



## **THE ROLE OF FOREIGN INDIRECT INVESTMENT IN THE DEVELOPMENT OF IRAQ'S SECURITIES MARKET FOR A WHILE (2009–2021)**

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<b>A B S T R A C T</b>	<b>KEY WORDS</b>
<p>The purpose of the research is to identify the role of foreign indirect investment in the development and strengthening of Iraq ' 's stock market because of its importance in supporting the economy and achieving economic development in developing countries, particularly in developing countries. To achieve the objective of the research, the special indicators of non-Iraqi (rolled shares and value traded) were analysed through the analysis of the traded stock and purchases as well as the value sold and purchases of non-Iraqi stock traded for non-Iraqi stock market for the period 2009 (2021). The searcher adopted the method of analysis of study data. The research came up with important findings: the proportion of the contribution of purchased and sold stock traded in Iraq's stock market during the period of study fell significantly, from the last year of study (12.44%) in 2021 to the last year of study, after it was 37.26% in 2009, at the beginning of the study.</p>	<p>Foreign Indirect Investment, Iraq's Securities Market.</p>

### **Introduction**

Most countries are seeking to attract foreign investment to their domestic economies, particularly developing countries. This is because of the shortage of domestic funds and the inadequacy of them to cover the financing needs of economic development operations. Countries have begun to seek an alternative external source of development that represents, inter alia, foreign investment and foreign loans. As a result of the risk that loans may entail, they have sought to attract foreign investment in both direct and indirect terms as an engine of economic growth that contributes to increasing the productive capacity of the country's economy, as well as the desire of the foreign investor and his permanent endeavour to exploit the investment opportunities available in most relatively cheap countries that do not exist in other countries. Given the wide scope for the study of foreign investment, and its importance in the attractive economies of developing

countries, it is important to recognize the role of foreign indirect investment in stimulating the stock market.

**The first one.**

**Structure of research and some previous studies**

**Axis one: the structure of the research.**

**First: the importance of research:**

Although the subject of foreign indirect investment is relatively old, it is constantly renewed, since it has become important in most countries of the world, particularly developing countries, to achieve their development goals, by contributing to Iraq's stock market by analysing its contribution to financial market indicators.

**II. THE PROBLEM OF LOOKING**

The main problem of research is the question:

- Is there a role for foreign indirect investment in the development of Iraq's securities market?

**III. Objective of the research**

Identification of the characteristics of foreign indirect investment and its role in developing and strengthening Iraq's stock market through analysis of the current shares sold, the value sold and the current shares purchased and the value purchased for the duration (2009 – 2021)

**IV. THE PSYCHOLOGY OF THE RESEARCH**

The theory of research is:

There is no role for foreign indirect investment in the development of Iraq's stock market.

**V: Search boundaries**

Time limits: Duration (2009/ 2021).

- Spatial boundaries: Iraq Stock Exchange for 2009 (2021) .

**Axis II: Previous studies**

**Iraqi studies**

1. The Hussein, Kazem study (2012): Measuring the impact of FDI on some macroeconomic variables in developing countries (India is a study case). The study aimed to measure the impact of FDI flows on some quantitative economic variables in developing countries (India as a model). The research into the 1990s and the beginning of the new millennium was concerned with its distinctive economic reform policies in most countries, including India, and the accompanying inflows of direct and indirect investment. The researcher adopted the descriptive approach and standard analytical methodology. The study showed a piecemeal relationship between FDI and many economic variables in India, such as gross domestic product (GDP) and cash supply in narrow terms, savings, price levels and private consumption. The study recommends that the private sector be given a leading role in economic activity by completing the

implementation of privatization programmes in India, taking into account a high degree of transparency in the programme in terms of prices and sales timing.

