The financial independence role and its impact on the financial risks of Iraqi industrial companies

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دور الاستقلال المالي في الحد من المخاطر المالية للشركات الصناعية العراقية

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Abstract:

This study is concerned with identifying the role of financial leverage in reducing the financial risks faced by industrial firms listed in the Iraq Stock Exchange through estimating the relationship between the measures of financial profitability (permanent financing ratio, profitability ratio and financial efficiency ratio) and the measures of risk (Leverage ratio and the ratio of debt-to-equity). The financial data is for the period 2015-2022 and is taken from a sample that includes only (10) industrial firms listed in the Iraq Stock Exchange. We opted for this period as it includes a full economic cycle, it hosts some major policy shifts experiencing possible secular structural changes; and they line up well with a relatively non-volatile monetary environment that is likely to strongly influence driving this sector's financial standing and risk mitigating characteristics. The findings of the research confirmed the assertion that firms, are also less susceptible to financial risk when they have a higher rate of financial independence since the increase in self-financing lead to lower levels of entities financing with loans and liabilities. Financial independence improves companies' resilience to economic shocks and contribute to long-term financial stability, the study also showed. The findings also sustain that the financial independence should be improved by amending the financing structure, which in turn favors relying more on internal financing (retained earnings) of the investment activities that contributes to decreasing financial risks and achieve sustainable growth within the long run, which we researchers advise to manage these Iraqi industrial companies.

Keywords: *financial independence, financial risks, Iraqi industrial companies*

المستخلص:

يهدف هذا البحث إلى معرفة دور الاستقلال المالي في الحد من المخاطر المالية للشركات الصناعية المدرجة في سوق العراق للأوراق المالية، وذلك من خلال تحليل العلاقة بين مؤشرات الاستقلال المالي (نسبة التمويل الدائم، نسبة الربحية، نسبة الكفاءة المالية)، ومؤشرات المخاطر المالية (نسبة الرافعة المالية، نسبة الدين الى حق الملكية) وتم استخدام بيانات مالية من عينة مكونة من (10) من الشركات الصناعية المدرجة في سوق العراق للأوراق المالية للمدة (2015–2022). أظهرت نتائج البحث أن الشركات التي تتمتع بمستوى أعلى من الاستقلال المالي تكون أقل عرضة للمخاطر المالية، حيث تسهم زيادة الاعتماد على التمويل الذاتي في تقليل التبعية للقروض والالتزامات الخارجية. كما توصلت الدراسة إلى أن الاستقلال المالي يعزز من قدرة الشركات على مواجهة الصدمات الاقتصادية وتحقيق استقرار مالي على المدى الطويل. ويوصي الباحثين لإدارة الشركات الصناعية العراقية بضرورة تعزيز الاستقلال المالي من خلال تحسين هيكل التمويل وزيادة الاعتماد على التمويل الداخلي (الأرباح المحتجزة) لتمويل الأنشطة الاستثمارية، مما يسهم في تقليل المخاطر المالية وضمان استدامة النمو.

الكلمات المفتاحية: الاستقلال المالي ، المخاطر المالية ، الشركات الصناعية العراقية

1.Introduction:

Corporate stability is significantly enhanced by financial independence. Part of the strategy in Iraq Stock Exchange and goals, especially in You have it The industrial sector is considered one of the main pillars of the economy. In the view of the role of financial independence in reducing the financial risks facing industrial companies in the Iraqi economy and the surrounding economic and political challenges that threaten their existence.

Financial independence is another important driver, allowing companies to pursue their own best financial interests (outside of external pressures) and thereby decrease risk of bankruptcy or default. [newline] Thus, this study seeks to investigate the role of financial independence in minimising financial risks in Iraqi industrial firms by examining the relationship between different financial risk indicators and financial independence.

research problem

Many economic, political or social environmental variables effect private firms listed on the Iraq Stock Exchange, and this, in turn, will affect the activity of these firms and its stability in the field of work. They suffer internal sufferings from intense competition or difficulty in obtaining financial resources. This has led to the weakness of the firms and their financial instability. However, due to Financial risks being one of the major challenges organisations are currently facing, they need to plan, execute and target crises and Financial risk management. This pushes enterprises to depend on their own. This reduces expenses and risks while improving the company's financial statement. Hence it is evident from above that the research finds answers to How good is the investigation? financial risks in Firms Private Listed In the Iraq Stock Exchange, And it can formulation findig matters From the financial independence in limit.

1- what Levels the Specific to measure Independence Financial For companies Industrial Iraqi

2- what Levels the Specific to measure Risks Financial And For companies Industrial Iraqi

3- What are the factors that influence achieving financial independence, and how do they contribute to reducing financial risks? For companies Industrial Iraqi?

