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THE ROLE OF THE DIVERSITY OF SECURITIES TRADED IN THE FINANCIAL MARKET IN ATTRACTING FOREIGN INVESTORS - A COMPARATIVE STUDY OF THE IRAQI STOCK EXCHANGE WITH THE JORDAN FINANCIAL MARKET

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Abstract

This study aims to show the importance of diversification of securities in attracting foreign investors to the financial market, because of its great importance in creating investment opportunities for the market and attracting the capital of foreign investors and making it a developed market, and the problem of the study lies in the lack of diversity in securities and the weak turnout of foreign investors In the Arab financial markets and the banking sector in particular, as this study was conducted on the Iraqi Stock Exchange with the Jordan Stock Exchange (2015-2019), and based on the annual reports of these markets for the banking sector, the study reached a set of conclusions, the most prominent of which was that there was no Diversity in the securities traded in the Iraq Stock Exchange during the study period, as trading in the Iraq Stock Exchange was limited to shares only without taking into account other securities, and as for the Jordan Stock Exchange, there was diversity in its traded securities and was not limited to the type One, but bonds were also traded, in addition to the presence of foreign investors in the Iraqi stock exchange with a

number that exceeds the Jordan market As for the most important findings of this study, the diversity of securities had no effect on attracting foreign investors.

1-Introduction:

The stock markets play an important role in financing investment projects by providing the necessary financial resources and creating opportunities for effective employment in front of the owners of financial surpluses, as they work to mobilize the savings of natural and legal persons and direct them towards economic units that suffer from a financial deficit to help them carry out their investment projects, so the financial markets It has a major role in achieving efficient economic performance by creating an investment environment that attracts foreign capital, and this is achieved through the diversity of its securities traded in the financial market and not being limited to a specific type of securities.

Therefore, this study aimed to demonstrate the impact of diversity in the securities traded in the financial market in attracting foreign investors by comparing the Iraqi Stock Exchange with the Jordan Financial Market.

2-Methodology of the study and previous studies

2-1: The study Problem:

The financial markets are of great importance in moving and stimulating economic activity, through the use of various securities to attract the foreign investor for his capital and stimulate the trading process and create a developed financial market as an important source of financing, and therefore the research problem stems from the Iraqi capital market's lack of diversity in securities and its trading is based on Stocks with a clear shortage in the bond market, and therefore this matter will negatively affect the business sector and its financing and the movement of capital and its circulation

2-2: The importance of studying

The study of the subject of diversification of securities is one of the important and vital topics in the financial markets and among investors alike, for several reasons, including it provides the use of diversified securities an attractive factor for capital and an important climate to attract investors as well as real investment opportunities, where the issue of securities traded in the capital market began It receives great attention, and it has increased clearly in studies and scientific research that deal with securities and the need to diversify them, in addition to the presence of local and foreign investors in the capital market, and investing their capital in it will achieve the country's economic development.

2-3: Objectives of the study

The research seeks to achieve a number of goals represented by studying the impact of the diversity of securities in attracting foreign investors and trying to diagnose weaknesses in the Iraqi capital market by relying on shares in the trading process without taking into account other securities in addition to determining the securities that must be taken to activate the money market and attract Capital to it

2-4: Hypotheses development:

The research hypotheses, which are developed based on both theoretical literature, and findings from prior empirical studies, are elaborated below

- There is a significant, statistically significant effect of diversifying the traded securities in attracting investors.

3-Literature review

3-1: Diversification

Diversification contributes to reducing the unsystematic risks associated with each individual investment, as this risk is reduced through the formation of a diversified portfolio of assets (Lee et al, 2020:1) and the concept of correlation is necessary to reduce portfolio risk, it is better to collect or add assets to the portfolio that have a low positive or negative correlation, and the collection of assets that have a negative correlation can reduce the volatility of the total returns (Reilly & Brown, 2012:213)

The following figure shows a financial portfolio that includes two negatively correlated assets, namely G-F, and both have the same expected return, but the financial portfolio has less risk than the individual assets, and even if the two assets are not negatively correlated, the little positive correlation between them will reduce the risk.

