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Analysis of Factors Affecting the Performance of the Iraq Stock Exchange: A Study for the Period (2004-2023) with a Focus on Government Policies, Oil Prices, and Security and Political Stability

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ABSTRACT:

This study investigates the factors influencing the performance of the Iraq Stock Exchange from 2004 to 2023, focusing on government policies, oil prices, security and political stability, global events, and technological development. The study follows a sequence of tests to understand these factors' impact on market performance.

The first step involves the Phillips-Perron test, which indicates that most variables become stationary after the first difference, with security and political stability stationary at the level, while technological development requires further analysis. Next, the cointegration test confirms a long-term relationship between government policies, oil prices, security and political stability, and global events with the ISX, while technological development does not exhibit cointegration. Regression analysis reveals that government financial policies and oil prices negatively impact market performance, highlighting Iraq's reliance on oil exports. Security and political stability further reduce investor confidence, while global events contribute to market uncertainty. Technological development does not significantly affect market performance.

The independent variables explain 87% of the variation in market performance, confirming the model's robustness. The findings suggest that while government policies, oil prices, and political instability negatively affect the market, technological development holds potential for improvement. These insights offer valuable guidance for policymakers and investors aiming to enhance the dynamics of the ISX.

Keywords: Stock Market, Performance Analysis, Market Indicators, Market Capitalization, Trading Volume, Economic Policies, Fiscal Policies, Investment.

1 INTRODUCTION

Stock markets serve as essential pillars of modern economies, offering a vital platform for trading stocks and securities while fostering both domestic and foreign investment flows. This study seeks to evaluate the performance of the Iraq Stock Exchange by examining key indicators, market capitalization, and trading volume. The Iraqi financial markets encounter various challenges, including economic and political fluctuations that influence investor confidence and market stability. Gaining a deep understanding of these challenges and assessing market performance are crucial steps toward formulating effective policies that enhance market efficiency and attract investors. This research provides a comprehensive analysis of the Iraq Stock Exchange's performance, equipping policymakers with data-driven insights to develop informed and strategic economic policies.

The Iraq Stock Exchange faces significant challenges that impact its performance, primarily political and economic instability, along with an ineffective regulatory framework. These factors weaken investor confidence, disrupt market efficiency, and hinder the ability to attract investments, leading to increased market volatility. This study seeks to examine the key factors influencing market performance, particularly government policies, oil prices, and security and political

stability. By analyzing these elements, the research aims to provide strategic recommendations to enhance market efficiency, strengthen investor confidence, and create a more stable and attractive investment environment.

The significance of this study lies in analyzing the key factors influencing the performance of the Iraq Stock Exchange (ISX) from (2004) to (2023), with a particular focus on government policies, oil prices, and security and political stability. Understanding these factors helps in identifying the challenges facing the ISX, such as economic fluctuations, political instability, and lack of transparency, while also uncovering opportunities for market development.

By examining these influences, the study provides valuable insights for improving market efficiency, transparency, and investor confidence, which can help attract both local and international investments. Additionally, the research serves as a knowledge base for policymakers, enabling them to formulate informed strategies that enhance market stability and resilience. Strengthening the ISX's performance contributes to broader economic stability and supports sustainable growth in Iraq.

Furthermore, the study's findings play a crucial role in developing effective financial policies and long-term strategies to enhance market operations and liquidity. A deeper understanding of market trends and dynamics can help improve investment conditions and foster a more attractive financial environment. Ultimately, this research contributes to enhancing the overall economic progress of Iraq by supporting a more stable and efficient stock market.

The primary objective of this research is to analyze the performance of the Iraq Stock Exchange by examining market indicators, market capitalization, and trading volume. The study aims to: First, identify the challenges facing the market and the key factors affecting its performance. Second, provide practical recommendations to enhance market efficiency and attractiveness to investors. Third, conduct a deeper analysis of market indicators, market capitalization, and trading volume to understand their trends and influencing factors. Fourth, identify available opportunities in the market and explore optimal ways to utilize them. Fifth, present a comprehensive and clear perspective on the Iraq Stock Exchange's performance, highlighting both challenges and opportunities. Lastly, support economic and financial policy development by offering data-driven recommendations to improve market efficiency and attract investors in the future.

2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK:

2.1 LITERATURE REVIEW

The study of factors affecting the stock market's performance in Iraq is an important topic in financial economics, as this market plays a significant role in enhancing investment and economic development in the country. Between 2004 and 2023, various studies have addressed this topic, focusing on several key factors such as government policies, oil prices, and security and political stability. Within this context, a group of studies have attempted to analyze the impact of these factors on the performance of the Iraqi market and investment trends.