4- Do Can be reduced the Risks Finance Through specific indicators For independence Financial For companies Industrial Iraqi?

objectives

The study purposes to achieve A set of goals which included the following:

1- Knowing the levels of financial independence and financial risks in industrial companies For Iraqi industrial companies?

2- Statement of the impact of financial independence through the following indicators (financial efficiency, profitability ratio), and the extent to which private industrial companies benefit from it.

3- Measuring and analyzing financial risk indicators such as (financial leverage, debt-to-equity ratio).

4- Reducing the level of financial risk for these companies through a set of financial independence indicators.

The importance of research

The importance of the research is highlighted through the points The following:-

1- stand out The importance of research through the ability of indicators Independence Financial impact on Risks Financial And For companies Private This research has gained A Its importance is from these two variables that you are seeking Companies Private in (ISE) through the role that Performed by.

2- The reputation of this study is emphasized by providing clear insights into how to achieve financial independence role and how it is reducing financial risks, which can for firms from making more sustainable financial decisions.

3- Contributes Research into guiding and assisting managers and financial officers in industrial firms Private in ISE towards A The importance of the role that Performed by Independence Financial and its impact on Risks Financial And.

4- And Research contributes also Enriching academic literature by presenting analytical models that link financial independence and risk management.

hypotheses

The research consists of :Hypotheses that Meaning: -

1. The first main hypothesis: A statistically significant influence was identified for financial independence, along with its indicators (permanent financing ratio, profitability ratio, and financial efficiency ratio), on the financial risks denoted by financial leverage in private manufacturing firms listed on the Iraq Stock Exchange.

2. The second main hypothesis: The second primary hypothesis posits that financial independence, as indicated by the permanent financing ratio, profitability ratio, and financial efficiency ratio, has a statistically significant impact on the financial risks denoted by the debt-to-equity ratio of private manufacturing firms listed on the Iraq Stock Exchange.

The hypothetical plan

The following hypothetical diagram illustrates these variables to declare the independent variable of financial independence which is represented through (permanent financing ratio, profitability ratio, financial efficiency ratio) as its indicators, and the dependent variable of financial risks which is represented through (financial leverage, debt-to-equity ratio) as its indicators. We describe the impact of each indicator in the independent variable to the indicators in the dependent variable, as illustrated below Figure (1):

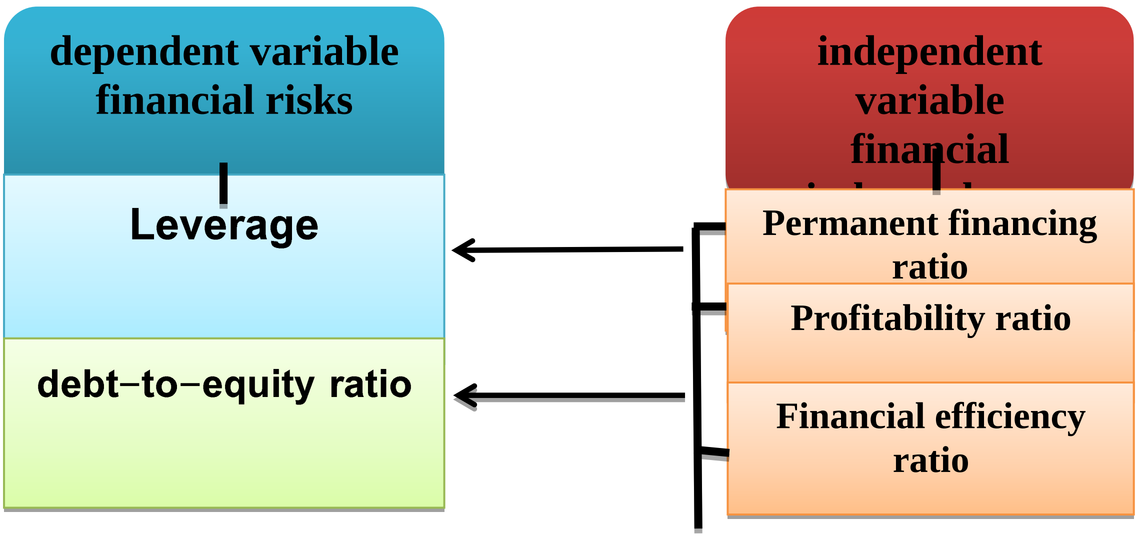

Figure (1) shows the hypothetical scheme of the research.

