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The impact of Indirect foreign investments on the financial market index

An analytical study in the Iraqi Stock Exchange for the period (2005-2022)

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Abstract: The research aims to identify and discuss the intellectual and philosophical debate about foreign investments and the Iraqi Stock Exchange index and to know the size and type of relationship between the two variables, through a systematic framing between theory and practice, relying on published data for the period from 2005 to 2022. The inductive method was used in reading the data. Concerning the research variables (foreign investments and the Iraq Stock Exchange index), in order to reach results that reinforce the research hypothesis, in addition to the standard method and the formulation of a standard model to reach the linear relationship between the variables. The research came out with a number of conclusions, the most important of which is the existence of a relationship of correlation and influence between foreign investments. And the Iraq Stock Exchange Index, as indirect foreign investments are affected by the financial market index, and contribute significantly to enhancing economic growth, improving infrastructure, increasing well-being and improving job opportunities, and thus increasing well-being and economic prosperity. The research also presented a set of proposals, perhaps the most important of which are "on The country should manage its reliance on foreign investment carefully to achieve a balance between benefiting the host country and preserving the competitiveness of local companies.

Keywords: foreign investments, Iraq Stock Exchange index.

Introduction

Foreign investments and the financial market index represent important aspects of the global economy, as foreign investments are the flow of capital from one country to another country for the purpose of directing money towards investment opportunities that achieve returns. Foreign investment stimulates economic growth and improves infrastructure, enhances productivity and improves investment opportunities. Work also contributes to the exchange of knowledge and technology between

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investing and beneficiary countries. As for the financial market index, it is an indicator that measures the performance of the stock market in a particular country, as the level and direction of the financial market index is affected by many factors, such as economic policy, economic expectations, foreign investments and corporate returns. Listed on the stock exchange, the financial market index is also an important estimation tool for evaluating the economic performance of a particular country, and is used as an indicator to guide investments and make financial decisions.

Others believe that indirect foreign investments affect the financial market index through several factors, including the strength of the local sector, the availability of human capabilities, and the strength of the financial and legal system in the host country. Indirect foreign investments may enhance economic growth, maximize investment opportunities, and attract more direct foreign investments. Which reflects positively on the performance of the financial market index. On the other hand, the economy that benefits from indirect foreign investments may face some challenges, such as excessive dependence on foreign investments, and the large connection of its economic sectors to foreign companies, and thus the host country becomes vulnerable to any global changes or problems. In order to reach the goal of the research, the research was divided into four sections. The first section dealt with the methodology, the second section presented the intellectual and philosophical aspects of the research variables, the third section specialized in the applied aspect of the research, and the fourth section dealt with the most important results and proposals that the research reached.

Research Methodology:

Research problem:

Most companies in developing countries are characterized by their weak financial capabilities, and these companies also seek to obtain the necessary financing to increase their investments. On the other hand, the dominance of global financial markets and their spread at the global level imposed a new reality about the role of foreign financial flows in the process of market growth, and for this reason we found the need to search for... Positive or negative effects on this reality, and here the main question was raised: “Do foreign investments affect the Iraqi stock market index during the period under investigation?”

Importance of research:

The current research gains its importance from the importance of macroeconomic variables and the cognitive aspects of the intellectual roots of the topics, including (foreign investments), as well as the importance of microeconomic variables that receive attention from researchers, including (the Iraqi stock market index), in addition to raising the market value of financial markets through sources External research is reflected positively in economic activities and financial markets. On the other hand, the field importance of the research comes through highlighting the impact of foreign investments on the Iraqi stock market index, consolidating modern concepts from the literature on the subject, and arranging and presenting them in an integrated way to provide the scientific library.

Research objectives:

The objectives can be summarized as follows:

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1. Identify the concepts of indirect foreign investments and the Iraq Stock Exchange index and the relationship between them.

2. Clarifying and discussing the intellectual controversy surrounding the research topics, its intellectual and philosophical dimensions, and the trends and opinions of researchers regarding the research variables within a theoretical framework, as well as their application in the field.

