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Leverage and its impact on sector share prices Insurance, services and investment

(An analytical study on the Baghdad Stock Exchange for the period 2012-2016)

Sina Ahmed Jarallah, Alaa Yahya Younus

Sinaahmed310@gmail.com, alaayahea2020@gmail.com

College of Education for Girls, Iraqi University, Iraq

Abstract

This research aimed to shed light on the relationship of leverage, and the percentage of shares used in companies listed on the Baghdad Stock Exchange and its various sectors, and the Baghdad Stock Exchange is considered one of the main economic engines in Iraq, as the economic development thrives in the presence of an advanced market for securities.

To achieve that, an analytical and applied study was conducted on some of the companies listed in this market, through the movement of stock prices for a sample of (12) companies for the period from (2012-2016). Among the most important results of these analyzes, a significant relationship was found between the prices of Stocks, and the percentage of leverage in the services, industry and investment sectors, in addition to that the results showed a significant relationship between stock prices and the rest of the variables which was (financial leverage, cash dividends, earnings per share, company size), and the most important recommendations that resulted from the research are , The necessity of paying attention to following up the percentage of financial leverage for companies and maintaining the level of earnings per share and maximizing it.

Keywords: Stock Exchange, economic engines

Introduction

Debt funds play an important role in working to maximize the profitability of the company and strengthen its financial and competitive position in the market, in addition to the risks that you may be exposed to through its ability to pay. Here, the role of the successful financial manager and his correct financial decisions that lead to a sound financial structure are highlighted, and that is what balances between achieving higher profitability and less liquidity

Risk ratio which puts pressure on the company in an effort to maintain its position in the market.

As providing the necessary financing for investment is one of the difficult tasks of managing the company, which constitutes a major obstacle for many companies, due to the scarcity of funds, and the accompanying high costs and risks of the financing process. , Which may cause the loss of the largest part of the shareholders' rights, in the event of a financial hardship for the company, and when the cost of the capital debt is low, the properties supported by the returns on the shareholders may increase, and when you own shares in a company that has a large amount of debt (investment leverage) , You get p I have properties backed by leverage, and this requires the same amount of risk that the leverage debt itself entails, therefore, the shareholder faces the same benefits and costs of using the debt, and it is difficult to determine the best level of leverage, because this depends mainly on the financial manager’s strategy and the extent of His vision of upcoming market moves.

1- **Research methodology**

1-1- The study problem

Stock prices in companies are affected by many factors that impose themselves on the Iraqi economy, especially in light of these volatile economic conditions in the Baghdad Stock Exchange and according to the changing economic market situation, in light of the presence of changes in the stock prices in the Baghdad Stock Exchange in the past period, was This research is to find out the relationship between leverage and stock prices in this market according to the previously mentioned sectors, so the problem of the study is what is the relationship between the percentage of leverage for companies in the investment sector, services, industry and investment, and the prices of their shares in the Baghdad Stock Exchange, and the question Ex What is the relationship between the cash dividend, earnings per share, the company size, stock prices in the market of Baghdad Stock Exchange.

1-2- Research Variables

Independent variables: - Leverage ratio, dividends, earnings per share, company size. And the dependent variable: - Stock prices in the market.

1-3- The research hypothesis

1- There is no statistically significant relationship at the significance level of 0.05 between stock prices in the market and the percentage of leverage used in companies.

2- There is no statistically significant relationship at the significance level of 0.01 between the stock prices in the market and the dividends.

3- There is no statistically significant relationship at the significance level of 0.01 between stock prices in the market and the declared earnings per share.

4- There is no statistically significant relationship at the significance level of 0.01 between the stock prices in the market and the size of the company.

1-4- Research Objectives

This research aims to identify the financial leverage used in financing companies operating in the Baghdad Stock Exchange in Iraq, and to identify the relationship between leverage in several sectors such as (the insurance, services and investment sector) in the Baghdad Stock Exchange and used in financing these companies, and the prices of their shares.

1-5- Research limitations

This research is limited to the sectors of insurance, services and investment in the Baghdad Stock Exchange, which number (12) companies.

1-6 - Duration of the research

The duration of the research was determined from 2012 to 2016 due to the availability of financial statements and statements related to this period and easy access from the source.

1- 7- Sources of data collection about the research:

The theoretical data were obtained from the research through scientific references and scientific periodicals related to the subject of the research. The practical source of data collection is through data and annual reports of the Baghdad Stock Exchange.

