



Market Timing Theory Effect on the Company's Value (An Analytical Study on Some of the Industrial Companies in Iraq Listed on The Iraq Stock Exchange Between 2012 and 2022)

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ABSTRACT

The current piece try to test market timing theory effect of on the company's value for a sample of industrial companies listed on the Iraq Stock Exchange (ISE). The research problem is choosing the best way to formulate the capital structure by comparing internal and external financing to develop it to maximize the value of Iraqi industrial companies. The research was conducted in the Iraq Stock Exchange, specifically in the industrial sector. The number of Iraqi industrial companies listed in the Iraq Stock Exchange (21) companies, which represent the research community. At the same time, the research sample was (4) companies with complete data for the period (2010-2022). The market timing theory measure (company size - liquidity - tangible assets - the percentage of market to book value - the weighted rate of external financing for the percentage of market to book value) was used. This represents the regressors variable in the research, while the regressand variable was the company's value, which was measured by (number of shares issued * closing price). The researcher relied on the simple linear regression method to test the regressor variable's effect on the regressand variable. The statistical results showed a significant impact of the market timing theory on the company's value. The most important recommendation of the research is the need to legislate a law that allows Iraqi companies to buy back their shares at a specific rate in the event of a decrease in their market value below the book value to preserve the value of their market shares.

1. Introduction

The term capital structure refers to how a company finances its operations. This is done by mixing property rights and debt. It is a mixture of long-term financing sources of common stock and preference shares, bonds, long-term loans, and retained earnings. At the same time, the term company value refers to

the value of the company's claims dealt with in market of stock. This value is characterized by quickly changing and frequently fluctuating. Also, it might be fluctuated by financial position of the company owning the shares, the demand and supply for them, and economic and political conditions. Increasing

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the value of the market above the nominal value of the share makes the producer obtain profits. This is the case when the value of the market is increased when selling than the book value when buying shares. This study represents an essential part of these studies because it contributes to enhancing the economic value in the Iraqi market by diagnosing the problems that this market is suffering as far as these two topics are related.

This paper tries to test the effect of market timing theory on the company value of the Iraqi industrial companies listed on the Iraq Stock Exchange for the period (2010-2022).

The research hypothesis is that the capital structure within the framework of market timing theory is not affecting company's value.

The financial reports published in the Iraq Stock Exchange were relied upon to collect data for the research sample companies (2010-2022). The research is divided into four parts. The first one dealt with the methodology of the paper. The second one dealt with the theoretical side of the study. The practical side of the research is in the third part. The fourth topic dealt with the recommendations and conclusions.

2. Research Methodology

Problem statement

Through a review of some financial thought literature, it has been found that the current research variables (the theory of market timing - the company's value) are still under formulation as the intellectual debate continued between researchers about the best way to formulate the capital structure, as well as the way to compare between internal financing and external financing. The differentiation method helps develop and build the capital structure of industrial companies in determining the appropriate financing sources. Funding sources are

compatible with the financial, economic and political environment in which it operates and absorbs the intellectual adoptions of the market timing theory. All this was done to find a capital structure commensurate with the nature of the work of the research sample companies and the extent to which this reflects on the value of those companies.

The main question of the research is (Does the market timing theory affect the value of the company's?) To reach the answer to the central question of the research and strengthen it practically through the results that the study will get, the following questions were presented:

1. Do the research sample industrial companies follow the market timing theory when formulating the capital structure?
2. Does the formulation of the capital structure within the framework of the market timing theory affect the value of the company?

Significance of the study

The industrial sector contributes to developing the gross domestic product of various world countries. The growth of this sector is an essential criterion for the strength of economic activity within the country and a factor that drives the achievement of prosperity and financial stability in those societies. This is through its ability to meet the community's needs for commodities, which are growing rapidly and steadily.

This research attempts to show the relationship between the formulation of the structure of the capital and the company's value. Explain the philosophy of market timing theory in formulating the capital structure and its reflection on the value of the research sample companies. The importance of the current research can be explained through the following points:

1. The research deals with a fundamental theory in financial management, the idea of

(market timing). This theory studies financial knowledge.

2. Specialists in modern financial thought focused on contemporary theories concerned with capital structure and sources of financing that attempt to explain capital structure decisions.

3. The current research presented the method of working the market timing theory through which the philosophy of this theory is based.

4. This research showed the importance of financial decisions taken by managers and companies concerning the capital structure of their companies because it directly affects the future of these companies.

Study Goals

The current research aims to clarify the impact of market timing theory and capital structure formation on a sample of some industrial companies listed on the Iraq Stock Exchange. A set of other objectives that the research seeks to achieve can be identified as follows:

1. Market timing theory test for research sample companies.
2. Identify the value of companies and the factors affecting them.
3. How to relate theory of market timing and the value of the company.

Research hypothesis

Hypothesis of this paper is “ There is no statistical significant effect of timing theory on the company's value”.

