International Journal on Economics, Finance and Sustainable Development (IJEFSD)

e-ISSN: 2620 – 6269
p-ISSN: 2615 - 4021

Volume: 6 Issue: 5 | May 2024

https://journals.researchparks.org/index.php/IJEFSD

Article

Impact of Market Risk Premium on Fair Share Value Exploration

Bushra Mohamed Sami Alasadi

Department of Tourism, Faculty of Administration and Economics, University of Kufa, Najaf, Iraq
Correspondence: bushram.alasadi@uokufa.edu.iq

Abstract: This research explores the influence of the market risk premium on the fair value of shares traded on the Iraq Stock Exchange, employing the CAPM model to estimate the required rate of return. The CAPM model incorporates the risk-free rate (RF), market portfolio return (RM), and beta-processed risk premium. The study aims to quantify the impact of the risk premium on fair value, a critical component in determining the required rate of return. Statistical analysis, including correlation coefficients and regression analyses, was conducted to examine the relationships among the variables. The results indicate a direct one-to-one relationship between the risk premium and the intrinsic value of shares. This study fills a knowledge gap in understanding how market risk premiums affect share valuation, providing insights for investors and policymakers.

Keywords: Market Risk Premium, Fair Value, Shares Fair Value

1. Introduction

The challenges facing the banking sector are great and continuous challenges, which necessitates that banks redouble their efforts, such as choosing the best ways to achieve a balance between returns and risks in order to achieve stability in the banking sector. The second aspect summarizes how to face these challenges and the associated risks and ways to get rid of them because of their impact on the country's economies and the dealers and those interested in the banking sector affected by this impact. From this standpoint, the importance of this research comes as it intensifies efforts to find out what departments must do to face the effects of these challenges, which is beneficial to workers and users of financial statements in the banking sector. It enhances confidence in those lists, which is beneficial to making decisions that serve the banking sector.

2. Literatur Riview

The risk premium is what the investor asks for the risks he faces in his investment options, which he is exposed to due to political and economic conditions and fluctuations that occur constantly as a result of global changes that reflect their effects on national economies and the investor faces two types of risks, the first is systemic risk and the other is irregular risk.

Systemic risk is called multiple names, including market risk, non-diversifiable risk or risk that cannot be avoided by diversification, and this risk is a result of macroeconomic variables, most notably the inflation rate, interest rates, exchange rate rate, supply and demand and domestic production. The impact of these factors is not limited to a specific company or economic sector without management or decision makers having any ability to determine them. And control them, such as general strikes,

Citation: Bushra Mohamed Sami Alasadi Impact of Market Risk Premium on Fair Share Value Exploration International Journal on Economics, Finance and Sustainable Development (IJEFSD) 2024, 6(5), 19-31.

Received: 23th April 2024
Revised: 23th May 2024
Accepted: 30th May 2024
Published: 6th Juni 2024

wars, coups, depressions, inflation cases, and other factors that are difficult to control. Therefore, it is a systemic risk to which all economic units are equally exposed and cannot be avoided by diversification, as has been pointed out.

Irregular risks are risks that arise due to special circumstances or factors related to a particular company or sector, as they are independent of the risks of economic activity, and these risks are usually called exceptional risk, non-market risks or risks that can be avoided and the impact of the degree of irregular risk for a particular facility by changing the nature or components of the assets of this facility or the degree of use of borrowing as a source of financing, It is also affected by increased competition in its field of activity or the expiration of certain contracts or a fundamental change in management, so irregular risk can be reduced through diversification by forming an investment portfolio with capital distributed over different assets in order for the investor to avoid the risk associated with each asset separately. It is caused by raw materials or inefficiency of management or workers.

Total risk refers to the sum of the variation in the rate of return and is equal to the sum of the systemic risk and the irregular risk of the enterprise Also, the risk to which the enterprises are exposed is a reflection of the systemic risk or the so-called general risk and irregular risk and the so-called private risks and in order to understand the form of risks that surround the enterprises must be interpreted what is this risk and how we derive from it types.

Market Risk Premium is one of the variables affecting the fair value of shares and measured by the difference between the return of the market portfolio and the rate of return free of risk after being treated by the beta coefficient of systematic risk, is the return obtained by the investor in stocks against the risks he bears by investing in stocks and the higher the rate of return required which is used as a discount rate in the calculation of the value of shares is the return that the investor requests in exchange for investing in a financial asset as compensation for bearing the risks associated with by adding it to the risk-free rate of return.