3. Study the correlation and impact between foreign investments and the Iraqi Stock Exchange index.

Research hypotheses:

The research starts from the following assumptions:

1. There is no statistically significant correlation between foreign investments and the Iraq Stock Exchange index during the period under study.

2. There is no statistically significant relationship between foreign investments and the Iraq Stock Exchange index during the period under study.

Limits of research:

1. Temporal limits of the research: The time period of the research extends from (2005) to (2022).

2. Spatial research limits: The spatial research limits lie in focusing on data on indirect foreign investments and the Iraq Stock Exchange index in Iraq.

Research method:

1. The inductive method: which relies on collecting private data and information about foreign investment variables and the Iraqi stock market index, as this was prepared based on actual data taken from the Central Bank of Iraq website (www.cbi.iq) to achieve results that confirm the research hypotheses.

2. The econometric method: which focuses on analyzing economic phenomena quantitatively by formulating linear econometric models based on reality variables and then testing and analyzing them to help in formulating economic policies.

LITERATURE REVIEW

Foreign Investments:

Financial and economic literature has divided foreign investments into two main types: Direct Investment, which is in capital or tangible assets, and Financial Investment, which is in financial assets and is called Indirect Investment, as the investor's ability to implement and control the investment reflects whether the investment is direct. Or financially, direct investment here is represented by ownership, control, and achieving a return on investment, not only in terms of financial contribution, but also in terms of transferring intangible assets such as technology. As for financial investment, the investor is the financier and/or owner of the entire investment or part of it, such as investment in stocks and financial bonds. And other financial assets (Hassan, 2009, 123), as he defined investment as "disposing of money that an individual owns at a given moment and for a specific period of time that may be short or long and linking it to one or more assets that he maintains during that time period with the aim of obtaining financial flows." Future financial compensation that compensates him for the current value of the money that he gave up in order to obtain it, in addition to the expected decrease in

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the purchasing power of that money due to inflation, in addition to the risk arising from the possibility that the desired financial flows will not occur as expected" (Ramadan, 2007, 13).

pointed out that foreign direct investment is investments coming from outside the country to create new projects, expand existing projects, or acquire local companies or projects (Dhingra, et al. 2016, 25). Foreign direct investment is also defined as the employment of foreign funds that are not National capital assets in a country and involves a long-term relationship that reflects the benefit of the foreign investor, who may be an individual, company, or institution, who has the right to manage his assets from his country or the country of residence in which he is (Riyad and Muhammad, 2013, 417), and between as the transfer of financial assets through investment by individuals and companies in one country and investing it in the assets and securities of companies in another country (Garg & Dua ,2014, 5), either directly in the assets of companies or indirectly through financial markets, which is confirmation that investment Financial is investment related to stocks, bonds, treasury bills, commercial instruments, bank acceptances, tradable deposits, and options (Mohamed, 2019, 391).

Advantages of indirect foreign investment:

Host countries enjoy a number of advantages to attract foreign funds to developing countries, especially Arab countries. The movement of foreign investments, especially financial investments, has increased in recent decades due to the rapid growth of investment movement, which affects the economies of countries, and also affects the global monetary system. The other reason lies in globalization. Financial markets and their openness to global markets and the ability to obtain sources of financing from international financing markets. Among the most prominent advantages that contribute to developing countries in increasing their interest in obtaining indirect foreign investments are the following (Al-Hilali and Al-Hasani, 2023, 125-126):

1. **Increasing the liquidity of financial markets**: Indirect foreign investments increase the liquidity of the local stock market, as well as raising the level of efficiency of the local market, as they make the market deeper and more liquid, and the presence of a large number of sellers and buyers in the local financial market is considered to provide liquidity. Significant cash.

