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## The effect of dynamic financial structure on financial sustainability: An analytical study of a sample of industrial companies listed on the Iraqi stock exchange

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### Abstract

Levels of indebtedness and working to reach them, and adjusting these ratios according to The two abstracts Decisions regarding the formulation of the financial structure affect the company's returns, and thus its financial sustainability. The integration between the financing and investment decisions would play a major role in promoting the survival and growth of the company. The flexible financial structure increases the company's ability to exploit profitable investment opportunities. The current study aims to measure and analyze.

The impact of the flexible (dynamic) financial structure on financial sustainability, and the study community was represented by industrial companies listed on the Iraqi Stock Exchange, as a sample of these companies was taken, amounting to (4) industrial companies listed the Iraqi Stock Exchange, and data for the period (2017-2021) were taken ) In the analysis, a set of statistical methods were used to test the effect between the study variables, including the multiple regression coefficients and (t) test. it's done.

Reaching a set of conclusions, including that companies that are working on the formulation of a dynamic financial structure, are able to achieve financial sustainability. Based on the conclusions, a set of recommendations was built, including the necessity for industrial companies, the study sample, to formulate a dynamic financial structure, through the development of plans that include defining targeted to the nature of work and surrounding conditions, as well as identifying investment opportunities and working on Make optimal use of it.

**Keywords:** Flexible (dynamic) financial structure, financial sustainability, industrial companies, financing, investment

### 1. Introduction

The integration between the financing and investment decisions is one of the main reasons that enhance the company's ability to grow and survive, as providing money at the right time and quantity increases the company's ability to create and exploit profitable investment opportunities, which enhances the company's financial sustainability. A dynamic financial structure would help the company to adapt, especially since the company operates in a volatile environment, and then the dynamic financial structure increases the company's ability to exploit investment opportunities, and then survive and grow (financial sustainability).

The dynamic financial structure is the diversification of funding sources (not relying on a particular funding source only) that increases the company's ability to adapt to the surrounding conditions, and then survive and grow.

The formulation of a dynamic financial structure is a very important process, as it enhances the survival and growth of the company (financial sustainability) (Voulgaris *et al.*, 2004) <sup>[32]</sup>. Since the study (Modigliani and Miller, 1958) <sup>[25]</sup>, a large group of studies has attempted to analyze the relationship between the company's internal environment and external factors, which directly or indirectly affect the decisions of the financial structure of companies and thus create value for the company (De Jong *et al.*, 2008) <sup>[10]</sup>. The empirical models and methodologies used have greatly contributed to understanding the impact of the chosen financial structure on the company's value (creating financial sustainability) (Naveed *et al.*, 2015) <sup>[26]</sup>.

The flexibility of the financial structure plays a prominent role in enhancing the company's ability to achieve its goals of survival and growth, and in line with the approach of the current study, (Yang *et al.*, 2015) [37] indicated that most companies set plans to formulate a dynamic financial structure and according to certain periods. This means that most companies seek to adjust their financial leverage to reach the target ratios, to enhance financial sustainability. Proceeding from this point, the study problem consisted in answering several questions, including, what is the impact of the dynamic financial structure on financial sustainability. The importance of the study was that the decisions to formulate a dynamic financial structure are integrated with investment decisions, and then the expected returns and the value of the company (survival and growth).

## 2. Literature Review

### 2.1 Concept of dynamic financial structure

The financial structure of any company is not static, but rather it evolves over time and is a compilation of important sequential decisions of the company that have an important and strategic role (Bhamra & Strebulaev 2010) [7]. The flexible (dynamic) financial structure is defined as a set of decisions to restructure the sources of financing for the purpose of obtaining the necessary financing at the lowest costs to increase the value of the company, which is reflected in increasing the investment capacity and then increasing the returns (Rahimi & Mosavi, 2016) [27], and the flexible financial structure is a structure that goes along with fluctuations. The circumstances surrounding the, By adjusting the leverage (Bhamra & Strebulaev, 2010. Jiang *et al.*, 2022) [7, 22], (Bancel, 2005) [5] defines dynamic financial structure as a term that refers to the method adopted by the company in financing its assets through a combination of equity and loans. The researchers believe that the flexible (dynamic) financial structure is a variety of financing sources (short and long-term) and the right of ownership, which contribute significantly to enhancing survival and growth through the optimal exploitation of investment opportunities.

The formulation of a flexible financial structure promotes integration between finance and investment (Ehimare & Niyam, 2015) [13], (Bhamra & Strebulaev, 2010) [7]. By formulating a flexible financial structure, companies aim to maintain leverage policies that achieve significant monetary technologies (Arslan *et al.*, 2010), as well as accelerate development (Eke & Omankhanlen, 2019) [14].

