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The Impact of Financial Markets on The Development of Investments in Iraq

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Abstract. The organizational development process represents a systematic and continuous process that does not stop at a specific point. It is a continuous cycle of continuous improvement that includes drawing, developing, implementing, evaluating, improving and monitoring strategies. The organizational development process focuses on studying internal changes in the company and external changes as well and their implications for the company and its performance in order to improve communication and interaction processes. Within the company and ensuring that all employees work in consistency with the company's goals and values, developing employees, improving their capabilities, improving the products and services provided by the company to its customers, and also increasing profitability, the research aims to know the impact of organizational developments in developing investments in the financial sector in Iraq. Through statistical analysis, the results showed that the values of the regression coefficient and the beta coefficient (B) were positive. This means that organizational developments positively affect the development of investments for joint-stock companies in Iraq, that is, the greater the degree of organizational development, the greater the ability to develop investments for joint-stock companies in Iraq. The results showed that the correlation coefficient (R) was (0.629), while the results showed that the square value of the coefficient Correlation (R^2), (0.396); Its interpretation means (38%) of the development of investments in the financial sector in Iraq. Based on the previous result, the hypothesis was accepted and the research recommends developing the legal environment, including the Companies Law by issuing rules for public offering and developing its mechanisms when marketing the shares of new companies or existing companies when increasing their capital. In order to attract national and foreign capital.

Keywords. Financial Markets, Development, Investments, Investment Development

Methodological framework

1.1Introduction

In a world characterized by rapid and continuous change, companies cannot stop at a specific point of development and modernization. Rather, it has become imperative for companies to constantly develop their administrative, financial, production and marketing operations, to adapt to market changes and requirements. This process, which aims to bring about change and development of the company's capabilities and capabilities of its personnel, and develop their administrative, technical, financial and other skills, which is called the organizational development process, and it is a systematic and continuous process that does not stop at a

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specific point. It is a continuous cycle of continuous improvement that includes drawing, developing, implementing, evaluating, improving and monitoring strategies. The organizational development process focuses on studying internal changes in the company as well as external changes and their repercussions on the company and its performance with the aim of improving communication and interaction processes within the company and ensuring that all employees work in consistency with the company's goals and values, developing employees, improving their capabilities, improving the products and services provided by the company to its customers and also increasing profitability.

Most of the results on this topic revealed a positive relationship between the development of investments in the financial markets and organizational developments, one of which is investment development, and although most studies agree on the existence of the relationship, some have found that it depends on the occurrence of certain economic conditions (Rioja and Valev, 2004), and this positive relationship between organizational developments and the development of investments in financial markets is often viewed as a causal relationship. two-way, while on the other hand, Levine (1997) argues that the relationship shows a causal relationship with faster economic growth leading to financial development.

1.2The problem

The problem can be summed up in the following question: What is the impact of regulatory developments on the development of investments in the financial sector in Iraq?

1.3The importance of research

It is represented by the importance of regulatory developments, which are considered one of the most important pillars of the financial sector, as they contribute to moving the wheel of economic growth, which provides an opportunity to improve the quality and quantity of financial investments in the economic sectors, as the existence of an advanced financial system contributes to arranging direct positive effects on the sectors.

1.4Research objectives

The research aims to know the impact of organizational developments on the development of investments in the financial sector in Iraq, by talking about the literature related to the subject and drawing applied results.

1.5Research hypothesis

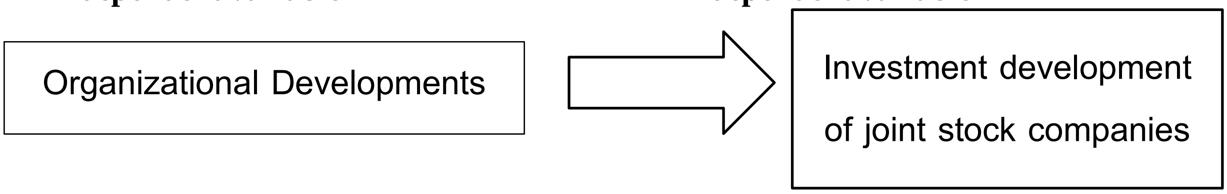
The research attempts to prove the following hypothesis: There is a statistically significant relationship between the organizational development of the financial markets and the investment development of joint-stock companies in Iraq.

