



The Importance of the Issuance Market in Mobilizing Local Savings in Iraq

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ARTICLE INFO

Received: 5 Nov 2023,
Revised: 15 Nov 2023,
Accepted: 17 Nov 2023,
Online: 3 Jan 2024

Keywords:

Issuance market, the Iraqi stock market, local savings.

ABSTRACT

Saving has prominent importance in the economy, as it is a major factor in economic growth, and many countries have emphasized the role of savings and converting them into investments, so they have directed their interest in investment culture and awareness of the importance of saving for members of society in mobilizing savings and employing them to increase their economic and social effectiveness. An issuance market is an effective tool in mobilizing financial surpluses towards deficit units. The research analyzed and assessed the importance of the issuance market in Iraq in attracting local savings for the period (2010-2020) using the descriptive analytical approach of the issuance market data in Iraq. The results of the research showed that the savings capacity of the issuance market was weak, and the researcher stressed the need to direct funds toward new issues in order to absorb the savings.

First: Research Problem

The process of mobilizing savings in Iraq did not take its importance due to the limited activity of the financial market, which led to low savings rates, which requires increasing the level of effectiveness of the issuance market to contribute to directing and educating the community to convert savings into various investments. Hence, the research problem can be identified by asking the following:

What is the importance of the issuance market in mobilizing savings in Iraq? What are the obstacles to that?

Second: Research Hypothesis

New issuances in Iraq are of great importance in withdrawing the available financial savings for the development of new and existing investment projects.

Third - Importance of the Research

The issuance market in Iraq differs from other savings-attracting institutions in that it is able to obtain larger quantities of savings than other financial institutions because the investment tools issued in it are suitable for different savers, which leads to obtaining a large amount of capital that

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doi: [10.5281/ijgsr.2024.10449754](https://doi.org/10.5281/ijgsr.2024.10449754)

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will turn into investment flows for companies and institutions with different productive activities.

Fourth: Research Objective

1. Studying, analyzing, and evaluating the importance of the new issuance market in mobilizing available savings for the period (2010-2020).

Fifth, Limits of the Research

The occurrence of the research is as follows:

1. Temporal dimension: The time period (2010-2020) has been adopted.
2. The spatial dimension: the issuance market in Iraq.

The first axis: the theoretical framework of the issuance and savings market

First: The issuance market: the market on which investment institutions rely to issue securities for the first time to the public, and this task is usually performed by an institution called (Investment Bank), as new issues are offered for the first time through initial subscriptions (Chan, 2019: 7), and they are classified as A market for indirect financing, which includes all financing transactions that take place through financial intermediaries (Taleb, et al., 2016: 188).

The issuance market has a prominent role in the economy: it organizes securities starting from issuance and offering to the public and undertaking to cover them, and its role is highlighted in its ability to move the savings and financial surpluses of individuals and institutions by hoarding towards investment projects, especially the private activity in which the market contributes to increasing its role by what He owns it from the large financial surpluses available to it that can contribute to the service of development (Abdul Latif, without a year: 3).

Second: the concept of saving: (Samuelson) stressed that it is the income that is not directed towards consumption, that is, what is left of the income after consumption for individuals, taxes, and the distribution of profits for private activity companies 6: Marquis, & Rose 2008), and saving

occupies great importance for the individual and society:

For the individual: it enables him to face unexpected future events and reserve for emergencies, as well as forming a source of income in cases of illness, old age, and disability (Al-Asraj, 2002: 49).

For society: The process of comprehensive development requires many factors necessary to achieve in order to bring the economy to the stage of self-growth. Raising savings rates stands out as one of the most prominent of these factors, with the need to emphasize the participation and cooperation of other factors, including trained manpower, natural resources of good quality, organizational and administrative skills, appropriate technical level, and climate. The political and social, in addition to the appropriate international environment (Al-Harazin, 2015: 33).

The second axis: new publications in Iraq and their role in mobilizing savings for the period (2010-2020).

Governments seek to increase the rate of saving in economic activity, as the savings of the household sector, which is one of the components of gross domestic saving, play a prominent role in that increase.