For example, Asaad [1] discussed the impact of oil exports and political issues on the performance of the stock market in Iraq. The study results showed that fluctuations in oil revenues significantly affect the market, with a decline in oil prices leading to sharp fluctuations in market performance. Furthermore, political issues such as internal unrest and conflicts reduce investor confidence in the market [1]. The study by Bazzhar [2] examined the impact of economic variables such as inflation and economic growth on market performance. The results showed that inflation poses a major challenge to investors, leading to decreased purchasing power and increased investment risks, while economic growth is seen as a positive factor that enhances market stability [2].

Another study by Ismail and Younis [3] investigated the relationship between exchange rate changes and trading volume in the Iraq Stock Exchange. The study found that continuous fluctuations in the Iraqi dinar exchange rate directly affect investors' decisions, leading to increased volatility in trading volume [3]. In addition, Mohammed [4] studied the impact of monetary policies such as interest rates on the performance of the stock market in Iraq. The study found that central bank decisions regarding interest rates significantly affect market liquidity, as higher interest rates reduce investment activity due to increased financing costs [4]. The impact of global crises was also addressed by Najm [5], who showed that the Iraq Stock Exchange was significantly affected by global economic crises such as the global financial crisis and the COVID-19 pandemic, leading to capital flight and stock price declines [5]. Ghaleb [6], found that political stability has a major impact on the market, where market attractiveness for local and foreign investments increases during periods of political stability, while the market experiences volatility during political crises [6]. Abdullah and Fatah [7] discussed the impact of the COVID-19 pandemic on capital gains in global financial markets. The study showed that the pandemic caused a significant decline in stock prices and increased financial instability in many markets, including the Iraqi stock market [7].

Another study by Akaplir and Abdullah [8], examined the impact of adopting international financial reporting standards (IFRS) on stock markets in Germany and Poland. The results indicated that the implementation of these standards helps improve transparency and accountability in financial markets, contributing to increased investor confidence and improved performance in other financial markets [8]. Hassan [9] examined the factors affecting the stability of the Iraqi stock

market, showing that political and economic stability are crucial factors in attracting investments. Sound economic policies were also found to help enhance market stability and attract both local and international investors [9].

Ali examined the impact of oil prices on the Iraq Stock Exchange. The study found that oil price fluctuations indirectly affect the Iraqi market, as a decrease in oil prices leads to a reduction in government revenues and a subsequent decrease in public spending, which reduces market investments [10]. Shahab [11], examined the impact of financial stability on the performance of the stock market in Iraq. The study results indicated that internal financial factors, such as budget deficits and government debt, significantly affect market stability. Financial stability enhances investor confidence and increases investment volume [11]. Ali [12], studied the impact of fluctuations in the US dollar exchange rate on trading activity in the Iraq Stock Exchange. The study found that an increase in the value of the US dollar reduces foreign investments in the Iraqi market due to higher import costs, thus reducing trading activity [12].

Nazar [13] studied the impact of security events in Iraq on the performance of the stock market. The results showed that the spread of violence and armed conflicts reduces market stability and investor confidence, while security stability helps restore confidence, thus enhancing investment activity in the market [13]. Emad [14], discussed the impact of transparency in financial reporting on the performance of the stock market in Iraq. The study results indicated that companies that adhere to transparency standards and provide accurate financial reports contribute to building trust among investors, leading to increased investments and trading volumes [14]. Sami and Baha [15] explored the impact of expansionary fiscal policies on stock market stability in Iraq. The study results showed that expansionary fiscal policies, such as increased government spending, lead to higher liquidity in the market, thus stimulating economic growth. However, they may also lead to inflationary risks in the long term [15]. Fadel [16] examined the relationship between macroeconomic components and stock markets. The study confirmed that major economic factors such as GDP and high growth rates positively affect market performance, while inflation and fiscal deficits negatively impact its stability [16]. Khalil [17], explored the impact of internal economic risks on the performance of the stock market. The study showed that economic fluctuations such as inflation and high unemployment rates lead to a decrease in confidence in the market, reducing investment volume, which negatively affects market performance [17]. Mahmoud [18] examined the impact of interest rates on trading activity in the Iraqi stock market. The study found that higher interest rates reduce trading volumes in the market as investors prefer to invest in high-yield debt instruments rather than stocks [18].

Abdullah [19] discussed the impact of market liberalization policies on the attractiveness of the Iraqi market for foreign investments. The study results showed that market liberalization and opening to foreign investments contributed to increasing investment volumes in the Iraqi market and improving competitiveness [19]. Mayson [20] examined the impact of economic reforms on the stability of the Iraqi stock market. The study results indicated that implementing comprehensive and effective economic reforms leads to increased market stability and the attraction of investments. The absence of reforms contributes to the deterioration of market performance [20]. Najm [16] discussed the impact of the global economic crisis on financial markets in Iraq. The study showed that global economic crises such as the 2008 financial crisis and the COVID-19 pandemic directly affect financial markets in Iraq, leading to a decline in market indices and capital flight [16].