**2- Study dr. Mohamed, Hassan (2022):** The impact of FDI on equity values by mediating the financing structure is an analytical study in Iraq's securities market, and the objective of the research is to determine the level of impact of foreign indirect investment on firms of the research sample in terms of market value, real value of equity and financing structure. The study concluded that the foreign indirect investment turnover rate would have a positive impact on the value of equity in the financial market and the financing structure of the research sample companies, which would maximize the market value of the stock and make it more stable in the financial market and thus reduce the volatility of equity returns, which would reduce the risk of equity, which would have an impact on the lowering of the required rate of return, which would represent the cost of proprietary financing. This would result in lowering the total cost of corporate finance and would result in maximizing the value of the company. The study recommends that the government should provide a favourable climate for foreign indirect investment. The stable economic and political situation is one of the most important factors affecting attracting foreign investors and supporting investment decisions in the host country.

## **Arab studies**

1 - The purpose of the study was to identify the implications of foreign investment in the Egyptian stock market as an emerging market. The study community was Egypt's stock market 2004 - 2007. The researcher adopted the analytical approach. The study concluded that the importance of foreign indirect investment has emerged through its positive impact on economic growth. It also increases the liquidity of emerging stock markets and helps them to develop their efficiency, making them deeper and wider. The study recommends structural reforms to reduce the risks of changes that could undermine investors' confidence in financial or economic problems.

**2. Plaque Study, Bazor (2012):** Indirect foreign investment (FDI) and its role in the operationalization of the stock market. The objective of the study is to respond to the advantages of foreign indirect investment in attractive States and to the extent that such investment contributes to the activation and growth of the stock market. The researcher adopted the descriptive approach. The study concludes that, since capital flows in stock markets have not tended to increase capital and to finance the expansion of enterprise activity and raise the rate of investment, the expected effects of such flows will mainly be diverted to raise the value of domestic currency. The study recommends the need for careful financial control over capital flows by examining foreign investors' behaviour within emerging markets to develop appropriate policies towards such behaviour and market stability.

### **Foreign studies**

#### **SAMEH (2018): The Impact of Foreign Indirect Investment in the Primary Market, Evidence on Amman Stock Exchange**

The purpose of this research is to show the independent variables measured, i.e. net indirect foreign investment, national deposits in Jordanian banks, government public debt, gross domestic product (GDP), and offer money (M2) to the new publications of companies listed on the Amman Stock Exchange during the period covered by the research (2005-2016). This analysis is necessary to determine the overall impact of all independent variables on the dependent variable. A simple regression analysis was used. Financial data were collected through the Amman Stock Exchange website and reports issued by the Jordanian Central Bank. The study found that there was a moral impact at the level of 0.10 for all independent study variables: foreign direct investment, domestic government debt, gross domestic product (GDP) and cash supply (M2 on new issuances in primary markets). The results of this study are very important for Jordanian state decision-makers, highlighting the importance of each of the study variables in expanding the list or investing in new projects because of the importance of these enterprises in increasing the economy, the growth and employment of economic resources have been halted.

#### **Axis 3: What distinguishes this study from previous studies**

These studies have served to strengthen the theoretical aspect of research by showing the role of foreign indirect investment in the operationalization of the stock market. Another study has shown the impact of foreign indirect investment on certain economic variables. Our current study has the advantage of demonstrating the role of foreign indirect investment in the development of Iraq's stock market, in particular by analysing the data of indicators (rolled shares and traded value) sold and purchased for non-Iraqi and for the period 2009 - 2021.

### **The second one**

#### **Foreign indirect investment in the stock market**

##### **Axis 1: Foreign Indirect Investment**

##### **1. The concept of foreign indirect investment:**

Foreign investment refers to investment outside the national borders of investors, whether an individual, an enterprise or a company in various areas of financial or real investment. It has become one of the most important features of the investment environment, as a result of economic globalization, deregulation and the facilitation of the movement of capital and goods. There has been an overlap between States in international investment. Foreign investment flows to developed countries are mostly due to weak and failed investments in developing countries. Foreign investment has two types: foreign direct investment and foreign indirect investment.

