THE IRAQI STOCK EXCHANGE REALITY & REQUIREMENTS FOR IMPROVEMENT: A COMPARATIVE STUDY OF THE STOCKS MARKETS FROM SOME ARAB COUNTRIES FOR THE PERIOD 2010-2019

Hasan Subhi Hassan Hussein AL Abass, AL-Hadbaa University College

ABSTRACT

This research aims to clarify the reality of the Iraqi stock market (ISX) in comparison with the stock markets of some Arab countries by evaluating and comparing factors measuring market efficiency, as well as discussing the opinions of experts and the statistics of the Arab Monetary Fund on the performance of the Iraqi stock market, and the research reached a number of results that are expected To have a negative impact on the possibility of improving the future efficiency of the market if it is not remedied, including the small number of Iraqi stock market companies. The research recommended Develop plans and programs that increase the number of listed companies and expand the market for companies in the three markets through the privatization of companies.

Keyword: Iraq Stock Exchange, Standards and Improvement Requirements, Comparison of Arab Stock Markets.

INTRODUCTION

Money markets act as a link between savers and investors and are one of the most important means of efficient allocation of financial resources and savings, which requires that these markets provide sufficient and correct financial information and the establishment of the stock market in any country, is one of the most important stages of economic development for that country.

Research Problem: Some financial markets, including Iraq, suffer from several shortcomings, the most important of which is the lack of diversification of investment tools, the weakness or absence of secondary markets for the trading of securities, which limits their liquidity and investor appetite for them, in addition to the weakness of the private sector, the small number of listed companies and the scarcity of financial intermediation institutions.

Research Hypothesis: The research is based on testing two hypotheses, as follows:

1 The indicators for measuring the efficiency of the Iraq Stock Exchange (ISX) converge with the indicators for measuring the efficiency of the stock exchanges of Arab markets.
2 There is a correlation between the indicators of measuring the efficiency of the Iraq Stock Exchange, which enables to judge the reality of the Iraqi stock market and economic growth

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RESEARCH METHODOLOGY

Research Structure

The First Axis: Fundamentals of financial markets

Financial markets: Financial markets are the markets in which securities are traded at the national and international levels. Investors or traders buy and sell these securities to reap potential profits while trying to keep their risks limited. Many traders tend to focus on one financial market, for example, the stock market or CFDs, but it is important to have a comprehensive view of all the financial markets, as they may affect each other (Ahmed, 2021). TheIraq Stock Exchange is a stock exchange in Baghdad, Iraq. The market was established in June 2004. It operates under the supervision of the Iraqi Securities Commission. It is an independent body that was established along the lines of the American Securities and Exchange Commission. Prior to the invasion of Iraq in 2003, the current market was called the Baghdad Stock Exchange and operated by the Iraqi Ministry of Finance (United Nations, 2021). Including companies listed on (ISX) the sectors of banking, insurance, investment, services, industrial companies, hotels, tourism companies and agricultural companies, And telecommunications companies the number of companies listed until 12/2020 is (104) listed companies (ISX, 2020:56).

The Second Axis: Efficiency of Financial Markets

Market efficiency: Refers to the degree to which market prices reflect all available relevant information. If the markets are efficient, all the information is already incorporated into the prices because no securities are undervalued or overvalued (Mesanget & Ban, 2021). Market efficiency was developed in the 1970's by economist Eugene Fama, whose theory in the efficient market hypothesis (EMH) stated that it is not possible for an investor to outperform the market, and that there should not be an imbalance in the market because it will be arbitrated immediately, Fama later won the Nobel Prize in Economics for his efforts. Investors who agree with this theory tend to buy index funds that track overall market performance and are proponents of passive portfolio management (Mohamed, 2020).

