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## The Impact of Diversification Dynamics on The Market Value of Companies an Analytical Study of a Sample of Private Iraqi Companies Listed on The Iraqi Stock Exchange for The Period (2004-2022)

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### Abstract

The study seeks to demonstrate the role of diversification dynamics in enhancing the market value of Iraqi companies listed on the Iraqi Stock Exchange by analyzing the financial indicators used to measure diversification dynamics, as well as measuring market value indicators according to a time series of data extending from 2004 until 2022. The study used a set of financial means and statistical methods to achieve its goals, including analyzing the impact and correlation relationships of the study variables and testing hypotheses, using a set of statistical methods such as the linear correlation coefficient (Pearson) and the statistical program (SPSS). The study reached a set of results, the most important of which is the absence of a correlation relationship. There was a statistically and morally significant effect of diversification dynamics on the market value of the companies in the research sample. The study concluded with a number of recommendations, the most prominent of which were, It is necessary to take into account the factors affecting the market value in an attempt to control it, or at least the factors that are under the company's control, in order to increase the level of the market value of the companies studied.

**Key words:** High blood pressure, Prevalence, Quinshul Community

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### Introduction

Today, the world is witnessing an increasingly complex dynamic business environment due to the large size of companies and the expansion of their activities. Thus, they require more data flow between departments to make rational economic decisions and achieve their goals in enhancing the effectiveness of their performance and achieving a sustainable competitive advantage as well as ensuring survival in the market. Here, the role of diversification is highlighted. It is considered one of the important topics in financial management, through which companies can diversify their investments, which is supposed to contribute positively to the company's performance and reduce risks. At the same time, it increases companies'

flexibility in facing external shocks. Diversification may also increase economic benefits through more efficient use of resources. Organizational analysis across multiple markets helps enhance the market value of companies. Therefore, companies' understanding and awareness of the importance of diversification dynamics by following and applying new scientific methods and techniques will lead to increasing their ability to make sound decisions. Hence the importance of choosing the subject of the current study (measuring the extent of the impact of diversification dynamics on value) emerged. The market value of companies is to shed light on the dynamics of diversification and the extent of its impact on market value, which is considered the primary goal that all companies seek to achieve.

### **Research problem**

The corporate sector in general is witnessing development and modernization in its financial system, but the problem that companies in general and Iraqi companies listed on the Iraqi Stock Exchange in particular suffer from is a decline in market value, and the reason for this is due to various factors and circumstances such as political, economic, social, security and other conditions. This makes it necessary for companies to search for ways, means and methods that will address the problem of the decline in market value and not rely on basic operational activities in managing the company only. Perhaps one of these means is the use of diversification dynamics, and the research problem can be summarized by the following question: Is there a correlation? And a statistically significant effect between the dynamics of diversification and the market value of the companies in the study sample

### **Research objectives**

The research mainly aims to achieve the following objectives :

Presentation, study and interpretation of the impact and correlation between diversification dynamics and market value. Shedding light on the cognitive and philosophical aspect related to the dynamics of diversification and market value.

### **Research hypothesis**

The research is based on the following hypotheses -:

- The first main hypothesis: There is no statistically significant correlation between diversification dynamics and market value .

The following sub-hypotheses branch out from them :

The first sub-hypothesis: (There is no statistically significant correlation between asset diversification and market value).

The second sub-hypothesis: (There is no statistically significant correlation between the diversification of liabilities and the market value).

The third sub-hypothesis: (There is no statistically significant correlation between income diversification and market value).

- The second main hypothesis: There is no significant effect of diversification dynamics on market value .

The following sub-hypotheses branch out from them :

The first sub-hypothesis: (There is no significant effect of diversifying assets on market value).

The second sub-hypothesis: (There is no significant effect of diversifying liabilities on the market value).

The third sub-hypothesis: (There is no significant effect of income diversification on market value).

### **The importance of research**

The importance of the study is that it sheds light on the relationship between diversification dynamics and the market value of the companies sampled in the study. From the above, the importance lies in the following points :

Measuring the relationship between diversification dynamics and its role in improving the market value of the companies sampled in the study .

The research attempts to present a study on one of the most important topics of financial management and the economic benefits it adds .

The importance of this study for Iraqi companies revolves around the importance of the results that will be obtained and the recommendations that will be presented that will benefit stakeholders in how to manage their investments .

The importance of the current study stems from the importance of the topic and its compatibility with the conditions experienced by the national economy in general and the private sector in particular .

### **The research community and its sample**

The community was selected from (Iraq) and (4) private companies were selected as a sample of Iraqi companies to determine the extent of the possibility of applying diversification as a method to raise market value .

### **Materials and Methods**

A set of statistical methods were used to analyze the data, such as the linear correlation coefficient (Pearson), the coefficient of determination ( $R^2$ ), the arithmetic mean, as well as the standard deviation and the regression coefficient (Beta), where the hypotheses were tested and measured using the statistical program SPSS v.25 and (Microsoft Excel).

### **The concept of diversification**

Diversification is one of the management possibilities that is supposed to contribute positively to the company's performance. Companies diversify by expanding their operations into multiple markets. Diversification is used when companies have opportunities integrated into market structures and technologies in addition to growth opportunities in the company (Shao-ChiChang, et, al., 2007:5-7).

(Kirichenko, et, al., 2020: 113) referred to diversification in the sense of expanding the range of products and services, redirecting sales markets, and developing new types of industries in order to increase the economic stability and competitiveness of the company .

Diversification is defined as a process through which a company can introduce new products to new markets. Provided that the company possesses the required capabilities and capabilities in terms of resources and technology, enabling it to enter new markets and create a competitive advantage (Iqbal, et, al., 2012: 44).

(Castaldi & Giarratana, 2018: 153-154) believe that diversification is the ideal option that managers use to improve performance. Therefore, companies choose it from among many available options as an alternative to make the best use of available resources to reach a pre-defined goal .

