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THE IMPACT OF INTERNAL FINANCING SOURCES ON MARKET VALUE: AN APPLIED STUDY ON A NUMBER OF COMMERCIAL BANKS LISTED ON THE IRAQ STOCK EXCHANGE

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Abstract
The aim of this research is to study and analyze the impact of internal financing sources on market value, measured by the market-to-book ratio, of a number of Iraqi commercial banks. The research problem arises from the main question: "To what extent can reliance on internal financing sources improve the market value of commercial banks and reduce financial risks?" The study hypothesizes a significant correlation between internal financing sources and market value. The sample consists of ten Iraqi banks listed on the Iraq Stock Exchange over a period of seven years (2016-2022). The research concluded that there is a significant negative (inverse) correlation between market value and the category (A. Reserves), while there is a significant positive (direct) correlation with the category (B. Retained Earnings). The study recommends avoiding freezing internal funds or investing them in unimportant projects to achieve a positive impact on company performance and increase its market value.

Keywords: Reserves, Retained Earnings, Provisions, Market Value.

Introduction

Financing is a fundamental pillar in the operation of banks, significantly contributing to supporting the economy and enhancing sustainable growth. Banks are the main institutions that provide funds to individuals and companies, whether through financing investment projects or meeting personal consumption needs. Additionally, financing enhances confidence in the financial system and improves economic efficiency by providing liquidity and enabling savers and investors to achieve appropriate financial returns. This research addresses one of the most important topics in financial management, which is the internal financing of banks and its impact on their market value. Generally, financing decisions are critical financial decisions that significantly affect profitability assurance, increasing bank value, and reducing risks, especially when choosing the most suitable financing sources. This research aims to shed light on the concept of internal financing for banks, its main sources, and its advantages. The research sample includes ten commercial banks listed on the Iraq Stock Exchange for seven years (2016-2022).

Based on the above, the research is divided into four sections: the first section covers the methodological framework of the research, the second section discusses the theoretical

framework of internal financing, the third section addresses the general framework of market value, and the fourth section covers the practical side of the research, presenting and discussing the main results of the hypotheses. The fifth section provides the main conclusions and recommendations of the research.

Section One: Methodological Framework of the Research

1.1 Research Problem

The research problem lies in the diversity of financing sources available to banks, which leads to a variety in the cost and conditions of each financing source. This puts decision-makers in a position to choose between these sources to achieve the banks' objectives in maximizing market value while minimizing risk and cost. Internal financing is considered one of the least costly and risky sources. The market value of banks is a crucial criterion for judging their performance and financial position, which is achieved by growing profits and reducing risks. Based on this, the research revolves around the main question: "To what extent can reliance on internal financing sources improve the market value of commercial banks and reduce financial risks?"

1.2 Research Importance

The study's importance stems from the nature of the topic it addresses, as it sheds light on a vital and important subject in the banking sector in general and commercial banks in particular, which relates to internal financing sources. The importance of the study is highlighted by the following:

1. The research contributes to enriching theoretical knowledge about how internal financing sources impact market value.
2. The research provides data and analyses that can help bank managers and decision-makers make more informed financial decisions by better understanding the importance of relying on internal financing sources.
3. The findings of the research can help commercial banks improve their financing strategies, thereby enhancing their financial performance and increasing their market value.

1.3 Research Objectives

This study is based on several objectives outlined as follows:

1. The research aims to study and analyze the impact of internal financing sources on the market value of several commercial banks. It aims to identify the relationship between internal financing policies and the market value of these banks by analyzing relevant financial data and performance indicators.
2. Understanding the impact of internal financing can lead to the innovation of good capital management methods in banks, enhancing their competitive capabilities.
3. There is a need to gain a deeper understanding of how internal financing affects the market value of banks, a topic directly related to the health and sustainability of the financial system.
4. The research seeks to provide recommendations to banks on how to improve their financial strategies to achieve an increase in their market value.

