

ANALYSIS OF THE ROLE OF THE GENERAL INDEX OF THE IRAQ STOCK EXCHANGE IN FINANCING LOCAL INVESTMENT IN IRAQ FOR THE PERIOD(2005–2023)

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Abstract : This study examines the role of the Iraq Stock Exchange (ISX) general index in supporting and financing local investment during the period (2005–2023). It analyzes the relationship between the performance of the financial market and the level of investment activity within Iraq. The study relied on annual data related to the general index, trading volumes, the number of listed companies, as well as official indicators of local investment. The results revealed a correlation between movements in the general index and the growth of domestic investment. However, this relationship has been negatively affected by several factors, most notably security and economic instability, the absence of consistent financial policies, limited investment awareness, and the weak infrastructure of the financial market. The study also indicated that the Iraq Stock Exchange has not yet effectively fulfilled its role as a key source of investment financing, due to a lack of transparency, limited investment tools, and shortcomings in the legal and regulatory framework. The study concludes with the need to reform and develop the Iraqi stock market by updating legislation, expanding the investor base, and strengthening regulatory institutions. These steps are essential to mobilize national savings, direct them toward productive activities, and achieve sustainable economic development.

Keywords: Iraq Stock Exchange, General Index, Local Investment, Iraqi Economy.

INTRODUCTION

The financial market is one of the essential pillars in supporting economic activity, as it forms an important channel for mobilizing savings and directing them toward various investment sectors. The importance of the financial market is particularly evident in developing economies, which seek to diversify funding sources and enhance sustainable economic growth. In this context, the general index of the stock market is one of the key quantitative tools reflecting market performance and trends. It can, therefore, be used as an indicator of how much the market contributes to stimulating local investment. The Iraqi economy has witnessed significant transformations since 2003 at the political and economic levels, accompanied by the establishment of the Iraq Stock Exchange in 2004 as an independent institution aimed at organizing the trading of securities and supporting investment activity. Despite more than two decades since the market's establishment, its contribution to financing local investment remains limited due to several challenges facing the financial market in Iraq, most notably weak financial infrastructure, fluctuating investment climate, and shortcomings in related legislation and regulations. Research Problem: It is observed that the Iraq Stock Exchange has not been able, despite the years since its establishment, to play an effective role in financing local investment. This raises questions about the efficiency of the general market index in supporting investment activity within the country during the period (2005–2023). The problem lies in the discrepancy between the expected role of this market as a financial tool and its actual performance in light of various regulatory and economic challenges. Research Objective: This study aims to analyze the role of the Iraq Stock Exchange general index in financing local investment during the period (2005–2023), by studying the relationship between the market's performance and the level of investment activity, and assessing the market's effectiveness in supporting economic development. The study

also provides recommendations to enhance its financial role in the future. **Research Hypothesis:** The research hypothesizes that there is a statistically significant relationship between the general index of the Iraq Stock Exchange and financing local investment during the period (2005–2023), and that improving the market's performance positively reflects on the volume of local investment in Iraq. **Research Methodology:** This study adopts a descriptive-analytical approach to examine the relationship between the general index of the Iraq Stock Exchange and financing local investment during the period (2005–2023). A quantitative approach was used to analyze financial and economic data by collecting annual data related to the general index, trading volumes, and the number of listed companies, in addition to local investment data from official sources such as the Central Statistical Organization, the Securities Commission, and reports from the Central Bank of Iraq. Statistical analysis tools were used to test the relationship between market variables and investment variables to reach accurate results that support the hypotheses. Simple economic models were also employed to measure the direction and strength of the relationship between the two variables, taking into account external factors that may weaken the financial market's effectiveness in performing its financing role. **Research Structure:** To cover all aspects of the study, it has been divided into six sections, followed by conclusions and recommendations as follows

Section One: Concept of Financial Markets and Their Economic Importance.

Section Two: Concept of Investment Financing and Its Economic Importance.

Section Three: The Relationship Between Market Liquidity Index and Investment Financing.

Section Four: Analysis of the General Index Development of the Iraq Stock Exchange in Iraq from 2003-2005.

Section Five: Analysis of Local Investment Development in Iraq from 2003-2005.

Section Six: The Relationship Between the General Index and Local Investment in Iraq from 2003-2005.

