



# THE IMPACT OF THE INDICATORS OF IRAQ STOCK EXCHANGE ON SOME VARIABLES OF FINANCIAL STABILITY IN IRAQ

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Article history:	Abstract:
<b>Received:</b> December 20 <sup>th</sup> 2021 <b>Accepted:</b> January 20 <sup>th</sup> 2022 <b>Published:</b> February 24 <sup>th</sup> 2022	For the role played by financial exchange and the vital center in economic systems, especially in countries that depend on attracting capital through their exchange, these exchange have not played a role in enhancing their economic efficiency and their role in achieving financial stability, as the researcher concluded that the indicators of the financial exchange have an impact on the variables of financial stability and the financial exchange are linked to a positive relationship with financial stability, therefore, the researcher recommended paying attention to financial exchange, raising their efficiency through infrastructure, increasing their economic spending on other countries, and benefiting from the experiences of other countries with active financial exchange that achieve financial stability.

**Keywords:** Iraq Stock Exchange, Financial Stability.

**The first topic:** the theoretical framework for the concepts of financial exchange and financial stability

**The first requirement:** Theoretical framework for the Iraqi Stock Exchange.

**First** - The emergence of the financial exchange in Iraq.

## 1- Baghdad Stock Exchange

Baghdad Stock Exchange was established in accordance with Law No. (24) of (1991) and the exchange had a moral personality and financial and administrative independence, it is an institution that does not aim for profit, but rather of public interest. Its goal is to regulate and control the trading of securities in a manner that ensures the safety, health, speed and accuracy of this trading to protect the national economy interest and the interests of dealers, regulating the profession of financial intermediation, defining the rights and obligations of both parties, protecting their legitimate interests, developing savings, and developing investment in securities, as trading in this exchange is limited to treasury transfers and all bonds and shares issued by the Iraqi government, and the exchange officially opened on (23/3/1992). <sup>1</sup> The number of companies included in it reached (113) Iraqi private and mixed companies. <sup>2</sup> It was closed by a decision of its board of directors on March 19, 2003, after which a new financial exchange was established under the name (Iraq Stock Exchange)

## 2- Iraq Stock Exchange:

The Iraq Stock Exchange was established by law (74) and issued on (18) April (2004) and it was officially

opened on (24 (June) 2004). It is an organized exchange that operates in accordance with international standards for stock exchange and enjoys the characteristics of economic exchange through its use of electronic trading and central depository systems since April (2009) according to the standards applied in emerging exchange.<sup>3</sup> The Iraqi Securities Commission is responsible for supervising and controlling the movements of establishing companies, trading in their securities, and controlling the activity of the regular trading exchange. <sup>4</sup> The Iraqi Stock Exchange is subject to the supervision of the Securities Commission and operates in accordance with the rules and instructions issued by it. <sup>5</sup>

## Second - Regulating Iraqi Stock Exchange:

The document establishing the Iraq Stock Exchange included a set of items, especially with regard to the organization of the financial exchange, and these items are represented by the following<sup>6</sup>:

- 1- That the main center of the exchange be in Baghdad and the possibility of opening other branches in all Iraqi governorates.
- 2- The exchange is responsible for the assets owned by it only.
- 3- The exchange shall have a legal personality that is not affiliated with the government in terms of financial and administrative terms.
- 4- The exchange does not bear any responsibility or obligations on the Baghdad Stock Exchange.
- 5- The exchange's commitment to the instructions issued by the Securities Commission.



- 6- The right of the financial exchange to own movable and immovable funds, including real estate.

### **Third - The objectives of Iraq Stock Exchange:**

The Iraqi Stock Exchange aims to implement several tasks and objectives, the most important of which are the following: <sup>7</sup>

- 1- Training and organizing members and companies listed in the exchange.
- 2- The exchange should be free, honest, efficient, competitive and transparent in order to promote the interests of investors.
- 3- Organizing and simplifying securities transactions in a fair and orderly manner, including clearing and settlement processes for these transactions.
- 4- Raising awareness of Iraqi and non-Iraqi investors about investment opportunities in the exchange.
- 5- Developing the capital exchange in Iraq to serve the national economy and assisting companies in exchanging the capital needed for investment.
- 6- Organizing the transactions of its members with all that is related to the sale and purchase of securities.