1.4 Research Hypothesis

Based on the research problem and the pursuit of its objectives, the main and sub-hypotheses were formulated as follows:

- (H1) First Main Hypothesis: There is a significant correlation between internal financing sources and market value.
- (H2) Second Main Hypothesis: There is a significant impact of the categories of internal financing sources on market value. This main hypothesis includes four sub-hypotheses as bellow:
  - (H2.1) Sub-Hypothesis: There is a significant impact of the reserves category on market value.
  - (H2.2) Sub-Hypothesis: There is a significant impact of the retained earnings category on market value.
  - (H2.3) Sub-Hypothesis: There is a significant impact of the income tax provision category on market value.
  - (H2.4) Sub-Hypothesis: There is a significant impact of the miscellaneous provisions category on market value.

1.5 Research Population and Sample

The spatial boundaries of the research are represented by the commercial banks listed on the Iraq Stock Exchange, which included ten banks (Baghdad, Ashur, Middle East, Commercial Region, Union, Mosul, Iraqi National, United, North, Babel). The temporal boundaries for the banks in the research sample span from 2016 to 2022, ensuring the completeness of financial data for all banks in the sample.

1.6 Research Methodology

The researchers adopted two main methodologies in this research: the descriptive methodology, which involves reviewing literature and theories related to the study topic to understand the variables affecting the banking sector, and the applied methodology, which involves collecting and analyzing data in the field using appropriate tools on the study sample to provide tangible results.

1.7 Statistical Methods Used

The statistical program (SPSS Ver.22) and the Excel system were adopted to use several appropriate statistical methods for conducting descriptive and inferential analysis of the study variables and the relationships between these variables. The main methods used include:

1. Arithmetic mean and standard deviation, along with the coefficient of variation, minimum, and maximum value, to describe the study variables.
2. Correlation coefficient for determine the significance, strength, and direction of the relationship between the Research variables.
3. Regression equation using ordinary least squares (OLS) analysis to determine the level and significance of the impact between the study variables.

Section Two: Theoretical Framework of Internal Financing

2-1 Internal Financing

Internal financing consists of a set of resources that a company can obtain autonomously without external assistance, meaning its source is derived from the company's operational cycle. Internal financing is one of the private sources that companies use to fund their activities, reflecting their ability to self-finance their needs without resorting to debt. It is considered implicit capital for companies that can be reinvested in activities (Al-Sharif, 2018: 377). Internal financing is one of the most important forms of financing in companies, represented by profits generated from sales after paying interest to lenders, taxes to the government, and dividends to shareholders. The remaining funds are retained or returned to the company and are available for future expenditures as internal financing. This supports the company's financial position and shields it from seasonal fluctuations by maintaining an appropriate cash balance to meet its needs (Abdullah & Yusuf, 2019: 168).

2-2 Sources of Internal Financing

Internal financing sources are funds that rely on financing from within the banks or companies themselves without needing to depend on bank deposits or loans from financial institutions. These sources include reserves, retained earnings, and provisions, as follows:

1. **Reserves**: These are amounts deducted from the annual net profits that the bank achieves to meet specific contingencies. These amounts accumulate over the years as reserves, helping the bank conduct its operations effectively (Arnold, 2012: 527). Therefore, banks withhold a portion of the achieved profits and add them to a separate account called reserves. These reserves are retained and not distributed by the bank to enhance its financial position and hedge against uncertainties and judgmental estimates, or for specific future purposes that benefit the bank. This action will contribute to maximizing the bank's market value.

2. **Retained Earnings**: These are the funds that the bank retains from its profits after distributing dividends to shareholders. Instead of being distributed as dividends, they are reinvested in the bank. Banks allocate part of these profits for reinvestment in operations, such as funding growth projects, purchasing equipment, research and development, or paying off debts. These retained earnings appear under shareholders' equity in the balance sheet and are a significant source of financing (Ball et al., 2018).

