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The Effect of Financing Sources on the Market Value of Common Shares: An Empirical Analysis of Iraqi Banks (2014–2023)

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Abstract : This study aims to analyze the direct impact of financing sources—such as equity, deposits, and loans—on the market value of bank stocks, as measured by two key indicators: the Price-to-Earnings (P/E) ratio and the Market-to-Book (M/B) ratio. The research focuses on understanding how different financing sources influence stock market valuation. The study is based on data collected from a sample of banks listed on the Iraq Stock Exchange during the period 2014–2023. The data were analyzed using statistical software tools (SPSS and Excel). Based on the conducted tests, several conclusions were drawn. Most notably, the results revealed a statistically significant direct impact of financing sources on market value, highlighting their vital role in enhancing stock value. Accordingly, the study recommends improving the efficiency of financing source management in order to enhance market value, through increasing cash reserves and improving collection rates.

Keywords: Financing Sources, Market Value of Stocks

INTRODUCTION: Financial decisions represent the cornerstone of a company's strategic framework, as they determine the trajectory of its market interactions and fundamentally influence its market value and financial performance. The significance of selecting financing sources—whether through internal resources (self-financing) or external financing (such as borrowing or issuing shares)—lies in shaping investor perceptions, which in turn reflect on the valuation of common stocks in financial markets. This research aims to analyze the relationship between different financing patterns and the market value of common stocks, while exploring how investors respond to these financing choices and their implications for capital structure, financial risk management, and potential long-term impacts on profitability and corporate value. Through this analysis, the study seeks to provide practical insights that enhance effective financial decision-making, achieving a balance between maximizing market value and ensuring financial sustainability.

Research Methodology

1) Research Problem :

This study addresses the direct impact of financing sources—whether debt-based or equity-based—on the market value of corporate stocks. It arises in the context of conflicting academic findings regarding the effectiveness of each financing source in maximizing shareholder value. The primary objective is to identify the most appropriate capital structure (debt versus equity) that enhances market value.

2) Research Questions:

a . What is the impact of financing source selection on the market value of common stocks?
b. How can the study's findings contribute to improving financing strategies in banks to enhance market value?
c. How can the results be utilized to guide future financial policies that improve the relationship between financing and market value?

3) Research Importance:

The significance of this research lies in its focus on key variables such as financing sources, financial balance, and market value in the banking sector—specifically as independent and dependent variables. The importance of this research can be summarized as follows:

a. Financing sources play a crucial role in shaping the structure and sustainability of financial institutions.

b. The study provides insight into market value fluctuations of common and listed stocks by examining their relationship with financing sources, reflecting the company's performance.

4) Research Objectives:

5) This study aims to:

a. Highlight the importance of capital structure composition by determining the optimal mix of financing sources that supports the survival and competitiveness of banks.

b. Analyze the nature of the relationship between financing sources and the market value of common stocks in the banking sector over the financial period from 2014 to 2023.

6) Research Hypotheses:

1. Main Hypothesis: There is a statistically significant correlation between financing sources and market value.

Sub-Hypotheses:

a. There is a correlation between equity financing and market value as measured by the Price-to-Earnings (P/E) ratio and the Market-to-Book (M/B) ratio.

b. There is a correlation between deposit-based financing and market value as measured by the same indicators (P/E ratio and M/B ratio.(

c. There is a correlation between the loan-based financing indicator and market value, as measured by the Price-to-Earnings (P/E) ratio and the Market-to-Book (M/B) ratio.

2. Second Hypothesis: There is a significant impact of financing sources on market value

7) Spatial and Temporal Limits of the Study:

a. Temporal Scope: The study covers a 10-year period from 2014 to 2023.

b. Spatial Scope: The research is limited to a sample of ten commercial banks listed on the Iraq Stock Exchange.

8) Data Sources:

a. Theoretical Framework: Data for the theoretical component were collected from a variety of Arabic and foreign books, in addition to academic theses, dissertations, previous studies, and online databases.

b. Practical Framework: The practical part of the research relies on annual financial reports and final accounts of a selected sample of banks listed on the Iraq Stock Exchange for the period 2014–2023.

9) Study Population and Sample: The population of the study consists of all commercial banks listed on the Iraq Stock Exchange, totaling 42 banks. The study sample, however, includes only those banks that meet the criterion of having their shares listed on the market continuously from the beginning of the observation period in 2014 until the end in 2023. Banks that were recently listed or exhibited irregular trading activity during the observation period were excluded. After applying the inclusion criteria to the entire population, 32 banks were excluded, resulting in a final sample of 10 commercial banks. These banks are detailed in the following table, including each bank's symbol, year of establishment, and year of market listing.

