

The impact of fiscal policy on the performance of the Iraq Stock Exchange for the period (2006-2023)

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Abstract : The research aims to analyze the impact of fiscal policy on the performance indicators of the Iraq Stock Exchange for the period (2006 - 2023) through direct or indirect channels. More importantly, we find that the interaction between economic policies is very important in explaining the development of the Iraq Stock Exchange. Therefore, investors and analysts in the Iraq Stock Exchange should understand the relationship between macroeconomic policies and stock market performance and look at fiscal policy together rather than looking at them in isolation from each other. The research relied on annual data for the period from 2006 to 2023 with the aim of demonstrating the impact of fiscal policy on the performance of the Iraq Stock Exchange through a quantitative and analytical reading of all variables and determining the type and extent of the relationship. Using advanced standard methods and approaches from the Autoregressive Distributed Lag (ARDL) model.

INTRODUCTION: Fiscal policy is the most effective tool in directing the course of financial activity in a direction that contributes to achieving economic growth and stability. In light of this, the economic and financial transformations that have occurred in the countries of the world, Iraq was not far from the ABCS of development in the financial market systems that the world has witnessed. The Iraqi economy witnessed a new phase of building the Iraqi Stock Exchange after 2003, and everything related to its work, from laws and legislation. In 2004, the Iraq Stock Exchange (ISX) was established under Law No. (74) was adopted by the Iraqi Securities Commission (ISC), which represents the regulatory entity responsible for protecting investors and regulating the Iraqi stock market in the Iraqi economy, which began to show the features of the transformation towards a market economy. These laws and legislation represent the tool that enables the financial system to keep pace with financial and banking developments in the countries of the world and expand the investment process in various fields and accelerate the process of economic growth. By 2009, the Iraqi Stock Exchange had transformed into an electronic trading system (X-stream) and a central depository system (Equator from NASDAQ).

1- Research Problem

The research problem that we would like to address is which focuses on clarifying the impact of fiscal policy variables on the performance of the Iraq Stock Exchange in light of economic and financial developments in Iraq for the period (2006 – 2023).

2- Research hypothesis

The research is based on the hypothesis that fiscal policy has an impact on the performance of the Iraq Stock Exchange and has long-term direct and inverse relationships with the performance of the Iraq Stock Exchange for the period (2006 – 2023).

3- Research objective

1-Clarifying the importance of the Iraq Stock Exchange for the period (2006 – 2023).

2- Explaining the impact of fiscal policy on the performance of the Iraq Stock Exchange and how to enhance the efficiency of the market.

Theoretical aspect.

First: Fiscal policy as a conceptual framework.

1- The concept of fiscal policy.

The term fiscal policy is derived from the Latin word "**fiscalis**" which in turn is derived from "**fiscus**", meaning the basket used to hold money. In French, "**fisc**" means purse or treasury. Therefore, "fiscal policy" means the policy related to taxes. The first person to use the term fiscal policy in English seems to have been (Edwin). Fiscal policy refers to the government's control over the level of its spending and tax rates within the economy. The government uses these two tools to influence the economy. (Mark) defined it as the use of government spending and taxes to influence the economy. Governments typically use fiscal policy to promote strong and sustainable growth and reduce poverty. Laswell has shown that fiscal policy, which was once known as "the question of who gets what, when, and how", is strongly influenced by political factors. A typical government performs three basic functions: allocation, distribution, and stability. (1)

2- Objectives of Fiscal Policy.

The objective of fiscal policy is to maintain full employment, economic stability and stable growth rate. The following are the general objectives of fiscal policy:

A- Full employment: The first and most important objective of fiscal policy in a developing economy is to achieve and maintain full employment in the economy.

B- Price stability: Different segments of society such as consumers, workers, employees, farmers, producers, traders, etc. are affected by price fluctuations. The general public is adversely affected by rising prices. Fiscal policy seeks to achieve price stability.

C- Optimal allocation of resources: Fiscal measures such as taxes and public spending can significantly influence the allocation of resources in various occupations and sectors.(2)

D- Equitable distribution of income and wealth: The welfare state must provide social justice through equitable distribution of income and wealth.

C- Economic stability: Economic stability is another basic objective of sound fiscal policy. This objective means maintaining full employment with relative price stability. Inflation must be curbed, and deflation must be avoided.(3)

3- Types of Fiscal Policy.

