

# **The impact of Islamic banks on the Iraq Stock Exchange**

## **A standard study for the (market value and trading volume) indicators for the period ( 2004 – 2018)**

**Prof. Dr. Aqeel Shaker Al-Shara**

**Hawraa Kadhim Jarry**

**Al-Qadisiyah University / College of Administration and Economics**

### **Abstract :**

The research aims to clarify the impact of Iraqi Islamic banks in the Iraqi stock Exchange, the Islamic banks witnessed a great development and wide spread in multiple Islamic countries and others, as a result of several factors, including: openness to the global economy, structural reforms in the financial system, liberalization of capital movement and integration. This was reflected in the high growth rate of deposits, assets and profit rates for these institutions. The researchers measured the effect of the market value indicator and the trading value of Islamic banks contributing in the market to the market capitalization and trading value indicators of the Iraq Stock Exchange using the (SPSS 22) program. The researchers concluded that there is a positive impact of Islamic banks in the Iraqi stock market, as the ratio of the Islamic banks' indices to the total indices of the Iraq Stock Exchange increased during the study period, as the ratio of the market value index of Islamic banks to the total market value of the Iraq Stock Exchange was (26.48%). And the trading value indicator was (92.95%), and these rates are for the year 2018, and they increased significantly from what they were at the beginning of the study period, which confirms the increase in the number of banks, the increase in their activity and their impact on the market. The researchers recommended facilitating the process of inclusion of Islamic banks in the Iraqi Stock Exchange and encouraging them to trade their shares in the market, which contributes to increasing their role in the Iraq Stock Exchange.

**Key words :** Islamic banks, Iraq stock exchange, market value indicator, trading value indicator .

### **Introduction :**

Islamic banks are considered one of the most important achievements of the contemporary Islamic economy in the field of economic activity. Money is one of the necessities of life and its strength, and it must be sought and developed, and that Islam established a basic rule and a rule specific to money in earning, owning, producing, consuming and developing. In light of the growing role of these banks, the expansion of their spread and the large volume of their transactions that adhere to the principles of Islamic Sharia, as they collect state savings through their financing and investment function. Since their investment tools are many and varied, Islamic investment funds are considered the most important results of this diversity and diversity as an effective means of accumulating savings and attracting local and foreign capital, putting them at the service of construction and

development projects, and providing investment opportunities for small savers and investors who do not have sufficient financial resources or lack the Experience and knowledge of portfolio management. Especially from securities, where Islamic investment funds contribute to stimulating the movement of the stock exchange through what they offer of investment tools that are compatible with the provisions of Islamic Sharia, which leads to an increase in the efficiency of this market.

### **Research's importance :**

The importance of the research comes from the fact that Islamic banks have become the most prominent event in the Islamic, Arab and even international banking arena in recent years, and there is no doubt that the success of the performance of the work of these banks is a matter of interest to all Muslims. It is considered the real entity for its establishment, success and continuity.

As for markets, they are an important and rapid channel in financing economic operations for all economies, whether developed or developing ones. Therefore, they are of great interest to all those interested, whether they are decision makers, researchers or others.

### **Research's problem :**

The research's problem lies in two main problems:

- 1- Is there an impact of the market value indicator of Islamic banks in the market value index of the Iraq Stock Exchange.
- 2- Is there an impact of the trading value indicator for Islamic banks in the trading value indicator for the Iraq Stock Exchange .

### **Research's the objective:**

- 1- A statement of the impact of Islamic banks and their importance in supporting the Iraqi economy through their main work as a financial intermediary between savers and investors, as well as analyzing their indicators in the financial market represented in (market value, trading volume).
- 2- A statement of the impact of Islamic banks in supporting the Iraqi market for securities by studying its relative importance to the indicators of the Iraqi market for securities.

### **Research's hypothesis:**

- 1- There is no effect of the market value indicators of Islamic banks in the market value indicators of the Iraq Stock Exchange.
- 2- There is no effect of the trading value indicators for Islamic banks in the trading volume index of the Iraq Stock Exchange

## **Research's Methodology :**

- 1- There is no effect of the market value indicators of Islamic banks in the market value indicators of the Iraq Stock Exchange.
- 2- There is no effect of the trading value indicators for Islamic banks in the trading value indicators of the Iraq Stock Exchange.

## **The first topic**

### **the Islamic banking and the stock market**

#### **Section one : Islamic banks**

##### **First: originate**

Islamic banks appeared in the year (1940) when they established saving funds in Malaysia that operated without interest, and then in the late forties, systematic and organized thinking began to appear in Pakistan in order to develop financing techniques that take into account Islamic teachings, but this thinking took a long time and did not find it An applied outlet except in Egypt, as Dakahlia Governorate in the Arab Republic of Egypt is considered the first city that witnessed the birth of the first experience of Islamic banks, even if it lasted only a few years. (Al-Najjar, 1993: 59-63), and the first governmental Islamic bank in Egypt arose, namely Nasser Social Bank, which was established in 1971 AD. This bank takes deposits and invests them in projects and small enterprises and distributes its profits to depositors according to the share of their money in investment (Al-Sharqawi 2000: 67).

Islamic banks did not take on their own character as financing and investment institutions until the mid-seventies, when the Second Conference of Finance Ministers of Islamic Countries, held in Jeddah in 1974, approved the establishment of the Islamic Development Bank, which began its operation in 1975. (Al-Khaqani, 2002, 134).