Diversification enables companies to transfer human resources to sectors that have the best opportunities for investment by transferring workers from less productive or secondary sectors to other, more productive sectors. It will allow a company that is exposed to a loss to reallocate workers from closed sectors to sectors with better job opportunities, Ataullah, 2022. :5).

### **Diversification measures**

A - Diversification of liabilities =  $1 - ((\text{Equity} / \text{Total liabilities})^2 + (\text{Creditors} / \text{Total liabilities})^2 + (\text{Reserves} / \text{Total liabilities})^2 + (\text{Allocations} / \text{Total liabilities})^2)$ .

B- Asset diversification =  $1 - ((\text{Investments}/\text{total assets})^2 + (\text{Debtors}/\text{Total assets})^2 + (\text{Cash}/\text{Total assets})^2 + (\text{Other assets}/\text{Total assets})^2)$ .

C - Income diversification =  $1 - ((\text{Current activity revenues}/\text{total revenues})^2 + (\text{other revenues}/\text{total revenues})^2)$ .

### **The importance of diversification**

The importance of diversification revolves around the act that it guarantees the company a good position compared to its competitors by creating and maintaining a competitive advantage and increasing its market share by producing more new products, and also entering new markets based on the above. This ensures the following diversification (Issa, 2011: 270) and (Oladimeji,2019:128).

- Optimal use of resources, especially when the volume of fixed costs is large .
- Reducing company costs .
- Reducing risks .
- Achieving economic balance for the company .

Also, through diversification, volatility can be reduced and returns can be maintained because losses in one category of assets may be compensated by achieving gains in another category, or at least reducing losses in other categories of assets, and the degree of correlation of long positions in many Asset classes from one. that is, everything goes down On the other hand, trying to maintain an ideal formula for diversification, in a haphazard and thoughtless manner may cause errors by urging investment in assets outside the investor's field of expertise (Robert, 2021:1) (Faris,etal,2021).

Diversification is also considered important for a company that intends to enter into the field of business sustainability, create a competitive advantage, or maintain it. Accordingly, diversification has some benefits (Gagnon et, al., 2020: 10-17), and diversification is important for a company that You want to enter the growth phase of the business life cycle such as :

- Creating a competitive advantage
- Obtaining a market position
- Reducing risks
- Increase the efficiency of the internal capital market.

### **Diversification dynamics**

#### **Diversification of income**

It is defined as the company's desire to direct its activity towards different productive or service sectors with high returns, or to search for new markets, which thus leads to reducing risks or limiting the impact of external shocks (Lin, 2021: 2-3) & Chunyang).

It is also defined as the possibility of diversifying production sources as well as increasing sources of income by creating new sectors that add value to the company and have the ability to create job opportunities and increase the company's productivity (Mahmood, 2021:35).

Diversification also depends on developing these activities, as well as innovating new activities and being present in new markets. There are many different forms of income diversification, all of which seek to achieve a specific goal, which is achieving sustainable development and achieving a high growth rate. From the above, income diversification takes two forms, as shown below :

#### A- Diversifying the production process

It is usually related to achieving productivity gains, and this applies to production and export companies by entering into new production markets (Bou Derbala, 2014: 138).\

#### B- Market diversification

It is usually equally important, as heavy reliance on one market or a specific group of markets has a negative impact because a decrease in demand can adversely affect the company, while the matter is different if there is a diverse mix in various markets and the demand for them is more stable, as well as There are external savings that can be achieved by entering new markets with new products (Oladimeji, 2019: 128).

#### **Diversification of assets**

Asset diversification is defined as the company distributing its investments among several assets, which leads to eliminating some risks. Which is called risks that can be diversified (unsystematic risks) because this type of risk. It may affect one asset but not another, so a well-diversified portfolio can eliminate these risks. However, some of the remaining risks cannot be eliminated easily through diversification and are called risks that cannot be diversified (systematic risks) because these risks affect all assets in the portfolio to the same degree. Importance . Therefore, no matter how many diversified assets are, they will be affected by this type of risk. This means that diversification can reduce risks, but to a certain extent. In addition, diversification of assets may contribute to improving the market value

#### **Diversification of liabilities**

Diversifying liabilities is a type of company management of its liabilities, and is a common method used by managers. There are usually three types: risky, moderate, and safe. They must differentiate among themselves and modify the classical method because it is difficult to adapt the company to a specific strategy on the basis of the basic principles followed by it, and these include (Christiningrum 2015: 158-160).

This is why it is better for the company to have the advantage of diversifying its liabilities, meaning that it is important to include long-term and short-term liabilities, and this procedure leads to reducing operational costs in general. The benefits that companies gain as a result of diversifying their liabilities include reducing direct and indirect costs, which are usually... It varies according to what prevails in society and the economy. The company has many alternatives to provide its requirements, whether these alternatives are internal or external (Baresa, et, al., 2017: 120).

Market value

Market value is considered a criterion for wealth, and indicates the amount of gains that companies and financial institutions achieve for their stakeholders because the primary goal of company management is to maximize shareholders' wealth, and this means increasing the market value of common shares (Othman, 2008:34) and includes the following aspects - :

- Trade-off between return and risk .
- Investing in assets that achieve high returns .
- Reducing the cost of operational operations .
- Exploiting available opportunities to enter new markets .
- Assessing the present value of current cash flows as well as evaluating future cash flows under conditions of uncertainty .

The price estimated by both sellers and buyers when buying and selling shares. The market value of the company's shares is calculated from the product of multiplying the market price of the common share by the number of shares issued .

The concept of market value is one of the concepts that has been addressed by many studies for a long time, especially in the economic aspect, where the economic concept of market value revolves around searching for two basic aspects, which are determining the value of a thing and then measuring it. The concept of market value took a long time until it settled on what it is now, which is represented by with the theory of price and how to determine it, through the intersection of supply and demand curves to determine the equilibrium price.

