

THE EFFECT OF FREE CASH FLOW ON THE FIRM VALUE IN A SAMPLE OF IRAQI COMMERCIAL COMPANIES LISTED IN THE IRAQI STOCK EXCHANGE

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ABSTRACT	KEYWORDS
The research aims to measure the impact of free cash flow on the value of the Firm. This goal is achieved by identifying the concept of free cash flow and the concept of Firm value, based on the annual financial reports data for a sample of the (27) Iraqi companies listed on the Iraq Stock Exchange. B (15) companies from the banking sector, (8) companies from the industrial sector, and (4) companies from the insurance sector for the period from (2011-2020).	

For the purpose of measuring the free cash flow, the (Brigham & Houston, 2019) model was used, and the (Tobin s Q) model was used. t) and (F) test using both SPSS and AMOS.

The research reached several results, the most important of which is that there is a statistically significant effect of free cash flow on the Firm's value.

The most important thing recommended by the researcher is the need for companies listed in the Iraqi Stock Exchange to provide sufficient information about the free cash flow (FCF) and optional disclosure about it because this disclosure provides important information for all parties that have interests and objectives linked to the Firm, and helps them in making investment decisions related to the Firm as well. Study and analyze the financial data for making investment decisions in detail and follow the methods of evaluating investment projects (economic feasibility study) to prevent wrong (sub-optimal) investment decisions that result in huge irreversible losses.

Keywords: free cash flow, Firm value

Introduction

Net cash from operating activities provides an indication of the Firm's ability to generate cash from its core activities, but analysts note that this figure. Insufficient, as the net cash provided by the operating activities is not taken into consideration with what companies must invest in new assets at the level of their current operations or expansion, and therefore it was necessary to have a quantitative measure that shows the Firm's ability to exploit its money from operational activities through cash. The free cash flow was a feasible indicator as it provides an additional insight into the Firm's ability to generate cash from its main activities. It describes the net cash provided and the surplus by operating activities after adjusting for capital expenditures and cash dividends.

Firm value is important to investors and shareholders. The management of the Firm seeks to maximize the value of the Firm as one of the strategic goals and to express its efficiency in asset management. The value of the Firm from the point of view of the shareholder is the total return obtained by the shareholder, which includes dividends and the increase in the share price, and it is defined as a measure of wealth, because it represents the amount of wealth generated by the business units of the owners or shareholders, because the main objective of the management of the Firm is to increase the wealth of shareholders .

Research Importance

It is hoped that this research will be of interest to those in charge of managing the stock market to the necessity of educating the importance of analyzing the impact of free cash flow on the decisions taken by managers because it is expected to provide important information that would enhance the value of the Firm and thus market efficiency and activate the movement of stock trading in it. .

The success and continuity of companies and the maximization of their value in the long term is the first goal for investors, as well as being beneficial to many relevant parties and leads to the development of the economy in general. And the Firm's success is an analysis of the effect of free flow and its use in creating new investments that reflect the efficiency of its investment decisions and for the purpose of organizing and directing investment in a way that serves the Firm's interest away from the opportunistic behavior of corporate managers. This good analysis may contribute to reducing agency costs and increasing the Firm's profits and value in the financial market.

Research Problem

Recently, many researchers have highlighted the search for variables that have a significant impact on the diversity of investment opportunities, and free cash flow was one of these variables that whenever there were free cash flows, this led to the search for the best investment decisions, which in turn will reflect on the value of the Firm from Through its competitiveness and the diversity of its business fields, the more investment opportunities increased and diversified, which led to a higher value of the Firm and a decrease in the risks surrounding the Firm, which is reflected in the value of the Firm. Therefore, the research problem can be represented by the following questions:

- Is the presence of free cash flow reflected in the value of the Firm?

Research Aims

The research seeks to achieve a set of goals, most notably the following: -

- A statement of the concept of free cash flow, its types, importance and methods of measuring it.
- Understand the concept, importance and methods of measuring the value of the Firm.
- Test the impact of free cash flow on the value of the Firm.

Research Hypothesis

For the purpose of achieving the objectives of the research and answering the questions raised in the research problem, the following hypotheses were formulated: -

- There is a statistically significant reflection of the free cash flow in the Firm's value.