Research Limits

The research boundaries include the following:

1- Time limits: the period from 2015 to 2022, they are developments taking place Private manufacturing firms in the Iraq Stock Exchange.

2- Spatial boundaries: Search on manufacturing firms Private Listed In the Iraq Stock Exchange Represented by the following:

A- National Company for Home Furniture Industries
B- Modern Chemical Industries Company
C- Iraqi Company for Engineering Works
D- Iraqi Company for Carpets and Furnishings
E- Baghdad Soft Drinks Company
F- Modern Sewing Company
G- Al-Kindi Company for the Production of Vaccines and Veterinary Medicines
H- Al-Mansour Company for Pharmaceutical Industries
I- Medical Supplies
J- Cosmetics and Sterile Water
K- Al-Khazir Road Company for the Production and Trade of Construction Materials
L- Real Estate Investments and General Contracting, Baghdad Company for the Manufacture of Packaging Materials.
M- Objective limitations: The research variables include financial independence and financial risk.

Seventh: Research community and sample

The research community represents industrial companies Private Listed In the Iraq Stock Exchange, so Includes Sample Search on (10) Company, as the financial data of these companies are available in the Iraq Stock Exchange.

Methodology

The analytical approach was adopted. And Testing the research hypotheses for this Companies And achieve its goals, and was used Standard Analysis Program To test the relationship Impact Between Indicators Independence Financial and risks Financial And.

Methods Collecting and analyzing data and information

1. **Theoretical framework:** The research relied on covering the theoretical framework on theses, dissertations, periodicals and books. In addition to using the Internet to collect relevant information and articles.
2. **Practical framework:** Annual reports and data published in body Iraq Securities for a group of industrial companies Private For the duration from ((2015-2022) and for According to the available data covering period Search.

As for data and information analysis tools:

1- **Financial analysis:** Approved On the analysis of some financial indicators of the research variables, which are indicators of financial independence (Return on assets, return on equity, permanent financing ratio, total asset turnover), and financial risk indicators (leverage, debt-to-equity ratio).

2- **Analysis statistician:** The research relied on the use ofform Standard Analysis ProgramIn processing data and information and obtaining the required results.

3. Theoretical Framework

3.1Financial Independence

3.1.1The concept of financial independence :

Financial independence represents a company's level of financial stability. Investors prefer to invest in companies trying to attain this balance since their investments will lead to financial stability and self-stability. Higher thoroughly monetary safety means higher financial independence. After all, achieving a degree of financial independence that supports growth and security is the ultimate purpose of the company. This requires the company to earn enough to cover its cost of goods sold and operate at a profit, but also to be capital-efficient so it can scale without the need for external financing. (Borjas et al. 4) It self-funds, allowing the company to operate. It aims to subsist internally and be as loans-free from outside sources as it can. This helps a company to make its own financial decisions regarding running its business and operations. (38 Me lnychuk 2019) Below are a few of the writer/researchers views on what financial independence means:

1. Financial independence is a skill. It is a corporation concerned with funding, developing activities and providing community services (Kjellberg and Vestin: 2019: 33).

2. Interdependence affirms that the business can ultimately achieve its objectives and fulfill its approach, operations and charge independently, through the resources at its disposal, with no need for outside assistance. The other side, we can continue to grow using your own money without borrowing. In other words, the corporation does not have to borrow money from anyone else; it is able to directly pay for goods. (Khusaini et al. : 2021: 38.

A financially independent corporation is one that can address its immediate and essential needs and also have a plan for meeting future needs, relying on its own efforts to confront external challenges.

3.1.2 The financial independence significance

It is becoming increasingly important to receive own money, which is expensive and difficult to obtain and companies are competing with each other very much for customer money. Thus, this concept in a unified financial policy ensures the achievement of the objectives of the organization and the decisions of utilization of its short-term and long-term resources in accordance with the amount of available revenue. Financial Policy aims to give us the maximum cash flow we can have. TCash, profit, and minimize the costs as much as possible. (Albander et al. At (((Agrawal and Gaur: 2022:191;((Sulangi et al: 2022:348), is an example of daily life and importance of being financially independent.

1. Manage the content and the Private and Public Tasks

2. MMarch And Autonomy to the fullest extent, except for governmental matters determined by law .and Applicable regulations, As it is a matter of the central government.
3. More Revenues Original to the max, Use distribution to increase Profits, Improving the investment climate
4. Fiscal decentralization plays a very important role in implementing self-governance. For the companyTo improve the welfare of society
5. Managing budget policies according to needs The company In financial independence Self.