(Nimtrakoon,2014:7) believes that the market value of companies is the sum of the three efficiency measures: the efficiency of employed capital, the efficiency of human capital, and the efficiency of structural capital, while it refers to the use of better management of the companies' ability to create value that stems from both working capital and working capital. Human capital and structural capital, and therefore the efficiency of companies is derived from three inputs (physical and financial capital, human capital, and structural capital), which leads to the formation of the three measures of efficiency mentioned above .The market value as the value that the stock market imposes on the entire company, which is considered an indicator of the company's ability in light of its future prospects. It is a suitable indicator of the company's strength in the market due to the strategic factors of the company's performance in relation to investment as well as assets related to the company's operational efficiency (Lee & Kwon, 2017:91-102).

Market value metrics

(Tobin's Q) = market value of equity + book value of assets - book value of equity)/book value of assets .

The importance of market value

The importance of market value from the point of view of stakeholders and beneficiaries (Habiba, 2017:2) lies in the following :

- (1) It reflects the true value of investors' rights .
- (2) It is considered one of the best measures used to evaluate the company in the stock market .
- (3) The market value helps the company determine its financial and strategic goals in the future.

The market value is also considered an important indicator for measuring the financial stability of companies. because the high market value is evidence of the companies' ability to achieve profits, which makes them more competitive, which in turn reflects the extent of their efficiency

in carrying out their financial activities and makes those companies more able to withstand crises and financial shocks.

**Financial analysis**

Analyze and discuss the results of the dynamics of asset diversification

The researcher will first analyze and discuss the results of diversifying the assets of the companies in the study sample during the period from (2004-2022), as shown in the table below :

Table No. (1) Results of diversifying the assets of the companies in the study sample during the period from (2004-2022)

Years	Baghdad Soft Drinks Company	Modern sewing Company	Baghdad Packaging Materials Manufacturing Company	Ameen Insurance Company	mean
2004	0.762	0.693	0.555	0.635	0.661
2005	0.534	0.403	0.499	0.313	0.437
2006	0.465	0.400	0.751	0.484	0.525
2007	0.465	0.551	0.637	0.203	0.464
2008	0.559	0.503	0.708	0.196	0.492
2009	0.600	0.489	0.687	0.442	0.555
2010	0.610	0.403	0.702	0.442	0.539
2011	0.637	0.266	0.625	0.572	0.525
2012	0.663	0.500	0.637	0.647	0.612
2013	0.704	0.596	0.643	0.657	0.650
2014	0.737	0.703	0.644	0.583	0.667
2015	0.713	0.731	0.529	0.593	0.642
2016	0.710	0.742	0.612	0.534	0.650
2017	0.669	0.741	0.603	0.510	0.631
2018	0.706	0.644	0.568	0.647	0.641
2019	0.741	0.580	0.581	0.644	0.637
2020	0.705	0.634	0.572	0.662	0.643
2021	0.707	0.646	0.567	0.632	0.638
2022	0.716	0.578	0.573	0.576	0.611
<b>Mean</b>	<b>0.653</b>	<b>0.569</b>	<b>0.615</b>	<b>0.525</b>	

Source: Prepared by the researcher based on companies' financial reports

It is clear from the table (1) the following:

(1)Baghdad Soft Drinks Company achieved the highest average for asset diversification during the study period, reaching (0.653). This may be attributed to the methods and strategies followed by the company in managing its assets in a way that enables it to increase its profits and maximize its future market value. Meanwhile, Ameen Insurance Company achieved the lowest average for asset diversification, reaching (0.525).

(2)The year (2014) surpassed the rest of the study years, achieving the highest average for asset diversification during the study period, reaching (0.667), while the lowest average for asset diversification during the year (2005) was due to the country's unfavorable political and economic conditions during that period.

(3) Baghdad Soft Drinks Company achieved the highest percentage of asset diversification among the sample companies in the study, reaching (0.762) in the year (2004). This may be attributed to the market openness to foreign markets and increased investment opportunities,

as well as benefiting from the experiences of companies with similar activities. Meanwhile, Ameen Insurance Company achieved the lowest percentage of asset diversification among the sample companies in the study, reaching (0.196) in the year (2008).

10-2 Analyze and discuss the results of diversifying liabilities

The table below shows the ratios of diversification of liabilities of the Iraqi companies in the study sample listed on the Iraq Stock Exchange.

Table No. (2) Results of diversifying liabilities for companies in the study sample during the period from (2004-2022)

Years	Baghdad Soft Drinks Company	Modern sewing Company	Baghdad Packaging Materials Manufacturing Company	Ameen Insurance Company	mean
2004	0.551	0.636	0.219	0.629	0.509
2005	0.140	0.173	0.073	0.672	0.265
2006	0.563	0.479	0.072	0.597	0.428
2007	0.649	0.107	0.021	0.584	0.340
2008	0.240	0.374	0.265	0.642	0.380
2009	0.403	0.678	0.256	0.648	0.496
2010	0.284	0.404	0.313	0.625	0.407
2011	0.304	0.213	0.095	0.335	0.237
2012	0.374	0.211	0.020	0.473	0.270
2013	0.448	0.246	0.092	0.550	0.334
2014	0.462	0.376	0.045	0.459	0.336
2015	0.519	0.564	0.009	0.384	0.369
2016	0.581	0.551	0.063	0.353	0.387
2017	0.534	0.611	0.079	0.212	0.359
2018	0.544	0.688	0.021	0.266	0.380
2019	0.511	0.642	0.031	0.203	0.347
2020	0.582	0.629	0.031	0.273	0.379
2021	0.577	0.607	0.033	0.341	0.390
2022	0.583	0.614	0.023	0.271	0.373
<b>Mean</b>	<b>0</b>	<b>0.463</b>	<b>0.093</b>	<b>0.448</b>	

Source: Prepared by the researcher based on companies' financial reports

It is clear from Table (2) that:

(1) Modern Sewing Company achieved the highest average for diversification of liabilities during the study period, reaching (0.463), which indicates that the company possesses the advantage of diversification and its reflection in reducing operational costs in general (direct and indirect), while Baghdad Soft Drinks Company achieved the lowest average for diversification of liabilities. It reached (0%), which indicates that the company adopts a fixed policy in managing its activity, as it does not rely much on diversifying its liabilities.

