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The impact of financial flexibility of the banking sector's capital structure on the general index of the Iraqi stock market

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Abstract
The research aims to explain the flexibility of the capital structure of the Iraqi banking sector and the extent to which the general index of the Iraqi stock market is affected by it, as well as measuring and analysing the relationship, if relying on the financial flexibility ratios of the capital structure: (equity multiplier ratio, rate of return on equity , trading ratio, rate of return on assets), and the research population consisted of (20) banks listed on the Iraqi Stock Exchange, and the research found that there was a positive and significant effect of the property right multiplier of (5.19), and the existence of a direct effect of the rate of return on property rights, of (3.75), and there is a direct effect of the trading ratio, amounting to (2.43), and as for the rate of return on assets, the relationship appeared inverse and insignificant, amounting to (-0.34), and this explains that the inverse relationship can be estimated that the rate of return on assets is the result of the percentage difference between Banking revenues and operating costs, and the decrease in this ratio is mainly due to the decrease in the rate of return on assets, which affected the market value of the banks in the research sample. The research recommends not relying on property rights as the primary source of financing and the necessity of diversifying sources of financing through borrowing, and reconciling liquidity and profitability. Paying attention to the level of profitability of banks by reducing operating expenses and costs and investing shareholders' money well, which reflects positively on the market value*.*

Keywords: Financial flexibility, capital structure, stock market indicators

1. Introduction

Financial markets have great importance in supporting and developing the national economic development process in a way that is no less important than the banking sector operating in the country and may sometimes surpass it. This is because these markets provide long-term financing for both the government and private sectors by providing multiple and diverse investment opportunities represented by a number Companies listed on the market, which explains their presence in almost every country, and that the banking sector is an important and vital sector for any country, so it is relied upon in the process of economic growth by attracting capital that provides financial resources to the various economic sectors for the purpose of achieving economic and social goals, flexibility. Finance and capital structure are among the important topics that have gained the attention of researchers and specialists in the field of advanced and contemporary financial management. The pursuit and investigation of capital structure results from the importance of the first financial management decision, which is the financing decision, which is the basis of the work of companies, including banks, and most banks are trying to achieve financial flexibility. To the capital structure by determining the required financing sources and determining the target ratios of capital in order to formulate a flexible capital structure to increase the bank's ability to confront the financial risks to which it is exposed and avoid cases of financial hardship and bankruptcy. Two variables were studied to explain this relationship. The first: the financial flexibility of the structure. Capital and the other: the general index of the Iraq Stock Exchange, so the first reflects the efficiency of the bank's management in using capital through managing current assets and liabilities, and the other reflects the state of the capital market through the market value that it reflects through capital and the efficiency of the market that is reflected through Information that reaches the true market value of the company, for the period of time (2016-2023).

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Research Methodology
Research problem
The Iraqi Stock Exchange witnessed a weakness in its performance in recent years, and this was demonstrated by the decline in the general index of the market. This is a result of the fluctuation of banking sector indicators, especially the financial structure of capital, and the decline in financing decisions, which requires studying the effects that were reflected on the Iraqi market. For securities.

The importance of research
The importance of the research came from the importance of the flexibility of the capital structure and its impact on the stability of the general index of the Iraqi Stock Exchange, and this importance is evident through analysing the relationship between the research variables and knowing their impact by analysing the performance of those banks, which is represented by revealing the balance sheet and revealing income through the financial statements published in the market in a way Annual and quarterly, and in this regard, it relied on the banking sector, because it represents the largest and most important part of the companies listed in the market. The research sample was chosen, consisting of (20) banks listed in the Iraq Stock Exchange for the time period (2016-2023).

Research objectives:
The research aims to achieve the following:
1. Identifying the intellectual developments taking place in modern financial thought with regard to financial flexibility, capital structure, and related literature through books, publications, and periodic research.
2. State the effect of the flexibility of the capital structure of the banking sector on the general index of the Iraqi Stock Exchange and verify the existence of a relationship between the flexibility of the capital structure and the general index of the Iraqi Stock Exchange.

Research hypothesis
There is an impact of the financial flexibility of the banking sector's capital structure on the stability of the general index of the Iraqi Stock Exchange by estimating and analysing the relationship between them.