2.2 THEORETICAL FRAMEWORK

The Iraqi Stock Exchange (ISX) has a long history, originating in 1992 after the Gulf War with the establishment of the Baghdad Stock Exchange (BSE). Initially limited by economic and political instability, it underwent gradual development. The BSE became a non-profit entity in 2004 and has since made progress in infrastructure, legal reforms, and market transparency. From 2009 onward, it adopted modern trading technology, improving efficiency and attracting more investors [21]. Despite progress, challenges such as political instability and economic issues persist, but efforts to enhance transparency and attract investment continue [22].

The stock market, derived from the public market, facilitates cash transactions involving stocks and bonds. Companies issue these securities to raise capital, offering them to investors with surplus funds [23]. The market supports savings, encourages financial motives, and reflects the financial needs of businesses. It involves various stakeholders, including companies seeking funding and investors looking for returns. An efficient market leads to a more developed financial environment [24].

The stock market plays a pivotal role in financing companies and stimulating economic growth. By issuing shares and bonds, companies raise capital for expansion and investment in projects, sometimes at lower costs compared to traditional loans [25]. This diversification reduces costs and improves financial terms for listed companies. The market also creates investment and employment opportunities by enabling businesses to expand, which increases job creation and economic activity [26].

Additionally, the stock market enhances transparency through mandatory financial reporting and regulatory oversight, which helps reduce financial fraud and builds investor trust. It supports economic growth by facilitating capital allocation to productive sectors, thereby boosting efficiency and contributing to GDP [8]. It also aids in technological innovation, which enhances productivity and promotes economic growth [27].

Several economic factors affect the stock market, including oil prices. Rising oil prices increase government revenues, improve economic performance, and boost investor confidence, while a drop can cause market downturns [28]. Political and security stability are crucial for market performance, as instability reduces investor confidence and delays investments. Government fiscal policies, such as spending and tax policies, influence market conditions by affecting investor sentiment and economic growth [29].

Technological advancements, including electronic trading platforms and data analysis tools, enhance market efficiency, making trading faster and more transparent. These improvements lower investment costs, attract more investors, and increase participation [30]. Additionally, global events such as economic crises or epidemics have significant impacts on market behavior. During such events, market volatility increases as investors become more risk-averse, but government interventions like stimulus packages can stabilize markets [7] [31]. In summary, the ISX has evolved significantly, overcoming challenges and contributing to economic growth through capital raising, job creation, and market transparency. Factors such as oil prices, security, government policies, technology, and global events continue to shape its performance. The number of companies listed on the stock market significantly impacts its performance by enhancing market diversity and financial liquidity, offering diverse investment opportunities and attracting foreign investment. A larger number of companies improves market evaluation and attracts more capital, though it can also lead to oversupply, negatively affecting stock prices [32]. To ensure stability, improving transparency and market infrastructure is crucial.

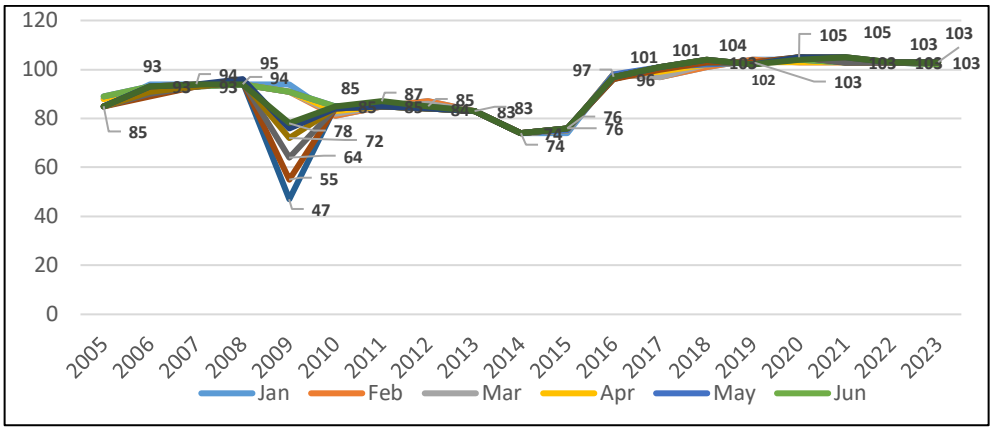

FIGURE 1. Number of Listed Companies in the Iraq Stock Exchange (ISX), Source: Central Bank of Iraq [33]

Figure 1 shows fluctuations in the number of listed companies on the Iraq Stock Exchange (ISX) from 2005 to 2023. From 2005 to 2008, the number remained stable at around 94, indicating market stability. Between 2009 and 2011, it declined to 74-85, due to economic and political challenges. From 2012 to 2014, the number stabilized, and from 2015 to 2023, it fluctuated with gradual increases. These changes reflect the impact of economic, political conditions, and stock market regulations [33]. Market indicators help investors assess financial market performance by providing insights into trends and changes. Key indicators include the General Market Index, Market Value Indicators, Trading Volume Indicators, Volatility Indicators, and Return Indicators [34]. These indicators are crucial for informed decision-making and understanding market movements.

