the Southern Bank and their relationship to human capital

Year	Postgraduate certificate and first degree	Courses	Total assets	deposits	investments	net profit
Before the change 2019-2016	491	98	913360.4	98888.9	479264.6	4091.9
After the change 2023-2020	770	207	3785857	958342.8	1902696	68582.9
The amount of increase	279	109	2872497	859453.9	1423431	64491

Source: Prepared by the researcher based on Tables (1) and (2).

Since the new administration assumed the task of drawing, planning and implementing policies and strategies for the bank, until the financial and administrative indicators began to improve gradually and in a very tangible manner, as that administration was pleased to focus on human capital by attracting competencies, which led to an increase in the number of competent human resources and The qualifications increased by 279 members, after it reached 770 members after the change, compared to 491 before the change, in addition to involving those banking cadres and staff in workshops and intensive training courses that could contribute to strengthening and implementing the general policies of the bank, as those courses in which those staff participated increased by 109 courses. After it reached 207 after the change compared to 98 before the change, this of course reflected positively on all the financial indicators of the bank, as the volume of assets increased by 2,872,498 million dinars after the change, in addition to the increase in the volume of deposits as a result of the ability of those banking owners to attract customers, so that the volume of deposits after the change reached about 958,342.8 million dinars after it was 98,888.9 million dinars before the change, with a positive difference of 859,453.9 million dinars. This enabled the bank to expand the

volume of financial and non-financial investments to pay off by 142,331 million dinars, after it reached about 1,902,696 million dinars after the change compared to its counterpart before the change. Because the opposite of all of this is the increase in net profits achieved for the exchange, with a difference of 64,491 million dinars between the two periods before the change and after the change.

We conclude from this that human capital represents an essential axis of development and growth for companies of all types, as it contributes to raising the level of their financial performance and thus achieving the goals set in its Linux plan, which results in high levels of profits achieved by companies.

5. CONCLUSION

Human capital represents an element of development and growth for companies, whether financial or non-financial, and this stems from its role in raising the level of productivity that it adds to the organization. In addition, the acquisition of efficient and qualified personnel contributes to raising the levels of financial and administrative indicators, and this is clearly evident. In the case of Al Janoub Islamic Bank, after relying on businessmen specialized in banking aspects academically and professionally in managing the bank, this resulted in the bank achieving very large profits as a result of the efficient use of the bank's resources in order to achieve profit on the one hand, and growth, development and sustainability in that on the other hand, as It is clear that the volume of profits has jumped at very large growth rates after the change in the executive management in the bank as well as in the Board of Directors, which has resulted in an increase in accordance with the vision for spending and then implementing its strategies in an efficient and effective manner in light of its endeavor to attract the largest possible number of clients, so that the volume will increase as a result. Bank deposits, which contributed to improving the bank's ability to invest, also increased, ultimately reflecting the increase in profits achieved by the bank and reaching high levels.

REFERENCES

- Aellen, D. E., & Parwade, J. (2004). Effects of bank funds management activities on the disintermediation of bank deposits. *Journal of Business Finance & Accounting*, 31(7), 1151-1172.
- Al-Kanani, K. K. B. (2013). *The swing of development in Iraq between the legacy of the past and the aspirations of the future: A look at strategic analysis* (1st ed.). Baghdad: Dar Al-Doctor for Administrative and Economic Sciences.
- Al-Musabeh, I. A. (2005, July 23). Human capital in Syria: Measuring the return on investment in human capital. Research paper presented at the Syrian Economy Symposium: A Youth Vision, Al-Mezzeh: Arab Cultural Center, Syrian Economic Sciences Association.
- Bergen, A. S., Rose, D., & Nana, G. (2002, November). Review of the statistical measurement of human capital. Wellington: Statistics New Zealand.
- Daft, R. L. (2001). *Management* (6th ed.). Thomson South-Western.
- El-Arabi, A. (2007). Human capital in Egypt: Concept - Measurement - Relative status. *Arab Economic Research*, (39), Summer, Cairo: Arab Society for Economic Research.
- Iraq Stock Exchange. (n.d.). Annual bulletins. Al Janoub Islamic Bank.
- Miller, K., & Bromiley, P. (1990). Strategic risk and corporate performance: An analysis of alternative risk measures. *Academy of Management Journal*, 33(1), 56-79.