# EVALUATING THE PERFORMANCE OF THE IRAQI STOCK EXCHANGE USING TRADING INDICATORS

**Shurooq Abbas Merza**
College of Computer Science and Information Technology, Wasit University, Kut,  Iraq.
smerza@uowasit.edu.iq

| Article history: | | Abstract: |
|---|---|---|
| | | Performance evaluation is one of the important topics in the financial market, as it represents all aspects of industrial, agricultural and commercial economic activity and the verification of the progress of production processes according to a specific time path.  The most important performance evaluation procedure is to analyze and diagnose the resulting deviations, explain their causes, and develop appropriate solutions and future plans. This is the lack of expenditure from financial instruments for others, represented by the shares of some companies and financial lending bonds, as well as the weakness of transparency and financial disclosure.  Some financial indicators for financial trading were used, which are the trading volume, traded shares, market value and capital turnover rate.  These indicators were used by presenting data and extracting some of them based on the annual bulletins of the financial market for the period (2015 – 2020) h It included all economic sectors contributing to the formation of the gross domestic product, following up on developments and  growth that occur in the market, knowing the obstacles that limit development and clarifying their causes.  The analytical method was used to research and study the market situation for a certain period of time, which were included in the form of tables in which each financial indicator was clarified.  Of the trading indicators with an indication of the annual growth rates of these indicators according to the mentioned period and an analysis for each table, as well as an explanation of the number of companies listed in the market and the extent of the contribution of the percentage  of the traded shares' contribution to the GDP, as well as clarification of the market value index, its annual growth rate and the turnover rate of traded shares according to The studied period, as the research reached a set of conclusions and recommendations, the most important of which was the need to encourage financial investment and work to activate the digital economy to encourage investment and overcome the economic crises that it is exposed to (the country and improving the performance and development of the financial market). |

## INTRODUCTION

The Iraqi Stock Exchange is one of the economic institutions that fall under the authority of the Central Bank in its financial movement and direction, and it has a great impact on the economy when it facilitates it towards the right direction, which includes achieving economic growth and  addressing economic imbalances.  The performance evaluation process aims to determine the growth and development that occurs in the market and identify imbalances and decline in growth by using indicators for financial trading, and then find appropriate treatments and solutions to overcome these imbalances and achieve economic stability.

## RESEARCH IMPORTANCE

The importance of the research comes from the importance of the Iraqi Stock Exchange and by presenting its performance so that it is possible to identify the strengths that represent growth and to put in place the appropriate treatments to reach the optimum performance.

## SEARCH OBJECTIVE

The research aims to identify the evaluation of financial performance by explaining some tools for evaluation. The data shows the performance of the Iraqi market for securities, the performance value of the financial market using trading indicators.

## RESEARCH PROBLEM

The Iraqi Stock Exchange consists of listed companies and traded companies, each of which has its own name, market value, trading volume, and other basic financial indicators. The role that evaluation indicators play in evaluating the performance of the financial market, clarifying the imbalances it faces and addressing them.

## RESEARCH HYPOTHESIS

The research stems from its silver content that the use of financial trading indicators gives a clear picture of the performance evaluation of the Iraqi market for financial instruments, with the aim of identifying strengths developing and weaknesses, and then possible solutions to reach optimal performance.

### First: The theoretical framework for performance appraisal

Performance appraisal: We note that the performance appraisal process represents all aspects of commercial, industrial and agricultural economic activity, which is defined as a means of higher performance that is achieved to verify and ensure the progress of production processes according to a specific time path, to identify and arbitrate deviations, and to develop the necessary plans to address those deviations, as performance evaluation focuses production units that have aspects of productive economic activity and investment, and another is defined as the activity that represents through measuring the performance of working individuals according to Their job activity with a comparison with the planned achievement by the management and identifying points of strength and weakness, addressing the imbalance and advancing the economy[1]

The assessment of whether the financial performance is defined as the establishment of an Iraqi institution's performance through its use of the following indicators, with the aim of knowing the achievement of the necessary goals[2].

### Second, the importance of performance appraisal

[3] The importance of the following are-:

1_Verify the efficient and optimal use of available resources

2_Reducing extravagance and waste in the use of resources by examining them for a reason with the conditions and rules necessary for performance.