Fiscal policy has two main types. They are:

1- Neutral Fiscal Policy: Fiscal policy is said to be neutral when the level of government spending relative to tax revenues is stable over time. This type of policy is usually implemented when the economy is in equilibrium - neither expanding nor contracting rapidly. In this case, government spending is fully financed by tax revenues, which have a neutral effect on the level of economic activity.

2- Discretionary Fiscal Policy: Discretionary fiscal policy refers to government fiscal policy that changes government spending or taxes. Its purpose is to expand or contract the economy as needed. It has two sub-types:

a- Expansionary Fiscal Policy: Discretionary fiscal policy is said to be expansionary when the government spends more money than its revenues collected through taxes. This type of fiscal policy is usually implemented during recessions to increase the level of economic activity. However, expansionary fiscal policy has the effect of reducing private investment as it leads to higher interest rates. (4)

b- Contractionary Fiscal Policy: Discretionary fiscal policy is said to be contractionary when government spending is less than tax revenues. This type of fiscal policy is taken to pay off government debts and reduce inflation. Based on the economic conditions and the goals that governments seek to achieve.(5)

4- Fiscal policy and stock market performance.

In light of the current economic crisis and the increasing focus on the role of fiscal policy as a tool for financial stability and a potential source of instability, it has become increasingly important to gain a better understanding of the effects of fiscal policy on the economy in general, and the stock market in particular.

This gap in understanding remains even though the theoretical effects of fiscal policy on stock markets and Tobin emphasizes the role of the stock market in the relationship between the real and financial sides of the economy. The model developed by Tobin allows fiscal policy to influence stock market outcomes. Through the role of fiscal policy in asset markets, mainly on its effects on interest rates and the effects of confidence in the sustainability of the financial position in the long run. In addition, fiscal policy can affect the level of economic activity, which in turn will impact stock markets. (6) From a theoretical perspective, the economic effects of fiscal policy depend on whether one takes a Keynesian, classical or Ricardian view of economics. Keynesian theory sets out the prescription regarding the appropriate role of fiscal policy in stabilizing economic fluctuations. In particular, like automatic stabilizers, discretionary fiscal policy should also operate in a countercyclical manner. The mix of discretionary and automatic

stabilisers will depend on the extent and composition of the government's role in the economy. In contrast to the Keynesian view of fiscal policy, the Ricardian view states that policy can have no effect on aggregate demand since any public borrowing will be offset by private savings by rational households. On the other hand, classical economists emphasize that fiscal policy crowds out private sector activity in markets. Therefore, its effects will be less significant in an economy operating close to its potential output. Even if demand management could work as envisioned in the Keynesian framework, it is still not a given that fiscal policymakers will use this policy in a way that leads to stabilization. The practical application of how fiscal policy is employed will depend on the economic environment that adopts it. (7)

Second: Stock Markets Conceptual Framework.

1- The concept of stock markets.

The stock market is a highly developed place where stocks and bonds are considered traded commodities. At the same time, it is an essential element in creating and developing a strong and competitive economy. It is the key to structural transformations in any economy, from the traditional, rigid, unsafe, bank-based economy to a more flexible, safer, and immune economy to shocks, fluctuations, and lack of investor confidence. According to Arnold, stock markets are the place where the government and industry can raise long-term capital and investors can buy and sell securities. (8) Patrick and Wai) defined it as financial markets that deal with capital, whether in the short or long term, where companies sell shares in order to generate long-term capital that can be directed to their profitable options. This is because investors prefer to invest in profitable financial instruments rather than losing ones, as buyers hold their shares for future dividend payments. (9)

2- Types of stock markets.

Financial markets consist of two main components: the money market and the capital market.

A- The money market is the market where borrowers and lenders exchange short-term funds to meet their liquidity needs. Money market instruments are generally financial claims with low default risk, maturities of less than one year and high marketability.

B- The capital market is a market for financial investments that are direct or indirect claims to capital. It is broader than the stock market and includes all forms of lending and borrowing, whether or not by creating a tradable financial instrument. The capital market includes a set of institutions and mechanisms through which medium-term and long-term funds are pooled and made available to companies, governments and individuals. (10)

The stock market consists of two interconnected and inseparable parts, the new issue (primary) market and the stock market (secondary).

The primary market provides the channel for the sale of new securities. The issuer of securities sells securities in the primary market to raise funds for investment and/or to repay some obligations.

The secondary market deals in previously issued securities. The secondary market enables those holding securities to adjust their holdings in response to changes in their assessment of risk and return. They also sell securities for cash to meet their liquidity needs. Price signals, which absorb all the information about the issuer and its business, including the risks associated with it, which are generated in the secondary market, help the primary market in allocating funds.(11)

The applied aspect.