First Section: Concept of Financial Markets and Their Economic Importance

Firstly, the concept of financial markets and their economic importance

The financial market is defined as the place where buyers and sellers meet, or exchanges take place, without specifying any particular type of goods or a specific time for these transactions. In business terms, a market is the place where the ownership of goods is transferred from the seller to the buyer. In the economic sense, the market refers not to a specific place but to the realization of communication between sellers and buyers of a specific commodity. If this communication takes place within a village or a city, it is considered a local market, while if it takes place at a national level, it becomes a national market, and if it extends to several countries or the entire world, it is referred to as an international market. Economists no longer see the market as a specific place for the display of goods but rather as a space or framework in which sellers and buyers exchange information and conduct commercial transactions (Hannawi, 2004). The concept of financial markets varies depending on the primary function performed by the institutions comprising them. These markets work by transferring available funds from units with a surplus of financial resources to units suffering from financial deficits. In other words, financial markets serve as a mechanism for creating assets (goods) and liabilities (obligations) simultaneously (Ross, 2008).

Section Two: The Importance of Financial Markets

The importance of financial markets, according to various researchers, can be summarized in the following points:

1. **Economic Confidence Indicator:** The financial market serves as an accurate indicator of the level of confidence in a country's economy. Businesspeople and investors closely monitor and analyze its movements, as it reflects the overall economic and investment climate. By observing these trends, we can gauge the dynamics of the economy, whether it's in recession, recovery, or growth (Al-Mawla, 2005: 71).
2. **Risk Diversification and Hedging:** Financial markets contribute to diversification and risk transformation by offering investors and businesses tools for hedging. Through market indicators like the S&P 500, investors can make informed decisions about which securities to buy or sell, effectively spreading risks and mitigating potential losses (Sami, 2012: 36).
3. **Monetary Policy Implementation:** The financial market, especially the money market, plays a pivotal role in implementing a country's monetary policy. The central bank uses these markets to influence interest rates and control the reserves of commercial banks, a key factor in managing the economy. This allows the central bank to direct monetary policy tools toward achieving desired economic goals (Fawzi, 2019: 29).
4. **Fair Stock Pricing:** The financial market ensures fairness in determining stock prices, which intermediaries do not set, traders, or negotiations, but through a transparent auction process. Thus, the prices traded in the market accurately reflect the actual value of securities (Harrington, 2010).
5. **Lowering Short-Term Financing Costs:** Financial markets help reduce short-term financing costs, which leads to enhanced production capacity. This, in turn, is a major factor in stimulating genuine and sustainable economic recovery (Mishkin, 2007: 411).

6.Regulation and Safeguarding Investor Interests: The financial market organizes and oversees the issuance and trading of securities, ensuring that all processes are conducted smoothly and efficiently. This regulation provides special protection to small investors, positively affecting the overall economic performance (Brown, 2009: 363).

Section Two: The Concept and Importance of Investment Financing

First: Concept of Investment Financing

Investment financing refers to the methods and resources used to provide the financial capital necessary to carry out investment projects. These projects could be industrial, commercial, agricultural, or service-related. The goal of financing is to enable investors to acquire assets, create new ventures, or expand and develop existing projects, all to generate future returns (Ma'rouf, 2003: 19). It can also be defined as the process of mobilizing financial resources from various sectors of the economy (such as individuals, governments, and banks) and directing them toward productive or developmental activities that contribute to increasing the Gross Domestic Product (GDP) and achieving sustainable development (Marwan, 2008: 18).

Second: The Importance of Investment Financing

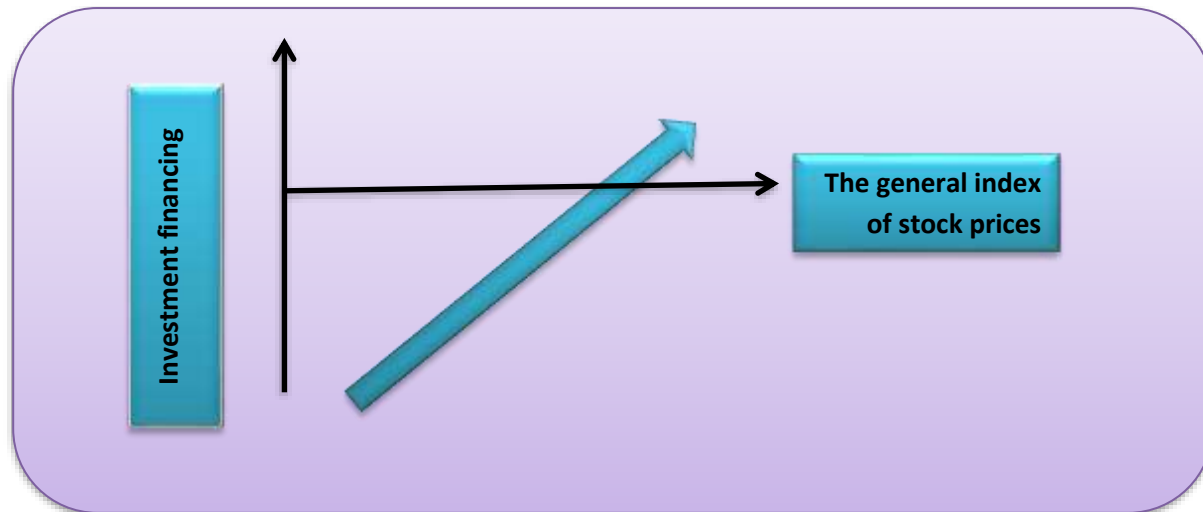
Investment is a major topic in economics that has attracted widespread attention from economists and thinkers, especially after World War II, due to its significant role in increasing national income and achieving economic and social development. Modern economic theories, using the concepts of investment multiplier and accelerator, have shown that any increase in the level of investment leads to tangible growth in production, income, and employment, which positively impacts overall economic performance (Al-Isawi, 2015: 19-20). The importance of investment can be further understood through the following contributions:

1. Increasing National Income and Wealth: Investment plays a central role in boosting national income and developing national wealth. It is an effective means of introducing new resources or improving the efficiency of existing resources, leading to the maximization of total economic benefit.
2. Promoting Technological Progress: Investment is a key driver of technological advancement. It helps introduce modern technologies and adapt them to the specific economic and social contexts of society, which enhances productivity and leads to a qualitative shift in working methods.
- 3 . Reducing Poverty and Unemployment: Investment helps reduce poverty and unemployment by creating new job opportunities that absorb the workforce. This enables individuals to earn incomes that meet their basic needs and allows them to invest in education and culture, which, in turn, enhances productivity and increases production capacity.
- 4 . Developing Infrastructure: Investment plays a critical role in supporting and developing infrastructure. Investment projects often require construction work such as building buildings, roads, and bridges, which benefits society as a whole.
5. Strengthening Economic Security: Investment strengthens economic security by encouraging the utilization of local resources, such as raw materials and natural resources. This reduces reliance on external sources and enhances the national economy's resilience against crises.

Section Three: The Relationship Between the General Index of Stock Prices and Financing Local Investment

The relationship between the general index of stock prices and financing local investment is central, as this index reflects the overall market conditions and trends. When the general index is trending upward, it indicates investor optimism and increased confidence in the economy and listed companies. This, in turn, enhances the willingness of investors to inject more capital into the market, making it easier for companies to implement their financing plans through the issuance of new shares or financial instruments (Al-Bahloul, 2020: 98). In such an upward market trend, the market value of companies rises, giving them a competitive edge when negotiating with banks or institutional investors. It also helps companies carry out mergers and acquisitions by using their shares as a financing tool, instead of relying entirely on cash liquidity (Al-Sebai, 2012: 27). This kind of market environment reduces the cost of capital and encourages companies to make long-term investment decisions. In contrast, when the general index trends downward, it usually indicates a lack of confidence in the market, and investors grow apprehensive about the future economic outlook. As a result, liquidity decreases, and there is a reduced appetite for investing in new issuances. This forces companies to face difficulties in raising the necessary funds for their projects, and they may be compelled to delay or scale down their investments (Shams Al-Din, 2005: 17). Moreover, the general index is used as a reference for investment funds and financial institutions when making asset allocation decisions. A positive market performance serves as an incentive to attract both domestic and foreign capital, thereby diversifying sources of funding and enhancing the market's capacity to support investment activities (Ahmed, 2011: 54). This can be illustrated in the following figure:

Figure 1: Illustration of the impact of the general index of stock prices on investment financing.