3. **Provisions**: A financial amount deducted from the bank's revenue to cover depreciation (the decrease in asset value) or renew fixed assets or to cover any decrease in the value of any asset, or to meet an obligation or losses that can be identified but cannot be accurately valued (Ng et al., 2020: 3). These provisions vary greatly, and sometimes their balances can be significant. Examples include:

- **Income Tax Provision**: After the bank completes its final accounts and achieves net profit, these accounts are formally certified by a certified public accountant. The tax authority then calculates the tax base and imposes the due taxes based on the prevailing tax system. Sometimes, the tax authorities delay these procedures, but the bank proactively calculates the

tax amount and deducts it from its income. This tax amount is then deposited into a designated tax account until the tax authority completes the actual assessment. During this period, the tax amount remains a credit balance that the bank can use as an additional financing source. The duration of this credit balance may vary (Abdulhamid, 2019: 189-190).

- **Depreciation Provisions**: These are critical elements in the internal financing of banks, used to meet working capital requirements. Depreciation refers to the decline in asset value due to usage and obsolescence. This amount is allocated to cover this decline. The bank retains these funds as a financing source until they are used for covering depreciation. Commercial banks can benefit from these provisions and invest them as long as they remain with the bank (Abdullah & Yusuf, 2019: 168).

- **Provision for Doubtful Debts**: This is a financial amount allocated in the balance sheet to cover debts that may not be fully collected due to the inability of debtors to pay. This amount is a financial strategy to ensure the bank is prepared to deal with potential losses resulting from uncollected debts.

- **Contingency Provisions**: These funds are allocated to meet potential or certain burdens and losses. When these losses occur during the year, the institution uses these provisions to cover these losses. If these losses do not occur, these funds remain at the disposal of companies and are included in their internal financing sources (Atta Allah, 2014: 12).

- **Provisions for Definite Obligations**: There are some definite obligations that banks will commit to in the future, such as:

  - **Accrued Salaries**: These are salaries distributed but not collected by their recipients for various reasons or they have withdrawn part of it, but the remaining part is still deposited or pending with the bank. The accumulation of uncollected salaries can lead to significant amounts of money over time. Examples include retirees' salaries in the bank and accrued salaries for employees and similar cases (Hawas, 2021: 58).

  - **Accrued but Unpaid Expenses**: These are expenses accrued for the financial year but not paid to the creditors for various reasons, such as water, electricity, and telephone fees, and rental fees, etc. (Mishaal, 2020: 33).

Based on the above, provisions represent a cost-free financing source, as the funds obtained result from costs owed to others, but delayed payment processes require postponing the settlement of these amounts. For example, workers' wages are paid weekly, bi-weekly, or monthly, while due taxes are paid quarterly or annually. The longer the payment period, the more funds available from the payments owed, which the bank can utilize for financing.

Section Three: Theoretical Framework of Market Value

3-1 Concept of Market Value

The concept of value is difficult to define clearly, as each discipline addresses it from its own perspective, varying with the nature of the study and the objective. Moreover, value can be utilized in both general and specific contexts. The market value of an economic unit can be indicated by the market value of securities traded on the stock exchange. The concept of a bank's market value is one of the oldest in the field of banking. Banks create this value for their shareholders when the return on invested capital exceeds the opportunity cost. Therefore, the market value of a bank can be estimated through the abnormal returns generated by the capital invested by shareholders (Fiordelisi & Molyneux, 2010: 119). Rose & Hudgins indicated that institutions, especially banks, should pay significant attention to the value of their shares. In fact, the primary goal of bank management is to maximize the value of the bank's shares, taking precedence over all other objectives. All banks have shareholders and investors who are highly interested in what happens to the values and returns of the bank (Rose & Hudgins, 2013: 169). Market value is one of the essential metrics and important standards that can be used to express a bank's value (Mahdi, 2023: 61). There are many definitions that clarify the concept of market value, among the most important of which are:

Market value is known as the stock price traded on financial markets, which is influenced by supply and demand conditions in the market, reflecting the surrounding economic, social, and political environment, especially concerning internal and external exchange conditions (Al-Moussawi & Jawad, 2021: 171). It is also defined as the value of an asset traded in the market, often perceived as higher than its liquidation or continuing value (Van Horne & Wachowicz, 2009: 75). It is an estimate of the present value of future cash flows (Yildirim & Efthyvouloub, 2018: 226). We can define market value as an estimate of the economic unit's value, usually expressed as the stock price traded in financial markets. This price is influenced by supply and demand conditions, often reflecting the surrounding economic, social, and political environment. The bank's market value is used as an indicator of its performance and success in financial markets, representing its current value regardless of historical data.