(2) The year (2004) ranked first compared to the rest of the years of the study, as it achieved the highest average of diversification of liabilities during the study period, reaching (0.509), while the lowest average of diversifying liabilities was in the year (2011), at a rate of (0.237). It is noted from the table that the average of diversifying The years did not take the same pace, there was an increase and there was a decrease due to the bad political and economic conditions the country went through during those years.



(3) Modern Sewing Company achieved the highest percentage of diversification of liabilities among the companies in the study sample, reaching (0.688) in the year (2018), while Baghdad Company for the Manufacturing of Packaging Materials achieved the lowest percentage of diversification of liabilities among the companies in the study sample, reaching (0.009) in the year ( 2015).

### 10-3 Analyze and discuss the results of income diversification

The table below shows the income diversification rates for the Iraqi companies in the study sample listed on the Iraq Stock Exchange.

Table No. (3) Income diversification results for the companies in the study sample during the period from (2004-2022)

Years	Baghdad Soft Drinks Company	Modern sewing Company	Baghdad Packaging Materials Manufacturing Company	Ameen Insurance Company	mean
2004	0.000	0.006	0.600	0.204	0.203
2005	0.124	0.067	0.000	0.187	0.095
2006	0.174	0.094	0.495	0.169	0.233
2007	0.079	0.004	0.000	0.413	0.124
2008	0.095	0.000	0.010	0.383	0.122
2009	0.001	0.001	0.000	0.352	0.089
2010	0.061	0.078	0.000	0.406	0.136
2011	0.073	0.090	0.000	0.153	0.079
2012	0.034	0.017	0.000	0.112	0.041
2013	0.027	0.047	0.000	0.095	0.042
2014	0.029	0.051	0.264	0.227	0.143
2015	0.002	0.082	0.228	0.251	0.141
2016	0.000	0.021	0.412	0.291	0.181
2017	0.000	0.004	0.411	0.446	0.215
2018	0.000	0.038	0.458	0.309	0.201
2019	0.001	0.180	0.075	0.316	0.143
2020	0.011	0.031	0.191	0.258	0.123
2021	0.008	0.000	0.000	0.322	0.083
2022	0.001	0.000	0.228	0.381	0.153
<b>Mean</b>	<b>0.038</b>	<b>0.043</b>	<b>0.177</b>	<b>0.278</b>	

Source: Prepared by the researcher based on companies' financial reports

It is clear from Table (3) that:

(1) Ameen Insurance Company achieved the highest average income diversification during the study period, reaching (0.278). This may be due to the company's desire to direct its activity towards different productive or service sectors with high returns, or to search for new markets, which thus leads to reducing risks or Reducing the impact of external shocks, while Baghdad Soft Drinks Company achieved the lowest average for income diversification, reaching (0.038). This may be due to the management methods adopted by the company, which relies on a strategy of focusing on its activity and has no desire to enter new markets.

(2) The year (2006) outperformed the rest of the years of the study, as it achieved the highest average income diversification during the study period, reaching (0.233). This may be due to the development and expansion of the local market and the increase in investment opportunities, while the lowest average income diversification during the year was (2012), which was (0.041) may be due to political confusion and the instability of the economic

situation, as well as poor administrative policies of the companies in the study sample during that period.

(3) Baghdad Packaging Materials Manufacturing Company achieved the highest percentage of income diversification among the companies in the study sample, reaching (0.600) in the year (2004), while the lowest percentage of income diversification was (0.000) and it was the share of a group of companies, the number of which was (3) out of (4). Companies. These companies are the Baghdad Soft Drinks Company for the years (2004, 2016, 2017,2018), the Modern Sewing Company for the years (2008, 2021, and 2022), and the Baghdad Packaging Materials Manufacturing Company for the years (2005, 2007, and2009- 2013,2021).

The researcher infers from the above analysis that the companies sampled in the study follow a fixed policy regarding diversification of assets, liabilities and income, in a way that achieves varying diversification ratios ranging between low and medium and does not achieve the desired results in maximizing market value.

#### 10-4 Analyzing and discussing the results of the market value

The table below shows the market value percentages of the Iraqi companies in the study sample listed on the Iraq Stock Exchange.

Table No. (4) Market value ratios of the companies in the study sample during the period from (2004-2022).

Years	Baghdad Soft Drinks Company	Modern sewing Company	Baghdad Packaging Materials Manufacturing Company	Ameen Insurance Company	mean
2004	6.97	2.68	17.61	1.55	7.203
2005	1.64	2.56	8.34	1.47	3.503
2006	0.91	1.15	2.21	1.14	1.350
2007	1.09	1.06	3.22	0.85	1.555
2008	0.94	1.08	3.63	0.77	1.604
2009	1.07	1.23	7.60	0.75	2.660
2010	0.94	1.49	6.83	0.84	2.524
2011	1.28	1.59	6.60	1.09	2.637
2012	1.18	3.62	4.10	0.80	2.424
2013	2.18	2.53	2.59	1.12	2.106
2014	1.56	2.82	1.68	1.08	1.786
2015	1.77	1.91	2.07	0.70	1.612
2016	1.36	2.80	1.94	0.60	1.675
2017	1.52	2.78	1.46	0.44	1.549
2018	1.87	1.69	1.36	0.32	1.311
2019	1.54	2.56	2.03	0.54	1.667
2020	1.64	2.32	11.33	0.55	3.960
2021	1.68	1.45	2.02	0.55	1.424
2022	1.32	2.45	2.01	0.46	1.559
<b>Mean</b>	<b>1.708</b>	<b>2.093</b>	<b>4.663</b>	<b>0.822</b>	

Source: Prepared by the researcher based on companies' financial reports

It is clear from Table (4) that:

(1) Baghdad Packaging Materials Manufacturing Company achieved the highest average market value during the study period, reaching (4.663), while Al-Amin Insurance Company achieved the lowest average market value, reaching (0.822). This may be due to factors subject to the company's control or factors beyond its control that affect In market value, whether it decreases or increases.