##### **Second : What are Islamic banks?**

There are several definitions of Islamic banks, including:

- It is a monetary financial institution that carries out financial and banking business and services, attracting cash resources and employing them effectively to ensure their growth and achieve the maximum return from them and in order to achieve the objectives of economic and social development within the framework of the tolerant Islamic Sharia provisions. (Al-Ajlouni, 2008: 110).
- The agreement establishing the International Federation of Islamic Banks defined it as those banks or institutions whose establishment law and statute expressly stipulate adherence to the principles of Sharia, and not to deal with interest by taking or giving. (Al-Sharqawi, 2000: 26).

### **Third: Sources of Funds in Islamic Banks**

Islamic banks are based on sharing in profits and losses for the sources and uses of funds, and the sources of funds in Islamic banks are divided into internal and external sources, including:

**A- Capital :** It is obtained as a result of a contribution to the bank from shareholders, in particular what is paid from the capital through this contribution, which is the sum of the financial shares contributed by the shareholders when the bank was established, and it is considered one of the guarantees of the rights of depositors, as it compensates for the shortfall in The bank's resources when it is invested, bearing in mind that the bank is not financed with its money, but rather with what it collects as deposits. (Eid, 2011: 491)

**B – Reserves :** They represent retained earnings from previous years and are deducted from the share of shareholders and consist of profits or surplus funds in order to consolidate and strengthen the financial position of the bank. There are several types of reserves, including the legal reserve and the voluntary reserve. (Kabalan, 2008: 78)

**C- Retained profits (undistributed profits):** determined by the articles of association of the Islamic bank and based on what is decided by the bank's board of directors at the end of each fiscal year and after the approval of its general assembly by approving the amount of profits that it retains and rolls over to subsequent years. The bank can add it to the general reserve or take To increase the capital of the bank, and these undistributed profits are a self-resource of the Islamic bank. (Al-Moussawi, 2011: 38)

**H- Demand deposits (current accounts):** They are called credit accounts, as Islamic banks provide this service to their individual and corporate clients, without restricting these deposits to any entry, whether upon withdrawal or deposit, and they, in turn, do not participate in any percentage of investment profits and do not bear any risk. (Al-Zaydanin, 1995: 93-94).

**D - Islamic financing instruments :** Islamic banks issue these instruments for the purpose of Islamic finance that are compatible with the provisions of Islamic Sharia in order to provide financial resources for the bank to help it achieve its goals and enable it to complete its projects. They are the bank's capital increase instruments, return-sharing instruments, medium-term Islamic deposit instruments, sector-specific investment instruments, and investment instruments for a specific project. (Al-Ajlouni, 2008: 197).

### **Fourth : Methods of financing or financing formulas for the Islamic bank**

That the bank will formulate and devise innovative rules in order to raise its ability to attract and attract customers with the aforementioned deposits, and among these

methods and financing formulas in which it will invest money are (Al-Shamri, 2008: 53-69)

**1- Mudaraba:** It is a permissible contract that has no term, which is giving money to someone who tries it according to a percentage of the profit and according to the Mudaraba contract to use this money for known and specific purposes (project) in return for a certain percentage of the profit, as

The profit is distributed according to what has been agreed upon, and the loss is on the capital, where the speculator does not bear any of it unless it is proven that he has transgressed or shortened after investigation with him, and if the result is a loss, the owner of the money bears the loss. As for the investor, he loses his effort and time and may not be made silent for the capital.

**2- Musharaka:** It means the company or partnership and its contract is similar to the Mudaraba contract, and it is a contract under which two or more persons are obligated to each of them contribute in a financial project to provide his share of money or work to invest that project and to share the resulting sheep and fines.

**3- Murabaha:** It is the sale of a commodity for the same price as the first price at which the seller bought it, with an increase in a known and agreed profit for a lump sum or a percentage of the first price.

## **The second branch : the stock market**

### **1) Originate**

The emergence and development of financial markets came as a reflection of the growing economic conditions and needs in the countries in which they existed. The emergence of markets was not a coincidence, but was due to the requirements of commercial and economic development in those countries. And the emergence of companies with financial surpluses, as these companies sought to invest surpluses through those markets. (Al-Dama'i, 2010: 115-144).

Among the oldest stock exchanges that established the Anvers Stock Exchange, Frankfurt, Barcelona, Lyon, New York Stock Exchange (1993), Liverpool (1873), New Orleans (1880), and in the Arab world, the Alexandria Stock Exchange (1883), and the Cairo Stock Exchange (1890). (Al-Hindi and Al-Nashif, 2000, 55)

### **2) The concept of financial markets:**

There are several definitions of financial markets, including:

- The framework that brings together the saving units that wish to invest and the financial deficit units that need funds to invest them through specialized categories operating in the market, provided that effective communication channels are available (Taleb et al., 2016: 180).

- It is a system whereby sellers and buyers are combined for a certain type of securities or a specific financial asset, as investors are able to buy and sell a number of shares and bonds within the market, either through brokers or companies working in this field, but with the growth of networks and means of communication This reduced the importance of the presence in the headquarters of the central stock market, and thus allowed to deal from outside the market through brokerage companies spread in various countries. ( L.Rousscau and Wachtel , 2005 , 2 )

### 3) Characteristics of financial markets:

Its most prominent characteristics lie in the following: (Al-Hasnawi, 2017: 34)

- **Operational efficiency:** It is the market's ability to transfer money and resources to those who need them, at less than the cost that arises from transactions, which is called the transaction cost, and includes the cost of financial intermediation and the cost of transferring the security, so the success of the financial market depends to a large degree on reducing this cost.

- **Efficiency of resource allocation:** The main task of the financial markets is to transfer surplus funds from those who have the surplus to those who need them, which is not an easy task because one of its conditions is to be done efficiently or what is called efficient allocation.