Research population and sample

The current research population is the Iraqi industrial companies listed in the Iraq Stock Exchange (ISX), which number (21) industrial companies. This sector was chosen as a research community for its importance in building and strengthening the national economy. In addition to its importance in enhancing the national product of the country.

Among the reasons that called for choosing this sector as a research community are the challenges and obstacles facing the work of this sector, which limit the possibility of providing goods to the public and meeting its growing requirements. As for the research sample, it amounted to (4) industrial companies, depending on the availability of evidence and financial statements of the companies during the research period of (13) years from the year (2010) to the year (2022).

Table 1. Companies forming the Study Sample

No	Company	Symbol	Founding year	Capital (ID)	Year of inclusion	Capital Inclusion (ID) at	Current Capital (ID)	Company's Address
1	Modern tailoring	IMOS	1988	6,000,000	2004	900,000,000	2,000,000,000	Baghdad-Alwazeria
2	Iraqi carpets and furnishings	IITC	1989	5,000,000	2004	500,000,000	500,000,000	Baghdad-Aldawodi
3	Al Mansour Pharmaceutical Industries	IMAP	1989	5,000,000	2004	330,000,000	9,914,267,350	Baghdad-Abu Grib
4	Baghdad Soft Drinks	IBSD	1989	10,000,000	2004	10,000,000,000	204,335,333,333	Baghdad-Alzafaraniya

Source: Made by the Author

3. Metrics Of Study Variables

1- Measures of Market Timing Theory (Wurgler, 2002 & Baker)

- Company size: the natural logarithm of assets.

Firm Size: The Natural Log Of Assets.

- Tangible Assets: Percentage of fixed assets to total assets.

Asset Tangibility = Fixed Assets / Total Assets.

- Liquidity: the rate of current assets to current liabilities.

Liquidity = Current Assets / Current Liabilities.

- Market to book value: the company's value to the book value of the shares.

Market To Book = Market Value Of Shares / Book Value Of Shares.

- The weighted rate of external financing is the ratio of the value of market to the book value

External Finance Weighted Average Market-To-Book Ratio

$$EFWAMTB_{i,t-1} = \frac{\sum_{s=0}^{t-1} e_s + d_s}{\sum_{r=0}^{t-1} e_r + d_r} \cdot \left(\frac{M}{B} \right)_s$$

2- The company value index (Zach et al., 2020: 4)

Company value = market price per share (closing price) x number of shares

The theoretical side of the research

Capital structure

- 1- The concept of capital structure: The concept of capital structure refers to how the

company finances its operations by mixing stocks and debts. It is a mixture of long-term financing sources of common stock and preference shares, bonds, long-term loans, and retained earnings. At the same time, capital refers to the relationship between long-term financing sources such as property rights capital. Determining the required capital structure, which is in line with the company's policies, is an important decision of the financial department. This is because it is closely related to the value of the company. And that the structure of the capital is the firm's permanent financing, primarily from long-term debt and property rights (Dhankar, 2019:198). The optimal structure of capital depends on a set of factors that stem from the debt characteristics and characteristics of the ownership of the method of balancing between them and the costs. If the company is financing the debt, creditors expect the company to pay interest and loan installments at the agreed-upon times. And if the company fails to pay, it may result in legal action by the creditors. Therefore, it is necessary to rely on loans as a source of financing and provide sufficient revenues to help pay the rights of creditors and provide enough profits for the shareholders (Li&Singal,2019:125).

As for ownership through financing, it does not represent any obligation to the company. Dividend distribution is not an obligation of the company. This is because the distribute profits decision is subject to the company itself and the financial policy it follows in distributing profits. And the process of obtaining financing through ownership contributes to expanding the audience of shareholders. But it affects the right to vote on the board of directors. It may affect the ownership structure of the company. As for interest paid on debt, it is not subject to income tax. Accordingly, the interest value is deducted from the taxable profit, which leads to a decrease in the tax paid. This is known as the tax shield resulting from the debt. The distribution of earnings to shareholders is not

considered exempt from taxation, as they do not cause any protection or tax savings for the company (Dhankar, 2019:199).

2- Components of the capital structure: Companies seek, at different times and circumstances, to obtain funds to carry out their daily operations and expand the horizons of their future activities. It must choose between two basic financing alternatives to carry out this task. It is either resorting to borrowing money, known as borrowed financing, or through the issuance of ordinary shares, or retained profits, known as owned financing, or the process of mixing the two at different rates. This depends on a set of determinants and factors influencing the formulation of the capital structure in companies, which consists of all long-term and permanent sources of financing by which the company's activities are financed. It refers to long-term and endless funding sources such as long-term loans, ordinary shares and retained earnings. The combination of the capital structure is in the form of percentages of property rights and loans. (Camska, 2020: 1) The following is an explanation of the main components that make up the capital structure:

A- Property right: Funding obtained from property rights represents the first source of funds for any new company. Property rights funds also form the base that represents the capacity of the existing company. And on which to rely for borrowing and money. Property rights funds provide many benefits that the company can obtain, including permanent investment and part of long-term investment. In addition, it will protect creditors, as it supports the company's ability to fulfil and abide by debts. Therefore, property right is the rights of shareholders in the company. In other words, it is the money of the project's owners, and the most critical components of property rights are (ordinary shares - preferred shares - retained earnings) (Al Shabib, 2010: 177).

