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**Analysis of the Impact of Liquidity Ratio, Profitability Ratio, and
Market Ratio on Shareholders' Equity: An Applied Study in the Iraqi
Stock Exchange for the Period (2018-2022)**

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Abstract: This study aims to analyze the impact of liquidity ratio, earnings ratio, and market-to-book ratio on shareholders' equity-producing companies for the period (2018-2022) listed on the Iraqi Stock Exchange. The financial ratios analyzed in this study include the current ratio, quick ratio, net profit margin, book-to-market ratio, and shareholders' equity. Reliance was placed on the audited financial statements of 11 companies that were properly listed on the stock exchange for five years, using a targeted sampling technique to obtain the data. Quantitative and descriptive research methods were used in this study, which includes the description of current ratio (CR), quick ratio (QR), net profit margin (NPM), and market-to-book ratio (MBR) as independent variables. Shareholders' equity (SE) is treated as the dependent variable. In this study, financial lists, such as data collection techniques, panel data regression, and statistical methods were used to evaluate and test hypotheses with the help of EViews 12 software. The results indicate that the current ratio (CR) and market-to-book ratio (MBR) have a significant negative effect on shareholders' equity (SE). This is where the quick ratio (QR) has an important, significant positive effect on shareholders' equity (SE). However, net profit margin (NPM) has no significant effect on shareholders' equity (SE) in manufacturing firms in Iraq.

تحليل أثر نسبة السيولة ونسبة الربحية ونسبة السوق على حقوق المساهمين: دراسة تطبيقية في سوق العراق للأوراق المالية للفترة (2018-2022)

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المستخلص

الهدف من هذه الدراسة إلى تحليل أثر السيولة والربحية ونسبة السوق إلى القيمة الدفترية على شركات تصنيع حقوق المساهمين للفترة (2018-2022) المدرجة في سوق العراق للأوراق المالية. تشمل النسب المالية التي تم تحليلها في هذه الدراسة النسبة الحالية، والنسبة السريعة، وهامش الربح الصافي، ونسبة السوق إلى القيمة الدفترية، وحقوق المساهمين. وتم الاعتماد على البيانات المالية المراجعة إلى 11 شركة تم إدراجها بشكل صحيح في البورصة لمدة خمس سنوات، باستخدام تقنية أخذ العينات المستهدفة للحصول على البيانات. تم استخدام مناهج البحث الكمي والوصفي في هذه الدراسة والتي تتضمن وصف النسبة الحالية (CR) والنسبة السريعة (QR) وهامش الربح الصافي (NPM) ونسبة السوق إلى القيمة الدفترية (MBR) كمتغيرات مستقلة. يتم التعامل مع حقوق المساهمين (SE) كمتغير تابع. في هذه الدراسة، تم استخدام القوائم المالية، مثل تقنيات جمع البيانات، وانحدار بيانات اللوحة، والأساليب الإحصائية لتقييم واختبار الفرضيات بمساعدة برنامج EViews 12. تشير النتائج إلى أن النسبة الحالية (CR) ونسبة السوق إلى القيمة الدفترية (MBR) لها تأثير سلبي كبير على حقوق المساهمين (SE). هذا هو المكان الذي يكون فيه للنسبة السريعة (QR) تأثير إيجابي مهم وكبير على حقوق المساهمين (SE). ومع ذلك، فإن هامش الربح الصافي (NPM) ليس له تأثير كبير على حقوق المساهمين (SE) في شركات التصنيع في العراق. **الكلمات المفتاحية:** نسبة السيولة، نسبة الربحية، نسبة السوق إلى القيمة الدفترية، حقوق المساهمين، سوق العراق للأوراق المالية.

1. Introduction:

The liquidity ratio as a variable is represented by either the current rate (CR) or the quick rate (QR). Furthermore, the variable of profitability, represented by the net profit margin (NPM), affects the firm's value (Taujiharrahman, Yuningrum, Yahya, Fuadi, & Hartono, 2021: 3). A business with high bond ratings is considered liquid, as its current assets outweigh its liabilities, reducing the risk of default (Suriyanti, Priadana, & Astuty, 2022:59). The ability of the business to turn a profit over a specific time frame is known as profitability. When it comes to expanding its business, a company's primary focus is on the profit it will make from its investments. There's no denying that profitable businesses have more internal funds than unprofitable ones. Return on Equity (ROE), Net Profit Margin (NPM), and Return on Assets (ROA) are the profitability ratios