### **Fourth - Challenges facing the Iraqi Stock Exchange:**

There are a number of obstacles and challenges facing the development of the Iraqi stock exchange, the most important of which are the following: - <sup>8</sup>

- 1- The limited capital of companies listed in the Iraq Stock Exchange, with the exception of some banks whose capital has been set by the Central Bank of (250) billion dinars.
- 2- Weakness of effective control tools to achieve a minimum level of disclosure and transparency for customers.
- 3- Weak flexibility of the interest rate structure for banks and insurance companies, especially those that grant medium and long-term loans for real estate purposes.
- 4- The exchange's lack of financial intermediation institutions compared to its actual need.
- 5- Inefficiency of legal rules to gain the confidence of investors and protect them.
- 6- The obsolescence of some legislation regulating the work of companies operating in the Iraqi financial exchange, which needs updating to keep pace with development.

**The second requirement:** the theoretical framework for the concept of financial stability

### **First - Financial Stability:**

Financial stability is one of the most important issues at the present time that banks seek to achieve and maintain, and to adopt the correct methods in performing their tasks, the term financial stability emerged as a result of the successive financial crises in both developed and developing countries, although its impact varied from one country to another over the past decades, it became one of the most frequently used terms in all areas of political, economic, financial and social work. Linguistically, stability is defined as "stillness and steadfastness," or it is the preservation of the natural situation, regardless of whether it is ideal or imperfect, in order to create the appropriate conditions for improving that situation, as well as preparing for the restoration of balance. <sup>9</sup>

Or defines financial stability "is the efficiency and good performance of the financial system, which depends on the efficiency of the main economic functions such as resource allocation, risk distribution, payment settlement and work to absorb sudden shocks to the financial system caused by crises." <sup>10</sup> It is also defined as "avoiding falling into financial crises, the efficiency of financial and economic resources and their geographical distribution according to financial transactions (saving, investment, loans) and economic aspects (wealth accumulation, GDP growth) in addition to administrative processes such as (assessment of financial risks, liquidity management), and distribute it by emphasizing the integrity and strength of the components of the financial system" <sup>11</sup>

Or it is "a condition characterized by fluctuating prices in assets and the deterioration of the monetary and financial exchange performance, preceded by a sudden change in interest rates (up or down) and the lack of funding, which affects consumption and investment negatively, and thus affects production and the level of employment." <sup>12</sup>

### **Second - Financial Stability Importance:**

Financial stability is of great importance by looking at the impacts of the financial crisis on the financial and economic sector as a whole, including the following: - <sup>13</sup>

- 1- Financial imbalances stand at the top of the risks that have a major role in threatening the stability of the global economy, as the report of the World Economic Forum (2008) indicated that the troubled financial systems, including the mortgage crisis in America, which worsened in the middle and late of the year (2007) is the biggest challenge that impacts the stability of the global economy and thus the report called for the intervention of the financial exchange to reduce the severity of risks.



- 2- The absence of financial stability affects economic growth. In the mortgage crisis that sparked from America and spread to others, which led the International Monetary Fund to reconsider all its expectations regarding economic growth, as the Fund mentioned the more financial crises increase and the longer they remain, the more Fewer economic growth rates.<sup>14</sup>
- 3- The wide spread of financial turmoil at the level of the local and global economy is having an increasing impact on all banking and non-bank credit channels, and that these financial turmoil shows the extent of the fragility of the existing financial system, as the International Monetary Fund mentions in its commentary on the US mortgage crisis in its periodic report published on Financial stability issued in (2008), in which it was mentioned that the events of the period from (October 2007 to April 2008) demonstrated the fragility of the global financial system.<sup>15</sup>
- 4- Many international banks, especially those (Asia and Europe), suffered losses due to the financial crisis, which led to the spread of fears among banks about lending and a decline in the rates of providing bank credit in many countries, which led the central banks to pump more money into capital exchange to reduce the severity of this crisis.<sup>16</sup>
- 5- The decline in liquidity prior to the crisis, which caused the closure of a number of banks in the world, numbering about (25) banks and more than (300) billion dollars of the value of their assets, and this is a loss due to the decrease in the value of securities, which were secured by real estate loans since (2007).<sup>17</sup>

Because of the importance of financial stability, the Central Bank is hardly devoid of a special unit whose main work is to maintain financial stability by persevering in preparing reports and studies and directing warnings and alerts. The most important of these initiatives undertaken by banks are: -<sup>18</sup>

- A- The establishment of a special institute for financial stability by the Bank for International Settlements and the Basel Committee in 1999, following the crisis that occurred in Southeast Asia, with the aim of assisting the financial supervisory bodies worldwide and strengthening their financial systems.
- B- Establishing a forum for financial stability by (26) countries (1999) and global and local financial authorities from developed countries with the aim

of contributing to global financial stability through the exchange of information and cooperation in the field of supervision and control by competent authorities.