3-2 Importance of Market Value

The importance of market value can be summarized in several points:

1. In recent years, market value has gained significant attention in financial fields. Before making investment decisions, financial investors must evaluate the market value of economic units in financial markets before deciding to invest in their stocks (Marsha & Murtaqi, 2017: 214).
2. Market value is highly important in providing the necessary information to determine the value of stocks in financial markets. The stock price in financial markets is supposed to be determined by the participating investors in buying and selling transactions, although they are not obliged to participate in these transactions (KIRANGA, 2013: 2).
3. Market value is one of the most prominent financial indicators of companies' performance in global financial markets (Gross, 2016: 1). It is among the most important values for

companies listed in these markets, reflecting investors' future expectations of the company's stocks, leading to an increase in its wealth.

3-3 Types of Values

1. **Nominal Value**: This is the fixed value on the stock certificate when issued for the first time, based on the company's charter (Altahtamouni, 2018: 124). The nominal value of stocks was created for legal purposes according to the company's charter and is usually lower than the market value or other values (Gitman, 2006: 310).
2. **Issue Value**: This refers to the price at which stocks are issued. Usually, stocks are issued at a price higher than the nominal value. In some countries, companies are not allowed to issue stocks below the nominal value (KULALI et al., 2020: 61).
3. **Book Value**: Book value expresses the stock price in the company's financial reports and is considered historical, not reflecting the current value (Baker & Powell, 2005: 104). The book value of a stock is calculated by dividing shareholders' equity by the number of outstanding shares or issued common stocks (Hassan & Muhammad, 2022: 390).
4. **Market Value**: This is the value of stocks traded in the market, which can be greater or less than the nominal and book value. This value is determined based on information related to the bank, such as its financial position, performance, activity results, political and economic conditions, and annual dividend distributions. This value is influenced by the forces of supply and demand for the stocks.
5. **Fair Value**: Fair value depends on the expected cash flows from the stock, its risks, and the discount rate representing the appropriate return rate for the investor (GITMAN & JOEHNK, 2009: 271).
6. **Liquidation Value**: This is the actual value that an economic unit expects to obtain upon liquidation after selling its assets and settling all obligations, distributing the remainder among common shareholders (Matar, 2021: 46).
7. **Investment Value**: Investment value is one of the most important measures for shareholders, representing the amounts investors pay to purchase stocks. Calculating this value is complex due to its reliance on expected returns and the risks associated with the stocks.

Section Three: Applied Research Framework

3-1 Research Population and Sample

The research population consists of the banks listed on the Iraq Stock Exchange, totaling 46 banks. The sample is comprised of 10 banks, representing approximately 21.74% of the research population. This sample was selected based on two criteria: first, the continuity of disclosure of data by the banks in the sample during the study period from 2016 to 2022, and second, the availability of necessary data to measure the study variables.

3-2 Measurement of Variables

The research included two types of variables as follows:

- **Independent Variable**: Internal financing sources, denoted by (X), which included four elements: (A. Reserves, B. Retained Earnings, C. Income Tax Provision, D.

Miscellaneous Provisions). To avoid the effects of changes in bank sizes, these elements were divided by the total assets of each bank, and these values were used in the analysis activities. They were measured as follows:

- Internal Financing Sources are:
- Reserves (X1) = Reserves / Total Assets
- Retained Earnings (X2) = Retained Earnings / Total Assets
- Income Tax Provision (X3) = Income Tax Provision / Total Assets
- Miscellaneous Provisions (X4) = Miscellaneous Provisions / Total Assets
- Internal Financing Sources (XXI) = Internal Financing / Total Assets

- **Dependent Variable**: Market Value, denoted by (Y), measured by the following metric, the Market-to-Book Ratio, denoted by (Y1), a market-based measure calculated as follows: Market-to-Book Ratio (Y1) = (Market Value of Equity / Book Value of Equity). Table (1) shows the measurement methods for the study variables.