Financial flexibility and capital structure
The intellectual foundations for financial flexibility
Studies in the field of financial flexibility began at the end of the fifties and beginning of the sixties of the last century in light of the famous study (1958-1961) by Modigliani & Miller, which dealt with corporate financing and represented the theory of the absence of an optimal financing structure, and the impact of financial flexibility on the market value of the company. There has been widespread controversy among researchers in the field of financial management and corporate finance since the theory of Modigliani & Miller, in which they discussed that the amount of financial flexibility enjoyed by the company has no relation to the market value of the company in light of the imposition of a full capital market and without the company having any problems obtaining financing, (Erdogan, 2020:725) [20].
In the seventies, a study was launched by economic

researchers (Donaldson, 1971) and (Heath, 1978). In his study of the subject of financial flexibility, Donaldson referred to "financial mobility," which means the company's ability to use its financial resources in a way that is consistent with the objectives of financial management. For the company, because it interacts with new information in the environment in which the company operates. As for Heath, he linked financial flexibility to cash flows, because the company has the ability to take corrective measures for the purpose of avoiding the increase between cash payments and revenues.

After the M.&.M theory, our theory dominated studies related to capital structure, which are the trade-off theory and the picking order theory. According to the exchange theory, the company reaches the level of the capital structure. Optimization of debt and equity by exchanging the debt interest associated with them through the tax savings resulting from debt and bankruptcy costs resulting from financial hardship. The capture theory confirms that the company tries to reduce financing costs by following a hierarchy in choosing financing decisions, that is, it prefers financing. Internal financing through retained earnings first, external financing through debt second, and equity financing through issuing shares as a last resort for financing (Erdogan, 2020: 725) [20].

During the eighties and nineties, two different behaviors emerged in the field of corporate financing. The first behavior was that companies, during the period of economic recession, restructured their financial position and financed their investments through stocks and debts. Companies gained greater flexibility in issuing and repurchasing stocks, as well as with regard to debts if the capacity became available. Companies have greater capabilities to deal with various financial instruments, especially securities with a guaranteed return, as an effective party to guarantee the rights of lenders. The other behavior that companies must follow is that the change in debt and the issuance of new shares in the business sector has become more volatile during this period, because the change the issuance of debt and stocks is negatively associated with the economic crisis (Jermann & Quadrin, 2006:2).

Studies and research continued in the field of financial flexibility because of its great importance in determining the financial structure of the company. The study (Graham & Harvey 2001) confirmed, through an opinion poll that included many financial managers around the world, that financial flexibility is one of the most important factors determining the financial structure of the company. Money, (Erdogan, 2020:723) [20], and from here financial flexibility emerged as an important factor and has become the focus of attention of researchers in this field until the present time.

The concept of financial flexibility
Financial managers' demand for financial flexibility is one of the most important effective factors in companies' debt decisions. Corporate flexibility can be provided by investing in tangible or financial assets. In general, financial flexibility provides greater ability for financial decision makers to make sound decisions that avoid the company from the risks of financial bankruptcy. During periods of economic recession, financial flexibility is defined as the company's ability to provide financial resources in light of

unexpected periods of economic recession and achieve the best financial performance of the company by maximizing its market value, (T.A & H.K, 2018: 144) [28], while we find Al-Mamouri defines it as (it is the ability to The company is able to avoid potential financial crises and maintain a certain level of flexibility in investing funds in projects that achieve higher profitability and lower risks (Al-Mamouri *et al*., 2022: 109) [7].

The importance of financial flexibility:
The importance of financial flexibility is directly related to the ability of companies to undertake new investment projects. The more investment made by financially flexible companies, the higher the value of financial flexibility for those companies. The importance of financial flexibility can be summarized in the following points, (Ferrando, 2014) [23]
1. Financial flexibility is more effective in developing countries, because legal protection is weak and companies are more vulnerable to economic fluctuations.
2. Companies that follow the optimal approach to financial flexibility must have a low financial leverage, moderate cash flow, and high dividend distributions.
3. Companies that enjoy high financial flexibility are less dependent on external financing and enjoy greater freedom when making optimal investment decisions during economic crises.
4. Companies that follow a financial flexibility strategy often have their stockholders accept agency costs for companies that rely on agency theory in financing their financial structure.
5. Financial flexibility affects the company's profitability if companies with a high degree of flexibility achieve greater profitability than companies with less financial flexibility.