Table (1) Research sample

	Name of the bank	Short code	Year of establishment	Year of the drawers
1	Ashur International Bank	BASH	2005	2007
2	Iraqi Investment Bank	BIBI	1993	2004
3	Sumer Commercial Bank	BSUC	1999	2004
4	Bank of Baghdad	BBOB	1992	2004
5	Mosul Bank for Investment	BMFI	2001	2005
6	Middle East Bank	BIME	1993	2004
7	Al-kalige Bank	BGUC	1999	2004
8	Iraqi Commercial Bank	BCOI	1992	2004
9	Al-Mansour Bank	BMNS	2005	2008
10	Iraqi Islamic Bank	IIB	1992	1993

Source: Prepared by the researcher based on data listed on the Iraq Stock Exchange.

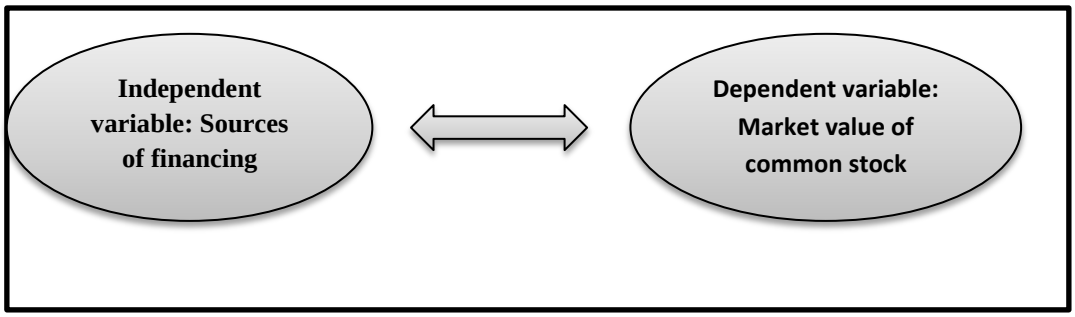
10) Study Delimitations:

a . Spatial Delimitation: The study focuses on the commercial banking sector listed on the Iraq Stock Exchange.

b. Temporal Delimitation: The study covers the period from September 15, 2024, to May 1, 2025, relying on a time series spanning the years 2024–2025.

11)Hypothetical Research Model: A hypothetical research model was designed, as shown in Figure (1), to illustrate the relationship between the research variables, based on the conceptual framework of funding sources and the market value of common stocks. In light of the research problem and objectives, a research model was formulated to illustrate the impact between the research variables, as follows:

a - Independent variable: funding sources.
b - Dependent variable: market value. As the figure shows(1) There is a relationship between the research variables.



The theoretical aspect

First: Independent variable: Sources of financing

1) The Concept of Financing :

The term financing refers to a broader and more comprehensive concept, namely funds, which encompasses all material and financial resources owned by an individual, organization, or government. In other words, it refers to the assets possessed by an individual, organization, or government **(Staniewski et al., 2016:2109)**. Financing is the process of acquiring the funds or capital necessary to support various initiatives, projects, or investments. As such, it plays a vital role in accelerating economic growth, facilitating business operations, and achieving established investment goals **(Tkachenko&Yaryshko,2015:104).**The primary purpose of financing is to bridge the gap between available resources and the required funds for a particular endeavor. This enables individuals and institutions to obtain the capital needed to start or expand businesses, invest in new projects, acquire specific assets, conduct research and development, or pursue other financial objectives **(Li et al., 2017:55).**

2) The Concept of Financial Structure:

The financial structure refers to how a firm finances its total assets and investments. It is represented on the left-hand side of the balance sheet—i.e., the liabilities and shareholders' equity section—which reflects all the sources of financing utilized by the bank. In essence, it is the composition of funding sources from which the bank obtains capital to finance its investments. This includes all components of liabilities, whether short-term or long-term.

The financial structure represents the total funds used to finance the bank's assets and encompasses both borrowed capital and owned capital, which together form the left side of the financial position statement **(Nikolov, 2021:478)** . The management of the financial structure involves making strategic decisions about the optimal mix of internal and external funding sources. It also includes determining the appropriate reliance on each source in a way that minimizes cost and complies with banking regulations set by the central bank. Furthermore, these funds must be allocated efficiently across various assets to positively impact the overall performance of the firm**.(Abdul-Rahman, 2018:27)**

3) The Importance of Financing:

Financing sources are a fundamental element in the business world, representing the driving force that enables companies to achieve their objectives and meet their financial needs. Amid increasing competitiveness and evolving markets, the ability to secure appropriate financing is a critical factor for the success of any project, whether small or large. Consequently, the importance of financing sources is evident in the following:

1 -Enabling companies to enter new markets by financing marketing campaigns and distribution .

2 -Providing the ability to respond swiftly to business opportunities, such as acquiring competitors or purchasing new equipment.

3 -Financing from reputable institutions enhances a company's market credibility **(Fafchamps & Owens, 2009:296**).