The Effect of Diversification in reducing risk

Diversifying the investment portfolio that is based on sound scientific foundations is one of the most important strategies to reduce risks, as the multiplicity of investment tools that make up the portfolio in terms of its source, type and sector to which it belongs, can reduce risks to a minimum (Jayeola et al, 2017: 584) Diversification in investment depends on the principle of dividing the risks on a number of investment assets in order to reduce the total risks without sacrificing the return (Hareliman, 2017, 1-2), as the decrease in the value of a particular asset may be offset by an increase in the value of another asset. The value of a share is compensated by the rise of another share, so there is an opportunity to reduce risks, and therefore the investor maximizes his benefit from investing in light of diversifying his investment portfolio (Al Douri, 2010: 210). This means that investing all securities in one security may entail high risks, as good diversification in the portfolio's assets reduces between (20% - 80%) of the portfolio's risks without sacrificing the return (Alwan, 2012: 188).

3-2: Investing in the stock market

The issue of investment has become one of the topics of great importance in the economies of developing countries, as it works to achieve their economic growth and progress. Therefore, interest in investors and expanding their base in the market, and working to attract them to it by creating the appropriate climate for investment, which makes it an active and efficient market, and he defined "an expense that generates revenue over a long period, so that its financing is with a permanent capital, so it is a schedule for entitlement to revenue and the entry and exit of funds" (Ahmed, 2016: 10). As he defined, "it is the purchase of a share in the capital that grants its owner some rights, such as claiming interest and profits that are approved by the laws of investment in securities, such as investing in stocks or bonds" (Nassar et al., 2018: 4).

As for the importance of foreign investment for the host country, it is evident in the following:

A- Foreign investment achieves growth and prosperity for the host countries because foreign companies can finance more than local companies, and then their ability to finance new projects and this would increase economic growth rates. (Adjei, 2007:4-5)

B- It works to provide a better lifestyle through the development of the services and energy sector and the development of tourism, and this would increase competition between producers in the local market and create job opportunities in the host country. (Mirashi, 2013: 349)

3-3: Financial Markets and the Securities traded in them

The issue of financial markets is of great importance in financial management, because it is the mechanism in which a group of institutions participate, which have investment opportunities, but

need funding from another party that has a surplus of its funds and needs to invest these funds in order to obtain returns, and it was mentioned There are many concepts and clarifications about financial markets in the economic and financial literature, but the most common concepts will be addressed, as (Al-Amri, 2001: 61) defined them as “institutions concerned with the affairs of investment in securities, issuance and circulation, in which securities are bought and sold, such as stocks and bonds, and their operations are possible.” Returns and risks, and therefore the financial market is “the mechanism through which the purchase, sale, and exchange of financial assets, whether these are debt instruments or ownership instruments”. And from the point of view of (Al-Huwaimani, 2006: 61) that it is “the economic entity in which the seller and the buyer meet in order to conduct financial transactions that bring benefit to both parties. financial and wants to lend it to another party, save an amount of money and wants to invest it well to achieve future profits.

The financial markets are divided according to the maturity period into:

- 1- capital market :Medium and long-term securities are traded(Debt Instruments - Equity)
- 2- Money market :Short term securities are traded(Treasury bills - commercial papers - certificates of deposit - accepted bank transfers - Eurodollar deposits

stock concept

Securities are the lifeblood of the financial markets, as they are the only commodity that is traded in those markets, and securities represent shares and bonds issued by business establishments in the capital market. Part of the assets of a firm, or both rights. (Hindi, 1993: 5), and it was also defined as “a contract, deed, or document that grants its holder the right to obtain a return that varies according to the different securities that represent the debt or the right to part of the assets of the issuing company, or both rights together, and is traded in an organized market.” It is called the stock market. (Mahdi, 2014: 14).

4-Research Methodology

4-1: Data collection and sample study

The study population is represented by the Arab financial markets, and an intentional sample was chosen, represented by the banking sector of the Arab financial markets (Iraq Stock Exchange, Jordan Financial Market).

4-2: Measurement Instrument

1-Analytical descriptive method: used by researchers when collecting information and data related to a specific problem, accompanied by an arrangement of data in graphic forms or statistical tables in order to present the problem in general.