The concept of financial structure and capital structure
A distinction must be made between the concept of financial structure and capital structure, as the financial structure in companies consists of the total funds through which the company's assets are financed and includes financing with loans, whether short-term loans or long-term loans, and ownership financing, which includes paid-up capital and retained earnings, which constitute the aspect The left part of the balance sheet, and that part represented by permanent financing is called the capital structure (Al-Amiri, 2010: 195) [3]. The financial structure is defined as the total money that the company obtains from all its sources with the aim of financing its investments, and includes those sources from which the liabilities are composed, whether short. term or long-term, while the concept of capital structure refers to the financing mix of debt and equity that the company adopts in obtaining long-term financing to finance its investments (Moqbel, *et al*., 2013: 260) [29]. Long-term funding sources come from two sources:
a) Equity financing includes (common shares, retained earnings, reserves, and allocations).
b) Debt financing includes (preferred stocks, bonds, and long-term loans).

It is also defined as the balance between debts and the nature of assets and maintaining a constant level of debts

(Ghasemzadeh& Mansourfar, 2021:3-4) [24], and it can be calculated through the following equation: (Jarrah and Al-Ali, 2022:220) [26].

Capital structure = long-term loans + preferred shares + shareholders' equity   (1)

Capital structure = total assets + current liabilities   (2)

Capital structure theories
The traditional theory
Soloman presented this theory in 1963, and it represents a compromise between the net profit input theory and the net operating profit theory. This theory indicates that the company can borrow at a low interest rate, and when creditors feel the increased risk to which they are exposed, they will demand a higher interest rate in return. Lending, and this leads to an increase in the average interest rate that the company bears for the purpose of obtaining external financing, and for the purpose of bearing the risks of increasing debt costs, the rate of return required by them will increase and the costs of shares will also rise, and here the optimal capital structure can be determined at the point where The weighted average cost of capital at the minimum, (Cerkovskis, *et al*, 2022:17) [21].

Trade- off theory
The first to propose this theory were researchers Krans & Litzen Berger in 1973, which was based primarily on Modigliani and Miller's theory, and assumes that debt financing is less expensive than equity financing, due to the advantages provided by tax abundance and reducing taxable income. For the purpose of choosing the optimal capital structure, the company must balance the costs of tax abundance and the costs of financial distress of debt (Al-Jubouri and Al-Khalidi, 2021: 220) [6].

Pecking- order theory
This theory was presented as a result of a field study conducted by Donaldson in 1961, on a sample of large companies, to explain the behavior of the capital structure followed by these companies. The study found that each source of financing has a different cost, which It leads to following a hierarchical order in choosing financing sources in order to increase the company's capital, and was developed by (Myers) in 1984. The basis of this theory assumed that the company follows a hierarchical sequence in choosing financing sources, according to priority among three sources, which are: (retained profits, Debts, external shares as a last resort for the company (Al-Salami and Al-Sharifi, 2022: 160) [10].

The Market Timing Theory
This theory is one of the modern theories that explained the company's behavior in choosing the capital structure. The idea of this theory stems from the behavior of investors, which changes over time, and that the inefficiency of the financial market has important effects in choosing the timing of corporate financing sources. This theory assumes that the timing of the market with regard to issuing shares has a very large and continuous impact on leverage ratios, and temporary fluctuations in the market value of shares

lead to a permanent change in the company's capital structure (Abdul Hakim and Ali, 2023: 168) [1].