**Indirect foreign investment is defined as that investment**, which is in the form of loans from foreign agencies, individuals, or companies, or in the form of writing in shares and bonds issued by the polarized or capital attraction, or in its companies or public bodies,

with the foreign investor not having the right to administer and control the company. (Samra, 2006, p. 66)

**It is also :** known that foreign investors own part or all of the investment in the projects in question and have the right to participate in the organization and management. This is one of their powers, which they obtain from their absolute ownership of the investment project. Financial employment takes the form of financial assets such as securities, including bonds and shares. It may also extend to loans of all kinds in States attracting investment. The intention is speculation. (Beautiful, 2002)

**Indirect foreign investment can be defined as** foreign investors' participation in or ownership of investment projects within the country that are attractive to investment, have the right to participate in regulation and management, and can transfer expertise, competence and technology to the country in which they are located. There are several forms of FDI, including: (key delivery projects, licensing contracts (concession), management contracts, manufacturing contracts, production/concession contracts and international manufacturing and subcontracting, agency contracts).

## 2. The importance of foreign indirect investment

As it reflects the globalization of financial markets, FDI continues to grow, so it is of great importance because of its positive effects and benefits, especially in host countries, such as:

- a-** FDI has benefits for the real sector of the economy and can be a source of foreign investment, especially for developing countries with low capital. (Ahmed, 2013, p. 34).
- b.** Foreign investment in securities increases market liquidity and helps it to develop efficiency, and also makes it deeper and wider. (Latifi Mr., 2006, p. 34)
- v.** Countries in the process of growth have access to global capital in the form of indirect and direct investment flows as a reason for significantly reducing the cost of project financing. (Amira Khamallah, 2005, p. 47)
- c.** Foreign participation in the domestic capital market will encourage the development of reporting systems and accounting rules and a higher level of disclosure of performance information to companies, as a result of the foreign investor's request, particularly the institutional investor, that there be an advanced level of regulatory rules and procedures for dealing and disclosure, which will increase the level of growth and efficiency of emerging markets (Amira, God forbid, 2005, p. 47)
- d.** Indirect foreign investment enables discipline and experience in the domestic capital market. An investor has more incentives to allocate and spend resources in the search for new investment opportunities. In turn, it encourages competition among many firms for finance. This in turn helps to upgrade and develop the domestic economy. It increases the efficiency of the domestic market by reaching out to foreign financial institutions with advanced financial technology that have an impact on attracting more flows and increasing knowledge of those markets, which in turn encourages foreign investment. (Thanks, 2004, p.228)

j. Directing foreign investments to domestic stock markets means the movement of capital to that country, one of the advantages of which is that it increases the demand for currency in the markets and leads to an increase in the supply and subsequent decline in the prices of capital-earners (this means a rise in the local currency when compared to its foreign exchange value).

#### **Axis two : paper markets**

##### **First : the concept of a stock market.**

**There are many different definitions of financial markets, including:**

- **Stock Exchange:** This term is called the market that has been allocated to the sale and purchase of securities through investment institutions represented by intermediaries, investment banks and brokers, and which carries out and completes exchange transactions for such securities. (Badger , others, 1969, P 53)

It is also known as the system by which both sellers and buyers collect a specific financial asset or type of paper, and investors can sell and buy several shares and bonds within this market, through operating companies or brokers working in such areas, but the presence at the central stock market headquarters has become less important because of the growth and development of modern communications and the emergence of different communication networks that allow brokering companies in different countries to operate from outside the market.(L.Rousscau and Wachtel, 2005,2).

It is a framework through which savings units willing to invest are combined with disability units in need of such funds to reinvest them through market-based and specialized groups and effective means of communication are required. (Callee et al. 2016:180)

**It can be defined:** It is a market for the sale and purchase of securities, in which types of securities, stocks, and bonds are traded and invested.

#### **II. Functions of financial markets:**

There are several functions, including: (Greas, 1999: 43-46).

- An investor's stock market is necessary for the investor to recover its savings, as the market collects funds and encourages savings.
- The market should take into account the determination of an appropriate price for papers.
- Avoid violent and powerful price changes.

The market offers diverse investment opportunities with varying risks.

#### **III: Characteristics of financial markets:**

The most prominent characteristics are Al-Hasnawi, 2017:34.

- **Operational efficiency:** The ability of the financial market to transfer resources and funds to those in need at a lower cost than known transactions.
- **Efficient allocation of resources:** The core function of the financial market is how to transfer and transfer surplus funds from those who have surplus to those who need it.
- **Liquidity provision:** The market is the only investor that can sell paper and convert it into cash.