4 -Protecting market share, biological regions, and commercial operations **(Brand & Görg, 2003:221).**

5 -Securing international technological partners **(Bjørgum et al., 2013:25)**

6 -Positive correlation with government effectiveness **(Sterck**, **2018**:**327).**

4) Characteristics of Funding Sources

Funding sources represent one of the methods companies and individuals use to obtain the capital necessary for financing operations, growth, and investments **(Tkachenko & Yaryshko, 2015:106**). The characteristics of funding sources vary depending on the type of source, with each having distinct features that differentiate it from others.These characteristics can be examined through the following key aspects **(Sarounzah, 2020:22).**

1- Financial Cost: Refers to expenses associated with obtaining financing, such as loan interest or shareholder returns on investments. Source selection depends on financing costs relative to expected returns **(Serrasqueiro, 2018:6).**

2- Profit Preference: In equity financing, investors may demand higher returns to offset risks, whereas debt financing involves fixed repayment rates **(Serrasqueiro, 2018:6).**
3- Legality: Each source is governed by distinct laws and regulations, with some requiring legal registrations or detailed financial analyses **(Demilkhanova et al., 2019:3).**

5) Funding Sources Indicators

a- Equity Financing Ratio:

The equity financing ratio is measured by dividing equity by total liabilities and equity. A higher equity ratio indicates greater reliance on owned financing compared to borrowed financing. Equity includes paid-in capital, reserves, and retained earnings. It is calculated using the following formula **(Al-Amri, 2010: 476)**

Equity Financing Ratio = Equity / (Total Liabilities + Equity)

The equity fina l by shareholders rather than creditors. Lower equity financing ratios may indicate greater reliance on debt, which could affect the company's sustainability and future prospects.

b- Deposit Financing Ratio :

Deposits represent the largest and most important source of funding for banks. Deposits determine a bank's lending capacity to a certain extent. The deposit financing ratio is calculated by dividing total deposits by total liabilities and equity. A higher deposit financing ratio indicates a greater proportion of deposit financing compared to owned financing. It is measured according to the following formula **(al-mayah,2019:10) :**

Deposit Financing Ratio = Total Deposits / (Total Liabilities + Equity)

The deposit financing ratio typically indicates the percentage that represents the amount of financing provided by banks or financial institutions, supported by the deposits they collect. This ratio is calculated to evaluate the efficiency of deposit utilization and the institution's attractiveness in terms of its lending capacity.

c- Debt Financing Ratio :

A high debt financing ratio indicates increased financial risk for the bank, and its financing costs may rise in the future if the bank requires new financing. Conversely, a low debt ratio suggests that banks are not utilizing borrowing sufficiently, which may deprive owners of potential increases in return on equity. The debt ratio is calculated by dividing total liabilities (short-term and long-term debt) by total assets. The debt financing ratio is measured according to the following equation **(Al-Mahri, 2018:80)**

Debt Financing Ratio = Total Debt / Total Assets

Second: Dependent variable: Market value of common stock

1) The Concept of Market Value :

Market value is the value determined in the stock market through trading activities. It represents the stock's trading price in the securities market and is subject to change due to various internal and external factors, including social conditions, regional financial policies, organizational types, and the balance of supply and demand for shares. The market value of a stock on any given day in the financial market reflects the equilibrium point between supply and demand **(Ayano, 2016:30)**. It is the stock's trading price in the market, resulting from the balance of supply and demand. It can also be calculated by multiplying the total number of listed shares by the average share price at the end of the period, or through the value of companies' shares listed in the market according to capital market prices **(Al-Aqili , 2017: 122)**

2) Factors Affecting Market Value:

There are several factors that affect the market value of stocks, the most important of which are:

A) **Accounting Information and Data (Especially Earnings):** The announcement of relevant earnings positively or negatively affects security prices, as this information is quickly reflected in security prices in the market **(Aaduliazade, 2020:13).**

B) Supply and Demand Factors: Various factors such as company profitability, interest rate changes, and inflation rates affect stock prices through their impact on supply and demand. For example, an increase in company profits positively affects its stock price as demand for the company's shares increases. Conversely, declining profits lead to falling stock prices as demand decreases and supply increases when shareholders sell due to the company's unprofitability.

C) Company Financial Performance : A company's financial performance is a key factor directly affecting its stock's market value. This performance is influenced by internal and external factors. Internal factors include changes in board structure or adoption of new policies, while external factors include general social conditions, regulatory laws, investor behavior, market competition, and employee performance, along with management expectations about profit improvement through investments or distribution policies.