**Providing liquidity:** it is known that shares have no history, but shareholders can return them to the issuing company, and the same applies to bonds, despite their different maturity dates, so the market in this is the only recourse that the investor can sell his papers and convert them into cash.

**Providing information and immediate response to any new events:** The market is the most important source of information on traded investments, especially prices and volumes, as well as the movement of dealings. It is not limited to providing information only, but it must respond quickly to any changes or events because of their impact on stock prices, and this feature It is called market efficiency.

### 4) Types of financial markets:

Financial markets can be classified into two markets: (Al-Nukali, 1994: 19)

**A) primary market (version Market):** it is the market that has been the issuance of securities (stocks, bonds) the first time and sell them to the buyer first, and the associated work initial market or version market Baanaaj businesses or governments to cash balances to fund its investment, and then resort to the issuance of financial assets represents a commitment to the future its income, it may be this commitment in the form of contribution is to the owner the right to the results of the issuer, with the right of its assets (equity), and in the form of a loan is to its owner the right to value according to the maturity of the date in addition to a specified amount Linked to the term of the loan(s).

b) **Secondary market (trading market):** It is the market in which previously issued shares and bonds are dealt with, and which are traded among investors, and it is the trading market in which securities are bought and sold and traded between the holder and another investor after the stage of their issuance in the primary market. In other words, it is the market in which the values of the various investment tools are determined naturally through the confluence of supply and demand by any known means of communication, and this means that the secondary market provides the place and laws necessary to organize the exchange of securities between investors and to create the necessary liquidity to convert securities into cash. . (Andritzky, 2007, 15)

### **The second topic**

**The first section :** In this topic, the indicators of Iraqi Islamic banks will be analyzed for the period (2004-2018) in the Iraqi Stock Exchange, bearing in mind that the indicators that will be studied are: (market value, trading volume) and my agencies:

#### **1) Analysis of the market value index of Iraqi Islamic banks for the period (2004-2018):**

Through table (1), it becomes clear to us the market value index of Iraqi Islamic banks for the period (2004-2018) for fifteen Islamic banks that were traded for the study period in the Iraqi Stock Exchange.

The market value index is one of the indicators for measuring the size of banks in the Iraqi stock market, and Table (1) shows the fluctuation in the total market value during the study period. In 2004, the total market value amounted to (11376) million dinars for the Iraqi Islamic Bank only because it is the only bank traded in the market. The total rose to (104944) million dinars in 2005, and in 2006 the total market value of Islamic banks continued to rise in the Iraqi Stock Exchange with the entry of the Kurdistan International Islamic Bank, as the total amounted to (221757) million dinars, and the reason is due to the improvement of the economic and security conditions. The total decreased to (107977) million dinars for the year 2007, and the decline continued, as the total market value reached (100477) million dinars for the year 2008 due to bad conditions, then in 2009 the total value increased, reaching (146252) million dinars, In 2011 the value amounted to (617,908) million dinars, and in 2017 the total market value of the Iraqi Islamic banks increased by entering more than one Islamic bank to trade in the Iraqi stock market, namely Noor Iraq Islamic Bank, Zain Iraq Islamic Bank, Al-Qadeed Islamic Bank, Cihan Islamic Bank and Al-Bilad Islamic Bank, as the total market value reached (2934960) million dinars. for the year 2017, and in 2018 the market value increased further with the entry of other banks into the stock market, reaching (2629,150) million dinars. The reason for the rise in market value during the years of study is due to several factors, including the improvement of the situation security and economic.



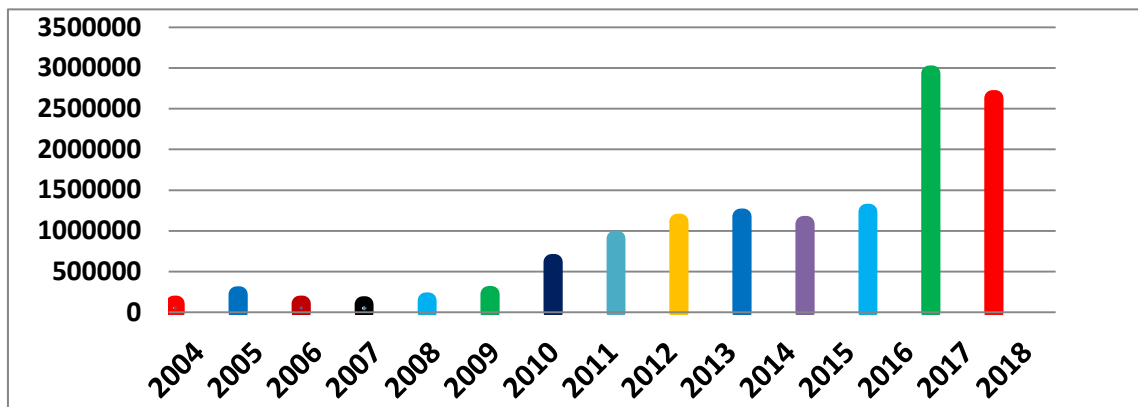
**Table (1)****Market value index of Iraqi Islamic banks in the stock market for the period (2004-2018) unit of account (million dinars)**