employed in this study. Whereas ROE indicates the amount of return the firm provides to its shareholders, ROA indicates how much the company can make by using its assets.(Rahman) Stakeholders are able to assess the company's financial performance, both now and in the future, thanks to management remarks included in annual reports and other papers pertaining to the business. Thus, the market value of the company may be impacted by the perceptions held by stakeholders(Myšková & Hajek, 2017:3) A portion of net income may be set aside by the shareholders' meeting to establish this reserve, which will be used to cover a loss that is anticipated to occur in a later fiscal year. Apart from being a possibility, there isn't a set formula for calculating this potential reserve. Consequently, it is impossible to argue that the establishment of this contingency reserve is doing the job of keeping the shareholders' equity required to reduce the likelihood of a corporate failure(Salotti & Carvalho, 2024:43) In the corporate world, liquidity and profitability are extremely important. The management of a company's current assets and current obligations is referred to as liquidity. Every firm uses liquidity ratios, such as the current ratio, quick ratio, and acid test ratio, to manage its liquidity, which has a significant impact on the profitability of the business, all of these terms—profitability, firm value, shareholder wealth, and value—are interchangeable because they demonstrate how wealth is created for shareholders (Megaladevi, 2018:860). When categorizing enterprises into market outperformers and underperformers, the market estimators (market-to-book ratio and Q-ratio) are more likely to diverge when it comes to financial leverage, tangible assets, profitability, and liquidity(Muiruri, 2012:23).

The research problem of the capital of manufacturing companies listed on the stock exchange arises from the investment of ordinary shares by the shareholders. Therefore, shareholders should know the value of their shares when making investment decisions because the returns of ordinary shares are volatile, especially sometimes the shares of manufacturing companies change. Shareholders should therefore make wise decisions to avoid stock inflation in investment types. Common stockholders' investment decisions can therefore be significantly affected by careful examination of current ratio (CR), quick ratio (QR), net profit margin (NPM), and market-to-book ratio (MBR) affecting stockholders' equity. Unfortunately, the extent to which

investors are aware of the impact of liquidity ratios, earnings ratios, and market rates on shareholder equity is questionable.

The importance of this study is that it facilitates users of financial lists of manufacturing companies. To assess the growth of cash ratio, earnings ratio, and market ratio on shareholders' equity, as each of these ratios affects investment decisions differently. Continuous research in this sector is needed to highlight the differences found in previous studies. This paper attempts to evidentially present the results regarding the variables. Therefore, this study is expected to be useful for the development of this sector.

The objective of the study is to analyze the impact of liquidity ratio, profitability ratio, and market ratio on shareholders' equity in manufacturing companies listed on the Iraqi Stock Exchange for the period (2018-2022). Using current ratio (CR), quick ratio (QR), net profit ratio (NPM), and market-to-book ratio (MBR) as independent variables, versus shareholders' equity (SE) as the dependent variable.

2. Literature Review:

2-1. Liquidity Ratios: The liquidity ratio shows how well a company can pay off its existing debt (Djohan, 2023: 323), The liquidity ratio is used to assess how well a company can pay its current debts. In this case, a company's lower liquidity indicates that it has fewer current assets available to meet its obligations (Simamora & Hendarjatno, 2019:148). This ratio illustrates the company's strength and short-term financial solvency and assesses its capacity to meet its short-term obligations (Imansyah & Mustafa, 2021: 373). A company is considered liquid if it can meet all of its short-term obligations, including current liabilities, as much as possible, using current assets (Nasution & Yusleny, 2023: 1734). The term "liquidity" describes a bank's capacity to create value through the prompt conversion of assets, consistent cash flow for the settlement of debts, and daily access to funds (AI, 2021 :211).

Current Ratio: The Liquidity Ratio as Current (CR) indicates how much current assets outweigh liabilities. The ability of the business to cover its non-permanent liabilities increases with the ratio of current assets to current liabilities (Fachrian & Hidayat, 2023:20). CR is a ratio that assesses a company's capacity to settle immediate debt or short-term obligations as soon as the sum is obtained. As a result, it shows the present assets that can be used to pay the short-term obligation by the deadline. CR can be viewed

as a way to gauge a company's level of safety or margin of safety (Shabrina & Hadian, 2021:195).

2-1-1. Quick Ratio: The quick ratio measures a company's ability to meet short-term debt obligations with current assets, without considering stock value (Derestiyani & Susetyo, 2023:101). The Quick Ratio (QR) is a key metric used to assess a business's asset management strategy for determining its ability to generate a specific level of return (Mohammad & Adiningrum, 2023:23). Effects of Exchange Rates, Return on Assets, and Quick Ratio on Stock Returns: Like the current ratio, the quick ratio primarily focuses on the liquid able portion of the assets (Mao, 2023: 2).

Profitability Ratios

Profitability is a gauge of how well management operates a company. This ratio is used to assess a company's ability to turn a profit. The amount of profit realized enhances the issuer's capacity to pay dividends. In this study, profitability ratios are characterized by the Return on Equity Ratio (ROE), which measures the rate of return that shareholders receive on their investments (Djohan, 2023: 322). Consequently, profit is influenced by both the volume of revenue and the volume of expenses (K. H. Salih, Mohammed, & Sangawi, 2023:723). The profitability ratio assesses the company's ability to turn a profit on sales, total assets, and own capital (R. H. Salih, Sangawi, Salih, Ahmed, & Ahmad, 2023:725). Analysis of a company's capacity to turn a profit from the fundamental tasks for which it was founded is done using profitability ratios (Al-Manaseer, 2020:93). Profitability is a crucial aspect of every bank's success, as it is tied to the investments that generated these profits (Ahmed, 2023: 205).