The required rate of return is the lowest rate accepted by the continuous who has abandoned the current consumption in order to invest his money in an investment opportunity that he made a decision to invest in after studying and analyzing to invest in this opportunity and making estimates of the expected cash flows, taking into account the cost of financing and the level of risk, as it is not reasonable or acceptable that the cost of financing is higher than the return. This rate is calculated by the Capital Assets Pricing model, The components of this model are:

1. The risk-free rate of return (RF) is a risk-free rate such as the return on treasury transfers traded by the Central Bank and local banks and sometimes determined by the World Bank in its approved reports.
2. Market Maintenance Return : It is the return of the market portfolio, which includes all companies registered in the market and whose shares are traded in the stock market,
3. Beta-treated risk premium: The risk premium, as mentioned above, is the difference between the market return and the risk-free rate of return, and by multiplying it by the beta coefficient, it has been treated with the beta coefficient, which is the systemic risk coefficient, which expresses the size of the risk, and this means that the risk has been taken into account when calculating the premium within the step of calculating the required rate of return, if it is high or low, it negatively or positively affects the size of the risk, depending on whether the premium was positive or negative.

4. Model Equation
$R = r_f + (R_M - r_f)B$

Risk-free rate of return: r_f
Market Portfolio Return: R_M
Market Risk Premium: $(R_M - r_f)$
:Systemic Risk Coefficient Beta
expected return = risk-free return + risk premium for market portfolio x risk of new portfolio / risk of market portfolio) [1-2].

The fair value of shares crosses to the actual value without exaggeration, as the pricing of shares in the markets is sometimes an unreal value due to the lack of accurate information for investors, as the investor when he has accurate information does not see the need or what is necessary to payThe real value is the value of the discounted cash flows plus the value or price of the share after deducting it at the cost of the financing owned or the required rate of return, and if the result of calculating the fair value of the share is higher than its market value, this indicates that the share was estimated at a lower value. of its fair value, but if it is lower, this indicates that the market value of the share is high and that it is higher than its real or fair value. The determination of the fair value of shares depends mainly on the information available to market participants about the company, as this information can increase or decrease the value of the company's shares and calculate the value by discounting cash flows at an appropriate discount factor. The definition of fair value is a definition that focuses on the price received for the sale of an asset or the price that will be paid for the transfer of ownership of the share to the buyer. According to the nature of the information, whether it is pessimistic or optimistic. Because achieving them requires the existence of an efficient financial market in a strong way, in order to say that the market value of shares is fair, we must first A test for a market And find out the degree of its efficiency. There are several steps that ultimately lead to achieving the fair value of the company, as the company's management takes several decisions and operations that can affect the value of financial instruments and make them unfair.

Fair value models

1. Jordon Model

Jordan introduced a model for evaluating stocks and determining their prices based on the share of the dividend dividend, and this model was commonly used in d by business organizations in general, and the difference stock pricing by researchers an between the share price and the intrinsic value. The stock price is simply the current market price and can be easily observed for publicly traded companies. By contrast, resents the "real" value of a company's shares, cannot be direct intrinsic value, which rep and should be valued instead. Between the share price and the value Intrinsic, market equilibrium occurs when the stock price is equal to its intrinsic value. If the stock market y effective, equationis reasonabl1) is used) .to calculate intrinsic value [3].

$$P = \frac{D}{K_e} - g - - - - - (1)$$

Price : p
Share of dividends: D
Required Rate of Return : ke
:Growth Rate g

Walter Model

The model was introduced by Walter in 1963, as one of the tools used in the valuation of shares through a set of variables that are adopted in the model to calculate

the value of shares, as the variables include the current price of the share in the financial market, which is the price determined in the market by investors who invest in shares, and the share of the share of the dividend, which is an annual dividend distributed to shareholders by a decision of the management in the event of non- Its need to fully retain profits, and the required rate of return, which is the lowest rate required by the investor to accept investment projects and earnings per share, which is the result of dividing the net income by the number of shares and the internal rate of return, which is the rate that must exceed the cost of capital, and in the case that it is less, the profits must be distributed to shareholders, in other words, the internal return must exceed the cost of capital for the facility's decision to be correct in the case of withholding profits in order to reinvest them, As shareholders may see that they can invest profits in investment opportunities whose return exceeds the return they get from their retained and reinvested profits by the company, and there are three cases that the company must consider in its investment policy and assuming that the rate of return is greater than the cost of capital. In this case, the organization must retain its profits to increase investment opportunities. By reinvesting retained earnings, the organization will gain a better return and identify organizations that earn greater returns on costs. In the name of growth companies and that the payment of dividend will be zero and if the rate of return is equal to the cost of capital, the profits of the organization will not affect its value. In such circumstances, the organization has to decide how much it will keep and how much to distribute to shareholders. The payment ratio varies depending on the circumstances in the case. It will be either zero $(r > k)(r = k)$ or 100%, but in the case of the rate of return less than the cost of return, the organization must distribute all its returns or profits among shareholders through dividends. It will lead to more investment opportunities in the future Payment ratio, in this case remains 100 The model adopts the following equation $(r < k)$ [4] :

$$P = \frac{D}{K} + \frac{\left\{r \times \frac{(E-D)}{K}\right\}}{K} - - - - - (2)$$