2-Frequency Table: It is intended to display the data in tabbed tables in the form of categories arranged ascendingly or descending according to the nature of the data

3- Percentage: a measure used to determine the percentage of answers for the questionnaire paragraphs, and it is calculated by dividing the partial value by the total value multiplied by percent.

4-Bar-Charts: They are horizontal or vertical rectangles with bases of equal length and heights commensurate with the data values corresponding to that feature. It is preferable that the graphs be drawn separately from each other

5-The arithmetic mean (mean: It is one of the most important and most prominent measures of central tendency, as it gives the researcher an initial indication of the nature of the data and is used in

comparisons between two or more groups, two or more samples combined or more. and expresses about it by the following equation:

$$\bar{Y} = (\sum_{i=1}^n y_i f_i) / \sum_{i=1}^n f_i$$

5-Research Methodology:

Descriptive analysis of the study data about the trading of the study sample markets

5-1: Descriptive analysis of the number of shares of the banking sector traded in the money markets study sample:

It is inferred from Table (1) that the arithmetic mean of the number of shares of the banking sector traded in the Iraqi capital market was (700372000000) shares, while documents that the year 2016 recorded the highest trading level for the shares of the banking sector traded in the Iraqi capital market, at (1082574292777) shares, While the year 2019 recorded the lowest level for the number of shares of the banking sector traded in the Iraqi capital market, with (195659497013) shares. And as indicated from Table (1) that the arithmetic mean of the number of shares of the banking sector traded in the Jordanian stock market was (109,289,516) shares. 2019 the lowest level for the number of shares of the banking sector traded in the Jordanian capital market, at (75844651) shares:

Table (1) The number of shares of the banking sector traded in the Iraq Stock Exchange and the Jordan Financial Market during (2015-2019)

years	Iraq	Jordan
2015	780028212526	94176762
2016	1082574292777	102351897
2017	688550958903	92096891
2018	755045791422	181977380
2019	195659497013	75844651
Arithmetic mean	700372000000	109289516

Source: Prepared by the researcher according to financial market data

5-2: Descriptive analysis of the percentage change of shares traded in the Iraq Stock Exchange and the Jordan Financial Market:

It is inferred from Table (2) that the arithmetic mean of the percentage change for the shares of the banking sector traded in the Iraqi capital market recorded (-10.35) per share, and that the year 2016 recorded the highest level of the percentage change for the shares of the banking sector traded in the Iraqi capital market, at (38.78) per share, thus achieving the largest profit During five years, the year 2019 recorded the lowest level of change for the shares of the banking sector traded in the Iraqi capital market at (-74.08) per share, achieving the largest loss in five years. It is inferred from Table (2) that the arithmetic mean of the percentage change for the shares of the banking sector traded in the Jordanian capital market was (0.784) per share, and that the year 2018 recorded the highest level of the percentage change for the shares of the banking sector traded in the Jordanian capital market, at (97.59) per share, achieving the largest profit During five years, 2019 recorded the lowest level of change in the banking sector's shares traded in the Jordanian capital market at (-58.32) per share, achieving the largest loss in five years.

Table (2) Percentages of change in the banking sector shares traded in the Iraq market and the Jordan financial market (2015-2019):

years	Iraq	Jordan
2015	10.31	-34.2
2016	38.78	8.86
2017	-36.39	-10.01
2018	9.65	97.59
2019	-74.08	-58.32
Arithmetic mean	-10.35	0.784

Source: Prepared by the researcher according to financial market data

5-3: Descriptive analysis of the value of shares of the banking sector traded in the Iraq Stock Exchange and the Jordan Financial Market

It is inferred from Table (3) that the arithmetic mean of the value of the banking sector shares traded in the Iraqi capital market recorded (234286317.4) shares, and that 2015 recorded the highest level of value for the shares of the banking sector traded in the Iraqi capital market, with (353219378) shares, while 2019 recorded the lowest A level for the value of the banking sector shares traded in the Iraqi capital market, at (44,630,788) shares. It is inferred from Table (3) that the arithmetic mean of the value of the banking sector shares traded in the Jordanian stock market was (40,603,173,399) shares, while the year 2018 recorded the highest level of value for the banking sector shares traded in the Jordanian stock market, with (6828,5009450) shares, while the year 2019 recorded the lowest A level for the value of the banking sector shares traded in the Jordanian stock market, at a rate of (255,8827,362) shares.