Provides information and responds immediately to new events: The market is a very important source of information on the investments being traded.

#### **IV. The role and importance of the stock market in economic development**

The role and importance of markets in economic development can be explained by the following:

a) It affects the national economy, being an unlimited tool and its effect in different areas and aspects of economic activity. (Hosseini, 1999, 20)

b.) The financial market plays a key role in the implementation of the monetary policy of the State. (Appleyard et al., 2005, 503)

The markets provide an effective balance between supply and demand forces and provide full freedom for exchanges and transactions. (Townsend and Ueda, 2003) It attracts unfilled surplus and capital capital in the national economy converts it from inactive money to working money and plays an active role in the country's economic cycle. (Ray, 2002, 14 ).

(c) Stock exchanges provide real resources to finance projects by offering shares or bonds or reselling them on the market. (Levine, 2004, 23)

It is a key instrument that promotes economic development in the country, including utilization, acquisition, and appropriate investment returns, and ownership. (Alfaro, et.al., 2002, 19).

The effectiveness of markets makes them more capable of achieving their goals and mission to consolidate and support the economic stability of nations through their own. (Andritzky, 2007, 28)

(Providing a vital motivation and incentive to the public of investors to achieve a fair price and to protect all parties in exchange, and providing and recycling a quantity of money to achieve necessary liquidity for society, raising public awareness of investors, and raising the level of production in the economy.

#### **V: Papers in circulation on the stock market**

Many of the securities traded in the financial market are issued by banks, including bonds and shares, which are an instrument that establishes the investor's right to a particular asset and can be considered as a document of ownership or debt that indicates the investor's rights. (Hanafi, 2003, 24)

"Instruments or documents proving the owner's right to ownership of part of the net assets or assets of the company, and the profit resulting from its investment such as shares or the right to a debt on the company that is the exporter of the paper such as bonds or the return right such as incorporation shares or that are marketable in the capital market such as equity and bonds" (Preware, 2002, 29)

The securities traded in the financial market (Indian, 1993, p. 275), (equity, bonds, hybrid securities and derivatives) can be classified and briefly explained: the shareholder is a partner in the stock company and has the right to claim his share of the profits and also to bear the loss in case of loss.

1. **Shares:** "Shares are among the most common securities used by investors on the stock market and are a title document representing a portion or share of the capital of a company, issued by public equity companies to form its capital, with a single nominal value." (Craja et al., 2002, 89)
2. **Bonds:** a long-term debt instrument issued by the Government or company, in the form of a contract and by this contract, the borrower (the source of the bond) accepts to pay the value of the bond with interest due at a specified time to the holder of the bond, with a due date and certain nominal values of the bond at a specified rate of interest. (Zarari and Vagina, 2001: 160-161)
3. **Derivatives:** Financial instruments that do not have subjective values but are derived from the values of the assets or other financial instruments to which they relate, defined by the International Monetary Fund (IMF) as contracts whose value depends on the price of the financial assets under contract but which do not require or require investment in the principal of the assets. In the future, derivatives are settled and their values depend on the origin of the contract from which they are derived, do not require an initial investment or a small initial amount in comparison with the value of the contract, and may end with a monetary settlement without transfer of ownership of the asset. (Hasnawi, 2017: 105-110)
4. **Hybrid securities:** securities whose characteristics are close to bonds and shares, or which belong to one of the two groups, are either shares or bonds but bear some of the characteristics of the other group and are classified as (priority shares in profits, investment certificates, equity bonds).

## VI. THE IRAQ SECURITY MARKET

### • Market Formation

The Iraqi Stock Exchange was established by Act No. 74 of 2004 as a private legal personality and is a non-profit organization that is administratively and financially independent and that operates based on its objectives as set out in section 2 of Act No. 74 of 2004, published in Iraqi facts, No. 3983 of June 2004, No. 62 of 2004. His duties and duties are derived from his legal objectives and are subject to the control of the Iraqi Securities Commission.

### • The objectives of Iraq's securities market

According to section 2 of Act No. 74 of 2004, the purpose of the Iraqi Stock Exchange is to carry out the following tasks and objectives (Iraq Stock Exchange, 2021).