1.6Study model

The research variables are: the independent variable is the organizational developments, and the dependent variable is the investment development of the joint-stock companies, and the relationship between the variables can be represented through the following model:

Figure (1) shows the study model

independent variable **dependent variable**



Theoretical framework

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2.1The concept of financial markets

Financial markets are defined as a type of market that provides a way to buy and sell assets such as bonds, stocks, foreign currencies, and derivatives. They are often called by different names, including "Wall Street" and "capital market," but they all still mean the same thing. Simply put, companies and investors can go to the financial markets to raise funds to grow their businesses and earn more money, respectively. (Godeh, et al., 2012).

It is also defined as “the market in which securities are dealt with, buying and selling, so that they constitute the main channels through which money flows from individuals, institutions and various sectors of society, thus helping to mobilize savings and develop them for the investment fields needed by the national economy”.

The stock market is only one type of financial market. Financial markets are created by the buying and selling of many types of financial instruments including stocks, bonds, currencies and derivatives. Financial markets rely heavily on informational transparency to ensure that markets set prices that are efficient and appropriate. Market prices of securities may not be indicative of their intrinsic value due to macroeconomic forces such as taxes (Ziad and Marwan, 2010.)

2.2Stages of development of financial markets

Financial markets, with their current systems, structures, and management, did not arise suddenly, but went through stages that can be presented as follows:

- The stage of establishing commodity exchanges: the first commodity exchange was established in Paris in 1304 AD, and after that the Amsterdam Merchandise Exchange was established in 1608 AD, and it was a center for the futures market for goods.
- The stage of dealing in commercial papers: It began in France in the thirteenth century with the circulation of bills of exchange and withdrawals, where King Philip created the profession of exchange brokers in order to organize this trading, and in England in the year 1688 AD, dealing was in bonds. (Shukri, 2014(
- The stage of industrial development: The stage of industrial development was accompanied by the emergence of huge and large projects, in which the individual investor alone could not carry out the financial burdens, so the economy would grow, the industry would develop, income would increase on the one hand, and paper dealing would become popular on the other hand.
- The establishment of independent stock markets and the necessity of developing their systems and methods of dealing in them, and among the famous financial stock exchanges in the world that became independent with their systems early on are the London, New York and Tokyo Stock Exchange (Al-Douri, 2010.)

2.3Functions of the financial market

The functions of financial markets can be summarized as follows:

2.3.1Price Determination

The financial market performs the function of discovering the prices of various financial instruments traded between buyers and sellers in the financial market. The prices at which financial instruments are traded in the financial market are determined by market forces, i.e. supply and demand. Therefore, the financial market provides the tool through which prices are determined both for newly issued financial assets and for the current stock of financial assets (Haigh and Hazelton 2019.)

2.3.2Funds Mobilization

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Besides determining the prices at which financial instruments are traded in the financial market, the required return of the money invested by the investor is also determined by the participants in the financial market. The motivation for people seeking funds depends on the desired rate of return, which is demanded by the investors.