2-2. Net Profit Margin: Net profit margin is the proportion of sales that remains after all cost and expenses, including taxes, interest, and dividends on preferred stock, have been subtracted. Therefore, a corporation might be deemed good if it has a high NPM (Net Profit Margin) (Nariswari & Nugraha, 2020: 88). One measure of the company's financial health is its net profit margin (Astuti, 2021: 115). Net profit margin is a type of activity ratio that indicates how much net profit a company can make at a given sales level. A high net profit margin shows that the business can turn a profit at a specific sales volume. A low net profit margin is a sign of high costs relative to sales (Firman & Salvia, 2021:156). The ratio of net profit after taxes to net sales is known as the net profit margin (Hanipah & Purnama, 2024:769). The

Net Profit Margin, or profit margin ratio, measures a company's profitability by comparing net profit after taxes to sales revenue (Sitohang & Akbar, 2024:1548). It demonstrates how the compound annual growth rate is adversely indicated by the net profit ratio (K. H. Salih et al., 2023:725).

2-3. Market-to-Book Ratio: Market ratios are used to determine how a company's performance affects the projected returns on investing in its shares (Al-Manaseer, 2020: 93). A comparison of a company's stock's book value and market value on the capital market is known as the book-to-market ratio. Investors view the value of equity as its market value (Nugroho, 2020:103). The ratio that compares the market price to the book value is called the market ratio. Although the management is also concerned by this ratio, the perspective of investors or future investors is what this ratio is primarily centered on. Price Earnings Ratio is the most widely utilized market ratio. The ratio of share prices to earnings is known as the price earnings ratio, or PER. High-growth companies generally have high PERs, while low-growth companies generally have low PERs (Nalurita, 2015: 76).

2-4. Shareholders' Equity: Examined the governance impact of significant shareholders' equity promise on interest speculation behavior from a market value management standpoint (Cai, 2019: 454). Any company's capital is made up of its long- and short-term liabilities as well as its shareholders' equity, according to the balance sheet (Anton, Olga, & Olga, 2016: 167). The capital owned by individuals or by the shareholders that are included in the liabilities on the balance sheet, as well as the sources generated or received during the operation of the economic unit, are all represented by the shareholders' equity, which has the following structure: share capital; bonuses related to capital; reserves resulting from re-evaluation; reserves; exercise result; result carried over; shareholders' equity; investment subsidies; controlled accruals. (Rus & Pop-Radu, 2018: 143), The equity rate of return (ROE) measures an organization's ability to effectively manage shareholder investments to maximize their wealth (Dahham & Dahham, 2023:387).

3. Methodology of Research:

3-1. Design of the research: The model of this study relies on quantitative research methods and a descriptive approach. It aims to analyze the impact of liquidity ratio, profit ratio, and market ratio on shareholder equity issuing

companies in Iraq. Using the audited financial statements of these companies available on the Iraqi Stock Exchange for the years (2018-2022).

It was conducted using purposive sampling techniques and balanced panel data for the study variable. To analyze the effect on which the independent variables market rate by rate (MBR), liquidity rate measured by each (current rate (CR), quick rate (QR), and profitability rate measured by net profit margin (NPM)) changed Dependent measured by shareholders' equity (SE) Worked on data from manufacturing companies, i.e. regression methods using Views 12, time series, and cross-sectional specification (PLS) to analyze the relationship between variables reformulated by the researchers.

3-2. Data gathering: In order to obtain the data, the study relied on the audited financial statements of 11 manufacturing companies listed in Table 1 on the Iraqi Stock Exchange (<http://www.isx-iq.net>).which correctly contained all the information needed for the study. To analyze the impact of liquidity ratio, profit ratio, and market ratio on shareholders' shares of manufacturing companies on the Iraqi Stock Exchange for the period (2018-2022).

Table (1): Examples of manufacturing companies

No	Name of companies	EST	capital	Code Number
1	Al-Iraqiya for manufacturing and marketing dates	1989	17,250,000,000	IQ000A0Q21A5
2	National Chemical and Plastic Industries Company	1962	15,187,500,000	IQ000A0M7T09
3	Al Khazer Road Company	1989	1,000,000,000	IQ000A0M9DB4
4	Modern Sewing Company	1988	2,000,000,000	IQ000A0M7T66
5	Baghdad Packaging Materials Manufacturing Company	1962	1,080,000,000	IQ000A0M7TW0

No	Name of companies	EST	capital	Code Number
6	Al Mansour Pharmaceutical Industries Company	1989	16,000,000,000	IQ000A0M7TZ3
7	Al-Kindi Company for Veterinary Vaccines Production	1990	5,940,000,000	IQ000A0M7T41
8	Iraqi Carpets and Furniture Company	1989	500,000,000	IQ000A0M7T33
9	Ready-made clothing production company	1976	3,186,600,000	IQ000A0M9C89
10	Baghdad Soft Drinks Company	1989	204,335,333,333	IQ000A0M7TT6
11	Al-Iraqiya Engineering Works	1985	1,500,000,000	IQ000A0M7TX8

Source: Data taken from the Iraqi Stock Exchange (<http://www.isx-iq.net>) for 2024

3-3. Identification of Variables: In this paper, in order to prove the impact analysis of liquidity ratio, profitability ratio, and market ratio on shareholders' equity. It uses several equations listed in Table 2 to show the effect of the independent variables on the dependent variable in order to prove that effect. At the same time, making use of the quantitative research method has worked on the relationship between variables.