1. Organization and training of members and companies on the market
2. Promotes the interests of investors in a free, secure, efficient, competitive and transparent market.
3. Organizes and simplifies effective, fair and regular transactions of securities, including clearing and settlement of such transactions.
4. Regulates the transactions of members in all matters relating to the sale and purchase of securities and defines the rights and obligations of the parties and the means of protecting their legitimate interests.



5. To develop Iraq's financial market to serve the Iraqi national economy and to help companies build their investment capital.
6. To sensitize Iraqi and non-Iraqi investors on market investment opportunities.
7. It collects, analyses and disseminates statistics on the information needed to achieve the stated goals.
8. World markets and markets in the Arab world must be approached to develop the market.
9. Undertake other necessary activities and services in support of its objectives.

### Researcher three

Analysis of the role of foreign indirect investment in Iraq's securities market. In this research, the role of foreign indirect investment in Iraq's long-term securities market will be analysed. ( 2009 – 2021 )

#### 1. Analysis of current purchased stock and value purchased by non-Iraqi for the duration (2009 -2021 )

**Table ( 1 ) Non-Iraqi purchasing stock and value traded**

Purchases in progress (million dinars)	arrows in circulation (million shares)	Year
105710	46107	2009
62888	36689	2010
176499	82723	2011
54048	28476	2012
1149809	100249	2013
112548	76575	2014
73203	72204	2015
53832	74919	2016
62077	80004	2017
52632	28594	2018
20979	30585	2019
33202	40015	2020
49669	52119	2021

**Source/researcher's work based on annual Iraqi Stock Exchange Bulletins for Duration (2009-2021)**

We notice from Table (1) a clear fluctuation, up and down, during the study period, as the number of shares purchased and traded by non-Iraqis reached (46,107) million shares and the value of purchases traded reached (105,710) million dinars in 2009. Then the number of shares purchased and traded by non-Iraqis decreased, reaching (36,689) million shares and the value of traded purchases amounted to (62,888) million dinars in 2010. The reason for the decline was due to the security and political situation in the country. Then the number of shares purchased by non-Iraqis increased, reaching (82,723) million shares, and the value of traded purchases amounted to (176,499) million dinars in 2011, the reason for the increase was the improvement of the security situation in the country. Then the number of purchased shares decreased significantly, reaching (28,476) million shares and the

value of purchased shares in circulation amounted to (54,048) million dinars in 2012. After that, the number of purchased shares increased significantly, reaching (100,249) million shares and the value. Traded purchases amounted to (1,149,809) million dinars in 2013 due to the improvement in the political and economic situation in the country. Then the number of purchased shares decreased, reaching (76,575) million shares and the value of traded purchases amounted to (112,548) million dinars in 2014, and the number of purchased shares decreased further, reaching (( 72,204 (million) shares and the value of traded purchases amounted to (73,203) million dinars in the year 2015. The reason for the decline is due to the poor security and political situation and the entry of ISIS into Iraq, which hurt the economic situation. Then the number of purchased shares reached (74,919) million shares and the value of traded purchases ( 53,832 million dinars in 2016, then the number of purchased shares increased to (80,004) million shares and the value of purchased traded shares to (62,077) million dinars in 2017. The reason for the increase is due to the improvement of the security situation in the country, then it decreased again and the number of purchased shares reached (28,594). (1 million shares and the value of traded purchases was (52,632) million dinars in 2018, then the number of purchased shares reached (30,585) million shares, and the value of traded purchases reached (20,979) million dinars in 2019, then the number of purchased shares increased and reached (40,015) million shares and the value Traded purchases amounted to (33,202) million dinars in 2020, and continued to rise, as the number of purchased shares reached (52,119) million shares and the value of traded purchases reached (49,669) million dinars in 2021. The reason for the increase is due to the improvement of the country's political and economic conditions.