B- Long-term financing: These are the funds the company obtains by borrowing to finance its projects, such as long-term debts (long-term loans) and bonds issued by the company as one of the types of long-term borrowing. It is used as a source of financing because it will provide advantages and characteristics for the company, such as tax savings or what is known as a tax shield. It includes (long-term loans - bonds) (Cornett et al., 2009:30).

Second: Market Timing Theory

1- The concept of market timing theory: In the past years, attention need to be paid to the market timing theory presented by Baker and Wurgler (2002). This suggests that companies tend to issue equity when their value of market or share prices are high compared to current market values. It is possible to buy back shares when the market share values are low. The return could be abnormal and positive before the share issue date due to the over-optimism of investors, or it could be motivated by mispricing by managers (Domingos et al., 2017:93).

Market timing theory states that a company's capital structure is the cumulative result of past financing decisions based on changing market conditions. It is a term used for stock market timing. The concept of stock market timing indicates that a company should issue shares when its shares are high and buy back when the market value is low. On the other hand, the timing of the debt market indicates that it attracts more debt capital if the current interest rate is lower than the previous rate and reduces the capital if the current interest rate is higher than the rate (Muhammad et al., 2020: 2).

According to (Mabrouk, 2020:108 & Boubaker), market timing is essential in shaping decisions of financing. The model of market timing does not seem to contradict the theory of trade-off. Both models predict that companies will issue stocks when their market performance is high. Market timing

theory shows that companies have incentives to issue equity when their market valuations are higher relatively than their book or previous values of themarket.

While (Wadhwa, 2018: 1 & Syamala) argued that the market timing theory refers to selling property rights when they are over-valued and buying back property rights when they are undervalued. The goal is to benefit from the advantage of temporary fluctuations in the value of the stock until the price goes back to its base value (intrinsic value). According to market timing theory, there are two reasons why companies are timing the market. The first reason is looking for opportunities and issuing shares when market valuations are high. The second reason is when managers act opportunistically and sell shares at inflated prices to overly optimistic investors about the company's future prospects. However, this view is not popular among those investors who believe capital markets are efficient. They think managers cannot time the market and cannot sell overvalued stocks to investors who are not rational or uninformed using inside information. Accordingly, companies issue property rights when the economy expands, markets increase, and the demand for capital increases due to more significant growth opportunities and promising projects in which the company can invest.

2- Assumptions of market timing theory: Market timing theory was initially formulated by Baker and Wurgler (2002). They argue that there is no perfect capital structure and that capital structure is best understood as the cumulative effect of previous attempts at market timing. The market timing theory has two main assumptions:

A - Higher market valuations, as measured by the the percentage of market to book value , are re-raising leverage in the short term.

B - A higher average market value to book value ratio of external financing (EFWAMTB)

is associated with lower leverage over the long term.

Market timing theory has challenged other capital structure theories because of its argument that the manager tends to take advantage of market timing. Therefore, the market timing hypothesis according to the (Wurgler & Baker) model can be formulated as follows:

- The percentage of market to book value hurts book leverage.
- The precentage of market to book value hurts the market leverage.
- The weighted average market-to-book ratio of external financing hurts book leverage.
- The weighted average market-to-book ratio in external financing hurts the market leverage (AL-mankhly, 2018: 5-6).

Third: Company's Value:

1- The Concept Of The Company's Value:

The company's value is considered one of the essential things that dealers in securities and managers of investment portfolios aspire to. This is because they include a necessary part of the return that the investor may obtain through capital gains, which may take more attention than the periodic distribution of shares because of their value, which often exceeds the value of the dividends. Therefore, the company's value has always interested researchers in economic specialization due to its influence on many public or private factors within the company or the financial market. These factors play a significant role in determining and predicting the company's value. Some of these factors are based on the administrative decisions of the company and its efficiency. This is like the distribution of profits and the book value that depends on the size of ownership rights and the share price multiplier that depends on the value of

the company and the share of profits achieved. Others rely on supply and demand forces, such as the stock turnover rate, and others depend on general economic factors, such as systemic risk and interest rates (Terui, 2020:67-69). (Al-Amiri, 2013: 511) Showed that the company's value represents monetary wealth at a specific time affected by supply and demand factors in the stock market. And that the two best indicators to clarify the relationship between supply and demand are the prevailing prices and the volume of stock trading during a specific period.