- C- The development of a map by the International Monetary Fund through which to predict future crises before they occur, until the Fund was able to prepare a periodic report prepared twice a year. Through it, he tries to monitor tensions and financial imbalances and limit their spread. Despite that, these measures were not sufficient to avoid crises and reduce the occurrence of recurring crises, most notably what happened in the (2008) crisis.

**The second topic:** analysis of the indicators of the Iraqi exchange for securities and financial stability

**The first requirement:** analysis of the indicators of the Iraqi exchange for securities

There are many indicators in the Iraqi exchange for securities that are used to evaluate its performance through data analysis and knowledge of the general trends of the exchange, and we will address these indicators in order to analyze the reality of the Iraqi exchange for securities as shown in Table (1):

1- General Stock price index

This indicator is used as a statistical number and is used as a measure of the general movement in the exchange and it consists of a group of securities that reflect the state of the entire exchange, in the event that this indicator rises, it is assumed that the exchange will be completely high and vice versa, and it is of great importance in measuring exchange trends and price movement as a whole,<sup>19</sup> it also highlights the importance of this indicator in guiding the investor in making an investment decision in the financial exchange by following it up, as well as showing the efficiency of the financial exchange through comparison and identification of exchange activity by comparing it with the past periods.<sup>20</sup>

Through table (1), it becomes clear to us that the general index of stock prices in the Iraqi stock exchange fluctuates between rise and fall during the research period, as it becomes clear to us that the index decreased to (71.57) and (28.25) points in the two years (2005 (2006) (after it was (99.64) points in (2004) with a negative growth rate of (2.11)% and (2.56)%, respectively, the reason for this decline is attributed to the instability, exacerbation of a number of problems related to the lives of citizens, and the slowdown in the work of many joint-stock companies.<sup>21</sup>

While in (2007) the general price index started to rise again with a growth rate of (36.8%) when it



rose to (34.59) points, due to the implementation of the Investment Law No. (13) for the year (2006), which allowed non-Iraqi investors to trade in Iraq Stock Exchange. <sup>22</sup>

The general index continued to rise during the following years, as it recorded in 2011 (136.03) points, with a growth rate of (34.7%), and this rise reflects the noticeable improvement in the investment activity in securities. <sup>23</sup>

After that, the index began to decline in its points during the subsequent years to settle at (92) points, with a negative growth rate of (18.7%) in 2014, the reason for this decline is attributed to the decline in the activity of some sectors (agriculture, industry and insurance), <sup>24</sup> in addition to the index being affected by changes in supply and demand, and investors' decisions. <sup>25</sup>

Because of the deterioration of the security and political situation, which cast a shadow over the activity of the Iraqi capital exchange and the performance of its indicators, the political instability between the parliamentary elections that took place that year and the terrorist gangs' occupation of part of Iraq, which negatively affected the movement of indicators in the Iraqi exchange. <sup>26</sup>

Iraqi Stock Exchange using new record numbers, including (the exchange index) and its application in the sessions of the year (2015) based on the equation of the modern trading system (X-Stream) the electronic system calculates the exchange index in each session and for each sample of (60) joint stock companies listed in the exchange according to certain bases, including the companies that achieve the largest turnover of trading shares that are not subject to suspension penalties, and recalculating the percentage to (1000) points instead of the percentage indicator to calculate the most accurate changes, and adopting the calculation of the indicator sample (275) to complete the comparison process in (2014) more easily. <sup>27</sup>

In (2016), the index declined again, reaching (649.48), with a negative growth rate of (-11.5), the reason for this decline is attributed to the exposure of the Iraqi economy to the shock of the drop in oil prices to below (50) dollars per barrel, and the high costs of the war on terrorism, which negatively affected the budget, and the unstable security conditions. <sup>28</sup>

In addition, the expenses of sheltering the displaced, supporting the displacement camps, and paying their dues increased, which created additional pressures on economic resources. <sup>29</sup>

