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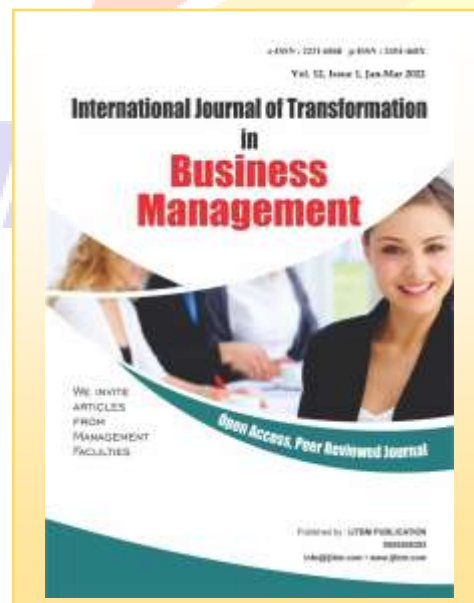
THE IMPACT OF FOREIGN INDIRECT INVESTMENT
ON FINANCIAL SUSTAINABILITY: EMPIRICAL STUDY
IN SAMPLE OF IRAQI BANKS

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ABSTRACT

The purpose of the study is to find out the extent of the role of foreign indirect investment in achieving financial sustainability in banks and financial institutions. To achieve this, the "Trade Bank of Iraq" was chosen as a sample for the study. The data were collected from annual financial reports for a period of time (from q1 2018 to q4 2020) and the analytical approach was adopted. The results indicate that there is a statistically significant impact of the volume of indirect foreign investment that is represented by the volume of trading and the movement of shares on the indicators of financial sustainability of the study sample bank. In light of this, the study recommended the necessity of attracting foreign direct investment by developing dealing mechanisms and granting the necessary facilities to attract foreign investors.

Keywords: *Foreign Indirect Investment, Financial Sustainability, Trade Bank of Iraq, Analytical Approach.*

INTRODUCTION

Indirect foreign investment involves transactions that transfer financial assets such as (stocks and bonds) between countries that do not object to this (Madura, 2011:30). While (Wagdi & Salman, 2021:36) defined it as the trading of stocks and other financial assets on the level of foreign stock markets instead of the local markets. either (Gupta et al, 2013:1) indicates that it is carried out by residents of one country in the financial assets of the host country. while International Monetary Fund defines indirect foreign investment as an international investment that covers all investments in stocks and securities except for any instruments classified as direct investment or reserve assets (IMF, 2000). indirect Foreign investment (IFI) has long been a

controversial issue for its beneficial and adverse effects. Therefore, it is considered one of the topics that have received a wide range of intellectual discussion between researchers and businessmen in the field of finance because of its beneficial and negative effects on the financial institutions, which led to its division into two groups, part of them believes that indirect foreign investment flows lead to increased liquidity and the efficiency of institutions from during the internationalization of cash flows, while the other their opinion blames foreign cash flows by making local markets more volatile through their association with external markets which leads to the destabilization prices of their stock (Kohli, 2001:64)(Sethi and Patnaik, 2007: 89-96). Nevertheless, we note that most developing countries open their financial markets to foreign investors

either due to inflationary pressures or widening current account deficits, or depreciation of the exchange value (Bansal & Pasricha, 2009: 181-189). some researchers view its beneficial because cannot be overlooked one of its outstanding features is that it permits investors to international trading in domestic markets by opening the borders to the movement of capital and this helps to attract foreign capital(Barclay& Smith,1995:611). Thus, it contributes to achieving growth and sustainability in financial institutions. The financial system of the financial markets can be described as stable in the absence exposure of it to exchange rate fluctuations, excessive financial crises, and the risks of financial institutions defaulting on the payment of their financial dues(Levine & Zervos, 1996: 326). while others (Al-Hitti & Al-Khashali,2007:180) (Boha & Tesar, 1996:79) are concerned about potential negative consequences because the flows resulting has been from portfolio investments make the stock prices more volatile due to the increasing correlation between domestic and foreign financial markets making them vulnerable to increased speculation and more vulnerable to foreign shocks.