3_ effective strategic plans at the local and institutional levels by ensuring that the economic balance is achieved between the various economic sectors.

4_On the financial level, performance evaluation focuses on ensuring the provision of liquidity and profitability and the attendant risks, and that is inflation of the financial values of the institution and its protection from the risk of bankruptcy and liquidation [4].

5_ the reciprocal sign between the different departments and branches and performing their functions in the best possible efficiency in order to reduce investment opportunities, search for obstacles to avoid them, and develop the skills of employees[5].

### Third, performance appraisal procedures[6]:

– 1_Comparing the quarterly results and performance indicators with the indicators used through the previous financial channels

2_ and diagnosing deviations resulting from the actual evaluation and stating their causes

3_Develop appropriate solutions to these deviations, address them, and develop plans obtained to converge in these deviations and develop performance towards the optimal path.

Muntazer Munim Hussein Jaafar Baqer Alloush [1]
Assessment of the financial and industrial performance of Wasit Knitting and Weaving Factory for the period 2010-2015 High Diploma Thesis Wasit University 2018 page 5

Zainab Sahib Dosh Ahmed Sobeih Attia Assessment of [1] [2] financial performance in public education in the General Directorate of Wasit Education 2010 to 2016 Higher Diploma Thesis, Wasit University 2018, page 13 page 12

Hamza Mukhled Hamza Jadu' Muhammad Abdul [1] [3] Wahed Jayas Assessment of financial performance using some profitability and market indicators A case study of a sample of companies listed in the Iraqi Stock Exchange Journal of Al-Rafidain College of the University of Sciences Issue 39 2016 page 307

Abdul Halim Karajah and others Financial management [4] and analysis: Foundations, concepts and applications, Dar Sanaa, Jordan, year 2000, page 162

Khalil Mohamed Attia, Economic Feasibility Studies, [5] Graduate Studies Development Center, Cairo, 2008, pg. 9

Hassan Salah El-Din El-Sisi Banks and their risks [6] International Markets Cairo Modern Book House 2011 Page 358

**Fourth, the Iraqi Stock Exchange**:

To know what if the market has a significant amount of error and the market must be able to create a balance between supply and demand at the lowest possible costs so that there is freedom for investors to enter and exit the market as well as the ability of traders and brokers to meet the demand and reduce the surplus of cash expenditure to reduce the profit margin from through the services they provide[7]

1_Acting as a regulator that ensures the continuity of market performance and its fairness

2_Providing and protecting price information for dealers in the market.

. 3_ financial assets in the form of cash storage to avoid risks and expectations that may occur in case of imbalance.

4_Reducing speculative operations to ensure the continuity of equilibrium in the movement of prices and to provide flexibility for traded financial assets.

**Fifthly, the performance of the Iraqi Stock Exchange**

The Iraq Muscat Securities Market is one of the financial and administratively independent economic markets. It is managed by the Board of Governors. It includes a group of listed and traded companies that represent in various sectors, including banking, services, industry, investment, insurance, hotels, agriculture, tourism and communications. Striving to achieve growth in the market, increasing its financial capabilities, assisting companies in investing capital, trying to encourage investment opportunities for Iraqi and foreign investors, and trying to develop the market by communicating with international and Arab markets, especially in securities, and providing the best services and activities necessary to develop that market[8]

**The Iraqi financial market suffers from some problems, which are[9]**

1_ of the regulatory and institutional framework:- The more accurate this country is, the more efficient the markets are. This scent leads to market underdevelopment and limits its growth, especially in relation to the regulation of bonds and the issuance of shares, securities and others.

2_The lack of an appropriate economic and social environment for the establishment and development of the work of the financial market, as this leads to investors not being defrauded of dealing with the financial instruments of the market, which requires the necessity of providing investment banks , brokers and market makers and developing them, which provides the ability to manage the financial instruments of the market.