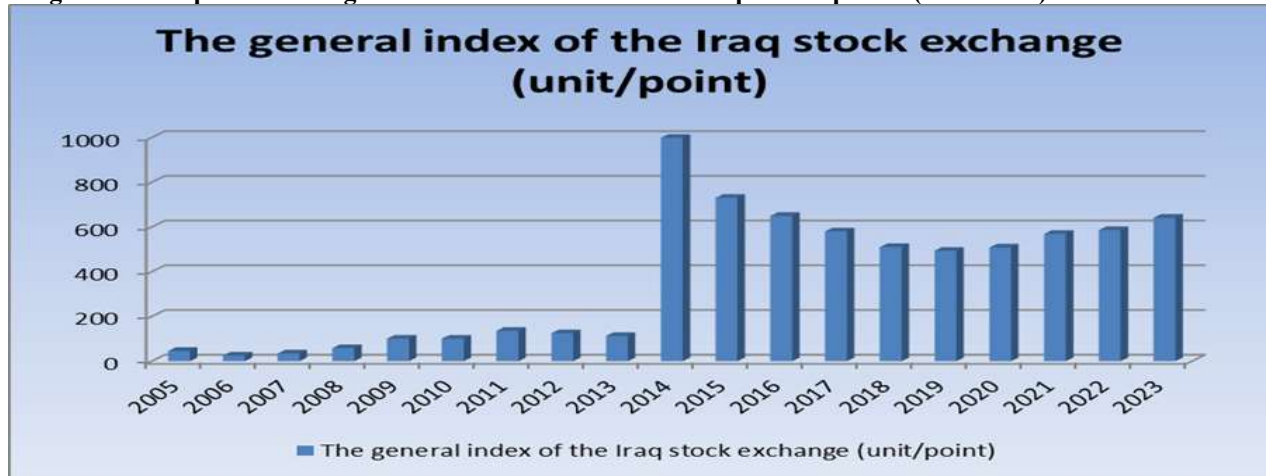


Section Four: Analysis of the Development of the General Index of the Iraq Stock Exchange(2023–2005)

The general index of stock prices on the Iraq Stock Exchange is a numerical indicator used to measure the direction of stock price changes, whether upward or downward. It reflects the overall market performance over a specific period and helps evaluate the level of investor confidence and market stability. The changes in this index can be tracked through the data presented in Table (1), which shows the index movement over the period(2023–2005) .Table (1) reveals a clear fluctuation in the general index of stock prices on the Iraq Stock Exchange during the period (2005–2023), due to sharp changes in the political, economic, and security environment. These fluctuations include oil price volatility, fiscal deficits in the national budget, terrorist activities, looting, displacement, and political instability. In 2005, the index stood at 45.64 points, but it dropped to 25.28 points in 2006, with an annual growth rate of -44.61%, affected by weak investment activity. The index then increased to 34.59 points in 2007, reflecting a relative improvement driven by sectoral gains in investment, services, industry, tourism, banking, insurance, and agriculture . In 2008, the index saw a significant rise to 58.36 points, with an annual growth rate of 68.71%. This improvement was due to better stock prices of listed companies, an increase in the number of participating companies, and the implementation of Investment Law No. 13 of 2006, which allowed foreign investors to participate in trading. The index continued to rise in the following years, reaching 100.86 points in 2009, 100.98 points in 2010, and 136.03 points in 2011, with escalating annual growth rates of 72.82%, 12%, and 34.70%, respectively, driven by foreign investment flows and the purchase of Iraqi stocks, reflecting an improved investment environment. In 2012, the index dropped to 125.02 points, with an annual growth rate of 8-9% due to the delisting of three companies, reducing the number of listed companies to 84. However, it increased in 2013 to 113.15 points, with a growth rate of 5.06%. The index saw a sharp rise to 998.21 points in 2014, achieving a huge leap with a growth rate of 782.20%. This increase was attributed to optimism surrounding the parliamentary elections, which led some investors to inject money into the market, expecting improvements in the political and economic environment .However, the index declined again in 2015 to 730.56 points, with an annual growth rate of -26.81%. This sharp decline can be explained by the impact of macroeconomic indicators, the limited ability of companies to generate profits, the high investment risks, and the economic contraction caused by falling oil prices below \$50 per barrel, in addition to deteriorating infrastructure, which negatively affected the market(Iraq Stock Exchange, 2016: 7).These negative trends continued in 2016, with the index dropping to 649.48 points, reflecting a growth rate of -11.09%, due to continued global economic contraction and low oil prices, which affected investor confidence. This decline continued until 2019, when the index reached 493.76 points, reflecting the unstable economic and security conditions and a drop in dividend distributions. Only 20 companies approved cash dividends, while 21 companies reported financial deficits, increasing the supply of stocks and lowering their prices (Iraq Stock Exchange, 2020: 5).In 2020, the index saw a slight improvement, reaching 508.03 points with an annual growth rate of 2.89%, driven by the implementation of an electronic trading system in the last quarter of the year. In 2021, the index rose to 569 points, with a growth rate of 12%, due to the increase in oil exports, the lifting of COVID-19 restrictions, and the rise in capital of listed companies. In 2022, the index reached 585 points, with a slight annual growth of 2%, and continued to rise to 641 points in 2023, with a growth rate of 9%. This reflects a relative improvement in market performance, supported by a relatively stable economic environment and increased

profits for some companies .Notably, the general index of the Iraq Stock Exchange grew at a compound annual growth rate (CAGR) of approximately 15.82% during the period from 2005 to 2023. These trends can be observed through the analysis of the general index movements in the following chart:

Figure: Development of the general index of the market in Iraq for the period (2005-2023).