2. **The benefit of the real sector of the economy**: The liberalization of capital flows to financial funds leads to higher rates of economic growth, because it works to accelerate global stock markets, which in turn increases the productivity of the local worker, and indirect foreign investment flows work to provide sources of foreign investment in countries. Developing countries that lack capital, and thus these investments complement local savings to improve the investment rate by providing foreign exchange in local markets, as they work to reduce pressure from the foreign exchange gap for less developed countries, and this is what makes imports of necessary investment goods easy. For the stock.

Iraq Stock Exchange Index:

The Market Index or Stock Index measures the level and direction of the prices of the stocks traded in it. In this regard, indices measure the market situation in general, such as the Dow Jones

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Industrial Average (DJIA)[1] and the Standard & Poor's 500 (S&P 500)[2] index, which is equivalent in Iraq to the Iraq Stock Exchange Index (ISX60) (Hindi A, 2015, 127), and these are used Indices serve as a benchmark for comparing individual stocks with the market as a whole, to measure the trend in stock prices over time, and to determine how various economic factors affect the market (Brigham & Houston, 2019, 51).

The stock market index is known as a standard number that measures the level of prices in the market and reflects the trading prices in a particular market, whether increasing or decreasing, based on a sample of company shares that are traded (Yara, 2018, 61). Or it is any group of stocks that all coordinate within a specific framework. These stocks are grouped together to determine the movement of the economy, market, or sector in question. This allows investors to track securities on a broad scale as easily as they can track a single stock. When the index declines, this means that the stocks within the index - on average - are declining, and some stocks in the index may rise when it declines overall, which indicates downward momentum among the stocks that... Followed by the indicator (Al-Tamimi and Daoud, 2021, 124).

The objectives of the market index and the factors affecting it:

There are several factors that affect an index through their impact on buying or selling operations and on the stock prices from which the movement of these indices is derived. These factors are (Al Ship, 2012, 92-93):

1. The extent of accuracy and transparency of news in the financial market.
2. The ability of traders to use rumors to influence price movement and trading volume.
3. Timing or time and the nature of economic variables.
4. The nature of competition and speculation in the financial market (large companies affect small companies).

Basic uses of indicators:

Stock price indices are useful tools for forecasting the overall economic situation of a country. However, there are many other uses of these indicators that are of interest to investors and other parties involved in financial market transactions. Here is a review of these uses (Hindi B, 2015, 246-248):

1. **Giving a quick idea of the portfolio's performance**: Once investors know the direction in which market conditions have changed, they can quickly understand the change in market portfolio returns, whether it is a positive or negative indicator, without having to follow the performance of all securities, if all of their investments are in A certain industry has its own indicator, it is better to track this indicator.

[1] (DJIA) Dow Jones Industrial Average: It is a widely followed stock market index, consisting of 30 large and well-known stocks in the United States (Ross et.al, 2010, 414).

[2] The S&P 500 Index, abbreviated Standard & Poors, is the index that is described as the index for leading companies in leading industries. This index measures the average shares of 500 American companies and gives a good idea of price trends in the American capital market. It represents industrial facilities, including (400) shares, public utility facilities such as electricity, water, and communications (40) shares, transportation facilities (20) shares, and financial services, banking, and insurance facilities (40) shares (18, 2002, Stanley Danw).

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2. **Judging the performance level of professional managers:** According to the idea of simple diversification, ordinary investors can obtain a rate of return approximately equal to the market rate of return on a portfolio of randomly selected securities (that is, the index reflects the market rate of return). The average return on traded securities. This means that professional managers who use advanced diversification techniques should receive returns higher than the average market return.

3. **Predicting the state of the market**: If analysts are able to determine the nature of the relationship between some economic variables and changes in indicators, they may be able to predict future market conditions in advance and make predictions, and conducting a historical analysis of the indicators that measure the state of the market may reveal a pattern of changes. Which may occur to him, and this is something that would lead to making the right investment decisions at the right time.

4. **Estimating portfolio risk:** The indicator can be used to measure the systematic risk of a portfolio of securities.