#### 2.1.1 Indicators of the dynamic financial structure

The dynamic financial structure is measured through the following indicators: Based on (Abdeljawad *et al.*, 2013) [1], (Wijaya & Cen, 2021) [35].

1-Debt ratio in the financial structure: This ratio refers to the total debt in the financial structure, and is calculated through the following equation: (Abdeljawad *et al.*, 2013) [1], (Wijaya & Cen, 2021) [35], (McMillan & Camara, 2012) [23].

$$DR_t = \frac{TD_t}{TD_t + E_t}$$

DR<sub>t</sub>: Debt ratio in the financial structure in period t.  
TD<sub>t</sub>: Total debt in period t.  
E<sub>t</sub>: Equity in period t.

2-Equity ratio in the financial structure: This ratio refers to the total equity in the financial structure, and is calculated through the following equation: (Abdeljawad *et al.*, 2013) [1], (Wijaya & Cen, 2021) [35], (McMillan & Camara, 2012) [23].

$$ER_t = \frac{E_t}{TD_t + E_t}$$

ER<sub>t</sub>: Equity ratio in the financial structure in period t.  
TD<sub>t</sub>: Total debt in period t.  
E<sub>t</sub>: Equity in period t.

### 2.2 The concept of financial sustainability

The term financial sustainability is one of the most popular terms that appeared in the late twentieth century, as it was proposed by international institutions to developing and developed countries to address cases of budget imbalances and fiscal deficits (Fila, 2018) [15]. And the main task that comes at the forefront of corporate matters is allocating the necessary financing for production and investment, as financing will have an important and effective role in sustainable investment projects, and since technological progress is accelerating, the economy will be exposed to three main challenges: environmental change, restrictions, and the need for financing, as sustainable financing is a cash aid that reduces environmental damage caused by human consumption (Shaheen, 2010) [30].

Defines (Modingliani & Pogue, 1974) financial sustainability as an expression of the risk-return model that can arise from investment theory, which increases the possibility of obtaining the highest profit, especially since the relationship between them is a direct relationship and also depends on internal and external features adopted by each company. Such as factors specific to the geographical area, as well as the level of return, risk and financial sustainability (Amini & Benstock, 2014) [3]. While (Afriyie, 2013) [2] defined financial sustainability as the ability of companies to commit to obligations without compromising their ability to meet their financial obligations in the future.

#### 2.2.1 Financial Sustainability Indicators

Financial sustainability is measured through the following indicators: (Meyer, 2019) [24], (Githaiga, 2021) [18].

1. Return on assets (ROA): It is a measure adopted to measure the company's effectiveness in achieving profits through the use of its assets. The higher this ratio indicates the enhancement of financial sustainability (Githaiga, 2021) [18], (Simbolon *et al.*, 2022) [31], (Widyarti *et al.*, 2022) [36] (Bayai & Ikhida, 2018) [6]. It is calculated by dividing the net income by the total assets and according to the following equation: (Wahyuni & Hariyanto, 2022) [34], (Gunawan *et al.*, 2022) [20].

$$ROA_t = \frac{NI_t}{TA_t}$$

ROA<sub>t</sub>: Return on assets in period t.  
NI<sub>t</sub>: Net income in period t  
TA<sub>t</sub>: Total assets in period t

2. Return on Equity (ROE): It is a measure of the company's effectiveness in enhancing shareholder wealth (Ardyansyah *et al.*, 2022)<sup>[4]</sup>, or it is a measure of the return on shareholder investment (Edeltrudis *et al.*, 2022)<sup>[12]</sup>, and the higher this ratio. This indicates the enhancement of financial sustainability (Githaiga, 2021)<sup>[18]</sup>, and is calculated by dividing the net income by the right of ownership according to the following equation: (Fitriyani *et al.*, 2022)<sup>[17]</sup>, (Colline, 2022)<sup>[9]</sup>, (Rizal, 2022)<sup>[28]</sup>.

$$ROE_t = \frac{NI_t}{E_t}$$

ROE<sub>t</sub>: Return on equity for period t.

NI<sub>t</sub>: Net income in period t.

E<sub>t</sub>: Equity in period t.