| T  | Bank name                            | Years in millions of dinars |        |        |        |        |        |        |        |        |         |         |         |         |         |         |
|----|--------------------------------------|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|
|    |                                      | 2004                        | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    |
| 1  | Iraqi Islamic Bank                   | 11376                       | 104944 | 21757  | 20477  | 20477  | 53752  | 46073  | 103408 | 186960 | 260580  | 237500  | 127500  | 150000  | 125000  | 100000  |
| 2  | Kurdistan International Islamic Bank |                             |        | 200000 | 87500  | 80000  | 92500  | 142000 | 375000 | 630000 | 675000  | 760000  | 580000  | 504000  | 512000  | 440000  |
| 3  | Tigris and Euphrates Islamic Bank    |                             |        |        |        |        |        | 35500  | 42500  | --     | 59000   | 66000   | 28620   | 31360   | 28000   | --      |
| 4  | Elaf Islamic Bank                    |                             |        |        |        |        |        |        | 97000  | 88000  | 117040  | 110960  | 100000  | 72500   | 75000   | 55000   |
| 5  | Islamic National Bank                |                             |        |        |        |        |        |        |        |        |         |         | 248490  | 276100  | 303710  | 225900  |
| 6  | Arab Islamic Bank                    |                             |        |        |        |        |        |        |        |        |         |         |         | 100000  | 250000  | --      |
| 7  | International Islamic Bank           |                             |        |        |        |        |        |        |        |        |         |         |         | 100000  | 100000  | --      |
| 8  | Noor Iraq Islamic Bank               |                             |        |        |        |        |        |        |        |        |         |         |         |         | 250000  | 250000  |
| 9  | Zain Iraq Islamic Bank               |                             |        |        |        |        |        |        |        |        |         |         |         |         | 250000  | 92500   |
| 10 | Al-Qadeed Islamic Bank               |                             |        |        |        |        |        |        |        |        |         |         |         |         | 250000  | 250000  |
| 11 | Cihan Islamic Bank                   |                             |        |        |        |        |        |        |        |        |         |         |         |         | 701250  | 675750  |
| 12 | Albilad Islamic Bank                 |                             |        |        |        |        |        |        |        |        |         |         |         |         | 90000   | 87500   |
| 13 | World Islamic Bank                   |                             |        |        |        |        |        |        |        |        |         |         |         |         |         | 250000  |
| 14 | Islamic Trust Bank                   |                             |        |        |        |        |        |        |        |        |         |         |         |         |         | 87500   |
| 15 | Asia Iraq Islamic Bank               |                             |        |        |        |        |        |        |        |        |         |         |         |         |         | 115000  |
|    | <b>Total</b>                         | 11376                       | 104944 | 221757 | 107977 | 100477 | 146252 | 223573 | 617908 | 904960 | 1111890 | 1174460 | 1084610 | 1233960 | 2934960 | 2629150 |

**Source: the annual bulletins of the Iraq Stock Exchange for the period (2004-2018)**



Figure (1) shows the market value index of Iraqi Islamic banks for the period (2004-2018)



Source / from the researcher's work based on the data in Table (1)

shape (1)

Index of the market value of the Iraqi Islamic banks for the period (2004- 2018 )

## 2) Analysis of the trading volume index of Iraqi Islamic banks for the period (2004 - 2008)

Through table (2) it becomes clear to us the trading volume index for the Iraqi Islamic banks for the period (2004-2018) for the studied banks that were traded for the study period in the Iraqi Stock Exchange.

The trading volume index is one of the indicators for measuring the trading volume of Islamic banks in the Iraqi Stock Exchange. The clear fluctuation in the trading volume values is noted during the study period. In 2004, the total trading volume index amounted to (1174) million dinars only due to the economic conditions and the unstable security and political situation. In 2005, the volume increased, as the total volume amounted to (15,549) million dinars in 2005, then the trading volume decreased for the year 2006, as the total trading volume reached (11245) million dinars, and the total volume reached (13347) million dinars for the year 2007, and decreased again, as the total The volume was (11736) million dinars for the year 2008, and it decreased further, as the total trading volume reached (5815) million dinars for the year 2009 due to the bad security and political conditions. In 2011, the trading volume increased more, as the total volume reached (49501) million dinars, and in 2012 the total volume reached (66024) million dinars, and in 2013 it continued to increase, as the total trading volume of Iraqi Islamic banks reached (201624) million. Dr In 2014, the total volume amounted to (216,252) million dinars, and in 2015 the total trading volume decreased, reaching (61115) million dinars due to the bad security and political conditions. The decline continued in 2016 as the total trading volume reached (41758) million dinars. In 2017, the total trading volume increased further, reaching (36,8249) million dinars due to the improvement in the security, economic and investment situation, and in 2018, the total volume reached (246996) million dinars.

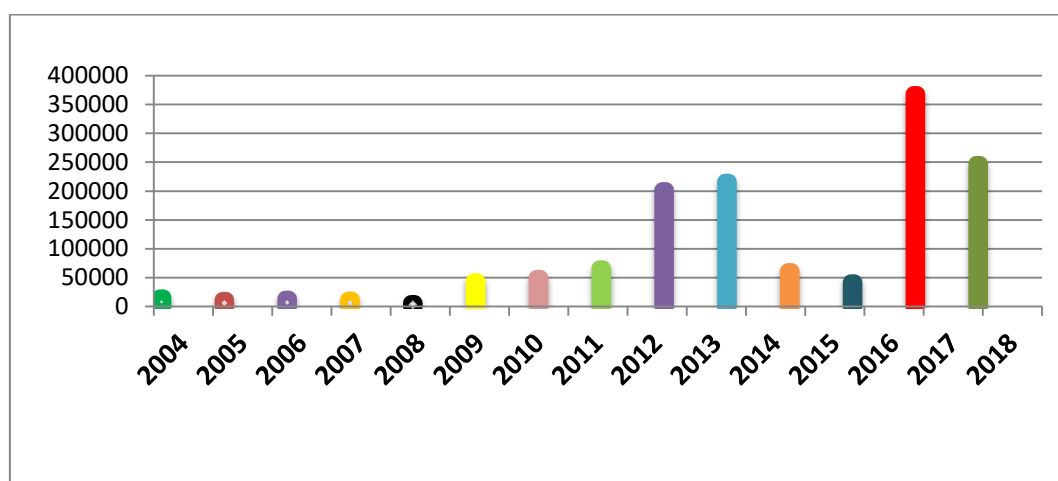
**Table ( 2 )**

**Index of trading volume of Iraqi Islamic banks in the stock market for the period (2004-2018) unit of account (million dinars)**