Because of this function of the financial market only, it is said that the funds available from the money lenders or investors will be allocated among the people who need the funds or collect the money through the means of issuing financial instruments in the financial market. Therefore, the financial market helps in mobilizing the savings of investors. (Al-Shabib, 2018)

2.3.3Liquidity

The liquidity function of the financial market provides an opportunity for investors to sell their financial instruments at their fair value prevailing in the market at any time during market hours. In the absence of a liquidity function of the financial market. The investor must hold the security or financial instrument vigorously until conditions arise in the market for the sale of those assets or the issuer of the bond is contractually obligated to pay for them, i.e. at the time of maturity in the debt instrument or at the time of liquidation of the company in the case of an equity instrument until the liquidation of the asset. Thus, investors can easily sell their securities and convert them into cash in the financial market, thus providing liquidity. (Ziad and Marwan, 2021)

2.3.4Risk sharing

The financial market performs the risk sharing function as the person who makes the investments differs from the people who invest their money in those investments. With the help of the financial market, the risk is transferred from the person who makes the investments to those who provide the funds to make these investments.

2.3.5Accessibility

Industries require investors to raise money, and investors require industries to invest their money and earn returns from it. So the financial market platform provides the potential buyer and seller with ease, helping them to save their time and money in finding the potential buyer and seller.

2.4Concept of investment

An investment is an asset or item acquired with the intent of generating income or appreciation. Appreciation indicates an increase in the value of an asset over time. When an individual buys a commodity as an investment, the intent is not to consume the commodity, but to use it in the future to create wealth (Mabrouk, 2017).

Investing involves using capital today in order to increase its value over time. An investment can also refer to any means or mechanism used to generate income in the future, including bonds, stocks, real estate, or alternative investments.

2.5Importance of investment

Investing is an effective way to invest your money and build potential wealth. A smart investment may allow your money to outpace inflation and increase in value. The investment's greater growth potential is due primarily to the power of compounding, the trade-off between risk and return. From this concept, the researcher summarizes the importance of investment in the following points (Godeh, et al., 2012).

- Increasing production and providing goods and services that satisfy the desires and needs of citizens.
- Reducing the unemployment rate and providing job opportunities for young people in various fields.
- Increasing the national income and contributing to raising the citizen's standard of living.

- Increasing the surplus, which allows for an increase in the country's ability to export abroad.
- Providing foreign currencies that help to purchase supplies from abroad.

2.6Types of Investment

2.6.1Financial investment

It means trading securities (stocks and bonds) for buying and selling, and this is what characterizes unreal investment because it does not create new productive capacity, but it acquires the energy that already exists. Real investment Investing in real assets that aims to increase the country's productive capacity through the use of economic resources in a way that adds new goods and services. (Mabrouk, 2017).

2.6.2Domestic and foreign investment

The investment is financed from within the country, whether the public sector or the private sector, which is managed and harvested by investors who hold the nationality of the country sponsoring such investments. Foreign investment is the investment of a source of funding outside the borders of the state in order to generate profits from these investments (Al-Samari Duraid, 2016).

Short-term investments and long-term investments, long-term investments, called capital investments, which take the form of stocks and bonds. Short-term investments are called cash investments, which take the form of treasury bills, bank receipts, commercial papers, and other notes (Al-Shibli, Muhammad and Al-Shibli, 2000).

2.7The emergence of the Iraqi financial sector

Beginning in the year (1931) there was a development of the Iraqi monetary system when the Iraqi monetary currency was issued in accordance with Law (44) for the year (1931), and it was equated to the pound sterling, i.e. (one pound for every Iraqi dinar), and Iraqi banks also exercised their role in financial activity for the first time In (1935), with the issuance of the Iraqi Banking Law in the same year, and the establishment of the (Industrial-Agricultural) Bank, which is the first national bank after the independence of Iraq, which was divided into two banks the following year, one of which was industrial and the other agricultural, after the branches of foreign banks dominated the Iraqi financial sector. (Sayyid Ali, 2012, p. 314).