The applied aspect of the research:

In this study, we discuss measuring and analyzing the relationship and building the standard model to measure the effect of the foreign investment variable as an independent variable in the Iraqi stock market index as a dependent variable for the period (2005-2022) and estimating the model parameters, as they will be investigated according to the simple linear regression equation, which is as follows:

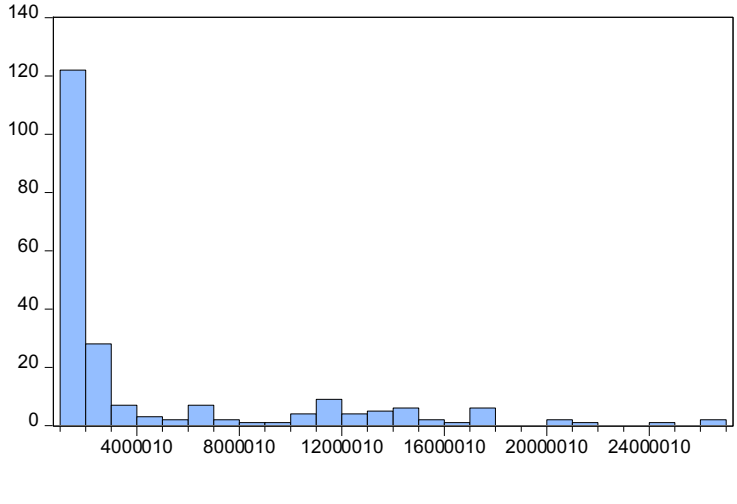
(Financial market index) Y = a + b (foreign investments) +e

Descriptive statistics for the data

1. Descriptive statistics for the Indirect foreign investment's variable:

The average foreign investments in the sample under study during the period from 2005 to 2022 reached a value of (473536), with a median value of (1791126). The maximum value of the average foreign investments was (26542103) and the minimum value was (105557). The value of the standard deviation was (5593544) while the skewness coefficient was (1.804028) It is a positive value indicating that the frequency distribution curve is slightly skewed to the right with a kurtosis factor (5.456648), as shown below.

Table (1) Descriptive statistics for the foreign investments variable for the period studied



Series: FOREIGN_INVESTMENTS	
Sample 2005M01 2022M12	
Observations 216	
Mean	4735436.
Median	1791126.
Maximum	26542103
Minimum	1055557.
Std. Dev.	5593544.
Skewness	1.804028
Kurtosis	5.456648
Jarque-Bera	171.4787
Probability	0.000000

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Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

To verify the extent to which foreign investment data were close to a normal distribution, the "Jarq-Pera" test was used through the economic statistics package "EViews10" as a decision rule to determine whether the data follows a normal distribution, to see if it matches the normal distribution, by referring to Table (1). we see that the foreign investment variable is not subject to a normal distribution, and its probability value (0.000000) is less than 0.05, and therefore there is a problem with the normal distribution, which means that foreign investment did not follow a normal distribution during the investigation period with a random path, but rather had a stable pattern of Fluctuations during the period under study are controlled by investors in the country, and Figure (1) shows this.