Community and Sample Research

The research community consists of a sample of the (27) Iraqi commercial companies listed in the Iraqi Stock Exchange, represented by (15) companies from the banking sector, (8) companies from the industrial sector and (4) companies from the insurance sector for the period from (2011). -2020). By (270) views, this sector was chosen for its great importance for investments in it.

Statistical Methods and Prig

To achieve the objectives of the research and to reach the results of the research sample, a set of statistical methods will be used, including statistical analysis such as linear regression, correlation coefficient, (t) test and (F) test, as well as using Path Analysis using the SPSS Statistical Package for Social Sciences, and statistical software AMOS.

The effect of free cash flow on the Firm's value will be measured statistically by means of a regression model.

Spatial and Temporal Boundaries

The limits of the search are represented by the Iraqi private banks listed on the Iraq Stock Exchange and whose data are completed within the time period of the research, which extends from 2011 to 2020.

Research method and beneficiaries

Some of these goals will be achieved on the theoretical side by relying on the inductive approach of previous studies and literature, books and relevant scientific references, and some of the goals will be achieved on the practical side by measuring the three research variables in a quantitative manner. Multiple destinations, including:

1- Financial Market

It is hoped that this research will be of interest to those in charge of managing the stock market to the necessity of educating the importance of analyzing the impact of free cash flow on the decisions taken by managers because it is expected to provide important information that would enhance the value of the Firm and thus market efficiency and activate the movement of stock trading in it. .

2- Corporate management

The management of companies can benefit from this research if they take into account that their success, continuity and maximizing their value is the first goal for investors, as well as being beneficial

to many relevant parties and the growth and development of the economy in general, and that one of the reasons for the Firm's success is the efficiency of the decisions issued by it.

3- Financial Analysts, Investors and Lenders

These parties jointly seek to obtain the information necessary to rationalize their economic decisions.

4- Subsequent researchers

This research constitutes a modest addition to the scientific library in general and to the local library in particular, as to the knowledge of the researcher that this research is the first of its kind that seeks to study and analyze the impact of free cash flow on the efficiency of investment decisions and their reflection in the value of the Firm.

Free cash flow concept

The concept of free cash flow has appeared in the financial accounting literature under a variety of terms such as excess cash flow, extra cash flow, cash flow that can be distributed to shareholders, and cash flow that can be expendable by managers (12 Bhandari & Adams, 2017:), Jensen)) The first to refer to the concept of free cash flow in 1986 and defined it as cash flow in excess of what is required to finance projects with a positive net present value (NPV (Na, 2018: 1)), and he defined (Trisna & Gayatri, 2019) free cash flow is the Firm's image of flows Cash available in the accounting period after deducting operating costs and expenses (Trisna & Gayatri, 2019:487), and (Qeshta, 2020) referred to the concept of free cash flow as the additional funds that can be exploited for investment purposes to generate future cash flows (Qeshta, 2020: 32) According to Kieso, free cash flow is the cash flow available from operating cash flows and this flow can be used to pay off debts, increase investment, purchase treasury shares, or increase liquidity (Eklesiawati &Novyarni,2020:4).

(Nurdani & Rahmawati, 2020) believes that the free cash flow is the remaining cash that is distributed to investors (shareholders and creditors) after the Firm invests in the necessary fixed assets and working capital to maintain the continuity of operating activities (Nurdani & Rahmawati, 2020: 104). As defined (Sapuan et al, 2021), free cash flow is a measure of the Firm's ability to generate revenue (Sapuan et al, 2021:212) and (Putri & Azzahra, 2022) sees free cash flow as the money given to creditors or shareholders in the form of dividends Without affecting the Firm's growth rate (Putri & Azzahra, 2022:159).

Uses of free cash flow

Free cash flow can be used in the following expenditures (Al Kubaisi, 2016: 13) and (Alnawaiseh et al, 2017: 1):

1. Payment of cash dividends to shareholders.
2. Payment of debts and interest owed to creditors.
3. Purchase of short-term investments for the purpose of trading in non-operating assets.
4. Reducing the debts incurred by the Firm.
5. Buy back shares.