## 2. Analysis of the shares sold in circulation and the current value of the shares sold to non-Iraqi for the duration(2009-2021)

**Table ( 2 ) Sold stock in circulation and the value in circulation of non-Iraqi stock in sale**

Current value of equity sold (million dinars)	Sold stock traded (million shares)	Year
82262	32619	2009
8320	5850	2010
48848	18723	2011
56085	36086	2012
169654	40554	2013
82483	56291	2014
113502	182287	2015
38126	59414	2016
46569	45832	2017
34457	41190	2018
35017	36866	2019
27650	39834	2020
49244	60845	2021

**Source/researcher's work based on annual Iraqi Stock Exchange Bulletins for Duration (2009-2021)**

We note from Table 2 that there has been a marked increase and decline in the duration of the study of each of the traded shares sold and the value sold. The number of sold shares sold to non-Iraqi was 32619 million. The value sold to non-Iraqi was 8262 million dinars in 2009. The number of sold shares sold to non-Iraqis decreased to 5850 million. The value sold to non-Iraqi was 8319 million dinars in 2010. The reason for the decline is the deteriorating security and political situation in the country. The number sold to non-Iraqi shares increased to 18723 million and the value sold to be sold to 48848 million dinars in 2011. The increase is due to the improvement in the country's security situation. The number of sold shares continued to rise to 36086 million and the value sold to be sold to 56085 million dinars in 2012, The number of shares sold continued to rise, reaching 40553 million and the value sold in 2013 to 169655 million dinars, owing to the improvement in the political and economic situation in the country. The number of shares sold to 56291 million and the value sold to 82483 million dinars in 2014, owing to the significant decline in the value sold owing to the poor security conditions in the country and the entry of ISIS terrorist gangs. The number of shares sold increased to 182287 million and the value sold to 182287 million. The trend was 113502 million dinars in 2015 owing to an improvement in the security and political situation, which has a positive impact on the economic situation. It then declined, bringing the number of shares sold to 5914 million and the value sold in 2016 to 38126 million dinars; The number of shares sold fell to \$45833 million, and the value sold rose to 46569 million dinars in 2017, the number sold and the value sold to 34457 million dinars in 2018, the number sold to 36866 million dinars, the value sold to 35016 million dinars in 2019, the number sold to 39834 million dinars, the value sold to 27650 million dinars in 2020, the number sold to 60845 million dinars, and the value sold to 49,244 million dinars in 2021. This increase is due to improvements in the country and the security, political and economic conditions.

### 3. Share of shares purchased and sold on Iraq ' s long-term securities market ( 2009-2021 )

**Table ( 3 ) Table showing the proportion of shares purchased and sold on the Iraqi Stock Exchange**

Percentage (%) 1 / 2	Number of market shares 2	Shares purchased and sold 1	Year	Serial
37.26	211291	78726	2009	1
16.64	255660	42539	2010	2
20.6	492372	101446	2011	3
10.32	625640	64562	2012	4
16.16	871182	140803	2013	5
17.86	743852	132866	2014	6
43.91	579640	254491	2015	7
12.94	1038230	134323	2016	8
10.36	1215082	125836	2017	9
8.38	832631	69784	2018	10
14.66	460097	67451	2019	11
19.80	403316	79849	2020	12
12.14	930597	112964	2021	13

**Source / researcher ' s work based on annual Iraqi Stock Exchange Bulletins for Duration (2009-2021)**

We note from Table 3 that the contribution ratio varied throughout the school, as it was 37.26 per cent in 2009, and then it fell to 16.64% in 2010, after which it increased to

20.6% in 2011, The percentage declined to 10.32 per cent in 2012, owing to the country's precarious security and economic situation, which increased to 16.16 per cent in 2013, and to 17.86 per cent in 2014, which rose to 43.91 per cent in 2015, The percentage fell significantly to 12.94% in 2016 due to poor security conditions in the country and the entry of ISIL terrorist gangs, which affected the economic and investment situation in the country and continued to decline to 10.36% in 2017, In 2018, the proportion rose slightly to 14.66% in 2019, and it continued to rise to 19.80% in 2020. The percentage declined to 12.14% in 2021 due to the global crisis and the emergence of the Corona epidemic, which affected the economic situation in the country and the world.