1-8- Research community:

The research community is the sectors of services, industry, and investment in the Baghdad Stock Exchange, as shown in the work-side topic.

1-9- Research Methodology:

Our current research is considered descriptive and analytical research, and accordingly, we will follow the descriptive analytical approach that fits with our research. Descriptive research aims to describe a phenomenon or event or certain things and collect all the facts and information about it and the information on it, whether it is specific or relevant. It is in fact. The analytical method will also be used to collect data and information related to the case under discussion by using financial analysis to test the hypotheses, analyze them and reach the results digitally, which express the reality, then interpret the results and infer scientific and practical evidence.

The second topic

2- Definition and concept of leverage and stock prices

Leverage means the extent of the company's reliance on borrowing from financial and banking institutions to meet its financial needs, that is, the degree of accreditation of the enterprise in financing its assets from fixed-income financing sources, whether they are loans, bonds, and other recognized methods of financing, which is reflected in the profits obtained by the owners and then It reflects on the degree of risk to which they are exposed as a result of using the funds of others to achieve the largest possible return for the shareholders. Leverage measures the total of long and short-term liabilities to the total assets and the leverage relates to the structure of the facility's financing. External leverage in financing increased leverage and leverage becomes effective if the enterprise is able to invest borrowed money at a rate higher than the cost of borrowed money and if the facility is not able to achieve this then it is exposed to significant risks and losses in the future, which drives it to try to limit the financial leverage because of that negative reflection on Business results (canceled, 2002, p. 4 5), as well as the definition of leverage can be defined as the use of the capital that is borrowed from the broker when opening the deal, or it is the investor's borrowing to increase the capital with the minimum shares, and this is justified as part of an investment strategy Successful risky. Chin, (2004 ,453)

Leverage is a major feature of CFD trading, and it may be an effective tool for a trader, which you can use, that is, leverage, to benefit relatively from slight price movements, and to "raise" your investment portfolio to obtain greater exposure, or to increase your capital, including how Its work, and when it is used, and how to keep the risks under control, as the investor and the trader in the stock market know very well that the leverage is used to increase the return as a result of an investment or trading, used by the shareholders to increase the capital by using debt financing so that trading is practically Investment is a kind of attempt to increase the value of shareholders, as the investor can reap high profits as a result of using a large financial leverage, and the leverage can backfire, then that is that leverage increases the potential losses significantly and in order to avoid this catastrophe is to activate the use of Stop and limit orders to strictly control potential losses. , (78) 2005 Shumi,)

Trading with leverage involves opening large deals with a value that exceeds the original amount that was deposited in the trader's account, meaning that the trader can achieve large profits, regardless of the capital in the trader's account, and this is in the event that the transaction succeeds, but in the case if the trader loses the deal, Only the original deposit amount is lost. Therefore, leverage is considered a basic issue in the market, as it does not carry the trader any negative risks, but rather enables him to maximize his profits more than the returns that can be achieved by trading with actual capital only. (Muhammad, 1995, p. 71), we conclude from the foregoing that “Leverage” is a financial instrument granted by companies to traders to double the capital in their account and obtain greater returns.

-1-2 The concept of leverage

Leverage results from the use of borrowed capital as a financing source when investing in expanding the asset base and generating returns on risk capital. The leverage system can also refer to the amount of debt the company uses to fund assets, when one refers to a company, property or investment in the name of " High indebtedness, "this means that this item has more debt than equity, which increases the impact of financial leverage on profits.

Investors who are uncomfortable with using leverage directly can adopt various ways to reach it indirectly, as they can invest in companies that use leverage in the natural context of their business to finance or expand operations - without increasing their expenses.

-2-2- The importance of leverage

Leverage relates to the use of debt to purchase assets. This is done to avoid using too much capital. The debt to ownership ratio is the formula for calculating the leverage (debt / ownership ratio) where the higher the debt ratio, the greater the leverage size. If a company, investment, or property is classified as "high lever", this means that the debt ratio is greater than ownership. When debts are used in such a way that the resulting return on investment is greater than the interest associated with it, the investor's standing is right. However, an excessive amount of leverage is always risky, given that it is possible to fail to use it. Therefore, it is preferable to use leverage for these basic purposes: 1. to expand the company's asset base or the individual and generate returns on the risk capital. This means that there is an increase in return on investment and equity. 2. To increase profit potential 3. For tax transactions because in many countries, interest fees are tax deductible. Therefore, the net cost of the borrower is reduced. Investment leverage differs from operational leverage. The operating financial leverage of a business is calculated as the sum total of the fixed cost amounts incurred by it, as the higher the fixed costs, the higher the operating leverage. Combining the two gives you total leverage. So what does leverage mean in a business? It is the use of external funds for internal expansion, commencement of operations and acquisition of assets.