Stock market indicators
Capital market indexes are among the most important information needed by speculators and investors in securities traded in the financial market, because the indicators reflect the measurement of the economic condition of the market and its efficiency, and the choice to build the index is made through a sample of the shares of companies listed on the markets. Official capital (regulated) or unregulated, or both, or it is chosen by targeting it to measure the economic condition in which the capital market is, (Hindi, 1999: 241-242) [25], and the indicator is known as (a numerical value expression that is calculated as averages or Standard numbers for a market sample or for the prices of a number of securities traded in the market to measure the change and trend in the state of the financial market or a specific economic sector or the economy (Mosili and Suleiman, 2013: 269) [30], and we review the most important indicators, which are:

The general stock market index
It is a statistical indicator that summarizes the overall performance of the stock market and is considered one of the most important means of knowing market trends and price movements as a whole for the securities traded in it. It is of great importance to all dealers in the stock market, and it relies on sectoral indicators that show price changes. Shares of companies whose securities are traded in the financial market and these sectors represent the following: (industry, agriculture, services, communications, hotels and tourism, banking, investment, insurance).

Market value index (the size of the depth of the financial market)
It is used to measure the financial depth of the stock market by dividing the market value of traded securities by the gross domestic product, and it serves as a tool to measure the state's ability to move capital and diversify risks at the macroeconomic level, Because it determines the importance and contribution of the stock market in supporting the economic growth process of the country, many observers of the stock market are interested in this indicator because it describes the development of market activity, and the rise of this indicator when the market value rises indicates an increase in the volume of economic activity.

Turnover indicator
This indicator is one of the important indicators used to measure the liquidity of securities traded within the financial market. This indicator indicates the percentage of the value of shares traded within a single sector during a specific period of time to the market value for that period, and it is extracted according to the formula The following: (Al-Mawla, 122:2011) [8].

Turnover rate = volume of traded shares ÷ market capitalization * 100   (3)

Indicators of financial flexibility and capital structure
Financial flexibility represents the main focus of capital structure decisions used in financing companies, and

financial literature indicates that there is strong evidence of companies' desire to maintain financial flexibility, which is one of the most important financial leverage decisions in choosing the optimal capital structure. For companies (Al-Jubouri and Al-Taie, 2017: 544) [5], banks seek to achieve the goal of maximizing the owners' wealth by maximizing profits and maximizing the market value of the bank, just like companies operating in various economic sectors, as they use other people's money as a source of financing and investment.

Equity Multiplier
It is an important indicator in measuring financial flexibility, through which it shows the total assets that are financed through equity. A high ratio of the index indicates that the bank depends on financing its investment operations on debt, which leads to an increase in its financial flexibility. A low ratio of the index indicates that It indicates that the bank relies more on equity financing than on debt financing to finance its investment operations, and is calculated according to the following equation: (Azab and Mahmoud, 47: 2021) [12].

Equity multiplier = total assets ÷ total equity   (4)

Trading ratio (liquidity): This is the ratio through which the bank's liquidity and its ability to pay short-term financial dues can be measured through its current assets. If its current liabilities are greater than its current assets, this indicates that the bank is suffering from a liquidity crisis, which exposes it to To the risk of financial hardship, except in the case of obtaining financing from other sources, (Al-Mousawi, 2020: 242) [9] and this indicator is calculated through the following equation: (Al-Ghalabi and Al-Zubaidi, 2017: 138).

Current Ratio = Current Assets / Current Liabilities   (5)

Rate of return on equity
This indicator is used to measure the bank's performance, and although its value is high among the bank's owners, it is not without some drawbacks when used as a sole indicator to measure the bank's performance, which are: (lack of expressing the risks associated with the investment, measuring it relative to the bank's performance and not measuring the volume of capital invested in the bank), and therefore it is considered one of the indicators that measure the performance of banks' profits, as it shows shareholders in the bank's shares the effectiveness of their investments of their money, and it is calculated according to the following equation: (Al-Subaihi and Raja, 91:2020) [11].