1- Model variables.

It is possible to formulate the standard model for the independent variables represented by the financial policy tools followed in Iraq and the dependent variables represented by (performance indicators of the Iraqi Stock Exchange), which can be explained through the following table:

Table (1) Definition and measurement of research variables

Variable Type	Variable Code	Variable Name
Fiscal Policy Variables		
independent	REV	Public Revenue
independent	XP	Public Expenditure
independent	DE	Domestic Public Debt
Iraq Stock Exchange Variables		
continued	GI	General Stock Price Index
continued	MV	Market Value ¹
continued	VS	Trading Volume

2- Formulating the standard model .

The standard model includes five equations for each of (fiscal policy) in Iraq, and each equation consists of a dependent variable and independent variables, and it is a mathematical equation for the standard model consisting of the independent variables and the dependent variable, and for the purpose of estimating the relationship between the variables, it is required to describe and formulate the model standardly through the following formulas:

- 1- The general index of market prices as a function of the fiscal policy variables, as the model consists of three independent variables and a dependent variable, as in the following formula:

$$GI = \beta_0 + \beta_1 REV + \beta_2 XP + \beta_3 DE + U_i$$

- 2- Market value as a function of financial policy variables, as the model consists of three independent variables and a dependent variable, as in the following formula:

$$MV = \beta_0 + \beta_1 REV + \beta_2 XP + \beta_3 DE + U_i$$

- 3- Trading volume as a function of fiscal policy variables, as the model consists of three independent variables and a dependent variable, as in the following formula:

$$VS = \beta_0 + \beta_1 REV + \beta_2 XP + \beta_3 DE + U_i$$

3-Estimating models and analyzing their results according to the ARDL methodology

- 1- Results of testing the relationship between fiscal policy variables and performance variables of the Iraq Stock Exchange.

The results of testing the relationship between fiscal policy variables and performance variables in the Iraq Stock Exchange for the period (2006-2023) represent an important study to understand how economic policies affect market performance. In this context, the study focuses on examining the impact of fiscal policies (public revenues, public expenditures, and internal debt) on performance variables in the market, represented by the main indicators of the Iraq Stock Exchange.

A- Results of the unit root test.

Unit root tests are essential tools for checking the stationarity of a time series before using it in econometric analysis. The (Dickey-Fuller) and tests will be used to check for the presence of a unit root. If the series contains a unit root, taking the first difference to convert the series to stationary becomes necessary to ensure the validity of the econometric results. Before conducting any econometric study and determining the appropriate methodology, it is methodologically necessary to investigate the stationarity of all variables in the research. (12)

Table (2)

Results of the augmented Dickey-Fuller (ADF) test for the variables of the econometric mode

With Constan				With Constant & Trend			Without Constant & Trend		
	t-Statistic	Prob.		t-Statistic	.Prob		t-Statistic	.Prob	
REV	2.541355-	0.1105	No	3.230519-	0.0874	*	0.138445	0.7229	No
XP	1.350731-	0.6006	No	2.434607-	0.3588	No	0.661716	0.8564	No
DE	1.130709-	0.6990	No	3.475186-	0.0504	*	0.057771-	0.6599	No
GI	0.924831-	0.7745	No	3.328998-	0.0704	**	0.311597	0.7729	No
MV	0.088928-	0.9457	No	2.857825-	0.1831	No	1.622880	0.9734	No
VS	0.881462-	0.7861	No	0.867112-	0.9517	No	1.069852	0.9236	No
d (REV)	3.288521-	0.0193	**	3.266928-	0.0807	*	3.213218-	0.0017	***
d (XP)	2.173574-	0.2178	No	2.136025-	0.5160	No	1.933565-	0.0514	*
d (DE)	2.608570-	0.0963	*	2.587967-	0.2870	No	2.433341-	0.0155	**
d (GI)	3.031264-	0.0371	**	3.076833-	0.1203	No	2.827802-	0.0053	***

d (MV)	2.733093-	0.0742	*	2.751125-	0.2206	No	1.694745-	0.0851	*
d (VS)	1.899355-	0.3300	No	1.879522-	0.6502	No	1.485010-	0.1273	No

Notes: (*) Significant at the 10%; (**) Significant at the 5%; (***) Significant at the 1%. and (no) Not Significant

Source: Researcher's own work based on program results(Eviews : 12)

It is clear from Table (2) that both the dependent variables and the independent variables are stable at the original level and some of them are stable at the first difference using the Dickey-Fuller method. Based on these results, the appropriate methodology for the standard analysis can be chosen, as the stability of the variables was first verified so that the results are valid and accurate. Based on the stability results that were shown, the autoregressive distributed lag (ARDL) methodology developed by (Pesaran et al. 2001) can be used. This methodology is particularly suitable when the variables contain different levels of stability, i.e. some variables are stable at the level and some at the first difference. It is a common technique used to analyze the long-term relationships between economic or financial variables in time series.