Table (2): Operational Variable Definitions

Variable	Measurement	formula	Reference
Independent variables			
Liquidity Ratios	Current Ratio	Current Assets/ Current Liability	(Shabrina & Hadian, 2021)
	Quick Ratio	Quick Assets / Current Liabilities	(Ebimobowei, Uche, & Young-Arney, 2021)
Profitability Ratios	Net profit margin	(Net Income / Revenue) *100	(Al-Manaseer, 2020)
Market-to-Book Ratio	Share Price / Total Assets – Total Liabilities		(Nugroho, 2020)
Dependent variables			
Shareholders' Equity	Total Assets – Total Liabilities		(Mao, 2023)

Source: Re-processed by the researchers, 2024.

3-4. Hypotheses Development:

H1: The current rate has a significant impact on Shareholders' Equity in manufacturing companies in Iraq.

H0: The current rate does not have a significant impact on shareholders' shares in manufacturing companies in Iraq.

H2: The quick ratio has a significant impact on Shareholders' Equity in manufacturing companies in Iraq.

H0: The quick rate does not have a significant effect on shareholders' shares in manufacturing companies in Iraq.

H3: The net profit margin has a significant impact on Shareholders' Equity in manufacturing companies in Iraq.

H0: The net profit ratio does not have a significant effect on the shareholders' equity in manufacturing firms in Iraq.

H4: The market-to-book ratio has a significant impact on Shareholders' Equity in manufacturing companies in Iraq.

H0: The market-to-book ratio does not have a significant effect on shareholders' shares in manufacturing companies in Iraq.

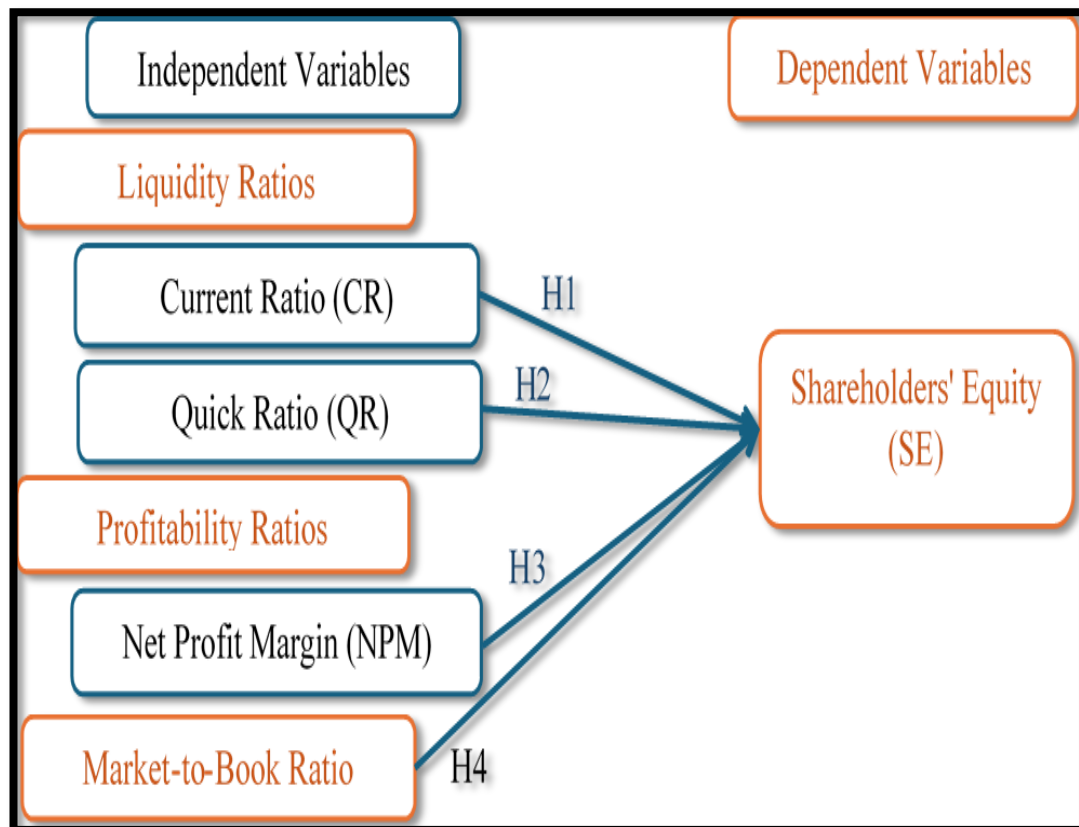


Figure (1): Research Model

Source: Re-processed by the researchers, 2024.