Leverage size - 2-3

The size of the leverage varies from one company to another and is determined based on the trading conditions stipulated between the broker and the trader, and in exchange for the use of the leverage the broker requests a certain margin on the deals, and the margin is a certain amount of the total capital of the leverage required by the broker as a guarantee Or insurance in case of losing the deal and it is calculated as a percentage of the total value of the deals concluded by the trader and what was previously meant by the actual capital. The required margin varies from one broker to another. The higher the leverage value, the lower the required margin value.

-24- How to choose the leverage level

The choice of the leverage level depends on the market movement and the strategy pursued by the trader, and beginners or traders with relatively small capital usually use a high leverage to enter into quick deals to obtain large profits in a short time, and for professional traders, they prefer to use leverage Low, because they are trading with very large amounts. Leverage is a unitary weapon, as it can increase returns very significantly, but it can also cause a big loss if the margin of trading is large and the trader loses the deal. (Aydin Ozkan, 2001, p312)

-2-5-Leverage features

The biggest advantage of leverage is that it helps to increase the liquidity available to the company, because when the company takes a loan or debt, it receives cash from the lender and that cash can be used by the company in many activities such as purchasing new equipment or new buildings that help it increase the effectiveness of the company or The company can use that cash to purchase other companies, which will increase the volume of the company's operations.

Although most of the establishment is at the same time calculating the profits and losses, the used margin, the available margin, and the total of the account, but knowing how to calculate these values helps in a deeper understanding of the currency trade and by doing this in a more secure manner with special transactions and determining the potential profit or loss. (Pp. 32, 1998, Al Hashemi)

-2-6 - degree of leverage

Leverage degree (DFL) is a ratio that measures the sensitivity of a company's earnings profit (EPS) to fluctuations in its operating income as a result of changes in the capital structure, and it measures the percentage change in earnings per share because the unit change in earnings before interest and taxes (EBIT), and this ratio indicates that The higher the degree of leverage, the higher the volatile profits, and since the interest is usually fixed expenses, the leverage inflates the return and the earnings per share. This is good when operating income rises.

2-7- Leverage method

The leverage system is based on measuring the total liabilities (long and short term) to the total assets, and they are directly related to the facility's financing structure, so the percentage will increase if the source of the financing is external, and the investment rate of the borrowed funds must be higher than the cost of the borrowed amount to make the leverage effective, otherwise The facility will face risks and incur significant losses in the future.(, 2006,515 Bernard) In a simple equation :

Leverage = total debt / total assets

The high percentage resulting from this equation poses a greater risk to creditors due to the weak financing of partners or shareholders, and its decline encourages them to continue financing the business of the facility.

In the event, it is necessary to start opening an account with one of the brokers, and the leverage ratio varies according to the broker and the investor’s position in the trading market. 1:10.

When trading shares, the same thing applies to leverage on the stock exchange. Suppose that you want to buy a thousand shares in a company, and the value of the share is one dollar. But with a greater return on investment, Leverage helps to offer more exposure to the market with a relatively small investment.

2-8- Leverage risks

Financial leverage is a particularly risky approach to cyclical business, or an approach in which there are low barriers to entry into the market, where sales and profits are likely to fluctuate significantly from year to year, increasing the risk of bankruptcy over time, on the contrary, The leverage system may be an acceptable alternative when the company is located in an industry with a steady income level, large cash reserves and high barriers to entry, as the operating conditions are stable enough to support a large amount of leverage with a negative decrease, and there are usually natural restrictions on the amount of leverages Finance, where lenders are less For the possibility of providing additional funds to the borrower who borrowed a large amount, in short, the leverage can achieve great returns for the shareholders, but it also presents the risk of explicit bankruptcy if the cash flows fall below expectations, and the majority of traders correctly analyze the tables and place deliberate trades, except that they They tend to increase the use of leverage (i.e. they enter into a large position in relation to their portfolio), and as a result, they are usually forced to exit the deal at the wrong time, so this point must be taken into account during trading, we conclude from this that Leverage is part of Atejah money management, a double-edged sword potentially profit and loss if the market went in the opposite direction, so should suit lifting the financial strength of the deposit amount and the size of the deal, as well as reserve margins in small amounts. (Williamson & Others, 2006, p44)

-2-9 Stock prices

Capital and stock markets are affected in general by internal and external factors, which are economic and political aspects, and the impact is a significant impact in emerging markets, and the shares of companies can know changes due to the announcement of results that are not expected from the market, so that the share prices of companies that announce Better results than expected to rise, so that in many cases the share prices of some companies rise despite the announcement of achieving losses just because the percentage of loss was better than expected.