(2) The year (2004) outperformed the rest of the years of the study, as it achieved the highest average market value during the study period, reaching (7.203). This may be due to internal or external factors that were exploited correctly and helped in maximizing the market value of the companies in the study sample, while the lowest average value was The market value during the year (2018) reached (1.311). This may be due to external factors that cannot be controlled.

(3) Baghdad Packaging Materials Manufacturing Company achieved the highest percentage of market value, reaching (17.61) for the year (2004), while Ameen Insurance Company achieved the lowest percentage of market value during the year (2018), amounting to (0.32).

### Statistical analysis

Testing the study hypotheses at the level of the Baghdad Soft Drinks Company

Testing the correlation hypothesis

In order to test the above hypothesis, the researcher used the simple correlation coefficient (Pearson) according to Table (5) below, as the correlation relationship between each of the approved ratios will be tested for the purpose of measuring diversification dynamics (diversification of assets, diversification of liabilities, diversification of income) with the market value of the company under study. As follows:-

The first main hypothesis: There is no statistically significant correlation between diversification dynamics and market value. It has three sub-hypotheses:

The first sub-hypothesis: There is no statistically significant correlation between asset diversification and market value.

The second sub-hypothesis: There is no statistically significant correlation between the diversification of liabilities and the market value.

The third sub-hypothesis: There is no statistically significant correlation between income diversification and market value.

Table (5) testing correlations between diversification dynamics and the market value of Baghdad Soft Drinks Company

Dependent variable Independent variable	Market value
<b>Diversification of assets</b>	<b>0.45</b>
<b>Sig.</b>	<b>0.053</b>
<b>Diversification of liabilities</b>	<b>0.19</b>
<b>Sig.</b>	<b>0.44</b>
<b>Income diversification</b>	<b>0.30-</b>
<b>Sig.</b>	<b>0.21</b>

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 - The value of the correlation between the diversification of assets and the market value of the Baghdad Soft Drinks Company was (0.45), which is a positive value and has a moral significance at the level of (0.053).

2 -The value of the correlation between the diversification of liabilities and the market value in the Baghdad Soft Drinks Company was (0.19), which is a positive value and has a moral significance at the level of (0.44), which means that the strength of the relationship between the two variables in the aforementioned company is weak.

3 -The value of the correlation between income diversification and market value in Baghdad Soft Drinks Company was (-0.30), which is a negative value, and with a moral significance at the level of (0.21). In addition to the weak strength of the relationship between the two variables, we find that the relationship between them was inverse, meaning that increasing income diversification leads to a decrease in the company's market value.

4 -In order of the strength of the relationship between the variables (despite the non-significant correlations), we find that the strongest relationship is between diversification of assets and market value, followed by the correlation between diversification of liabilities and market value, and finally the correlation between diversification of income and market value.

5- The discussion of the results prompts the researcher not to reject the three sub-hypotheses emanating from the first main hypothesis, regarding the Baghdad Soft Drinks Company, meaning (there is no statistically significant correlation between diversification dynamics and market value).

11 - 2-1-Testing the impact hypothesis

The researcher used simple regression analysis for the purpose of testing the effect of diversification dynamics on the market value of Baghdad Soft Drinks Company, according to the following:

The second main hypothesis: There is no significant effect of diversification dynamics on market value, and three sub-hypotheses branch out from it:

The first sub-hypothesis: (There is no significant effect of diversifying assets on market value).

The second sub-hypothesis: (There is no significant effect of diversifying liabilities on the market value).

The third sub-hypothesis (there is no significant effect of income diversification on market value).

Table (6) Testing the impact hypothesis for Baghdad Soft Drinks Company

Dependent variable / Independent variable	Market value		The calculated t value and its significance level	The calculated F value and its significance level	The R <sup>2</sup> value
	$\alpha$	$\beta$			
Diversification of assets	<b>2.62-</b>	<b>6.75</b>	<b>2.08</b>	<b>4.33</b>	<b>0.20</b>
Diversification of liabilities	<b>0.94</b>	<b>1.83</b>	<b>0.79</b>	<b>0.62</b>	<b>0.03</b>
Income diversification	<b>2.09</b>	<b>8.03-</b>	<b>1.29-</b>	<b>1.66</b>	<b>0.09</b>

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 -Diversifying assets has a positive effect on enhancing the market value of Baghdad Soft Drinks Company by (6.75). However, this effect was not significant at the level of (5%) because the value of (t), which measures the significance of the regression coefficient, was (2.08), and the value of (f), which measures the significance of the regression model (4.33), was not significant at the level of (5%). Whereas The value of the coefficient of determination

(R<sup>2</sup>) was (0.20), which means that diversification of assets explains (20%) of the changes that occur in the market value of the company studied.

2 -Diversification of liabilities achieved a positive effect in enhancing the market value of the investigated company by an amount of (1.83) if it was enhanced by one unit. Note that this effect was not significant because both the value of (t)(0.79) and (f)(0.62) were not significant at the level of (5%), while the value of the coefficient of determination (R<sup>2</sup>) was (0.03). This means that the diversification of liabilities It explains 3% of the changes occurring in the market value of the Baghdad Soft Drinks Company, which is a weak percentage.

3 -Diversification of income adversely affects the market value of the company under study by an amount of (8.03) if it is increased by one unit. Note that both the value of (t) amounting to ((-1.29) and (f) amounting to (1.66) were not significant at the level of (5%). While the value of the coefficient of determination (R<sup>2</sup>) was (0.09). This means that income diversification explains the percentage (9%) of the changes occurring in the market value of Baghdad Soft Drinks Company, which is a weak value.

