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Analysis of the Relationship Between Capital Structure and the Market Value of the Shares

Applied Study in the Iraqi Market for Securities

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Abstract

Businesses are facing major domestic and global challenges that reflect their impact on these companies by influencing their financial decisions. Accordingly, business behavior differs in choosing the financing method that will have a clear impact on their performance. This study is considered as a contribution to examine the impact of the financial decisions of the company's management on the structure of the capital structure by studying the relationship between changing the structure of capital and the market value of shares. The decision to finance the company is one of the most important financial decisions for companies. Contribution, since the concept of capital structure and its practical implications is very important for managers regardless of the area in which they work. The capital structure formula is the outcome of the interrelationship between the tax benefits that the entity obtains as a result of high debt volume and bankruptcy risk, which favors the use of financing by issuing shares and their impact on the profitability of the company.

The analysis of this relationship on a sample consists of (15) companies of the industrial sector listed in the Iraqi market for securities. Using statistical analysis to determine the correlation coefficient (R) to identify the type and degree of relationship between the two variables (capital structure) of the independent variable and the dependent variable (market value).The research concluded with a set of conclusions and recommendations. There are many factors effect of political, economic, securities conditions on the relation between capital structure and market value of stocks .

Introduction:

The interest in the capital structure is not recent, but rather since the interest in financing sources in various forms in terms of ownership and timing has begun. The capital structure has a clear impact on the activity and performance of the establishment as a whole. Therefore, decisions that work on the exact options of financing sources in terms of the cost of finance, The finance manager is required to do so, which falls within his

or her responsibilities. The finance mix affects the return and the risk. If debt financing involves the cost of interest, which increases with increasing debt and thus may increase risk, The capital structure is not fixed but changes annually by increasing internal finance by holding profits, which are rights to shareholders, but the management of companies is holding them to reinvest them rather than resort to borrowing. This means that the departments avoid debt for fear of the risks they may cause In other cases, companies tend to finance by offering bonds in the financial market or bank loans. In either case, there is a cost to the companies for this financing. The change in the capital structure is supposed to reflect its impact on the profits of the company and thus increase the profits divided.

This is the result of the change in the capital structure and the impact of this change on stock market prices (market value).The research concluded a series of Conclusions and recommendations by selecting a sample of Iraqi industrial companies, studying their financial structures and their changes, and analyzing the relationship between the capital structure and the value of shares in the financial market.

First: Methodology of the study

1- The problem of the Study:

Studies have shown that there is a positive relationship between the risks and the expected returns. The company's dependence on external sources of financing leads to an increase in the risk of non-payment, which may expose the company to the risk of bankruptcy, but although high debt ratios increase the risk of investment, Provided a tax to the company and thus increase the profits and returns of the company and investors. In light of this, there are fundamental questions related to the problem of the study:

1-Is there a relationship between the debt ratio and the company's returns and the market value of the shares?

2-What is the extent of the indebtedness of the company on the market value of the shares?

3-The extent to which the investor can rely on stocks and securities on the size of the sources of external financing of the total capital structure as an indicator of the risk of investment in securities?

2-Objective of the Study

The study seeks to achieve the following objectives:

a. Knowledge contribution in financial thought.

b. knowledge of the funding mix adopted by the departments of the companies sample research.

c. Analysis of the relationship between the financing mix of the capital structure and the market value of the shares.

3 - The Importance of the Study:

The importance of the study is highlighted by focusing on the study and analysis of the factors influencing the determination of the capital structure of companies belonging to the industrial sector listed in the financial markets. In this research, the market value of the ordinary share, which affects the future and performance of the company, which may help both the investor and any other parties involved in reading and analyzing the reality of the company to help make the appropriate decisions.

3- The Hypothesis of the Study:

Based on the study problem, the following hypothesis can be formulated:

"There is a statistically significant relationship between changing capital structure and market capitalization."

4- Population and Research Sample:

The research community consists of the companies participating in the industrial sector listed in the Iraqi market for securities. The sample of the study consists of the number of companies (15) companies. As in Table 1.