3.1.3The goals of financial independence : It is to solve the problem and challenges associated with the financing. Corp or org and submit The services provided there are with no assistance of third parties.,MBAs: However – financial decisions executive needed(Herodian et al:2022:56). In addition, the principle of independence drives Financial to manage the establishment of budget by minimizing dependency on financial resources The Foreign Affairs By attempting to innovate and find new sources of revenue, uplift the existing resources, focus on high quality of existing resources and improve productivity and prosperity and happiness will be stimulated . So that for the sake of community (Agustina et al: 2022:120-121.

3.1.4Factors affecting financial independence

Many things play into a firm's financial freedom. The more a company has of these things, the more it becomes financially autonomous. The outreach programs will help these in (Financial security - payscale - enough / more than enough money - being able to do things on your own Y (Damayanti et al:2022:234)and Financial resources management have special importance so it will conduct Practice activity Tia(tactical and strategic)and minimum from financialstandpoint-aware, examine, and interpret the financial phenomena, processes, and problems(related to the correct management of financial resources. This will also help to enhance the efficiency of public finance management. That gets us closer to independence, but a independence increase analysis also needs analyze how stable and efficient a source of income is and how real control we have over the formation of that income effort. This is also an element of income that enables accelerating development or the quality and standards of tasks already implemented. (Ramadan: 2022: 1469):-

Financial excellence: It is a Result The financial manner of the company Aims at Achieving son return And management Its business works and activities Working to Achieve financial excellence Its Financial Cost. and a Financial condition is considered stable when the company's income exceeds Its expenses ((Adhim et al:2023: 2083.

Financial solvency: business yon is capable of meeting its short- and long-term financial obligations. In a broader sense, financial solvency is the ability to satisfy all one of a company's debts a hundred percent and in the due time — ability to repay, ability to repay properly, or an ability to be solvendor. (Evelyn Tal:2021:184.

Commitment: This means they are in a place where the company has a financial independence so they can run the business, do their work and do not need anyone else to interject itsenz. It cannot be forced around, and its cash flow ensures that it stays and grows. Yasin and Hardi: 1153 in 2022

4. Financial viability: Literally the capacity (financially, or in other words abundance) to continue business as usual in the operations of the company. That means, that the company has sufficient cash flow and self-financing is attractive for the larger gathers of investment (Rizky et al:2023:354(Sharma: 2023:51).

Financial Risks

The concept of financial risks : The term risk has many different meanings in the business world, as well as in ordinary everyday life. The term risk is applied to many situations where the outcome is uncertain and frequently. With the development of economic globalization, risk has been used in similar fields such as probability, statistics, financial management and investment management to refer to the possible fluctuation of an outcome around some expectation. It is easy for companies to have double the competition from the inside and the outside. To stay unstoppable, businesses need to be quick in adjustment to the change of the economic environment at both home and abroad. And as a financial activity on the operation cannot escape from financial risks due to the need to expand operations, improve market share and corporate value. Therefore, it is vital for us to know where the financial risks originate and to adopt measures to remove them when they are still possible to eliminate. All activities of any enterprise are associated with financial risks, and their prompt and qualitative identification and adequate assessment largely determine the momentary and long-term financial-economic indicators of the enterprise (Shibani, 2024:2290). In such a sense, it is more of an analysis of the extent to which there are financial risks and the selection of a set of responses that make it possible to mitigate risk in practice.. Hence, duplicate expenses are recorded, to avoid the formation of its adverse effect to the operation The company financial risks are showed. For the company There is so basic features that continue talking, for example the economic nature of these risks . By extension, risk analysis related to finance in the activity of the company is necessary, in order to provide its financial strength and also, the need to keep the company in the position of avoiding the risk of financial activities that can lead to huge financial losses. (Petrov et al: 2021:10) Risk analysis, however, infuences bookmaking activity. Indirectly serves as different levels of protection for Indirectlyprotecting information and property activity, namely: (Moridu:2023:1098)

1.2.1 Risk management features

Successful achievement is reinforced. For corporate projects With a well-implemented risk management plan and thus making the project more profitable, the main benefits of the risk management process are as follows:(elfai and tayfor: 2023:55):

1. Efficiency It will be Managers Companies on Knowledge By any means Risks may affect on employment These companies until no It is happening Any error Performs By implementing plan administration Risks.

2.By looking to The Challenges that occur in the project life cycle, implementing effective risk management increases the possibility of project completion and success with minimal loss.

3.maybe procedure Reviews more methodology In detail For risks in shadow presence knowledge Information and availability of experience on Risks.

4. **Applied and Analytical Section**

4.1 Estimating the leverage model

Discussing the impact of financial health indicators on financial performance

A- Comparison test between the general (cumulative) model ((PRMFixed effect model (FEM).

