

## Economic implications of the Iraq Stock Exchange - standard study

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### Abstract

Financial markets are effective instruments for financing projects and investments aimed at economic and social development. This points to the importance of financial markets in emerging countries. The function of the financial market is to transfer financial flows between individuals by attracting savings, achieving value exchange operations, and financing economic growth.

This study aimed at measuring the impact of the Iraqi financial market on the economic growth in the various economic sectors in Iraq. The data panel was used to include the economic sectors (banking, insurance, service, industrial, hotels, agriculture, communications) and a time series consisting of quarterly data for the years (2016-2017-2018) and the reality of (3) views during the year.

The hypothesis was accepted that the impact of the Iraqi market for securities on the real development of the economic sectors contained in the research is very little or not, which requires further efforts to develop this market and activate its role in supporting the real economic development in Iraq.

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### Introduction

Financial markets are one of the most important financial foundations in the modern world through which financial savings are mobilized and directed towards investment, as well as it expresses the

strength and stability of the economic stability in any country with the aim of its financial development, as it is the mirror that reflects the economic activity of the country. Whenever the financial markets are developed and use various financial instruments, it becomes easier for buyers to

test the diversity of these securities and form financial portfolios that lead to the reduction of investment risks to the lowest level in them. The emergence and emergence of capital markets were linked to the development of industrial capitalism, as this market existed to attract savings, achieving the exchange of transferred values and financing development, and with the continued development of the capitalist economy and the increase of its productive capabilities and the expansion of the influence of competition and the market mechanism and the increasing needs to enhance the effectiveness of investment tools, mobilize savings and raise the efficiency of allocating and using resources Financial has pushed many countries to develop these markets through the important role they play in converting savings into financial and real investment. The value of financial assets of companies listed in the market depends on their real assets so that the use of these assets in production processes leads to the distribution of the resulting income into financial assets. This has made the issue of financial markets receive great attention from all developed and developing countries alike so that their existence has become an urgent necessity dictated by global economic conditions.

### Research problem

As a result of the importance of financial markets, especially in developing countries, due to their ability to mobilize individual savings and direct them towards the best use of resources, the Iraqi market for securities was still unable to actively contribute to the development of the Iraqi economy.

### Research hypothesis

The research hypothesis is crystallized through the following: The Iraq Stock Exchange was unable to contribute to financing projects in most economic sectors, except for a small percentage in some sectors.

### Research aims

One of the most important goals that the research seeks to achieve:

1. Clarify the importance and position of financial markets in economic life and their developmental implications.

2. Displaying the market share in the economic sectors.

### Research importance

The importance of research is highlighted through the following:

1. The role that financial markets play in mobilizing domestic savings towards investment.
2. The developmental role of financial markets and their impact on various economic sectors.

### Research Methodology

The descriptive approach was adopted in describing the problem and presenting the conceptual framework and then using the analytical method in analyzing the data in a way that contributes to testing the research hypothesis.

The first axis: the conceptual framework for the financial markets and the review of the Iraq Stock Exchange.

The second axis: the contribution of the Iraq Stock Exchange in financing the economic sectors as well as measuring the impact of this contribution to achieving economic development in Iraq.

In the conclusion, the research reached a set of findings, which resulted in a set of recommendations.

### The first axis: the conceptual framework for the financial markets and the review of the Iraq Stock Exchange.

#### First: the conceptual framework for the financial markets

The financial market is known as the meeting place for long-term money supply and those seeking it, to facilitate the flow of financial surpluses towards those with financial deficits according to certain conditions to contribute to economic and social development (Kamal and Halima, 2015: 249). It is also known as the market in which funds are

collected and formed by attracting domestic savings and foreign inflows and directing them towards investment in financial instruments and assets issued by companies, institutions, bodies, and governments to finance their projects in the medium and long term financing (Shendi, 2013: 156).