Table (1) shows the companies surveyed

seriatim	Company
1	AL-Mansour for pharmaceutical industries
2	Iraqi for carpets & furnishings
3	Baghdad for soft drinks
4	Baghdad for packaging materials
5	Industries crescent
6	Light industries
7	Modern chemical industries
8	National chemical & plastic industries
9	Electronic industries
10	Canadian veterinary vaccines
11	Falluja for production of construction materials
12	AL-Khazer building materials
13	Modern dyes industries
14	National metal industries & bicycles
15	Production of ready-made garments

Second: The Capital Structure and the Market Value of the Shares:

1. The Capital Structure

The financing mix is defined as the sum of money through which the company can finance its assets. This is on the left side of the balance sheet ie the liabilities and equity side, where financing includes the borrower as equity (James & Van Horne, 2002: 253).

The financial structure of business enterprises consists of long-term and short-term funding sources. The financial structure is called the financial structure. The focus of the research is on long-term financing sources called capital structure. This means that the capital structure is the total long-term financing sources that include (India, 2008: 527), i.e., the capital structure consists of two parts: the owner's property belongs to the owners, the paid up capital plus the retained earnings, which are realized profits from the operations of the entity and the second borrower - i.e., indebtedness to creditors and shown as loans Or bonds .(Ameri, 2010: 7-159). The following is an introduction to these components of the capital structure:

A- The Components of the Capital Structure

1. Capital Owned by Equity Capital

The capital is owned by the owners of capital at the time of subscription or when increasing capitalization, as the enterprises or companies at the start of the establishment to put shares to the public of the people for the purpose of subscription with the determination of a period of time is often 30 days and the end of the period is called the division of the grooms This division determines the share of each shareholder in the number of shares subscribed by the owner and depends on the amount paid for the purpose of subscription and the total amount provided by the underwriters, and gives a certificate of the number of shares and their nominal value, which is called ordinary property rights. (Du, & Dai, 2005, pp 60-71). Stocks can be classified into two categories:

1-1 Shares

1.1.1 Common Stocks:

These shares constitute the most important part of the ordinary property rights. The holders of these shares receive the dividend divided by the payment of the dues to the preferred shareholders, if any, and the management decides to distribute:

1 - Attend the annual meeting of the General Assembly and have the right to vote and to vote.

2- The right to profit as profit.

3-Transfer of ownership of the shares owned by the shareholder.

1.1.2.Preferred Stocks

These stocks are hybrid, meaning that these stocks have the characteristics of ownership on the one hand and the other side of indebtedness, i.e. bond-like, in terms of yield, a fixed return as a proportion of the premium share price. If the share price is 10 dinars and the dividend is set at 10%, this means that one dinar per year is the return of each share, and this is the company's obligation to pay the shareholder and in other cases it can accumulate in the case of non-profits so it accumulates to other years. The shareholders are the owners but do not have the franchise or vote.

2.1.Retaining Earning:

Retained earnings are part of the profits earned from operating and non-operating operations that are retained by the departments and not reinvested when the management of the company has a plan to expand its production capacity and increase production lines due to increased demand for the company's products. Instead of resorting to indebtedness, the departments decide to hold the profits and may be detained In other cases, profits can be fully distributed if the company is full and does not need to be held. But the retained earnings are profits attributable to the owners and the result of the need is held not reinvested.

2. Debt Capital:

Debt capital is the money owed to creditors or lenders, obtained from lenders, either for the purposes of investment expansions or for the payment of financial obligations to the company, acquired by the company because of the need for these loans in previous times and show these debts either in the form of bonds or in the form of loans and interest Agreed upon by the parties to be paid on an annual, semi-annual or quarterly basis. Debt is less expensive than capital and does not provide tax protection.

B-Factors Affecting the Capital Structure:

A decision related to the capital structure is a strategic decision that is of interest to the departments in the companies, because mistakes in such decisions will have significant consequences that may be difficult to counter the impact. Therefore, decision makers in the structure should take into consideration a range of factors In the capital structure and the most prominent of these factors are:

1. State Sales: Companies with stable sales that have access to borrowed finance are greater than those with volatile sales because stability generates trust among creditors. Companies in different sectors often have stable sales compared to non-sales. stable.

2. Assets Structure: The type of asset used by the company affects the issue of financing. Real estate companies have a high level, while companies that operate in a service activity, such as the scientific research activity, do not. The structure of assets in the industry also varies.

3. Operational Leverage - The low leverage is better for the company in terms of its desire to obtain borrowed funds, ie leverage, where business risk is reduced. The operational leverage means the volume of investment in fixed assets, such as high-tech and technologically advanced machinery and equipment, where the capital intensity is not very high.