Table (1): Measurement Methods for Study Variables

Variables	Dimensions	Code	Measurement Methods	Data Source
Independent Variable:	Internal Financing Sources			
	A. Reserves	X1	Reserves / Total Assets	Financial Statements
	B. Retained Earnings	X2	Retained Earnings / Total Assets	Financial Statements
	C. Income Tax Provision	X3	Income Tax Provision / Total Assets	Financial Statements
	D. Miscellaneous Provisions	X4	Miscellaneous Provisions / Total Assets	Financial Statements
	Internal Financing Sources	XXI	Internal Financing / Total Assets	Financial Statements
Dependent Variable:	Market Value			
	Market-to-Book Ratio	Y1	Market Value of Equity / Book Value of Equity	Financial Statements

3-3 Description of Study Variables

Table (2) shows the mean levels of the variables for each bank in the study sample over the seven-year period from 2016 to 2022, reflecting the levels of internal financing and market value for each bank.

Table (2): Levels of Study Variables by Banks

Table (2-A): Levels of Internal Financing Sources by Banks

Bank	Baghdad	Ashur	Middle East	Commercial Region	Union	Mosul	Iraqi National	United	North	Babel
X1 (Reserves)	0.011	0.019	0.012	0.006	0.018	0.020	0.011	0.020	0.026	0.010
X2 (Retained Earnings)	0.019	0.022	0.011	0.042	0.004	0.015	0.028	0.000	0.051	0.045

Bank	Baghdad	Ashur	Middle East	Commercial Region	Union	Mosul	Iraqi National	United	North	Babel
X3 (Income Tax Provision)	0.004	0.004	0.001	0.003	0.011	0.008	0.004	0.004	0.004	0.009
X4 (Miscellaneous Provisions)	0.006	0.036	0.004	0.005	0.008	0.009	0.004	0.003	0.014	0.004
XXI (Total Internal Financing)	0.039	0.079	0.029	0.055	0.041	0.053	0.047	0.016	0.096	0.068

Table (2-B): Levels of Market Value by Banks

Bank	Baghdad	Ashur	Middle East	Commercial Region	Union	Mosul	Iraqi National	United	North	Babel
Y3 (Market-to-Book Ratio)	0.586	0.293	0.198	0.863	0.284	0.224	0.605	0.135	0.402	0.157

Source: Table prepared by the researcher using SPSS Ver.22

Table (2-A) Showed "North" bank recorded the highest level of internal financing through the dimension (A. Reserves) with a mean of (0.026), while the "Commercial Region" bank recorded the lowest level. The "North" bank also recorded the highest level of internal financing through the dimension (B. Retained Earnings) with a mean of (0.051), while the "United" bank recorded the lowest level. The "Union" bank recorded the highest level of internal financing through the dimension (C. Income Tax Provision) with a mean of (0.011), while the "Middle East" bank recorded the lowest level. The "Ashur" bank recorded the highest level of internal financing through the dimension (D. Miscellaneous Provisions) with a mean of (0.036), while the "United" bank recorded the lowest level. Overall, the "North" bank recorded the highest level of total internal financing with a mean of (0.096), while the "United" bank recorded the lowest level.

Table (2-B) shows that the "Commercial Region" bank recorded the highest level of market value through the measure (Y1. Market-to-Book Ratio) with a mean of (0.863), while the "United" bank recorded the lowest level with a mean of (0.135).