| T  | Bank name                            | Years in millions of dinars |       |       |       |       |      |       |       |       |        |        |       |           |             |           |
|----|--------------------------------------|-----------------------------|-------|-------|-------|-------|------|-------|-------|-------|--------|--------|-------|-----------|-------------|-----------|
|    |                                      | 2004                        | 2005  | 2006  | 2007  | 2008  | 2009 | 2010  | 2011  | 2012  | 2013   | 2014   | 2015  | 2016      | 2017        | 2018      |
| 1  | Iraqi Islamic Bank                   | 1174                        | 15549 | 11244 | 3890  | 6773  | 5177 | 41593 | 40475 | 29094 | 189246 | 75301  | 38151 | 6435      | 3026        | 22865     |
| 2  | Kurdistan International Islamic Bank |                             |       | 1     | 9457  | 4963  | 638  | 1248  | 7107  | 34316 | 11389  | 95390  | 3289  | 7754      | 10844       | 11102     |
| 3  | Tigris and Euphrates Islamic Bank    |                             |       |       |       |       |      | 708   | 1544  | ----  | 395    | 45339  | 103   | 2717      | 0.7315      | -----     |
| 4  | Elaf Islamic Bank                    |                             |       |       |       |       |      |       | 375   | 2614  | 594    | 222    | 136   | 15117     | 3200        | 40000     |
| 5  | Islamic National Bank                |                             |       |       |       |       |      |       |       |       |        |        | 19436 | 9668      | 25453       | 704       |
| 6  | Arabia Islamic Bank                  |                             |       |       |       |       |      |       |       |       |        |        |       | 0.024     | 130750      | -----     |
| 7  | International Islamic Bank           |                             |       |       |       |       |      |       |       |       |        |        |       | 67        | 371         | -----     |
| 8  | Noor Iraq Islamic Bank               |                             |       |       |       |       |      |       |       |       |        |        |       |           | 50533       | 4         |
| 9  | Zain Iraq Islamic Bank               |                             |       |       |       |       |      |       |       |       |        |        |       |           | 112507      | 101474    |
| 10 | Al-Qadeed Islamic Bank               |                             |       |       |       |       |      |       |       |       |        |        |       |           | 23164       | 52000     |
| 11 | Cihan Islamic Bank                   |                             |       |       |       |       |      |       |       |       |        |        |       |           | 7047        | 6794      |
| 12 | Albilad Islamic Bank                 |                             |       |       |       |       |      |       |       |       |        |        |       |           | 1353        | 398       |
| 13 | World Islamic Bank                   |                             |       |       |       |       |      |       |       |       |        |        |       |           |             | 0.01      |
| 14 | Islamic Trust Bank                   |                             |       |       |       |       |      |       |       |       |        |        |       |           |             | 8668      |
| 15 | Asia Iraq Islamic Bank               |                             |       |       |       |       |      |       |       |       |        |        |       |           |             | 2987      |
|    | Total                                | 1174                        | 15549 | 11245 | 13347 | 11736 | 5815 | 43549 | 49501 | 66024 | 201624 | 216252 | 61115 | 41758.024 | 368248.7315 | 246996.01 |

**Source: bulletins of the Iraq Stock Exchange for the period ( 2004-2018 )**

Figure (2) shows the trading volume index of Iraqi Islamic banks for the period from (2004 - 2018)



Source / from the researcher's work based on the data in Table (2)

shape (2)

Trading volume index for Iraqi Islamic banks for the period (2004 – 2018 )

## **Section Two: Analysis of the percentage of Iraqi Islamic banks' contribution to the Iraqi Stock Exchange for the period (2004-2018).**

In this section, the percentage of the contribution of Islamic banks will be analyzed, and the following are the percentages of the contribution of the indicators of Islamic banks to the indicators of the Iraq Stock Exchange for the period (2004-2018):

### **A) The market value index of Islamic banks to the total market value of the Iraqi financial market for the period (2004-2018):**

Through Table (3) it becomes clear to us the ratio of the contribution of the market value of the Iraqi Islamic banks to the total market value of the Iraqi Stock Exchange.