4 - Growth Rate - The growth of companies in both sales and profits so the costs of indebtedness less than the cost of selling shares and therefore resort to financing debt, but when you feel uncertainty become less inclined to debt.

5. Profitability: Although religion has a special advantage in benefiting from the tax savings provided by debt, some companies with high profitability and return tend to finance internally any of the profits realized and do not tend to indebtedness and thus do not prepare companies with financial difficulties.

6. Taxation: The income of companies is subject to a tax rate determined by legal legislation according to each country. The tax is deducted after deducting the interest on the debt as a cost in the statement of income deducted before the tax exemption, and when the tax is higher the interest obtained by the companies becomes greater Religion has more advantage.

7.Control: When a decision is taken to finance the capital structure, the administration takes into consideration the issue of control, i.e., the use of high indebtedness that may be lost by control. In this case, it does not tend to be indebted, especially if it presents it with risk, i.e., the administration wants to continue to control and control the company Without a threat to such control.

8. Attitude of Management: Some tend to use debt at low rates and in return there are companies that use their departments high debt and both trends related to the prices of shares of companies involved in the financial markets.

9. Attitudes and levels of agencies and lenders Attitude & levels of Agencies & loaners: In many cases, a discussion takes place between the departments and the specialized agencies to establish estimates and levels of the financial structures of the companies. In the light of these competitions, appropriate decisions are made in the light of the advice

and advice agreed upon. These estimates are important in expressing the state of the company. (Brigham & Houston, 2009).

C. The Theories of the Financing Structure:

Identifying the optimal mix of capital structure from internal and external sources of finance can maximize or destroy the wealth of owners over a period of time. A large reliance on equity may leave the establishment without surpluses, and expansion of borrowing may lead to pressure. On the enterprise largely through increased costs and higher indebtedness (Riddiough, 2004, pp. 3-13).There are several theories focused on the study and analysis of the relationship between the structure of capital and the value of the establishment, and the other confirmed the existence of this relationship between the two variables:

1-Theory of Extending Modigliani and Miller:

This study emerged in 1958, where the value of the establishment was determined by the size of the assets of the establishment and there is no effect of indebtedness on the value of the establishment or the cost of financing it. These ideas were built on a set of assumptions, which are unrealistic. The most important of these assumptions are:

a. Presume that information is available and available to investors.

b. No taxes

c. There are no transaction or transaction costs.

d. Companies or individuals can debt as much as they wish.

In fact, there is no information available or available to investors and they are only available and available to managers only because they are concerned with the management of the company and therefore they have the information and it is not available to investors from outside the company and the tax is a burden to bear companies in a society as a tax resource and an important resource in some countries The UAE and Bahrain, which did not impose the tax, are exempted from the entry of companies operating in any economy. However, there is the possibility of obtaining loans, the size and the amount desired by the banks. Willing to borrow is also not as claimed by both Kleani and Miller available and can be willing to get it, because of borrowing and its size and many factors and factors, including the financial position and reputation and the past and obligations of the borrower .... Etc., financing through borrowing whenever companies can (Frielinghaus, and Fireer, 2005, pp. 18-18). In 1993, Weston (J. & Brigham, Weston, Weston, , F. 1993) that the discussion of the theory of capital structure is difficult, it is not easy to measure the impact of capital structure on market value.

(Modigliani & Miller, 1958, pp. 249-297)

The market value of the entity is independent of its funding structure. In 1963, the researchers explained the positive impact of tax on income through tax savings, which would raise the market value (Frielinghaus, and Fireer, 2005, pp.9-18). This theory has been developed on the basis of several assumptions (Al-Hanaway, 1999: 317-334).

In 1988 Miller presented a study that concluded that an institution that should receive financing by borrowing whenever it could, so that it could enjoy the benefits of tax savings, but this could increase the risk of bankruptcy due to high borrowing costs or the cost of capital , Where he cannot explain what is the ideal capital structure of the facility. Then came the theory of "Myers" in 2001, which provides a fixed swap relationship, which includes: The higher the profits of the establishment, the debt must be increased to protect their profits from taxes, but in fact, the higher the profits of the establishment, the ratio of debt is low (Myers, 2001, pp. 81-102).