3_The fluctuation of supply and demand for financial instruments in the Iraqi financial market at a time when the increase in capital and its supporters leads to flooding the market in return for the scarcity of expenditures on financial instruments for others represented by the shares of some Companies and financial lending, as well as the issuance of bonds by the state and its institutions and he adds the scope of the market, in terms of fluctuation in demand, was a result of the decline in individual income, the weakness of personal savings , the lack of investment and banking awareness, the decline in the robust returns from securities, and the weak security and political stability

4_Weak financial transparency and disclosure, as well as short information, which weakens the development and support of these institutions.

5_The absence of supporting institutions that work to reduce fluctuations in prices, reduce risks and increase the speed of trading.

**Sixth // Using trading indicators to evaluate the performance of the Iraqi Stock Exchange**

These influences reflect the extent of the necessary developments in the performance of the financial market and the availability of market liquidity. These influences are- :

**1_Trading volume:** It is a representation of the total shares traded in the market, which is equal to the number of shares multiplied by their prices during a certain period of time

Fouad Al-Tamimi guided the financial markets, a [1] [7]
framework in organizing and evaluating instruments, Al-Bazuri, Amman, 2010
Ahmed Abbas Hussein Assessment of the financial [8]
performance of the private expenses registered in the Iraqi

Stock Exchange, an analytical study, Maysan Journal for Academic Studies, Issue 39, year 2020, page 170
Shehab Ahmed Siwan, the performance indicators of the [9]
Iraq Stock Exchange, Journal of Baghdad College of Economic Sciences, Issue 48, 2016 page 401

**[10]Table (1) Trading volume, traded shares and annual growth rates (in million dinars)**

| annual growth rate% | Traded Shares | Annual Growth Rate% | Trading volume | the years |
|---|---|---|---|---|
| -- | 618726 | -- | 495112 | 2015 |
| 67.8 | 1038230 | 4.21 | 515958 | 2016 |
| -39.18 | 631416 | -25 | 386880 | 2017 |
| 31.9 | 832629 | 20.57 | 466481 | 2018 |
| -44.7 | 460392 | -38.94 | 284813 | 2019 |
| -12.4 | 403316 | 16 | 330385 | 2020 |

From Table (1), it became clear that the annual trading volume was (495,112) million in 2015, and rose to (515958) million dinars in 2016 with an annual growth rate of (4.21%), then it decreased in 2017 at a rate of (386880) million dinars with a growth rate annually declining in a negative direction to (-25%), then it went back up in 2018 to (466481) million dinars with a positive growth rate of (20.57%), then it went negative to decline in 2019 with a negative growth rate of (-38.94) and after that they returned to rise and by the year 2020 to reach (330385) million dinars, with an annual growth rate of (16%). Global crude oil, which led to a decrease in the economic activity of various sectors, and consequently a decrease in the revenues derived from them, which leads to weak financial circulation, while the rise occurs in some years a slight increase as a result of the increase in the number of companies

Which leads to the development of the market and an increase in the volume of acquisition resulting from the development of financial awareness through the central bank's adoption of certain policies with the aim of reducing the amount of inflation by reducing the interest rate and directing banks to go to the market

by financing projects, so the financial market will witness and rises for some of the years mentioned in the study period.

2_Traded Shares: After this indicator in the important indicators, which represents the number of shares that are traded within the market during a certain period of time, and from Table (1) and Table (2), we note that (618,726) million shares were traded in 2015 with a percentage of its contribution to the output The GDP amounted to (0.36%), while these shares increased from what they were previously to reach (1038230) million dinars in 2016 with an annual growth rate of (67.80%) , in addition to an increase in the percentage of their contribution to the GDP by (0.52%), then they fell again in 2017, with the growth rate declining in a negative trend (-39.18%) and the contribution ratio. The output decreased to (0.31%) as shown in Figure (1) which shows the contribution rates, and therefore the traded continued to fluctuate to the lowest low level, about (403316) million shares in 2020, with negative growth. At a rate of about 12.4%. The reason for this fluctuation is due to the dependence of the peripheral economy on the points sector, which is greater than in the rest of the other sectors, and the fact that this sector was exposed to a global crisis that led to its shrinkage. in revenue generated. This resulted in a decrease in the dollar food reserve for the animal, in addition to the Corona pandemic, which negatively affected economic activity and thus weak financial investment.