We will use the limited test to compare the general model and the fixed effect model to find the best model for evaluating the data from this study. if ((F If the valueP is less than or equal to 0.05, the fixed effect model is the right one for the research data. The fixed effect model was the right model after this test between the general model and the fixed effect model. The second test is the Hausman test, which is the second one. The test (F) is between the fixed effect model and the random effect model. The formula below:

$$F = \frac{(R^2_{FEM} - R^2_{PMA})/(N-1)}{(1-R^2_{FEM})/(NT-N-K)} \longrightarrow F_{(N-1\ ,NT-N-K)}$$

RFEM The determining RPM is a factor to think about when using the fixed effect model. The limiting factor when adopting the general effect model is shown.

N Number of cross-sectional data (companies from 1 to 10).

TR is the temporal dimension that goes from 2015 to 2022.

KR shows how many parameters are thought to be there.

If the value is (F) not important: The general model is the right one, and the model does not accept the fixed effect. From Table (1), we can see that the value of (F) It was (20.53) at a significant level (0.00), which is less than the significance level (0.05), so the results in Table (1) reject the null hypothesis (the cumulative regression model) and accept the alternative hypothesis (the fixed effect model). This means that the model is appropriate for the data studied. The test reveals F The fixed effects model is better than the general model because the value calculated is significant at the lower 5% level.

Table (1): Regression models for indicators of financial independence on financial risks Results

Effects Test	Statistics	df	Prob

Cross-section F	20.532130	(9.66)	0.0000
Cross-section Chi-square	106.796630	9	0.0000

Source: Program OutputsEviews version 12

1.1.1 Fixed effects model.

The test of the hypotheses of the impact of financial independence indicators on financial risks is shown, as Table (2) shows the results of the test represented by the fixed effects to answer the previously formulated hypotheses and to clarify the hypothesis that states (there is a significant statistical effect of financial independence).**toFinancial with its indicators on leverage)**.

Table (2): The fixed effects of the financial independence and its indicators on financial leverage results.

Variable	competent	Std.Error	t-statistic	Probe
C	14.43332	1.767242	8.167146	0.0000
X1	-0.724716	0.366382	-1.978035	0.0521
X2	0.576682	0.309608	1.862619	0.0670
X3	-0.036100	0.029031	-1.243512	0.2181
X4	-2.309372	2.473727	-0.933560	0.3539

Source: Program Outputs Eviews version 12

The regression results are shown in Table (2) and they show the impact of financial independence indicators, especially the return asset rate. Return on assets index 0.05 Subscript 2 20139 -1.978 t-Stat Significance In the context of comparing two different sample populations, it is important to highlight that the t-statistic for the return on assets index is (-1.978) at a significance level of 0.05, which corresponds to the significance threshold of 0.05. This was the negative value which shows that return on assets (X1) has an inverse relationship with yield. The rate of return on assets indicates that one unit increase in the rate of return will lower financial leverage by 0.725 units Y1 thus supports the preliminary hypothesis that there is a moral effect between the financial independence indicators Y1, which is the rate of return on assets and financial risk indicators Y1, which is financial leverage, or statistically significant.

It can be seen from Table (2) that the effect of return on equity as a measure of financial independence is insignificant as the t-statistic is 1.862. The t-statistic has a positive value, and at a significant level of 0.06 that is higher than the level of 0.05, it implies that there is a direct relationship between both variables; the return of equity. X2) and leverage (Y1) - which translates that one unit increase in rate of return on equity will cause an increase of 0.576 in leverage (X2), this contradict third hypothesis that states the moral effect between the financial independence indicators that is rate of return on equity and financial risk indicators that is financial leverage have a statistic significant (X2) and hence have a statistic signifikan.

It can be seen from the Table (2) that the effect of financial independence measures (permanent funding ratio) is not significant (t-stat = (1.24-)); T-statistic was negative at the

0.21 significance level (higher than 0.05). So it leads to a negative correlation of the permanent financing ratio (X3) with leverage (Y1). This indicates that an increase of one unit in the lean permanent financing ratio decreases to financial leverage 0.03 unit, which contradicts the third hypothesis that points out a moral effect with statistic significance that exists between indicators of financial independence, where the permanent financing ratio was used and indicators of financial risk, using financial leverage, Borrowing ratio.