With regard to the Baghdad Soft Drinks Company, the researcher infers that the three sub-hypotheses emanating from the first main hypothesis, with regard to the Baghdad Soft Drinks Company, should not be rejected, meaning (diversification dynamics do not affect the market value). If the company wants to enhance its market value, it must focus more on diversification according to the company's internal and external requirements and conditions.

11-2-Testing the study hypotheses at the level of the modern sewing company

11 -2-1 Testing the correlation hypothesis

In order to test the above hypothesis, the researcher used the simple correlation coefficient (Pearson) according to Table (7) below, where he tested the correlation between each of the approved ratios for the purpose of measuring diversification dynamics (diversification of assets, diversification of liabilities, diversification of income) with the market value of the company under study. As follows:

The first main hypothesis: There is no statistically significant correlation between diversification dynamics and market value. It has three sub-hypotheses:

The first sub-hypothesis: There is no statistically significant correlation between asset diversification and market value.

The second sub-hypothesis: There is no statistically significant correlation between the diversification of liabilities and the market value.

The third sub-hypothesis: There is no statistically significant correlation between income diversification and market value.

Table (7) Testing the correlations between diversification dynamics and the market value of the modern sewing company

Dependent variable Independent variable	Market value
Diversification of assets	<b>0.33</b>
Sig.	<b>0.17</b>
Diversification of liabilities	<b>0.11-</b>
Sig.	<b>0.64</b>

<b>Income diversification</b>	<b>0.13</b>
<b>Sig.</b>	<b>0.60</b>

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 -The value of the correlation between the diversification of assets and the market value of the Modern Tailoring Company reached (0.33), which is a positive value, and with a moral significance at the level of (0.17), which indicates the weakness of the relationship between the two variables.

2 -The value of the correlation between the diversification of liabilities and the market value in the Modern Tailoring Company reached (-0.11), which is a negative value, and with a moral significance at the level of (0.64), which means the weakness of the strength of the relationship between the two variables in the mentioned company.

3 -The value of the correlation between income diversification and market value in Baghdad Soft Drinks Company was (0.13), which is a positive value and has a moral significance at the level of (0.60). The researcher infers that the strength of the relationship between the two variables is weak.

4 -In order of the strength of the relationship between the variables (despite the non-significant correlations), we find that the strongest relationship is between diversification of assets and market value, followed by the correlation between diversification of income and market value, and finally the correlation between diversification of liabilities and market value.

Discussion of the results prompts the researcher not to reject the three sub-hypotheses emanating from the first main hypothesis of the correlation hypothesis regarding the modern sewing company, meaning (there is no statistically significant correlation between diversification dynamics and market value).

**Testing the impact hypothesis**

The researcher used simple regression analysis for the purpose of testing the effect of diversification dynamics on the market value of the modern sewing company, according to the following:

The second main hypothesis: There is no significant effect of diversification dynamics on market value, and three sub-hypotheses branch out from it- :

A - The first sub-hypothesis: (There is no significant effect of diversifying assets on market value).

B - The second sub-hypothesis: (There is no significant effect of diversifying liabilities on the market value).

C - The third sub-hypothesis: (There is no significant effect of income diversification on market value).

Table (8) Testing the Impact Hypothesis for Modern sewing Company

Dependent variable / Independent variable	Market value		The calculated t value and its significance level	The calculated F value and its significance level	The R <sup>2</sup> value
	$\alpha$	$\beta$			

Diversification of assets	<b>0.84</b>	<b>2.32</b>	<b>1.43</b>	<b>2.03</b>	<b>0.11</b>
Diversification of liabilities	<b>2.42</b>	<b>0.57-</b>	<b>0.47-</b>	<b>0.23</b>	<b>0.01</b>
Income diversification	<b>2.05</b>	<b>2.62</b>	<b>0.54</b>	<b>0.29</b>	<b>0.02</b>

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 -Diversification of assets has a positive effect on enhancing the market value of the Modern Tailoring Company by (2.32). However, this effect was not significant at the level of (5%) because the value of (t), which measures the significance of the regression coefficient, was (1.43), and the value of (f), which measures the significance of the regression model (2.03), was not significant at the level of (5%). While The value of the coefficient of determination ( $R^2$ ) was (0.11), which means that diversification of assets explains (11%) of the changes that occur in the market value of the company under investigation.

2 -Diversification of liabilities had a negative effect in enhancing the market value of the investigated company by an amount of (0.57) if it was enhanced by one unit. Note that this effect was not significant because both the value of (t)(-0.47) and (f)(0.23) were not significant at the level of (5%), while the value of the coefficient of determination ( $R^2$ ) was (0.01). This means that diversifying Liabilities explain (1%) of the changes that occur in the market value of the Modern Tailoring Company, which is a weak percentage.

3 -Diversifying income positively affects the market value of the company under study by an amount of (2.62) if it is increased by one unit. Note that both the value of (t) of (0.54) and (f) of (0.29) were not significant at the level of (5%), while the value of the coefficient of determination ( $R^2$ ) was (0.02). This means that income diversification explains a percentage of ( 2%) of the changes that occur in the market value of the Modern Tailoring Company, which is a weak value.

With regard to the modern sewing company, the researcher infers that the three sub-hypotheses emanating from the second main hypothesis should not be rejected, meaning (diversification dynamics do not affect market value). If the company wants to enhance its market value, it must focus on optimal exploitation of its available resources by diversifying assets, liabilities and income in a way that achieves a high market value.

## **Testing the study hypotheses at the level of the Baghdad Packaging Materials Company**

### **Testing the correlation hypothesis**

In order to test the above hypothesis, the researcher used the simple correlation coefficient (Pearson) according to table (9) below, where he tested the correlation between each of the approved ratios for the purpose of measuring diversification dynamics (diversification of assets, diversification of liabilities, diversification of income) with the market value of the company under study. As follows:

The first main hypothesis: There is no statistically significant correlation between diversification dynamics and market value. It has three sub-hypotheses:

The first sub-hypothesis: There is no statistically significant correlation between asset diversification and market value.

The second sub-hypothesis: There is no statistically significant correlation between the diversification of liabilities and the market value.