Rate of return on equity = net profit after tax ÷ equity *100 (6)

Rate of return on assets
This indicator helps the bank identify its efficiency and ability to achieve profits through the funds invested in its available assets. It is also called the return on investment because it measures the profitability ratio for all short- and long-term investments. Banks pay special attention to this indicator because it gives... Loans, the increase in the value of this indicator indicates the bank's efficiency in investing

money, investing it well, and reducing the volume of operating expenses, and the index equation is calculated according to the following: (Al-Naimi and Al-Houri, 2022: 64),

Rate of return on assets = net profit after tax ÷ total assets * 100   (7)

Table No. (1) shows that there is a discrepancy in the equity multiplier ratio for the banks in the research sample during the time series of the research, if (7) banks out of a total of (20) banks achieved a ratio higher than the general rate of (2.34) adopted as a basis for comparing the results, and this indicates However, in financing their capital structure, these banks rely more on debt than on equity, and therefore they enjoy high financial flexibility. It is also noted through the trading ratio indicator that the banks in the research sample

collectively achieved an overall average of (2.15), if (9) banks achieved an average of Higher than the general average, and this indicates the solidity of the financial position of these banks by providing high financial liquidity that gives them the ability to pay their financial obligations in the short term, and this explains their reliance on property rights to finance their investment operations more than their reliance on debt, and through the return on equity index. Ownership: Eight banks achieved a rate higher than the general average achieved by the banks combined, and this indicates the ability of these banks to achieve high levels of success in managing these banks efficiently. The results of the return on assets index show that (11) banks achieved a rate higher than the general average, which reached (0.70).) along the time series of the research, and this indicates the high profitability rates of these banks through their exploitation of the money invested in their assets.

Table 1: Shows the average period (2016-2023) for the indicators of financial flexibility of the capital structure of the banks in the research sample.

No.	Bank name	Average period (2016-2023)			
		Equity multiplier ratio	Trade rate	Rate of return on equity	Rate of return on assets
1.	Al-Ahly Iraqi	4.06	1.50	8.79	1.76
2.	Iraqi Islamic	2.72	1.71	3.86	1.41
3.	United Investment	2.10	1.74	-0.87	-0.51
4.	Assyria International	1.83	2.71	3.92	2.26
5.	Iraqi Union	2.04	2.22	0.34	0.18
6.	Iraqi investment	2.31	1.70	2.52	0.99
7.	Economy	1.78	1.87	0.80	0.44
8.	Iraqi credit	1.63	2.29	1.33	0.86
9.	International development	3.55	1.32	4.36	1.34
10.	Commercial gulf	1.89	1.78	-0.18	-0.18
11.	The Middle East	2.62	1.38	0.94	0.36
12.	North	1.64	2.29	-4	-2.43
13.	Al Mansour Investment	3.97	1.28	5.34	1.41
14.	Mosul Development	1.9	2.25	1.32	0.72
15.	Elaf Islamic	1.43	2.97	0.75	0.54
16.	Babylon	1.44	2.68	0.09	0.20
17.	Baghdad	4.66	1.20	9.83	1.92
18.	Sumer Commercial	1.36	3.63	0.50	0.37
19.	Through Iraq	1.37	4.94	1.34	1.03
20.	Jihan Al-Islami	2.42	1.55	2.81	1.27
	General Average	2.34	2.15	2.19	0.70

Source prepared by researchers based on the annual financial statements of the banks in the research sample for the years (2016-2023).

The Statistical Analysis
Description of the variables used
After specifying and preparing the data required through the financial statements of the banks in the research sample, for the purpose of conducting statistical analysis in order to

estimate the relationship between the variables and achieving what the research seeks, Table No. (2) Shows the description of the variables and the symbols used to indicate the statistical significance of the research variables, as shown in the table below.

Table 2: Description of the variable symbols

Variable name		Code	Indication
Indicators of financial flexibility of capital structure	Equity multiplier ratio	X1	Independent variable
	Rate of return on equity	X2	Independent variable
	Trading rate	X3	Independent variable
	Rate of return on assets	X4	Independent variable
The general index of the Iraqi Stock Exchange		Y	Dependent variable

Source prepared by researchers

If the panel data method was employed to estimate the impact of capital structure on the general index of the Iraq

Stock Exchange for the banks of the research sample during the period from the first quarter of 2016 until the fourth

quarter of 2023, and the research sample included 20 banks with a time series of 32 observations, then the sample size becomes 640 observations, which is an excellent sample to obtain highly reliable results. The financial ratios shown in the table above were calculated as independent variables to determine their impact on the general index of the Iraqi Stock Exchange (Y) as a dependent variable. The results were estimated according to three models (the general model, the fixed effects model, Random effects model) using a time series method and a balanced cross-sectional data package in order to determine the appropriate model for

data analysis, and using the (F) test to compare between the general model and the fixed effects model on the one hand, and the (Hausman test) to compare between the fixed effects model and the random effects model on the other hand in order to choose the model. Suitable for use in testing and estimating the relationship between variables.