- **Types of financial markets**

The Financial market departments are numerous, but in the end, they all work to collect savings and turn them into investment areas or opportunities. These are:

1. The money market, which is a field for trading short-term assets, as its primary function is to facilitate financial deals between units with a temporary financial deficit and units with a temporary financial surplus through the exchange of short-term assets. Transactions within the money market are characterized by the low degree of risk that the securities traded in, due to the short term date and consequently the high flow, and the return does not represent a major role in this market in addition to the flexibility and speed of transactions and deals and low transaction costs (Rahal, 2016: 61). As for the most important tools used in the money market, they are (Bin Hassin, 2013: 16):
  - a. Treasury bills, which are short-term government instruments that are traded in the money market, and is one of the government debt instruments that aims to provide financial revenues to the government when its revenues are unable to meet the requirements of government spending, and their duration is usually three to six months, and they are deductible and the degree of risk decreases.
  - b. Certificates of Deposit, which are certificates issued by banks and financial institutions stating that a certain amount has been deposited for a specific period ending on a specific date, which is short-term and is considered a tool of important dealing in the money market and it provides the opportunity for the depositor to obtain his need for money before the maturity date and sell it In the financial market.
- c. Commercial papers are short-term debt instruments that are subject to deduction and re-deduction and are used in various commercial transactions such as transfer, instrument, and bill of exchange.
2. The stock market, which is a system whereby sellers and buyers of a type of securities or financial assets are brought together, and it is a continuous, fixed-place market that takes place in trade and money centers on specific dates, which tend to be daily, in which the owners of capital, brokers and their assistants meet to deal In securities according to specific rules and regulations, as it is known as an organized market in which transactions are conducted on securities such as stocks and bonds of companies, as well as government bonds that can be traded in the market by qualified and specialized persons in this type of dealings (Gholam and Khazan, 2016: 37). The tools used in this field are from the markets, they are (Hana and Amin, 2016: 120-121):
  - a. Ordinary shares, which are an ownership item of a negotiable financial quality, the holder of which is entitled to receive unstable returns in addition to his share in the company's capital, which is confirmed by the share certificate. It is a major financing tool for the company and a savings and investment tool simultaneously and it has no maturity date and is not subject to prescription as its survival is conditional on the company's ability to compete in the market.
  - b. Preferred shares, which are an ownership document that companies resort to when trying to motivate investors to subscribe in a name to expand their capital and finance their new projects or confront some financial difficulties that they are exposed to, and the holder of this share is given preference to obtain profits or share the

- company's assets if the company is liquidated.
- c. Bonds, which are debt instruments issued for a specified period and with a final maturity date, give their bearer the right to obtain periodic payments of interest at a specified rate, and by the date of maturity, the borrowed capital is repaid.
  - d. Derivatives, which are contracts whose value is derived from the value of the financial assets that are the subject of the contract (stocks or bonds) and are settled at a future date for which the customer bears a cost but modest compared to the contract value. Moreover, the gains or losses of the derivative parties depend on the financial asset including options contracts, futures, and futures contracts.

- **The function of the financial market**

The main function of the financial market is to transfer financial resources from surplus units to deficit units, and this process takes place through two methods of financing, which are as follows (Al Fawaz, 2010: 6):

1. Direct financing, in which the units with financial needs obtain their financial needs directly from the surplus units, either by direct borrowing or by issuing various securities such as stocks, bonds, and treasury bills. This financing is either done without intermediation, as in financial institutions, or the services of some financial institutions that have various marketing methods, such as investment banks or stockbrokers.
2. Indirect financing, through intermediary financial institutions such as commercial banks, insurance companies, savings funds, and others, as these units collect funds through current deposits, time deposits, etc., or the issuance of special financial papers, such as life insurance documents, deposit certificates, and investment certificates. Then it uses this money to provide loans to those who need it or buy new securities issued by units with financial needs.