D) Economic Trends (Economic Conditions): The state of the economy, whether inflationary or booming, directly affects stock prices. In prosperous conditions, market stock prices rise along with other stocks. Conversely, if a

company faces sudden business declines, its stock price will drop due to the company's situation and economic conditions **(Al-hjtima'i, 2018: 55).**

E) Internal Factors : The nature of a company's operations significantly impacts its performance. These factors are determined by capital, which may not contribute to this, while also increasing stock financial factors. Each capital increase affects returns, and vice versa. Additionally, employee numbers play an important role as workers increase production, affecting the company's economic status and competitiveness with other companies, thereby encouraging investors to invest in the company's stock **(Wifaqn, 2021:67)**

3) Determinants of Market Value :

Several key factors influence a stock's price in the capital market; these are commonly referred to as the determinants of market value. The most significant among them include:

A) Supply and Demand Forces

Similar to other types of goods, a stock has a specific market price determined by the interaction of supply and demand. Demand increases when the market value of a stock declines, and conversely, value rises when demand decreases. Market equilibrium occurs when supply and demand are equal—i.e., the quantity demanded matches the quantity supplied. The more aligned and homogeneous investors are in their perception of a stock's characteristics, the more horizontal the demand curve becomes at a given supply level. Conversely, when investor opinions differ, the demand curve becomes steeper, sloping downward with a specific gradient **(Latrache, 2010:217)**

B) Market Value Volatility

Due to constant fluctuations in stock prices—rising and falling in financial markets—the valuation results of economic units become scattered when assessed at market value. This is primarily because of discrepancies between accounting principles and market-based valuation. The market value approach does not consider the firm's historical profit-generating capacity. Additionally, financial data derived from market values often suffers from low reliability and relevance, increasing risk due to misguided decision-making based on uncertain information. This, in turn, opens opportunities for managerial manipulation in preparing financial statements to serve their own interests **.Obaid, 2017:20)**

C) Marginal Pricing

Stock pricing differs from the pricing of conventional goods, particularly in terms of supply. The number of shares offered by companies tends to be relatively fixed, as issuance typically occurs at infrequent intervals and in limited quantities. Since investors generally hold onto their shares, the stock price in the market is often seen as the lowest price acceptable to convince an investor not to sell. If an investor prefers to retain ownership and refrains from selling in the capital market, they are considered the marginal owner—the last shareholder who holds onto the stock without offering it for sale **(Al-Barajneh, 2009:41)**

4) Objective of Maximizing Market Value

Profit maximization is considered a short-term goal, as it overlooks critical aspects such as timing of returns, risk, and cash flows. Managerial decisions should aim to utilize and allocate resources efficiently to maximize the company's value and, consequently, shareholder wealth. This goal is achieved by increasing the company's stock price in the financial market, which reflects its overall value **.Al-Hasnawi, 2014:31)** According to contemporary financial management literature, the primary objective of all financial decisions is to maximize shareholder wealth, which translates into maximizing the market value of common stocks held by shareholders. Managerial success, therefore, lies in enhancing this value, a principle known as Shareholder Wealth Maximization. In essence, increasing the market price or value of a company's common stock is equivalent to increasing the present value of future cash flows accruing to existing shareholders **(Al-Amri, 2013:506)**

5) Indicators of Market Value :

A) Price-to-Earnings (P/E) Ratio

The market value of a company is often assessed by dividing the market price per share by the net earnings per share. This ratio reflects the number of times an investor is willing to pay the share price in exchange for the earnings generated by the company. It is based on the company's actual annual profits, making it a fundamental indicator in evaluating the attractiveness of an investment. The lower the ratio, the more attractive the stock is to investors, as it implies a lower cost per unit of expected return. In other words, a lower P/E ratio suggests that investors are paying less for each dollar of earnings, which may indicate undervaluation or strong future potential .**(Khasawneh, 2011:53)** The formula for calculating the P/E ratio is as follows:

P/E Ratio = Market Price per Share ÷ Earnings per Share (EPS)

B) Market-to-Book Ratio (Net Book Value)

The Market-to-Book ratio is one of the key financial indicators used in analyzing a stock's market value. It enables investors to assess whether a stock is overvalued or undervalued compared to the company's book value. **(Al-Kafa'i, 2016:72)**

This ratio is calculated as follows: **(Al-Mayyah, 2019:8)**

Net Value = Market Value – Book Value

6) The Concept of Shares

There is no universally agreed-upon definition of shares, as researchers have presented various perspectives on the subject. This divergence stems from the continuous evolution of financial markets and the growing complexity of financial operations, making it challenging to establish a comprehensive definition. Initially, shares were viewed as establishing a fixed relationship between investors and companies, where investors obtained ownership stakes in exchange for their investment. However, with market development and increased integration between financial and economic sectors, the concept has become more dynamic, reflecting relationships among various stakeholders, including shareholders, investors, and executives, demonstrating the active nature of modern financial markets **(Charlie Pride, 2016).** Securities are defined as financial instruments issued by companies operating across economic sectors, primarily including stocks and bonds, which constitute the basic tradable instruments in financial markets. These securities represent contractual rights granting holders specific entitlements such as financial returns or claims on company assets. A stock represents an ownership share in a company, conferring rights to participate in profits and contribute to management through voting at general assemblies, depending on the stock type held **(Moyer et al., 2012:236; Berk & Demarzo, 2017:406)**

7) Characteristics of Common Stock

Investing in common stock is distinguished by several features that make it a popular choice among investors. The most notable characteristics include: **(Taillard, 2022:42)**

A) It grants the shareholder the right to vote on decisions related to company policies and the board of directors.