The third sub-hypothesis: There is no statistically significant correlation between income diversification and market value.

Table (9) Testing the correlations between diversification dynamics and the market value of the Baghdad Packaging Materials Company

Dependent variable Independent variable	Market value
<b>Diversification of assets</b>	<b>0.16-</b>
<b>Sig.</b>	<b>0.51</b>
<b>Diversification of liabilities</b>	<b>0.49</b>
<b>Sig.</b>	<b>0.032</b>
<b>Income diversification</b>	<b>0.09</b>
<b>Sig.</b>	<b>0.72</b>

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 -The value of the correlation between the diversification of assets and the market value of the Baghdad Packaging Materials Manufacturing Company reached (-0.16), which is a negative value, and with a moral significance at the level of (0.51), which indicates the weakness of the relationship between the two variables.

2 - The value of the correlation between the diversification of liabilities and the market value in the Baghdad Packaging Materials Manufacturing Company reached (0.49), which is a positive value and has a moral significance at the level of (0.032), which means the strength of the relationship between the two variables in the mentioned company.

3 -The value of the correlation between income diversification and market value in Baghdad Soft Drinks Company was (0.09), which is a positive value and has a moral significance at the level of (0.72). The researcher infers that the strength of the relationship between the two variables is weak.

4 - In order of the strength of the relationship between the variables, we find that the strongest relationship is between diversification of liabilities and market value, followed by the correlation between diversification of income and market value, and finally the correlation between diversification of assets and market value.

Discussing the results for the Baghdad Packaging Materials Manufacturing Company prompts the researcher not to reject the sub-hypotheses (first and third) emanating from the first main hypothesis, meaning ((There is no significant correlation between diversification (assets and income) and market value)) and to reject the second sub-hypothesis emanating Regarding the first main hypothesis, meaning (there is a significant correlation between the diversification of liabilities and market value.

### 11-3-2-Testing the impact hypothesis

The researcher used simple regression analysis for the purpose of testing the effect of diversification dynamics on the market value of the Baghdad Packaging Materials Company, according to the following:

The second main hypothesis: There is no significant effect of diversification dynamics on market value, and three sub-hypotheses branch out from it- :

The first sub-hypothesis: (There is no significant effect of diversifying assets on market value).



The second sub-hypothesis: (There is no significant effect of diversifying liabilities on the market value).

The third sub-hypothesis: (There is no significant effect of income diversification on market value).

Table (10) Impact hypothesis test for Baghdad Packaging Materials Manufacturing Company

Dependent variable \ Independent variable	Market value		The calculated t value and its significance level	The calculated F value and its significance level	The R <sup>2</sup> value
	$\alpha$	$\beta$			
Diversification of assets	11.20	10.57-	0.67-	0.45	0.03
Diversification of liabilities	2.61	22.33	*2.34	*5.50	0.24
Income diversification	4.35	1.84	0.37	0.13	0.008

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 -The diversification of assets has a negative impact on enhancing the market value of the Baghdad Packaging Materials Company by (10.57). However, this effect was not significant at the level of (5%) because the value of (t), which measures the significance of the regression coefficient, was (-0.67), and the value of (f), which measures the significance of the regression model (0.45), was not significant at the level of (5%). While the value of the coefficient of determination (R<sup>2</sup>) was (0.03), this means that the diversification of assets explains (3%) of the changes that occur in the market value of the company under investigation.

2 -Diversification of liabilities achieved a positive effect in enhancing the market value of the company under study by an amount of (22.33) if it was enhanced by one unit. Note that this effect was significant at the level of (5%) because both the value of (t)(2.34) and (f)(5.50) were significant at the level of (5%), while the value of the coefficient of determination (R<sup>2</sup>) was (0.24) and this This means that the diversification of liabilities explains 24% of the changes that occur in the market value of the Baghdad Packaging Materials Company.

3 -Diversifying income positively affects the market value of the company under study by an amount of (1.84) if it is increased by one unit. Note that both the value of (t) of (0.37) and (f) of (0.13) were not significant at the level of (5%), while the value of the coefficient of determination (R<sup>2</sup>) was (0.008). This means that income diversification explains the percentage of ( 0.8%) of the changes that occur in the market value of the Baghdad Packaging Materials Company, which is a weak value.

With regard to the modern sewing company, the researcher infers the rejection of the second sub-hypothesis emanating from the second main hypothesis regarding the effect of diversifying liabilities on the market value, meaning (diversifying liabilities affects the market value), and not rejecting the sub-hypotheses (first and third) with regard to the rest of the other forms of diversification. If the company wants to enhance its market value, it must focus on diversifying its liabilities more than diversifying its income, and not seek to diversify its assets because it will reflect negatively on the market value.

### Testing the study hypotheses at the level of Al-Amin Insurance Company

#### Testing the correlation hypothesis

The first main hypothesis: There is no statistically significant correlation between diversification dynamics and market value. It has three sub-hypotheses:

The first sub-hypothesis: There is no statistically significant correlation between asset diversification and market value.

The second sub-hypothesis: There is no statistically significant correlation between the diversification of liabilities and the market value.

The third sub-hypothesis: There is no statistically significant correlation between income diversification and market value.

In order to test the above hypothesis, the researcher used the simple correlation coefficient (Pearson) according to table (11) below, where he tested the correlation between each of the approved ratios for the purpose of measuring diversification dynamics (diversification of assets, diversification of liabilities, diversification of income) with the market value of the company under study.

Table (11) Testing the correlations between diversification dynamics and the market value of Al-Amin Insurance Company

Dependent variable	Market value
Independent variable	
Diversification of assets	0.04-
Sig.	0.87
Diversification of liabilities	0.57
Sig.	0.01
Income diversification	0.43-
Sig.	0.06

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 -The value of the correlation between the diversification of assets and the market value of Al-Amin Insurance Company reached (-0.04), which is a negative value, and with a moral significance at the level of (0.87), which indicates the weakness of the relationship between the two variables.

