

Analyzing the Terrorism Indicator "Number of Dead" and Its Effect Upon Iraqi Stock Exchange Market Indicators

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Abstract

Terrorism Index analysis "number of dead" and its impact on the Iraq Stock Exchange indicators applied research in a sample of Banks listed on the Iraq Stock Exchange. The subject of research seeks to analyze the "political risk component, of terrorism Index "Which consists of five indicators, number of terrorist operations, number of dead and wounded, the size of financial losses, the search depends on analyzing the sub-index number of dead for terrorism Index and its impact on the indicators listed on the Iraq Exchange Stock Market. The research findings have produced that the number of dead index significantly affect with the rate of (49%), which is explained by the proportion of the number of dead from the changes in the Iraq Stock Exchange indices variable, and the rest amounting of (51%) is attributed to the contribution of other variables affect those indicators away from terrorism indicators. As for the practical side it has been used the style of gradient and correlation on the sample represented by ten banks listed on the Iraq Stock Exchange and reported the correlation and interaction between the study variables.

Keywords: *Terrorism, Number of Dead, Exchange Stock, Political Risk Component, Terrorism Index.*

Introduction

All exchange stock markets play a main role in economic development to any society through transferring the savings into active investments to generate the individual's salaries and increasing the national outcomes. These stocks exchange needs a high level of trust to develop through submitting the data as well as information to enhance their decisions under stable political safety circumstances. These conditions are not available in Iraq; that it is why investment here is surrounded by high risk. In addition, terrorism in Iraq played a great role in improving high risk that avoiding any investors to inter stock markets. Thus, the investor's expectation played a negative sense on the stock prices. Meanwhile, the multiple nation companies (MNCs) almost avoid entering such stocks like this and directed its paths into another safety stocks in other countries; and moreover destroying the infrastructure. Thus, decreasing the terrorism indicator has a great role on activating the exchange stock in Iraqi exchange stock market.

Review of Literature

Political risk as an idiom appeared from (1964-1971) and since that time, many written were took pace in administrative literature and in other scientific journals. Such writers wrote that it is any gap happened in business environment, either it is political or none but not social circumstances such as disorders, riots, strike (Robock, 1971: 6). Others said it is government's entry in commercial processing (Kobrin, 1980 : 5), or any entry that affect the economic either positively or negatively (Shapiro, 1992: 4). While others said

the unstable political situation is related to terrorism acts, riots, coups, civil wars and disobedience (Lindeberg & Morndal, 2002: 581). Moreover, political risk it is not a sudden event, but it is a process (Fitzpatrick, 1983: 249), and (Robock, 1971) agreed with this opinion and said it is none fixed risk, because it can be changed through time passing, (Toit, 2013 : 118) said it is a dynamic event like any ideological changes.

Wyk said that the "risk development" is a dynamic process happened according to the great political changes because of voting, revolutions, or wars; these events affect the MNCs more than national ones (Wyk, 2010: 119). The impact of political risk changed according to the circumstances and sometime it becomes very high like foreign exchange risk or more than that.

Eaker et al; 1996: 395 talked about many samples of political risk like what happened with the American company GTE during signing a communication contract with Iranian government in 1977, the contract amount was about (500 million Dollar), Iran paid around (95 million Dollar) as bank letters of credit L/C which used commonly in middle east instead of using performance bonds. GTE did not take any action to save itself from any risk that could be happened; and after the Iranian revolution, the company lost more than (50 million Dollar). Another example, such companies became as a victim as what happened in South Africa, and Eastern Europe when communist countries tried to transfer into market economy especially in Yugoslavia when all infrastructure were destroyed because of the civil war, and ethnic fighting, and Nigerian civil war from (1967-1970) all Oil companies became inactive (Rothgeb, 2002: 36).

Al Ameri (2010), classified the political risk according to events or the nature of the environment that effect the MNCs activities into; complete political risk, partial political risk. While under the nature classification, it is divided into three types of risk, transferring risk, operating risk; and owner – control risk (Al Ameri, 2010: 736).

Busse & Hefeker (2005), assured that the governmental stability is a very important element for investment decision, because investors will not invest in an stable environment, but they tried to find out a trusty stable environment that has managed laws and system to follow (Busse & Hefeker, 2005:1).

Rugman & Hodgetts (2000), assured that political disorders, civil wars, assassinations, riots can lead MNCs to a negative investment decisions. International guide of risk measured this element according to a complex tool of (12 points) to measure the minor indicators (government unity, legislation power, and civil support) (Rugman & Hodgetts, 2000: 368).

Hayakawa et al. (2012), talked about the economic- social element and its impact on investment and how the social stability of people in any country can affect the investment, this indicator has minor indicators like unemployment, consumer confidence, and poverty (Hayakawa et al. 2012: 321).