Efficiency Levels of Financial Markets: Efficiency is a relative concept and not an absolute, so researchers divide competency into three levels:

Weak level: This level means that prices are moving randomly, and this means that the price movement in the past does not constitute a guide to the movement of prices in the future, and in this case, the investors cannot get unusual profits from using the profits. (Ayyashet et al., 2021)

Intermediate level: that is, prices reflect historical and current information, and that the investor is not able to achieve extraordinary profits by studying the published accounting reports and information available to everyone and the main reason is the lack of the achievement of extraordinary profits is that the current and historical available information has already affected the prices (Masadawy, 2021).

Strong level: its prices reflect current, historical and special information, meaning that market participants will not be able to achieve extraordinary profits through this private information, because this information will be reflected on prices. Accordingly, no investor has

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the ability to monopolize information that may have an impact on the price, and neither will any investor obtain profits that exceed the normal profits. (Tolba & ahmed, 2019).

The Third Axis: Differences between Developed and Emerging Financial Markets:

1. In terms of inputs to investment decisions: in emerging markets, part of it is scientific and the other depends on rumors, but in developed markets it is scientific, financial reports and financial analysts depend on it. And in terms of the situation of speculators: in emerging Arab markets speculators are less aware of investment, but in developed markets speculators are rational and contribute to maintaining market balance and providing liquidity.
2. In terms of market-related risks: In emerging markets, risks are high and lack of transparency, while in developed markets there are fewer risks and higher levels of transparency (Selim, 2019)
3. In terms of market regulation and regulatory systems: In emerging markets, there are shortcomings in regulatory systems and the protection of small investors. In developed markets, there are strict measures in supervision and deterrence of manipulators. And in terms of the type of investors: in emerging markets, the majority of individuals may reach 90%, which results in randomness In their movements, as for the developed markets, the majority are institutions, the percentage may reach 70%, which results in rationality in their movements (El Bahrawy, 2021).

The Forth Axis: The Benchmark Side: Comparing the Indicators of the Iraq Stock Exchange with Some Arab Stock Exchanges

In this axis, the researcher tests the market indicators to judge the reality of the Iraqi stock market and compare it to some Arab stock exchanges, which are represented in (the indicator of the number of listed companies, indicators of measuring market liquidity and then measurement and statistical analysis of the relationship between the number of listed companies, market liquidity and economic growth).

Indicator of the number of listed companies: To assess the reality of the number of companies listed in the Iraqi stock market and the suitability of their growth, the researcher followed the following steps:

1. Comparing the number of companies listed in the regional markets
2. The extent to which the number of listed companies has grown to assess the feature of market expansion over the years as an indicator to improve the future efficiency of the market

Indicators for Measuring Market Liquidity: to assess the reality of the liquidity of the Iraqi stock market and the extent of its development, the researcher uses the three measures of market liquidity, which are

Market Capitalization to GDP/MV: The market value, known as market capitalization, is the total market value of the shares subscribed to for all listed companies in the market. It is a good indicator for measuring the size of the market to the economy. The higher the ratio means the higher the market liquidity and vice versa.

The Ratio of Trading Volume to GDP/TV: the trading volume is calculated by adding the product of multiplied by the shares traded at various prices during the period, and the trading volume ratio is a good indicator for measuring market activity and its liquidity. The upward trend of this ratio is considered a good thing.

The Turnover Ratio TRN: It is the ratio of the market value of the traded share to the total market capitalization of the market, and it measures the market liquidity, and the cost of transactions and transactions in the market.

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Evaluation and Comparison of the CN Number of Listed Companies' Index: which measures the extent of the market breadth, the diversity of listed companies, and the volume of investments; The efficiency of the market, the large number of companies and the positive growth of their number indicates an increase in the volume of investments and consequently an increase in market efficiency and vice versa shows in Table 1.