The identification of the activity of the issuance market in Iraq is done through the study of a number of indicators, as follows:

First: The annual development of the value of new issuances of shares for new companies listed on the stock exchange:

Table (1) shows that the value of new issuances of the listed joint-stock companies amounted to (50) billion dinars in the years (2010) and (2011), due to the subscription to the shares of a new bank, which is (Elaf Islamic Bank), and the issuances increased in (2015) to (2689) billion dinars, which represents the highest value within the search period due to the listing of shares of seventeen new joint stock companies, while the years (2016 - 2017 - 2018 - 2019) did not include any new issues, but in the year (2020) it amounted to (303) billion dinars Due to the inclusion of shares of four companies.

Second: The annual development of the value of new issuances of shares of existing companies on the Stock Exchange:

Table (1) shows an increase in the value of new issues from (399) billion dinars in 2010 to (1,095) billion dinars in 2013, due to the increase in subscriptions and capitalization of profits (Iraq Stock Exchange, annual reports, 2010-2020). A decrease in the years (2014), (2015) and (2016), amounted to (1,044,346,120) billion dinars, and the reason is due to the failure of some listed companies to approve an increase in their capital, while the year (2017) recorded the highest increase in the value of new issues It amounted to (1,899) billion dinars, while in the period (2018), (2019) and (2020), it recorded a decline to (770-363-595) billion dinars, respectively.

The capital increase is reflected in the stock prices in trading as a result of the capital increase, as part of the subscription liquidity is directed from the trading market to the issuance market to enhance the process of purchasing issues by shareholders, and this effect changes when the company succeeds in investing the capital achieved as a result of the increase in it and employing it in The plans prepared for him, and

this usually appears in the company's subsequent year statements.

Third: The annual development of the total new publications for the period (2010-2020):

The total value of new issuances amounted to (449) billion dinars in the year (2010), and in subsequent years it increased to (1,095) billion dinars, with a growth rate of (115%) in the year (2013), and the reason for this is due to the increase in the capital of existing companies, and in the year (2014 It decreased to (1,044) billion dinars, at a rate of (-5%), due to the decrease in new issuances of existing companies. In 2015, the value of issuances increased to the highest level, reaching (3,035) billion dinars, with an increased rate of (202%). New issuances for listed companies amounted to (2,689) billion dinars compared to (346) for existing companies. In 2016, the total issuances decreased to (120) billion dinars, with a rate of (-96%), as no new issuances were registered for listed companies. As for the year (2017), it amounted to (1899) billion dinars, then it decreased again in the years (2018-2019), recording (770-363) billion dinars, respectively, and in the year (2020) it rose to (898) billion dinars.

Table (1) Indicators of new issuances in Iraq (billion dinars)

years	new releases for new companies	new issues For existing companies	total new issues	The annual rate of change %
2010	50	399	449	-24%
2011	50	680	730	130%
2012	270	905	1175	-34%
2013	-	1,095	1095	115%
2014	-	1,044	1044	-5%
2015	2,689	346	3035	202%
2016	-	120	120	-96%
2017	-	1,899	1899	2528%
2018	-	770	770	-56%
2019	-	363	363	-73%
2020	303	595	898	258%

Source: Iraq Stock Exchange - annual reports for the period (2010-2020).

The third axis: assessing the importance of new issuances in mobilizing savings in Iraq

Light is shed on assessing the extent to which the issuance market contributes to mobilizing savings using a set of indicators, as follows:

First- The relative importance of the total value of new issues to (GDP).

Table (2) presents the total new issuances of shares to (GDP). It was low, as the percentage reached between (0.26%) in (2010) and (0.45%) in (2020), and this means a weak role of the issuance market in mobilizing savings, in addition to the weakness of tools The financial investment offered in it and its confinement to the ordinary shares of joint-stock companies, and the reason for this is due to the absence of many financial institutions that contribute to increasing and revitalizing this market, in addition to not issuing bonds because the financial authorities relied on the state's general budget to cover the deficit instead of issuing bonds for public subscription as well The government resorted to covering the financial deficit by issuing non-negotiable securities in the Iraq Stock Exchange, such as treasury bills.