The importance of free cash flow

Cash flow is of great importance to companies and users of financial statements that can be summarized as follows:

1- Checking creditworthiness

Financial analysts and lenders are interested in the financial position of the Firm, specifically the Firm's credit efficiency and the level of liquidity through several financial indicators, the most important of which is the free cash flow index (Abbas, 2021: 24). Usually, the positive free cash flow is an indication that the Firm is able to meet its financial obligations. Free cash on the provision of internal financing to finance investment opportunities that will lead to the enhancement of shareholder wealth. The free cash flow of the Firm also allows the Firm to increase dividends to shareholders, develop new products, pay off debts and buy back shares (Mundia, 2016:1-2).

2- Measuring financial performance

Free cash flow represents one of the tools for measuring financial performance by clarifying the amount of cash owned by the Firm after the required operating assets have been developed (Tristiari & Prawiwi, 2017: 184), the backbone of any Firm's performance is free cash flow. Free cash flow is used to evaluate and analyze the financial position The Firm's internal financing is often backed by free cash flow and is the source for improving the Firm's financial performance if used effectively in attracting investments can lead to massive growth of the Firm and increase the profitability of the Firm Lenders are always looking for companies with high cash flow as they assess the financial stability of the Firm Shareholders who are looking for a safe haven for their surplus funds are more likely to invest in companies with high cash flow Financial performance is used to assess the success of the Firm i. Komal et al, 2022:545).

3- Investing in new assets

Effective use of free cash flow will lead to managers making optimal investment decisions as managers use free cash flow on profitable (positive NPV) projects (Iskandar et al, 2012:76), and sometimes managers use free cash flow to purchase new assets (Widyanti & Widyasari,2019:341).

4- Attracting investors

Investors consider companies that have a high free cash flow as more beneficial, that investors are always keen to invest in companies with high cash flows if they often evaluate the work of any Firm on the basis of two criteria The first criterion is the extent of financial flexibility that the Firm enjoys The second criterion How easy is it for the Firm to repay its loans, so free cash flow plays a key role in the investment decision-making process for investors, as it is one of the important indicators that investors rely on in evaluating companies' performance, so many investors rely on free cash flow predictions and are interested in knowing how much Free cash flow in the Firm so that they can get a proper idea of the profits that they can get when investing in these companies (Ambreen & Aftab, 2016:113), and therefore companies that have high free cash flow easily attract investors looking for effective opportunities to invest their surplus money Creditors and investors are keen to put money in companies with high free cash flow because it is more profitable (Ajmal et al, 2022). :183).

5-Free cash flow is more suitable for administrative purposes

The traditional profits that companies disclose in the financial statements contain items such as cash dividends, expansions, and contingency provisions, while free cash flow does not contain those items, so it is more suitable for administrative purposes (Al-Zayyat, 2014: 14).

The concept of Firm Value

An important concept that investors consider when making an investment is Firm value. According to (Sintyana and Artini 2019)), the higher the value of the Firm, the greater the return that the Firm's shareholders will receive. So the value of the Firm is very important to the investor. The high value of the Firm will make the market believe, not only in the Firm's performance but also in the Firm's future prospects (Sintyana and Artini, 2019; 7716).

It is also defined as investors' perceptions of the Firm's level of success in managing its resources, which is reflected in the Firm's share price (Reschiwati et al, 2019:327).

While (Husain et al, 2020) defined the Firm's value, the value of the Firm is an important concept for investors as a tool or indicator that is used to evaluate the Firm as a whole (Husain et al, 2020: 16).

And (Utami & Hasan, 2021: 1250) defined it as the Firm's ability to provide maximum prosperity to shareholders if the Firm's stock prices increase. The researcher believes that the value of the Firm is an indicator for the investor to see the Firm's performance before deciding to invest in it.

Factors That Help Enhance the Firm

1) Social Responsibility

Disclosure of social responsibility can be interpreted as a form of corporate responsibility for the existence of social and environmental problems around the Firm, companies that disclose social responsibility optimally are able to bring about an increase in the value of the Firm. One of the benefits when implementing social responsibility disclosure, including increasing the Firm's reputation, and consequently, the Firm's sales will increase, meaning that the Firm will increase its demand by investors, and the Firm's sales will also be admired by consumers. Therefore, if the Firm increases social responsibility disclosure, it will also increase the value of the Firm (Machmuddah et al. , 2020: 632), and thus leads to an increase in the value of the Firm (Hafez, 2016:43).