### 3. Study data and methodology

#### 3.1 Study problem

(Sun & Ertz, 2021)<sup>[32]</sup> indicated that the lack of financial sustainability is one of the main reasons for the decline in profitability, and thus the threat to the survival and growth of the company, and (Schwab *et al.*, 2019)<sup>[29]</sup> concluded that low financial sustainability leads to an increase in the risk of bankruptcy. *et al.*, 2019 also indicated that maintaining financial sustainability is a difficult task, and since financial sustainability is measured through several indicators, for example (return on equity and return on investment), and upon reviewing the reports issued by the Iraq Stock Exchange and the Securities Commission, it is noted significantly low (return on equity and return on investment) for several industrial companies, including (modern chemical industries, Iraqi for engineering works), and this indicates the existence of a problem that needs to be addressed.

#### The study problem can be framed by the following questions

1. Does the dynamic financial structure affect financial sustainability?
2. Is the financial structure of the industrial companies in the study sample dynamic (flexible)?
3. What is the level of financial sustainability of the industrial companies in the study sample?

#### 3.2 Objectives of the study

The objectives of the study are as follows:

1. Measuring and analyzing the impact of the dynamic financial structure on financial sustainability.
2. Identifying the flexibility of the financial structure of the industrial companies, the study sample.
3. Determining the level of financial sustainability for industrial companies, the study sample.

#### 3.3 Study model

The study model was built based on a set of recent studies and literature that support linking variables on the one hand.

The first variable is represented by the dynamic financial structure (the independent variable) (McMillan & Camara, 2012)<sup>[23]</sup>, while the second variable is represented by the financial sustainability (the dependent variable) (Githaiga, 2021)<sup>[18]</sup>, and the figure below represents the study model.

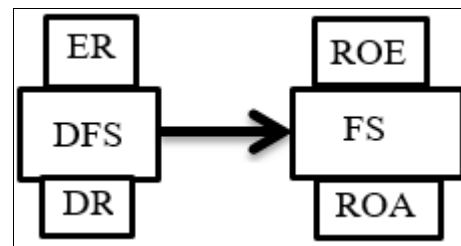


Fig 1: Study Model

#### 3.4 Hypothesis building

The results of several studies (Githaiga, 2021)<sup>[18]</sup>, (Huang *et al.*, 2021)<sup>[21]</sup>, (Gunawan *et al.*, 2022, Bogan, 2012)<sup>[20, 8]</sup>, (Denčić-Mihajlov *et al.*, 2015)<sup>[11]</sup> show that the formulation of a financial structure Flexible (dynamic) positively affects the company's returns (return on equity, return on investment).

Based on the findings of the above studies, the following hypotheses can be formulated:

The first hypothesis: There is a positive significant effect of the indicators of the dynamic financial structure on the return on assets, according to the following equation:

$$ROA = B_0 + B_1 DR + B_2 ER$$

ROA: Return on assets

B<sub>0</sub>: Fixed limit

B<sub>1</sub>: Impact factor

DR: Debt ratio in the financial structure

ER: Equity ratio in the financial structure

The second hypothesis: There is a positive, significant effect of the indicators of the dynamic financial structure on the return on equity, according to the following equation:

$$ROE = B_0 + B_1 DR + B_2 ER$$

ROE: Return on equity

B<sub>0</sub>: Fixed limit

B<sub>1</sub>: Impact factor

DR: Debt ratio in the financial structure

ER: Equity ratio in the financial structure

#### 3.5 Sample

The study community was represented by the industrial companies listed on the Iraq Stock Exchange, and a sample was selected from the study community, as the sample size was (4) industrial companies, if they were selected in light of several criteria including, their inclusion in the Iraqi Stock Exchange in 2004 and continued within the limits temporal (2016-2021), as well as the availability of data, both in reports and bulletins issued by the Iraq Stock Exchange and the Securities Commission.

**Table 1:** Firm study sample

| Name Firm                             | Code | Establishing Date | Listing Date | Capital at Listing | Firm Address |
|---------------------------------------|------|-------------------|--------------|--------------------|--------------|
| Modern Chemical Industries            | IMCI | 1994              | 2004         | 60000000           | Baghdad      |
| Iraq Engineering Works                | IIEW | 1985              | 2004         | 240000000          | Baghdad      |
| Al-Mansour Pharmaceuticals Industries | IMAP | 1989              | 2004         | 330000000          | Baghdad      |
| Baghdad Soft Drink                    | IBSD | 1989              | 2004         | 1000000000         | Baghdad      |

Source: Financial reports issued by the Iraq Stock Exchange

**4. Results and Discussion**

**4.1 Results**

**4.1.1 Financial analysis of study variables**

1. Analysis of the debt ratio in the financial structure:

The results of the debt ratio in the financial structure for the period (2017-2021) are presented and analyzed in the following table (2).