LITERATURE REVIEW

Foreign Indirect Investment

There are a large number of studies in the administrative literature that believe that foreign indirect investment contributes to increasing the liquidity and the efficiency of local markets but there are similar studies were reviewed and it was noted that some of them have negative effects on it. therefore, the world is still sans consensus on one opinion. According to the researchers(Wang and Shen,1999:1303-1314) referred that large and sudden cash inflows may stimulate stock prices but ultimately increase the volatility of its. on the same lines (Bekaert and Harvey,2000:567) (Mukherjee & Coondoo,2002:21-51) they found that the foreign indirect investment activities have a strong effect and It is considered important driving in the domestic markets. while another study showed that there is a counteraction between net FPI flows and liquidity in emerging equity markets (Bekaert et al,2007:1783-1831). while (Li,2002:1) studied the impact of opening up the domestic market to foreign investors in Taiwan and found no significant changes in stock market return after market opening.in light of that, mentioned (Fernandez& Montiel,1996:55) that foreign indirect investment contributes to achieving liquidity by activating financial transactions in the local markets. while(Driessen and Laeven.

2007:1715)referred to Indirect foreign investment provides the investor with Diversity in trading by exploiting international and emerging stock markets. But on the other hand, this type of investment carries additional types of risks due to the possibility of economic and political instability in some foreign stock markets, as well as the possibility of devaluation of the local currency compared to international currencies such as the US dollar and the euro. In other words, the investor exposure an investment opportunity under regular risks, such as political and exchange rate risks. while mentioned (Chen,2015,53)that more recently, the emergence of the concept of liberalization and globalization has helped to increase the adoption of foreign portfolio investment in the local markets of the capital. in the same context(Kim&Cheong,2015:6) emphasized that globalization of financial markets enables foreign investors to achieve better returns of equity investments internationally, especially in emerging economies. Consistent with these studies(Sutton,2010:2-3) emphasized that the increasing interdependence between the international financial markets led to the movement of capital flows across borders with the aim of exploiting the opportunity by financial institutions. either (Wagdi&Salman,2021:36) they believe that a foreign investor found an indication of the attractiveness of foreign

stock exchanges for investment. by other words, there is a positive relationship between foreign Indirect Investment flows and financial sustainability in institutions. In tandem with these studies, showed (Kupiec,1999:77) a bias towards international investment in securities because it avoids companies' obligation to pay interest or the risk of defaulting on their financial obligations.

Financial Sustainability

Financial sustainability refers to the organization's continuity to carry out its all activities and fulfill its obligations without being exposed to bankruptcy in order to achieve its desired goals(John,2015:17). while defined by(Gakun,2014:1) as a measure of an organization's ability to meet all of its financial requirements, fulfill its obligations, and serve stakeholders over time. In addition to these studies refers (Zabolotnyy & Wasilewski,2019:16) that the concept of financial sustainability of a company is derived from the principle of maximizing shareholder value at an acceptable level of risk by using the optimal structure of financing. also expressed by (Padilla et al,2012) as it means the company's ability to provide a variety of financing to customers without resorting to other parties when exposed to financial risks. either (Levine & Zervos, 1996: 324) emphasize that among the alternatives

available to achieve financial sustainability is represented by the attraction of foreign capital by opening local markets to foreign investors. while (Osazefua,2019:20) links financial sustainability to the profitability level achieved by the company and it is measured by ratios such as (ROA). another related study by(Francois,2015:17) defined it as the ability of a project or organization to maintain a wide range of funding sources in order to provide standard services to its customers over time and it can be evaluated through liquidity, profitability, efficiency, and effectiveness. Along the same lines, (Bell et al,2010:3) explained that it reflects the company's ability to bear all its current costs and the cost associated with its growth if it expands its operations. while(Nurmakhanova et al,2015:)refers that sustainable enterprises are those that operate profitably and do not require support to be successful. Recently (Kim,2019) the topic of measuring and managing the financial sustainability of borrowers has become critical for financial institutions in order to manage their own risks and to predict financial distress. consistent with these studies (Sontag-Padilla, 2011) demonstrated that financial sustainability reflects the degree of management flexibility of the organization to reallocate assets and resources to seize opportunities and face unexpected threats while maintaining overall performance for as long as possible. and also

state that Nonprofit organizations face a myriad of challenges trying to improve and maintain financial sustainability due to balancing financial sustainability with their organizational mission.