Table (2) shows that the relationship of financial independence measures namely total asset turnover is still not significant with a t-statistic of 0.933. The t-statistic found to be negative ($p<0.35$) was more than the available saturated level of 0.05. This means that between these two variables - total asset turnover rate (X4) and leverage (Y1) there is a negative correlation. An increase of one unit in the total asset turnover rate will lead to a decrease of 2.30 units in financial leverage, which contradicts the fourth hypothesis, that deals with the statistically significant moral effect between the financial independence indicators, represented by the total assets turnover rate, and the financial risk indicators, represented by financial leverage.

4.1.1.1Hausman test for comparison between fixed effect model ((FEM Random effect model (REM).

To distinguish between the random effects model and the fixed effects model, the majority of researchers rely on the Hausman specification test (Hausman. Test) (1978), and test statistic (H)It is a measure of the difference between the two estimates:-

$$H = (\hat{\beta}_{FEM} - \hat{\beta}_{REM})'[\mathrm{var}(\hat{\beta}_{FEM}) - \mathrm{var}(\hat{\beta}_{REM})]^{-1}(\hat{\beta}_{FEM} - \hat{\beta}_{REM})$$

Therefore, this statistic follows a chi-square distribution. (H), with degrees of freedom equivalent to the number of regressions in the model, yielding a result of ($p < 0.05$) At traditionally significant levels, the two models exhibit sufficient divergence to reject the null hypothesis, hence favoring the fixed effects model over the random effects model. Nonetheless, if the Hausman test does not reveal a significant disparity It does not necessarily imply that the random effects model is devoid of bias; hence, it is advisable to retain the fixed effects model. Table 3 presents the test findings.:-

Table (3): The fixed effect model and the random effect model

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob
Cross-section random	8.095560	4	0.0881

Source: Program Outputs Eviews version 12

The results of this Chi-square distributed test indicate a calculated value of 8.09 with a probability of 0.08. The Hausman test results demonstrate statistical significance, as the value exceeded the significance level of 0.05, suggesting the preference for the random effects model. Hausmann's statistic is not significant at the 5% level..

1.1.2 Random effects model estimation

Table (4) presents the findings of the random effects test conducted to evaluate the hypothesis regarding the influence of the financial health index on financial performance.

Table (4) shows the results of the random effect of the impact of financial independence and its indicators on the debt-to-equity ratio.

Variable	competent	Std.Error	t-statistic	Probe
C	15.09407	2.735209	5.518433	0.0000
X1	-0.952637	0.341132	-2.792575	0.0066
X2	0.802448	0.285418	2.811486	0.0063
X3	-0.058482	0.026454	-2.210726	0.0301
X4	-2.353947	2.362592	-0.996341	0.3223

Source: Program Outputs٪ Eviews version 12

The results presented in Table 4 illustrate the influence of financial independence indicators, specifically the rate of return on assets. The t-statistic for the return on assets index is -2.792, with a significance level of 0.00, which is below the threshold of 0.05. Which exhibited a negative value, indicating an inverse link between the two variables: the rate of return on assets (X1). And the financial leverage (Y1) This signifies that an increase of one unit in the rate of return on assets will result in a decrease of 0.95 units in financial leverage, corroborating the initial hypothesis that a statistically significant moral effect exists between the indicators of financial independence, represented by the rate of return on assets, and the indicators of financial risk, represented by financial leverage.

The results in Table (4) indicate that the financial independence indicator, specifically the rate of return on equity, yielded a t-statistic value of 2.811. At a significant level of 0.00, which is below the significance threshold of 0.05, the positive result of the t-statistic suggests a direct association between the two variables: the rate of return on equity. X2) and leverage (Y1) This signifies that a one-unit increase in the rate of return on equity will result in a 0.80 unit increase in leverage, aligning with the second hypothesis, which posits a statistically significant moral effect between the indicators of financial independence, represented by the rate of return on equity, and the indicators of financial risk, represented by financial leverage.

The data shown in Table (4) clearly indicate that the financial independence metrics, specifically the permanent funding ratio, have a significant impact, evidenced by a t-statistic of (2.21). At a significant level of 0.03, which is below the significance threshold of 0.05, the t-statistic exhibited a negative value. This illustrates an inverse link between the permanent financing ratio (X3) and leverage (Y1). This suggests that an increase of one unit in the financing ratio will result in a decrease of 0.05 units in financial leverage, aligning with the third hypothesis, which posits a statistically significant moral effect between the indicators of financial independence, represented by the permanent financing ratio, and the indicators of financial risk, represented by financial leverage.