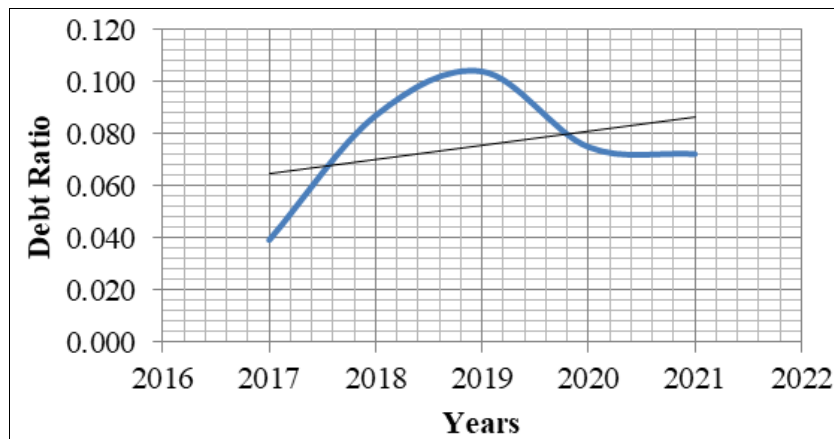
**Table 2:** Results of the analysis of the debt ratio in the financial structure

| Company /Year                         | 2017  | 2018  | 2019  | 2020  | 2021  | Average |
|---------------------------------------|-------|-------|-------|-------|-------|---------|
| Modern Chemical Industries            | 0.015 | 0.016 | 0.034 | 0.022 | 0.019 | 0.021   |
| Iraq Engineering Works                | 0.035 | 0.090 | 0.082 | 0.089 | 0.086 | 0.076   |
| Al-Mansour Pharmaceuticals Industries | 0.059 | 0.193 | 0.207 | 0.080 | 0.080 | 0.124   |
| Baghdad Soft Drink                    | 0.048 | 0.049 | 0.093 | 0.108 | 0.105 | 0.081   |
| Period Average                        | 0.039 | 0.087 | 0.104 | 0.075 | 0.072 | 0.076   |

Source: Output (Excel)

The sector average is adopted as the basis for measurement, and the results of Table (2) show that the general average reached (0.076), and the two companies (Al-Mansour Pharmaceuticals Industries, and Baghdad soft drinks) achieved an average higher than the general sector average if the average of the two companies reached (0.124, 0.081).

respectively, and the company (Iraqi Engineering Works) achieved an average equal to the public sector average, as the company’s average was (0.076), while the (Modern Chemical Industries) the company achieved an average of (0.021), which is the lowest among the industrial companies in the study sample.



**Fig 2:** Debt ratio curve in the Financial Structure

Figure (2) represents the average debt ratio in the financial structure, as the horizontal axis represents the years, while the vertical axis represents the debt ratio values in the financial structure. If the figure indicates the high rate of debt ratio in the financial structure.

2. Analysis of the equity ratio in the financial structure:  
The results of the equity ratio in the financial structure for the period (2017-2021) are presented and analyzed, in the following table (3).

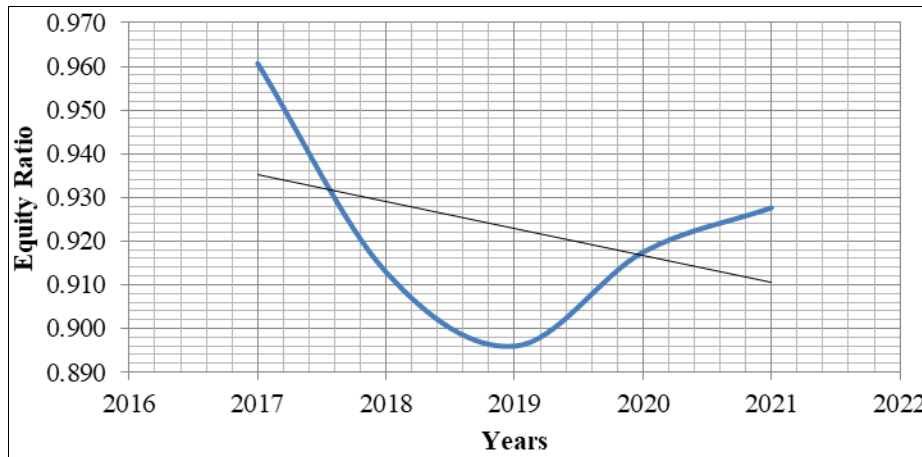
**Table 3:** Results of the analysis of the equity ratio in the financial structure

| Company /Year                         | 2017  | 2018  | 2019  | 2020  | 2021  | Average |
|---------------------------------------|-------|-------|-------|-------|-------|---------|
| Modern Chemical Industries            | 0.985 | 0.984 | 0.966 | 0.978 | 0.981 | 0.979   |
| Iraq Engineering Works                | 0.965 | 0.910 | 0.918 | 0.881 | 0.914 | 0.918   |
| Al-Mansour Pharmaceuticals Industries | 0.941 | 0.807 | 0.793 | 0.920 | 0.920 | 0.876   |
| Baghdad Soft Drink                    | 0.952 | 0.951 | 0.907 | 0.892 | 0.895 | 0.919   |
| Period Average                        | 0.961 | 0.913 | 0.896 | 0.917 | 0.928 | 0.923   |