Before the establishment of the National Bank of Iraq, the first commercial bank (Al-Rafidain) was established according to Law 35 of 1941, followed by the National Bank of Iraq in 1947 and commenced its operations in 1949. Its first work was to study the legislative and regulatory aspects of the Banking Control Law of 1949. (1938), and the bank began to practice the task of issuing the first batch of banknotes bearing its name in (September 1950), then branches of Arab and foreign banks were established in Iraq, in addition to two Iraqi banks, the Commercial Bank of Iraq and the Baghdad exchange in the year (1956), And the Cooperative Bank in the year (1959), as well as a group of banks such as real estate and the Mortgage Bank. (Khalaf, 2010, p. 65).

In the year (1991) the Central Bank permitted allowing the private sector to practice banking business and a number of private banks were established, and the Central Bank authorized another amendment to allow private banks to practice comprehensive banking instead of the traditional one, and the Iraqi banking scene is witnessing After the political change in 2003 A stage in transformation, which is part of the preparation stage for the economic transformation towards a market economy, perhaps the most important of which in the banking field is the issuance of the Central Bank of Iraq Law No. Governmental intervention in managing monetary policy away from political pressures. (Salman, 2009, p. 156).

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The efforts of the Central Bank of Iraq continued throughout the period (2004-2011) in advancing financial and regulatory legislation to strengthen the financial sector, including obligating commercial banks to raise their capital and solvency in accordance with international standards, in addition to diversifying their banking services, in addition to issuing education Matt about the flow of foreign capital for purposes To invest and allow commercial banks to open a current account in foreign currency, and to allow commercial banks to import foreign currency with the approval of the Central Bank, and accordingly the total number of banks operating in the Iraqi banking market has become (45) banks until the end of the year (2011).(Central Bank of Iraq, Report 2010-2011, pp.: 25-28).

2.8Objectives of the financial sector

2.8.1Profitability

Profitability is one of the most important financial criteria that measure the efficiency and effectiveness of management, and reveals the bank's competitive position in the financial sector. It refers to the profit attributed to some components of the balance sheet or the income statement (Momani, 2016). Profitability means the ability to make a profit, and this profitability results from comparing the results with the means and capabilities used on them, and this is measured by the ratio of the target result to the means that were allocated to achieve it (Nassif, 2019). It is considered an important indicator of the success of the bank's business, and is important for all concerned parties such as creditors, investors, owners and management. (Barbarawi, 2015)

2.8.2Quality of Accounting Profits

Interest in the quality of accounting profits has increased due to the direct impact on its users; As it may help its users in measuring and predicting the size of risks of various types, efficiently allocating resources, helping investors to make rational investment decisions, reducing the cost of capital, and improving the efficiency of its allocation by reducing information asymmetry between managers and investors (Hamtri, 2018). The quality of accounting profits means those profits in which accruals are of high quality, free from earnings management practices, and have the ability to continue in future periods, and that the profits announced by the bank honestly and realistically reflect its real and actual profits.

Applied framework and research results

3.1Introduction

This study aims to know the impact of organizational developments on the development of investments in the financial sector in Iraq, and to achieve this, the methodology used in this study will be addressed, and the description of the study population, the study sample, and the tools used. In data collection, the statistical methods used to analyze data Research methods are specific procedures for collecting and analyzing data. The development of research methods is an integral part of the research design of the research. Its methods depend on the type of data that you need to answer the research question of the researcher. Scientific research is a neutral, systematic, planned, multi-step process that uses previously discovered facts to enhance knowledge that is not found in the literature. It can be classified as list On observational or empirical with regard to data collection techniques, descriptive or analytical with regard to causation and future. (Walliman and Baiche, 2001)

3.2Community and sample

The study population consists of the (115) companies participating in the financial markets of Iraq, and thus the research sample is about (30) companies with a rate of (26%) of the total number of employees in the various branches of private companies working in the field of financing and loans.

3.3The statistical methods used

In analyzing the samples' responses to the questionnaire, the researcher used the "Statistical Package for the Social Sciences" program, and also used some appropriate statistical measures to verify the validity or incorrectness of the study's hypotheses.