2- The Importance Of Company Value

Companies strive to maximize their profits to maximize shareholder wealth. The market value is an indicator for evaluating the company's success. It is linked to the share price, which reflects the actual value of the company's assets. Companies are keen to keep it high to attract investors. The decrease in the market value of the company's shares leads to a reduction in investor confidence, negatively impacting the company and threatening its survival (Darmawan et al., 2019: 8).

And between (Susant et al., 2020: 6591), financial managers need to maximise the company's value. This is to maximize the wealth of the owners. The company's value can be seen through the market value of the share, which is the same as the share price traded in the financial market. The share price is formed based on the demand and supply of investors. So that the share price can be used as an indicator of value. The value of a company linked to the share price shows investors' perception of the company's level of success. The rise in the share price dramatically impacts the company's value. The company's high value will give the market confidence not only in the company's present performance but in the company's future business prospects.

3: Factors Affecting The Value Of The Company

In an accelerated, turbulent and competitive business environment witnessing rapid changes and developments, companies face challenges, difficulties and obstacles that could affect their performance and business results. This is reflected in the company's value in the financial market, whether it increases or decreases. There are a group of factors that may be related to the internal situation of the companies or may be outside the control of the companies that impact the market value of the company's shares. These factors are as follows:

A- Expected Return:

The expected value of potential returns to be obtained by the investor when investing in securities. These are the amounts that the investor feels he will get according to the information available to him. Here, it is necessary to refer to the state of uncertainty in which it is difficult to quickly determine and predict the expected return on investment as it is difficult for the investor to determine the expected return on investment accurately. Therefore, the investor always seeks to estimate the return, which helps him assess the risks surrounding this return. The return is "the consideration the investor hopes to obtain for investing his money. Investors always look forward to this return to increase wealth and maximise possessions (Suarka & Wiagustini, 2019: 3931).

B- Risks:

One essential variable that interests the investor is return and risk. The investor tends towards investments that can achieve the greatest possible return and the least risk to which his investment may be exposed. Therefore, he measures the return and risk of securities before making an investment decision, which is to buy or sell the security. It can be said that risk refers to the possibility

that the investment's actual results will differ from the expected result. The risk can be considered as the degree of volatility in the return, and the risks are of two types: (Systematic & unsystematic Risk) (Bansal, 2012: 49).

C- Supply and demand:

Most investors want to be sure that the value of their investments will increase in the future. This rise can be achieved with good investment management, optimal utilization of available financial resources, organization of profits and the process of distributing them in a way that helps attract investors and increases the company's value. But if the demand for shares decreases due to bad management or other reasons, the company's value will continuously decline (Dlabay & Burrow, 2008: 8).

D- Distribution of profits:

The policy of distributing profits is one of the most important policies of the financial function in companies. This is due to its direct relationship with the shareholders and its repercussions on the price of the company's shares in the financial market. The dividend policy relates to distributing the company's net income between profits paid to shareholders and those retained by management. Bearing in mind that the dividend distribution policies are carried out in light of the company's objectives and in a way that helps maximise shareholders' wealth. And the dividend policy is the practical method followed by the companies issuing the share, which deals with the distributed profits as a decision of interest to the shareholders and the retained earnings as a financial surplus that can be reinvested to

increase the growth of the company (Waithaka et al., 2012: 642).

E- Inflation:

Inflation is the general rise in the prices of goods and services, which causes a decrease in the purchasing power of consumers. Inflation can occur due to currency depreciation. It is a condition associated with an increase in the price level in general and continues during a specific period. An increase in the price of one or two commodities alone cannot be called inflation unless there is an overall rise in all the expenses of items and services in the country. It is associated with the currency's depreciation, characterized by an increase in the cost of almost all goods and services. The high inflation rate negatively affects long-term real economic growth (Nugraha et al., 2021: 65).

Third Topic: Applied Part Of The Study

First: the financial analysis of the study variables

This paragraph focuses on describing the research variables represented by (the theory of market timing - the value of the company) and analyzing these variables for a sample of Iraqi industrial companies listed in the Iraq Stock Exchange, which number (4) companies for the period from (2012-2022) based on the financial statements of these companies And issued by the Iraq Stock Exchange. As this paragraph deals with the research indicators, which (company size - liquidity - tangible assets - the percentage of market to book value - the weighted rate of external financing for the percentage of market to book value - company value) which are as follows:

1- Company's Size

Table 2. Companies' study sample size between 2012 and 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Modern tailoring	9.19	9.24	9.27	9.16	9.05	8.96	8.78	9.01	9.06	9.21	9.22
Iraqi carpets and furnishings	0.149	0.115	0.009	0.107	0.11	0.115	0.13	0.117	0.176	0.219	0.22
Al Mansour Pharmaceutical Industries	6.34	6.31	3.04	4.44	2.86	6.43	8.07	6.97	7.47	3.96	2.84
Baghdad Soft Drinks	0.9	0.9	0.8	1.1	0.74	0.74	3.57	2.8	3.5	2.8	4.14
Average	4.14	4.14	3.28	3.70	3.19	4.06	5.14	4.72	5.05	4.05	4.11
Max	9.19	9.24	9.27	9.16	9.05	8.96	8.78	9.01	9.06	9.21	9.22
Min	0.149	0.115	0.009	0.107	0.11	0.115	0.13	0.117	0.176	0.219	0.22
Std. Dev.	4.04	4.07	4.05	3.92	3.93	3.99	3.82	3.83	3.83	3.74	3.74

Source: Made by author utilizing Excel Software

The Baghdad Soft Drinks Company achieved the largest natural logarithm of the total assets among the research sample companies in the year (2022). Which reached (9.22) and the reason is due to maintaining the amount of its assets this year. The value of the company's size reached the size of the Iraqi Carpet Company in the year (2014).

2- Liquidity

Table 3. Companies' Liquidity between 2012 and 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Modern tailoring	6.34	6.31	3.04	3.96	2.84	4.7	3.35	4.84	4.52	4.11	4.01
Iraqi carpets and furnishings	2.63	2.41	2.62	3.37	3.07	2.93	3.18	3.08	2.94	3.11	3.12
Al Mansour Pharmaceutical Industries	3.38	14.92	7.91	14.84	11.87	2.51	1.56	2.51	1.56	2.17	8.1
Baghdad Soft Drinks	13.14	1.24	11.53	0.3	6.13	6.93	4.4	7.7	7.1	6.66	6.23
Average	6.3725	6.22	6.275	5.6175	5.9775	4.2675	3.1225	4.5325	4.03	4.0125	5.365
Max	13.14	14.92	11.53	14.84	11.87	6.93	4.4	7.7	7.1	6.66	8.1
Min	2.63	1.24	2.62	0.3	2.84	2.51	1.56	2.51	1.56	2.17	3.12
Std. Dev.	4.79	6.19	4.25	6.35	4.20	2.01	1.17	2.33	2.38	1.93	2.24

Source: Made by author utilizing Excel Software

The highest liquidity ratio achieved by Al-Mansour Pharmaceutical Industries was (14.92) in the year (2013). At the same time, the Baghdad Soft Drinks Company achieved the lowest liquidity ratio among companies in the year (2015) which was (0.3).

3- Tangible assets

Table 4. Companies' tangible assets between 2012 and 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Modern tailoring	0.13	0.117	0.176	0.219	0.22	0.84	0.114	0.105	0.18	0.22	0.13
Iraqi carpets and furnishings	0.03	0.023	0.03	0.03	0.17	0.29	0.024	0.01	0.06	0.05	0.06
Al Mansour Pharmaceutical Industries	0.19	0.15	0.13	0.15	0.17	0.29	0.51	0.67	0.8	0.32	0.13
Baghdad Soft Drinks	0.51	0.46	0.49	0.84	0.7	0.7	0.66	0.59	0.5	0.62	0.66
Average	0.215	0.1875	0.2065	0.30975	0.315	0.53	0.327	0.34375	0.385	0.3025	0.245
Max	0.51	0.46	0.49	0.84	0.7	0.84	0.66	0.67	0.8	0.62	0.66
Min	0.03	0.023	0.03	0.03	0.17	0.29	0.024	0.01	0.06	0.05	0.06
Std. Dev.	0.21	0.19	0.20	0.36	0.26	0.28	0.31	0.33	0.33	0.24	0.28

Source: Made by author utilizing Excel Software

The Modern Tailoring Company achieved the highest tangible percentage of assets in the year (2017) at (0.84). The reason for this is due to the increase in the amounts of fixed assets in this year. While the Iraqi Carpet Company achieved the lowest percentage of tangible assets in (2019), which was (0.01).

4- the percentage of market to book value

Table 5. Companies' the percentage of market to book value between 2012 and 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Modern tailoring	3.57	3.5	2.8	4.14	4.9	3.99	6.5	6.68	7.1	5.2	5.33
Iraqi carpets and furnishings	4.6	4.14	4.25	4.28	5.15	8.1	7.98	8.85	10.1	5.45	6.13
Al Mansour Pharmaceutical Industries	1.12	0.9	0.84	0.76	0.76	0.73	0.69	0.64	0.95	1.1	0.89
Baghdad Soft Drinks	1.49	2.99	2.26	2.94	2.5	2.68	3.59	3.29	4.15	2.18	3.22
Average	2.695	2.8825	2.5375	3.03	3.3275	3.875	4.69	4.865	5.575	3.4825	3.8925
Max	4.6	4.14	4.25	4.28	5.15	8.1	7.98	8.85	10.1	5.45	6.13
Min	1.12	0.9	0.84	0.76	0.76	0.73	0.69	0.64	0.95	1.1	0.89
Std. Dev.	1.67	1.40	1.41	1.63	2.09	3.12	3.23	3.63	3.93	2.18	2.35

Source: Made by author utilizing Excel Software

The highest the percentage of market to book value per share achieved by Al-Iraqiya Carpets and Furniture Company was in (2020) when it reached (10.1). This is due to the high market share price of the company this year. While the year (2011) recorded the lowest the percentage of market to book value of shares, and it was (0.64) achieved by Al-Mansour Company for Pharmaceutical Industries.