The financial market also has great importance in developing economic development plans through the following (Al-Shibli, 2000: 32):

1. The existence of the financial market contributes to avoiding inflationary effects by financing projects, but without excessive creation of cash. It also helps to grant loans at an appropriate cost compared to borrowing from abroad.
2. It plays an important and vital role in the development of business establishments because it represents a channel for the flow of funds that represent stocks of all kinds and long-term debt instruments in the market.
3. The financial markets deal in many currencies, which allows the transfer to an international market, which leads to the growth of the economy.
4. The financial market is responsible for transferring capital from sectors with the surplus to deficit sectors in the economy and thus it works to increase capital productivity by providing information on investments and allocating resources. Financial intermediaries work to collect data and evaluate investment projects, and the stock market can contribute to monitoring companies to ensure that capital is invested efficiently, as it forces companies to be careful with the interests of shareholders, and it also stimulates investors to invest in ways that involve a certain degree of risk. Consequently, it transfers the economy to investments that have a higher and higher return (Atef, 2007: 236).
5. Stock markets play two roles in financing companies, as they reduce the degree of risk in investing in one type of securities by providing the secondary market that enables individuals and investors to obtain their money at any other time and the market price. That is, companies that perform well pay their share prices to rise, and this helps in obtaining financing through new issues that are sold at prevailing prices, and thus the market works on the efficient allocation of resources (Al-Abd, 2005: 31).

### **Second: the Iraq Stock Exchange**

The market was established in 1992 as the Baghdad Stock Exchange under Law No. 24 of 1991, and after the change in 2003, the name was changed to become the Iraq Stock Exchange. This government

market was able at that time to list 113 Iraqi private and mixed joint-stock companies. This market was closed by a decision of its board of directors on March 19, 2003, and on April 18, 2004, the temporary law number (74) was issued to establish two important institutions in the capital sector, namely, the Iraq Stock Exchange and the Iraqi Securities Commission. The market was established in June of 2004 and works under the supervision of the Iraqi Securities Commission, which is an independent body that was established along the lines of the American Commission for Securities and Exchanges, as well as being a self-regulatory body and since 2005 the Iraq Stock Exchange has become the only stock exchange in Iraq (Hussein (2013: 19). When the market opened in 2004, there were only 15 companies listed in the market. At present, the number of listed companies has reached 124 financial institutions and companies from various economic sectors.

The Iraq Stock Exchange aims to achieve many goals, as follows (<http://www-isx.com>)

1. Organizing its members and maintaining recognized standards for companies in a manner commensurate with the objectives of investors and enhancing investor confidence in the market.
2. Promote the interests of investors in efficient, reliable, competitive, transparent, and honest markets.
3. Organizing and facilitating fair, efficient, and orderly dealing in bonds, including liquidation and settlement of such transactions.
4. Regulating members' dealing in services related to bonds as well as procedural transactions and defining the rights and obligations of the concerned authorities as well as the means to protect their legal interests.
5. Assisting in increasing the capital of listed companies or those intending to include themselves in the market list.
6. Participation, if appropriate, in educational investment programs to inform competent investors of investment opportunities in the stock market.

7. Collecting, analyzing, and disseminating statistics and information necessary to achieve the objectives stipulated in this law.
8. Establishing and supporting contacts with stock markets in the Arab and international markets that are useful in developing stock markets and other licensed markets.
9. Carrying out other services and activities necessary to support its goals.

### **The second axis: the contribution of the Iraq Stock Exchange in financing the economic sectors First; analyzing the role of economic sectors in the Iraq Stock Exchange**