Table (3) The value of shares of the banking sector traded in the Iraq market and the Jordan financial market (2015-2019)

years	Iraq	Jordan
2015	353219378	37034664739
2016	304751524	36849898449
2017	246344021	35258466996
2018	222485876	68285009450
2019	44630788	25587827362
Arithmetic mean	234286317.4	40603173399

Source: Prepared by the researcher according to financial market data

5-4: Descriptive analysis of the percentage change in the value of the banking sector shares traded in the Iraq Stock Exchange and the Jordan Financial Market

It is inferred from Table (4) that the arithmetic mean of the percentage change in the value of the banking sector shares traded in the Iraqi stock market recorded (-30.97) per share, while the year 2018 recorded the highest level of change in the value of the banking sector shares traded in the Iraqi capital market, at (-9.68) per share. While the year 2019 recorded the lowest level of the percentage

change in the value of the banking sector shares traded in the Iraqi capital market, at (-79.9) per share. It is inferred from Table (4) that the arithmetic mean of the percentage change in the value of the banking sector shares traded in the Jordanian stock market was (5.01) per share, and that 2018 recorded the highest level of change in the value of the banking sector shares traded in the Jordanian capital market, at (93.66) per share. The year 2019 recorded the lowest level of change in the value of the banking sector shares traded in the Jordanian stock market, at (-62.52) per share.

Table (4) The percentage change in the value of shares of the banking sector traded in the Iraqi market and the Jordan financial market during the period (2015-2019)

years	Iraq	Jordan
2015	-32.4	-1.3
2016	-13.72	-0.49
2017	-19.16	-4.31
2018	-9.68	93.66
2019	-79.9	-62.52
Arithmetic mean	-30.97	5.01

Source: Prepared by the researcher according to financial market data

5-5 :Descriptive analysis of the number of bonds of the banking sector traded in the Jordan Financial Market

It is inferred from Table (5) that the arithmetic mean of the number of banking sector bonds traded in the Jordanian capital market was (6392) bonds. 2019 was the lowest level for the number of banking sector bonds traded in the Jordanian capital market, with zero bonds.

Table (5) The number of bonds of the banking sector traded in the Jordan Financial Market During (2015-2019)

years	Jordan
2015	12
2016	0
2017	4
2018	31944
2019	0
Arithmetic mean	6392

Source: Prepared by the researcher according to financial market data

5-6: Descriptive analysis of the value of bonds for the banking sector traded in the Jordan Financial Market

It is inferred from Table (6) that the arithmetic mean of the value of the banking sector bonds traded in the Jordanian stock market was (90430014) bonds, and that 2018 recorded the highest level of value for the banking sector bonds traded in the Jordanian stock market, with (450550071) per bond, while it was recorded in 2016 and 2019 the lowest level for the value of the banking sector bonds traded in the Jordanian capital market, with zero bonds.

Table (6) The value of bonds for the banking sector traded in the Jordan Financial Market during (2015-2019)

years	Jordan
2015	1200000
2016	0
2017	400000
2018	450550071
2019	0
Arithmetic mean	90430014

Source: Prepared by the researcher according to financial market data

5-7: Descriptive analysis of the percentage of foreign investments in the banking sector shares traded in the Iraq Stock Exchange and the Jordan Financial Market

It can be seen from Table (7) that the average percentage of foreign investments in the shares of the banking sector traded in the Iraqi capital market was (18.01%), and that 2018 recorded the smallest percentage of foreign investments in the shares of the banking sector traded in the Iraqi capital market at (6.67%), while The year 2015 recorded the highest level of foreign investments in the banking sector shares traded in the Iraqi capital market, with a rate of (30.84%), Table (7) documents that the average percentage of foreign investments in the shares of the banking sector traded in the capital market in Jordan was (0.02%), and that the year 2018 recorded the smallest percentage of foreign investments in the shares of the banking sector traded in the capital market in Jordan, at (0.01%), The year 2015 recorded the highest level of foreign investments in the banking sector shares traded in the capital market in Jordan, at a rate of (0.03%).