With the development of financial markets during the past century as a result of the technological revolution and the development of means of communication and communication, these markets have become a center for the exchange of shares between financial market participants, speculators and hedgers, in the same way in which goods are exchanged between ordinary people, so that the prices of shares listed in the markets are subject to The financial laws of supply and demand are similar to the goods and services traded in the ordinary life. Therefore, in the event that the demand for buying a stock increases and the demand becomes greater than the supply, then the price of this share tends to rise, and on the contrary, if the demand falls on a share and becomes a For a larger supply than demand, the price will tend to decrease.(Totala , 2012, p107)

2-3- Factors affecting the share price

One of the most important factors affecting the rise and fall of stock markets is bad news, so there is a lot of caution among investors and we find here that the basic analysis always depends on stock indicators on the use of economic data and information to predict the movement of stocks in the long term, where the general economic conditions of the state and movement are analyzed Economic variables to know the effect of these variables on the financial markets, and the economic changes affecting the money market differ from one country to another, although most studies focus on: -

2-3-1- National income

The increase in income increases the demand for all goods and services in different markets, and therefore a positive relationship is expected between growth in national income and the stock index.

2-3-2- Interest rates and rates

Regional and local economic factors, such as tax policies and interest rates, contribute to the change that occurs in market trends. The change in interest rates affects stocks through the direction of some investors to invest in bonds and bank deposits when interest rates rise, which leads to decreased demand for stocks. Also, the high interest rate leads to higher borrowing costs for companies, which reduces their profits and hence their market prices, and for this reason, it is expected that the interest rates will negatively affect stock prices and investment portfolios. It will also increase the level of anxiety and apprehension felt by investors, as they watch the value of their investment portfolios increase in volatility and decrease in value. This causes irrational reactions, and could increase investor losses.

2-3-4- Inflation rate

Usually the periods of low price-earnings ratios are related to periods of high inflation, when prices are not stable. This contributes to the decline in stock markets, and its passage in a period of high volatility, and we find a high rate of inflation that affects stocks through its effect on consumer spending and its impact on central bank policies, as high prices lead to an increase in the money that individuals allocate to consumption and thus decrease available liquidity and liquidity Available in the stock markets as well, because when inflation occurs, the central bank uses deflationary policies that lead to a decrease in the money supply and a decrease in income, which have a positive impact on the stock index, while investors ’equity portfolios decrease, they must restore the balance between stocks and bonds, by buying the largest amount of stocks that drop their price, which allows them to grasp a stock at lower prices.

2-3-5- Money Supply:

Although economic theories agree on the positive effect of money supply on stock markets, these theories differ in the speed of these effects, where the theory of what is known as the (monetary investment portfolio hypothesis) sees that the change in money supply affects slowly the stock market. While the theory of market efficiency sees that the change in money supply simultaneously affects stock prices. (Shibu, 2014, p65)

The third topic

3-The practical side of research

This topic deals with the practical aspect of the research and the results were reached by studying the relationship between financial leverage and stock prices in some sectors of the Baghdad Stock Exchange, as well as the relationship with other variables such as dividends, the company's profitability and the size of the company, and the assumptions included in the methodology were also tested search.

3-1- Research community

The Iraq Stock Exchange is a stock market in Baghdad, Iraq, and the market was established in June 2004, and operates under the supervision of the Iraqi Securities Commission, an independent body that was established along the lines of the American Securities and Exchange Commission

In the period before the American invasion of Iraq in 2003, the current market was called the Baghdad Stock Exchange, which was run by the Iraqi Ministry of Finance, but now it is a self-regulatory body like the

New York Stock Exchange, and since 2005, the Iraq Stock Exchange became the only stock exchange in Iraq, and when it opened In 2004 AD, there were only 15 companies listed on the market, but now more than 100 companies have been listed, and in 2005, trading in shares per session was approximately five million dollars, and large shares include the shares of the Baghdad Bank Company, and the shares of Baghdad Soft Drinks Company , And shares of the Iraqi Carpet Company For furniture.