The Iraq Stock Exchange includes many companies that operate in all fields and economic sectors, such as the banking and services sector, the industrial and agricultural sectors, as well as hotels and telecommunications. Table (1) below includes the quarterly data for the years from 2016-2018, we note the dominance of the banking sector largely, as most of the shares traded are for this sector, as the number of shares traded rose from (149561.6) in the first quarter of 2016 until it reached (192003.1) Iraqi dinars in the third quarter of 2016. After that, we notice that the fluctuation of the number of shares traded between high and low until it reached (94160.4) million shares in the third quarter of 2018 and the reason for this fluctuation is due to the economic and security conditions in Iraq, which have a great impact on the stock market as the market sensitivity to these conditions is noticed in a way. Regarding the telecommunications sector, it was the lowest, as the number of shares traded reached (132.9) in a year in the first quarter of 2016 and achieved an increase in the second quarter, as the number of traded shares became (482.5) million Iraqi dinars, and then it decreased again to reach (120.1) million Iraqi dinars. In the third quarter of the same year, while we notice an increase in the number of shares traded for this sector in the first quarter of 2017, then they returned and decreased again in the second quarter of the same year until the number of these shares reached their lowest level in the third quarter of 2018, reaching 54.7. In the rest of the sectors, the number of its traded shares ranged between high and low during the study period.

Table (1)  
Number of shares traded by sector for the period (2016-2018)

sectors	2016			2017			2018		
	First-quarter	Second-quarter	third quarter	First-quarter	Second - quarter	third quarter	First-quarter	Second - quarter	third quarter
Banker	1495616.	298922.4	192003.1	3000977.	82063.9	1130138.	1179704.	58197.8	94160.4
Service	2234.7	2267.2	846.9	1808.6	1362.6	546.9	2309.5	483.3	957.8
Industrial	19381.6	6491.1	2161.2	4896.6	6072.1	3782.1	17930.9	9056.5	2823.3
hotel	516	304.3	124.7	328.2	167.7	97.7	497.7	121.8	113.3
Agriculture	175.8	112.2	269.7	214.2	188.3	497.9	173	190.2	352.5
Telecommunications	132.9	482.5	120.1	2446.5	118	1033.7	263.4	1287.7	54.7
Total	1720026.	308579.7	195525.7	3097918.	89972.6	1189721.	1391449.	69337.3	98462

Source: The official website of the Iraq Stock Exchange

Table (2), which is related to the sectorial trading volume, we find that the banking sector is also dominant in the first quarter, followed by the industrial sector, then the hotel sector comes the service sector, then communications, and finally the agricultural sector. Regarding the second quarter, we notice a decrease in the volume of trading sectorally for banks and replaced by the industrial sector, and this indicates the recovery of this sector during this quarter of the year 2016, but the banking sector returned and rose until the volume of trading for this sector reached (58706.5) million Iraqi dinars in 2016. The volume of trading for this sector continued to fluctuate until it reached (45653.3) million in the third quarter of 2018, as was the case for the rest of the sectors where there was a fluctuation in the volume of their shares trading during the same period.

We note from the two tables above that the banking sector is the highest in the number of shares traded sectorally as well as the volume of trading, and this indicates that dealers in the financial market prefer this sector because of the large profits it achieves as well as the low losses achieved by this sector.

Table (2)  
Trade volume sectorally in 2016  
(Million Iraqi dinars)

sectors	2016			2017			2018		
	First-quarter	Second-quarter	third quarter	First-quarter	Second - quarter	third quarter	First-quarter	Second - quarter	third quarter
Banker	64022.2	73957.9	58706.5	151414	40005.9	40255.3	48132.3	23472.1	45653.3
Service	4437.1	5988.7	2361.8	3332.8	1982.3	1383.2	5130.4	1346.7	1212
Industrial	37293.8	7533.3	1438.1	7481.9	10535.8	9204.2	26700.6	13166.7	3620.5
hotel	4727.6	3505.8	1160.8	4295.4	1643.2	982.7	9640.8	1521.2	1673.6

Agriculture	379.5	198.3	1271.4	319.8	904.8	2525.9	831.6	1046.8	1846.2
Telecommunications	840.8	2221.6	596.9	14103	614.3	8930.1	1802.1	10029.5	275.9
Total	111701	93405.6	65535.5	180946.9	55686.3	63281.4	92237.8	50583	54281.5

Source: The official website of the Iraq Stock Exchange

**Second: Measuring the impact of the Iraq Stock Exchange in achieving economic development**

Based on the research problem, and to examine the impact of the Iraqi financial market on economic growth in the various economic sectors in Iraq, a panel data was used that includes the economic sectors (banking and insurance, service, industrial, hotel, agricultural, telecommunications) and a time series consisting of quarterly data. For years (2016-2017-2018) with (3) views during one year.