Table (3): Levels of Study Variables by Year

Table (3-A): Levels of Internal Financing Sources by Year

Year	2016	2017	2018	2019	2020	2021	2022
X1 (Reserves)	0.016	0.017	0.016	0.016	0.016	0.013	0.013
X2 (Retained Earnings)	0.017	0.023	0.018	0.018	0.030	0.029	0.031
X3 (Income Tax Provision)	0.009	0.007	0.005	0.004	0.005	0.003	0.004
X4 (Miscellaneous Provisions)	0.009	0.004	0.006	0.005	0.016	0.014	0.012
XXI (Total Internal Financing)	0.050	0.049	0.042	0.042	0.065	0.059	0.060

Table (3-B): Levels of Market Value by Year

Year	2016	2017	2018	2019	2020	2021	2022
Y3 (Market-to-Book Ratio)	0.451	0.384	0.265	0.279	0.383	0.488	0.372

Source: Table prepared by the researcher using SPSS Ver.22

Table (3-A) showed that the year (2017) The highest level of internal financing through the dimension (A. Reserves) with a mean of (0.017), while the years (2021 and 2022) recorded the lowest level. In (2022) showed the highest level of internal financing through the dimension (B. Retained Earnings) with a mean of (0.031), while the year (2016) showed the lowest level. About (2016) showed the highest level of internal financing through the dimension (C. Income Tax Provision) with a mean of (0.009), while (2021) recorded the lowest level. In the (2020) recorded the highest level of internal financing through the dimension (D. Miscellaneous Provisions) with a mean of (0.016), while (2017) recorded the lowest level. Overall, (2020) showed the highest level of total internal financing with a mean of (0.065), while (2018 and 2019) recorded the lowest levels.
Table (3-B) shows that (2021) Showed the highest level of market value through the measure (Y3. Market-to-Book Ratio) with a mean of (0.488), while (2018) recorded the lowest level.

Table (4): Descriptive Analysis of Study Variables

Dimensions	Code	Mean	Standard Deviation	Minimum	Maximum	Coefficient of Variation
A. Reserves	X1	0.015	0.007	0.003	0.028	45.01%
B. Retained Earnings	X2	0.024	0.021	0.000	0.067	86.51%
C. Income Tax Provision	X3	0.005	0.005	0.000	0.023	99.82%
D. Miscellaneous Provisions	X4	0.009	0.016	0.000	0.103	176.26%
Total Internal Financing	XXI	0.052	0.030	0.010	0.159	57.72%
Market-to-Book Ratio	Y3	0.375	0.296	0.059	1.058	78.93%

Source: Table prepared by the researcher using SPSS Ver.22

It is noted from Table (4) that the highest levels of internal financing combined were within the category (B. Retained Earnings) with a mean of (0.024), followed by the category (A. Reserves), then the category (D. Miscellaneous Provisions), and finally the category (C. Income Tax Provision). The high value of the standard deviation and the coefficient of variation (exceeding the hypothetical value of the coefficient of variation of 50%) for all categories (except A. Reserves) and overall indicates a high dispersion in observations. This variation in the levels of internal financing sources and their categories means that some observations recorded high levels of these sources and categories, while others recorded significantly low levels. This dispersion weakens the representation of the mean in describing the overall sample. According to the dependent variable (Market Value), it is noted that the sample banks recorded very low levels of market value, as indicated by the mean (0.375), reflecting weak capabilities of these banks and inflation of their book assets compared to

their actual market value. However, the high value of the standard deviation and the coefficient of variation weakens the reliability of the mean in representing the overall sample due to the dispersion in observations that reflect varying values among these observations in terms of market value measure.

3-4 Testing Relationship Hypotheses

This section includes the main hypothesis as follows:

- **(H1)**: The main hypothesis: There is a Significant correlation Impact between internal financing sources and market value.

For test the hypothesis, Pearson correlation coefficient was calculated to determine the significance, strength, and direction of the relationship between internal financing sources in all categories and market value according to the Market-to-Book Ratio measure. Table (5) shows the results of the calculated correlation coefficients for the variables.

Table (5): Correlation Coefficients between Variables

Dimensions	Code	Coefficients	Market-to-Book Ratio (Y3)
A. Reserves	X1	Pearson	-0.403
		(Sig.)	0.001
B. Retained Earnings	X2	Pearson	0.328
		(Sig.)	0.006
C. Income Tax Provision	X3	Pearson	-0.053
		(Sig.)	0.664
D. Miscellaneous Provisions	X4	Pearson	-0.088
		(Sig.)	0.471
Total Internal Financing	XXI	Pearson	0.102
		(Sig.)	0.399

Source: Table prepared by the researcher using SPSS Ver.22

Table (5) Showed a significant negative (inverse) correlation between the Market-to-Book Ratio (Y1) and the category (A. Reserves) and a significant positive (direct) correlation with the category (B. Retained Earnings). However, the correlation with the total internal financing sources and the remaining categories (C. Income Tax Provision, D. Miscellaneous Provisions) was not significant. Based on the above, the first main hypothesis is accepted due to the significant correlation of internal financing sources with the market value of the sample banks.

