

The research proposal:

1- Introduction:-

Successful financial institutions today are able to effectively identify those products, customers, branches, and other factors that are of overall profitability. But discovering what's actually profitable isn't always straightforward. To really understand what drives bank profitability, you need to be able to drill down into the lowest level of detail, and analyze the data with ease and precision.

2- The Problem of the Research:

The problem of this research can be formulated in the following questions:

Commercial banks depend on investments in securities considerably? (Without considering other sources of profits).

What will happen if the Central Bank changes its policies and requests the commercial banks to reduce their financial investments in securities?

3- The Objective of the Research:-

- The objective of this research is to shed some light on the problems of the financial profitability of Sudanese commercial banks.

- To evaluate the performance of the bank, using financial ratios for profitability as a yardstick of performance
- To explain the limitation of ratio analysis measure for profitability.
- To understand the context in which financial analysis is conducted in Sudanese commercial bank.
- To be familiar with all the commonly used techniques of financial analysis.

4- The Hypothesis of the Research:-

- Financial analysis is used by banks consistently and interpreted intelligently for internal decision makers .
- Financial analysis has a limited contribution in the process of the performance evaluation.
- Diversification of source of revenue leads to maximization Profit.

5- The Research Methodology:-

The research has been conducted through examination and evaluations of the financial Analysis currently applied in sudanese commercial banks.

The research is an empirical one in which, data collected and statistically analyzed and interpreted.

6- The Research limitation:

This research made on Al-Tadamon Islamic Bank, in the financial and investment management, in the period between (2004 – 2006).

7- the source of data:

1) Primary sources:-

A questionnaire was designed specially for this purpose.

The questionnaire was delivered by hand to the staff of two departments financial management and investment management in Altadamon Islamic Bank.

Specialized Practitioners from top management have been interviewed using non directive interview." Here the researcher did not employ a interview with prespecified set of question, nor are the question asked in specified order "¹

2) Secondary sources:-

Include secondary sources data was collected from books, references, journals , web sites and bank financial statements.

8- The Research Structure:-

¹ Chava Frankfort,David Nachmias,"Resarch methods in the social sciences", fifth edition "London printedpvt.Ltd.Kundli 2003,p235

It is composed of three chapters:

chapter one includes the introduction of financial analysis, the concept and practice of financial analysis, objective of financial analysis, source information, financial ratio and performance measurement.

Chapter two discusses the introduction of profitability, profitability management, profitability ratio , profitability analysis , competition policy and profitability competition.

Chapter three addresses the questions of the empirical analysis of the research. First by giving background information about Al-tadmon islamic bank. Then the field work is discussed in term of profitability analysis and questionnaire analysis.

8- Previous Studies:

1- Zain Al Abdin Yassin Birima (2000) ²

The objective of this research is to shed some light on the problem of customer's financial insolvency in Sudanese commercial banks (1994 – 1998), to identify the practical application of financial analysis in Sudanese commercial banks as a yardstick for the purpose of measuring their customers' credit worthiness.

² Zain Al Abdin Yassin Birima, "Financial analysis as measure of financial solvency", theory and practice in Sudnaese commercial banks (1994 – 1998) , Sudan university of science and technology, MS.c research, 2000 . Unpublished research

The main hypothesis of the research is that financial analysis theory is applied in Sudanese commercial banks in measuring their customers' financial solvency.

To test the hypothesis, the collected data has been statistically interpreted and analyzed. The research was conducted through:

- Examining and evaluating the financial analysis currently applied in Sudanese commercial banks, in this respect a questionnaire was designed specially for this purpose, which was completed by three selected commercial banks.
- Interviewing three relevant practitioners so as to explore their opinions as a partial fulfillment of the empirical exercise in order to either consolidate or invalidate the views of the commercial banks.

The research revealed the followings:

- An existence of practical application of financial analysis, but there are some shortcomings in relation to the analysis of accounting and non-accounting information and the consistency of application as well.
- There are some difficulties associated with the application of financial analysis theory in Sudanese

commercial banks, to measure their customers' financial solvency.

Consequently from the results, it was concluded that, the research underlines a number of recommendations to contribute to the efforts exerted to solve the current and future problem of customer's financial insolvency in Sudanese commercial banks.

2- Ahmed Mohammed Siddeg Ahmed (2005) ³

The role of managerial accounting has increased in this century due to the increase in the volume of money and the size of the economy, the expansion of business entities and economic projects. It provides special information in economic decision making for top management and other users. Therefore, the reports must include adequate information to meet the different needs for those users in planning, controlling and motivating and decision making.

The problem of this study is defined as follows:

- Banks make profit by utilization of deposits which varies, as they are either investment deposits or demand deposits etc, which may be quickly needed. In spite of that fact that they are employed in different projects through different modes of investment.