Following are the variables:

g: a dependent variable which represents the rate of growth in the total output of the economic sector (i) over time (t) and for all economic sectors (n = 1, ..., 6).

The independent variables:

Ns: which represents the number of shares traded for the economic sector (i) over time (t) and for all economic sectors (n = 1, ..., 6).

Tv: represents the trading volume for the economic sector (i) during the time (t) and for all economic sectors (n = 1, ..., 6) measured in million Iraqi dinars.

• **Forms for tablet data**

The Tablet data models are distinguished from using cross-sectional data models alone or time-series data models alone in that they control the special variance heterogeneity that may appear in the case of cross-sectional data or the case of temporal data. It gives better efficiency and an increase in degrees of freedom, as well as less linear multiplicity between variables, and more informational content if the sectional or temporal data is used separately, besides that the increase in the size of the time series may be related to multiple problems, including structural changes as well as the transitions that may occur in the system. Therefore, I found another way to expand the number of observations by adding data from different cross-sections, as it provides an expansion of the size of the sample used, increasing the degrees of freedom, and reducing the correlation between the explanatory variables, thus helping to improve the efficiency of statistical estimates.

1. **Pooled Regression Model(PM)**

Regression can be represented as follows:

$$\dots\dots(1)Y_{it} = \alpha + \beta'X_{it} + u_{it}$$

Where: (X\_it Y\_it) is the search variables vectors. For tablet data, two directions, cross-sections (i = 1, ..., N), (N) represents the number of units (people, companies, industries, diameters ... etc), and the time trend ((t = 1, ..., T) static analysis:

By putting some assumptions, different structures are generated for the relationship (1), the most important of which are:

2. **Fixed Effect model**

It is assumed that the random variable (u\_it) can be divided as follows:  $u_{it} = \mu_i + v_{it}$

Where  $v_{it} \sim iid(0, \sigma_v^2)$  and  $\mu_i$  represents the effect of the units (individual-specific), and the value is invisible. Its effects are either constant over time, while the syllables change across units and thus write (1) according to the formula:

$$\alpha_{it}^* = \mu_i + \alpha \quad 2- Y_{it} = \alpha_{it}^* + \sum_{j=1}^K \beta_j X_{jit} + v_{it}$$

Where (K) represents the number of explanatory variables. In the case of units, different sectors have effects  $\mu_i$  . It may represent the invisible ability that is constant over time.

The change is through units and over time, and thus it is written according to the following:

$$\dots\dots(3)Y_{it} = \alpha_{it}^* + \sum_{j=1}^K \beta_j X_{jit} + u_{it}$$

### 3. Random Effect Model

It is assumed that  $\mu_i$  is a random variable distributed independently and symmetrically with zero mean and constant variance?  $\sigma_{\mu}^2$   $\mu_i \sim iid(0, \sigma_{\mu}^2)$

It is assumed that the error components between  $\mu_i$  and  $v_i$  are independent of each other.

These models can be generalized (whether fixed or random effect) assuming that:

All parameters change across units:

$$\dots\dots(4) Y_{it} = \alpha_i^* + \sum_{j=1}^K \beta_{ij} X_{ijt} + u_{it}$$

Or that all parameters change across units and over time and according to the following:

$$\dots\dots(5) Y_{it} = \alpha_{it}^* + \sum_{j=1}^K \beta_{ij} X_{ijt} + u_{it}$$

The models with a constant slope and variable segment are the most used cases (1) and (2). To compare the formulas, an overall homogeneity test is required: the slope and segments are homogeneous for the different units with different periods (Tamimi and Adnan, 2016: 122).