The Pearson correlation coefficient is measured using SPSS and the level of correlation between the two variables and its strength is determined to test the research hypotheses. To find out if the results of the survey are related to the relationship between organizational developments and investment development, the ANOVA test is used, which helps to find out if there is a discrepancy or difference in the relationship or impact of the regulatory development of the stock market on investment development.

3.4Testing the study hypothesis

There is a statistically significant relationship between the organizational development of financial markets and the development of investments for joint-stock companies in Iraq. The following tables show the validity of the hypothesis, as simple regression analysis was used.

Table 1: Regression analysis (variance) for the basic hypothesis

	Sum of squares	degrees of freedom	Mean squares	F	Sig
Regression	1.345	1	1.345	8.306	.001
residuals	10.849	67	.162		
kidneys	12.194	68			

It is clear from the results of the previous table that the regression variance analysis shows the organizational developments and the development of investments in the financial sector in Iraq, and the value of (P) amounted to (8.306) with a significance of (0.001), which is statistically significant (a<0.05).

Table 2: Regression analysis (correlation and beta) of the hypothesis

variable	Regression coefficient	B	Explained discrepancy	R^2	R	Error	t-test	Sig
organizational developments	20.310					3.315	6.126	.000
Investment development	2.469	.629	.381	.396	.629	.281	8.794	.001

From the table it can be seen that the values of the regression coefficient and the beta coefficient (B) were positive; This means that organizational developments positively affect the development of investments for joint-stock companies in Iraq, that is, the greater the efficiency of regulatory developments taking place in the financial markets represented in the financial companies under study, the greater the development of investments for joint-stock companies in Iraq, and the results showed that the correlation coefficient (R) is (0.629). , while the results showed that the square value of the correlation coefficient (R^2), (0.396); Its interpretation means (38%) of the development of investments in the financial sector in Iraq. Based on the previous result, the hypothesis was accepted: There is a statistically significant relationship between the

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organizational development of financial markets and the development of investments for joint-stock companies in Iraq.

3.5Conclusion

In this section, the results of the study and conclusions are summarized, recommendations for the study are put forward, and the research gaps for which the studies were conducted are identified. The importance of the study stems from its highlighting the relationship between regulatory developments and the development of investments in the financial sector in Iraq and its importance in raising the level of solving the investment crisis in the financial sector in Iraq.. Finally, the study aimed to improve the relationship between regulatory developments and the development of investments in the financial sector in Iraq to reach To develop the desired investments. The following table shows the hypothesis of the study and its test results:
From the results of the statistical analysis, it can be seen that the values of the regression coefficient and the beta coefficient (B) were positive. This means that organizational developments positively affect the development of investments for joint-stock companies in Iraq, that is, the greater the degree of organizational development, the greater the ability to develop investments for joint-stock companies in Iraq. The results showed that the correlation coefficient (R) was (0.629), while the results showed that the square value of the coefficient Correlation (R^2), (0.396); Its interpretation means (38%) of the development of investments in the financial sector in Iraq. Based on the previous result, the hypothesis was accepted, and the regression variance analysis shows the impact of the organizational development of financial markets on the development of investments for joint-stock companies in Iraq, and the results showed that its value was (35.831).) in terms of (0.002), which is a function of (a<0.05).

The most important recommendations presented by the study are the importance of developing the legal environment, including the Companies Law, by issuing rules for public offering and developing its mechanisms when marketing the shares of new companies or existing companies when increasing their capital in order to attract national and foreign capital, and the need to diversify securities through the issuance of bonds In addition to issuing shares to attract new traders wishing to invest in securities, as well as obliging joint-stock companies to issue their own financial statements in accordance with international standards, as well as developing disclosure and transparency procedures by paying attention to their relations with investors and paying attention to the information required to be disclosed and published on their website. In financial companies, as well as the need to work on the organizational development of the Iraqi shareholding companies, as it has proven positive effects on the development of investments in the financial sector.

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