#### 4. Proportion of value contribution purchased and sold on Iraq ' s long-term securities market (2009-2021)

**Table ( 4 ) able showing the percentage contribution of value purchased and sold on Iraq's securities market**

% Percentage 2 / 1	Market trading volume 2	Value purchased and sold 1	Year	Serial
45.63	411928	187972	2009	1
17.78	400360	71208	2010	2
23.94	941198	225347	2011	3
12.32	893825	110133	2012	4
46.46	2840220	1319463	2013	5
21.71	898316	195031	2014	6
37.71	495112	186705	2015	7
15.12	608126	91958	2016	8
12.07	900154	108646	2017	9
18.67	466477	87089	2018	10
19.65	284914	55996	2019	11
18.42	330385	60852	2020	12
12.17	812699	98913	2021	13

**Source/researcher ' s work based on Iraq Stock Exchange ' s annual bulletin data for duration (2009-2021 )**

We note from Table 4 that the share of the contribution to FDI varied over the school term, which was 45.63 per cent in 2009, down to 17.78 per cent in 2010, up slightly to 23.94 per cent in 2011, down to 12.32 per cent in 2012, and up significantly to 46.46 per cent in 2013, owing to improved security and economic conditions in the country and new market investments, The percentage declined to 21.71% in 2014, after which it rose to 37.71% in 2015 and then fell to 15.12% in 2016, due to poor conditions in the country and the entry of ISIS terrorist gangs, which had a clear negative impact on the country's economic situation and foreign investment movement, and declined further to 12.07% in 2017, The share of foreign indirect investment in the market was reduced by the outbreak of the Corona epidemic, which affected the economic situation in the country and the world. The decline was 12.17 per cent in 2021.

## Conclusions

1. The stock market is one of the important channels for the accumulation, management and channelling of wealth. It is one of the most important financial institutions to influence the economies of States upwards or downwards. It serves as a mirror reflecting the real economic situation of States, an effective indicator of achievement and the expected quality of performance of companies listed in these markets.
2. From the above study, unless capital flows on the stock market tend to be co-located in capital increases and finance the expansion of project activity and the raising of foreign indirect investment rates and its role in the operationalization of the stock market, the expected impact of such flows will be primarily on the appreciation of the local currency (including negative effects on the competitive status of non-oil exports) and not on the payment of economic growth rates.
3. FDI contributes to many benefits for developing countries, particularly developing countries, including its role in the development and revitalization of stock markets.
4. We note that the share of stock purchased and sold on Iraq's stock market during the duration of the study has declined from 37.26 per cent in 2009 at the beginning of the study to 12.14 per cent in 2021.
5. We note that the share of the value purchased and sold on Iraq's stock market fell significantly during the period of study, reaching 12.17 per cent in 2021 from 45.63 per cent in 2009 at the beginning of the study.
6. Short-term FDI results in instability in the economy of its host States, owing to the likelihood that the foreign investor will make a sudden decision to leave these countries.
7. FDI is an important and modern financial resource for the creation of new enterprises or the expansion of existing ones without resorting to the involvement of foreign investors in enterprise management, and its concept at the macro level is not limited to the portfolio but has many channels through which foreign capital can flow.

## Recommendations

- Structural reforms are needed to reduce the risk of changes that undermine investor confidence when financial or economic problems exist.
- Development and modernization of the data and information disclosure and transparency system. This aspect is being pursued by many Arab States. We can see a decline in the number of companies listed in their markets as a result of their non-compliance with disclosure standards.
- Policies and constraints that control demand for foreign (short-term) capital must be put in place to limit their flow in a manner that causes damage to the host State's economy.
- Long-term investment in securities should be encouraged through certain incentives for investors, such as tax incentives for those who hold their shares for a certain period, as well as free equity grants, etc.
- The appropriate investment climate must be provided. The appropriate economic, political and social status of investment is one of the most important factors influencing an investor's decision to invest its funds in the host country.

- The personnel of companies involved in securities must be developed and trained by opening training courses and subjecting these workers to tests before they are allowed to work in the field.
- Investment awareness of individuals must be developed through the establishment of companies specializing in the provision of investment advice and advice, as well as advertising through the media to clarify investments in the stock market.

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