3_ value: It is the value of the securities traded in all sectors in the financial market, as it represents the capital of the companies listed in the market, and it is calculated by multiplying the total number of shares subscribed to by the market closing price. Last trading day (10).

Figure (1) Number of Companies, Gross Domestic Product and Shares Contribution to GDP%

---

The annual growth rates were extracted by the [1] [10] researcher based on the values of trading volume and traded shares for the Iraq Stock Exchange, which were obtained from the market's annual bulletins

- **Annual growth rate = (present value - past value) ÷ previous value x 100**

**Table (2) The number of listed companies and GDP (in million dinars) and the percentage of traded contribution to GDP%[11]**
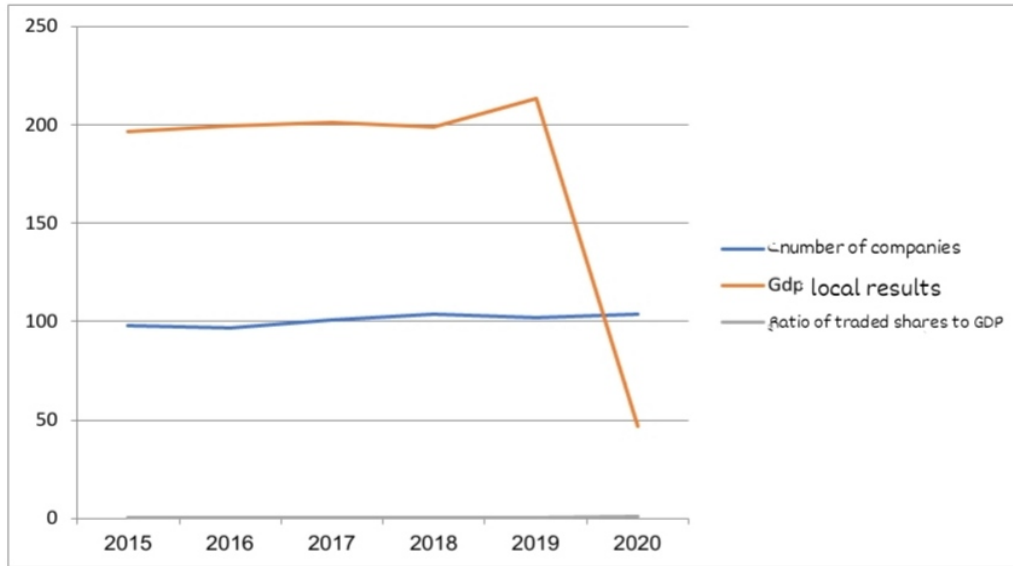


| Ratio of shares traded to GDP | GDP at constant prices | Number of listed companies | the years |
|---|---|---|---|
| 0.36 | 169.630876 | 98 | 2015 |
| 0.52 | 199.476600 | 97 | 2016 |
| 0.31 | 201.528215 | 101 | 2017 |
| 0.41 | 199.129298 | 104 | 2018 |
| 0.21 | 213.528484 | 102 | 2019 |
| 0.85 | 46.924893 | 104 | 2020 |

From Table (3), we note that the market value tends to decline during the study period, reaching (173691.2) million dinars in 2015 and then took a gradual decline to reach its lowest decline in 2020 amounting to (14033.4) million dinars, with a negative annual growth rate of capacity (-2.5%), and the reason for this decline was due to the decrease in the number of traded due to the weak economic activity shares and the economic crises that the country is facing, which was reflected in Achieving a deficit in the balance of payments and the weak confidence of local and foreign investors to invest and enter the financial market.

4_Stock turnover rate: It expresses the percentage of the total value of traded shares to their market value during a certain period of time, usually a year.

From table (3), we note that the stock turnover rate also took into account the fluctuation that occurred for a few trading influences and during the same period, where the stock turnover rate in 2015 reached (3.56), while it rose for 2016 to (3.56) and continued to fluctuate and decline in the year 2020. The turnover rate reached (2.9) and the reason for this decline and fluctuations is due to the decrease and fluctuation in both the market value and the total mutual value of the shares, which leads to the decrease in the turnover rate to the negative impact on the market liquidity and consequently the low degree of liquidity and the difficulty of trading in securities.