Table 1
SHOWS THE REALITY OF THE NUMBER OF COMPANIES REGISTERED IN THE IRAQI STOCK EXCHANGE (ISX)

End of the year	Iraqi Stock Exchange		Saudi Stock Exchange		Egypt Stock Exchange	
	Number of Companies	Growth Rate	Number of Companies	Growth Rate	Number of Companies	Growth Rate
2010	87	-	145	-	212	-
2011	87	0.0000%	150	2.7397%	214	0.9434%
2012	84	-0.0345%	156	4.0000%	213	-0.4673%
2013	83	-0.0119%	163	4.4872%	212	-0.4695%
2014	83	0.0000%	166	1.8405%	215	-1.4151%
2015	98	0.1807%	172	3.6145%	222	3.2558%
2016	97	-0.0103%	176	2.3256%	222	0.0000%
2017	101	0.0412%	188	6.8182%	257	15. 7658%
2018	104	0.0297%	191	6.8999%	260	14.8765%
2019	102	-0.0196%	195	7.3214%	262	15.9542%

Source: The Arab Monetary Fund's Quarterly Bulletins

From the previous table, we note that the number of companies in the Iraq Stock Exchange, and in comparison with the number of other stock exchange companies, we note that their number is very small, as the number of Saudi stock exchange companies is approximately three times the companies of the Iraq Stock Exchange; During the study period, the number of Egyptian stock exchange companies is equivalent to four times the Iraqi stock exchange companies during the study period, and this is an indication of the lack of expansion and diversity of companies listed on the Iraq Stock Exchange as well as the low volume of investments, especially since both the Saudi and Egyptian stock exchanges are seen as emerging stock exchanges. Due to the growth of the number of companies, we note that the growth rates in the stock exchanges of the study, especially the companies of the Iraq Stock Exchange, where the growth rates ranged between (0 - 0.01%), except for the year 2018, which witnessed a growth rate of 21%. The breadth feature is a prerequisite for market efficiency. The small number of Iraqi stock market companies and the modest growth rates in the study exchanges is a feature of most Arab stock exchanges.

Evaluation and comparison of market liquidity indicators: It is measured as follows.

Market capitalization index to GDP/MV: It is calculated by dividing the total market value of the shares subscribed for by the companies listed in the market by the GDP Shows in Table 2.

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Table 2 SHOWS THE RATIO OF MARKET CAPITALIZATION TO GDP/M			
End of the year	**Iraqi Stock Exchange**	**Saudi Stock Exchange**	**Egypt Stock Exchange**
2010	1.3211%	6.9056%	38.5137%
2011	1.4821%	50.6153%	20.6736%
2012	2.4535%	52.5090%	24.0080%
2013	1.3667%	62.5920%	21.3199%
2014	1.5218%	63.8456%	22.8754%
2015	2.1211%	64.2940%	17.3313%
2016	2.1522%	69.5116%	12.8088%
2017	2.0635%	65.6946%	22.8184%
2018	2.8520%	67.6812%	22.8184%
2019	4.8532%	70.1279%	21.2315%

Source: The Arab Monetary Fund's Quarterly Bulletins.

From the previous table, we note that the measurement of the ratio of the market value of the Iraq Stock Exchange to the GDP is that it ranged between (1.30-4.85%) at best during the study period, and this ratio is very low, both compared to the two Saudi stock exchanges (ranging) between (6.90–70.12%) and the Egyptian Stock Exchange ranged between (17-38.5%) or compared to a number of stock exchanges. As a final result, this is an indicator of the small size of the Iraq Stock Exchange to the economy ;And the low market liquidity, which reflects the weak contribution of the Iraqi stock market to the gross domestic product, and the lack of liquidity in it, which negatively affects the revitalization of the market.

GDP/TV Ratio: It is calculated by dividing the market's trading volume by the gross domestic product. It measures the liquidity provided by the market to the economy. The upward trend of this ratio is a good indicator of the level of market activity and its liquidity Shows in Table 3.