3-5 Testing Impact Hypotheses

This section includes hypothesis as follows:

- **(H2)**: Second main hypothesis: There is a significant impact of the categories of internal financing sources on market value.

This main hypothesis includes four sub-hypotheses as follows:

- **(H2.1)**: The first sub-hypothesis: There is a significant impact of the reserves category on market value.
  - To test hypothesis, a simple linear regression equation was prepared to estimate the market value according to the Market-to-Book Ratio measure, with the reserves category as the independent variable, denoted by (A). Table (6) shows the results of the impact in the equation.

Table (6): Impact of Reserves Category on Market Value According to Equation (G)

Equation	Independent	Dependent	Constant	Regression Coefficient	T Value	Sig.	R^2	F Value	Sig.
A	X1	Y3	0.640	-17.356	-3.636	0.001	0.163	13.222	0.001

Source: Table prepared by the researcher using SPSS Ver.22

It is noted from Table (6) the validity of the regression model for equation (A) based on the F value of (13.222) at a significance level of less than 5%, indicating the possibility of estimating the market value through equation (A) according to the Market-to-Book Ratio measure, with the reserves category as the independent variable. The T value of (-3.636) at a significance level of less than 5% indicates the significance of the impact. The negative regression coefficient beta (β) of (-17.356) indicates that an increase in internal financing sources through reserves will negatively affect the market value by decreasing the Market-to-Book Ratio of the sample banks. The R^2 value of (0.163) for equation (A) indicates that the reserves category explains 16.3% of the changes in the market value according to the Market-to-Book Ratio. Therefore, the first sub-hypothesis is accepted, indicating a significant negative (inverse) impact between the variables, meaning that an increase in the reserves source will negatively affect the market value.

- **(H2.2)**: The second sub-hypothesis: There is a significant impact of the retained earnings category on market value.
  - To test this hypothesis, a simple linear regression equation was prepared to estimate the market value according to the Market-to-Book Ratio measure, with the retained earnings category as the independent variable, denoted by (A). Table (7) shows the results of the impact in the equation.

Table (7): Impact of Retained Earnings Category on Market Value According to Equation (A)

Equation	Independent	Dependent	Constant	Regression Coefficient	T Value	Sig.	R^2	F Value	Sig.
A	X2	Y3	0.263	4.726	2.861	0.006	0.107	8.183	0.006

Source: Table prepared by the researcher using SPSS Ver.22

It is noted from Table (7) the validity of the regression model for equation (A) based on the F value of (8.183) at a significance level of less than 5%, indicating the possibility of estimating the market value through equation (A) according to the Market-to-Book Ratio measure, with the retained earnings category as the independent variable. The T value of

(2.861) at a significance level of less than 5% indicates the significance of the impact of the retained earnings category on market value according to the Market-to-Book Ratio measure. The positive regression coefficient beta (β) of (4.726) indicates that an increase in internal financing sources through retained earnings will positively affect the market value by increasing the Market-to-Book Ratio of the sample banks. The R^2 value of (0.107) for equation (A) indicates that the retained earnings category explains 10.7% of the changes in the Market-to-Book Ratio. Therefore, the second sub-hypothesis is accepted.

- **(H2.3)**: Third sub-hypothesis: There is a significant impact of the income tax provision category on market value.
  - For test hypothesis, a simple linear regression equation was prepared to estimate the market value according to the Market-to-Book Ratio measure, with the income tax provision category as the independent variable, denoted by (A). Table (8) shows the results of the impact in the equation.