2) Hedging

If the currency used in preparing the financial reports differs from the functional currency, then exchange rate fluctuations will affect the expected cash flows as a result on the value of the Firm. Therefore, hedging helps reduce fluctuations in the expected cash flows resulting from changing exchange rates and increases the value of the Firm (2018:134), Gupta Alam&), as well as helping to reduce expected tax liabilities, mitigate underinvestment, reduce costs associated with borrowing, increase the Firm's borrowing capacity, reduce agency costs and reduce conflicts of interest Hedging strategies allow companies to mitigate the above-mentioned frictions and thus enhance Firm value (Nova et al, 2015:8), hedging will increase the value of the Firm because it sends a signal to investors that the Firm's cash flows are guaranteed in the future (Nguyen, 2015:4).

3) Working Capital

Working capital is described as the lifeblood of the Firm and is the current assets minus the current liabilities. Current assets generate the majority of cash for companies while current liabilities constitute the largest source of short-term cash flows for companies. Corporate managers have to be diligent in managing working capital in an optimal manner (Cumbie & Donnellan, 2017: 138), working capital management affects profitability and risks as well as its impact on the value of the Firm through the policy adopted by the Firm in managing working capital, (Altaf , 2018:121), and we note from the

above that effective capital management leads to an increase in the value of the Firm, and poor working capital management may lead to a decrease in profitability and thus reduce the value of the Firm.

4) Intellectual Capital

Intellectual capital is one of the intangible assets and resources that companies invest to create value through new product and service innovations (Madani et al, 2015: 739), and (Berzkalne & Zelgalve, 2014) confirmed that intellectual capital is the intangible safety cushion in the Firm (Berzkalne & Zelgalve, 2014:888) Intellectual capital has a positive impact on the economic and financial performance of the Firm, and the increase in intellectual capital is linked to an increase in the return on assets over time that helps improve the Firm's performance. As a result, it has a positive relationship with the Firm's value. Strong value of the Firm (Ni, et al, 2021: 728).

5) Research and Development

Research and development investments play an important role in enhancing Firm value. Companies invest in research and development in order to improve the quality and attractiveness of their main products (Kim et al, 2018:1). Companies with high investments in research and development are profitable and successful as research and development enhances innovation capacity and generates Intangible capital that is attractive to shareholders as it reflects an image of better financial performance and enhances their confidence in the Firm's profitability, which will be reflected in the Firm's value (Lin & Zhu, 2018: 424). We note from the above that research and development can enhance the value of the Firm through innovative ability and enhance investor confidence in profitability, because research and development investments increase the future profitability of companies, which positively affects the value of the Firm.

Methods for measuring research variables

Free Cash Flow Measurement Using a Model (Brigham & Houston, 2019)

The free cash flow according to this model is defined as the amount of cash that can be withdrawn without harming the company's ability to work and produce future cash flow. The free cash flow is calculated according to the following equation:

$$FCF = EBIT(1-T) + DE - CAPEX + \Delta WC$$

It represents:

FCF = Free Cash Flow

EBIT = Profit before interest and taxes

(1-T) = (1- tax rate)

DE = extinction and amortization

CAPEX = capital expenditure

ΔWC = change in net working capital

If the result of the previous equation is positive, the positive free cash flow indicates that the company is generating more than enough cash to finance the current investments in fixed assets and working capital, and on the contrary, if the result of the previous equation is negative, negative free cash flow indicates that the company is not It has enough internal funds to finance investments in fixed assets and working capital, which will be considered in the practical side of the research (Brigham & Houston, 2019:81).

Table (1) Free cash flow measurement results for a sample of Iraqi banks listed in the Iraq Stock Exchange