Source: Output (Excel)

The sector average is adopted as the basis for measurement, and the results of Table (3) show that the general average has reached (0.923), and the (Modern Chemical Industries Company) has achieved a higher average than the public sector average, if the company's average is (0.979), while the companies have achieved (Iraq Engineering Works, Al-

Mansour Pharmaceuticals Industries, Baghdad Soft Drinks) a lower average than the public sector average, and (Al-Mansour Pharmaceuticals Industries) company was the lowest among the industrial companies in the study sample, as the company's average was (0.876).



**Fig 3:** Equity ratio curve in the Financial Structure

Figure (3) represents the rate of the equity ratio in the financial structure, as the horizontal axis represents the years, while the vertical axis represents the values of the equity ratio in the financial structure. The figure indicates a

decrease in the rate of equity in the financial structure.

3. Analysis of return on assets: The results of return on assets for the period (2017-2021) are presented and analyzed, as shown in the following table (4).

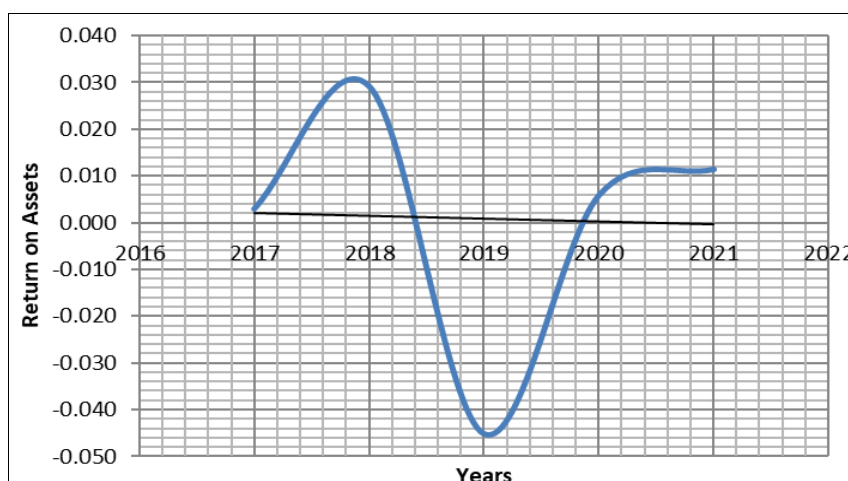
**Table 4:** Results of the return on assets analysis of the study sample companies

| Company /Year                         | 2017   | 2018   | 2019   | 2020   | 2021   | Average |
|---------------------------------------|--------|--------|--------|--------|--------|---------|
| Modern Chemical Industries            | -0.012 | 0.024  | -0.008 | -0.034 | -0.010 | -0.008  |
| Iraq Engineering Works                | -0.114 | -0.039 | -0.016 | -0.122 | -0.075 | -0.073  |
| Al-Mansour Pharmaceuticals Industries | 0.021  | 0.008  | -0.282 | 0.052  | 0.035  | -0.033  |
| Baghdad Soft Drink                    | 0.116  | 0.124  | 0.126  | 0.128  | 0.095  | 0.118   |
| Period Average                        | 0.003  | 0.029  | -0.045 | 0.006  | 0.011  | 0.001   |

Source: Output (Excel)

The sector average is adopted as the basis for measurement, and the results of Table (4) show that the general average has reached (0.001), and the (Baghdad Soft Drinks Company) has achieved a higher average than the public sector average, if the company's average is (0.118), while the companies have achieved ( Modern Chemical Industries,

Iraq Engineering Works, Al-Mansour for Pharmaceuticals Industries) a lower average than the public sector average, and (Iraq Engineering Works) was the lowest among the industrial companies in the study sample, as the company's average was (0.073-).



**Fig 4:** The rate of return on assets curve

Figure (4) represents the rate of return on assets, as the horizontal axis represents the years, while the vertical axis represents the return on assets values. The figure indicates the low return on assets.