The companies listed on the Iraq Stock Exchange include the banking, insurance, investment, and service sectors, industrial companies, hotels, tourist companies, agricultural companies, and communications companies. The number of listed companies until 12/2015 (98) is a listed company, and this market aims to achieve the organization and training of its members and companies listed in the market In a manner commensurate with the goal of protecting investors and enhancing investor confidence in it, organizing and simplifying fair and effective and regular securities transactions, including clearing and settlement operations for these transactions, organizing the transactions of its members with everything related to buying and selling securities To determine the rights and obligations of the parties and the means to protect their legitimate interests, develop the money market in Iraq in a way that serves the national economy and help companies build the capital necessary for investment, educate Iraqi and non-Iraqi investors about opportunities to invest in the market, and communicate with stock exchanges in the Arab world and global markets With the aim of developing the market.

3-2- Research sample

The study population consists of (12) companies out of (25) companies within the selected sectors, which is the Baghdad Stock Exchange, which is the insurance, services and investment sector. The data relating to research variables and stock prices in the Baghdad Stock Exchange were analyzed, and the following are the most important results: -

Table No. (1): The study sample is distributed among the business sectors

The name of the economic sector	The total number of companies in the sector	The number of the research sample
Insurance sector	5 companies	**3**
The investment sector	11 companies	**5**
Services sector	9 companies	**4**
The sum of the three sectors	The total number of companies is 25 companies	**total company sample 12 search**

Source: Baghdad Stock Exchange Companies Directory

Three sectors were chosen in the Baghdad Stock Exchange, which includes the insurance sector, the investment sector, and the services sector. There were five insurance companies, three of which were chosen. As for the investment sector, the number of companies in the Baghdad Stock Exchange was eleven and five companies were selected as a sample for research. And the services sector, as there were nine companies, only four companies were selected for the sample, as the total of twelve companies out of twenty-five companies in the three sectors, which are (insurance, investment and services).

3-2- Results of the statistical analysis of the variables

-1-2-3 Test the correlation between independent variables

The following table no. 2 illustrates the testing of independent variables, which represent the percentage of leverage, dividends, earnings per share, company size.

Table No. (2) testing the independent variables, which represent the percentage of leverage, dividends, earnings per share, company size

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Variables	Leverage	Dividend	Earnings per share	Company size
Leverage	**1**	**0,027**	**0,049**	**0,033**
Dividend	**0,027**	**1**	**0,037**	**0,039**
Earnings per share	**0,049**	**0,023**	**1**	**0,041**
Company size	**0,033**	**0,045**	**0,30**	**1**

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Correlation coefficient is 0.05

Before beginning to clarify the content of Table No. (2), we would like to show that it was calculated

Ratio of leverage by dividing the total liabilities in the company by the total assets.

• Profits or losses that are expressed in value of retained earnings or losses.

• Earnings per share Earnings per share (share per share of earnings) were reached from the published financial statements of the Baghdad Stock Exchange, by dividing the annual earnings by the number of shares.

• The size of the company, which represents the assets of the company announced in the financial statements at the end of the fiscal year.

We conclude from Table No.2 that the results of the correlation coefficient between the variables, where the results showed the absence of a strong relationship between the independent variables with each other, where the strongest positive correlation relationship reached (0,049) which is between the leverage and earnings per share, while the weakest relationship is between Leverage and dividend yield which was (0.027).

3-2-2-Analysis of independent financial statements related to research variables and their effect on the dependent variable (share prices)

3-2-2-1- Tests of the hypotheses of the companies listed in the insurance sector

The independent variables that were leverage, dividends, earnings per share, size of the company were tested to see its relationship with the dependent variable which is the stock price and the results were as shown below: -

Table No. 3 test results between the independent variables and the dependent variable, stock prices in insurance sector companies

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	Leverage	Dividend	Earnings per share	Company size
Spearman coefficient (r)	**0.508**	**0.638**	**0.60**	**0.599**
Coefficient of determination (R2)	**36.07**	**19.05**	**20.32**	**39.6**
.Sig value	**0.29***	**.012***	***0.007**	****0.001**

* Statistically significant correlation at the level of significance 0.05 ** correlation D statistically at the level of significance 0.01