- Choosing the appropriate form for the tablet data

We mentioned previously that there are three main models for estimating the relationship between the plate data and choosing the most appropriate model for the research data. There are two methods, the first is the choice between the aggregate regression model and the fixed-effect model, and the second: the choice between the fixed effect model and the random effect model.

To choose between an additive regression model and a fixed-effect model, we use the constraint test with the following formula: F.

$$F(N - 1, NT - N - k) = \frac{(R_{FEM}^2 - R_{PM}^2)/(N - 1)}{(1 - R_{FEM}^2)/(NT - N - k)}$$

Where k is the number of estimated parameters and RFEM represents the coefficient of determination when using a fixed-effect model and RPM represents the coefficient of determination when using an additive regression model. The result of the F-statistic is compared to the tabular value  $(\alpha, N - 1, NT - N - k)$ , then the fixed effect model is the appropriate model for the research data. After choosing the fixed effect model as a suitable model, we choose between it and the random effect model to determine the final appropriate model for the study data by using the Hausman (H) test where the null hypothesis is as follows:

The stochastic effect model is the appropriate H0 model

The fixed effect model is the appropriate H1 model:

The test statistic is as follows:

$$H = \frac{(\hat{\beta}_{FEM} - \hat{\beta}_{REM})' (\hat{\beta}_{FEM} - \hat{\beta}_{REM})}{var(\hat{\beta}_{FEM}) - var(\hat{\beta}_{REM})}$$

Where  $var(\hat{\beta}_{FEM})$  the variance vector of the parameters of the static effect is model and  $var(\hat{\beta}_{REM})$  is the variance vector of the parameters of the random effect model.

Since this statistic has a chi-square distribution and with a degree of freedom of k, the fixed-effect model is the appropriate model if the statistic's value is greater than the chi-square value, and on the contrary, the appropriate model for the research data will be the random effect model. (Al-Jamal, 2012: 266).

- **Assessment of the research form**

After describing the model variables and collecting data that include (54) views by (6) sectors and for (3) quarters for (3) years, which were used to estimate the relationship between the growth rate of the gross product of the previous economic sectors as a dependent variable and the number of shares traded in the Iraq Stock Exchange for each of these sectors and the volume of trading in these sectors as two independent variables and the results are as shown in Table (7) which includes the estimated parameters of the three models using the Eviews 9.5 program, where it appears that the estimated parameters of the three models are not significant, which indicates that the effect of each of the number of shares traded in the Iraq Stock Exchange and the volume of trading in the market on the actual economic growth in these economic sectors is not significant, that is, it has a zero effect on the growth rate in these sectors. As for the random effect model and the aggregate regression model, the effect of the volume of trading in the different economic sectors is equal to (14.63-) negative, meaning that the relationship between them is inverse as the increase in the trading volume of all sectors in the market will lead to a decrease in the rate of economic growth of the sectors individually over time in a homogeneous manner in the case of the aggregate regression model, and this result contradicts economic logic, as it is assumed that increasing the volume of trading in the financial market contributes to increasing the economic growth of different sectors. It is also evident that the effect of the number of shares in trading in different economic sectors is equal to (3.307), meaning that the relationship between them is positive, as the increase in the number of shares for all sectors in the market will lead to an increase in the rate of economic growth by (3.3%) for individual sectors overtime for the random effect model, for all sectors over time, homogeneously in the case of the pooled regression model and the fixed effect model, it is clear that the effect of the volume of trading in the economic sectors on the economic growth of all sectors is equal to (14.3) positive, that is, the relationship between them is positive as the increase in the volume of trading for all sectors in the market by one million will lead to an increase In the economic growth rate by (14.3%) for all sectors in a homogeneous manner, and this result is consistent with the economic logic. It also appears that the effect of the number of shares in trading in the economic sectors on the economic growth of all sectors is equal to (8.98-) negative, meaning that the relationship between them is inverse and that an increase in the number of shares in trading for all sectors in the market by one unit will lead to a decrease in the rate of economic growth By (8.98%) for all sectors in a homogeneous manner, and this result is consistent with the economic logic, as the increase in the number of shares in trading will lead to a decrease in the market value of the different sectors in addition to an excess of supply, which will generate a decrease in the economic growth rates of the different sectors.