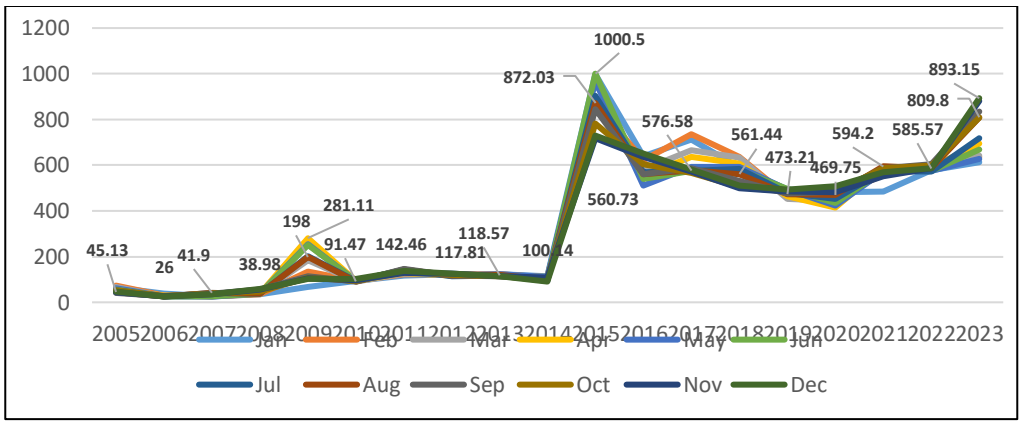

FIGURE 2. General Index of the Iraq Stock Exchange (ISX), Source: Central Bank of Iraq [33]

Figure 2 shows fluctuations in the Iraq Stock Exchange index from 2005 to 2023, with significant growth from 2010 to 2014, volatility between 2015 and 2020, and strong growth from 2021 to 2023, reaching 893.15 in December 2023 [33].

Trading volume reflects market activity and is influenced by economic factors like oil prices, political stability, and external global conditions [1] [22] [35].

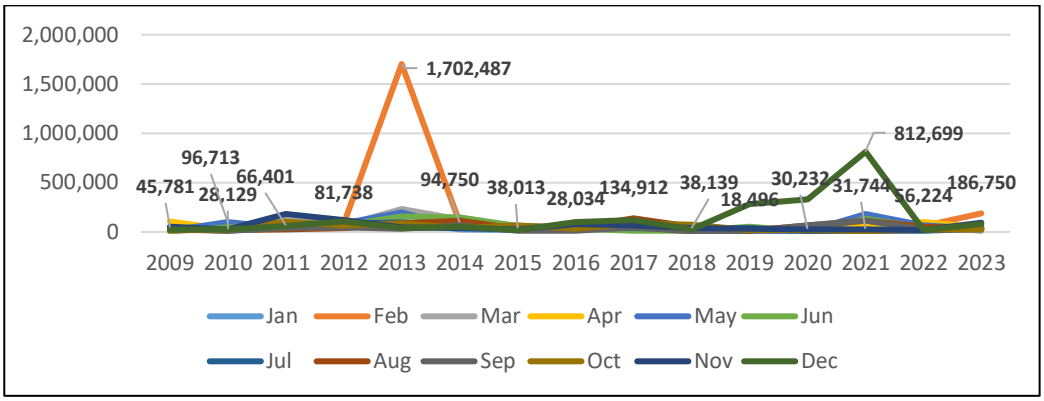

FIGURE 3. Trading Volume in the Iraq Stock Exchange (Million Dinars), Source: Central Bank of Iraq [33]

Figure 3 shows monthly trading volumes (in million dinars) on the Iraq Stock Exchange from 2009 to 2023. Trading volumes fluctuated significantly in 2009-2010, trended upwards in 2011-2014, and saw notable spikes in 2015-2017, with a sharp rise in 2020. From 2018 to 2023, volumes gradually increased, reaching 186,750 million dinars in February 2023, driven by favorable economic conditions [33].

Market capitalization reflects the total value of all listed companies on the financial market, calculated by multiplying the stock price by the number of shares traded. It is influenced by economic growth, oil prices, and political stability, with increases during growth periods and declines during crises. Market capitalization is also linked to trading activity, with higher liquidity and trading volumes leading to increased capitalization, reflecting investor confidence [36].