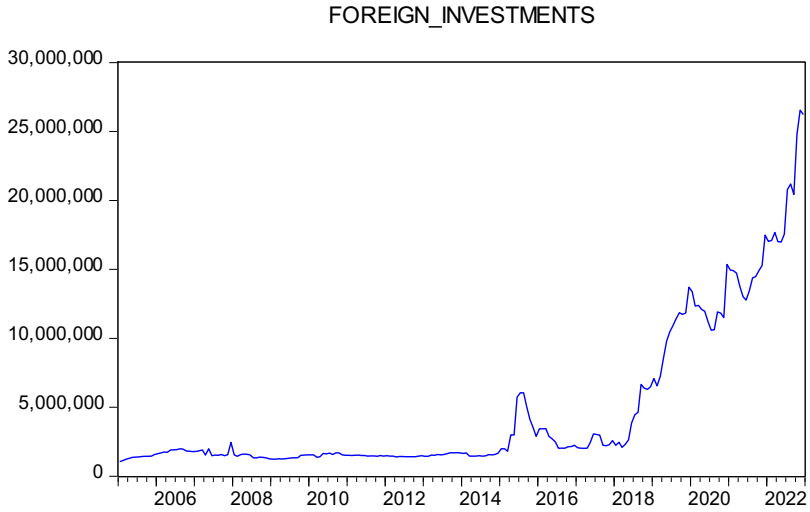

Figure (1): Graphical presentation of the foreign investments variable

2. Descriptive statistics for the Iraq Stock Exchange index variable:

The average value of the Iraqi Stock Exchange Market index in the sample under study during the period from 2005 to 2022 was (310,798), with a median value of (129.98), and the maximum value of the Iraqi Stock Exchange average was (1,000,500) and the minimum value was (24.97), and the standard deviation value was (268.30). The skewness factor reached (0.520976), which is a positive value indicating that the frequency distribution curve is skewed slightly to the right with a kurtosis factor (1.953117), as shown in Table (2).

Table (2) Descriptive statistics for the Iraqi Stock Exchange Index variable for the period studied

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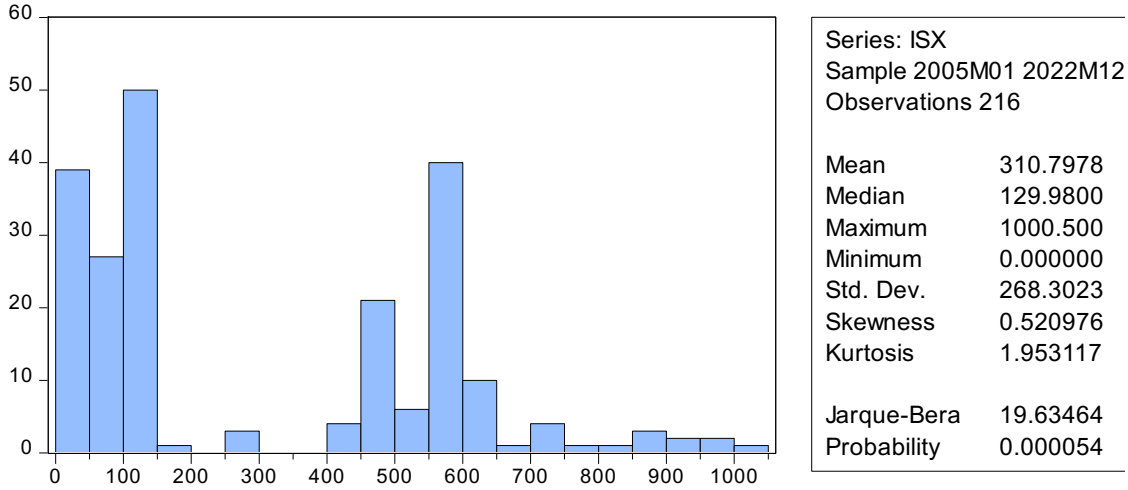

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

It is clear from Table (2) that the variable, the Iraqi Stock Exchange, does not follow a normal distribution, as the probability value was (0.000054), which is smaller than 0.05. Thus, there is a problem with the natural distribution, which is that it does not follow random walk and has a stable pattern in its fluctuations during the period under investigation as Figure (2) shows it:

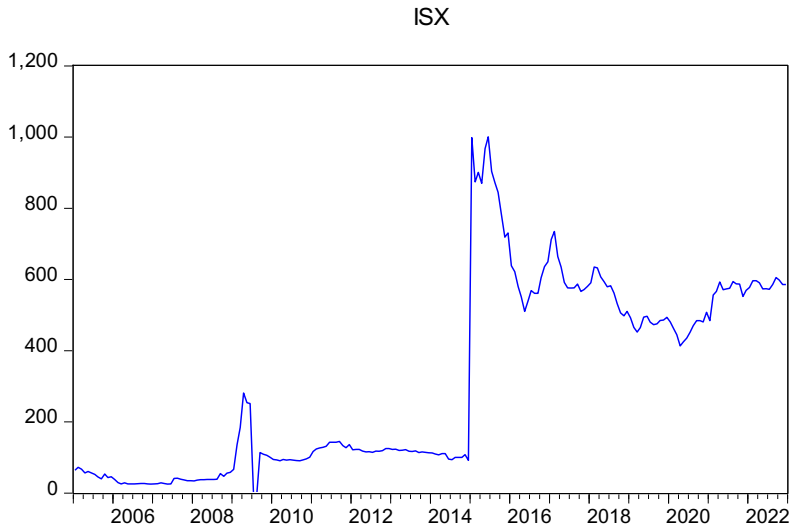

Figure (2) Graphical display of the Iraq Stock Exchange index variable

Unit root tests for stability:

Unit Root Tests were conducted for time series to study the impact of foreign investments on the financial market index for the period (2005-2022) with the aim of verifying their stability. The unit root tests used were classified according to the null hypothesis into tests that assumed nullably the presence of a unit root in the series as a signifier. This is due to its instability, such as the Augmented Dickey-Fuller test, the Dickey-Fuller GLS test, the Phillips - Perron test, and tests that assume non-stationarity of the time series, such as the Kwiatkowski - Phillips - Schmidt - Shin test.

It is clear from Table (3) that the foreign investment variable at the level is unstable in all unit root tests, except for the Kwiatkowski - Phillips - Schmidt - Shin test, in terms of the probability value

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that appeared in the tests and which was greater than (0.05). Therefore, the null hypothesis will be accepted, which states that the time series is unstable, since the foreign investment variable is unstable for all tests. Therefore, we found that when the first difference is taken, it becomes stable, which is clear from Table (4) by comparing the value of (Probability) with (0.10), (0.05) and (0.01) except for the (KPSS) test when there is a fixed limit and without a general trend.

Table (3): Results of unit root tests at the level of the foreign investment variable for the period under investigation

Tests	ADF		ADF (ERS)		PP		KPSS	
	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result
Trend and intercept	1.61188	unstable	0.857318	unstable	1.554309	unstable	0.403977	Stable at 1%
Intercept	3.575673	unstable	4.339106	unstable	3.545458	unstable	-	-
None	4.48378	unstable	-	-	4.431224	unstable	-	-

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

Table (4): Results of unit root tests at the first difference for the foreign investment variable for the period under investigation

Tests	ADF		ADF (ERS)		PP		KPSS	
	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result
Trend and intercept	-13.8613	Stable at 1%	-13.5221	Stable at 1%	-13.8836	Stable at 1%	-	-
Intercept	-	-	-	-	-	-	-	-
None	-	-	-	-	-	-	-	-

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

It is clear from Table (5) that the Iraqi Stock Exchange Index variable is at the level unstable in the Augmented Dickey-Fuller test, in terms of the probability value that appeared in the tests, which was greater than (0.05), and stable in the rest of the tests. Therefore, the null hypothesis will be rejected, which states that the time series is unstable. In general, and for all tests with respect to the Iraq Stock Exchange index variable, we found that when the first difference is taken, it becomes stable for all tests, which is clear from Table (6), by comparing the value of (Probability) with And (0.05) and (0.01).