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Company
287,093,685,250.00-	295,515,202,750.00-	305,526,843,450.00-	305,631,892,000.00-	298,564,007,250.00-	287,108,057,350.00-	273,392,932,000.00-	182,125,445,850.00-	152,851,754,900.00-	134,801,583,750.00-	Credit Bank
300,689,664,595.55-	242,621,102,720.85-	262,971,283,541.95-	259,421,754,650.00-	263,336,370,850.00-	249,948,453,800.00-	243,111,071,400.00-	143,287,897,450.00-	99,062,887,500.00-	98,109,905,300.00-	Investment bank
255,309,526,000.00-	240,109,095,400.00-	242,655,670,550.00-	264,193,285,900.00-	248,318,573,500.00-	244,030,318,448.50-	243,052,712,470.90-	149,940,895,763.80-	139,163,910,950.00-	99,318,628,100.00-	Al Ahli Bank
261,190,574,799.65-	262,646,546,000.45-	266,457,029,093.45-	269,441,194,028.95-	268,455,788,308.10-	260,804,960,018.50-	257,599,153,922.45-	233,732,123,711.80-	86,928,020,960.25-	89,799,631,795.75-	Gulf Bank
55,095,198,300.00-	174,194,570,350.00-	178,159,977,300.00-	126,984,885,150.00-	145,832,479,600.00-	185,262,980,642.85-	216,853,100,767.40-	111,884,196,110.45-	111,037,002,256.55-	69,446,153,997.70-	Middle East Bank
140,516,693,612.15-	214,403,664,416.20-	258,667,100,524.35-	261,300,222,268.75-	257,084,665,057.60-	257,721,886,184.95-	254,471,711,930.35-	215,825,710,488.05-	202,257,466,091.85-	70,990,583,654.35-	Mosul Bank
146,285,726,450.00-	197,287,481,963.65-	193,170,076,492.30-	194,177,085,811.25-	228,571,963,340.45-	166,336,759,802.20-	114,361,702,017.50-	115,470,493,880.40-	78,828,240,829.10-	81,888,198,685.90-	Babel Bank
184,208,602,500.00-	223,333,144,100.00-	217,095,543,750.00-	120,151,122,800.00-	100,383,810,900.00-	198,465,040,950.00-	205,130,755,000.00-	208,524,000,650.00-	136,496,268,300.00-	85,101,625,750.00-	Baghdad Bank
231,955,886,150.00-	238,642,972,450.00-	248,477,818,350.00-	253,952,981,550.00-	243,724,450,800.00-	238,545,541,800.00-	238,229,896,750.00-	177,654,444,850.00-	141,409,202,050.00-	98,348,485,950.00-	Sumer Bank
236,528,477,200.00-	235,264,366,150.00-	233,146,848,450.00-	223,803,969,750.00-	210,367,053,900.00-	229,899,484,400.00-	233,796,314,600.00-	193,314,189,439.50-	138,846,445,227.00-	61,981,522,922.70-	Ashur Bank
238,544,323,600.00-	237,091,270,550.00-	241,220,207,850.00-	239,914,209,650.00-	239,283,054,400.00-	241,410,608,643.55-	235,235,135,679.40-	153,279,640,989.70-	91,788,277,584.95-	52,111,487,189.10-	Union Bank
270,101,995,750.00-	263,772,354,250.00-	272,017,491,700.00-	280,369,868,250.00-	273,540,333,150.00-	265,882,736,083.55-	273,885,550,717.85-	185,674,252,412.80-	129,052,082,819.15-	127,064,883,922.35-	Iraqi Commercial Bank
189,965,750,000.00-	188,781,650,000.00-	236,316,547,100.00-	245,686,344,450.00-	262,170,712,550.00-	253,755,619,300.00-	230,139,886,350.00-	197,944,500,500.00-	36,718,392,350.00-	62,416,615,400.00-	North Bank
248,682,405,049.05-	241,260,316,948.00-	247,310,459,520.70-	258,208,801,632.75-	273,998,448,467.30-	255,721,143,533.10-	252,363,597,347.55-	246,811,285,886.05-	229,865,147,232.85-	94,476,708,933.35-	Al-Mansour Bank
154,489,302,050.00-	250,606,484,703.65-	262,746,412,004.15-	243,270,058,439.95-	241,995,583,839.15-	249,624,871,987.00-	260,918,173,797.90-	269,328,936,600.00-	215,162,849,700.00-	195,165,562,600.00-	United Bank

Table (2) Free cash flow measurement results for a sample of Iraqi insurance companies listed on the Iraq Stock Exchange