3-5. Data Analysis: In analysing the results of the study, the researchers relied on this model in order to test the intervariable hypothesis of the studies using multiple linear regression derived from the studies (Zeng, 2023), (Ebimobowei et al., 2021), and (Ahmad, Salih, & Sangawi, 2024) with reprocessing by the researchers. Using quantitative and descriptive data research, the impact of cash ratio, profit ratio, and market ratio on shareholders' shares of manufacturing companies listed on the Iraqi Stock Exchange for the period (2018-2022) has been analyzed.

$$SE = \beta_0 + \beta_1 CR + \beta_2 QR + \beta_3 NPR + \beta_4 MBR + e$$

Description:

SE: Shareholders' Equity (Dependent variables).

CR: Current Ratio (Independent variables).

QR: Quick Ratio (Independent variables).

NPM: Net profit margin (Independent variables).

MBR: Market-to-Book Ratio (Independent variables).

β_0 : Constants

$\beta_1, \beta_2 \dots \beta_5$: Partial Coefficient Regression

e: Error

4. Results Discussion:

Background Information for Respondents

4-1. Analyzing Descriptively: The mean result of the dependent variable shareholder equity on average is equal to 4.33E+10 in manufacturing firms in Iraq. against a minimum value of 9.78E+08 and a maximum value of 5.00E+11. With a standard deviation of 1.24E+11 for the years (2018-2022). This is while the result of Table 3 shows that the shareholders' equity data which has a probability value of 0.000 which is less than 0.05, implies that the shareholders' equity (SE) data are not normally distributed according to the Jarque-Bera test.

But the mean result of each current ratio (CR) and quick ratio (QR) is 9.489008, 6.189026 with a standard deviation of 27.32661, 24.74306 with a minimum value of 1.114454, 0.384068, and a maximum value of 205.0011, 185.9213. Against a probability value of 0.000 for each of the current ratios (CR), the quick ratio (QR), which is less than 0.05, suggests that their data are not normally distributed according to the Jarque-Bera test. Where current ratio (CR) and quick ratio (QR) have been used to measure the Liquidity Ratios of manufacturing firms in Iraq.

This while, the mean result of the market-to-book ratio is $-2.72E+10$, with a standard deviation of $8.43E+10$, with a minimum negative value of $-3.55E+11$ and a maximum value of $8.39E+09$. Against a probability value of 0.000 for a market-to-book ratio of less than 0.05, this suggests that their data are not normally distributed according to the Jarque-Bera test of manufacturing firms in Iraq.

According to the results of Table 3, the average net profit margin (NPM) was 5.743003 for manufacturing companies listed on the Iraqi Stock Exchange for the period (2018-2022). In other words, manufacturing companies in Iraq can earn an average net profit of 5.7 percent of their total revenue. Therefore, the larger this result is in the interest of the manufacturing companies. This while, the standard deviation is (52.96) for Net Profit Ratio (NPM), with a maximum value of 110.0431 and a minimum negative value of -143.7131. In addition, the probability value is 0.001076, which is less than 0.05, which shows that the net profit margin (NPM) data are not normally distributed according to the Jarque-Bera test.

Table (3): Analyzing Descriptively

	SE	CR	QR	MBR	NPM
Mean	4.33E+10	9.489008	6.189026	-2.72E+10	5.743003
Median	3.45E+09	4.454149	2.726804	-1.45E+09	9.289501
Maximum	5.00E+11	205.0011	185.9213	8.39E+09	110.0431
Minimum	9.78E+08	1.114454	0.384068	-3.55E+11	-143.7131
Std. Dev.	1.24E+11	27.32661	24.74306	8.43E+10	52.96184
Jarque-Bera	198.7827	5368.511	6088.069	255.9448	13.66898
Probability	0.000000	0.000000	0.000000	0.000000	0.001076
Observations	55	55	55	55	55

Source: Data analysis processed using EViews 12

- 5. Normality test:** According to the result of the Jarque-Bera test presented in Figure 2, the result of the normality test shows that the probability value is 0.0481 for all the data, which is less than 0.05, which implies that their data are not normally distributed according to the Jarque-Bera test of manufacturing firms. It is listed on the Iraqi Stock Exchange for the period (2018-2022).