True Value:p

:Dividend per share D

Earnings per share: E

Internal Rate of Return : R

Cost of capital : K

Dividend Discount Model

This model is one of the models approved in the flow discountt Cash, specifically the dividend divider of shares, which is based on the calculation of the fair value of assets, whether real or securities, taking into account the risk factor, and therefore cash flows are deducted by the discount factor, which is the required rate of return and adopts the following equation [5] :

$$P = \frac{D}{(1+r)} + \frac{P}{(1+r)} - - - -(3)$$

Current poison price: P

Dividend per share: D

Expected Share Price: P1

Required rate of return :r

3. Data and Methodology

The research was conducted in the Iraq Stock Exchange and using banks belonging to the banking sector and includes (14) banks. The table below includes a number of banks in the banking sector.

Table 1. Shows the Research Sample.

Bank Name	t
National Bank of Iraq	1
Bank of Baghdad	2
Sumer Bank	3
Iraqi Investment Bank	4
Middle East Bank	5
Assyria	6
National Bank of Iraq	7
Mansour Bank	8
Mosul Bank	9
United Bank	10
Gulf Bank	11
Bank of Babylon	12
Kurdistan Bank	13
Iraqi Islamic Bank	14

In the research, we used two types of mathematical statistical methods used in the field of statistical data analysis:

1. CAPM pricing model to estimate the rate of return required to determine the risk premium:

$$R = r_f + (R_M - r_f)B$$

2. Arithmetic mean (average): The arithmetic mean is one of the most important measures of central tendency and the most used to find a point around which the most frequent occurrences in the sample used are gathered, and this point is the one that divides the values of the sample into two identical parts, and it also means the sum of the values divided by their number and is calculated mathematically as follows:

$$\bar{x} = \frac{\sum xi}{n}$$

3. Standard deviation: square root of the sum of squares of values from their arithmetic mean

$$S = \sqrt{\frac{\sum(yi - \bar{y})^2}{n-1}}$$

4. Variance: i.e. the sum of squares of values from their arithmetic mean:

$$S^2 = \frac{\sum(yi - \bar{y})^2}{n-1}$$

5. SPSS: It is an abbreviation for the phrase statistical package for the social sciences, which is one of the statistical applications that run the Windows system, and it is a set of lists that the researcher obtains through the data that has been extracted from the financial reports issued by the Iraq Stock Exchange and then analyzed and is characterized by its great ability to process data.

4. Result

Table 2. hows the of the market portfolio of companies that trade shares in the financial market, which is the period that falls within the period after 2003, where it did not witness sufficient stability with neglect of the economic sectors completely, which reflected its negative effects on economic activity in general, and therefore the returns of the portfolio varied according to fluctuations in the Iraqi economy and the movement of the financial market, which was affected by multiple factors, including the Corona epidemic, which worked to stop economic activity in all its institutions, as well as stop the movement of Aviation, which also has an influential role on the economic movement, and accordingly, it is noted that the portfolio return fluctuates during the period from 2011 to 2020, and the highest rate was for the year 2011, which amounted to 0.20, but the years that followed this year, the return of the portfolio was negative until the year 2019, where the rate of return was swallowed 0.15 for this year and then returned to be negative returns, which is a result of the political and economic conditions facing the Iraqi economy in general.

Table 2. 2020-2011 Market Portofolio Return.