Testing and estimating the relationship between the financial flexibility of the capital structure and the general index of the Iraqi Stock Exchange according to (Panel Data) models.

Table 3: Shows the test results

Sample: 2016Q1 - 2023Q4 Cross-sections included: 20 Total panel (balanced) observations: 640											
Variable	**Pooled Regression Model**				**Fixed Effects Model**				**Random Effects Model**			
	Coefficient	Std. Error	t-Statistic	Prob	Coefficient	Std. Error	t-Statistic	Prob	Coefficient	Std. Error	t-Statistic	Prob
C	564.7813	2.647009	213.3658	0.0000	550.4085	3.204106	171.7822	0.0000	550.6621	18.38697	29.94849	0.0000
X1	0.837190	0.225622	3.710581	0.0002	5.195115	0.591966	8.776041	0.0000	2.430691	3.528965	0.688783	0.4912
X2	2.802180	0.353195	7.933815	0.0000	3.758467	0.431306	8.714164	0.0000	7.257476	2.332727	3.111155	0.0019
X3	1.495235	0.186900	8.000183	0.0000	2.437707	0.363272	6.710416	0.0000	4.095534	2.349816	1.742917	0.0818
X4	-1.592531	0.524442	-3.036618	0.0025	-0.346895	0.768138	-0.451605	0.6517	-2.812414	7.988690	-0.352050	0.7249
R-square	0.322568				0.416779				0.058570			
Adjusted R-squared	0.318300				0.395003				0.052639			
S.E. of regression	0.619495				0.664002				79.66712			
F-statistic	75.59078				19.13931				9.876373			
Prob (F) statistic	0.000000				0.000000				0.000000			
Test cross-section fixed effects					Pooled Regression Model(Cross)				Fixed Effects (Cross)			
Effects Test	Statistic				d.f.				Prob.			
Cross-section F	10.741307				(19,616)				0.0000			
Correlated Random Effects - Hausman Test	Fixed Effects (Cross)				Random Effects (Cross)							
Test Summary	Chi-Sq. Statistic				Chi-Sq. d.f				Prob.			
Cross-section random	24.590176				4				0.0001			

The source was prepared by the researchers based on the Eviews 12 program.

Practical conclusions
1. The results of the (F) test in Table No. (3) Show that it is preferable to use the fixed effects model instead of the general model because the test is significant at the level of (0.05). Therefore, we reject the null hypothesis (Ho), and accept the alternative hypothesis (H1), that is, the effects model. Fixed.
2. The results of Table No. (3) of the fixed effects model show that there is a direct effect of the property rights multiplier on the general index of the Iraq Stock Exchange, as an increase in property rights by one unit leads to an increase in the general index by (5.19), and this effect is significant at the level (0.05), and there is a direct effect of the rate of return on equity in the general index of the Iraq Stock Exchange, as an increase in the rate of return on equity by one unit leads to an increase in the general index by (3.75), and this effect is significant at the level (0.05), There is a direct effect of the trading rate on the general index of the Iraq Stock Exchange, as an increase in the trading rate by one unit leads to an increase in the general index by (2.43), and this effect is significant at the level of (0.05). It is also clear that there is a negative effect of the rate of return on assets on The general index of the Iraqi Stock Exchange, as an increase in the rate of return on assets by one unit leads to a reduction in the general index by (-0.34), and this effect is not significant at the level of (0.05), and this explains that the inverse relationship can be estimated that the rate of return on assets is The resultant ratio of the difference

between banking revenues and operating costs. The decrease in this ratio is mainly due to the decrease in the rate of return on assets, which affected the market value of the banks in the research sample.
3. The results of the comparison test between the fixed effects model and the random effects model in Table No. (3) Show that it is preferable to adopt the results of the fixed effects model over the random effects model because the Hausman test is significant at a level less than (0.05), so we reject the null hypothesis (Ho) and accept Alternative hypothesis (H1).