4. Analysis of the return on equity: the results of the return on equity for the period (2017-2021) are presented and analyzed, as shown in the following table (5).

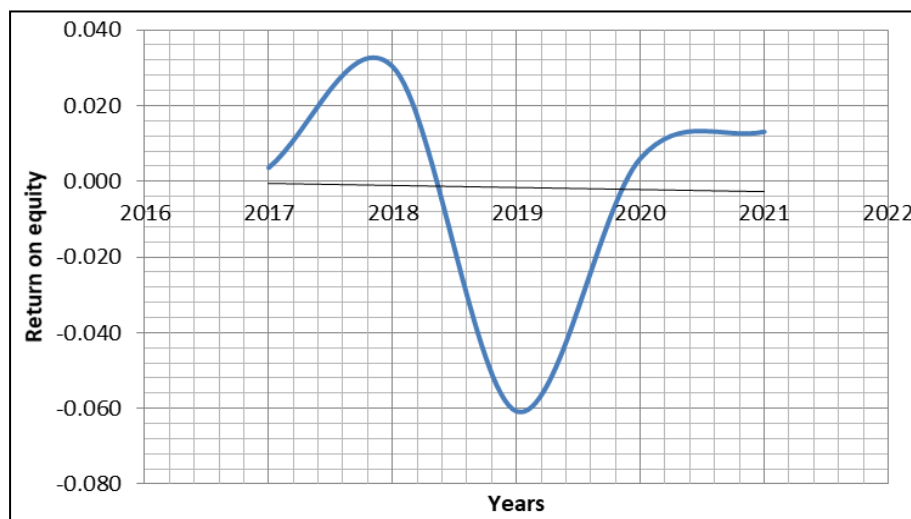
**Table 5:** Results of the return on equity analysis of the study sample companies Company

| Company /Year                         | 2017   | 2018   | 2019   | 2020   | 2021   | Average |
|---------------------------------------|--------|--------|--------|--------|--------|---------|
| Modern Chemical Industries            | -0.012 | 0.024  | -0.008 | -0.035 | -0.010 | -0.008  |
| Iraq Engineering Works                | -0.118 | -0.043 | -0.018 | -0.134 | -0.082 | -0.079  |
| Al-Mansour Pharmaceuticals Industries | 0.023  | 0.010  | -0.356 | 0.050  | 0.038  | -0.047  |
| Baghdad Soft Drink                    | 0.122  | 0.131  | 0.139  | 0.143  | 0.107  | 0.128   |
| Period Average                        | 0.004  | 0.030  | -0.061 | 0.006  | 0.013  | -0.002  |

Source: Output (Excel)

The sector average is adopted as the basis for measurement, and the results of Table (5) show that the general average has reached (-0.002), and the (Baghdad Soft Drinks Company) has achieved a higher average than the public sector average, if the company's average is (0.128), while the companies have achieved (Modern Chemical Industries,

Iraq Engineering Works, Al-Mansour for Pharmaceuticals Industries) a lower rate than the public sector average, and the (Iraq Engineering Works) company was the lowest among the industrial companies in the study sample, as the company's average was (-0.079).



**Fig 5:** The rate of return on the equity curve

Figure (5) represents the rate of return on equity, as the horizontal axis represents the years, while the vertical axis represents the return on equity values. The figure indicates a low return on equity.

1. Time-series stability test: The time-series stability is tested to avoid spurious regression problems (the influence between study variables is inaccurate). If the time series contains a unit root, then this series is unstable, so the unit root will be tested to see if the time series is stable or not, as shown in Table (6) below.

**4.1.2 Statistical Analysis**

**Table 6:** unit root test for study indicators

| Indications | Level          |            | First Deference |        |
|-------------|----------------|------------|-----------------|--------|
|             | ADF Statistics | Result     | ADF Statistics  | Result |
| DR          | -8.13414***    | Stationary | -               | -      |
| ER          | -6.02325***    | Stationary | -               | -      |
| ROA         | -9.43801***    | Stationary | -               | -      |
| ROE         | -5.26023***    | Stationary | -               | -      |

Source: Preparing the researchers based on the output of the electronic calculator

It is clear from Table (6) that all indicators were stable at the level, meaning that the time series is stable and that all indicators have arithmetic means and constant variance, so the results of the analysis are accurate and reliable, so the multiple regression method will be adopted to measure and analyze the effect between the study variables.

2. Analysis and test hypotheses of the study: The hypothesis of the first study indicate a positive significant effect of the indicators of the dynamic financial structure on the return on assets, and (the EVIEWS-9) program is used to extract the results.