2. Signal Theory:

MM assumes that both investors and managers have similar information about each other. This is called identical information, but the fact is that the information in each of them is different from that of the other, and more clearly that the managers have real information and more knowledge about the activity of the entity being responsible for its management. In this case, the information is asymmetric. Suppose that a company of companies wants to introduce a new product. This product will bring benefits. The factory that produces this product needs financing. The issuance of new shares entails the contribution of new shareholders in financing. The shares offered by the company, and the benefits of the introduction of the new product in the market was the contribution of new shareholders and this means that the current shareholders did not contribute to the financing of the new product and the benefits that resulted from the introduction of this product in the market led to the rise in share prices, which contributed to maximize value, The current shareholders do not have any contribution, and this may lead them to choose the debt to finance the factory that produces the new product, ie the company avoids the issuance of new shares and resort to recourse to debt financing, especially that the issuance gives a signal to investors that the establishment is not in the financial center Acceptable and business enterprises to improve their activity and the trend through new technology to improve the quality and quantity of production and may bear the high costs because of this and requires enterprises in these

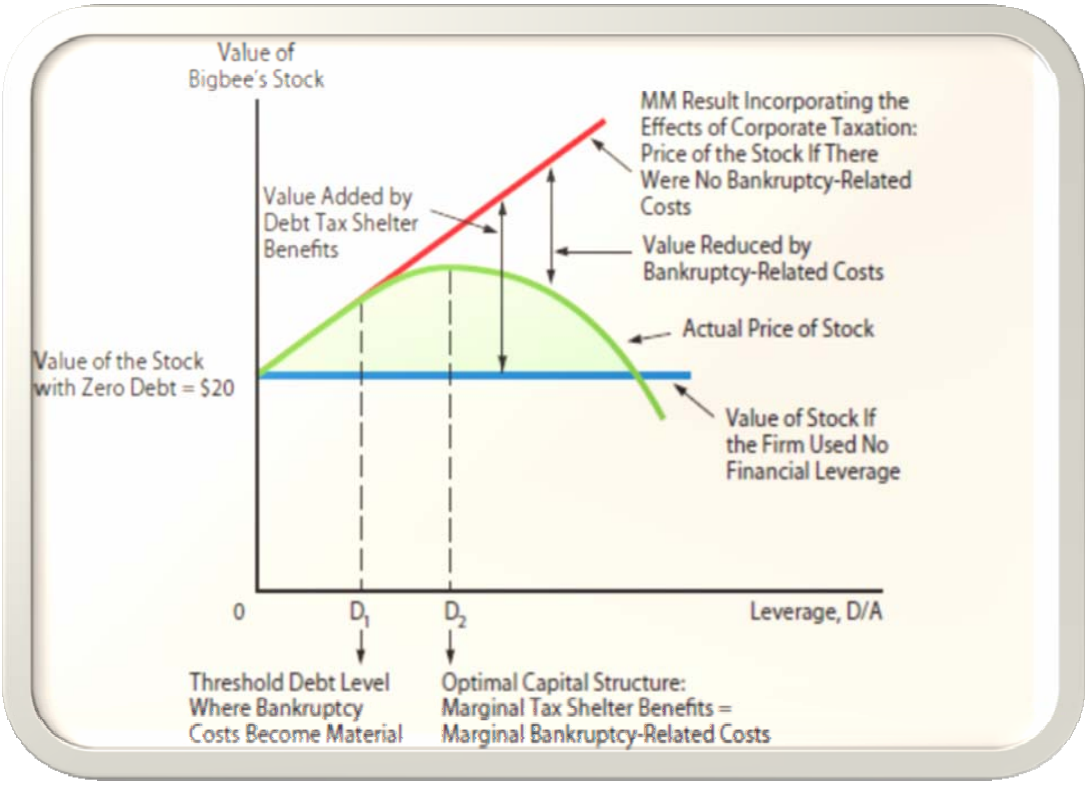
cases to commit to maintain the validity of its machines and operations to avoid losses and possibly to bankruptcy.

3. Trade -off Theory

The theory of swap is the theory of the exchange of tax benefits for financing indebtedness and the problems resulting from possible bankruptcy and the conclusion of this theory as shown in figure (1).The following are some observations:

a. The interest paid on debt contributes to the reduction of the tax burden as the state bears part of this burden by offering the benefits as a cost before the tax is collected. This contributes to increasing the cash flows,

b. In terms of real life, there is no such thing as debt financing. The debt increases the return on ownership and reduces the total cost, but it has levels that are targeted by the business establishments. Figure (1) shows that D2 is the optimal financing structure level, D1 and D2 vary according to the conditions of each plant. (Brigham & Houston, 2009).