METHODOLOGY

Study Problem

The research problem was inspired by the challenges facing the financial institutions in Iraq. the most important of which is their weak financial performance due to insufficient sources of funding low level of liquidity and which leads to the scarcity of sufficient capital and low rates of trading this causes the failure to ensure the achievement of financial sustainability in financial institutions. This, in turn, sparked a deep philosophical debate about choosing the best solution especially after developing investment methods and techniques which resulted in several solutions including attracting indirect foreign investment which is considered one of the safest sources of funding.

Study Importance

With the increasing interconnectedness of international financial markets, the international flow of capital across borders has become a relatively recent phenomenon, and these flows have formed a major part of ensuring the financial sustainability of institutions, especially in developing

countries, over the past two decades. From this point, the research derives its importance, and this can be clarified in the following points:

- 1- Seeking to attract indirect foreign investment to enhance the internationalization of securities.
- 2- Increasing the liquidity of financial institutions through the presence of a large number of sellers and buyers of securities, which ensures the necessary liquidity.
- 3- it is necessary to ensure sustainability in the institutions to enhance their financial performance.

Study Objectives

The current study seeks to know the extent to which foreign portfolio investment flows contribute to achieving financial sustainability in financial institutions, and this can be clarified through the following points:

- 1-Analyzing the role of foreign indirect investment in achieving international trading of securities in financial institutions.
- 2- Working to ensure financial sustainability to enhance the efficiency of the activities of financial institutions.
- 3-The study seeks to provide investors with a clear vision of the dimensions of indirect foreign investment
- 4- The study aims to show the determinants of indirect foreign investment flows.

Study Hypothesis

For the purpose to achieve the research objective has been formulated the main hypothesis based on the theoretical framework review are:

- Main hypothesis: There is a significant impact of indirect foreign investment flows in achieving the financial sustainability of equity markets .

either, the sub-hypotheses are :

- First sub-hypothesis: Indirect foreign investment contributes to raising the capital adequacy ratio.
- Second sub-hypothesis: Indirect foreign investment leads to an increase in the level of profitability.
- Third sub-hypothesis: Indirect foreign investment achieves an increase in self-sufficiency.
- Forth sub-hypothesis: Indirect foreign investment contributes to raising the proportion of property equity

Data Collection

The data collected of the practical aspect of from the annual financial reports published in Iraq market of securities for "Trade Bank of Iraq" on a quarterly basis for the period time from the first quarter of 2018 to the fourth quarter of 2020. The focus was data related to specific measures of foreign direct investment are (Trading Volume). Either measures of financial sustainability are

(Operating, Financial Self-sufficiency, and Return on Assets).

Research Framework

Table (1): Research Framework

Main Variables		Sub-Dimensions
independent variable	Indirect Foreign Investment (IFI)	Trading Volume
		Contracts Number
dependent variable	Financial Sustainability (FS)	Capital Sufficiency Index
		Profitability Index
		Self-Sufficiency Index
		Equity Index

Source: By the authors

RESULTS

1. Analysis of indirect investment indicators for the Commercial Bank of Iraq:

Indirect foreign investment is one of the main pillars that contributed to encouraging investment and the use of modern technologies in banking which led to an increase in economic development by encouraging all economic sectors, and this role of indirect foreign investment emerged after the activation of Investment Law No. (13) of the year 2006, which allowed foreign investors to trade shares through buying and selling operations and opening investment

portfolios in the financial market. The Commercial Bank of Iraq is one of the first banks that sought to improve investment and development through this type of investment, the current study will analyze the indirect foreign investment indicators of this bank to identify the extent of its contribution to achieving its financial sustainability.

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Analysis of the foreign trading volume of the Commercial Bank of Iraq .

Table (2): Foreign Trading Volume (Buying, Selling)

Years	quarters	Trading Volume (buying)	Change Rate %	Trading Volume (Sell)	Change Rate %
2018	Q1	136.9		30.3	
	Q2	72.9	- 0.47	37.3	0.23
	Q3	72.9	0.09	2724.2	72.03
	Q4	336.7	3.23	182.8	-0.93
2019	Q1	29.8	- 0.91	57.9	-0.68
	Q2	22.9	- 0.23	0.4	-0.99
	Q3	56.7	1.48	0.02	-0.95
	Q4	142.7	1.52	84.2	4209.0
2020	Q1	5.9	- 0.96	9	-0.89
	Q2	0.3	- 0.95	0.1	-0.99
	Q3	0.7	1.33	0.1	0.00
	Q4	12.3	16.57	43.7	436.00
Average		74.8	1.88	264.2	428.35