1.2 **Debt-to-equity ratio equation**

4.2.1Estimate of the year model (cumulative)

In accordance with the Panel Data model Table (5) illustrates the model demonstrating the premise that financial independence, together with its indicators, significantly influences the debt-to-equity ratio. The subsequent table illustrates the characteristics of the relationship:

Table (5): the effect of financial independence on the debt-to-equity ratio

Variable	competent	Std.Error	t-statistic	Probe
C	120.0862	3.050669	39.36390	0.0000
X1	-2.341279	0.632756	-3.700128	0.0004
X2	2.341544	0.482777	4.850155	0.0000
X3	-0.192245	0.038933	-4.937826	0.0000
X4	-0.055992	4.306979	-0.013000	0.9897

Source: Program Outputs Eviews version 12

The results in Table (5) were found that the independence financial indicator that is through the rate of return on asset show t-statistic -3.70 at sig 0.00, below the arithmetically 0.05 This t-statistic is negative, which indicates that there is a negative relationship between rate of return on assets (X1) and percentage as well. Property rights (Y2) High rate of return on property rights contribute to the increasing the financial independence of Iraqi private enterprises during the period 2015 – 2022 This means that as the return on assets rate increases by 1 unit, the debt-to-equity ratio will decrease by -2.34. This is consistent with the first sub-hypotheses that states there is a statistically significant association between result of the financial independence predictor (net income after tax/total asset) and financial risk predictors (debt-to-equity ratio).

Results of data in Table (5) indicate that the financial independence indicator, which is the rate of return on equity that provides a value of t-statistic amount of 4.85 that indicate moral significance based on the probability value of the significance of 0.00 Value SP → m → < (For significant level = 0.05) t → SP → 2.98 → < 2.04. A direct relationship is indicated by a positive value between the return on equity for X2 and the debt to equity ratio for Y2. In other words, every 1-unit rise in the return on equity ratio raises the debt-equity ratio by 2.34 units. The result herein of course supports second sub-hypothesis which suggests that the financial independence (represented here by return on equity) belongs statistically significantly to financial risk indicators (represented here by debt to equity)

Table (5) Results of Persistance of Permanent funding ratio journal of business and Managment For the indicator of the permanent financing ratio, the t-statistic is -4.937 and its significance level is 0.00, which is lower than the 0.05 limit. This value was negative showed that there were bivalent correlation of permanent financing ratio (X3) with debt to equity ratio (Y2). This also shows that by one unit increase in the financing ratio, the debt-to-equity ratio reduces by 0.19 units, which complies with the third sub-hypothesis implicating a significant moral effect of financial independence (the permanent financing ratio) and financial risk indicators (the debt-to-equity ratio).

As seen in Table (5), the impact of measures of financial independence index, the turnover rate of the total assets, has not emerged (value t-stat of (0.01-)). At a significant level of 0.98 (great than the significant level of 0.05 as calculated by t-statistic value. That came to a negative number, which would mean that they were inversely related. The total asset turnover ratio (X4) By increasing one unit on this ratio, the debt-to-equity ratio (Y2) will decrease by 0.05 units. Therefore, this result rejects the fourth sub-hypothesis, which says there is a statistically meaningful moral relationship between the financial independence indicators (total asset turnover ratio) and the financial risk indicators (debt-to-equity ratio). The total asset turnover rate reduces the potential risk of profit losses that could occur due to the ineffective management of assets, thus reducing risks and financial crises resulting from changes in net income after tax. This, in turn, affects the debt equity ratio, and in turn, impacts the number of shares and capex.

Results of the Hausman test for comparing fixed and random effects models

Table (6): the fixed effect model and the random effect model

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob
Cross-section random	7.523195	4	0.1107

Source: Program Outputs Eviews version 12

The results of this Chi-square distributed test indicate a calculated value of 7.52 with a probability of 0.11. The Hausman test results demonstrate statistical significance, as the value exceeded the significance level of 0.05, suggesting that the random effects model is preferable. Hausmann's statistic is not significant at the 5% level.

4.2.2Random effects model estimation

In order to test the hypotheses of the impact of the financial health index on financial performance, Table (7) shows the results of the test represented by the random effect to answer the formulated hypotheses (there is a significant statistical effect of financial independence with its indicators on the debt-to-equity ratio).

Table (7) shows the results of the random effect of the impact of financial independence and its indicators on the debt-to-equity ratio.