5- The weighted rate of external financing is the ratio of the book value to the market value (EFWAMTB)

Table 6. Companies' (EFWAMTB) between 2012 and 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Modern tailoring	3.59	3.1	3.13	2.8	4.09	4.51	3.5	6.27	7.88	7.11	8.1
Iraqi carpets and furnishings	4.66	4.14	4.23	4.35	5.37	8.14	9.44	7.55	6.1	8.32	5.29
Al Mansour Pharmaceutical Industries	1.16	0.89	0.84	0.77	0.73	0.69	2.33	0.93	1.32	1.44	1.51
Baghdad Soft Drinks	1.43	2.88	2.09	2.94	2.5	3.55	3.57	3.15	4.01	2.54	3.11
Average	2.7	2.8	2.6	2.7	3.2	4.2	4.7	4.5	4.8	4.9	4.5
Max	4.66	4.14	4.23	4.35	5.37	8.14	9.44	7.55	7.88	8.32	8.1
Min	1.16	0.89	0.84	0.77	0.73	0.69	2.33	0.93	1.32	1.44	1.51
Std. Dev.	1.69	1.36	1.45	1.47	2.01	3.07	3.20	3.00	2.82	3.37	2.86

Source: Made by author utilizing Excel Software

The highest rate (EFWAMTB) achieved by Al-Mansour Pharmaceutical Industries was (2.33), and that was in the year (2019), while the lowest rate (EFWAMTB) conducted by the same company was (0.69) in the year (2017).

6- Company's value

Table 7. Companies' value (ID) between 2012 and 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Modern tailoring	1620	1620	1440	1480	667	3213	2520	1140	45920	6680	66320
Iraqi carpets and furnishings	2300	2450	2075	2140	2575	4050	3990	4425	5800	6600	5820
Al Mansour Pharmaceutical Industries	4240	5822	5434	4916	4334	4464	4140	6140	9251	9353	9822
Baghdad Soft Drinks	666	3213	2520	3150	2800	1140	4952	390	6500	6780	6120
Average	2206.5	3276.25	2867.25	2921.5	2593.75	3216.75	3900.5	3023.75	16867.75	7353.25	22020.5
Max	4240	5822	5434	4916	4334	4464	4952	6140	45920	9353	66320
Min	666	1620	1440	1480	667	1140	2520	390	5800	6600	5820
Std. Dev.	1512.3	1817.6	1767.6	1496.5	1504.2	1479.1	1012.7	2717.8	19425.4	1335.2	29589.0

Source: Made by author utilizing Excel Software

Al-Mansour Pharmaceutical Industries achieved the highest value for the company in the year (2018)—the market value of the company (6600) Iraqi dinars. At the same time, Baghdad Soft Drinks Company achieved the lowest value in the year (2012), as the company's market value reached (666) Iraqi dinars.

Second: Statistical analysis of research variables

1- Modern Tailoring Company

The main hypothesis: There is no statistically differences of market timing theory on the company's value.

The regressor variables represent the market timing theory (company size, liquidity, tangible assets, market value to book value, weighted rate of financing) which are (5) variables. As for the regressand variable, it represents (the company value). After

measuring the effect of the dimensions of the market timing theory and choosing the best model for the data, it was found that the value of ($R^2 = 0.945$), which means (the coefficient of determination of the best model). The regressor variables explain (94%) the changes in the regressand variable. The remainder is considered random errors or is attributed to unknown errors, as their value amounted to (6%). To study the suitability of the data regression line and the null hypothesis, which states (there is no statistically significant effect of the market timing theory on the value of the company), as the value of the test was ($F = 34.648$) at a significant level (0.000). It is less than (0.05), which shows that there are no significant differences. The model accurately represents the studied phenomenon, and the regression line fits the given data. That is, rejecting the above hypothesis in the sense that there is a significant effect. It is also possible to measure the impact of the regressor variables, as the

effect of the company size variable reached (4.487) after passing the (t) test with a significant level less than (0.05) and amounting to (0.009). In other words, the company's value increases with the increase in the company's size by (4.487) per unit. As for the effect of the tangible assets variable, its impact reached (60.815) after passing the (t) test at a significant level (0.008). The company's value increases when the tangible assets increase by (60.815) per unit. As for the market value variable to the book value, its

effect was (843,232) by passing the test with a significant level (0.000). Then the market value can increase with the same impact per unit. The effect of the weighted rate of financing was (9.728) at a significant level (0.007) after passing the (t) test. The company's value can increase with the increase in the weighted rate of financing, and the effect of the liquidity variable on the market value after passing the (t) test was (74.058). And as shown in Table No. (8):