Second: The relative importance of the total value of new issues to savings:

This indicator indicates the extent to which the issuance market contributes to attracting local savings. Table (2) shows that the ratio of total new issuances to local savings amounted to (2.85%) in 2010 due to the low value of gross domestic savings as a result of the security conditions at the time, as well as the modernity of the market. And in the year (2015) it increased to (16.28%) due to

the increase in the total values of issuances, but it declined continuously to record (1.26%) at the end of the year (2020). This fluctuation in percentages is due to the increase in gross domestic savings in some years and the increase in new issuances.

From the foregoing, it can be said that the contribution of the new issues in attracting savings was very weak, which means that savers tend towards safer savings areas such as banks.

Third: The relative importance of the total value of new issues to long-term (non-current) bank deposits:

Table (2) shows that the total new issuances to non-current bank deposits were very weak, amounting to (1.25%) in (2010), then it recorded a slight increase in (2011), reaching (1.97%) due to the increase in the total values of issuances. 2015), it rose to (5.88%), which is the highest recorded in the research, as a result of the noticeable increase in the total values of issuances. Then it decreased again in (2016) to record (0.26%) due to the decrease in the total number of new issues. In 2017, it increased to a record (4.03%) due to the significant increase in the total number of new issuances during the year. In 2020, the percentage decreased to (1.54%) due to the decrease in the total number of new issuances, in addition to the noticeable increase in the value of non-current deposits. It is clear that there is not enough savings to re-employ them annually in the form of securities in the issuance market. These ratios indicate that there is a large amount of long-term savings accumulated by commercial banks, in contrast to the lack of investment opportunities that can be absorbed in this market.

Table (2) The relative importance of total new issuances to GDP, savings, and non-current deposits for the period (2010-2020) (billion dinars)

Years	Total new issuances	Gross domestic product (GDP)	Total domestic saving	Non- current deposits	Total new issuances / GDP	Total new issuances /Total domestic saving	Total new issuances / Non- current deposits
2010	449	171,957	15,767	29,531	0.26%	2.85%	1.52%
2011	730	211,300	42,416	37,053	0.35%	1.72%	1.97%
2012	1175	252,900	40,391	49,593	0.46%	2.91%	2.37%
2013	1095	271,100	52,312	50,173	0.40%	2.68%	2.18%
2014	1044	258,900	38,909	55,475	0.40%	2.68%	1.88%
2015	3035	207,900	18,638	51,593	1.46%	16.28%	5.88%
2016	120	203,900	18,692	45,307	0.06%	0.64%	0.26%
2017	1899	225,700	34,633	47,082	0.84%	5.48%	4.03%
2018	770	254,800	59,232	68,576	0.30%	1.30%	1.12%
2019	363	277,900	52,943	60,697	0.13%	0.69%	0.60%
2020	898	198,100	71,439	58,262	0.45%	1.26%	1.54%

Source: - Iraq Stock Exchange - annual reports for the period (2010-2020).

- Central Bank of Iraq - Economic Reports for the period (2010-2020).

Conclusions

1. The existence of an efficient issuance market that contributes to new issuances that attract savings and contribute to improving the efficiency of companies' performance in the national economy.

2. Weak issuance market activity due to its confinement to ordinary shares and the absence of bonds in it, as it reached the highest ratio of new issuances to GDP (1.46%).

3. The limitation of the issuance market in attracting savings, as it reached the highest ratio of total new issuances to gross domestic savings in the research period (16.28%).

4. The weakness of the saving energy employed by the issuance market in long-term investments, as it reached the highest ratio of new issuances to non-current deposits in banks (5.88%).

Recommendations

1. Diversifying new issuances to adopt advanced contexts that encourage companies to enter the stock market, as well as introducing new financial instruments such as derivatives and benefiting

from Islamic financing methods to attract new categories of Islamic sukuk to the market.

2. Encouraging the establishment of companies or investment funds that collect savings and direct them towards investment in securities.

3. There must be a speedy response to activate the issuance market and diversify the financial instruments and institutions that work to increase their effectiveness in performing their role in mobilizing savings and directing them towards the most productive investments.

4. Developing a media program to introduce investment opportunities and advantages in Iraq represented by encouraging bulletins and holding meetings and seminars in order to build an investment culture consistent with the development of financial activity in order to educate investors on modern scientific bases.

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