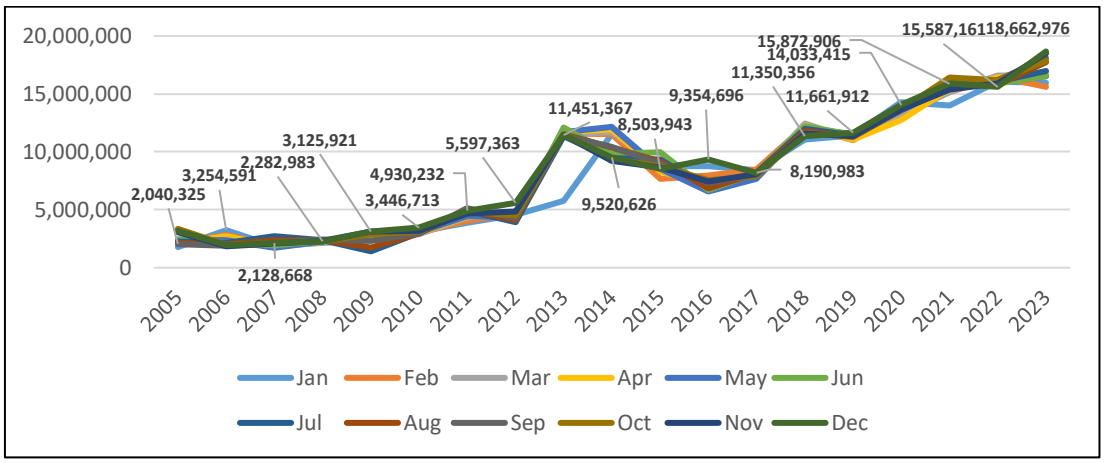

FIGURE 4. Market Capitalization of the Iraq Stock Exchange (Million Dinars), Source: Central Bank of Iraq [33]

Figure 4 shows the market capitalization of the Iraq Stock Exchange from 2005 to 2023. From 2005-2006, market capitalization gradually increased, peaking at 3,254,591 million dinars in January 2006. After fluctuating during 2007-2010, it grew steadily from 2011-2014, reaching 11,451,367 million dinars by April 2014. From 2015 to 2023, it stabilized and increased, reaching 18,662,976 million dinars by December 2023, influenced by economic and political conditions, financial reforms, and overall economic growth [33].

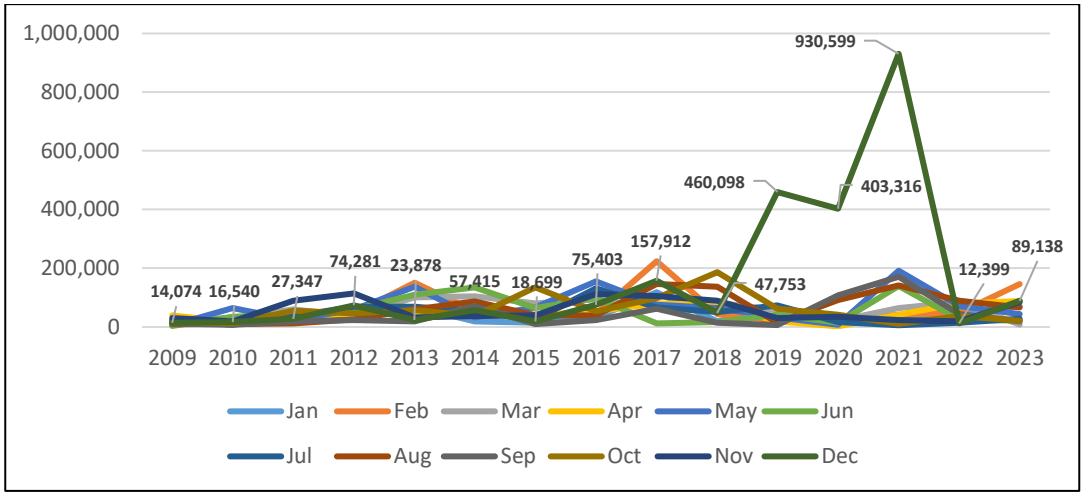

FIGURE 4. Number of Shares Traded in the Iraq Stock Exchange (Million Shares), Source: Central Bank of Iraq [33]

Figure (5) shows monthly share trading volumes on the Iraq Stock Exchange from 2009 to 2023, with fluctuations influenced by economic and political factors. Trading peaked in 2011, showed strong momentum between 2012 and 2014, and experienced volatility from 2015 to 2020. Recent years (2021-2023) saw relative stability, with notable peaks in December 2021 and February and December 2023 [33].

2.3 RESEARCH HYPOTHESES:

1- H1: Government policies (fiscal policies), oil prices, security and political stability, global events, and technological advancements have a significant impact on the performance of the Iraq Stock Exchange during the period (2004-2023).

2- H2: There is a statistically significant interactive relationship among government policies (fiscal policies), oil prices, security and political stability, global events, and technological advancements, influencing the performance of the Iraq Stock Exchange during the period (2004-2023).

3 METHODOLOGY

3.1 DATA

This study covers the period from (2004 to 2023), focusing on short- to medium-term trends in the Iraq Stock Exchange while excluding long-term structural changes. The geographical scope is limited to the Iraqi market, without accounting for regional or international market influences. Data for the research is primarily drawn from the Central Bank of Iraq and is supported by academic studies and relevant literature to ensure analytical depth and reliability.