**Table 7:** The results of testing the impact of the indicators of the dynamic financial structure on the return on assets for the study sample companies

| Independent Indicators       | dependent variable | Coefficient  | Std. Error      | t-Statistic        | P Value            | Decision              |
|------------------------------|--------------------|--|-----------------|--------------------|--------------------|-----------------------|
| DR                           | ROA                | 0.530  | 0.102           | 7.331              | 0.000              | Accept the hypothesis |
| ER                           |                    | 0.601  | 0.321           | 9.845              | 0.000              | Accept the hypothesis |
| (C)                          | 0.46               | Method: Pooled Least Squares<br>ROA = (0.46)+(0.530)DR+(0.601)ER |                 |                    |                    |                       |
| (R <sup>2</sup> )            | 0.59               |  |                 |                    |                    |                       |
| F-statistic                  | 5.452              |  |                 |                    |                    |                       |
| F Sig                        | 0.000              |  |                 |                    |                    |                       |
| <b>Fixed Effects (Cross)</b> |                    |  |                 |                    |                    |                       |
| <b>(Cross)</b>               | <b>Coefficient</b> | <b>Arrangement</b>   | <b>(Period)</b> | <b>Coefficient</b> | <b>Arrangement</b> |                       |
| BUND –C                      | 0.16               | 1  | 2016--C         | 0.06               | 2                  |                       |
| BIME —C                      | -0.04              | 4  | 2017--C         | 0.04               | 3                  |                       |
| BBOB —C                      | 0.12               | 2  | 2018--C         | 0.11               | 1                  |                       |
| BTRI —C                      | 0.09               | 3  | 2019--C         | -0.02              | 4                  |                       |
|                              |                    |  | 2020--C         | -0.06              | 5                  |                       |

Source: Preparing the researchers based on the output of the electronic calculator

Table (7) shows that the value of the beta ( $\beta_1$ ) of the debt ratio in the financial structure has reached (0.530), which indicates that a change of one unit in the debt ratio in the financial structure will lead to an increase in the value of (ROA) by (0. 530), and the level of significance was (0.000), which is less than the level of the significant set by the researchers (0.05). While the value of beta ( $\beta_2$ ) of the equity ratio in the financial structure was (0.601), which indicates that a change of one unit in the equity ratio in the financial structure will lead to an increase in the value of

(ROA) by (0.601), and the level of significant reached (0.000) That is, less than the level of the significant set by the researchers (0.05), and through these results, the first hypothesis is accepted.

3. Analysis and test hypotheses of the study: The hypothesis of the second study indicates a positive significant effect of the indicators of the dynamic financial structure on the return on equity, and the (EViews-9) program is used to extract the results.

**Table 8:** results of testing the impact of indicators of the dynamic financial structure on the return on equity of the study sample companies

| Independent indicators       | Dependent variable | Coefficient  | Std. Error      | t-Statistic        | P Value            | Decision              |
|------------------------------|--------------------|--|-----------------|--------------------|--------------------|-----------------------|
| DR                           | ROE                | 0.564  | 0.314           | 8.991              | 0.000              | Accept the hypothesis |
| ER                           |                    | 0.637  | 0.510           | 10.021             | 0.000              | Accept the hypothesis |
| (C)                          | 0.48               | Method: Pooled Least Squares<br>ROE = (0.48)+(0.564)DR+(0.637)ER |                 |                    |                    |                       |
| (R <sup>2</sup> )            | 0.61               |  |                 |                    |                    |                       |
| F-statistic                  | 6.650              |  |                 |                    |                    |                       |
| F Sig                        | 0.000              |  |                 |                    |                    |                       |
| <b>Fixed Effects (Cross)</b> |                    |  |                 |                    |                    |                       |
| <b>(Cross)</b>               | <b>Coefficient</b> | <b>Arrangement</b>   | <b>(Period)</b> | <b>Coefficient</b> | <b>Arrangement</b> |                       |
| BUND –C                      | 0.16               | 1  | 2016--C         | 0.06               | 2                  |                       |
| BIME —C                      | -0.04              | 4  | 2017--C         | 0.04               | 3                  |                       |
| BBOB —C                      | 0.12               | 2  | 2018--C         | 0.11               | 1                  |                       |
| BTRI —C                      | 0.09               | 3  | 2019--C         | -0.02              | 4                  |                       |
|                              |                    |  | 2020--C         | -0.06              | 5                  |                       |

Source: Preparing the researchers based on the output of the electronic calculator

Table (8) shows that the value of the beta ( $\beta_1$ ) of the debt ratio in the financial structure has reached (0.564), which indicates that a change of one unit in the debt ratio in the financial structure will lead to an increase in the value of (ROE) by (0.564), and the level of significance was (0.000), which is less than the level of the significant set by the researchers (0.05). While the value of beta ( $\beta_2$ ) of the equity ratio in the financial structure was (0.637), which indicates that a change of one unit in the equity ratio in the financial structure, will lead to an increase in the value of (ROE) by (0.637), and the level of significant reached (0.000) That is, less than the level of the significant set by the researchers (0.05), and through these results, the second hypothesis is accepted.