Table (8): Impact of Income Tax Provision Category on Market Value According to Equation (A)

Equation	Independent	Dependent	Constant	Regression Coefficient	T Value	Sig.	R^2	F Value	Sig.
A	X3	Y3	0.390	-3.008	-0.436	0.664	0.003	0.190	0.664

Source: Table prepared by the researcher using SPSS Ver.22

Table (8) Showed the invalidity of the regression model, for equation (A) based on the F value of (0.190) at a significance level greater than 5%, indicating the impossibility of estimating the market value through equation (A) according to the Market-to-Book Ratio measure, with the income tax provision category as the independent variable. The T value of (-0.436) at a significance level greater than 5% indicates the insignificance of the impact. Therefore, the third sub-hypothesis is rejected.

- **(H2.4)**: The fourth sub-hypothesis: There is a significant impact of the miscellaneous provisions category on market value.
  - To test this hypothesis, a simple linear regression equation was prepared to estimate the market value according to the Market-to-Book Ratio measure, with the miscellaneous provisions category as the independent variable, denoted by (A). Table (9) shows the results of the impact in the equation.

Table (9): Impact of Miscellaneous Provisions Category on Market Value According to Equation (A)

Equation	Independent	Dependent	Constant	Regression Coefficient	T Value	Sig.	R^2	F Value	Sig.
A	X4	Y3	0.389	-1.576	-0.725	0.471	0.008	0.526	0.471

Source: Table prepared by the researcher using SPSS Ver.22

Table (9) Showed the invalidity of the regression model for equation (A) based on the F value of (0.526) at a significance level greater than 5%, indicating the impossibility of estimating the market value through equation (A) according to the Market-to-Book Ratio measure, with the miscellaneous provisions category as the independent variable. The T value of (-0.725) at a significance level greater than 5% indicates the insignificance of the impact. Therefore, the fourth sub-hypothesis is rejected. Based on the results of the four sub-hypotheses, the second main hypothesis is accepted.

Table (10): Results of Hypothesis Testing

No.	Hypothesis	Result
(H1)	The first hypothesis: There is a significant correlation impact between internal financing sources and market value.	Accepted
(H2)	The second hypothesis: There is a significant impact of the categories of internal financing sources on market value.	Accepted

Source: Table prepared by the researcher

Section Four: Conclusions and Recommendations

4-1 Conclusions

1. Evaluating the financing options available to banks before making a decision on any of them is one of the fundamental elements that contribute to the bank's success in choosing the optimal financing option.
2. Self-financing is of great importance as it is a crucial factor in the growth of banks without the need to resort to external sources. This type of financing is characterized by its low costs and contributes to achieving the independence of banks.
3. The market value of companies is considered a reflection of the value of their shares traded in the financial market, which depends on internal factors related to the performance and policies of the companies, as well as external factors related to the environment in which they operate. The market value represents a measure of wealth and reflects the amount of wealth generated by companies for the owners.
4. Internal financing through retained earnings is considered the best financing alternative because it is the least costly among the available options, with its costs being almost negligible, represented by the opportunity cost.
5. The relationship results showed a significant negative (inverse) correlation between market value and the category (A. Reserves), while there is a significant positive (direct) correlation with the category (B. Retained Earnings).
6. The impact results showed a significant negative (inverse) effect between the reserves source and market value, meaning that as reserves increase, the market value decreases in the sample banks, and vice versa.
7. The impact results showed a significant positive effect between retained earnings and market value, with no clear impact observed between other sources (income tax provision and miscellaneous provisions) and market value.

4-2 Recommendations

1. Attention should be given to managing the bank's self-financing in a way that achieves the desired objectives, with effective control over it.
2. It is necessary to avoid freezing internal funds or investing them in unimportant projects to achieve a positive impact on the company's performance and increase its market value.
3. The study recommends that banks reconsider their reserve policies and determine whether it is possible to reduce them without affecting financial stability, as reducing reserves can help improve market value.
4. Iraqi commercial banks should conduct a thorough review of income tax provisions to avoid overestimating them. It is better to focus on improving tax planning and benefiting from tax exemptions, as well as utilizing tax provision amounts in short-term investments.

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