First - Estimation of the autoregressive distributed lag (ARDL) model for the general index function of stock prices.

1- Initial estimation of the model.

The initial estimation of the ARDL model is an important step in analyzing the economic relationships between variables. This model provides a framework for examining the relationship between variables in the long run and the short run. In the long run, the model helps identify stable coefficients that reveal the continuous relationships between variables in the long run. On the other hand, in the short run, this model allows measuring the short-term effects on variables due to sudden changes in economic factors, which is an essential step for understanding the dynamics of relationships between economic variables. This estimation includes checking the stability of time series, choosing appropriate lags for the model, and estimating the economic coefficients that determine the short- and long-term effects, which provides a powerful tool for economic analysis and decision-making. (13)

Table (3)
Initial estimation of the ARDL model for the general index function of stock prices

Variable	Coefficient	Std. Error	Prob.*
GI(-1)	1.315567	0.137527	0.0000
GI(-2)	-0.520892	0.194768	0.0111
GI(-3)	0.001654	0.179069	0.9927
GI(-4)	-0.175268	0.119279	0.1502
REV	1.031371	1.443224	0.4793
REV(-1)	2.898223	1.618786	0.0816
REV(-2)	-1.632763	0.930512	0.0876
XP	-1.390191	1.061109	0.1982
XP(-1)	4.545120	1.582705	0.0067
XP(-2)	-1.363607	1.543051	0.3826
XP(-3)	-0.017136	1.435312	0.9905
XP(-4)	2.452304	1.397896	0.0877
DE	6.679944	2.737290	0.0196
DE(-1)	2.288952	1.913943	0.2393
C	-762528.2	283040.1	0.0105
R-squared	0.997414	Mean dependent var	365174.4
Adjusted R-squared	0.995527	S.D. dependent var	256324.4
S.E. of regression	17142.88	Akaike info criterion	22.63462
Sum squared resid	1.09E+10	Schwarz criterion	23.57128
Log likelihood	-707.6252	Hannan-Quinn criter.	23.00419
F-statistic	528.5721	Durbin-Watson stat	2.310393
Prob(F-statistic)	0.000000		

Source: Researcher's own work based on program results(Eviews : 12)

It is noted from the results of Table (3) that the relative quality of the estimated model is through the high coefficient of determination (0.997414) and it is shown that the model explains 99% of the changes in the general index of stock prices, which is a very strong percentage. The results also indicate that the relationship between the general index of stock prices variable and the fiscal policy variables is not false, as the value of the Fisher test statistic reached (F-statistic = 528.5721), which means that the model is statistically significant. We note that the value of (Durbin Watson statistic) which is equal to (2.310393) indicates the absence of the problem of serial autocorrelation of the residual.

2- Bounds Testing:

To detect the existence of a long-term equilibrium relationship (co-integration) between the general index of stock prices and fiscal policy variables, the bounds test is used, which is a statistical method that aims to examine whether the studied variables follow a common long-term pattern. This is done by comparing the calculated value of the (F) statistic for the long-run coefficients in the model with the tabular value of the (F) statistic according to the limits set by (Pesaran, 2001). This comparison is based on the following basic hypotheses:

Alternative hypothesis (H_1): indicates the existence of a joint integration relationship between the studied variables. In other words, there is a long-term relationship between the general index of stock prices and the fiscal policy variables.

Null hypothesis (H_0): It assumes that there is no joint integration relationship between the variables, i.e. the changes in the general index of stock prices and the financial policy variables.

If the calculated value of (F) is greater than the table value of the (F) statistic at the upper limits, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted, indicating the existence of joint integration between the general index of stock prices and the financial policy variables. However, if the calculated value of (F) is less than the table value, the null hypothesis is accepted, which means the absence of an integral relationship between the variables.