³ Ahmed Mohammed Siddeg Ahmed, "The role of managerial accounting in managing banking liquidity and profitability", case study – AL Tadamon Islamic Bank, Sudan University of Science and Technology, 2005, Unpublished research.

- In studying the role of managerial accounting in managing banking liquidity and profitability by Tadamon Islamic bank, the following hypotheses were put forth:
- The efficiency and goodness of managerial accounting characteristics lead to national decision making in the right and suitable time.

The results were as follows:

- Scientific methods in managing liquidity lead to an increase in earning.
- Designing and applying of good accounting reports in banks represents accounting preciseness.
- Soundness of the managerial accounting report system in banks leads to issuing good and applicable management policies.

The recommendations are:

- Banks must find an efficient, scientific system for managing liquidity.
- Banks should establish sufficient internal control than internal report criteria.
- Every bank should study and evaluate the system and role of liquidity control periodically and regularly.

Therefore, this study is different from the above mentioned studies in that it focuses on the use of financial as a measure of the performance using the evaluation of profitability as a yardstick for performance for a period of three years the amount of time in necessary to follow up the performance of bank profitability.

⁴ امير عبد السلام اسحق (2006) -3

On one hand this research examined the effects of bad loans on the profitability of banks, on the other; it covered the definition of finance, its function, credit types, risks and how to reduce such risks. In addition to that, it also covered the meaning of the financial default, its reasons, ways of the treatment and classification of bad loans and their relation to the banks profitability.

This research adopted the data analysis approach to test the validity of the following hypothesis:

- Bad loans reduce Elnilein bank's profitability
- Bad loans effect the possibility of collection of the invested resources made by Elnilein bank.
- Bad loans reduce Elnilein bank's liquidity.

⁴ Ameer Abdulsalam Adam Ishaq , "the effect of hard fund on profitability of the bank applied on Alnilin Bank group for industrial development", period (2000 – 2004) , Sudan University of science & technology, M Sc research 2006, Unpublished research.

The researcher approved the validity of all hypothesis and made many recommendations including the following:-

- Improving the feasibility studies concerning financial applications.
- Improving the qualification of the staff working in investment departments.

Activation of the roles of credit department at the level of the central bank and the other commercial banks, in order to lay effective roles in setting policies and strategies regarding investments and finance.

4-⁵ امجد على عثمان محمد شيبو (2006)

The purpose of the study is to show the importance of financial analysis and its role in conducting financial evaluation through using trend analysis method and financial ratios method. These methods enable financial statements users to come up with some financial indicators, which in turn help in the decision making process. Within this context, two hypotheses formulated:-

- Financial statements are sufficient sources of data for conducting financial analysis.

⁵ Amjad Ali osman Mohammed Shabo, "using financial analysis to evaluate performance of company , case study : Sudan telecommunication company". (2000 – 2004), Sudan University of science & technology & the high institute of banking and financing study, MSc research, 2006, Unpublished research

- Financial analysis statements help to evaluate financial performance and consequently to lead to rational decisions making.

To test the significance of these hypotheses, the two methods above were used in conducting a financial analysis for Sudanese communication company (Sudatel) for the period 2000 – 2004. The main conclusions of the study are:

- Different financial reports complement each other. They have major and supporting roles in financial decision making process.
- Although the financial statements are so important in financial analysis, they are dealing with historical periods, and this should be regarded when analyzing to reach final financial evaluation.
- Financial analysis helps the users to forecast financial performance of the companies and assist in taking rational decisions.

The main recommendations where that:

- It's important to furnish the users with financial statements upon their request when to doing financial evaluation.

- It's important to extract quarterly financial statements to avoid the risk of depending on annual and historical statements that do not reflect the current situations.

5-⁶ محمد عبداللطيف سعيد محمد (2006)

This research is concerned with the effect of the modern evaluating methods for the financial performance on the performance of institutions.

The problem of the research is that the traditional method of evaluation does not provide verifiable and correct result, since, they wear driven from financial statement which had many defects such as using historical value, ignoring human resource values personal estimations, etc.

The research aimed at providing alternative modern method for evaluating the performance of institutions depending on true and verifiable information.

The research main hypothesis is that the old method of evaluating the performance does not give the correct results which the modern method gives. They are more the verifiable and correct results.

The research applied the effect and interface methods, as well as the historical method.

⁶ Mohammed Abdulatief Saeed Mohammed, "Using modern methods of evaluating financial performance to evaluate the performance of Banks", applied in Umdurman national Bank (2001 – 2005), Sudan University of Science & Technology, Unpublished research., 2006

The most important results are, to achieve a verifiable and reliable result about the performance of institution, modern method of evaluation should applied, the results derived from traditional method.

Therefore, this study is different from the above mentioned study in that it focuses on the use of financial as a measure of the performance using the evaluation of profitability as performance for a period of three years the amount of time in necessary to follow up the performance of bank profitability.