Table (3)

The ratio of the market value index of Iraqi Islamic banks to the total market value of the Iraqi financial market for the period (2004-2018) :

| Year | Market value of Islamic banks (million dinars)<br>(1) | The total market value of the Iraq Stock Exchange (million dinars)<br>(2) | Percentage (%)<br>(2 / 1 ) |
|------|---|---|----------------------------|
| 2004 | 11376   | 1709710   | 0.67                       |
| 2005 | 104944  | 3244105   | 3.23                       |

|             |                |                 |              |
|-------------|----------------|-----------------|--------------|
| <b>2006</b> | <b>221757</b>  | <b>1913863</b>  | <b>11.59</b> |
| <b>2007</b> | <b>107977</b>  | <b>2107272</b>  | <b>5.12</b>  |
| <b>2008</b> | <b>100477</b>  | <b>2259907</b>  | <b>4.45</b>  |
| <b>2009</b> | <b>146252</b>  | <b>3329115</b>  | <b>4.39</b>  |
| <b>2010</b> | <b>223573</b>  | <b>3396201</b>  | <b>6.58</b>  |
| <b>2011</b> | <b>617908</b>  | <b>4815593</b>  | <b>12.83</b> |
| <b>2012</b> | <b>904960</b>  | <b>5193271</b>  | <b>17.43</b> |
| <b>2013</b> | <b>1111890</b> | <b>6368360</b>  | <b>17.46</b> |
| <b>2014</b> | <b>1174460</b> | <b>9492321</b>  | <b>12.37</b> |
| <b>2015</b> | <b>1084610</b> | <b>8809814</b>  | <b>12.31</b> |
| <b>2016</b> | <b>1233960</b> | <b>8466997</b>  | <b>14.57</b> |
| <b>2017</b> | <b>2934960</b> | <b>10227817</b> | <b>28.70</b> |
| <b>2018</b> | <b>2629150</b> | <b>9929545</b>  | <b>26.48</b> |

Source / Annual Bulletin of the Iraq Stock Exchange for the period from (2004 - 2018)

Percentage of the researcher's work

As we note through the table the clear fluctuation in the percentage, up and down during the study period. In 2004, the market value ratio reached (0.67%), and in 2011 the percentage rose to (12.83%) due to the improvement in the security and economic conditions, and the rise continued as it reached The percentage (26.48%) in 2018.

#### **b) The ratio of the trading volume index of Iraqi Islamic banks to the total trading volume of the Iraqi financial market for the period (2004-2018):**

Through table (4) it becomes clear to us the ratio of the contribution of the trading volume of the Iraqi Islamic banks to the total trading volume of the Iraq Stock Exchange.

Table (4)

The ratio of the trading volume index of the Iraqi Islamic banks to the total trading volume of the Iraqi financial market for the period (2004-2018):

| <b>Year</b> | <b>Trading volume for Islamic banks (million dinars) (1)</b> | <b>The trading volume of the total Iraqi stock exchange (million dinars) (2)</b> | <b>The percentage (%) ( 2 / 1 )</b> |
|-------------|--|--|-------------------------------------|
| <b>2004</b> | <b>1174</b>  | <b>127951</b>  | <b>0.92</b>                         |
| <b>2005</b> | <b>15549</b>   | <b>366809</b>  | <b>4.24</b>                         |
| <b>2006</b> | <b>11245</b>   | <b>146891</b>  | <b>7.66</b>                         |
| <b>2007</b> | <b>13347</b>   | <b>427367</b>  | <b>3.12</b>                         |

|             |               |                |              |
|-------------|---------------|----------------|--------------|
| <b>2008</b> | <b>11736</b>  | <b>301350</b>  | <b>3.89</b>  |
| <b>2009</b> | <b>5815</b>   | <b>411929</b>  | <b>1.41</b>  |
| <b>2010</b> | <b>43549</b>  | <b>400360</b>  | <b>10.88</b> |
| <b>2011</b> | <b>49501</b>  | <b>941198</b>  | <b>5.26</b>  |
| <b>2012</b> | <b>66024</b>  | <b>893825</b>  | <b>7.39</b>  |
| <b>2013</b> | <b>201624</b> | <b>2840220</b> | <b>7.10</b>  |
| <b>2014</b> | <b>216252</b> | <b>898316</b>  | <b>24.07</b> |
| <b>2015</b> | <b>61115</b>  | <b>495112</b>  | <b>12.34</b> |
| <b>2016</b> | <b>41758</b>  | <b>515957</b>  | <b>8.09</b>  |
| <b>2017</b> | <b>368249</b> | <b>900154</b>  | <b>40.91</b> |
| <b>2018</b> | <b>246996</b> | <b>466477</b>  | <b>52.95</b> |

Source / Annual Bulletin of the Iraq Stock Exchange for the period (2004-2018).  
Percentage of the researcher's work .

Where we note that the ratio is unstable and was characterized by fluctuation between rise and fall during the studied period, as the ratio amounted to (0.92%) in 2004, and reached (5.26%) in 2011, then in 2018 the increase continued further as the ratio reached (52.95%) .

### **The third topic**

#### **The impact of Iraqi Islamic banks on the Iraqi market**

In this section of the study, in which we address the use of statistical analysis of the data collected by the researcher, as descriptive and inferential statistical methods were used for the purpose of describing the relationship between variables and building a model to describe this relationship.

Where the statistical program (22SPSS) was used to calculate the following statistical indicators:

| <b>Statistical indicator</b> | <b>The Details</b>  |
|------------------------------|---|
| $R^2$                        | The coefficient of determination  |
| F                            | It is used to test the significance of the studied linear relationship                  |
| T                            | It is used to test the significance of the independent effect on the dependent variable |
| $\beta$                      | Estimated Parameter   |
| S. Error                     | The standard error of the estimated parameter   |
| Sig.                         | Indicates the level of morale   |