Variable	competent	Std.Error	t-statistic	Probe
C	119.6288	3.677883	32.52654	0.0000
X1	-1.180183	0.531299	-2.221316	0.0293
X2	0.974705	0.482936	2.018291	0.0471
X3	-0.066122	0.048011	-1.377221	0.1725
X4	-3.553226	1.216370	-2.921172	0.0046

Source: Program Outputs Eviews version 12

The results in Table (7) also show that the financial independence indicator, which is the return on assets rate, has a t-statistic value of(-2.22), significant level. Since the p-value (0.03) is lesser than alpha (0.05), while the t-statistic is negative, indicates that there is an indirect relationship between the two variables, then the rate of return on assets (X1) and percentage. Return on Assets (X1)(Y2) Debt to property rightsRatioReturn on Assets (X1)Analysis ReflectionThis implies that return on assets ratio decrease with lowerFinancial independence of Iraqi private firms for the years (2015-2022). This implies a chage of -1.18in debt to equity ratio per one unit change in return on assets. This is consistent with the first sub-hypothesis that the financial independence as measured by (net income after tax/total assets) is of a statistically significant nature with the financial risk indicators namely (debt-to-equity ratio).

The results in Table (7) show that the indicator of financial independence, represented by the rate of return on equity, had a t-statistic (2.01) with a significance level of (0.04). This is below α(0.05) and in term of value (t-statistic). The positive sign indicates that there is a direct relation between the second variable (X2) and the third variable (Y2) or the rate of return on equity and the debt to equity ratio. In particular, if the return on equity ratio rises by a unit, this positively influences the debt to equity ratio by 0.97 unit. Our second sub-hypothesis of the finding which indicates statistical significance is then further confirmed, as the second sub-hypothesis indicates that the financial independence of the companies (The rate of return on equity) is significantly affected by the financial risk (The debt-to-equity ratio).

The results indicated in Table (7) show the effect of financial independence indicators, especially permanent funding ratio. Permanent Financing ratio: the t-value is insignificant (t-statistic = -1.377), with a significance of 0.17 (which is more than our threshold of 0.05). A negative sign shows a negative correlation, that is between the value of permanent forced debt ratio (X3) and debt-to-equity ratio (Y2), which reduces financially independent enterprises along with the permanent forced debt ratio. As a result of it, for the increase of one unit in the financing ratio, the debt-to-equity ratio decreases the unit of (0.06-) oppose the third sub-hypothesis that there exists a moral effect between financial health that is shown by permanent financing ratio and financial risk indicators which is shown by debt-to-equity ratio and it is statistically significant.

Based on the data contained in Table (7), the total asset turnover rate (the measure of financial independence) was significant with a t-statistic value of (2.91). T-statistic = 14.62, significant at 0.00, which is below the threshold of significance 0.05. That number is negative, meaning we have a negative relationship between the two. The effect of total asset turnover ratio (X4The ratio of debt to equityY2), which has shown that every increase of one unit in the total asset turnover ratio will reduce the debt-to-equity ratio of 3.55 units. This result is inconsistent with the fourth sub-hypothesis, providing evidence against a significant moral link between the financial independence indicators (captured by the total asset turnover ratio) and the financial risk indicators (measured by the debt-to-equity ratio).

2. Conclusions

1. The research results showed that Iraqi industrial companies that enjoy a higher level of financial independence are less vulnerable to financial risks, as reliance on self-financing contributes to reducing dependence on external loans and obligations.
2. The explained that increasing the ratio of self-financing (equity) compared to debt leads to improved financial performance indicators, such as the debt-to-equity ratio, which enhances companies' ability to meet their financial obligations.
3. Companies with greater financial independence are better able to withstand economic shocks and market fluctuations, contributing to long-term financial stability.
4. Financial independence helps companies address obstacles or problems without the need for outside assistance.
5. The results of the analysis showed that there is a significant statistical effect between financial independence and its indicators represented by (the rate of return on assets, the rate of return on equity, the ratio of permanent financing, and the total rate of asset turnover) on the financial leverage of companies in the Iraq Stock Exchange during the research period.
6. There is a statistically significant moral effect between financial independence and its indicators represented by (the rate of return on assets, the rate of return on equity, and the ratio of permanent financing) onrate Debt to property rightFor companies in the Iraq Stock Exchange during the research period.

3. Recommendations:

1. Iraqi industrial companies should work to increase reliance on retained earnings and self-financing instead of borrowing, in order to reduce the financial risks associated with debt.

2. Companies should review their financing structure to ensure an appropriate balance between equity and debt, with a focus on reducing the debt-to-equity ratio.And

3. Companies must reduce debt by relying on internal financing, including retained earnings, and by proposing policies to enhance financial independence.

4. Companies must rely on internal resources to reduce risks by diversifying income sources or developing modern technological tools such as capital management applications to achieve financial independence.

5. When solving problems, companies should resort to internal financing and not rely on external sources, including borrowing.

6. The study recommends that corporate management conserve liquidity, avoid bankruptcy, and limit outsourcing.

7. We recommend that company management avoid debt by relying on equity.

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