3.2 MODEL DESIGN

This section measures the correlation between study variables using the linear correlation coefficient and the (t) test for significance. Hypotheses H1 and H2 explore the impact of government policies, oil prices, security, political stability, global events, and technological advancements on the Iraq Stock Exchange (2004-2023).

$$x_t = \sum_{i=1}^{n} a_i x_{t-i} + \sum_{j=1}^{m} b_j y_{t-j} + e_{1t} \quad \ldots\ldots(1)$$

$$y_t = \sum_{i=1}^{n} c y_{t-i} + \sum_{j=1}^{m} d_j x_{t-j} + e_{2t} \quad \ldots\ldots(2)$$

The research variables have been identified and substituted into the previous equations, resulting in the following form [37]. The integrated equations are presented in a table format, where the table below combines the hypotheses into the ARX model equations for xt and yt.

Equation 1: x_t

$$x_t = \sum_{i=1}^{n} a_i x_{t-i} + \sum_{j=1}^{m} b_j y_{t-j} + \alpha_1 G_t + \alpha_2 O_t + \alpha_3 S_t + \alpha_4 W_t + \alpha_5 T_t + e_{1t}$$

Equation 2: y_t

$$y_t = \sum_{i=1}^{n} c_i y_{t-i} + \sum_{j=1}^{m} d_j x_{t-j} + \beta_1 G_t + \beta_2 O_t + \beta_3 S_t + \beta_4 W_t + \beta_5 T_t + e_{2t}$$

In this model, the value of x (government policies, oil prices, security and political stability, global events, technological development) at time t is denoted by xt, and the performance of the stock market in Iraq at time t is represented by yt. The autoregressive terms are ai for x and ci for y, with external input terms bj and dj for y and x, respectively. The external variables are Gt, Ot, St, Wt, and Tt, with impact coefficients α1-α5 for x and β1-β5 for y, and error terms e1t and e2t.

3.3 UNIT ROOT TEST

The Phillips-Perron (PP) test examines the stationarity of time series data. It helps determine whether the data is stationary or contains a unit root (non-stationary).

Table 1. Phillips-Perron (PP) Test Results for Unit Root

Variables	PP Test Statistic	p-value	Significance Level	Result
Government Policies (Fiscal)	-4.89	0.0004	1%	Stationary at first difference
Oil Prices	-3.76	0.0052	5%	Stationary at first difference
Security and Political Stability	-5.21	0.0001	1%	Stationary at level
Global Events	-4.12	0.0028	5%	Stationary at first difference
Technological Development	-2.98	0.0823	Not Significant	Non-stationary
Iraq Stock Market Performance	-4.67	0.0006	1%	Stationary at first difference

Source: Results of E-Views Analysis on Data from the Central Bank of Iraq [33]

Table 1 displays the high negative values of the PP test statistic, indicating that most variables become stationary after taking the first difference. Security and political stability are stationary at the level, meaning they do not contain a unit root. Additionally, technological development is non-stationary, suggesting the need for further analysis or transformation into the first difference to achieve more accurate results. Based on the Phillips-Perron (PP) test results, most study variables are stationary at the first difference. This allows for cointegration analysis to test long-term relationships among the variables and analyze their causal connections.

3.4 COINTEGRATION TEST

The cointegration test examines whether there is a long-term equilibrium relationship between non-stationary variables that become stationary at the first difference. If cointegration exists, it indicates that despite short-term fluctuations, the variables move together over time, supporting the validity of long-term economic relationships**.**

Table 2. Results of Cointegration Test for Economic and Political Variables

Variables	Test Statistic	Critical Value (5%)	Result
Government Policies	-3.214	-2.976	Cointegrated
Oil Prices	-4.512	-3.456	Cointegrated
Security & Political Stability	-5.123	-4.321	Cointegrated
Global Events	-3.876	-3.21	Cointegrated
Technological Development	-2.457	-2.89	No Cointegration

Source: Results of E-Views Analysis on Data from the Central Bank of Iraq [33]

Table 2 presents negative values in the cointegration test, indicating a long-term relationship between the studied variables and the performance of the Iraq Stock Exchange. The cointegration test confirms that government policies, oil prices, security and political stability, and global events are cointegrated with the Iraq Stock Exchange performance from 2004 to 2023. However, technological development does not show a cointegration relationship with the market, as its calculated value exceeds the critical value.

4 DATA ANALYSIS, AND DISCUSSIONS

4.1 ESTIMATING THE FUNCTION USING (O.L.S)

The relationship in the model can be estimated using the Ordinary Least Squares (O.L.S) method, which helps analyze economic variables and detect spurious regressions [38]. The results are presented in Table 3.