The first nihilistic hypothesis states that there is no statistically significant relationship at the significance level of 0.05 between stock prices in the market, and between the percentages of leverage used in companies listed in the insurance sector, it is clear from Table No. 3 That the Spearman correlation coefficient between variables 0.508 the value of Sig is 0.29, which is greater than the significance level of 0.05, which means acceptance of the hypothesis, and this indicates that there is no statistically significant relationship between stock prices and the leverage ratio in the insurance sector. The weak relationship appeared from the value of the determining factor R2, where this ratio was indicated The independent variable is able to explain 36.07% of the variable A For continued, the changes that we did not explain through this variable were 63.93%, which means that there are other independent variables that affect the dependent variable, and this means that there is an average direct correlation between the market share prices and the leverage ratio in the insurance sector companies, while the second nihilistic hypothesis Which states that there is no statistically significant relationship at the significance level of 0.01 between stock prices in the market, and between dividends in companies listed in the insurance sector, between Table No. (3) that the Spearman correlation coefficient between variables 0.638, and the value of Sig is 0.12, which is smaller The significance level is 0.05, which means the null hypothesis n is rejected It results from a statistically significant relationship between stock prices and dividends distribution in insurance sector companies, and the value of the determining factor was R2, 19.05 from the changes in the dependent variable, while the changes that we did not explain through this variable were 80.95%, which means that there are independent variables Others affect the dependent variable, and this means that there is a direct correlation between the stock prices in the market and the percentage of dividends distribution in the insurance sector companies. As for the third nihilistic hypothesis, it stipulated that there is no statistically significant relationship at the level of 0.01 indication between the stock price in the market and between profitability The share advertised in the generating company In the insurance sector, where we note from Table No. (3), it shows us that the coefficient of Spearman correlation between variables 0.60, and the value of Sig is 0.007 *, which is smaller than the level of significance 0.01, which means rejecting the null hypothesis, and we conclude from this that there is a statistically significant relationship between The stock price and earnings per share in the insurance sector companies, the value of the determining factor R2, 20.32 of the changes in the dependent variable, and the changes that we did not explain through this variable were 79.68%, which means that there are other independent variables that affect the dependent variable, which confirms The presence of an intermediate correlation between the share price on the market and the earnings per share in the companies of the Alta sector Yen, as for the fourth nihilistic hypothesis, which stipulated, there is no statistically significant relationship at the significance level of 0.01 between the stock prices in the market and the size of the company in the companies listed in the insurance sector, where Table No. 3 shows that the Spearman correlation coefficient between the variables 0. 599, and the value of Sig is 0.001 **, which is smaller than the significance level 0.01, which means rejecting the hypothesis, and this indicates a statistically significant relationship between the stock prices and the size of the company in the insurance sector companies. The relationship has emerged from the value of the determining factor R2, where I indicated this The ratio is that the independent variable is able to explain 39.6% of the dependent variable, whereas the variables a That we did not explain it through this variable, it was 60.4%, which means that there are other independent variables that affect the dependent variable, and this means that there is an average direct correlation between the market share prices and the percentage of the company's size in the insurance sector companies.

3-2-2-2- Test the assumptions of the listed companies in the investment sector

The independent variables that were leverage, dividends, earnings per share, the size of the company were tested to see its relationship with the dependent variable, which is the stock price in the Baghdad Stock Exchange and the results were as shown below: -

Table No. 4 test results between the independent variables of leverage and the dependent variable, stock prices in the investment sector

	Leverage	Dividend	Earnings per share	Company size
Spearman coefficient (r)	**0.228**	**0.699**	**0.699**	**0.597**
Coefficient of determination (R2)	**5.07**	**40.55**	**39.38**	**38.87**
.Sig value	**0.363***	***0,0**	**0.009****	**0.007****

* Statistically significant correlation at the level of significance 0.05 ** statistically significant correlation at significance level 0.01