The decline continued for the years (2017, 2018 and 2019), as the index reached (580), (510), (493.76) points, with negative rates of (-10.7), (-12.1), (-3.2) percent, respectively, and the reason for the continued decline of the index In addition to the reasons mentioned above, the continued decline in world oil prices and its impact on the Iraqi economy for securities. <sup>30</sup>

In the year (2020), the index slightly increased, reaching (508.03) points, compared to a growth rate of (2.9) percent, and the reason for the rise is due to the positive factors of the global economic outlook, the gradual return of life to its cautious nature, the success in coexisting with the Corona pandemic, and the start of the tangible results of multiple vaccines in various developed countries that contributed to supporting the indicators. <sup>31</sup>

## **2- Trading volume Index**

This indicator measures the volume of trading in the Iraqi Stock Exchange and expresses the extent of exchange liquidity and its development, through the data of Table (1), we note that the trading volume took a fluctuating path between rise and fall during the research period, as the trading volume in (2004) amounted to (88,060) million dollars, then it rose to (249,191) million dollars in (2005) with a growth rate 182.9 (%), the reason for the rise is due to the developments of the economic environment in Iraq, including the issuance of the Investment Law in the first half of the year (2005), which encouraged investment by attracting foreign, Arab and local capital by granting various facilities and exemptions. <sup>32</sup>

The fluctuations in the trading volume indicators continue during the remaining years. In (2008) the index decreased to (250,449) million dollars, with a negative growth rate of (-25.7%), then it rose again in (2009) to reach (348501) million dollars, with a growth rate of (39.12 %), the reason for this rise is due to the implementation of electronic trading activity in the exchange and the increase in the number of sessions in it, reaching five sessions per week as of 1/11/2009. <sup>33</sup>

In 2010, the trading volume decreased slightly, amounting to (342188) million dollars, with a growth rate of (-1.81), and it started to rise again in (2011) until it reached (804443) million dollars, with a growth rate of (135.1), the reason for the rise is attributed to the improvement in the performance of Arab economies, in addition to the improvement of most global financial exchange, which led to a reflection on the Iraqi exchange for



securities and an increase in foreign investments through the purchase of shares of Iraqi companies. The trading volume index continued to rise and fall until it reached (2013) (2435866) million dollars, with a growth rate of (8.217), the reason for this rise was due to the inclusion of the shares of the increase in the capital of joint and listed companies, which amounted to about (10,885) trillion shares, then it rose to (4,632) shares for all companies listed in the exchange, which was the reason for an increase in the trading volume index.<sup>34</sup>

In the year (2014), the index witnessed a decline, as it fell to (373939) million dollars, with a negative

growth rate of (-68.04%), this decline continued until 2019, reaching (138,317) million dollars, with a negative growth rate of (-92.8%), the reason for the decline is attributed to the unstable conditions of the Iraqi economy since the terrorist occupation of Iraq and the beginning of the Corona pandemic and other reasons mentioned in the previous indicator, while in the year (2020), the size of the index increased to (189454) million dollars, with a growth rate of (36.9%), the reason for the rise is attributed to the increase in the activity of the sectors and the development of their activity in a better way for the reasons mentioned previously.<sup>35</sup>

**Table 1. performance of Iraq's stock indices for the period 2004-2020 (millions of dollars)**

%*growth rate	Trading volume	%growth rate	General Stock Price Index (points)	Years
-	88060	-	64.99	2004
18209	2E+05	-11.2	57.71	2005
-60	99587	-56.2	25.28	2006
238.7	3E+05	36.8	34.59	2007
-25.7	3E+05	68.7	58.36	2008
12-39	3E+05	72.8	100.9	2009
-1.81	3E+05	0.12	101	2010
135.1	8E+05	34.7	136	2011
-4.7	8E+05	-8.1	125	2012
217.8	2E+06	-9.5	113.2	2013
-68.4	7E+05	-18.7	92	2014
-50.5	4E+05	694	730.6	2015
-8.6	3E+05	-11	649.5	2016
-7.2	3E+05	-10.7	580.1	2017
-32	2E+05	-12.1	510.1	2018
-92.8	1E+05	-3.2	493.8	2019
-36.9	2E+05	2.9	508	2020

Source: Prepared by the researcher based on the annual reports of the Iraq Stock Exchange for different years.