Source: Prepared by the researcher based on the data from Table (1) using the Excel program.

(2023–2005) Table (1): Development of the General Index of the Iraq Stock Exchange in Iraq for the Period

Annual growth rate (%)	The general index of the Iraq stock exchange (unit/point)	Years
-----	45.64	2005
- 44.61	25.28	2006
36.82	34.59	2007
68.71	58.36	2008
72.82	100.86	2009
0.11	100.98	2010
34.70	136.03	2011
- 8.09	125.02	2012
- 9.49	113.15	2013
782.20	998.21	2014
- 26.81	730.56	2015
-11.09	649.48	2016
-10.61	580.54	2017
-12.13	510.12	2018
-3.20	493.76	2019
2.89	508.03	2020
12.04	569.20	2021
2.94	585.950	2022
9.47	641.460	2023
Compound annual growth rate (%)		Annual period
%15.82		2023-2005

Source: Iraq Stock Exchange, Annual Reports.(2023-2005)

Column (3): Prepared by the researcher.

The Annual Growth Rate was calculated using the following formula:

$$r = (Pt2 - Pt1) / Pt1 \times 100$$

$$\text{Compound Annual Growth Rate} = \frac{p_0}{p_1} 1 - (1/n)$$

Section Five: Analysis of Local Investment Development in Iraq(2023–2005)

Since 2005, Iraq has witnessed gradual improvements in local investment, which have included developments in infrastructure and improvements in essential services such as electricity, water, and sewage systems. Efforts have also been made to encourage the private sector, liberalize the economy, and amend several laws related to investment to make the country more attractive to investors. However, despite these efforts, local investment continues to face significant challenges, including corruption, security instability, poor management, and weak infrastructure in some areas, which negatively affect the investment climate and limit growth and sustainability prospects (Central Bank of Iraq, 2013: 61). As shown in Table (9), local investment in Iraq has experienced noticeable fluctuations during the period (2005–2023), largely influenced by the oil-dependent economy, fiscal policies, and security and health crises.

- In 2005, local investment stood at 4,572,018 million dinars, rising to 6,027,680 million dinars in 2006, representing an annual growth rate of 31.83%. This increase was primarily driven by rising global oil prices, which boosted the budget surplus, enabling higher allocations for investment expenditure and financing production projects.

- The upward trend continued, reaching 11,880,675 million dinars in 2008, supported by persistently high oil prices, which at the time reached 88.8 dollars per barrel. This allowed the government to significantly increase investment spending.

- In 2010, investment expenditure reached 23,678,000 million dinars, fueled by the continued improvement in oil prices and the government's expansionary fiscal policies aimed at increasing production capacity and achieving overall economic growth. However, in 2011, investment dropped to 17,832,000 million dinars, a decrease of 24.68%, as a significant portion of the budget shifted toward consumer spending, such as food subsidies, expanding government employment, and paying employee compensation, at the expense of investment expenditure.

- Local investment then rose again in 2012 and 2013, reaching 29,351,000 and 34,647,000 million dinars respectively, with growth rates of 64.59% and 18.04%, driven by the continued increase in oil revenues, expanded funding for investment projects, and the ongoing provision of investment loans by banks. On the other hand, local investment faced a sharp decline during the period from 2014 to 2016, falling to 24,930,767 million dinars in 2014, then 18,564,676 million dinars in 2015, and 15,894,009 million dinars in 2016. This decline is attributed to what is known as the “double shock”: first, the drop in global oil prices led to a reduction in public revenues and the emergence of a fiscal deficit; second, the large-scale terrorist invasion by ISIS across large areas of the country, which caused paralysis in project implementation and the cessation of many economic activities.

- In 2017, investment expenditure slightly rebounded to 16,464,461 million dinars, with a growth rate of 3.58%, driven by improved oil prices and partial recovery in public revenues, alongside improvements in the security situation after regaining control over western provinces previously under ISIS control.

- In 2018, however, investment declined again to 13,820,333 million dinars, with a 16.05% annual decrease, as much of the public expenditure was directed towards consumer spending, particularly compensating victims, rebuilding liberated areas, and paying the dues of martyrs.

- In 2019, local investment saw a significant increase to 24,422,590 million dinars, with an annual growth rate of 76.7%, mainly attributed to a relative recovery in global oil prices, which boosted oil revenues and created a budget surplus, enabling the government to increase allocations for investment projects, especially in infrastructure and transport sectors.