Table (5): Results of unit root tests at the level of the Iraqi Stock Exchange Index variable

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Tests	ADF		ADF (ERS)		PP		KPSS	
	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result
Trend and intercept	-3.12898	unstable	-2.98591	Stable at 5%	-3.20861	Stable at 10%	0.126375	Stable at 10%
Intercept	-1.86282	unstable	-	-	-	-	-	-
None	-0.82159	unstable	-	-	-	-	-	-

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

Table (6): Results of unit root tests at the first difference for the Iraqi Stock Exchange Index variable

Tests	ADF		ADF (ERS)		PP		KPSS	
	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result	t-Statistic	Result
Trend and intercept	-16.1709	Stable at 1%	-	-	-	-	-	-
Intercept	-	-	-	-	-	-	-	-
None	-	-	-	-	-	-	-	-

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

Autocorrelation Tests

Foreign investments:

This test determines the extent of the independence of foreign investments from each other. It is a parametric test that determines the relationship between foreign investment in this period and foreign investment in the previous period, by testing the statistical difference of the autocorrelation coefficient from zero, if the foreign investments are auto correlated and the correlation coefficient is greater than Zero and the value (P Value) is less than (0.05), it means that there is a correlation between the monthly foreign investments, that is, the foreign investment for the current month is affected by the investment of subsequent months, and therefore the sequence does not follow a random path. To test the autocorrelation, 16 lag periods (Lags) were taken, in order to find The relationship between foreign investments in different periods.

Table (7) shows the results of the autocorrelation test for foreign investments. We found the autocorrelation coefficient in column (AC), and the autocorrelation value in (Lag1) reached (95.8%), which is greater than zero, which is evidence of the existence of autocorrelation among foreign investments. It shows We have in Table (7) the values of the "Ljung-box" test, which is one of the tests that is used to test the randomness of errors for the time series by calculating the autocorrelation coefficients for the residuals of the value of foreign investments, for a number of shifts, at the column

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(Q-Stat). Accordingly, we find that the coefficients The autocorrelation in (Lag1) is outside the confidence range, that is, less than (0.05), and from it can be said that the series of foreign investments is affected by the values of subsequent months. Thus, we conclude that foreign investments do not follow a random path, but rather have a specific pattern in their fluctuations.

Table (7) Results of the autocorrelation test for foreign investments

Lags	AC	PAC	Q-Stat	Prob.
Lag 1	0.958	0.958	200.87	0.000
Lag 2	0.913	-0.054	384.17	0.000
Lag 4	0.844	0.108	711.09	0.000
Lag 8	0.746	-0.032	1253	0.000
Lag 16	0.578	-0.026	2037.7	0.000

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

Iraq Stock Exchange Index:

The aim of this test is to determine the independence of the value of the Iraq Stock Exchange index from each other. To test this, 16 lag periods (lags) were taken, in order to find the relationship between the index values in different periods.

Table (8) shows the results of the autocorrelation test for the Iraq Stock Exchange index. We found the autocorrelation coefficient in column (AC), and the autocorrelation value in (Lag1) reached (96.3%), which is greater than zero. This is evidence of the existence of autocorrelation among the values. The indicator, and Table (8) shows us the values of the "Ljung-box" test, which is one of the tests used to test the randomness of errors for the time series by calculating the autocorrelation coefficients for the remaining indicator values, for a number of shifts, at the column (Q-Stat). Accordingly, we find that The autocorrelation coefficients in (Lag1) are outside the confidence range, that is, less than (0.05), and from it can be said that a series for the Iraqi Stock Exchange index is affected by the values of subsequent months, and therefore the series does not follow random walk.

Table (8) Results of the autocorrelation test for the Iraq Stock Exchange index

Lags	AC	PAC	Q-Stat	Prob.
Lag 1	0.963	0.963	202.98	0.000
Lag 2	0.932	0.078	394.29	0.000
Lag 4	0.871	0.022	741.67	0.000
Lag 8	0.740	0.013	1299.4	0.000
Lag 16	0.604	0.027	2084.2	0.000

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

Testing the correlation coefficient between foreign investments and the Iraqi Stock Exchange index:

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Table (9) indicates the existence of a positive, significant correlation between foreign investments and the Iraq Stock Exchange index during the research period, as the value of the total index of the correlation coefficient reached (0.519**) and at a significant level (0.05), which is evidence of the existence of a significant and statistically significant relationship. Between the two variables, this result also indicates that the more foreign investments increase and therefore the higher the values of the Iraq Stock Exchange Index during the period under investigation, and thus we reject the null hypothesis and accept the alternative hypothesis which states that (there is a statistically significant correlation between foreign investments and the Iraq Stock Exchange Index Securities).