Table 3 SHOWS THE RATIO OF TRADE VOLUME TO GDP/TV			
End of the year	**Iraqi Stock Exchange**	**Saudi Stock Exchange**	**Egypt Stock Exchange**
2010	0.2991%	8.6067%	5.7416%
2011	0.3920%	12.8436%	1.9731%
2012	0.6965%	11.7245%	2.5448%
2013	0.4981%	10.5179%	1.8888%
2014	0.0198%	17.2776%	2.9320%
2015	0.5621%	13.7122%	2.1476%
2016	0.3098%	12.3828%	2.2584%
2017	0.2317%	8.9051%	2.4953%
2018	0.4823%	9.8971%	2.5439%
2019	0.3901%	10.2390%	2.8971%

Source: The Arab Monetary Fund's Quarterly Bulletins.

From the previous table, we note that the measurement of the ratio of the trading volume of the Iraq Stock Exchange to the GDP ranges between (2.00- 6.00%) at best during the study period, and this ratio is very low, both compared to the Saudi Stock Exchange, It ranged between (6.8 -2.17%) as for the Egyptian Stock Exchange it ranged between (8.1-7.5%) compared to a number of Arab stock exchanges. without achieving efficiency and the required effectiveness,

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and as a final result, this is an indication of the weak level of activity of the Iraqi Stock Exchange.

The Turnover Rate TRN: It is calculated by dividing the trading volume by the market value of the market, and it measures the liquidity of the market itself Shows in Table 4.

Table 4
SHOWS TURNOVER RATE TRN

End of the year	Iraqi Stock Exchange	Saudi Stock Exchange	Egypt Stock Exchange
2010	8.2311%	12.8639%	14.8379%
2011	7.9053%	25.3750%	9.5442%
2012	5.0661%	22.3285%	8.8592%
2013	8.9815%	16.8039%	12.8172%
2014	15.9812%	27.0615%	12.3916%
2015	16.3495%	21.3274%	17.6320%
2016	16.8746%	17.8141%	10.9353%
2017	23.0956%	13.5553%	11.2385%
2018	22.6754%	12.8563%	16.2384%
2019	23.4563%	13.5624%	16.9812%

Source: The Arab Monetary Fund's Quarterly Bulletins

From the previous table, we note that the measurement of the turnover rate for the Iraq Stock Exchange ranged between (5 - 23%) This rate is considered modest compared to the Saudi Stock Exchange, which was not less than (8.12%) at worst, and may converge with the stock exchange turnover rate; Egyptian, which was no less than (8.8%) at worst. Measurement and statistical analysis of the relationship between market indicators and economic growth: The extent of correlation between market indicators that enables judgment on the reality of the market will be measured and analysed

Iraq Securities and Economic Growth Represented in GDP growth GGDP

Correlation Analysis of the Study Variables: Under the assumption that there is a correlation between each of the market indicators and economic growth in the Iraqi Stock Exchange, it can be tested the correlation relationship is as follows:

The Null Hypothesis: There is no statistically significant correlation between the studied variables

Alternative Hypothesis: There is a statistically significant correlation between at least one pair of the studied variables Shows in Table 5.

Table 5
SHOWS CORRELATION TEST BETWEEN MARKET INDICATORS AND ECONOMIC GROWTH

Market Indicators	Iraqi Stock Exchange		Saudi Stock Exchange		Egypt Stock Exchange	
	correlation coefficient (r)	degree of morale (sig)	correlation coefficient (r)	degree of morale (sig)	correlation coefficient (r)	degree of morale (sig)
Number of listed Companies	-0.113	0.413	-0.728	0.041	-0.679	0.064
Market Value Index	-0.175	0.309	-0.771	0.025	-0.828	0.011
Trade volume	0.044	0.918	-0.564	0.145	0.556	0.152

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TV						
Turnover Rate TRN	0.215	0.609	-0.271	0.516	-0.266	0.523

Source: Prepared by the author based on the results of the study

Measurement and statistical analysis of the relationship between the number of listed companies in the market and economic growth:

1. The results of measuring the relationship between the number of listed companies and economic growth came in the stock exchanges of the study shown in Table (5) as follows: There is no correlation between the number of listed companies and economic growth in the Iraq Stock Exchange, where the coefficient of; The correlation is negative (-0.113) and at a significant level (0.413), which means accepting the null hypothesis, in contrast to the two stock exchanges, the Saudi Stock Exchange and the Egyptian Stock Exchange, which showed a negative correlation between the number of listed companies and economic growth with a coefficient of Negative correlation (-0.728) and a significant level (0.041) for the Saudi Stock Exchange and a negative correlation coefficient (-0.679) and a significant level (0.064) for the Egyptian Stock Exchange. Growth and increase in the number of listed companies with encouragement and increase investments.

Measurement and statistical analysis of the relationship between market liquidity indicators and economic growth: It is measured as follows:

1. Measurement and statistical analysis of the relationship between the market capitalization index and economic growth GGDP/MV: The results of measuring the relationship between the market value index and economic growth in the Iraqi Stock Exchange showed that there was no correlation between the number of listed companies and economic growth in the Iraqi Stock Exchange, where the correlation coefficient was negative (-0.275) and at a level of significance (0.516), which means acceptance of the null hypothesis other than what it showed The results of measuring the Saudi and Egyptian stock exchanges, where the correlation coefficient in the Saudi Stock Exchange was negative (-0.771) and at a significant level (0.025), while the Egyptian Stock Exchange was negative (-0.828) and at a significant level (0.011).
2. Measurement and statistical analysis of the relationship between trading volume and economic growth GGDP/TV: The results of measuring the relationship between trading volume and economic growth showed that there was no significant correlation between trading volume and economic growth in the three stock exchanges under study, which means accepting the null hypothesis, with a correlation coefficient Positive (0.044) and a significant level of (918.0) for the Iraq Stock Exchange, a negative correlation coefficient (-0.564) and a significant level (0.145) for the Saudi Stock Exchange, and a positive correlation coefficient (0.556) and a significant level of (0.152) for the Egyptian Stock Exchange.
3. Measurement and statistical analysis of the relationship between the turnover rate and economic growth GGDP/TRN: The results of measuring the relationship between the turnover rate and economic growth in the Iraq Stock Exchange showed that there is no significant correlation between the turnover rate and economic growth in the three stock exchanges under study, which means accepting the null hypothesis, with a positive correlation coefficient (0.215) and a significant level of (0.609) for the Khartoum Stock Exchange and a negative correlation coefficient (-0.271) with a significant level of (0.516) for the Saudi Stock Exchange and a negative correlation coefficient (-0.266) and a significant level of (0.523) for the Egyptian Stock Exchange. The author believes that there is no significant correlation between each of the variables of trading volume, turnover and economic growth in the three stock exchanges under study in line with the view that the financial market does not have a positive impact on economic growth, for several reasons, including in developing countries financing only a limited share of investments.

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CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. The small number of Iraqi stock market companies to a degree that limits the increase in the volume of investments, which will be reflected in the possibility of improving the future efficiency of the market negatively.
2. The small size of the Iraq Stock Exchange to the Iraqi economy, which reflects the weak contribution of Iraq to the stock exchange in the gross domestic product.
3. Modest market turnover rate, which increases the cost of deals and transactions in the market.
4. To activate the market. The lack of liquidity in the Iraq Stock Exchange, which contributed negatively.
5. The weak level of activity of the Iraq Stock Exchange, where the trading volume of the Iraq Stock Exchange to the domestic product is very small.

Recommendations

1. Develop plans and programs that increase the number of listed companies and expand the market for companies in the three markets through the privatization of companies.
2. Encouraging the establishment of joint stock companies by directing microfinance programs to form joint stock partnerships to enhance the number of companies and to improve and increase the supply and circulation of securities.
3. Encouraging joint stock companies to finance their investments through the issuance of shares and avoiding financing from self-resources or loans.
4. Conducting complementary studies on the subject, on privatization, financing and equity programs, and others

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