The statistical indicators can be calculated from the following formulas: (Al-Rawi, 1987)

$$\bar{X} = \frac{\sum_{i=1}^n X_i}{n}$$

$$S^2 = \frac{\sum_{i=1}^n (X_i - \bar{X})^2}{n - 1}$$

$$S_{xx} = \sum (X_i - \bar{X})^2, \quad S_{yy} = \sum (Y_i - \bar{Y})^2,$$

$$S_{xy} = \sum (X_i - \bar{X})(Y_i - \bar{Y}),$$

$$R^2 = \frac{\hat{\beta}_1 S_{xy}}{S_{yy}}$$

$$F = \frac{\frac{\hat{\beta}_1 S_{xy}}{k}}{\frac{(S_{yy} - \hat{\beta}_1 S_{xy})}{n - k - 1}}$$

$$t = \frac{\hat{\beta}_0 - \beta_0}{\sqrt{s(\hat{\beta}_0)}}, \quad t = \frac{\hat{\beta}_1 - \beta_1}{\sqrt{s(\hat{\beta}_1)}}$$

$$\hat{\beta}_1 = \frac{n \sum X_i Y_i - \sum X_i \sum Y_i}{n \sum X_i^2 - (\sum X_i)^2}, \quad \hat{\beta}_0 = \bar{Y} - \hat{\beta}_1 \bar{X}$$

$$s(\hat{\beta}_1) = \frac{\sigma_u^2}{S_{xx}}, \quad s(\hat{\beta}_0) = \sigma_u^2 \left[ \frac{1}{n} + \frac{\bar{X}^2}{S_{xx}} \right]$$

**A) - Analysis of the impact of the market value of Islamic banks on the market value of the total Iraqi market for securities:**

For the purpose of analyzing the impact of the independent variable, the market value of Islamic banks on the dependent variable, the market value of the total Iraqi market for securities, and for the purpose of testing the hypothesis that:

**H0:** There is no significant effect of the variable market value of Islamic banks on the dependent variable, the market value of the total Iraqi market for securities.

**H1:** There is a significant effect of the market value variable of Islamic banks on the dependent variable, the market value of the total Iraqi stock market.

If the following results are obtained:

**Table (5)**  
**The effect of the market value of Islamic banks on the market value of the total Iraqi stock market**

|                               | <b>B</b>           | <b>Std. Error</b> | <b>T</b>     | <b>Sig.</b>  |
|-------------------------------|--------------------|-------------------|--------------|--------------|
| <b>(Constant)</b>             | <b>2793127.698</b> | <b>536116.553</b> | <b>5.210</b> | <b>0.000</b> |
| Market value of Islamic banks | <b>3.122</b>       | <b>0.441</b>      | <b>7.084</b> | <b>0.000</b> |

**Source: Statistical Program .**

is noted from Table (5) that the calculated value of the marginal slope parameter of the model is (3.122), which shows that the change in the independent variable (the market value of Islamic banks) by one unit leads to the change of the dependent variable (the market value of the total Iraqi market for securities) by (3.122) And the standard error of the estimated parameter is (0.441), which is a small value. Also, the calculated value of the test statistic (t) was (7.084), and when we note the corresponding value in the column (Sig.), we note that this value is significant, which means rejecting the null hypothesis (H0) and accepting the alternative hypothesis (H1), meaning that there is a significant effect of the value variable The market value of Islamic banks depends on the dependent variable, the market value of the total Iraqi market for securities. Also, the value of the fixed limit was (2793127,698), and this value was also significant.

**Table ( 6 )**  
**The coefficient of determination and the calculated F-value to test the significance of the model**

| <b>R</b>     | <b>R Square</b> | <b>F</b>      | <b>Sig.</b>  |
|--------------|-----------------|---------------|--------------|
| <b>0.891</b> | <b>0.794</b>    | <b>50.189</b> | <b>0.000</b> |

**Source: From the results of the statistical program.**

Through Table (6) it is clear that the value of the coefficient of determination (R<sup>2</sup>) was equal to (0.794), which indicates that the independent variable (the market value of Islamic banks) was able to explain about 80% of the change in the approved variable (the market value of the total Iraqi stock market) In addition, the calculated value of the (F) test in Table (19), which is (50.189), is a large value, and we note that it is incorporeal, according to the value in the column (Sig.), which is equal to (0.000), which indicates the significance of the assumed linear relationship between The dependent variable and the independent variable.



## **B) - Analysis of the impact of the trading volume of Islamic banks on the trading volume of the total Iraqi Stock Exchange:**

For the purpose of analyzing the effect of the independent variable, the trading volume of Islamic banks on the dependent variable, the trading volume of the total Iraqi stock market, and for the purpose of testing the hypothesis that

**H0:** There is no effect of the independent variable, the trading volume of Islamic banks, on the dependent variable, the trading volume of the total Iraqi stock exchange.

**H1:** There is an effect of the independent variable, the trading volume of Islamic banks, on the dependent variable, the trading volume of the total Iraqi stock exchange.

If the following results are obtained:

**Table (7)**  
**The effect of the trading volume of Islamic banks on the trading volume of the total Iraqi Stock Exchange**

|                               | B          | Std. Error | T     | Sig.  |
|-------------------------------|------------|------------|-------|-------|
| (Constant)                    | 423851.556 | 200895.754 | 2.110 | 0.055 |
| Market value of Islamic banks | 2.789      | 1.423      | 1.960 | 0.072 |

Source: From the results of the statistical program.

It is noted from Table (7) that the calculated value of the marginal slope parameter of the model is (2.789), which shows that the change in the independent variable (the trading volume of Islamic banks) by one unit leads to the change of the dependent variable (the trading volume of the total Iraqi stock market) by (2.789). And the standard error of the estimated parameter is (1.423). Also, the calculated value of the test statistic (t) was (1.960) and when observing the corresponding value in the column (Sig.), we note that this value is not incorporeal, which means accepting the null hypothesis (H 0) and rejecting the alternative hypothesis (H1), meaning that there is no There is a incorporeal effect of the independent variable, the trading volume of Islamic banks, on the dependent variable, the trading volume of the total Iraqi stock exchange. Also, the value of the fixed limit was (423851.556), and this value was not incorporeal as well.