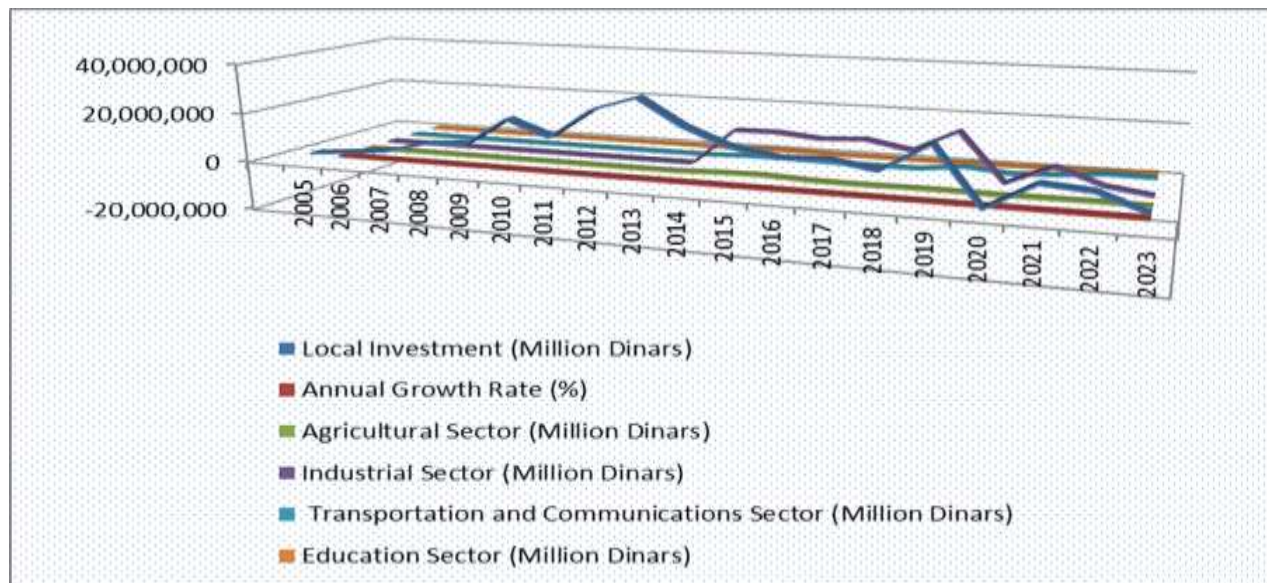
- In 2020, local investment sharply declined to 3,208,905 million dinars, representing an annual decrease of 86.8%. This unprecedented drop was a result of the global COVID-19 pandemic, which caused widespread economic shutdowns, halting most investment projects, coupled with a significant drop in oil prices during the first half of the year, leading to a severe reduction in public revenues and government spending, particularly on investments.

- Investment expenditure rebounded in 2021 to 13,322,973 million dinars, showing an extraordinary growth rate of 315.18%, driven by a recovery in global oil prices and a return of economic activity that had been disrupted by the pandemic. The government's financial recovery policies and the resumption of postponed projects contributed to a significant increase in investment allocations in the public budget.

- In 2022, investment expenditure declined again to 12,018,503 million dinars, a 9.7% decrease, due to a shift toward increasing current expenditures in the budget and rising state commitments towards the reconstruction of liberated areas, along with continued expenditures on social protection and food subsidies.

- In 2023, investment expenditure further declined to 5,906,158 million dinars, with a 50.8% annual decrease. This decline reflects the continued financial and political instability in the country, alongside delays in passing the national budget, leading to cuts in investment spending, particularly in productive sectors, while some service sectors like transport and education saw relative increases. During this period, the Compound Annual Growth Rate (CAGR) was -0.93%, indicating overall stagnation. This can be further illustrated in the following figure:

Figure (3): Development of Local Investment in Iraq for the Period (2005–2023).



Source: Prepared by the researcher based on the data from Table (2) using the Excel program.

Table (2): Total Investment Spending Directed to Local Investment in Iraq for the Period(2003–2005)

Education Sector (Million Dinars)	Transportation and Communications Sector (Million Dinars)	Industrial Sector (Million Dinars)	Agricultural Sector (Million Dinars)	Annual Growth Rate (%)	Local Investment (Million Dinars)	Years
...	...	...	...	...	4,572,018	2005
...	...	...	...	31.84	6,027,680	2006
...	...	...	...	28.13	7,723,044	2007
...	...	...	...	53.83	11,880,675	2008
...	...	...	...	10.19	13,091,000	2009
...	...	...	...	80.87	23,678,000	2010
...	...	...	...	(24.69)	17,832,000	2011
...	...	...	...	64.60	29,351,000	2012
...	...	...	...	18.04	34,647,000	2013
291,048	594,199	14,595,729	672,118	(28.04)	24,930,767	2014
254,569	671,954	14,782,056	918,832	(25.54)	18,564,676	2015
68,590	273,569	13,297,533	239,587	(14.39)	15,894,009	2016
90,040	227,827	14,203,606	41,211	3.59	16,464,461	2017
76,744	360,053	11,134,144	227,788	(16.06)	13,820,333	2018
256,226	2,311,807	19,652,919	300,696	76.7	24,422,590	2019
215,284	751,101	831,720	79,435	(86.8)	3,208,905	2020
374,814	1,601,425	8,535,564	252,668	315.1	13,322,973	2021
738,100	3,231,700	2,412,300	370,900	(9.7)	12,018,503	2022
1,410,600	3,126,300	118,500	182,000	(50.8)	5,906,158	2023
% (0.93) Compound annual growth rate (%)						2023-2005 Annual period