Eugene F, Brigham and Houston F ,Joel , "Fundamental of financial management" , 12 ed. , South-Western Cengage Learning, USA, 2009, p:438.

4. Traditional Approach:

This approach indicates that the debt is tax savings because the interest on the loans is considered a cost that is deducted from the costs in

the income statement and thus reduces the income to the tax. The borrowing increases the cost of financing the property because of the increased return on equity, The weighted cost of financing WACC The lower the tax, the less taxable profit with the possibility of increasing the profit divided. In the case that the company is full and does not need to hold the profits, and this indicates that the performance of the company and its revenues are good and thus earns a good reputation in the financial market, which is reflected on the prices of shares of the company, but there is an optimal financial structure cannot be exceeded as this exceeded the level start balanced cost For financing to rise. (Supanvanij, 2006 pp.324-330).

2. Market Value of Shares:

The value of market shares is different from the value of bonds as the bonds have a specific maturity date and the return is known as the interest rate, the shares do not have a specific maturity date and cash flows are uncertain, so is more risky, depending on the company's profits and may be held in full Not to re-invest in the case of need and therefore reflect the distributions on the prices of market shares in the financial markets, in addition to the prices of shares of companies traded in financial markets depend on the circumstances and several factors, notably: (Pike & Neale, 2009).

a. Economic and security stability because this is reflected on the stability of financial markets and thus stability of the circulation of shares and provide opportunities for investors,

b. Available investment opportunities that reflect the stability in the economic sectors as well as legal legislation motivating investors.

c. The performance of companies traded shares in the capital market and can be surrounded by dividends on the owners and the share of one share provides a signal to investors about the performance of companies and generates interest in the appetite to buy shares.

3- Capital Structure and Value of the Company:

The capital structure usually consists of a combination of borrowed funds and monies, as the expansion of loans may weigh on the company, raising the possibility of bankruptcy and if there is an impact of the capital structure on the value of the entity, this is through its impact on cash flows or its impact on the cost of funds or Both, and the management of the company balance between property rights on one hand and between loans on the other in order to balance the risk and the expected return. But the important question is whether profitability is the company's main goal. Or is the main objective of maximizing the wealth

of the owners? (Gitman, 2006), profitability is the path to acceptable flows that enable the management to decide on the distribution of profits to the owners, which gives companies that distribute profits to shareholders confidence investors in the financial market and thus increase the turnout To buy only shares traded for the company in the financial market, which leads to higher stock prices and thus the value of the company.

Third: Analysis of Capital Structure and Market Value:

A-Analysis of the Capital Structure:

Table (2) and Table (3) shows the paid-up capital and reserves of 15 companies of the industrial sector within the Iraqi Stock Exchange for the period (2005-2015). Table (4) shows the total paid up capital and reserves Which is the capital of the property and at the same time was considered the capital structure for the lack of long-term loans for most of the companies surveyed and according to the time period specified. Therefore, Table (4) as the basis of analysis, which shows that the highest average capital structure was in companies (Baghdad for soft drinks , Electronic industries, modern dyes) The three companies mentioned company occupies Baghdad soft drinks first place. It is evident from Table 4 that the change in the capital structure is not always lasting but lasts for two years and sometimes even more. The change in the structure is not in large amounts, and the reason is that the structure of the capital is dominated by ownership. This means that companies do not wish to finance the borrower for fear of risk, but that is not always a sound position because the borrower financing provides tax protection. (3) Some companies did not keep retained earnings (reserves). Therefore, the capital structure owned. The company paid for these companies is the chemical company and the national industries, as it did not maintain reserves for the years 2014 and 2015 and so was the construction company (Al-Khazer) for construction materials and the company of modern dyes and industries for the manufacture of bicycles and metal production of ready-made clothes, The crown of construction materials did not maintain reserves for three years, namely 2013, 2014 and 2015, these changes are supposed to have a reflection on the performance of companies and therefore stock prices in the financial market, the paid capital has been stable, as shown in table (2) Most of the companies, either the change in the paid capital was limited companies and change is not significant.