Source: Prepared by the researcher based on the data published in the financial market. (Amounts in millions of dinars)

Table (2) shows the volume average of foreign trading (purchase) achieved by the bank during the study period amounted to (74.8) million dinars and the volume average of foreign trading (selling) amounted to (264.2) million dinars, As indicated by the table data the volumes of Trading (buying) or (selling) was volatile throughout the study period, and the reason for this is due to the variables of supply and demand for these shares. The table also shows that the highest percentage of trading (purchasing) achieved by the bank was in the fourth quarter of (2018), with a value of about (336.7) million dinars as a result of the successful policies

pursued by the bank, which led to an increase in trading volume during this period, and we also note that the lowest percentage Trading (purchasing) was achieved in the second quarter of (2020), with a value of (0.3) million dinars, and this decline is due to the prevailing expectations in the market regarding these shares. The table also shows the highest percentage of trading (selling) achieved by the bank was in the third quarter of (2018), with a value of about (2724.2) million dinars and the reason for this rise is because of the positive indicators owned by the bank and we also note in the second and third quarters of (2020) respectively, that the

bank achieved the lowest ratio of trading (selling), which amounted to (0.1) million dinars. The table results also indicate the change rates in the stock trading movement, whether it was (buying) or (selling), which was volatile in a very clear way, as we note that the highest percentage of change in (purchasing) operations was achieved in the fourth quarter of (2020) at a rate of (16.57), while the lowest percentage of change was in the second quarter of the same year at a rate of (-0.95).either the stock trading movement (selling), it achieved the highest change rate, which amounted to (4209.0) in the fourth quarter of (2019), while the second quarter of the years (2019- 2020) recorded the lowest percentage for change in the movement of

stock trading (selling) at a rate of (-0.99) and by following the change movement of stock trading and its two types (buying) or (selling) we notice that the percentages of change did not depend on the volume of trading deals, but rather on the amount of change that occurs in those deals during the study period which shows that the size of the deal does not necessarily affect the amount of change as much as the effect of the fluctuation occurring in these deals.

Table (3): The Relative Importance of Foreign Trading Volume (Buying, Selling)

Years	quarters	Trading Volume (Total)	Trading Volume (buying)	Relative Importance	Trading Volume (Total)	Trading Volume (Sell)	Relative Importance
2018	Q1	749.0	136.9	18.3	749.0	30.3	4.0
	Q2	601.3	72.9	12.1	601.3	37.3	6.2
	Q3	727.1	79.6	11.0	727.1	2724.2	374.7
	Q4	2487.4	336.7	13.5	2487.4	182.8	7.4
2019	Q1	282.3	29.8	10.6	282.3	57.9	20.5
	Q2	623.3	22.9	3.7	623.3	0.4	0.1
	Q3	495.0	56.7	11.5	495.0	0.02	0.003
	Q4	2151.1	142.7	6.6	2151.1	84.2	3.9
2020	Q1	158.7	5.9	3.7	158.7	9.0	5.7
	Q2	17.5	0.3	1.7	17.5	0.1	0.6
	Q3	234.0	0.7	0.3	234.0	0.1	0.04
	Q4	602.3	12.3	2.0	602.3	43.7	7.2
Average		760.8	74.8	7.9	760.8	264.2	35.86

Source: Prepared by the researcher based on the data published in the financial market. (Amounts in millions of dinars).

By noting the relative importance which is shown in Table (3) the foreign trading movement (buying) or (selling) witnessed a noticeable fluctuation throughout the study period reason this fluctuation is due to the movement of supply and demand which led to a change in the trading movement from period to another which contributed to the decrease and rise of this percentage from period to another during the period for the study. Where the table data indicated the average volume of total trading of the bank amounted to (760.8) million dinars during the study period, and the average of trading volume for purchases operations amounted to (74.8) million dinars, while the average of trading volume for sales operations amounted to (264.2) million dinars during the study period. The table results also indicate that the highest of the relative importance of trading volume (purchase) reached (1830%), specifically in the first quarter of (2018) while the third quarter of (2020) recorded the lowest of the relative importance of trading volume (purchasing) as it reached (30%) and the reason for this is due to the significant decrease in the trading volume of buying compared to the total trading volume of the bank of the research sample, as the trading volume (purchase) was