Source: Central Bank of Iraq, Directorate of Statistics and Research, Annual Reports for the Period.(2023–2005)

* The figures related to spending allocated to the productive sectors (agriculture, industry, transportation, education) were not included, as the data for these sectors was not available for the period.(2013–2005)

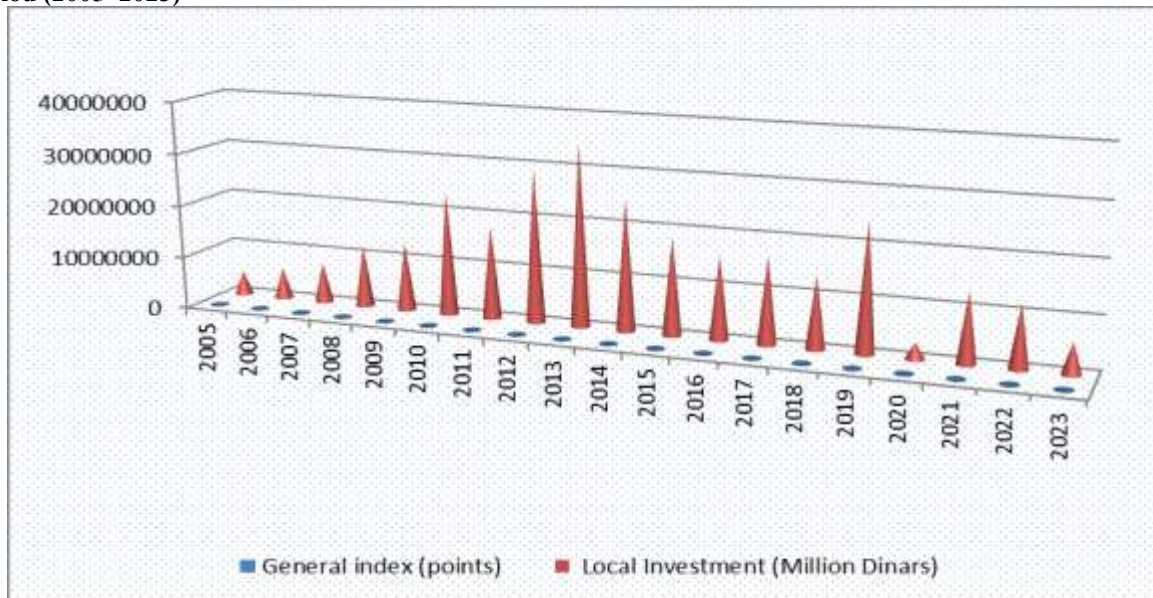
• Compound Annual Growth Rate (CAGR) = $1 - (1/n)$

• The Annual Growth Rate was calculated using the following formula: $r = (Pt2 - Pt1) / Pt1 \times 100$

Section Six: The Relationship Between the General Index and Local Investment in Iraq(2003–2005)