Table (2),Paid Capital of Companies in the Industries Sector in the Iraqi Markets for Securities for the Period (2005-2015)

S	Company Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	AL-Mansour for pharmaceutical industries	990000	1.217.700.000	1.217.700.000	2.025.599.342	2.173.594.500	2.499.633.675	3.234.633.675	3.234.633.675	6.469.267.350	6.469.267.350	6.469.267.350
2	Iraqi for carpets & furnishings	50000000	50000000	50000000	500000000	500000000	500000000	500000000	500000000	500000000	500000000	500000000
3	Baghdad for soft drinks	60000000	60000000	60000000	105000000	105000000	125000000	125000000	133000000	133000000	133000000	133000000
4	Baghdad for packaging materials	270000000	270000000	270000000	270000000	270000000	270000000	540000000	540000000	1080000000	1080000000	1080000000
5	Industries crescent	3300000	6600000	6600000	6600000	8250000000	12375000	12375000	12375000	12375000	12375000	12375000
6	Light industries	5600000	11200000	11200000	11200000	11200000	16800000	16800000	16800000	16800000	16800000	16800000
7	Modern chemical industries	60000000	60000000	60000000	60000000	60000000	75000000	75000000	90000000	135000000	135000000	135000000
8	National chemical & plastic industries	7593750000	7593750000	7593750000	7593750000	7593750000	7593750000	7593750000	1518750000	1518750000	1518750000	1518750000
9	Electronic industries	10000000	10000000	10000000	12000000	12000000	12000000	18000000	18000000	18000000	18000000	18000000
10	Canadian veterinary vaccines	820800000	100000000	100000000	100000000	240000000	240000000	240000000	360000000	450000000	594000000	594000000
11	Falluja for production of construction materials	270000000	270000000	270000000	270000000	540000000	1080000000	1080000000	2268000000	2268000000	3120000000	312000000
12	AL-Khazer building materials	800000000	800000000	100000000	100000000	100000000	100000000	100000000	100000000	100000000	100000000	100000000
13	Modern dyes industries	6142500000	9213750000	9213750000	9213750000	9213750000	9213750000	9213750000	9213750000	9213750000	9213750000	9213750000
14	National metal industries & bicycles	50000000	500000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000
15	Production of ready-made garments	360000000	508049617	508049617	508049617	720000000	955999440	1350005049	1500000000	1593300000	1593300000	1593300000

Table (3) Shows the Reserves of Companies in the Industrial Sector in the Iraqi Market for Securities for the Period (2005-2015)

S	Company Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	AL-Mansour for pharmaceutical industries	437277	263392	526055	364,096,894	720,010,041	471,807,239	328,865,580	659,628,182	924,377,676	803175666	1079688846
2	Iraqi for carpets & furnishings	918128002	989331077	1008853424	1108693291	1263469980	1385463364	1384937124	1434290114	1505728484	1559983437	1490735112
3	Baghdad for soft drinks	6709825	8173981	8886042315	9290404951	17638296861	21538458209	25175142198	34196140462	42716533377	56327491414	83680121991
4	Baghdad for packaging materials	8880	12060195	1415762	16399542	-1210524	3866814	3861528	9592877	49772028	7224827	-77098087
5	Industries crescent	1016351	1019080964	1019674906	676949929	714784850	129100865	656931543	654681543	654681543	8654672801	8654672801
6	Light industries	1218979	1630403	1630872756	61202252	708052087	748394355	857425296	4526277549	4662424985	4938628258	7271471022
7	Modern chemical industries	26109400	264312064	242779535	226661811	241738170	236223187	4732290199	4759506799	4891144315	-	-
8	National chemical & plastic industries	2739036000	3291621093	1971823798	2257794715	2663205806	2833831235	3397062384	1671692436	2901656922	1871760145	2249219708
9	Electronic industries	3408729000	3454266956	9074570241	7082702266	7086182800	7159125789	33573762923	33843781615	33897949901	33931557679	
10	Canadian veterinary vaccines	425118100	334920806	426517549	462510271	671846263	1399276689	2336216211	2158277428	1886447249	967305249	441655108
11	Falluja for production of construction materials	286945000	286945455	323045454	333195452	449802766	509495797	631348976	453979087	-	-	-
12	AL-Khazer building materials	256248000	272156503	308913944	318610312	420960700	422094261	476349623	803064619	803064619	-	-
13	Modern dyes industries	2129064000	3699487054	2407182789	2412845291	1898524204	2140847256	2136141574	2448251198	2466419318	-	-
14	National metal industries & bicycles	250145500	2603326147	3340003232	4637023927	3222260876	3186980407	3257834620	3610513846	3664368148	-	-
15	Production of ready-made garments	301124000	301638000	945889554	792788026	585667001	705839533	417336777	126539600	36469985	-	-

Al-GHAREE For Economic and Administrative Sciences Folder (16), No. (1) March, 2019.