approximately (0.7) million dinars, while the total trading volume was about (234.0) million dinars, and the decrease in the percentage of this trading was due to the weakness of the bank's activities during this period, and this is evident when noticing Table (3), as the decline operations start from the first quarter of the year (2020) to rise again in the fourth quarter of the same year. The table results also show that the bank achieved the highest of the relative importance of the trading movement (sell) was in the third quarter of the year (2018) at a rate of (27,240%) and the reason this rise in this percentage is due to the large increase in the trading volume of these shares compared to the total trading volume. The table also shows us that the trading rates began to gradually decrease until they reached their lowest level in the third quarter of the year (2019) reaching (0.02) million dinars, which led to a decrease in the relative importance during this period to record the lowest importance percentage during the study period, at a rate of (0.3%) and the reason for this decline is due to the investor's reluctance because of a result of the economic conditions that the country is going through.

2- Analysis of the shares number of Commercial Bank of Iraq:

Table (4): The shares number of traded by foreigners (buying, selling)

Years	quarters	Trading Volume (Total)	Trading Volume (buying)	Change Rate %	Relative Important	Trading Volume (Sell)	Change Rate %	Relative Important
2018	Q1	1577.4	288.4		18.3	65.5		4.1
	Q2	1350.5	168.2	-0.42	12.5	85.0	0.30	6.3
	Q3	1659.0	182.8	0.09	11.0	7756.5	90.25	467.5
	Q4	5508.0	747.9	3.09	13.6	418.7	-0.95	7.6
2019	Q1	685.8	70.0	-0.91	10.2	147.0	-0.65	21.4
	Q2	1474.5	57.7	-0.18	3.9	0.8	-0.99	0.05
	Q3	1055.8	121.7	1.11	11.5	0.03	-0.96	0.003
	Q4	4834.1	318.9	1.62	6.6	205.1	6835.67	4.2
2020	Q1	345.8	12.8	-0.96	3.7	20.0	-0.90	5.8
	Q2	41.0	0.8	-0.94	1.8	0.3	-0.99	0.8
	Q3	497.5	1.5	0.88	0.3	0.2	-0.33	0.05
	Q4	1322.1	27.3	17.20	2.1	98.8	493.00	7.5
Average		1696.0	166.5	1.9	8.0	733.2	673.9	43.78

Source: Prepared by the researcher based on the data published in the financial market. (Amounts in millions of dinars).

Table (4) shows that the average number of traded shares for the study sample bank amounted to (1696.0) million shares during the study period. The table results also show that the average number of purchased shares amounted to (166.5) million shares, while the average number of sold shares was (733.2) million shares during the study period. and by following the movement of shares trading (buying) or (selling), we note that the number of shares trading began to increase in (2018) to reach its highest level in the purchased shares in the fourth quarter, with the number of shares reaching (747.9)

million shares, with a change rate of (3.09). While the third quarter of the same year witnessed the largest volume of sold shares trading, reaching about (7756.5) million shares, with a change rate of (90.25) and the reason for this rise is due to the transparency of buying and selling operations in this period. The table data indicates that the lowest number of traded shares (purchase) was in the second quarter of the year (2020) with a value of (0.8) million shares and a rate of negative change of (-0.94). This decrease is due to market conditions that directly affected the bank's activities, while recorded the sold shares had the lowest volume of

trading in the third quarter of the year (2019) with a trading volume of (0.03) million and a rate of negative change (-0.96) the results also indicate that the trading volume of purchased and sold shares was characterized by fluctuation throughout the study period and the reason for this is due to a change in the trading volume compared to the total trading volume of the research sample bank. As the bank recorded the highest rate of change for purchased shares in the fourth quarter of (2020) at a rate of (17.20), while the first quarter of the same year witnessed the lowest percentage of change for (purchasing) shares at a rate of (-0.96) as for

the sold shares in the fourth quarter of the year (2019) had achieved the highest rate of change which amounted to (6835.67) while the lowest percentage of change in the trading volume of sold shares amounted (-0.99) which was recorded in the second quarter for the years (2019), (2020) respectively.

3-Analysis of the net indirect foreign investment of Commercial Bank of Iraq.