B) Holding common stock also provides entitlement to a share of dividend payments.

C) Ownership of common stock entitles the investor to receive specialized reports or company information upon request.

Practical Aspect :

A) Analysis of the Equity Financing Ratio in the Sample of Iraqi Commercial Banks

The equity financing ratio is measured by dividing shareholders' equity by the total liabilities and shareholders' equity. A higher equity ratio indicates a greater reliance on owned financing compared to borrowed financing. Shareholders' equity includes paid-in capital, reserves, and retained earnings.

Table (2): Equity Financing Ratio for the Sample of Iraqi Commercial Banks

Year / Bank	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average
Ashur International Bank	0.622	0.583	0.674	0.707	0.574	0.629	0.368	0.459	0.378	0.405	0.540
Iraqi Investment Bank	0.508	0.510	0.501	0.493	0.493	0.466	0.464	0.404	0.378	0.331	0.455
Sumer Commercial Bank	0.619	0.713	0.759	0.686	0.856	0.951	0.789	0.709	0.809	0.865	0.776
Bank of Baghdad	0.160	0.177	0.236	0.254	0.240	0.242	0.109	0.201	0.203	0.158	0.198
Mosul Bank for Investment	0.755	0.719	0.892	0.661	0.649	0.728	0.678	0.351	3.483	0.357	0.927
Middle East Bank	0.450	0.410	0.429	0.362	0.334	0.406	0.354	0.414	0.334	0.374	0.387
Al-kalige Bank	0.301	0.397	0.396	0.532	0.544	0.557	0.601	0.565	0.558	0.561	0.501
Iraqi Commercial Bank	0.633	0.661	0.665	0.633	0.640	0.606	0.499	0.713	0.759	0.686	0.649
Al-Mansour Bank	0.319	1.607	2.125	0.220	0.943	0.881	0.223	0.401	1.102	0.275	0.810
Iraqi Islamic Bank	0.076	0.041	0.104	0.105	0.604	0.087	0.549	0.679	0.322	0.118	0.269

Source: Prepared by the researcher based on the outputs of the Excel program.

B) Deposit Financing Ratio

Deposits represent the largest and most important source of financing for banks. Deposits determine a bank’s ability to lend based on a certain proportion of these deposits. The deposit financing ratio is calculated by dividing total deposits by the sum of total liabilities and shareholders' equity. A higher deposit financing ratio indicates a greater reliance on deposits compared to equity financing.

Table (3): Deposit Financing Ratio for the Sample of Iraqi Commercial Banks

Year / Bank	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average
Ashur International Bank	0.253	0.283	0.253	0.216	0.379	0.328	0.152	0.255	0.272	0.277	0.267
Iraqi Investment Bank	0.4596	0.4714	0.2902	0.3145	0.0004	0.0003	0.0003	0.0002	0.0003	0.0002	0.154
Sumer Commercial Bank	0.323	0.229	0.192	0.230	0.197	0.179	0.164	0.129	0.170	0.130	0.194
Bank of Baghdad	0.543	0.564	0.658	0.682	0.702	0.707	0.755	0.752	0.759	0.307	0.643
Mosul Bank for Investment	0.205	0.206	0.224	0.246	0.285	0.289	0.254	0.512	0.267	0.233	0.272
Middle East Bank	0.313	0.0005	0.397	0.434	0.536	0.412	0.356	0.435	0.318	0.328	0.353
Al-kalige Bank	**0.577**	**0.001**	**0.604**	**0.636**	**0.763**	**0.582**	**0.471**	**0.579**	**0.419**	**1.070**	**0.570**
Iraqi Commercial Bank	**0.269**	**0.0002**	**0.278**	**0.291**	**0.303**	**0.326**	**0.442**	**0.432**	**0.477**	**0.338**	**0.316**
Al-Mansour Bank	**0.00007**	**0.00010**	**0.00150**	**0.00074**	**0.00080**	**0.00077**	**0.00074**	**0.00136**	**0.00051**	**0.00059**	**0.001**
Iraqi Islamic Bank	**0.00070**	**0.00057**	**0.00039**	**0.00032**	**0.00027**	**0.00052**	**0.00040**	**0.00055**	**0.00171**	**0.00251**	**0.001**

Source: Prepared by the researcher based on the outputs of the Excel progra

C) Loan Financing Ratio

Table (4) presents the results of the analysis of the loan financing ratio for the sample of Iraqi commercial banks during the adopted time series (2014–2023).