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Company
2,014,063,051.35-	2,228,405,030.80-	2,351,156,738.90-	2,500,404,507.15-	2,536,469,292.65-	2,668,675,948.35-	2,873,848,131.45-	2,547,228,849.90-	2,305,749,341.35-	2,224,010,030.65-	Al Ahlia Insurance
3,420,142,420.55-	3,331,724,834.65-	3,241,895,469.80-	1,275,537,751.90-	1,274,866,694.25-	3,127,115,696.65-	2,987,471,037.80-	2,781,138,685.45-	2,256,352,198.20-	2,089,435,698.75-	Al Amin Insurance
7,328,260,286.55-	7,289,961,084.20-	5,692,750,653.95-	3,705,175,701.70-	4,556,170,214.60-	4,677,797,153.05-	4,133,335,241.85-	3,871,575,573.00-	3,575,271,161.70-	2,980,334,562.75-	Dar Al Salam Insurance
8,349,644,397.60-	8,621,466,578.55-	8,085,115,300.15-	4,106,152,071.50-	2,939,461,143.85-	2,056,258,606.60-	1,626,731,167.75-	4,388,266,119.70-	3,288,815,506.35-	1,916,723,559.70-	Al Hamra Insurance

Table (3) Results of free cash flow measurement for a sample of Iraqi industrial companies listed in the Iraqi Stock Exchange

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Company
3,215,042,366.45-	2,388,728,096.45-	2,635,405,800.00-	4,888,610,035.95-	6,566,619,053.45-	5,997,653,578.75-	5,638,584,809.25-	5,861,194,321.35-	2,532,053,242.25-	2,790,858,494.15-	Al-Mansour Pharmaceutical Industries
1,939,910,457.55-	1,559,697,094.75-	1,205,439,758.70-	825,316,875.80-	699,318,319.25-	901,715,293.85-	722,749,608.25-	690,532,355.20-	7,898,315,702.50-	659,794,547.55-	modern sewing
138,002,471,231.25-	62,502,870,015.15-	55,107,442,285.45-	99,735,225,065.10-	31,754,448,459.15-	92,485,389,759.05-	72,428,369,170.25-	65,846,661,346.60-	68,133,026,374.10-	60,659,423,632.25-	Baghdad for soft drinks
2,108,202,491.10-	1,801,105,376.20-	1,764,549,613.35-	1,765,827,578.55-	1,630,878,572.15-	1,712,280,340.95-	1,778,870,309.30-	1,710,633,811.60-	1,636,668,678.20-	2,763,569,582.65-	Iraqi carpets and furnishings
4,988,453,914.65-	5,013,582,056.55-	4,555,921,704.75-	4,543,050,878.10-	4,397,036,681.85-	4,447,139,870.70-	4,331,745,190.00-	3,887,758,760.55-	3,153,317,485.85-	2,793,583,291.35-	Canadian to produce veterinary vaccines
245,800,472.80-	250,378,629.25-	230,393,798.25-	241,532,460.00-	273,403,691.25-	502,766,244.90-	641,299,425.85-	772,184,080.80-	301,777,716.35-	407,458,321.10-	Baghdad for packaging materials industry
718,049,772.60-	547,451,686.60-	395,770,891.20-	242,814,552.80-	224,677,601.75-	325,694,772.45-	351,584,146.65-	480,759,238.80-	1,383,107,408.95-	1,083,766,835.25-	Ready-to-wear production
3,254,451,325.00-	2,863,820,351.05-	1,992,961,823.20-	1,310,714,965.80-	295,387,982.05-	964,323,062.80-	2,001,063,725.20-	3,569,685,814.05-	3,429,877,189.85-	3,381,056,425.50-	National Metal Industries and Bicycles

Measuring a company's value using Tobin's Q scale

James Tobin's, a Nobel Prize winner in economics, introduced this measure in 1969 to predict a company's market value and future performance, which is one of the most widely accepted models. The advantage of Tobin's Q formula is that it has a high estimation accuracy as it does not require estimating the market value of the liabilities. And preferred shares and that it is based on estimating the replacement value of assets on the basis of the book value, and that the combined market value of all companies in the stock market must be equal to the cost of market value divided by the cost of replacing assets. The equation below reflects this model. (Ali, 2021: 107)

$$\text{Tobin's Q} = \frac{\text{total market value} + \text{total book value liabilities}}{\text{total book value of assets}}$$

Research hypothesis test results

Hypothesis "There is a statistically significant effect of free cash flow on the value of the company"

To test this hypothesis, the following "linear regression" model was formulated:

$$FV_{it} = b_0 + b_1 FCF_{it} + \varepsilon_{it}$$

Using the SPSS statistical program, the results were as follows- :

Table (7) Summary of Hypothesis Test Form

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.133 ^a	.018	.014	.998
a. Predictors: (Constant), FCF				
b. Dependent Variable: FV				

The table above shows the model summary above that the correlation value ((R) between the variables amounted to 0.133, and the coefficient of determination R Square was 0.018, and the standard deviation of the estimation error Std. Error of the Estimate was 998.0 and the lower this type of error, the better Statistically speaking.