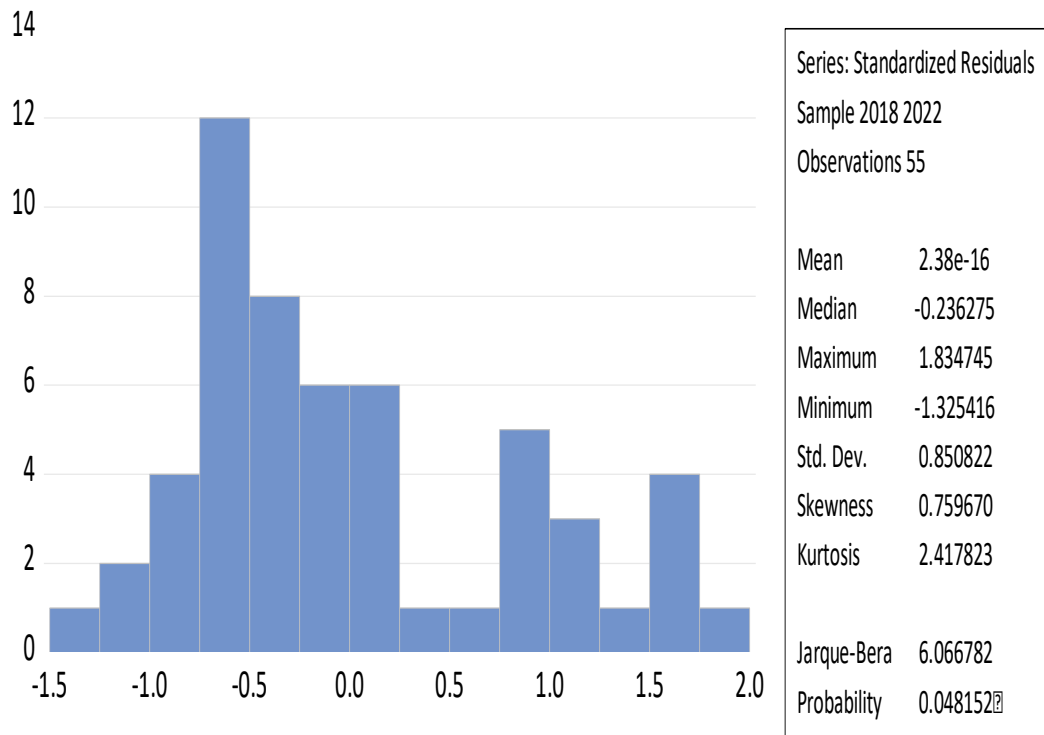


Figure 2: Normality test

Source: Data analysis processed using EViews 12

6. Results of Correlation: The results of Table 4 indicate the Pearson correlation coefficients among the variables. It indicates a significant negative correlation with a value of (-0.0635) between the current ratio (CR) and shareholders' equity. Meanwhile, among the quick ratio (QR) of shareholders' equity, there is a weakly significant negative correlation with a value of -0.0495. With the same result, the results indicate the existence of an insignificant weak positive relationship, with a value of 0.0285 between net profit margin (NPM) and shareholders' equity. However, the results for the relationship between the market-to-book ratio (MBR) and shareholders' equity indicate a strong negative relationship with a value of -0.9941 between the two variables.

According to the result of Table 4, it shows that the results of the multicollinearity test for independent variables showed a tolerance value larger than 0.1 and a VIF value smaller than 10.00. This result indicates that there was virtually no sign of multicollinearity among the variables (current ratio (CR), quick ratio (QR), net profit margin (NPM), and market-to-ratio ratio (MBR)).

Table (4): Correlation & Multicollinearity Test Results

	SE	CR	QR	MBR	NPM	VIF
SE	1					
CR	-0.0635*	1				1.77432
QR	-0.0495*	0.9863***	1			1.77788
MBR	-0.9941***	0.0617*	0.0471*	1		1.0073
NPM	0.0285*	0.0190*	0.0154*	-0.0312*	1	1.00393

Notes: Statistical significance is represented by ***, **, and * at the 1, 5, and 10% percentiles, respectively.

Source: Data analysis processed using EViews

6-1. Anova test: The Anova F test works based on (probability) result to evaluate the criteria. So according to the result of Table 5, it shows that the probability value (0.0000) is smaller than 0.05. This result also indicates that the independent variable significantly affects the dependent variable according to the Anova F test. Welch's F-test shows the same result, rejecting the null hypothesis in the study.

Table (5): Anova test result

Test for Equality of Means Between Series			
Sample: 2018 2022			
Included observations: 55			
Method	df	Value	Probability
Anova F-test	(4, 270)	7.882578	0.0000
Welch F-test*	(4, 126.537)	3.197419	0.0154
*Test allows for unequal cell variances			

Source: Data analysis processed using EViews 12

6-2. Results of Regression: Table 6 shows the results of the variable regression analysis. It indicates that any change in the independent variable causes a change in the dependent variable, with the results presented in Table 6. Looking at the result of the regression analysis, it is clear that the value of constant (C) is 22.16715. In other words, if its value (a ratio) for the independent variables (current ratio (CR), quick ratio (QR), net profit margin (NPM), and market-to-book ratio (MBR)) is zero, then the value (a ratio) for shareholders' equity (SE) stands at 22.16715. The value of (a coefficient) for the current ratio (CR) is -0.370677. This result also indicates. If the current ratio (CR) increases by 1, then the shareholders' equity will decrease by -0.370677. This while, the value of (a coefficient) for Quick Ratio (QR) is

0.368904. This result indicates that. If the quick ratio (QR) increases by 1, then the shareholders' equity increases by 0.368904. However, the value of (a coefficient) for the market ratio by ratio (MBR) is -1.62E-11, as this result indicates. If the market-to-book ratio (MBR) increases by 1, then the shareholders' equity will decrease by -1.62E-11. Moreover, the value of (a coefficient) for Net Profit Ratio (NPM) is -0.000516, as this result also indicates. If the net profit margin (NPM) increases by 1, then the shareholders' equity decreases by -0.000516.