Table 8. Coefficient specifying the best model, analysis of variance, and the effect of the regressor variable of Modern tailoring company

Model Summary						
Model	R	R Square ^b	Change Statistics			
			F Change		Sig. F Change	
1	.972 ^a	.945	34.648		.000	
Model	Unstandardized Coefficients			Standardized Coefficients	T	Sig.
	B		Std. Error	Beta		
1	Company's size	4.487	113.578	.012	2.640	.009
	Tangible assets	60.815	1477.348	.005	3.041	.008
	Market value to book value	843.232	138.791	.876	6.076	.000
	(EFWAMTB)	9.728	66.864	.017	4.145	.007
	Liquidity	74.058	151.737	.118	6.488	.036

Source: Made by author utilizing SPSS Software

2- The Iraqi Carpet Company

The main hypothesis: There is no statistically differences of market timing theory on the company's value.

The regressor variables represent the dimensions of the market timing theory (company size, liquidity, tangible assets, market value to book value, weighted rate of

financing), which are (5) variables. As for the regressand variable, it represents (the value of the company). After measuring the effect of the dimensions of the market timing theory and choosing the best fit of the model for the data, it was found that the value of ($R^2 = 0.999$), which means (the coefficient of determination of the best model). The regressor variables explain (99%) what affects the regressand variable. The

remainder is considered random errors or is attributed to unknown errors, as their value amounted to (1%). And to study the suitability of the data regression line and the null hypothesis, which states (there is no statistically differences of the theory of market timing on the value of the company), as the value of the test was ($F = 2306.591$) with a significant level of (0.000), which is less than (0.05). This shows no significant differences, the model accurately represents the studied sample, and the regression line fits the given data. That is, rejecting the above hypothesis in the sense that there is a significant effect. It is also possible to measure the impact of the regressor variables, as the effect of the company size variable reached (34.534) after passing the (t) test with a significant level less than (0.05) and amounting to (0.018). In other words, the

company's value increases with the increase in the company's size by (34,534) per unit. As for the effect of the tangible assets variable, its impact reached (444,517) after passing the (t) test at a significant level (0.033). The company's value increases when tangible assets increase by (444,517) per unit. As for the market value variable to the book value, its effect was (86.878) by passing the test at a significant level (0.033). Then the company's value can increase with the same impact per unit. The effect of the weighted rate of financing reached (491.679) at a significant level (0.000) after passing the (t) test. The company's value can increase with the increase in the weighted rate of financing, and the liquidity variable's effect on the company's value after passing the (t) test reached (74.058), as shown in Table No. (9):

Table 9. Coefficient specifying the best model, analysis of variance, and the effect of the regressor variable of Iraqi carpets and furnishings company

Model Summary						
Model	R	R Square ^b	Change Statistics			
			F Change		Sig. F Change	
1	1.000 ^a	.999	2306.591		.000	
Model	Unstandardized Coefficients			Standardized Coefficients	T	Sig.
	B		Std. Error	Beta		
1	Company's size	34.534	23.249	.109	1.485	.018
	Tangible assets	444.517	688.554	.013	.646	.033
	Market value to book value	86.878	85.458	.080	1.017	.033
	(EFWAMTB)	491.679	29.045	.978	16.928	.000
	Liquidity	74.058	151.737	.118	6.488	.036

Source: Made by author utilizing SPSS Software

3- Al-Mansour Company for Pharmaceutical Industries

Main hypothesis: There is no statistically significant effect of market timing theory on the company's value.

The regressor variables represent the dimensions of the market timing theory (company size, liquidity, tangible assets, market to book value, weighted rate of financing), which are (5) variables. As for the regressand variable, it represents (the value of the company). After measuring the effect of the dimensions of the market timing theory and choosing the best fit model for the data, it was found that the value ($0.882 = R^2$), which means (the coefficient of determination). The regressor variables explain (88%) affect the regressand variable. The remainder is considered random errors or is attributed to unknown errors, as their value amounted to (12%). To study the relevance of the data regression line and the null hypothesis, which states (there is no statistically significant effect of the market timing theory on the company's value). The value of the test was ($F = 14.969$) with a significant level of (0.000), which is less than (0.05), which indicates that there are no

statistically significant differences. The model successfully represents the studied subject, and the regression line fits the given data. That is, rejecting the above hypothesis in the sense that there is a significant effect. It is also possible to measure the impact of the regressor variables, as the effect of the company size variable reached (237.123) after passing the (t) test with a significant level of less than (0.05) and amounting to (0.012). In other words, the company's value increases with the increase in the size of the company by (237.123) per unit. As for the effect of the tangible assets variable, its impact reached (3694.358) after passing the (t) test at a significant level (0.002). The company's value increases when the tangible assets increase by (3694.358) per unit. As for the market value variable to the book value, its effect was (11.781) by passing the test at a significant level (0.045). Then the company's value can increase with the same impact per unit. The effect of the weighted rate of financing reached (1825.705) at a significant level (0.048) after passing the (t) test. The company's value can increase with the increase in the weighted rate of financing, and the effect of the liquidity variable on the market value after passing the (t) test reached (542,410), as shown in Table No. (10):