Table (8) Hypothesis Test Variance

ANOVA						
Model		Sum Squares	Df	Mean Square	F	Sig.
1	Regression	4.816	1	4.816	4.827	.029
	Residual	267.373	268	.998		
	Total	272.189	269			

The table above shows the variance above anova that the calculated F value is 4.827, which is greater than its tabular value calculated according to the degrees of freedom df (268.1), which is 3.84 at the level of significance of 5%, and that the level of significance of the test Sig amounted to 0.029, which

is less than the value of the accepted error in the social sciences The predetermined value of 0.05, which indicates the appropriateness of the statistical model used in the hypothesis test.

Table (9) Regression function coefficients for the hypothesis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.015	.061		.243	.808
	FCF	.134	.061	.133	2.197	.029

The most important thing shown in the above table is that the slope value of the regression equation amounted to 0.134, which shows the effect of the independent variable on the dependent variable (by parameter B), and the positive value of the coefficient indicates that there is a direct effect between the independent and dependent variables, or in other words that any increase in the independent variable (the flow Free cash) by one degree leads to an increase of 13.4% in the dependent variable (the value of the company) with the stability of all other independent variables and that the level of T-statistics morale reached 0.029, which is less than 0.05. .

Conclusions

- 1- Free cash flow is a positive indicator that the company is able to meet its financial obligations. The free cash flow also allows the company to increase dividends to shareholders, develop new products and repurchase shares, which will have positive effects in raising the value of the company.
- 2- Free cash flow is one of the important indicators that investors and financial analysts rely on in evaluating companies' performance because it gives a clearer picture of the company's ability to make profits.
- 3- The presence of free cash flow in the company allows the company to pursue investment opportunities that guarantee the wealth of shareholders and the value of the company.
- 4- Investment decisions for companies One of the most basic decisions and important factors that determine the value of a company, investment decisions are efficient when they improve the value of the company and inefficient when there is either an increase in investment or a decrease in investment and reduce the value of the company.
- 5- Inefficiency in the use of free cash flow leads to the creation of the agency problem because managers tend to use free cash flow to achieve their own benefits at the expense of shareholders' interests, which would reduce the value of the company.
- 6- There are a number of factors that help in enhancing the value of the company, including the level of adoption of social issues, the amount of attention to intellectual capital, the quality of accounting information disclosure, the focus on research and development, as well as the extent to which the International Financial Reporting Standards (IFRS) has been adopted.
- 7- There is a statistically significant effect of free cash flow on the company's value for Iraqi companies, the research sample, which is consistent with the results of a study, and it is consistent with the results of each of the studies (Al-Sahliyat, 2016.)

Recommendations

- 1- Increased interest in the concept of free cash flow (FCF) by companies listed on the Iraqi Stock Exchange, as it is one of the modern and important measures of the financial performance of companies and an important tool for evaluation. Therefore, it is important to mention it in the published financial reports as other indicators.
- 2- The necessity for companies listed in the Iraq Stock Exchange to monitor the level of free cash flow (FCF) because of its impact on the performance and value of the company.
- 3- The Companies Control Board's evaluation of management decisions regarding free cash flow due to its importance in raising the value of the company.
- 4- The necessity for companies listed on the Iraqi Stock Exchange to provide sufficient information about the free cash flow (FCF) and optional disclosure about it because this disclosure provides important information for all parties that have interests and objectives linked to the company, and helps them in making investment decisions related to the company.
- 5- Studying and analyzing the financial data for making investment decisions in detail and following the methods of evaluating investment projects to prevent wrong investment decisions (suboptimal) that result in huge irreversible losses.
- 6- Since the issue of the impact of free cash flow on the efficiency of investment decisions and their reflection on the value of the company needs more research and study, the researcher recommends, in this context, to conduct other specialized research that takes into account the following:
 - A. The impact of free cash flow and the efficiency of investment decisions on the continuity of the company.
 - B. B - The impact of free cash flow on the financial policies of companies.
 - C. c- Free cash flow and profit management.

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