### 5. Discussion

The research aims to measure and analyze the impact of the dynamic financial structure on financial sustainability. A sample of industrial companies listed on the Iraq Stock Exchange was selected, as the sample size was (4) companies. The results of several studies (Githaiga, 2021)<sup>[18]</sup>, (Huang *et al.*, 2021)<sup>[21]</sup>, (Gunawan *et al.*, 2022, Bogan, 2012)<sup>[20, 8]</sup>, (Denčić-Mihajlov *et al.*, 2015)<sup>[11]</sup> showed that the financial structure. The dynamic positively affects the financial sustainability.

It is clear from the results of the current study (the results of the financial analysis) that the companies that achieved an average higher than the sector average or close to it (the debt ratio in the financial structure, the equity ratio in the financial structure), the results (the results of the financial

analysis) indicate that these The companies have achieved an average (ROA, ROE) higher than the sector average, and this is what was evident in the Baghdad Soft Drinks Company, as it becomes clear that the financial structure of this company (Baghdad Soft Drinks) is flexible (dynamic). In other words, companies that adopt a policy of diversifying sources of financing can exploit profitable investment opportunities (increasing investment ability), and then this is reflected in an increase in (return on assets, return on equity), that is, the formulation of a dynamic financial structure (and based on from the integration of financing and investment decisions) the availability of funds at the appropriate time and quantity, which is reflected positively on improving the ability to invest. It should be noted that formulating a dynamic financial structure does not mean increasing debt, but rather setting targeted levels of debt and working to reach these levels in a way that achieves a kind of balance between Finance sources.

The results of the statistical analysis indicate a positive effect of the indicators of the dynamic financial structure on the return on equity and the return on assets. These results explain that the dynamic financial structure increases the investment ability of companies and thus increases financial sustainability.

## 6. Conclusion

Based on the study literature and its findings, the following conclusions can be formulated:

1. The dynamic financial structure represents a set of decisions aimed at achieving the principle of diversification in the sources of funding, as it includes defining targeted levels of these sources.
2. Al-Mansour Pharmaceuticals Industries achieved a rate (return on assets, return on equity) lower than the general average.
3. The Iraqi Engineering Works Company achieved a rate (return on assets, return on equity) lower than the general average.
4. The Chemical Industries Company achieved a rate (return on assets, return on equity) lower than the general average.
5. The presence of a significant positive impact of the dynamic financial structure on financial sustainability was achieved.
6. The companies that are working on the formulation of a dynamic financial structure, be able to achieve financial sustainability.

## 7. Recommendations

Based on the conclusions that were formulated, the following recommendations can be made:

1. The need for companies to move towards formulating a flexible capital structure, and this is done through retaining profits and borrowing, taking into consideration setting target levels of indebtedness in a way that leads to not increasing risks, and working to reach these levels, as well as adjusting these levels according to the circumstances and work environment requirements.
2. The necessity for Al-Mansour Pharmaceutical Industries to increase (return on assets, return on equity) by increasing investment capacity, and this is

achieved through retaining profits, given that the company, according to the results achieved, depends on specific sources of financing, and then based on Integration between financing and investment decisions, the adoption of this policy (diversification of financing), this will lead to an increasing (return on assets, return on equity).

3. The necessity for the Iraqi Engineering Works Company to increase its returns by creating and exploiting profitable investment opportunities. This policy (diversification of financing), will lead to a higher (return on assets, and return on equity).
4. The necessity for the Chemical Industries Company to increase its returns by creating and exploiting profitable investment opportunities. this is achieved by adopting the principle of financing diversification, setting target levels of indebtedness, and working to reach and modify them according to the surrounding conditions. Therefore, the adoption of this policy (diversification of financing), will lead to an increase (return on assets, return on equity) to the target levels.
5. The researchers recommend the study sample companies formulate a dynamic financial structure, by developing plans that include determining targeted levels of debt and working to reach them, adjusting these ratios according to the conditions and nature of work, as well as identifying investment opportunities and working to exploit them optimally, if the availability of funding helps in The appropriate time is to increase the ability to optimally exploit investment opportunities, and then increase (return on assets, return on equity), i.e. achieving financial sustainability.

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