Based on the R-squared (R²) result of 0.731469 shown in Table 6, it indicates that each of the independent variables (current ratio (CR), quick ratio (QR), net profit ratio (NPM), and market-to-book ratio (MBR) respectively affected the shareholders' equity (SE) by 73.14%. The study does not mention the impact of 26.86% of those variables on shareholders' equity (SE).

Table (6): Regression test

Dependent Variable: LOG(SE)						
Method: Panel Least Squares						
Sample: 2018 2022						
Variable	Coefficient	Std. Error	t-Statistic	Prob.	Result	Conclusion
	22.16715	0.246796	89.81976	0.0000		
LOG(CR)	-0.370677	0.179680	-2.062980	0.0443	H1 accepted	Significant
LOG(QR)	0.368904	0.181188	2.036031	0.0471	H2 accepted	Significant
MBR	-1.62E-11	1.43E-12	-11.33209	0.0000	H3 accepted	Significant
NPM	-0.000516	0.002280	-0.226379	0.8218	H4 rejected	Not significant
R-squared		0.731469				
Adjusted R-squared		0.709987				
F-statistic		34.04962				
Prob(F-statistic)		0.000000				

Source: Data analysis processed using EViews 12

$$\text{LOG (SE)} = 22.1671514021 - 0.370677006225 * \text{LOG (CR)} + 0.368904054897 * \text{LOG (QR)} - 1.62025791309e-11 * \text{MBR} - 0.000516187221025 * \text{NPM}$$

6-3. Heteroskedasticity Test: The LR test for heteroskedasticity is a valuable tool in regression analysis to ensure that the research assumptions underlying the OLS estimates are valid to guide and direct the reformulation of the model. Therefore, we use the results of Table 7 to identify the effects that we can use to make decisions by evaluating the p-value associated with the LR test statistic. A p-value (0.000) smaller than 0.05 indicates that there is significant evidence against rejecting the null hypothesis, suggesting the presence of heteroskedasticity.

Table (7): Heteroskedasticity LR Test

Panel Cross-section Heteroskedasticity LR Test				
Equation: UNTITLED				
Specification: LOG(SE) C LOG(CR) LOG(QR) MBR NPM				
Null hypothesis: Residuals are homoskedastic				
	Value	df	Probability	
Likelihood ratio	85.35512	11	0.0000	
LR test summary:				
	Value	df		
Restricted LogL	-68.65164	50		
Unrestricted LogL	-25.97408	50		

Source: Data analysis processed using EViews 12

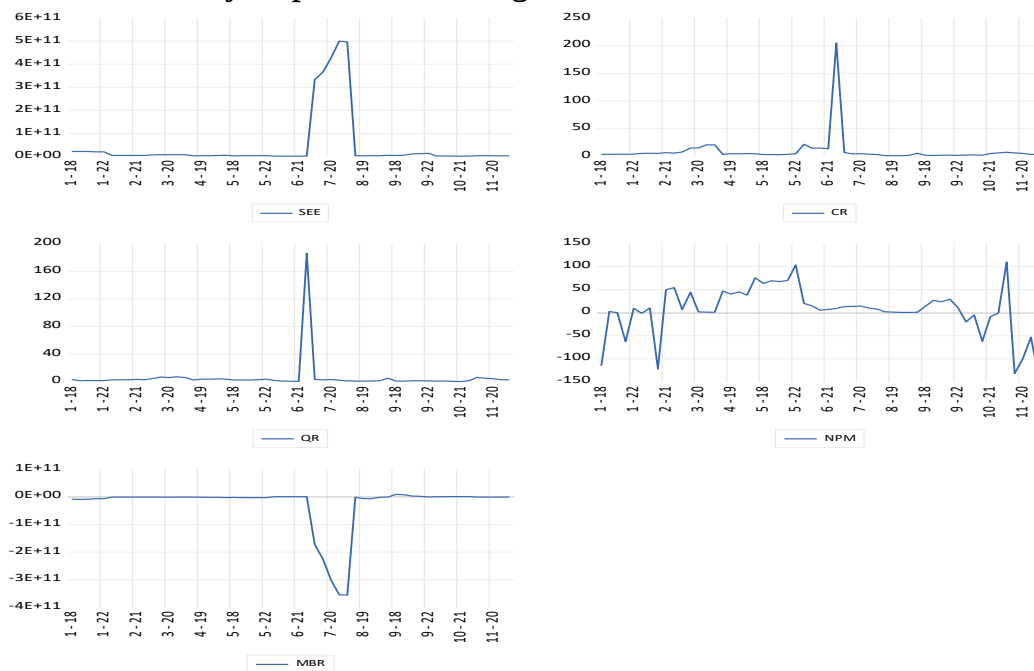


Figure 3:

Source: Data analysis processed using EViews 12

6-4. Hypothesis testing: The current ratio has a significant impact on Shareholders' Equity.