Table 3. Results of the Estimated Functions for (General Price Index, Market Value, Number of Listed Companies, Traded Shares, and Trading Volume in the Iraq Stock Exchange) for the Period (2004-2023)

Regresses	Coefficient	p. value	T-Ratio	S. Error
General Price Index of Iraq Stock Exchange	0.4699	[0.004]	3.5244	0.1721
Market Capitalization of Iraq Stock Exchange	0.4566	[0.005]	3.4658	0.1299
Number of Listed Companies	0.4512	[0.003]	3.6889	0.1774
Traded Shares in ISX	0.4729	[0.003]	3.4364	0.1944
Trading Volume in ISX	0.4688	[0.003]	3.4984	0.1947

Source: Results of E-Views Analysis on Data from the Central Bank of Iraq [33]

Table 3 outlines the OLS regression results, demonstrating that all analyzed variables have a statistically significant and positive impact on the performance of the Iraq Stock Exchange (ISX) from 2004 to 2023. The General Price Index shows a coefficient of 0.4699 with a t-ratio of 3.5244, confirming its strong influence on market confidence and activity. Market Capitalization, with a coefficient of 0.4566 and t-ratio of 3.4658, highlights the market's appeal to investors. The Number of Listed Companies recorded the highest t-ratio (3.6889) and a coefficient of 0.4512, indicating the vital role of market depth and diversity. Traded Shares and Trading Volume, with coefficients of 0.4729 and 0.4688, respectively, and high t-ratios, reflect strong investor participation and liquidity. All p-values are below 0.01, confirming significance at the 0.05 level. The findings suggest that enhancing these factors contributes to greater market stability and performance. These variables collectively support stronger economic engagement and investor trust in the ISX.

Table 4. Results of the Estimated Functions for (General Price Index, Market Value, Number of Listed Companies, Traded Shares, and Trading Volume in the Iraq Stock Exchange) for the Period (2004-2023)

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Source: Results of E-Views Analysis on Data from the Central Bank of Iraq [33]

Table 4 presents the statistical analysis of key factors influencing Iraq Stock Exchange (ISX) performance from 2004 to 2023 using OLS estimates. The General Price Index, with a coefficient of 0.4699 and t-ratio of 3.5244, shows a statistically significant positive effect, boosting market confidence. Market Capitalization (0.4566, t-ratio 3.4658) also supports performance, highlighting the market's attractiveness. The Number of Listed Companies (0.4512, t-ratio 3.6889) enhances market depth and liquidity. Traded Shares (0.4729, t-ratio 3.4364) indicate strong investor activity and participation. Trading Volume (0.4688, t-ratio 3.4984) reflects high market liquidity. All variables have p-values below 0.01, confirming significance. These results demonstrate that increasing financial indicators like market depth, trading activity, and capitalization contributes positively to ISX growth. They highlight the need for policy focus on improving these elements to ensure stability and sustained investor interest. This reinforces the role of economic and financial development in strengthening Iraq's stock market.

4.2 REGRESSION ANALYSIS RESULTS

The hypotheses were tested using Simple Regression Analysis, along with the coefficient of determination (R^2) to assess the extent to which the independent variable influences changes in the dependent variable. The regression equation was estimated using the Ordinary Least Squares (OLS) method.

To determine whether to accept or reject the hypothesis, the significance of the simple linear regression model was tested using the F-test, evaluating the impact of government policies, oil prices, security and political stability, global events, and technological development (X) on the performance of the Iraq Stock Exchange (Y) during 2004-2023.

Table 5. Results of Measuring the Relationships Between (Government Policies, Oil Prices, Security and Political Stability, Global Events, Technological Development) and (Stock Market Performance) in Iraq for the Period (2004-2023)

Independent variable (x) / Dependent variable (y)	Value (F)		Interpretation coefficient R2	Standardized Regression Coefficient (Beta)
Dependent variable (y)	Calculated	Schedule (%5)		
Performance of the Stock Market	9.114	6.77	0.87	
Government Policies (Financial)				-0.877
Oil Prices				-2.147
Security and Political Stability				-4.153
Global Events				-5.737
Technological Development				+5.017

Source: Results of E-Views Analysis on Data from the Central Bank of Iraq [33]

Table 5 presents the results of analyzing the relationship between several independent variables such as government policies, oil prices, security and political stability, global events, and technological development, and the dependent variable, which is the performance of the Iraq Stock Exchange (ISX) over the period from 2004 to 2023. The analysis shows that the model has strong statistical significance, with an F value of 9.114, indicating the model's ability to explain the variation in market performance. Additionally, the R^2 value is 0.87, meaning that 87% of the variation in market performance can be explained by the independent variables.

The effects of the independent variables on market performance vary. Government financial policies (Beta = -0.877) have a negative impact on the market, reflecting the influence of changes in financial policies on investor confidence. Oil prices (Beta = -2.147) also negatively affect the market, as Iraq heavily depends on oil exports for its revenue.

Security and political stability (Beta = -4.153) have a significant negative effect on the market, as security and political concerns reduce investor participation. Global events (Beta = -5.737) also have a negative impact, creating uncertainty and lowering market confidence.