Where it is clear from Table No. 4, and by testing the assumptions that relate to companies in the investment sector, which were stipulated, there is no statistically significant relationship at the significance level of 0.05 between stock prices in the market, and between the percentage of leverage used in companies listed in the investment sector, according to As shown in Table 4, the Spearman correlation coefficient between the variables was 0,228, and the value of Sig is 0.363 * which is greater than the significance level of 0.05, which means acceptance of the hypothesis, and this indicates that there is no statistically significant relationship between stock prices and the leverage ratio in a sector The investment showed a weak relationship from the value of the determining factor R2, where it was shown With this ratio, the independent variable is able to explain the rate of 5.07% of the dependent variable, and the changes that we did not explain through this variable were 94.93%, which means that there are other independent variables that affect the dependent variable, and this means that there is an average direct correlation between the leverage and Stock prices at the significance level of 0.05 in companies listed in another sector affect the dependent variable in investment sector companies. As for the second nihilistic hypothesis, which stipulates that there is no statistically significant relationship at the significance level of 0.01 between stock prices in the market and between dividends in companies listed in the investment sector, where t Yen from Table No. (4). Through testing the hypotheses concerning companies in the investment sector, which stipulated, there is no statistically significant relationship at the significance level of 0.01 between stock prices in the market, and between the percentage of the company's profitability used in companies listed in the investment sector, As shown in Table 4, the Spearman correlation coefficient between the variables was 0.699, and the value of Sig is .0.0 *, which is greater than the significance level of 0.01, which means rejecting the nihilistic hypothesis, and this indicates a statistically significant relationship between stock prices and the ratio and profitability of the company In companies listed in the investment sector, the relationship has emerged from the value of the challenge factor R2 hand, where this ratio showed that the independent variable is able to explain the rate of 40.55% of the dependent variable, and the changes that we did not explain through this variable were 59.45%, which means that there are other independent variables that affect the dependent variable, and this means a direct correlation The average between dividends and stock prices at the significance level of 0.05 affects the dependent variable in investment sector companies.

As for the third nihilistic hypothesis, this states that there is no statistically significant relationship at the significance level of 0.01 between the stock prices in the market, and the earnings per share announced in the companies listed in the investment sector, as it was revealed from Table No. 4 and by testing the assumptions that pertain to companies In the investment sector, which stipulated, there is no statistically significant relationship at the significance level of 0.01 between stock prices in the market, and the percentage of earnings per share in companies listed in the investment sector, and as shown in

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Table (4, the Spearman correlation coefficient was among the variables 0 .699, and the value of Sig is 0.09, which is greater than the significance level 0.01 than j In rejecting the nihilistic hypothesis, this indicates a statistically significant relationship between the stock price and the percentage and profitability of the company in the companies listed in the investment sector, and the relationship has emerged from the value of the determining factor R2, where this ratio showed that the independent variable is able to explain what is 39.38% km The dependent variable, and the changes that we did not explain through this variable were 60.62%, which means that there are other independent variables that affect the dependent variable, and this means that there is an average reverse correlation between the earnings per share and stock prices at the significance level of 0.05 affecting the dependent variable in companies The investment sector.

As for the fourth nihilistic hypothesis, this states that there is no statistically significant relationship at the significance level of 0.01 between the stock prices in the market, and the size of the company in the companies listed in the investment sector, as it was revealed from Table No. (4) and by testing the assumptions that relate to companies in the investment sector The following shows that the Spearman correlation coefficient between the variables is 0.597, and the value of Sig is 0.007 **, which is smaller than the significance level 0.01, which means rejecting the nihilistic hypothesis, and this indicates a statistically significant relationship between the company size and the ratio and price of shares in the listed companies In the investment sector, the relationship has emerged from the value of the R2 coefficient, district W This ratio showed that the independent variable is able to explain what is the rate of 38.87% of the dependent variable. As for the changes that we did not explain through this variable, it was 61.13%, which means that there are other independent variables that affect the dependent variable, and this means that there is an average direct correlation between The size of the company and share prices at the significance level of 0.05 affect the dependent variable in companies listed in the investment sector.

3-2-2-3- Testing the assumptions of the service sector

The independent variables that were leverage, dividends, earnings per share, company size were tested to see its relationship with the dependent variable which is the stock price and the results were as shown in Table No. 5 Below: -

Table No. 5 test results between the independent variables and the dependent variable, stock prices in the services sector

	Leverage	Dividend	Earnings per share	Company size
Spearman coefficient (r)	**0.102**	**0.733**	**0.712**	**0.817**
Coefficient of determination (R2)	**4.07**	**53.05**	**19.35**	**35.17**
Sig value.	**0.107***	**0.009****	**0.009****	**0.005****

Statistically significant correlation at the level of significance 0.05 ** correlation D statistically at the level of significance 0 . 01