Simon (1982), talked about the investment vision and its elements like the contract validity, profit transferring, debit payment; all these elements can be formed according to political conditions, or social ones (Simon, 1982: 69).

Linder & Santiso (2002), considered the internal conflict as a partial political risk like any conflicts among populations as International Country risk guide (2014) referred, and this indicator has minor ones like civil war, terrorism, political violence and civil disorder (Linder & Santiso, 2002: 22).

Al Ta'ae (2010), agreed with International Transparency Organization in considering Corruption as a main side effect on MNCs because it leads to high cost of achieving certain duties so the revenues will be less (Al Ta'ae, 2010: 16). And sometimes the corruption is inside the government itself in which the governments paid bribery to national companies or employees to achieve personal benefits (Al Ameri, 2013: 395).

Eiteman (1998), assured that the ethics tension and religion directions can be considered as a whole political risk because any religion power can exchange the civil law into religion law, so the power will be far from respecting other religions of that society, then causing the political risk, (Eiteman et al., 1998: 514).

Fouche (2003) , assured that democracy is a very important element of achieving the stability of any country because if this indicator is less than what is expected, the foreign investment will be unsafe.

Objectives of the Study

According to certain circumstances that Iraqi economy lately suffered from either terrorism or ISIS and what they made in Iraq. Although the investment in Iraqi stock exchange market aimed to achieve a balance between the benefits and investor's risk, but the entry of ISIS caused the avoiding of entering this sector. Thus, this study will try to reach for the causes and effects of political risk (terrorism) that will influence the investment in Iraqi Stock exchange market.

Hypothesis of the Study

This study aimed to look for main hypothesis:

H: There is no influence or impact between the indicator "number of dead" and the circulation indicator in Iraqi Stock Exchange market.

Period of the Study

The period was from 2010 to 2015, which included the most unstable period according to the entry of ISIS. The study took the data from the period before and after ISIS entry.

Methodology

Sample Frame

This study handling the most important sector in Iraqi Exchange market, it takes the banking sectors, selected (10) continued circulated banks (Trade Bank, Baghdad Bank, Middle East Bank, Investment Bank, Dar al Salam Bank, Gulf Bank, Sumer Bank, Babylon Bank, North Bank, and Al Mansoor Bank).

Data Collection Method

The study depends mainly on the primary data collected through a well- framed card and structured statements. This study was carried out through survey method using statements as the main instrument that includes the indicators; Capitalization indicator, circulating shares, turnover Ratio%, number of companies OTC, session number indicator, package deal indicator.

Statistical Tools

This study trying to analyze the relationship between losses' indicators and markets' indicators (session number, package deal, circulating shares, turnover Ratio%) indicators of Iraqi companies and its relation with terrorism indicators (number of dead, number of wounded, number of terrorism, and number of losses).

Limitation of the Study

The outcome of the study will be only reflecting these respondents in Iraqi stock market. The survey was limited because of the bad political circumstances in most of Iraqi governorates.

Statement of the Problem

With the global ISIS terrorism that started from many years ago. Iraq is a most country which suffered from ISIS. Iraqi economy suffered as well especially the Iraqi exchange Stock market, Iraq starts to challenge to transfer the weakness into strength and the threats into opportunities.

Findings

The measuring data of analyzing the terrorism indicator "number of dead" and its effect upon Iraqi Stock Exchange Market indicators from the year 2010 to 2015 showed the following losses:

Losses in Trilliums Iraqi Dinar	overturn Ratio	Year
6.9%	0.891290272	2010
6.9%	0.888295776	2011
7.6%	0.988611384	2012
16.3%	2.107055548	2013
33.4%	4.313998919	2014
28.9%	3.743547478	2015

Conclusions & Recommendations

Conclusions

- 1- Iraqi exchange stock market is not matured enough that is why suffered from no rescued situation.
- 2- ISIS affected the Iraqi exchange stock market especially the (session number, package deal, circulating shares, turnover Ratio%) indicators.
- 3- Number of dead is the most indicators that affect the Iraqi exchange stock market, because the session number decreased accordingly.
- 4- Both years 2014-2105 are the most losses years because the overturn ratio increased to reach 33.4% and 28.9%.

Recommendations

- 1- Many policies should be taken to protect this sector to encourage the investors to continue their investment.
- 2- Trying to improve the market by using reasonable plans to enhance the gap between the exchange stock market and the political situation.
- 3- Trying to find alternative plans to face like these crises to keep the stability of the market.
- 4- Focusing on political risk indicator (terrorism) as in Swiss Institute of economy mentioned through introducing many assays that involve the political, economic, and financial changes to empower the investors to know what to do, when they are, and where to be.

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