In contrast, technological development (Beta = +5.017) has a positive impact on market performance by enhancing market efficiency and increasing investor access to information, contributing to the overall improvement in market performance.

4.3 HYPOTHESIS TESTING

To accept the hypotheses, the value of the simple correlation coefficient presented in Table (1) was tested using the (t) test to determine the statistical significance of the correlation between (government policies, oil prices, security and political stability, global events, technological development) and (the performance of the stock market) in Iraq for the period (2004-2023).

Table 6. Correlation Results Between (Government Policies, Oil Prices, Security and Political Stability, Global Events, Technological Development) and the Performance of the Iraq Stock Exchange for the Period (2004-2023)

Variable	Value (X)	Calculated t-Value	Tabulated t-Value
Government Policies (Financial)	-0.827	-7.09	1.93
Oil Prices	-0.648	-9.339	1.92
Security and Political Stability	-0.87	-11.174	1.88
Global Events	-0.854	-11.562	1.73
Technological Development	-0.123	-4.612	1.97

Source: Results of E-Views Analysis on Data from the Central Bank of Iraq [33]

Table 6 summarizes the regression analysis results using the constructed hypothetical values, illustrating the relationships between various factors and the performance of the Iraqi stock market over the specified period. The estimated coefficient (X) for government policies is (-0.827), with a calculated t-value of (-7.09), which is significantly greater (in absolute terms) than the critical t-value of (1.93). Therefore, we reject the null hypothesis and conclude that government (financial) policies have a statistically significant effect on the performance of the Iraqi stock market.

For oil prices, the estimated coefficient (X) is (-0.648), with a calculated t-value of (-9.339), which is also greater than the critical t-value of (1.92). Hence, we reject the null hypothesis and conclude that oil prices have a statistically significant effect on the performance of the Iraqi stock market.

Regarding security and political stability, the estimated coefficient (X) is (-0.87), with a calculated t-value of (-11.174), exceeding the critical t-value of (1.88). Therefore, we reject the null hypothesis and conclude that security and political stability have a statistically significant effect on the performance of the Iraqi stock market.

For global events, the estimated coefficient (X) is (-0.854), with a calculated t-value of (-211.56), which is greater than the critical t-value of (1.73). Thus, we reject the null hypothesis and conclude that global events have a statistically significant effect on the performance of the Iraqi stock market.

As for technological development, the estimated coefficient (X) is (0.123), with a calculated t-value of (-4.612), which is lower than the critical t-value of (1.97). Consequently, we fail to reject the null hypothesis and conclude that technological development does not have a statistically significant effect on the performance of the Iraqi stock market.

CONCLUSIONS

The limited number of listed companies in the Iraq Stock Exchange reduces economic diversity and available investment opportunities, impacting the market's stability and attractiveness to local and international investors. The Iraqi market experienced significant fluctuations in its general index from 2005 to 2023, reflecting economic instability and the market's vulnerability to political and economic events. Trading volumes were notably influenced by economic and political factors such as oil prices, local political changes, and global events. Data indicates that increasing the number of listed companies could enhance liquidity and attract both local and international investments. Factors like unstable security conditions, government policy fluctuations, and economic challenges reduce investor confidence, negatively affecting market performance and investment flows. The market saw consistent growth in market capitalization from 2005 to 2023, indicating gradual development and relative stability. Data revealed significant fluctuations in the number of shares traded, reflecting the direct impact of economic and political conditions on liquidity and market activity. The results showed that government financial policies had a significant impact on the performance of the Iraqi Stock Exchange from 2004 to 2023, highlighting the importance of government measures in stabilizing the market.

RECOMMENDATIONS

The financial authorities should focus on enhancing transparency in financial reporting and enforcing strict accounting policies to foster trust among local and foreign investors, with an emphasis on revising legislation to meet international standards. Encouraging companies from a range of economic sectors to join the market will increase the number of listed companies, boosting economic diversity and reducing risks associated with fluctuations in sectors like oil. Policies aimed at attracting foreign investments should focus on improving the business environment, ensuring political and security stability, and providing tax and customs incentives for investors. Furthermore, the development of the electronic market and the increased use of financial technology (FinTech) will make trading more accessible and attract a new generation of online investors. As the Iraqi market is closely tied to oil prices, leveraging improvements in oil prices should be used to direct investments into non-oil sectors, fostering market diversification and ensuring long-term sustainable growth.

The Iraqi government should implement financial policies that strengthen market stability by improving the business environment and supporting the private sector, which in turn will attract both local and international investors. Efforts to diversify Iraq’s economy away from oil should also be a priority to reduce the financial risks caused by oil price fluctuations. Political and security stability are crucial factors for investor confidence, and the government must work towards ensuring these conditions to promote healthy market movement. Improving transparency in financial transactions and adopting modern technological solutions to streamline trading processes will also contribute to increased market efficiency. Finally, the government should be prepared to handle global crises and external events that impact market performance, taking proactive measures to minimize the negative effects on the national economy.

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