Where the first nihilistic hypothesis states, that there is no statistically significant relationship at the significance level of 0.01 between stock prices in the market, and the percentage of leverage used in companies listed in the services sector, where Table No. (5) showed that the Spearman correlation coefficient between the variables 0 102, and the value of Sig 0.107 *, which is greater than the significance level 0.01, which means acceptance of the hypothesis, and this indicates that there is no statistically significant relationship between stock prices and the percentage of leverage in the services sector. The weak relationship appeared from the value of the determining factor R2, where I indicated this. The ratio is that the independent variable is able to explain 4.07% of the change You see from the dependent variable, and the changes that we did not explain through this variable were 95.93%, which means that there are other independent variables that affect the dependent variable, and this means that there is a weak direct correlation between the market share prices and the percentage of leverage in the services sector companies, while The second nihilistic hypothesis: There is no statistically significant relationship at the significance level of 0.01 between the stock prices in the market and the dividends distribution in the companies included in the services sector, between Table No. (5) that the Spearman correlation coefficient between the variables is 0.733, and the value of Sig is .009 ** 0, which is smaller than the significance level 0.01, which means rejecting the null hypothesis We conclude that there is a statistically significant relationship between stock prices and dividends distribution in the services sector companies, and the value of the determination factor R2 was 53.05 from the changes in the dependent variable, whereas the changes that we did not explain through this variable were 46.95%, which means that there are independent variables Others affect the dependent variable, and this means that there is an average direct correlation between the stock price in the market and the percentage of dividends distribution in the services sector companies. As for the third nihilistic hypothesis, it stipulated that there is no statistically significant relationship at the significance level of 0.01 between the stock price in the market, and between Earnings per share announced in the company Cat included in the services sector, where we note from Table No. (5) that shows us that the Spearman correlation coefficient between the variables is 0.712, and the value of Sig is 0.009 **, which is smaller than the significance level 0.01, which means rejecting the null hypothesis, and infer that there is a significant relationship Statistics between share prices and earnings per share in the services sector companies, the value of the determining factor R2 was 19.35% of the changes in the dependent variable, and the changes that we did not explain through this variable were 80.65%, which means that there are other independent variables that affect the dependent variable, This confirms the existence of an average direct correlation between the share price on the market and the earnings per share in companies Obeyed services, either hypothesis nihilism was the fourth reading, there is no statistically significant relationship at the level of significance 0.01 between stock prices in the market, and the size of the company in the service sector.

Received: 10 May 2020 | Revised: 25 Jun 2020 | Accepted: 24 July 2020

Where Table 5 shows that the Spearman correlation coefficient between the variables is 0.817, and the value of Sig is 0.005 **, which is smaller than the significance level 0.01, which means rejecting the hypothesis, and this indicates a statistically significant relationship between the stock prices and the size of the company in companies The insurance sector and the relationship has emerged from the value of the determining factor R2, where this ratio showed that the independent variable is able to explain 35.17% of the dependent variable, while the variables that we did not explain through this variable were 64.83%, which means that there are other independent variables that affect The dependent variable, which means an average direct correlation between market share prices and the ratio of volume Hip in the service sector companies.

5- Conclusions and recommendations

5-1- Conclusions

As a result of theoretical and practical analyzes, the following results were reached: -

1 – The absence of a strong relationship between the leverage and the rest of the independent variables with each other, where the strongest positive correlation was 0.049 which is between the leverage and earnings per share, while the weakest relationship was between the leverage and dividends, which was 0.027.

2- It was found that there was a relationship of dividends with stock prices in the insurance and services sectors, while this relationship was not found in the investment sector.

3- The analysis in this research resulted in a relationship between earnings per share and stock prices in the companies of the sectors studied when conducting the tests, and a relationship appeared in the insurance services sectors, and the absence of this relationship in the investment sector.

4- It also showed a direct relationship between the size of the company and the stock prices on the Baghdad Stock Exchange in all three sectors.

5- Investors' lack of interest in financing plans in the corporate sectors, where the relationship varied between the sectors studied in the research, as the relationship was weak in the sectors whose results showed a significant relationship. .

5-2- Recommendations

1- As a result of a positive and direct relationship between stock prices and leverage, companies should be alerted to develop and expand their activities.

2- The necessity of exerting more efforts on the part of companies to maintain stock prices at a certain level and to ensure that the earnings per share do not decrease because of its impact on the share price.

3- The company’s regular distribution of profits and cash to the shareholders, according to the company’s circumstances, as this is an attractive factor for investors to buy these shares.

4- The necessity of preparing periodic and transparent reports showing the fluctuation lines of shares in each joint stock company in this market, to give a clear picture to investors to learn about stock prices during certain periods.

5- The necessity of enhancing share prices by paying attention to the company's financing structure and defining clear company policies.

6- Organizing training courses and workshops, aimed at diversifying the nature of securities traded on the market.

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