Table (4): Loan Financing Ratio for the Sample of Iraqi Commercial Banks

Year / Bank	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Average**
Ashur International Bank	**0.010**	**0.016**	**0.012**	**0.012**	**0.010**	**0.013**	**0.052**	**0.185**	**0.266**	**0.272**	**0.085**
Iraqi Investment Bank	**0.296**	**0.219**	**0.170**	**0.149**	**0.171**	**0.002**	**0.086**	**0.086**	**0.052**	**0.220**	**0.145**
Sumer Commercial Bank	**0.298**	**0.315**	**0.318**	**0.253**	**0.198**	**0.218**	**0.143**	**0.092**	**0.091**	**0.124**	**0.205**
Bank of Baghdad	**0.124**	**0.177**	**0.162**	**0.005**	**0.004**	**0.002**	**0.003**	**0.001**	**0.000**	**0.128**	**0.061**
Mosul Bank for Investment	**0.435**	**0.002**	**0.001**	**0.002**	**0.004**	**0.012**	**0.019**	**0.009**	**0.097**	**0.089**	**0.067**
Middle East Bank	**0.170**	**0.0016**	**0.003**	**0.004**	**0.005**	**0.009**	**0.010**	**0.018**	**0.137**	**0.157**	**0.052**
Al-kalige Bank	**0.301**	**0.346**	**0.002**	**0.003**	**0.004**	**0.004**	**0.006**	**0.013**	**0.343**	**0.357**	**0.138**

Iraqi Commercial Bank	**0.014**	**0.910**	**0.687**	**0.658**	**0.746**	**0.281**	**0.169**	**0.194**	**0.171**	**0.107**	**0.394**
Al-Mansour Bank	**0.115**	**0.102**	**0.007**	**0.008**	**0.003**	**0.004**	**0.010**	**0.010**	**0.029**	**0.105**	**0.039**
Iraqi Islamic Bank	**0.272**	**0.259**	**0.001**	**0.002**	**0.004**	**0.009**	**0.016**	**0.020**	**0.028**	**0.011**	**0.062**

Source: Prepared by the researcher based on the outputs of the Excel program

Market Value Analysis

Introduction:

The market value represents the price at which a stock is sold in the financial market. This value may be greater or less than the book value. If a bank performs well and achieves profits, the market price of its stock is expected to be higher than its book value. Conversely, if a bank performs poorly, its stock price is likely to decline and may even fall below the book value. The book value, on the other hand, is the value recorded in the company's records and represents the shareholders' equity on the balance sheet. It is considered an indicator of the strength of equity, and its growth is one of the most important indicators for investors, reflecting the company's ability to expand and sustain its operations.

This section focuses on understanding the nature of the market value of the banks in the study sample and measuring the market value through the indicators to be analyzed: Price-to-Earnings Ratio (P/E Ratio) and Market-to-Book Value Ratio.

A) Price-to-Earnings Ratio (P/E Ratio)

This ratio indicates the number of times an investor pays for the earnings per share. It is calculated based on the actual annual earnings achieved by the bank and differs from the distributed dividends. The lower the ratio, the better, as the investor will pay a lower amount for the expected earnings from the stock. Table (5) presents the price-to-earnings ratio for the sample of Iraqi commercial banks during the period (2014–2023)

Table (5): Price-to-Earnings (P/E) Ratio for Commercial Banks in the Study Sample

Year / Bank	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average
Ashur International Bank	**0.29**	**0.70**	**0.60**	**0.50**	**0.19**	**0.24**	**0,59**	**0.30**	**0.52**	**0.10**	**0.38**
Iraqi Investment Bank	**0.16**	**0.07**	**0.04**	**0.02**	**0.00**	**0.00**	**0.02**	**0.00**	**0.03**	**0.12**	**0.05**
Sumer Commercial Bank	**0.21**	**0.36**	**0.34**	**0.61**	**0.24**	**0.28**	**0,61**	**0.44**	**0.32**	**0.18**	**0.33**
Bank of Baghdad	**0.28**	**0.14**	**0.36**	**0.52**	**0.63**	**0.48**	**0.71**	**0.42**	**0.38**	**0.47**	**0.44**
Mosul Bank for Investment	**0.21**	**0.24**	**0.32**	**0.45**	**0.68**	**0.33**	**0.39**	**0.31**	**0.29**	**0.24**	**0.35**
Middle East Bank	**0.17**	**0.62**	**0.70**	**0.69**	**0.58**	**0.49**	**0.36**	**0.22**	**0.02**	**0.18**	**0.40**
Al-kalige Bank	**0.28**	**0.66**	**0.53**	**0.55**	**0.14**	**0.23**	**0.55**	**0.17**	**0.43**	**0.11**	**0.37**
Iraqi Commercial Bank	**0.26**	**0.43**	**0.32**	**0.13**	**0.12**	**0.21**	**0.33**	**0.14**	**0.18**	**0.09**	**0.22**
Al-Mansour Bank	**0.11**	**0.24**	**0.16**	**0.12**	**0.24**	**0.13**	**0.17**	**0.36**	**0.17**	**0.12**	**0.18**