The relationship between the general index of the Iraq Stock Exchange and local investment is crucial for evaluating the role of the financial market in supporting economic growth. The general index reflects the movement of stock prices and the level of investor confidence in the market, while local investment is a key driver of development. Studying this relationship during the period (2005–2023) holds particular importance due to the economic and political transformations that Iraq has undergone, which have impacted the market's performance and the economy's ability to attract domestic investments. This can be illustrated in Table (3). The data presented shows significant fluctuations in both the general index of the Iraq Stock Exchange and local investment, indicating the lack of a stable positive correlation between the two variables. In the early years of the period (2005–2008), the general index was relatively low, but it saw gradual growth, from 45.64 points in 2005 to 58.36 points in 2008. At the same time, local investment increased steadily, from 4,572,018 million dinars to 11,880,675 million dinars, driven mainly by rising oil prices and increased government spending, rather than by the financial market's activity. In the period (2009–2012), the general index rose to more than 100 points, peaking at 136.03 points in 2011. Local investment also saw a clear rise in 2010 to 23,678,000 million dinars, but it fell sharply in 2011, despite the continued growth of the index. This suggests that the market had no significant effect on stimulating investment. During the period (2013–2016), the index reached its highest point in 2014, at 998.21 points. However, this exceptional rise is attributed to speculative factors and temporary optimism during the election period, rather than actual economic activity. Meanwhile, local investment decreased to 24,930,767 million dinars in 2014, and fell further in 2015 and 2016 to 18,564,676 and 15,894,009 million dinars, respectively. This demonstrates a nearly complete separation between the growth of the index and the size of investment, particularly following the ISIS terrorist crisis and the decline in oil prices. In the years (2017–2023), the general index remained within the range of 500–640 points, with slight improvements in some years. However, local investment did not show a corresponding improvement. In 2020, investment plummeted to 3,208,905 million dinars due to the impact of the COVID-19 pandemic, and this decline continued despite the index remaining stable, reaching 5,906,158 million dinars in 2023—one of the lowest values during the entire period. This is illustrated in the following figure:

Figure (4): Development of the Relationship Between the General Index and Local Investment in Iraq for the Period (2005–2023)



Source: Prepared by the researcher based on the data from Table (4) using the Excel program.

Table (4): Analysis of the Relationship Between the General Index and Local Investment in Iraq for the Period (2005–2023)

Source: Central Bank of Iraq, Directorate of Statistics and Research, Annual Reports for the Period.(2023–2005)
Source: Iraq Stock Exchange, Annual Reports for the Period (2005–2023)

Local Investment (Million Dinars)	General index (points)	Years
4,572,018	45.64	2005
6,027,680	25.28	2006
7,723,044	34.59	2007
11,880,675	58.36	2008
13,091,000	100.86	2009
23,678,000	100.98	2010
17,832,000	136.03	2011
29,351,000	125.02	2012
34,647,000	113.15	2013
24,930,767	998.21	2014
18,564,676	730.56	2015
15,894,009	649.48	2016
16,464,461	580.54	2017
13,820,333	510.12	2018
24,422,590	493.76	2019
3,208,905	508.03	2020
13,322,973	569.20	2021
12,018,503	585.950	2022
5,906,158	641.460	2023

CONCLUSIONS

1. Weak Relationship: There is a weak relationship between the general index and local investment. Despite the index peaking at 998.21 points in 2014, local investment in the same year reached only 24,930,767 million dinars, a decline from 2013. This indicates no direct correlation between the market index and investment activity.
2. Fluctuations in the General Index: The general index fluctuated due to unstable conditions, falling from 136.03 points in 2011 to 113.15 points in 2013, then jumping to 998.21 points in 2014, before dropping to 730.56 points in 2015, and continuing its decline to 493.76 points in 2019. This reflects the market's sensitivity to political and economic fluctuations, not just company performance.
3. Declining Local Investment Despite Market Improvements: Local investment did not increase even when the market improved during certain periods. For instance, in 2021, the index rose to 569.20 points, but local investment only reached 13,322,973 million dinars. It further dropped to 5,906,158 million dinars in 2023, despite the index reaching 641.46 points, indicating a disconnect between the market's performance and actual investment behavior.
4. Weak Real Growth in Local Investment: The compound annual growth rate (CAGR) for local investment during the period (2005–2023) was negative at -0.93%, while the CAGR for the general index was 15.82%, showing that improvements in the market did not reflect in real investment growth.
5. Reliance on Oil Prices: Local investment remains heavily reliant on oil prices. In 2020, local investment sharply declined to 3,208,905 million dinars due to the COVID-19 pandemic and the collapse of oil prices. This confirms that investment funding in Iraq is still largely dependent on oil revenues, rather than on market-based financing.

Recommendations:

1. Develop the Infrastructure of the Iraq Stock Exchange: Enhance the infrastructure of the Iraq Stock Exchange and update its systems to increase its efficiency and attractiveness to investors.
2. Expand Financial Instruments: Broaden the range of financial instruments traded, such as sukuk, bonds, and investment funds, to provide diverse financing alternatives.
3. Enhance Transparency: Strengthen market transparency by mandating companies to disclose their financial performance regularly.
4. Promote Investment Culture: Foster an investment culture among citizens through financial literacy programs to increase local participation in the market.

5. Strengthen the Role of the Securities Commission: Empower the Securities Commission as a regulatory and legislative body to ensure fairness and integrity in market transactions.

6. Coordinate Financial Market Policies with Investment Policies: Align financial market policies with government investment policies to direct savings into high-priority economic projects

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