Table (3) The market value (in a million dinars), the annual growth rate%, and the turnover rate of traded shares[12]

| Shares Traded Turnover | %annual growth rate | Market value | the years |
|---|---|---|---|
| 3.56 | -- | 1736912 | 2015 |
| 6.37 | -6.17 | 1629703 | 2016 |
| 3.1 | -2,8 | 158484 | 2017 |
| 5.7 | -8 | 147353 | 2018 |
| 3.19 | -2.4 | 143883 | 2019 |
| 2.9 | -2.5 | 140334 | 2020 |

## CONCLUSIONS

1. The performance evaluation and the important tools that clarify the performance of the Iraqi market for securities using certain indicators that show the performance of the market and its developments and reveal the imbalances it suffers from.
2. The Iraqi Stock Exchange is considered one of the important sources that have a role in financing projects and achieving growth in the gross domestic product and thus achieving economic stability.
3. The Iraqi financial market, through the indicators used in trading, suffers from weak and deteriorating circulation and financial liquidity for reasons mentioned in the research, including the underdevelopment of economic sectors and more dependence on the oil sector, which is subject to fluctuation due to global economic crises and other reasons.
4. The trading indicators used are built in terms of low liquidity and difficulty in trading securities within the financial market

## RECOMMENDATIONS

1. The need to diversify and support the activity of the non-oil productive sectors.
2. It is necessary to develop organizational and institutional frameworks and provide accuracy, especially with regard to the issuance of bonds and shares, in order to reach the highest possible efficiency of the market.
3. The necessity of providing investment banks and encouraging financial investment by providing the necessary ways and means for investment and reducing risks through controlling and controlling financial instruments and achieving overall economic security

stability that encourages investment and achieves financial growth.
4. Work to activate the digital economy in Iraq to keep pace with the continuation of activity and encourage investment opportunities through it and to overcome the economic crises that the country is facing, which will be a conducive factor in providing liquidity and improving the performance of the performance financial market.

## SOURCES

1. Muntazer Munim Hussain, Jaafar Baqer Alloush. Evaluation of the financial and industrial performance of Wasit Knitting and Weaving Factory for the period 2010-2015. Higher Diploma Thesis, University of Wasit 2018, pg. 5
2. Zainab Sahib Dosh, Ahmed Sobeih Attia. Evaluation of the financial performance in public education in the General Directorate of Wasit Education 2010 to 2016. High Diploma Thesis, Wasit University 2018, page 13, page 12
3. Hamza Makhlad Hamza, Jdoua Mohamed Abdel Wahed Geys. Assessment of financial performance using some profitability and market indicators: A case study of a sample of companies listed in the Iraqi Stock Exchange.
4. Abdel Halim Karajah, and others. Financial management and analysis: foundations, concepts and applications of Dar Sanaa, Jordan, year 2000, page 162
5. Khalil Mohamed Attia, Economic Feasibility Studies, Graduate Studies Development Center, Cairo, 2008, pg. 9
6. Hassan Salah El-Din El-Sisi, Banks and their Risks, International Markets, Cairo, Modern Book House, 2011, p. 358

.Annual growth rate and stock turnover rate from the researcher's extraction based on the data of the listed tables [12]

7. Fouad Al-Tamimi. The financial markets, a framework in the regulation and evaluation of instruments, Al-Bazuri Amman, 2010

8. Abbas Hussein. Evaluation of the financial performance of the private expenses registered in the Iraqi Stock Exchange, an analytical study, Maysan Journal for Academic Studies, Issue 39, year 2020, page 170

9. Shehab Ahmed Siwan. Performance indicators of the Iraq Stock Exchange, Journal of Baghdad College of Economic Sciences, Issue 48, 2016 page 401.

10. annual growth rates were extracted by the researcher based on the values of trading volume and shares traded for the Iraq Stock Exchange, which were obtained from the market's annual bulletins.

11. Represented by the number of companies and GDP obtained from the annual bulletins of the financial market, while the ratio of traded shares to GDP was extracted by the researcher.

12. Annual growth and turnover rate from the researcher's extraction based on the data of the listed tables.