Table (7) Percentage of foreign investments in the banking sector shares traded in the Iraq market and the Jordan financial market during the period (2015-2019)

years	Iraq	Jordan
2015	30.84%	0.03%
2016	10.94%	0.02%
2017	13.07%	0.02%
2018	6.67%	0.01%
2019	28.53%	0.02%
Arithmetic mean	18.01%	0.02%

Source: Prepared by the researcher according to financial market data

Statistical testing of the study's hypotheses

(There is a significant, statistically significant effect of diversifying the traded securities in attracting investors) from which the following secondary hypotheses emerge

1-There is a significant, statistically significant effect of diversifying the traded securities on the number of traded shares.

- 2-There is a significant, statistically significant effect of diversifying the traded securities on the value of the traded shares.
3. There is a significant, statistically significant effect of diversifying the traded securities on the volume of foreign investments. It is inferred from Table (8) that the first secondary hypothesis branched from the second main hypothesis was rejected with a confidence percentage of (95%), as the calculated F value amounted to (0.384), which is not significant, because the corresponding probability value was recorded (0.598), which is greater than the level of significance of (0.05), while the value of the coefficient of determination was (16.1%) to show the percentage of the impact of diversification of traded securities on the number of traded shares, which is a small percentage. Table (8) diagnoses the rejection of the second secondary hypothesis branching from the second main hypothesis with a confidence rate of (95%). 0.05), while the value of the coefficient of determination was (23.3%) to show the percentage of the impact of diversification of traded securities on the value of traded shares, which is a small percentage. Table (8) documents the rejection of the third secondary hypothesis branching from the second main hypothesis with a confidence percentage of (95%). 0.05), while the value of the coefficient of determination was (67.4%) to show the effect of diversification of traded securities on the value of traded shares, which is a rather large percentage, which shows that diversity plays a somewhat role in the volume of foreign investments, but without ambition. With this result, the second main hypothesis is rejected, confirming that there is no significant effect of diversifying the traded securities in attracting investors during the period between 2015 and 2019.

Table (8) to test the first main hypothesis

Hypotheses	Independent variable	Dependent variable	%R2 coefficient of determination	F Test		Test result	Researcher's comment
				Calculated value	probability value		
First secondary	First secondary	Number of shares traded	16.1 %	0.384	0.598	Refusal	The main hypothesis with a confidence of 95%, which confirms that there is no significant effect of diversifying the traded securities in attracting investors
Second secondary	Second secondary	The value of the shares traded	23.3 %	0.607	0.518	Refusal	
Third secondary	Third secondary	The volume of foreign investment	67.4 %	4.134	0.179	Refusal	
Accepted hypotheses		The number		0		The second main hypothesis is rejected	
		Percentage of accepted secondary hypotheses		0%			

6-Conclusions and Recommendations

6-1: Conclusion

- 1- There is no diversity in the securities traded in the Iraq Stock Exchange during the study period, as trading in this market was limited to shares only without taking into consideration other securities
- 2- There is a diversity in the securities traded in the Jordan Stock Exchange during the study period, as this market traded stocks and bonds.
- 3- It turns out that the Iraqi Stock Exchange has the ability to attract foreign investors more than the Jordan Stock Exchange, despite the fact that this market is devoid of diversity in its traded securities.

6-2: Recommendations:

Based on the conclusions of the study, the following recommendations can be suggested:

- 1- Doing other studies on this subject to reach more accurate and scientific results than those of our .modest study, but by taking a longer period of time than the study period, which may reach ten years
- 2- The possibility of conducting a future study on the impact of diversity in securities in attracting investors, but by including foreign financial markets in the study sample, because these countries enjoy a great diversity in their financial instruments used in the market, in .addition to being an attractive market for investors
- 3- The necessity of encouraging companies listed in the Iraqi market to offer their own bonds in order to borrow from the public to finance their projects, due to the inability of the state and banks to finance companies in various economic sectors and under the current circumstances.

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