Iraqi Islamic Bank	**0.22**	**0.12**	**0.09**	**0.13**	**0.24**	**0.32**	**0.28**	**0.23**	**0.14**	**0.31**	**0.21**

Source: Prepared by the researcher based on the outputs of the Excel program

B) Market-to-Book Ratio

The researcher analyzed banks' net worth as the difference between market value and book value, considering it a more accurate measure for evaluating improvements in a bank's market value. Table (6) presents the net worth of commercial banks in the study sample for the period (2014-2023)

Table (6) Net Worth of Commercial Banks in the Study Sample

Year / Bank	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average
Ashur International Bank	0.916	0.421	0.340	0.299	0.219	0.239	0.279	0.439	0.399	0.419	0.397
Iraqi Investment Bank	0.999	0.679	0.599	0.419	-0.852	-0.862	-0.831	-0.753	-0.857	-0.838	-0.230
Sumer Commercial Bank	0.999	0.949	0.899	0.899	0.899	0.509	0.399	0.379	0.189	0.129	0.625
Bank of Baghdad	1.549	1.169	0.909	0.609	0.289	0.299	0.409	1.029	1.369	3.499	1.113
Mosul Bank for Investment	-0.572	-0.790	-0.888	-0.752	-0.893	-1.022	-0.938	-0.925	-10.738	-0.916	-1.843
Middle East Bank	0.477	-0.598	0.429	0.349	0.129	0.099	0.119	0.189	0.139	0.119	0.145
Al-kalige Bank	0.080	-0.562	-0.609	-0.680	-0.858	-0.882	-0.884	-0.864	-0.869	-0.892	-0.702
Iraqi Commercial Bank	0.546	-0.687	0.479	0.489	0.469	0.459	0.439	0.619	0.499	0.719	0.403
Al-Mansour Bank	0.816	0.704	0.905	-0.370	-0.559	-0.449	-0.576	-0.610	-0.512	0.153	-0.050
Iraqi Islamic Bank	0.950	0.510	0.597	0.485	-1.037	0.211	-0.972	-0.956	0.070	0.470	0.033

Source: Prepared by the researcher based on the outputs of the Excel program

Hypothesis Testing

This section focuses on testing the correlation hypothesis between the study variables—sources of financing and market value. To measure this hypothesis, it is necessary to represent the variables using a set of symbols that provide precise meaning, facilitating a clear interpretation of the data and helping the reader to understand the analytical framework.

Table (7) illustrates the coding and description of the study variables in a clearer manner.

Variables	Indicators	Symbol	
Sources of Financing	Equity Financing	FSEF	FSO
	Deposit Financing	FSDF	
	Loan Financing	FSLF	
Market Value	Price-to-Earnings Ratio (P/E Ratio)	MVPE	MVA
	Market-to-Book Ratio (M/B Ratio)	MVMB	

Coding and Description of the Study VariablesAnalysis of Hypothesis Results

First Hypothesis: There is a correlation between sources of financing and market value.

The results of the correlation analysis between the study variables are presented in the table, revealing a set of strong relationships between different financing indicators and market value. The correlation between overall financing sources and market value registered 0.437, indicating a moderate relationship. Meanwhile, financing sources correlated with the Price-to-Earnings (P/E) ratio at 0.826, reflecting a very strong relationship. The correlation between financing sources and the Market-to-Book (M/B) ratio reached 0.944, also indicating a very strong relationship.

Sub-Hypotheses :

A) Correlation between equity-based financing and market value (as measured by P/E ratio and M/B ratio) The results show a series of strong relationships between equity-based financing and market value. The correlation between equity financing and market value was 0.451, indicating a moderate relationship. Equity financing correlated

with the P/E ratio at 0.379, also a moderate relationship, while the correlation with the M/B ratio reached 0.635, signifying a strong relationship.

B) Correlation between deposit-based financing and market value (as measured by P/E ratio and M/B ratio) The results indicate strong correlations between deposit-based financing and market value. The correlation between deposit financing and market value was 0.514, showing a moderate to strong relationship. The correlation with the P/E ratio was 0.683, indicating a strong relationship, and with the M/B ratio, it was 0.536, also a moderate to strong relationship.