The result of testing the first hypothesis according to Table 6 indicates that the current ratio (CR) with a probability value of 0.0443 is smaller than 0.05 and the t statistic is -2.062980. This result means that the current ratio (CR) has a significant negative effect on the owner's share. There are shares (SE). With this result, the hypothesis H1 is accepted, in contrast to the rejection of H0. These results for manufacturing companies in Iraq show that the current ratio (CR) of these companies is at a good level. For managers and investors in this sector, a high level of current ratio (CR) is interpreted as a good cash position, which affects the growth of companies. The quick ratio has a significant impact on Shareholders' Equity.

The result presented in Table 6 for the second hypothesis shows that the quick ratio (QR) with probability value 0.0471 is smaller than 0.05 and the t statistic is 2.036031. This result indicates that the quick ratio (QR) has a significant positive effect on shareholder equity (SE). So, this result tells us that hypothesis H2 is accepted instead of rejecting H0. This result for manufacturing companies in Iraq suggests that these institutions are less dependent on debt because the higher the QR, the lower the cost of obligations, while companies have better liquidity for their obligations. The market-to-book ratio has a significant impact on Shareholders' Equity.

The result of hypothesis three is presented in Table 6. It shows that the market-to-book ratio (MBR) with a probability value of 0.000 is smaller than 0.05 and the t statistic is -11.33209. Therefore, this result shows that the market-to-book ratio (MBR) has an important and significant negative effect on shareholders' equity (SE). A result of obtaining this result, it will cause that hypothesis H3 is accepted versus H0 to be rejected. The higher result indicates that the share price of manufacturing companies in Iraq is at a high level. Or, on the other hand, the assets owned by the company will decline. that any unreasonable decrease in the assets owned by the companies should have a thorough review. Because it turns influence into a company asset.

The net profit margin has a significant impact on Shareholders' Equity.

The hypothesis of three results shows that the net profit margin (NPM) with probability value 0.8218 is greater than 0.05 and the t statistic is -0.226379. This result shows that net profit margin (NPM) has no significant

effect on shareholders' equity (SE). So, this result tells us that hypothesis H4 is rejected, instead of hypothesis H0 is accepted, by manufacturing companies in Iraq. This result is somewhat questionable because the profits made by companies are not reinvested but distributed to shareholders.

Conclusion: According to the data analysis of the study, the following conclusions were obtained:

1. The liquidity ratio is one of the independent variables. Measured by each (current rate (CR), quick rate (QR)).
2. The result of the current ratio (CR) has a significant negative impact on the shareholders' share (SE) of manufacturing companies listed on the Iraqi Stock Exchange for the period (2018-2022). Therefore, this result is interpreted bilaterally by investors and institutional managers, because some investors believe that if the current ratio (CR) records a high level, it means that the company can clear short-term obligations in time. This will protect companies from additional costs as a result of short-term commitments. At the same time, however, some investors see the high level of current ratio (CR) in companies as a threat because they interpret it as a failure of managers to use the assets currently available to them properly.
3. The quick ratio (QR) has a significant positive impact on shareholders' equity (SE) in manufacturing companies listed on the Iraqi Stock Exchange for the period (2018-2022). That is, the higher the quick ratio (QR), the higher it indicates that the cash in the company is high enough to cover its short-term debt. On the other hand, any decline in the QR is due to the company spending large amounts of cash to acquire fixed assets for expansion. It affects the liquidity to clear the company's short-term debt, which at times causes inflation.
4. Market-to-book ratio (MBR) as another independent variable has a significant negative impact on shareholders' equity (SE) of manufacturing firms in Iraq. The mean market-to-book ratio (MBR) is greater than one. This result implies that the market values the shares of the company more than their book value. This could indicate that investors believe the company has strong growth potential as a result of good management or other competitive advantages. This result presents the market perception towards companies that there are appropriate opportunities for their growth. This development varies from industry to industry. Therefore, generally, the market-to-book

ratio (MBR) is a useful tool for investors in order to measure whether a stock will likely overvalue or undervalue relative to its carrying value in the future.

5. The net profit margin (NPM) is used as a benchmark to measure the profitability ratio of manufacturing firms in Iraq. The results indicate that net profit margin (NPM) has no significant effect on shareholders' equity (SE). It is because it is measured by the net profit margin to evaluate the viability of the company. Therefore, a high net profit margin gives a positive signal to investors, which in turn affects the stock price. So, the higher the net profit margin (NPM) of companies, the higher the stock price. This also affects investors' decisions and guidance to invest in this sector. However, the net profit margin (NPM) does not affect the shareholders' shares of manufacturing companies listed on the Iraqi Stock Exchange for the period (2018-2022).

It is recommended to researchers if they wish to conduct similar research in the future. We recommend the follows:

1. The researcher then recommends increasing the number of companies involved and the duration of the study.
2. It is recommended that they choose other sectors to conduct similar studies. To highlight the differences between different sectors and their impact on economic growth.
3. The study suggests that manufacturing companies should maintain adequate liquidity. This amount both maintains its ability to continue operating and, at the same time, can earn a decent return on the capital invested.
4. It is recommended that future research work on the growth of corporate profit margins in order to determine the amount of capital to be invested in the future.

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