Table (4) shows the average total paid-up capital and reserves of industrial sector companies in the Iraqi Stock Exchange for the period (2005-2015)

S	Company Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	average
1	AL-Mansour for pharmaceutical industries	1427277	1217963392	1218226055	2389696236	2893604541	29714409 14	3563499255	3894261857	7393645026	6469267350	6469267350	3498390841
2	Iraqi for carpets & furnishings	968128002	1039331077	1058853424	1608693291	1763469980	1885463364	1884937124	1934290114	2005728484	500000000	500000000	1377172260
3	Baghdad for soft drinks	66709825	68173981	8946042315	9395404951	17743296861	2166345820 9	25300142198	34329140462	42849533377	133000000	133000000	14602536562
4	Baghdad for packaging materials	270008880	282060195	271415762	286399542	268789476	273866814	543861528	549592877	1129772028	1080000000	1080000000	548706100.2
5	Industries crescent	4316351	1025680964	1026274906	683549929	8964784850	141475865	669306543	667056543	667056543	12375000	12375000	1261295681
6	Light industries	6818979	12830403	1642072756	72402252	719252087	765194355	874225296	4543077549	4679224985	16800000	16800000	1213518060
7	Modern chemical industries	86109400	324312064	302779535	286661811	301738170	311223187	4807290199	4849506799	5026144315	135000000	135000000	1505978680
8	National chemical & plastic industries	1033278600 0	10885371093	9565573798	9851544715	10256955806	1042758123 5	10990812384	3190442436	4420466922	1518750000	1518750000	7541724944
9	Electronic industries	3418729000	3464266956	9084570241	7094702266	7098182800	7171125789	33591762923	33861781615	33915949901	18000000	18000000	12612461045
10	Canadian veterinary vaccines	1245918100	434920806	526517549	562510271	911846263	1639276689	2576216211	2518277428	2336447249	594000000	594000000	1267266415
11	Falluja for production of construction materials	556945000	556945455	593045454	603195452	989802766	1589495797	1711348976	2721979087	2268000003	3120000000	312000000	1365705272
12	AL-Khazer building materials	1056248000	1072156503	4089139 44	418610312	520960700	522094261	576349623	903064619	903064619	100000000	100000000	598314780.1
13	Modern dyes industries	8271564000	12913237054	1162093278 9	1162659529 1	11112274204	1135459725 6	11349891574	11662001198	11680169318	9213750000	9213750000	10910796608
14	National metal industries & bicycles	300145500	3103326147	3390003232	4687023927	3272260876	3236980407	3307834620	3660513846	3714368148	50000000	50000000	2615677882
15	Production of ready-made garments	661124000	809687617	1453939171	1300837643	1305667001	1661838973	1767341826	1626539600	1629769985	1593300000	1593300000	1400304165

B- Analysis of Market Value:

Table (5) shows the average closing price, which is the market value of the shares of the surveyed companies. It is noted from the above table that the highest average market value was the shares of modern chemicals company amounting to (49.59) JD followed by the average market value of the companies (Baghdad for packaging materials, (4.23, 5.16, 6.14).

Al-Iraqi was Al-Man sour Pharmaceutical Industries Company, National Metal Industries Company and the grades with a low average of (1.52) and (1.74) dinars. In some years during the research period, the closing prices of the two companies were less than the value The nominal value of the share is a significant condition, as the market price should not be less than the nominal value of the share, but the occurrence of such cases occurs when the circumstances of the country are unusual, as is the case for Iraq and over fifteen years, and the consequences of such Circumstances Perhaps the reason for the decline in demand for the product of these companies as an inevitable result of the opening of the import and competition of the Iraqi product, the loss of protection of the national product, a situation that suffers from the agricultural and industrial sectors.