Table (4)
Results of the boundary test for the estimated model of the general index of stock prices function

F-Bounds Test		Null Hypothesis: No levels relationship			
Test Statistic		Value	Signif	I(0)	I(1)
Asymptotic: n=1000					
F-statistic	4.657807		10%	1.99	2.94
K	6		5%	2.27	3.28
			2.5%	2.55	3.61
			1%	2.88	3.99
56 Actual Sample Size		Finite Sample: n=65			
			10%	2.12	3.145
			5%	2.473	3.583
			1%	3.225	4.571

Source: Researcher's own work based on program results(Eviews : 12)

According to the results shown in Table (4), it appears that the calculated value of the (F) statistic of (4.657807) was greater than the tabular value at all levels of statistical significance used (such as 1%, 5%, 10%). This means that according to the Bounds Testing, the null hypothesis indicating the absence of a relationship for the test is rejected, indicating that there is a long-term relationship or joint integration between the studied variables, and thus, the existence of a stable equilibrium relationship between fiscal policy on the one hand and the general index of stock prices on the other hand. Thus, the existence of joint integration means that fiscal policy variables can be linked in the long term with the general index of stock prices, indicating that there is a stable relationship linking these variables in the long term. Joint integration between fiscal policy variables and the general index of stock prices, in other words, the calculated value of (F) exceeded the upper limit determined by the tabular values.

Second - General estimation of the (ARDL) model for the market value function.

1- Results of the initial estimation of the model for the market value function.

Table (5)
Initial estimation of the ARDL model for the market value function

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
MV(-1)	1.472188	0.088504	16.63408	0.0000
MV(-2)	-0.646041	0.082081	-7.870741	0.0000
REV	0.006433	0.003660	1.757731	0.0844
XP	-0.011740	0.008101	-1.449258	0.1529
XP(-1)	0.027865	0.008210	3.393916	0.0013
C	1163.236	971.1865	1.197747	0.2362
R-squared	0.997656	Mean dependent var		9089.827
Adjusted R-squared	0.997187	S.D. dependent var		4790.797
S.E. of regression	254.0883	Akaike info criterion		14.07409

Sum squared resid	3550847.	Schwarz criterion	14.46896
Log likelihood	-459.4820	Hannan-Quinn criter.	14.23034
F-statistic	2128.032	Durbin-Watson stat	2.203269
Prob(F-statistic)	0.000000		

Source: Researcher's own work based on program results(Eviews : 12)

It is noted from the results of Table (5) that the relative quality of the estimated model is through the high coefficient of determination (0.997656) and it is shown that the model explains 99% of the changes in the market value, which is a very strong percentage. The results also indicate that the relationship between the market value indicator and the financial policy variables is not false, as the value of the Fisher test statistic reached (F-statistic = 2128.032), which means that the model is statistically significant. We note that the value of (Durbin Watson statistic) which is equal to (2.203269) indicates the absence of the problem of serial autocorrelation of the residual.

2. Bounds Testing:

According to this test, the lower and upper limits of the possible values of the co-integration coefficients between the variables are determined, and the (F) statistic resulting from the model estimates is compared with the upper and lower limits. If the F statistic is greater than the upper limit, this means that there is a co-integration relationship between the variables. If the F statistic is less than the lower limit, this indicates that there is no co-integration between the variables. Table (27) shows the bounds test for the ARDL model.

Table (6)

Results of the bounds test for the estimated model of the market value function

F-Bounds Test		Null Hypothesis: No levels relationship			
Test Statistic		Value	Signif	I(0)	I(1)
Asymptotic: n=1000					
F-statistic	5.542853	10%	1.99	2.94	
K	6	5%	2.27	3.28	
		2.5%	2.55	3.61	
		1%	2.88	3.99	
76 Actual Sample Size		Finite Sample: n= 67			
		10%	2.1	3.121	
		5%	2.451	3.559	
		1%	3.18	4.596	

Source: Researcher's own work based on program results(Eviews : 12)

According to the results shown in Table (6), it appears that the calculated value of the (F) statistic was greater than the tabular value at all levels of statistical significance used (such as 1%, 5%, 10%). This means that, according to the Bounds Testing, we can reject the null hypothesis that there is no co-integration relationship between the fiscal policy variables and market value. In other words, the calculated value of (F) exceeded the upper limit determined by the tabular values of the test, indicating that there is a long-term relationship or co-integration between the studied variables, and thus, the existence of a stable equilibrium relationship between fiscal policy on the one hand and market value on the other hand. Thus, the existence of co-integration means that fiscal policy variables can be linked in the long term with market value, indicating that there is a stable relationship linking these variables in the long term.