Table 10. Coefficient specifying the best model, analyzing of variance, and the effect of the regressor variable of Al Mansour Pharmaceutical Industries Company

Model Summary							
Model	R	R Square ^b	Change Statistics				
			F Change		Sig. F Change		
1	.939 ^a	.882	14.969		.000		
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
		B	Std. Error	Beta			
1	Company's size		237.127	277.093	.416	.856	.012
	Tangible assets		3694.358	4217.750	.249	.876	.002
	Market value to book value		11.781	165.750	.021	.071	.045
	(EFWAMTB)		1825.705	1487.560	.506	1.227	.048
	Liquidity		542.410	1460.312	.160	.371	.018

Source: Made by author utilizing SPSS Software

4- Baghdad Soft Drinks Company

The main hypothesis: There is no statistically difference of market timing theory on the company's value. The regressor variables represent the dimensions of the market timing theory (company size, liquidity, tangible assets, market value to book value, weighted rate of financing), which are (5) variables. As for the regressand variable, it represents (the value of the company). After measuring the effect of the dimensions of the market timing theory and choosing the best fit of the model for the data, it was found that the value of ($0.991 = R^2$), which means (the coefficient for determining the best model), meaning that the regressor variables explain (99%) of what affects the variable affiliate. The remainder is considered random errors or is attributed to unknown errors, as their value amounted to (1%). To study the suitability of the data regression line and the null hypothesis, which states (there is no statistically difference of the theory of market

timing on the value of the company), as the value of the test was ($F = 212.222$) with a significant level of (0.000), which is less than (0.05). This means that there is no significant differences. This would also means that the model accurately represents the studied phenomenon. The regression line fits the given data. That is, rejecting the above hypothesis in the sense that there is a significant effect. It is also possible to measure the impact of the regressor variables, as the effect of the company size variable reached (20124.568) after passing the (t) test with a significant level less than (0.05) and amounting to (0.037). In other words, the company's value increases with the increase in the size of the company by (20124.568) per unit. The effect of the tangible assets variable reached (64370.035), but its impact was not significant (0.596). As for the market value variable to the book value, its effect was (3281.285) by passing the test at a significant level (0.000). Then the company's value can increase with the same impact per unit. The

effect of the weighted rate of financing was (218006.599) at a significant level (0.000). Because its impact is moral. The liquidity variable's effect on the company's value by

not passing the (t) test was (1919.575). It is an insignificant effect. And as shown in Table No. (11):

Table 11. Coefficient specifying the best model, analyzing of variance, and the effect of the regressor variable of Baghdad Soft Drinks Company

Model Summary						
Model	R	R Square ^b	Change Statistics			
			F Change		Sig. F Change	
1	.995 ^a	.991	212.222		.000	
Model		Unstandardized Coefficients		Standardized Coefficients	t-test	Sig.
		B	Std. Error	Beta		
1	Company's size	20124.568	8391.157	.601	2.398	.037
	Tangible assets	64370.305	117585.841	.108	.547	.596
	Market value to book value	3281.285	2076.165	.082	1.580	.145
	(EFWAMTB)	218006.599	14044.688	1.372	15.522	.000
	Liquidity	1919.574	6748.091	.016	.284	.782

Source: Made by author utilizing SPSS Software

4. Conclusions

1- There is flexibility in formulating the capital structure for the study sample companies through the variation in market values from year to year and from one company to another.

2- The Iraqi companies do not formulate their capital structure according to the theory of market timing due to the constant fluctuation in the Iraqi market, in addition to the Iraqi legislature not allowing the company to buy back its shares from the market.

3- There is a clear effect of a group of factors on the company's value, the most important of

which is supply and demand for the company's shares.

4- The continuation of the study sample companies in issuing ordinary shares when they need financing, despite the caveats caused by this funding method.

5. Recommendations

1- The need to legislate a law allowing Iraqi companies to buy back their shares to preserve their name's market value.

2- Enhancing the financial leverage of the research sample companies in the event of a need for more financing due to expanding the companies' business and not relying on

issuing ordinary shares when financing is needed.

3- The importance of the study sample companies paying attention to the company's value index to evaluate and evaluate the company's performance.

4- The need for Iraqi companies to enhance their expertise and knowledge in market timing by exchanging experiences with other companies whose country's laws allow them to buy back their shares.

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