Table (5) The Average Closing Price of Companies in the Industrial Sector in the Iraqi Market for Securities for the Period (2005-2015)

S	Company Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	average
1	AL-Mansour for pharmaceutical industries	2	1.5	1.25	1.1	1.55	2.76	2.82	1.21	0.9	0.84	0.76	1.52
2	Iraqi for carpets & furnishings	4	3.45	3.1	3.5	3.9	4.8	5	4.6	4.15	4.25	4.28	4.23
3	Baghdad for soft drinks	5	0.95	1.2	1.2	1.3	1.1	1.54	1.49	2.99	2.26	2.94	1.16
4	Baghdad for packaging materials	26	2.3	3.25	4.25	6.1	8.2	6.9	4.2	2.72	1.7	1.93	6.14
5	Industries crescent	4.05	2.7	1.1	1	1	1.16	1.18	0.64	0.64	0.67	0.4	1.32
6	Light industries	3.7	1.05	1.15	1.2	2.15	1.16	1.14	0.58	0.7	0.67	0.51	1.27
7	Modern chemical industries	49.599	49.299	90	71.5	69	55	60	60	39.8	0.85	0.54	49.59
8	National chemical & plastic industries	6.1	1.15	1.45	1.9	2.8	4.3	3.9	0.97	0.84	2.601	2.601	2.60
9	Electronic industries	3.65	1.05	1.35	1.4	3.2	2.13	2.48	1.28	1.4	1.6	0.99	1.87
10	Canadian veterinary vaccines	8	2.05	1.8	2.5	1.6	2.89	4.11	3.95	2.5	1.28	1.11	2.89
11	Falluja for production of construction materials	2.7	1.5	1.5	2.5	1.8	3.75	3.62	4	3.45	1.78	1.51	2.56
12	AL-Khazer building materials	1.75	1.05	1	1.8	2.75	3.1	2.1	1.9	1.95	2.3	1.41	1.92
13	Modern dyes industries	6.05	1.55	1.7	1.7	2.35	3.84	2.75	2.29	1.12	1.51	1.25	2.37
14	National metal industries & bicycles	3.25	1	1.6	2.05	3.1	2.7	1.89	1.3	0.9	0.63	0.69	1.74
15	Production of ready-made garments	2.4	2.4	1.2	3.15	4.75	2.41	6.4	7	5	8.45	13.64	5.16

Fourth: Statistical Analysis:

Table (6) presents statistical measures. This section deals with a statistical presentation in which the correlation between the two variables (capital structure and market value) is tested and analyzed.

The main hypothesis: The capital structure variable showed a negative and weak correlation value and 0.195 (-) with non significant statistical non significance at ($\alpha = 0.05$) with the variable market value. Therefore, the hypothesis that indicates a significant correlation relationship between the structure Capital and variable market value at the research level. The first variable (capital structure) does not affect the second variable (market value) and the sentiment level is (0.485).

Table (6) The Correlation Matrix and the Effect of the Search Variables

Capital Structure	R	Value T Calculated	R2	Beta	Morality Level
Market Value	-0.19547	-0.719	0.038	-.195	0.485

Source: from Introduction Researcher Based on the program(SPss,vev,20).

Five: Conclusion & Recommendation:

A-Conclusions:

There are a number of conclusions reached by the researcher.

1. Companies that invest in financing as a source of financing do not have tax advantages and positive effects. So that funding is limited to sources of financing owned.

2 - The change in the capital structure was limited and may be due to economic and security conditions unstable during the period of research.

3 - The uncontrolled importation has had a major impact on the national product and the low prices of national products,

4. There is no statistically significant effect between the independent variable of the capital structure and the dependent variable of market value per share due to the reasons mentioned above In the market value so the result seems logical. This result by reasons of volubility of political and economical and security conditions.

5 - Lack of interest of investors in technical analysis of the course of trading and its relationship to the investment climate and investment environment and the circumstances surrounding them economically.

B-Recommendations

1 - The researcher recommends attention to the factors that lead to raising the market value of shares traded companies in the financial market.

2 - The researcher recommends the need to pay attention to the financial mix and activate its role as a variable that has an impact on the market value of companies. That's why analysts and investors need to take care of this variable.

3 - the adoption of indebtedness as a source of funding because of its positive effects.

4 - The need to pay attention to the policy of the distribution of profits to the ordinary shareholders of this policy (distribution) in moving stock prices in the financial market and therefore this policy has an impact on the extent of the company's ability to achieve its strategic goal is to maximize the value of the establishment in the stock market.

5. Because there is no trace of the capital structure on the market value of shares, the researcher recommends taking other variables to measure their impact on the market value of companies.

6 - Recommends the researcher to communicate and continue to conduct research in this area and take other sectors and conduct comparative studies.

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