C) Correlation between loan-based financing and market value (as measured by P/E ratio and M/B ratio) The results reveal strong correlations between loan-based financing and market value. The correlation between loan financing and market value was 0.652, indicating a strong relationship. With the P/E ratio, the correlation was 0.628, also strong, and with the M/B ratio, it reached 0.964, reflecting a very strong relationship.

Conclusion: The analysis indicates strong and positive relationships between financing variables and financial performance indicators—particularly the relationship between loan-based financing and the Market-to-Book ratio. These findings highlight the significance of various financing strategies in enhancing the financial performance of banks.

Table (8) Correlation Matrix between Sources of Financing and Market Value

Indicators	Equity Financing	Deposit Financing	Loan Financing	Sources of Financing
Price-to-Earnings Ratio (P/E Ratio)				
R	.379**	.683**	.628**	.826**
Market-to-Book Ratio (M/B Ratio)				
R	.635**	.536**	.964**	.944**
Market Value				
R	.451**	.514**	.652*	.437**

Hypothesis Two: There is a significant effect of financing sources on market value

This hypothesis aims to examine the direct impact of financing sources—represented by equity financing, deposit financing, and loan financing—on the market value of banks, which is measured by two indicators: Price-to-Earnings (P/E) ratio and Market-to-Book (M/B) ratio. The findings indicate that financing sources have a statistically significant direct effect on market value, with a regression coefficient of 0.114, a low standard error of 0.075, and a high critical value of 1.52, reflecting the strength and statistical significance of the effect. Moreover, financing sources contributed to explaining 1.3% ($R^2 = 0.013$) of the variations in market value. While this percentage appears modest, it highlights the foundational role of financing in enhancing market performance indicators, despite the challenges banks may face.

Conclusion:

The results emphasize that improving the efficiency of financing sources in all their forms directly enhances banks' ability to increase their market value, without the need for mediating variables.

Table (9)Results of the Regression Analysis of the Impact of Financing Sources on Market Value

Regression Path			Standardized Weights	Standard Error	Critical Ratio	Coefficient of Determination (R^2)	Probability (P-value)	Type of Effect
Sources of Financing	→	Market Value	0.114	0.075	1.52	0.013	0.354	n.s

Conclusions and Recommendations

First: Conclusions

Based on the results of financial and quantitative analysis, the study reached several conclusions aimed at providing recommendations to support and enhance banking sector performance. The key findings are as follows:

1-Financial analysis revealed significant variation in reliance on equity financing, deposit financing, and loan financing among banks. Banks with high equity financing ratios (e.g., Sumer Bank) tend to use it as a primary tool to attract investments rather than heavy reliance on loans or deposits.

2- The analysis showed that some banks, such as Baghdad Bank (with a 0.643 deposit financing ratio), depend heavily on deposited funds as their main financing source. This indicates these banks' ability to build strong deposit bases and high customer trust, enhancing their financial stability.

3- The results demonstrated that loan financing ratios are low in most banks (e.g., Mosul Bank at 0.067 and Gulf Bank at 0.138), suggesting either hesitation in new lending or weak loan demand. These figures may reflect market conditions or these banks' strict credit policies.

4- Several banks showed strong price-to-earnings ratios, including Baghdad Bank (0.44) and Middle East Bank (0.40). These values indicate positive market valuation, reflecting investor confidence in future earnings potential, which helps identify investment opportunities and risks.

5- Market-to-book values varied significantly among banks. Baghdad Bank showed a high positive value (1.113), indicating market valuation above book value, while Mosul Bank had a negative value (-1.843), suggesting serious challenges in asset valuation that may undermine investor confidence and financing capacity.

6- Financial solvency and debt ratios differed substantially across banks. Mosul Bank showed high solvency (0.812) with a low debt-to-capital ratio (0.068), indicating greater reliance on equity than debt, strengthening its ability to meet financial obligations.

Second: Recommendations

1- Banks relying more on equity financing should enhance capital-raising capabilities from new investors. Increasing equity financing can reduce the risk associated with debt dependence and build more stable investment bases. Banks should improve investor attraction strategies and financial reporting transparency.

2- Banks with high deposit financing ratios should develop competitive strategies to attract deposits, such as improving interest rates or offering innovative banking services. Strengthening deposit bases enhances liquidity stability and reduces loan financing dependence.

3- Banks with low loan financing ratios should reassess lending strategies, study market needs, and improve loan approval processes. Offering more loan options, better loan services, and improved borrower facilities can attract wider customer segments.

4- Banks with low price-to-earnings ratios should enhance investor communication. This requires improving financial disclosure transparency, providing clear performance forecasts, and holding regular investor meetings to boost confidence and market valuation.

5- Banks with strong investment ratios should develop carefully studied investment strategies to maximize returns. They should utilize excess liquidity by directing cash balances into high-return short-term or long-term investments. Improving investment returns will help multiply profits and provide additional resources for sustainable growth.

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