2 -The value of the correlation between the diversification of liabilities and the market value in Al-Amin Insurance Company reached (0.57), which is a positive value and has a moral significance at the level of (0.01), which means the strength of the relationship between the two variables in the aforementioned company.

3 -The value of the correlation between income diversification and the market value of Al-Amin Insurance Company reached (-0.43), which is a negative value and has a moral significance at the level of (0.06). The researcher infers the strength of the relationship between the two variables to some extent.

4 -In order of the strength of the relationship between the variables, we find that the strongest relationship is between diversification of liabilities and market value, followed by the correlation between diversification of income and market value, even if it is a negative relationship, and finally the correlation between diversification of assets and market value.

Discussion of the results prompts the researcher not to reject the first and third sub-hypotheses emanating from the first main hypothesis, regarding Al-Amin Insurance Company, meaning ((There is no statistically significant correlation between diversification (assets and income) and market value)). The second sub-hypothesis emanating from the first main hypothesis was rejected, meaning (there is a statistically significant correlation between the diversification of liabilities and market value).

### Testing the impact hypothesis

The researcher used simple regression analysis for the purpose of testing the effect of diversification dynamics on the market value of Al-Amin Insurance Company, according to the following:

The second main hypothesis: There is no significant effect of diversification dynamics on market value, and three sub-hypotheses branch out from it- :

The first sub-hypothesis: (There is no significant effect of diversifying assets on market value).

The second sub-hypothesis: (There is no significant effect of diversifying liabilities on the market value).

The third sub-hypothesis: (There is no significant effect of income diversification on market value).

Table (12) Testing the impact hypothesis for Al-Amin Insurance Company

Dependent variable / Independent variable	Market value		The calculated t value and its significance level	The calculated F value and its significance level	The R <sup>2</sup> value
	$\alpha$	$\beta$			
Diversification of assets	0.96	0.12-	0.16-	0.03	0.002
Diversification of liabilities	0.19	1.58	*2.85	8.13	0.32
Income diversification	1.42	1.87-	1.98-	3.90	0.19

Source: Prepared by the researcher based on the results of the statistical program SPSS Var.25

It is evident from the above table that:

1 - Diversifying assets has a negative effect on enhancing the market value of Al-Amin Insurance Company by (0.12). However, this effect was not significant at the level of (5%) because the value of (t), which measures the significance of the regression coefficient, was (-0.16), and the value of (f), which measures the significance of the regression model (0.03), was not significant at the level of (5%). While the value of the coefficient of determination (R<sup>2</sup>) was (0.002), this means that the diversification of assets explains (0.2%) of the changes that occur in the market value of the researched company, which is a very small value.

2 -Diversification of liabilities had a positive effect in enhancing the market value of the company under study by an amount of (1.58) if it was enhanced by one unit. Note that this effect was significant at the level of (5%) because both the value of (t)(2.85) and (f)(8.13) were significant at the level of (5%), while the value of the coefficient of determination ( $R^2$ ) was (0.32) and this This means that the diversification of liabilities explains 32% of the changes that occur in the market value of Al-Amin Insurance Company.

3 -Diversification of income negatively affects the market value of the company under study by an amount of (-1.87) if it is increased by one unit. Note that both the value of (t) of (-1.98) and (f) of (3.90) were not significant at the level of (5%), while the value of the coefficient of determination ( $R^2$ ) was (0.19). This means that income diversification explains the percentage (19%) of the changes that occur in the market value of Al-Amin Insurance Company.

With regard to Al-Amin Insurance Company, the researcher infers that the sub-hypotheses (first and third) emanating from the second main hypothesis should not be rejected, meaning ((the dynamics of diversification (assets and income) do not affect the market value)). As for the effect of diversifying liabilities, the researcher infers the rejection of the second sub-hypothesis emanating from the second main hypothesis, meaning (diversification of liabilities affects the market value). If the company wants to enhance its market value, it must focus on diversifying its liabilities more than diversifying its income, and not seek to diversify its assets because it will reflect negatively on the market value.

## Conclusion

The results of the financial analysis showed that the companies sample of the study pursue a consistent policy with regard to diversifying assets, diversifying liabilities, and diversifying income, in a way that achieves varying diversification ratios ranging between low and medium, ensuring that they achieve a benefit towards reducing financial shocks at the lowest possible costs.

The results of the statistical analysis of the study sample companies showed that there is no statistically significant correlation between asset diversification and market value, meaning that asset diversification does not necessarily mean maximizing market value and vice versa.

The results of the statistical analysis of the study sample companies showed that there is no significant correlation between the diversification of liabilities and the market value, with the exception of the Baghdad Packaging Materials Company and Al-Amin Insurance Company.

The results of the statistical analysis of the study sample companies showed that there is no significant correlation between income diversification and market value.

The results of the statistical analysis of the study sample companies showed that there is no significant effect of diversifying assets on market value.

The results of the statistical analysis of the companies in the study sample showed that there is no significant effect of diversifying liabilities on the market value, with the exception of Baghdad Packaging Materials Company and Al-Amin Insurance Company.

The results of the statistical analysis of the study sample companies showed that there is no significant effect of income diversification on market value.

## Recommendations

The need to support Iraqi private companies in their various sectors, and provide adequate support for national products and services by providing companies with raw materials at subsidized prices, supporting financial markets, encouraging insurance operations, as well as facilitating real estate investment procedures with transparency and integrity.

The need for the companies in the study sample to adopt balanced diversification methods so that they can achieve harmony between the profits they achieve and the risks they can avoid.

We recommend the need for private companies, the study sample, to adopt certain policies with regard to diversifying assets, diversifying liabilities, and diversifying income in a way that enables them to achieve high diversification rates in order to improve their market position and gain more customers, and thus achieve the highest returns at the lowest costs.

It is necessary to take into account the factors affecting the market value in an attempt to control it, or at least the factors that are under the company's control, in order to increase the level of the market value of the companies studied.

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