### **The second requirement: analysis of indicators of financial stability in Iraq**

Since financial stability is one of the main goals that must be maintained after being achieved by central banks, in addition to the stability of the price level and exchange rates to ensure the performance of all economic units towards achieving development of the economy, and this is what prompted central banks to give greater attention to ensuring the safety and durability of the stability of financial systems and achieving financial stability. We will focus on some of the most prominent and important indicators of financial stability, which are: -

#### **1- Asset index:**

Assets are one of the most important pillars of their effective role in achieving financial stability, as we note that Table (2) has taken an upward trajectory, reaching (in 2005) (1,150344) million dollars, compared to (1222448) million dollars in (2004) and the increase continued in the years, the reason for the rise is attributed to the fact that the banks diversified their assets by purchasing bonds and treasury transfers, and employing their money and investments to obtain greater returns.<sup>36</sup> And the rise in government assets to nearly 97% compared to 3% of private banks.<sup>37</sup> Assets recorded a clear decline in (2011), reaching (1208,403) million dollars, the reason for the decline is attributed to the decrease in the assets of banks by (60%) after



re-evaluating the assets in the banks, as the reverse restrictions of the international division were implemented, which represents the difference between the assessment of the down and the debtor according to the recommendations of the International Monetary Fund and the World Bank in restructuring banks.<sup>38</sup>

Then the assets rose again in the years (2012, 2013, 2014) to reach (1552845), (1697560, 1872727) million dollars, respectively, the reason for this is due to a rise in that the balance of assets of government banks continued to maintain its lead with a rate of (90.3%) of the total assets of all banks.<sup>39</sup>

In (2015), (2016), (2017) the assets record decreased to (1782,400), (1728,125) (889600) million dollars, respectively, and the reason for the decline is attributed to the fact that the number of government banks \* is less than the number of private banks, but their activity is much greater than that of private banks, the total assets of banks were concentrated in government banks, but they decreased by (89%) of the total assets.<sup>40</sup>

Assets recorded an increase in assets in the years (2018), (2019), which amounted to (01018181), (1117647) million dollars, respectively, it is a good indicator that reflects the improvement in the level of competition between private and governmental banks and the increase in assets is an indication of the high activity of these banks and because the assets have been recalculated according to new international standards.<sup>41</sup>

In the year (2020), the assets decreased to (1016 thousand) million dollars, the reason for the decline is the health crisis that the world has experienced in general, and the Iraqi economy in particular (the Corona crisis), and the curfew measures that have limited the activity of state institutions in general.

## 2- Capital index

It is clear from Table (2) that the capital takes an upward and downward path at other times, the capital

balance in (2004) amounted to (68.965) million dollars, then it decreased in (2005) to (68,027) million dollars, and the reason for the decline is due to the bad economic conditions as a result of the wrong economic policies and the wars that Iraq went through, which stopped most of its economic facilities (productive and service) in whole or in part, which led to the depletion of the country's financial resources and the destruction of the infrastructure and the economic situation, which intensified due to the great damage that occurred after the operations of sabotage, looting and looting of public properties and insecurity, which negatively affected the Iraqi economy, in addition to the change in the Iraqi currency, all reasons that led to the decrease in capital during this duration.<sup>42</sup>

The capital rose to (74,829) million dollars in (2006) compared to (2005) as a result of the improvement in the security situation of the Iraqi economy compared to previous years<sup>43</sup>, in the year (2007), (2008) the capital decreased to (68,253) and (16,101) million dollars, respectively, and the reason for the decrease is that this ratio of the capital is before adjusting the capital of the bankers (Al-Rasheed and Al-Rafidain) during the year (2008), as this ratio goes back to (86%) for the private banking sector,<sup>44</sup> the total capital of the banking system, and the capital of private banks became 50%.<sup>45</sup>

In (2010) the total capital of banks amounted to (24.576) million dollars, recording an increase of (19,491) million dollars in (2009), and the reason for the rise is due to the response of some banks to the evaluation issued by the Central Bank regarding the capital increase to reach (250) billion dinars within three years and as of (30/6/2010), this growth in capital is one of the positive indicators in enhancing financial stability, as it enhances the ability of banks to face risks, ensures the safety and durability of banks, and constitutes greater protection for depositors.<sup>46</sup>