Table (5): Trading Volume of Foreign (buying, selling)

Years	quarters	Purchased Shares	Sold Shares	Net Investment
2018	Q1	136.9	30.3	106.6
	Q2	72.9	37.3	35.6
	Q3	79.6	2724.2	-2644.6
	Q4	336.7	182.8	153.9
2019	Q1	29.8	57.9	-28.1
	Q2	22.9	0.4	22.5
	Q3	56.7	0.02	56.7
	Q4	142.7	84.2	58.5
2020	Q1	5.9	9.0	-3.1
	Q2	0.3	0.1	0.2
	Q3	0.7	0.1	0.6
	Q4	12.3	43.7	-31.4
Average		74.8	264.2	-189.39

Source: Prepared by the researcher based on the data published in the financial market. (Amounts in millions of dinars).

Table data (5) indicates that the bank achieved a net negative investment during the study period with an average of (189.39) million dinars and the reason for this is due to that the volume of sold shares was greater than the volume of purchased shares. by following the results of the table we note that the net investment was changed from one period to another and the reason is due to the changes that occur in both the purchased shares and the sold shares as the bank recorded the highest of investment net during the study period in the fourth quarter of the year (2018) with a value (153.9)) million dinars, the reason for this is the increase in the volume of purchased shares compared to the sold shares reaching (336.7) million shares during the study period. This increase occurred due to the increase in the bank's activities and the formation of a positive image among investors. While the third quarter of the same year recorded the lowest value of investment witnessed by the bank during the study period, with a value of (-2644.6) million dinars. this decrease was the

result of the high value of the sold shares that significantly exceeded the value of the purchased shares, as its value reached about (2724.2) million dinars, which achieved a remarkable decrease during this period. The table results also show that after the year (2018) investment rates witnessed a gradual decline until they reached negative levels at the end of the study period and the reason for this is due to the economic conditions of the country which has clearly affected this type of investment.

Analyzing indicators of financial sustainability for the Commercial Bank of Iraq:

The concept of sustainability appeared in the late seventies of the last century but its real use began to be evident in the nineties. This concept expresses the ability of financial institutions and countries to find financial flows to increase their revenues and enable them to cover their obligations. Below we will discuss some indicators of the financial sustainability of the Commercial Bank of Iraq:

Table (6): Indicators of Financial Sustainability of the Commercial Bank of Iraq

Years	quarters	Assets	Net Income	Equity	Total operating revenue	Total costs	Capital Sufficiency	Profitability	Self-Sufficiency	Equity
2018	Q1	451.8	3.7	288.5	5.8	2.4	0.64	0.008	2.42	0.01
	Q2	443.4	2.1	290.8	4.8	2.5	0.66	0.005	1.92	0.01
	Q3	430.4	2.3	281.2	4.8	2.4	0.65	0.005	2.00	0.01
	Q4	433.9	10.9	283.9	19.8	9	0.65	0.025	2.20	0.04
2019	Q1	453.5	2.2	277.3	4.9	2.7	0.61	0.005	1.81	0.01
	Q2	433.4	1.6	279.1	4.6	2.9	0.64	0.004	1.59	0.01

	Q3	444.3	1.10	280.2	4.2	3.1	0.63	0.002	1.35	0.004
	Q4	449.1	5.6	272.2	19.5	12.5	0.61	0.012	1.56	0.02
2020	Q1	474.9	0.8	272.9	4.2	3.3	0.57	0.002	1.27	0.003
	Q2	481.7	1.4	274.4	3.9	2.4	0.57	0.003	1.63	0.01
	Q3	547.1	1.4	275.9	5.2	5.7	0.50	0.003	0.91	0.01
	Q4	616.9	35.5	307.8	57.3	16.8	0.50	0.058	3.41	0.12
Average		471.7	5.7	282.02	11.583	5.475	0.60	0.011	1.84	0.02

Source: Prepared by the researcher based on the data published in the financial market.