Table (9) Correlation coefficient test between foreign investments and the Iraq Stock Exchange index

Correlation test	Foreign investments
Iraqi Stock Exchange index	0.519**
P-value	0.000

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

Testing the relationship of influence between foreign investments and the Iraq Stock Exchange index:

The results of the analysis presented in Table (10) indicate that there is a significant effect between foreign investments and the Iraqi Stock Exchange index, as indicated by the calculated (F) value of (78.9989), which is higher than its tabulated value and at a significant level (0.05). The coefficient of determination also reached (R2) It equals (0.269) This means that foreign investments contributed to and explained approximately (27%) of the explained differences in the Iraq Stock Exchange index, and the rest (73%) is due to random variables that cannot be controlled or are not included in the model, and by following the values of transactions (B) and the (T) test for it, it was found that the calculated (T) value for it amounted to (9.403178), which is a significant value because it is greater than its tabulated value and at a significance level (0.05). With these results, it can be said that the null hypothesis will be rejected and the alternative hypothesis, which states However, there is a statistically significant relationship between foreign investments and the Iraq Stock Exchange index.

Table (10) Testing the influence factor between borrowed financing and liquidity indicators.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	192.854	20.50945	9.403178	**0.0014**
X	2.49E-05	2.80E-06	8.888133	**0.0250**
R-squared	0.269622	**Mean dependent var**		310.7978
Adjusted R-squared	0.266209	**S.D. dependent var**		268.3023
S.E. of regression	229.8321	**Akaike info criterion**		13.72179
Sum squared resid	11304079	**Schwarz criterion**		13.75304
Log likelihood	-1479.95	**Hannan-Quinn criter.**		13.73442
F-statistic	78.9989	**Durbin-Watson stat**		0.09334

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Prob(F-statistic)	0.00000		

Source: Prepared by the researcher based on the outputs of the (Eviews10) program.

Conclusions:

The most important results and discussions that extended within the frameworks of the research and its axes can be presented as follows:

1. The value of foreign investments increased by (2484%) comparing the beginning of the period with its end, which is evidence of the openness of the Iraqi stock market and its spread on the global level.

2. Indirect foreign investments are affected by the financial market index, and contribute significantly to enhancing economic growth, improving infrastructure, increasing well-being and improving job opportunities, thus increasing well-being and economic prosperity.

3. The results of the statistical analysis showed that indirect foreign investment brings many benefits to the host countries, the most important of which is its role in stimulating and developing the stock market in terms of the correlation between foreign investments, moving in a direct direction with the Iraqi Stock Exchange index, at a rate of (51.9%), and this was identical. According to financial logic, this is due to any increase in foreign investments that leads to an increase in the value of the Iraq Stock Exchange index.

4. The results of the statistical analysis showed that foreign investments affect the Iraqi Stock Exchange index, as the value of the interpretation factor (R^2) reached (26.9%), in significance of the standard model, which is:

(Iraqi Stock Exchange index) Y = 192.854 + 2.49E-05 X (Foreign investments)+ e

Suggestions:

The proposals are summarized as follows:

1. The state administration must rely on foreign investment with caution to achieve a balance between benefiting the host country and maintaining the competitiveness of local companies.

2. The Central Bank should work to place tighter restrictions on foreign investments because increasing indirect foreign investments leads to increased economic dependency on the host country, which leads to geopolitical challenges and may enhance political stability to a small degree.

3. The necessity of including technology and improving money transfer, as indirect foreign investment usually achieves higher money transfer rates, and this increase in transfers leads to instability of the value of the local currency.

4. Working on frequent negotiation of investment agreements, especially with regard to patents and political issues, the host country obtains new experiences and positive experiences that help increase the profit margin and competitiveness.

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