**Table 2. Economic Indicators of Financial Stability in Iraq (Million Dollars)**

Capital	Assets	Years
68,965	1,150,344	2004
68,027	1,222,448	2005
74,829	1,708,843	2006
68,253	2,239,682	2007
16,101	2,538,842	2008
19,491	2,832,203	2009
24,579	3,080,508	2010
32,773	1,208,403	2011
47,967	1,552,845	2012



62,601	1,697,560	2013
75,206	1,872,727	2014
80,800	1,782,400	2015
91,406	1,728,125	2016
115,200	889,600	2017
124,793	1,018,181	2018
126,890	1,117,647	2019
135,200	1,016,000	2020

The amounts have been converted from the Iraqi dinar to the US dollar

Source: Prepared by the researcher based on

- 1- The Central Bank of Iraq, the General Directorate of Statistics and Research, the annual economic report, for different years.
- 2- The Central Bank of Iraq, the General Directorate of Statistics and General Research, the annual economic report on financial stability in Iraq for different years, 204-220.
- 3- The Central Bank's statistical website, <http://cbiraq.org>

Successive increases continued for the rest of the years until the end of (2020), when it reached the highest level during the research period (135,200) million dollars, by achieving this growth in banks' capital as a result of several reasons, including achieving profits that reflected positively on banks and shareholders' rights, creating distinct banking units, expanding credit and investment operations, and the ability to compete in an exchange economy, providing banking services, increasing the ability of Iraqi banks to establish banking relations with Arab and foreign banks, and improving the reputation of the financial exchange in Iraq and granting banks with large capital the power to buy a larger amount of

dollars sold in the foreign currency buying and selling window to meet their requirements and customers, which is the bank's capital because the capital clause is one of the main components of the financial system. <sup>47</sup>

**The third topic:** Estimating and testing the standard model  
 The impact of financial exchange indicators (independent variable) = financial stability variables (dependent variable)

Dependent Variable: CA  
 Method: Least Squares  
 Date: 09/14/21 Time: 02:18  
 Sample: 2007Q1 2020Q4  
 Included observations: 56

Variable	Error Coefficient	Std.	t-Statistic	Prob.
CR	0.219823	0.025680	8.560208	0.0000
DE	-0.054944	0.014434	-3.806522	0.0004
GPI	0.053364	0.042422	1.257936	0.2148
FIN	0.036962	0.012537	2.948320	0.0050
LRR	34.15652	7.712182	4.428905	0.0001
MV	-0.008345	0.003224	-2.588582	0.0129
NC	1.749519	0.826429	2.116963	0.0397
RES	-0.190651	0.053067	-3.592680	0.0008
TV	2.53E-05	8.29E-06	3.046859	0.0038
C	-193.2437	59.40437	-3.253022	0.0021

72.94714	Mean dependent var	0.965291	R-squared
40.41747	S.D. dependent var	0.958501	Adjusted R-squared
7.214758	Akaike info criterion	8.233607	S.E. of regression
			Sum squared
7.576428	Schwarz criterion	3118.445	resid
7.354977	Hannan-Quinn criter.	-192.0132	Log likelihood
0.633199	Durbin-Watson stat	142.1466	F-statistic
		0.000000	Prob (F-statistic)

Source: Prepared by the researcher, based on 9 Evues program



### THE EQUATION:

$$FS = -193.2437 + 0.053364GPI + 34.15652 LRR - 0.008345 MV$$

#### A- Statistical tests:

The results of the above standard model showed that all the variables of the standard model were significant in terms of (P-Value), all of which were less than (0.05), except for the variable (GPI) which was not significant in terms of (P-Value), so it appeared with a value of (0.2148), which is the largest from (0.05), but if we note the functional relationship of the estimated model as a whole by looking at the (F) test, which was in terms of (P-Value) by (0.00000), which is less than (0.05), and thus judge the significance of the relationship between the independent variables as a whole, this matter was demonstrated by the explanatory power of the standard model as a whole by looking at the (R-squared) value, which appeared by (0.96), meaning that the independent variables explain (96%) the dependent variables, as for (4%), they are the other factors that are not included in the standard model.