4- Profitability Index (PI)

1- Index of Capital Adequacy (CA)

Table (6) data indicate that the Commercial Bank of Iraq achieved average capital adequacy of (0.60) during the study period and the results also indicate that this indicator was sort of stable throughout the period except for the recent periods that witnessed a noticeable decline and the reason for this is the change that occurs in the components of this indicator. the table also shows that the highest percentage achieved for this indicator was recorded in the second quarter of (2018) which amounted to about (0.66) as a result of the clear increase in equity offset by a decrease in the volume of the assets. by observing the movement of this percentage we note that it began to decline gradually until it reached its lowest level in the third and fourth quarters of the year (2020) respectively, at a rate of (0.50), despite the clear increase of equity in the last quarter but there was a similar increase in the total assets which led to the survival of this ratio at the lowest level.

Table (6) shows that the profitability index of the Commercial Bank of Iraq achieved a general average of (0.011) during the study period and when observing this indicator we see that it was volatile during the period and the reason for this fluctuation is due to the changes that occur in the amount of profit achieved by the bank in each period compared with the volume of assets. we also note that the last period of the study, specifically the last quarter of the year (2020) recorded the highest profitability during the period, at a rate of (0.058) and the reason for this is the clear increase in the amount of profit achieved by the bank compared to the increase that occurred in the volume of assets. While the third quarter of the year (2019) and the first quarter of the year (2020) recorded the largest ratio of profitability for the bank during the study period at a rate of (0.002) and this decrease is the result of a decrease in net income compared to the size of assets.

3- Index of Operational Self-Sufficiency (OSS)

Table (6) shows that the Commercial Bank of Iraq recorded a general average of this indicator by (1.84) during the study period and the results showed that this indicator was somewhat volatile during the period and that this bank achieved the rate highest of self-sufficiency in the last quarter of the year (2020) at a rate of (3.41) the reason for this increase in this percentage is due to the clear increase in operating income as the bank recorded the highest value of operating income during the study period compared to the volume of costs that increased in the same year, but the increase in the amount of operating income was greater than the increase in the volume of costs which led to the achieved of this percentage. The table also shows that the percentage lowest achieved by the bank according to this indicator was achieved in the previous quarter of the same year, specifically in the third quarter, at a rate of (0.91) the reason for this decrease is due to the large increase in the volume of costs compared to net income

this led to a clear decline in this indicator during this period.

4- Index of Return of Equity

Table (4) shows that the Iraqi Commercial Bank has achieved a general average of the return on equity during the duration of the study by (0.02) and through the follow-up of this indicator during the period we note that this ratio has little changed but an except a decrease in some periods of study and specifically In the third quarter of (2019) which was recorded (0.004) to return clearly in the first quarter of (2020) that recorded the percentage by (0.003) and these are considered the lowest percentage of the Bank during the duration of the study and the reason for this decline due to changes occurring In the volume of property rights compared to the size of the assets, while the last quarter of (2020) recorded the highest percentage of profitability during the period and (0.12) and this clear increase in this percentage is the result of the nature of the greater increase in the volume of ownership of the bank's assets.

Analyzing the effect of indirect foreign investment in financial sustainability for the Commercial Bank of Iraq:

Table (7): The relationship between a net of indirect foreign investment and financial sustainability indicators.

Year s	quarters	Net Income	Capital Sufficiency	Profitability	Self-Sufficiency	Equity
2018	Q1	106.6	0.64	0.008	2.42	0.013
	Q2	35.6	0.66	0.005	1.92	0.01
	Q3	-2644.6	0.65	0.005	2.00	0.01
	Q4	153.9	0.65	0.025	2.20	0.04
2019	Q1	-28.1	0.61	0.005	1.81	0.01
	Q2	22.5	0.64	0.004	1.59	0.01
	Q3	56.7	0.63	0.002	1.35	0.004
	Q4	58.5	0.61	0.012	1.56	0.02
2020	Q1	-3.1	0.57	0.002	1.27	0.003
	Q2	0.2	0.57	0.003	1.63	0.01
	Q3	0.6	0.50	0.003	0.91	0.01
	Q4	-31.4	0.50	0.058	3.41	0.12
Average		-189.39	0.60	0.011	1.84	0.02

Source: Prepared by the researcher based on the data published in the financial market. (Amounts in millions of dinars).