**Table ( 8 )**  
**The coefficient of determination and the calculated F-value to test the significance of the model**

| <b>R</b>     | <b>R Square</b> | <b>F</b>     | <b>Sig.</b>  |
|--------------|-----------------|--------------|--------------|
| <b>0.478</b> | <b>0.228</b>    | <b>3.841</b> | <b>0.072</b> |

Source: From the results of the statistical program.

Through table (8), it is clear that the value of the coefficient of determination (R2) was equal to (0.228), which indicates that the independent variable (the trading

volume of Islamic banks was able to explain about 23% of the change in the approved variable (the trading volume of the total Iraqi stock market) In addition, the calculated value of the (F) test in Table (8), which is (3.841), is a small value, and we note that it is not significant, according to the value in the column (Sig.), which is equal to (0.072), This indicates that the assumed linear relationship between the dependent variable and the independent variable is not incorporeal .

**The conclusions that can be reached in the statistical aspect can be summarized as follows:**

1 - From Table (9) we can notice that the estimated parameter of the independent variable (the market value of Islamic banks) had a small standard error, and therefore the value calculated to (t) was significant and significant, meaning that the independent variable has a large and strong effect, which indicates that the change taking place In the independent variable (the market value of Islamic banks) will lead to positive changes in the dependent variable (the market value of the total Iraqi stock market), and this is also indicated in Table No. (10), where we note that there is a strong direct correlation between the dependent and independent variable The independent variable was able to explain about 80% of the changes in the independent variable.

**Table ( 9 )**

**It shows the marginal slope and standard error, as well as the significance of these parameters for the independent variables**

|   | <b>B</b>     | <b>Std. Error</b> | <b>T</b>     | <b>Sig.</b>  |
|---|--------------|-------------------|--------------|--------------|
| <b>Market value of Islamic banks</b>    | <b>3.122</b> | <b>0.441</b>      | <b>7.084</b> | <b>0.000</b> |
| <b>Trading volume for Islamic banks</b> | <b>2.789</b> | <b>1.423</b>      | <b>1.960</b> | <b>0.072</b> |

Source: From the results of the statistical program.

2- Table (9) indicates that the estimated parameter of the independent variable (the trading volume of Islamic banks) had a relatively large standard error and therefore the calculated value to (t) was not significant, meaning that the independent variable had no significant effect, which indicates that the change in The independent variable (the trading volume of Islamic banks) will not lead to significant changes in the dependent variable (the trading volume, not the total volume of the Iraq Stock Exchange), and this is also indicated in Table No. (10), where we note that there is a non-strong correlation between the approved variable The independent variable was able to explain about 22% of the changes that occurred in the independent variable, and this value is small, meaning that there are 78% unexplained.

**Table (10)**  
**The coefficient of determination as well as the significance of the model**

|   | <b>R</b>     | <b>R Square</b> | <b>F</b>      | <b>Sig.</b>  |
|---|--------------|-----------------|---------------|--------------|
| <b>Market value of Islamic banks</b>    | <b>0.891</b> | <b>0.794</b>    | <b>50.189</b> | <b>0.000</b> |
| <b>Trading volume for Islamic banks</b> | <b>0.478</b> | <b>0.228</b>    | <b>3.841</b>  | <b>0.072</b> |

Source: From the results of the statistical program.

### **Conclusions :**

- 1- The Islamic bank works to develop and spread savings awareness among individuals and reduce spending for the broad base of peoples with the aim of mobilizing surplus economic resources and idle capital, attracting them and employing them in a sound and stable Islamic base compatible with the Islamic formula.
- 2- There is a strong and positive direct correlation between the independent variable (the market value of Islamic banks) and the approved (the market value of the total Iraqi market for securities), as a result of the increase in the demand of individuals investing in the market to buy the shares of Islamic banks in the market, the application of the investment law in the stock market and the activation of Market database and electronic trading activity.
- 3- There is a weak correlation between the independent variable (the trading volume of Islamic banks) and the approved (the trading volume, not the total of the Iraq Stock Exchange), as a result of the instability of the ratio of the trading volume in Islamic banks to the ratio of trading volume in the stock market because the period was unstable The volatility was characterized by an increase and a decrease in the trading volume index for Islamic banks.
- 4- There is a significant impact of Islamic banks in the Iraqi market for securities, where the ratio of the indicators of Islamic banks to the total indicators of the Iraqi market for securities during the study period, where the ratio of the market value index to the total of the Iraqi financial market was (26.48%), and the ratio of the volume index reached Trading (52.95%), these percentages were for the year 2018 and increased significantly from what they were at the beginning of the study period, which confirms the increase in the number of banks and the increase in their activity in the market.

### **Recommendations**

- 1- The need to raise the capabilities and capabilities of the banking departments in Iraqi Islamic banks at all their administrative and operational levels to advance the reality of financial and banking services provided by Islamic banks in Iraq.
- 2- Facilitating the work of Islamic banks and their monitoring by specialized Sharia committees, as well as the supervision of the Central Bank and trying to match their work with Islamic Sharia and increasing their role in the Iraqi economy by carrying out development projects aimed at achieving economic development.

- 3- Facilitating the inclusion of Islamic banks in the Iraqi Stock Exchange and encouraging them to trade their shares in the market, which contributes to increasing their role in the Iraqi Stock Exchange.
- 4- Work to enhance disclosure and transparency in the reports published by Islamic banks so that the investor can take his investment decisions in an informed manner.

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