Conclusions and recommendations
This search comes out with the following conclusions
1. The results of the financial analysis of the equity multiplier index showed that (65%) of the banks in the research sample rely more on equity financing to finance their investment operations than on debt financing.
2. The results of the analysis of the trading ratio indicator showed that (45%) of the banks in the research sample applied this indicator at the required level and achieved rates higher than the general average, and that they maintain financial liquidity that enables them to pay their financial obligations in the short term.
3. The results showed that although banks achieved (45%) higher rates of liquidity ratio, they were unable to achieve high rates of profits, and this explains their lack of alignment between liquidity and profitability and indicates that they follow a conservative investment

policy.

4. The banks achieved a rate of return on property rights higher than the general rate of (40%), which are: (Al-Ahli of Iraq, Iraqi Islamic, Assyria International, Iraqi Investment, International Development, Al-Mansour Investment, Baghdad, and Cihan Islamic), and this indicates These banks must be well managed to achieve profits and invest shareholders' money well.

5. The results of the rate of return on assets index showed that (45%) of the banks in the research sample did not achieve good results according to the required level of this indicator, and the management of these banks relied on shareholders' funds instead of relying on borrowed funds, and this indicates the weakness of the management of these banks. In achieving high profitability rates and failing to invest shareholders' funds well.

6. The (F) test showed that it is preferable to use the fixed effects model instead of the general model because the test is significant at the level (0.05), which indicates the rejection of the null hypothesis (Ho), and the acceptance of the alternative hypothesis (H$_1$), the fixed effects model.

7. The results of the fixed effects model showed that there is a direct effect of the property rights multiplier on the general index of the Iraqi Stock Exchange, as an increase in property rights by one unit leads to an increase in the general index by (5.19), and this effect is significant at the level of (0.05), and there is an effect Directly for the rate of return on equity in the general index of the Iraq Stock Exchange, as an increase in the rate of return on equity by one unit leads to an increase in the general index by (3.75), and this effect is significant at the level of (0.05), and there is a direct effect of the trading rate in The general index of the Iraq Stock Exchange, as the increase in the trading rate by one unit leads to an increase in the general index by (2.43), and this effect is significant at the level of (0.05), and it is also clear that there is a negative impact of the rate of return on assets on the general index of the Iraq Stock Exchange An increase in the rate of return on assets by one unit leads to a reduction in the general index by (-0.34), and this effect is not significant at the level of (0.05). This explains that the inverse relationship can be estimated that the rate of return on assets is the result of the percentage difference between bank revenues and And operational costs, and the decrease in this percentage is mainly due to the decrease in the rate of return on assets, which affected the market value of the banks in the research sample.

This search comes out with the following Recommendations

1. Attention to the indicator (property right multiplier, trading rate indicator) by the banks in the research sample, because they are important indicators for measuring financial flexibility, and achieving them and working with them according to the required level provides many advantages for banks, including raising the level of bank management by increasing their ability to compete. Providing protection for banks from

unexpected shocks, which reflects positively on achieving the goals that banks seek to achieve.

2. Diversifying sources of financing, exploiting debts, and not relying on property rights as a source of financing, and the interest of the bank management in the research sample in the indicator (rate of return on equity, rate of return on assets) because of their great importance in determining the level of management's success in achieving profitability rates by reducing Operating expenses and investing shareholders' funds well, which reflects positively on the bank's market value and thus contributes to maximizing it.

3. The interest of the bank management in the research sample that achieved high levels of liquidity and low percentages of profitability is to work on maintaining a state of balance between the level of liquidity and profitability, and not to exaggerate in providing the safety factor, because this negatively affects the bank's profitability and makes the bank miss out on opportunities. A more profitable investment, which would enable it to achieve the goals it seeks.

4. Adopting the results of the statistical analysis of the fixed effects model in interpreting and determining the nature of the relationship between the independent variable and the dependent variable of the research.

5. Giving special importance to the field of studying financial flexibility and capital structure because of its great importance to companies operating in Iraq and modern financial thought, and conducting more research and studies in this field.

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