#### B- Analyzing the impact of the independent variables on the dependent variable:

Looking at the above equation, which shows the relationship between the independent variables represented by the indicators of financial exchange and the dependent variable represented by financial stability, we note that the relationship between the (GPI) variable as an independent variable and financial stability as a dependent variable is a direct relationship, so that if the (GPI) changes by one unit, the financial stability will increase by (463350.0) units, the same is the case with the indicators (LRR, NC, TV), respectively, the relationship between them as independent variables and financial stability as a dependent variable is also a positive relationship, as for the independent variable (MV), the relationship between it and financial stability is an inverse relationship, that is, if (MV) changes by one unit, the financial stability decreases by (0.008345).

<sup>1</sup> Salem Salal Rahi, "Investment and Finance in the Markets", previous source, p. 208.

<sup>2</sup> Adeeb Qassem Shendi, "Financial Markets, Fragments and Risks," previous source, p. 60.

<sup>3</sup> Annual report of the Iraq Stock Exchange. 2017. P. 7.

<sup>4</sup> Adeeb Qassem Shendi. "Financial markets and their impact on economic development." The Iraq Stock Exchange, a case study, published research, Journal of

### CONCLUSIONS:

Based on the foregoing and by reviewing the topic of the research, the researcher reached several conclusions:

1. The weak performance of the Iraqi Stock Exchange compared to the size of its economy.
2. Financial exchange indicators have a significant impact on achieving financial stability. This means that the Iraqi banking system is able to continue in its functions and achieve financial stability in light of the rising challenges and difficulties that afflicted the Iraqi economy, being one of the rentier countries and the impact of the security turmoil.
3. Financial exchange indicators affect financial stability variables by up to (96%) and by (4%) is due to factors outside the model.

### RECOMMENDATIONS:

The researcher reached a number of recommendations, the most important of which are the following: -

- 1- Working to increase the efficiency of the financial exchange by paying attention to infrastructure, enacting laws and regulations and updating them to serve the work of the financial exchange, especially the Iraqi Stock Exchange.
- 2- Openness the financial exchange to become liberated with the global financial exchange to create an atmosphere capable of attracting indirect foreign investments and encouraging the attraction of securities to Arab exchange and foreign capital, especially the Iraqi exchange for securities.
- 3- Supporting banks and taking care of them, issuing the necessary laws to protect them and their ability to face urgent crises, maintaining a large amount of reserves and cash liquidity, and encouraging and attracting deposits in order to increase credit and enjoy the achievement of a sufficient degree of financial stability.

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- <sup>5</sup> Annual Report of the Iraq Stock Exchange, 2014, p. 12.
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<sup>19</sup> Adeb Qassem Shendi, Financial Markets and their Impact on Economic Development, previous source, p. 166.

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<sup>21</sup> The annual report of the Iraq Stock Exchange, 2006, p. 3.

<sup>22</sup> The annual report of the Iraq Stock Exchange, 2007, p. 7.

<sup>23</sup> Central Bank of Iraq, Directorate General of Statistics and Research, Annual Economic Report, 2011, p. 36.

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<sup>27</sup> The Central Bank of Iraq, Annual Economic Report, 2016, p. 47.

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<sup>30</sup> Central Bank of Iraq, Annual Economic Report, 2016, previous source, p. 46.

<sup>31</sup> The annual report on the movement of trading in the Iraqi Stock Exchange, 2020.

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<sup>33</sup> Iraq Stock Exchange, Seventh Annual Report, 2010, p. 5.

<sup>34</sup> Iraq Stock Exchange, Tenth Annual Report, 2013, p. 10.

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<sup>36</sup> Central Bank of Iraq, Annual Report on Financial Stability for Iraq, 2009, p. 20.

<sup>37</sup> Central Bank of Iraq, Annual Report on Financial Stability for Iraq, 2010, p. 21.

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\* The banking system consists of (71) banks, including (7) government banks, (64) local and foreign private banks, including commercial banks (40) and Islamic banks (25) banks (3) banks.

<sup>40</sup> Central Bank of Iraq, Annual Financial Stability Report, 2016, p. 2.

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<sup>42</sup> Central Bank of Iraq, Directorate General of Statistics and Research, Annual Economic Report, 2005, p. 8.

<sup>43</sup> Central Bank of Iraq, Directorate General of Statistics and Research, Annual Economic Report, 2007, p. 20.

<sup>44</sup> Central Bank of Iraq, Directorate General of Statistics and Research, Annual Economic Report, 2008, p. 31.

<sup>45</sup> Central Bank of Iraq, Directorate General of Statistics and Research, Annual Economic Report, 2008, same source, p. 32.

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