Third: General estimation of the (ARDL) model for the trading volume function.

1- Results of the initial estimation of the trading volume function.

It is noted from the results of Table (7) the relative quality of the estimated model through the high coefficient of determination (0.981659) and it is shown that the model explains 98% of the changes in the trading volume indicator, which is a very strong percentage. The results also indicate that the relationship between the trading volume indicator variable and the financial policy variables is not false, as the value of the Fisher test statistic reached (F-statistic = 109.7211), which means that the model is statistically significant. We note that the value of (Durbin Watson statistic) which is equal to (1.994752) indicates the absence of the problem of serial autocorrelation of the residual.

Table (7)

Results of the initial estimation of the trading volume function

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
VS(-1)	1.172498	0.104344	11.23680	0.0000
VS(-2)	-0.243794	0.168893	-1.443487	0.1565
VS(-3)	-0.152531	0.098268	-1.552194	0.1283
REV	-8.576751	2.474971	-3.465394	0.0013
XP	-16.18565	5.021298	-3.223400	0.0025

XP(-1)		25.09398		7.970965		3.148173		0.0031
XP(-2)		-30.68335		7.288789		-4.209664		0.0001
XP(-3)		6.113961		6.669897		0.916650		0.3647
XP(-4)		-23.20752		5.488223		-4.228604		0.0001
DE		-36.70807		11.09065		-3.309822		0.0020
DE(-1)		60.93844		20.05483		3.038592		0.0041
DE(-2)		-67.77542		11.51114		-5.887809		0.0000
C		4134598.		767001.5		5.390600		0.0000
R-squared		0.981659	Mean dependent var					718526.8
Adjusted R-squared		0.972712	S.D. dependent var					545254.4
S.E. of regression		90070.86	Akaike info criterion					25.91844
Sum squared resid		3.33E+11	Schwarz criterion					26.63892
Log likelihood		-782.4716	Hannan-Quinn criter.					26.20132
F-statistic		109.7211	Durbin-Watson stat					1.994752
Prob(F-statistic)		0.000000						

Source: Researcher's own work based on program results(Eviews : 12)

2- Bounds Testing.

According to the results shown in Table (8), it appears that the calculated value of the (F) statistic was greater than the tabular value at all levels of statistical significance used (such as 1%, 5%, 10%). This means that, according to the bounds test, we cannot accept the null hypothesis that there is no joint integration relationship between the variables of fiscal policy and trading volume. In other words, the calculated value of (F) exceeded the upper limit determined by the table values of the test, indicating that there is a long-term relationship or joint integration between the studied variables. Therefore, there is a stable equilibrium relationship between fiscal policy on the one hand and trading volume on the other hand. Thus, the existence of joint integration means that fiscal policy variables can be linked in the long term with trading volume, indicating the existence of a stable relationship linking these variables in the long run.

Table (8)
Bounds Test Results for the Estimated Model of the Trading Volume Function

F-Bounds Test		Null Hypothesis: No levels relationship			
Test Statistic		Value	Signif	I(0)	I(1)
Asymptotic: n=1000					
F-statistic	9.931069	10%	1.99	2.94	
K	6	5%	2.27	3.28	
		2.5%	2.55	3.61	
		1%	2.88	3.99	
26 Actual Sample Size		Finite Sample: n=65			
		10%	2.12	3.145	
		5%	2.473	3.583	
		1%	3.225	4.571	

Source: Researcher's own work based on program results(Eviews : 12)

Conclusions

1—The statistical results indicate that the relationship between the Iraq Stock Exchange indicators and the financial policy variables is not spurious based on the Fisher test (F-statistic), which means that the model is statistically significant.

2—According to the bounds test, there is a stable equilibrium relationship between financial policy on the one hand and the general index of stock prices, market value, and trading volume on the other hand. Thus, the existence of joint integration means that the financial policy variables can be linked in the long term with the market indicators, indicating that there is a stable relationship linking these variables in the long term.

Recommendations

1- Stimulating and directing the financial policy tools to a high degree of efficiency and effectiveness to apply those tools in the Iraq Stock Exchange so that they can absorb large quantities of stocks and bonds resulting from the Central Bank and the government.

2—Encouraging the public to invest in the Iraq Stock Exchange by developing a culture of relying on savings, investing them in investment portfolios, and diversifying services to meet all investment requirements.

Sources

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