It is also evident from the table that the value of the coefficient of determination for all models is low and it explains only a small percentage of the changes in the dependent variable by the change in the independent variables, and the reason for this may be due to the omission of one of the variables affecting the variable adopted in the model. This is evident from the increase in the value of the y-segment, which represents the effect of the variables not included in the model compared to the rest of the model parameters. Since our goal is to examine the effect of these independent variables on the dependent variable, the results of Table (7) can be taken into account, especially since the effect of the variables not included has appeared within section Y.

**Table (3)**

**Search form parameters estimated using the three models**

The random-effects model	Fixed Effects Model	pooled regression model	Illustrative and imaginary variables
<b>437156.8</b>	<b>367700.6</b>	<b>437156.8</b>	<b>constant</b>
<b>3.307210</b>	<b>-8.987606</b>	<b>3.307210</b>	<b>Sn</b>
<b>-14.63258</b>	<b>14.30586</b>	<b>-14.63258</b>	<b>TV</b>

<b>0.006670</b>	<b>0.165124</b>	<b>0.006670</b>	<b>R<sup>2</sup></b>
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Source: Prepared by the researcher based on the results of the statistical program (Eviews 9.5)

Considering the (F) test, and since the calculated value of the test (1.02) is greater than the tabulated values (0.43) at a significant level (0.05) and a degree of freedom (8,43), we reject the null hypothesis which states that the aggregate model is the appropriate model for the research data and we accept the alternative that the group means models (the fixed effect model or the random effect model) are the appropriate model for the research data, so the comparison between the two models is made using the (Hausman). It is evident from Table (8) that the tabular value of the test is equal to (0.05), that is, the null hypothesis which states that the appropriate model is the random effect model and acceptance of the alternative, meaning that the appropriate model for the research is the fixed-effect model and thus its results can be adopted in explaining the relationship between the research variables.

Table (4)

Restricted F test and Hausman test

Test type	Test value	p-value
F test	<b>1.020144</b>	<b>0.4357</b>
Hausman test	<b>5.900063</b>	<b>0.0523</b>

Source: Prepared by the researcher based on the results of the statistical program (Eviews 9.5)

Results:

The hypothesis was accepted that the effect of the Iraq Stock Exchange on the real development of the economic sectors included in the research is very little or no, which requires more effort to develop this market and activate its role in supporting real economic development in Iraq.

### Conclusions:

1. Financial markets have a great impact in supporting the economy and achieving economic development, because of their great impact in converting savings into investments in all fields.
2. Iraq is in dire need of financing a lot of investment projects that contribute to achieving economic development.
3. The financial market plays an important role in increasing the gross domestic product and thus raising rates of economic development due to the strong relationship between financial markets and development.
4. The banking sector is considered the important sector in the Iraqi market for securities in terms of trading volume and number of shares traded sectorally.
5. The significant value of F appears, and it represents the interpreted effects of the variables model in economics with a value of (1.02).
6. Through the applied results of the research, it was found that the impact of financial markets on the economic sectors was very small.

### Recommendations

1. Reconsidering the financial and monetary policy to ensure the effectiveness of banks and insurance companies in their role in stimulating financial markets.

2. Those in charge of the financial and monetary policies in Iraq must work to develop a modern financial market that is based on new and advanced scientific foundations and has high technical capabilities that attract savers to invest in the financial instruments used in the market.
3. The economic and basic environment plays a vital, effective, and influential role in the financial market, which calls for taking all the necessary factors to provide the reasons for the appropriate environment for the success of the market's work.
4. Iraq is in dire need of financing a lot of investment projects, and thus the money market must receive attention from government and private institutions to support and develop the market, which contributes to attracting individual savings and converting them into investments that contribute to achieving economic development.

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