The Table results (7) explain the impact of indirect foreign investment on the financial sustainability of the Iraqi Commercial Bank during the study period and this shows evident when the follow Indirect Foreign Investment Movement and its impact on the financial sustainability indicators used in this research. as noted and through the table that sustainability indicators have changed with the change of indirect foreign investment volume of the sample of the research except the capital adequacy index due to the decline of net investment in the second quarter of 2018 is to (35.6) million dinars than it was in the first quarter with a value (106.6) million

dinars we note that all sustainability indicators (profitability, self-sufficiency, Equity) to reach a respectively to (0.005, 1.92, 0.01) than in the first quarter (0.008, 2.42, 0.013) and with the continued decline in net investment in the third quarter and in the same year we note that financial sustainability and through the capital adequacy index, it decreased from the second quarter by (0.65). The table also shows that the fourth quarter of (2018) has seen an obvious increase in the size of indirect foreign investment to (153.9) million dinars which positively affect the indicators of financial sustainability (capital adequacy,

profitability, self-sufficiency, Equity) to reached respectively (0.65, 0.025, 2.20, 0.4) compared to its values in the previous quarter, which was (0.65, 0.005, 2.00, 0.1) as the net indirect foreign investment continues to change, the sustainability indicators continue in change. but at the beginning of (2019) and specifically, In the first quarter, we note that the net indirect foreign investment clearly decreased and reached a negative value of (-28.1) million, which led to a decline in the financial sustainability of the bank through the decrease in the indicators ratios used to measure them, that reached respectively, (0.61, 0.005, 1.81, 0.1) to come back the investment volume to rose again in the second quarter of the same year, so that the capital adequacy index returned to the increase and formed gradually, as its percentage reached (0.64) compared to the previous period while the other indicators remaining to decline as a result of other factors that affected them. Notes through the table that the fourth quarter of (2019) has witnessed a clear increase in the volume of investment as the value of the indirect foreign investment in this period are about (58.5) million dinars, causing this in increased financial sustainability and through the indexes (profitability, self-sufficiency, Equity) that recorded in a respectively (0.012, 1.56, 0.02) high for its previous period, which was recorded (0.002, 1.35, 0.004), as at the

beginning of (2020) during the first quarter, the net indirect investment witnessed a significant negative decline, as it recorded a value of (-3.1) million dinars, which negatively affected the financial sustainability of the bank, to decrease according to the indicators (capital adequacy, profitability, self-sufficiency, property right), as it recorded a percentage, respectively. (0.57, 0.002, 1.27, 0.003) compared to what was recorded in the last quarter of (2019) we also note that sustainability indicators began to rise again after the clear increase in the second quarter of (2020) as the bank achieved valued (0.2) million dinars as an indirect foreign investment. These indicators recorded respectively (0.57, 0.003, 1.63, 0.01). We conclude from this that the financial sustainability indicators of the Iraqi Commercial Bank have been influenced and clearly in most of the non-direct foreign investment movements, whether this movement is up or down. This, in turn, confirms the impact of indirect foreign investment on financial sustainability, which proves the main hypothesis and sub-hypotheses of the research.

CONCLUSIONS

&

RECOMMENDATIONS:

Conclusions:

1-Indirect foreign investment contributes to improving the efficiency of financial and banking institutions by enabling them to

achieve good percentages of profits, which are positively reflected on their efficiency.

2- Financial sustainability is an urgent necessity for financial institutions because it helps them achieve their various goals. Therefore, they must find optimal sources of financing to enable them to maintain their financial sustainability. One of the most important of these sources is indirect foreign investment.

3- The bank's stock prices and movement change during the study period as a result of the information received from the financial market, as it greatly affects the share price and its trading movement.

4- The value of the net indirect foreign investment during the study period witnessed a clear fluctuation, and the reason for this was the market conditions as well as the economic conditions in the country.

5- The results showed a positive relationship between net indirect foreign investment and the indicators used to measure financial sustainability.

Recommendations:

1- Financial institutions and banks should make the most of indirect foreign investment operations by developing dealing

mechanisms and granting the necessary facilities to attract foreign investors.

2- The necessity of the bank to maintain sustainable performance by finding appropriate sources of funding through which the bank can increase its activities, which will eventually contribute to making it more growth and stability.

3- Benefiting from the information provided by the investment commissions, which are constantly working to provide correct information about the nature of the investment, which helps the bank to choose the best investment opportunities and especially those opportunities related to foreign investment.

4- Searching for new methods and indicators to measure financial sustainability which may give more accurate results in measuring this variable which will contribute in one way or another to knowing the extent to which banks have achieved sustainability and what are its repercussions on the performance of those banks.

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