Sector Name	Sunnah Company Name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
sector Banks	Commercial Bank of Iraq	-0.09	0.00	-0.28	-0.28	-0.38	0.17	0.02	-0.04	-0.02	-0.04	-0.09
	Bank of Baghdad	0.94	-0.48	0.14	-0.25	-0.25	-0.22	-0.33	-0.53	0.03	0.37	-0.06
	Sumer Consumption	0.01	0.24	-0.02	0.00	-0.05	-0.05	0.00	0.00	-0.43	-0.22	-0.05
	Iraqi Investment Bank	-0.23	0.06	-0.04	0.03	-0.32	-0.12	-0.30	-0.33	-0.04	-0.15	-0.14
	Middle East Bank	0.75	-0.24	0.10	-0.63	-0.15	-0.16	-0.19	-0.63	-0.23	0.20	-0.12
	Ashur International Bank	0.13	-0.06	-0.20	0.26	-0.54	-0.21	-0.12	-0.23	0.04	0.17	-0.08
	National Bank of Iraq	0.05	-0.01	-0.02	0.10	-0.39	-0.26	0.15	-0.28	0.79	0.51	0.06
	Mansour Investment Bank	-0.08	-0.05	0.42	-0.52	0.04	0.14	-0.20	-0.20	0.06	-0.15	-0.05
	North Bank	0.01	0.26	0.19	-0.49	-0.75	0.54	0.67	-0.45	0.34	-0.18	0.01
	Mosul Bank	0.48	-0.37	0.02	-0.16	-0.66	0.24	-0.43	0.50	0.26	0.19	0.01
	United Investment Bank	0.53	-0.32	-0.36	-0.40	-0.48	-0.16	-0.26	-0.61	-0.22	0.14	-0.21
	Gulf Commercial Bank	0.12	0.08	0.06	-0.22	-0.43	-0.12	-0.13	-0.51	-0.26	0.00	-0.14
	Babylon	-0.07	-0.04	-0.10	-0.44	-0.26	0.14	-0.09	-0.37	-0.42	-0.36	-0.20
	Kurdistan International Bank	0.76	-0.16	0.07	-0.16	-0.24	-0.13	0.02	-0.14	-0.92	0.12	-0.08
	Iraqi Islamic Bank	0.12	0.22	0.05	-0.26	-0.46	0.18	-0.17	-0.20	0.00	-0.05	-0.06
sector Industry	Baghdad Packaging Materials Industry	-0.16	-0.39	-0.35	-0.38	0.14	-0.05	-0.25	-0.06	0.52	0.01	-0.10
	Chemical & Plastic Industries	-0.93	-0.76	-0.13	0.01	-0.37	0.15	-0.08	0.14	1.92	0.13	0.01
	Al Mansour Pharmaceutical Industries	0.02	-0.57	-0.26	-0.07	-0.10	-0.12	0.03	-0.07	0.48	0.51	-0.01
	Baghdad Soft Drinks	0.40	-0.03	1.01	-0.24	0.30	-0.15	0.07	0.34	-0.08	0.26	0.19
	Iraqi Carpets & Furnishings	0.04	-0.08	-0.10	0.02	0.01	0.20	0.57	-0.02	0.11	0.13	0.09
	Canadian Veterinary Vaccine Production	0.42	-0.04	-0.37	-0.49	-0.13	-0.29	-0.04	0.65	0.35	-0.19	-0.01
	Metal & Bicycle Industries	-0.30	-0.31	-0.31	-0.30	0.10	-0.28	0.42	1.47	0.62	-0.09	0.10
	Production of ready-made garments	1.66	0.09	-0.29	0.69	0.61	0.08	-0.11	0.04	-0.08	-0.05	0.26
Sector Tourism	Baghdad Hotel	0.07	-0.59	0.35	-0.06	-0.36	0.44	-0.16	0.01	-0.02	-0.05	-0.04
	Karbala Hotel	-0.18	-0.47	-0.48	0.23	0.00	0.00	-0.33	-0.07	-0.15	-0.08	-0.15
	Babylon Hotel	-0.16	-0.19	0.64	0.78	-0.55	-0.10	0.15	0.19	0.69	0.04	0.15
	National Tourism Investment	-0.16	0.12	0.04	-0.08	-0.51	-0.06	-0.24	0.08	0.30	-0.15	-0.07
	The tourist city in Mosul Dam	-0.12	-0.05	-0.67	-0.43	-0.36	0.74	-0.08	-0.16	-0.02	0.02	-0.11
sector Services	Al Mamoura Real Estate Investments	0.42	0.17	0.09	0.17	-0.21	-0.40	-0.18	-0.02	-0.05	0.74	0.07
	Elite General Contracting	-0.17	-0.42	-0.46	-0.22	-0.01	-0.41	-0.12	-0.11	0.31	-0.05	-0.17
	Baghdad Iraq Public Transport	2.06	-0.45	0.98	-0.67	-0.46	-0.14	0.15	0.07	0.14	0.03	0.17
sector Insurance	Al-Ameen Insurance	-0.10	-0.14	0.91	-0.29	-0.46	-0.12	-0.31	-0.36	0.80	0.06	0.00
	Gulf Insurance	-0.49	0.24	0.78	-0.58	-0.48	0.33	0.10	0.09	0.17	0.06	0.02
sector Agriculture	Middle East Fish Production	0.28	-0.37	-0.22	-0.38	-0.10	0.09	0.06	0.14	-0.04	0.09	-0.05
	Iraqi Seed Production	0.68	0.01	0.70	-0.07	-0.15	0.07	-0.33	0.10	0.29	0.27	0.16
	Iraqi Meat Production & Marketing	0.16	0.13	-0.08	-0.06	-0.41	-0.21	1.16	-0.37	-0.05	-0.03	0.02
	Iraqi Agricultural Products	0.40	0.50	0.36	-0.15	-0.30	-0.08	0.06	0.15	0.37	0.05	0.14
Rm		0.20	-0.12	0.06	-0.16	-0.25	-0.01	-0.02	-0.05	0.15	0.06	-0.01

Table 3. shows the rate of return required for the sample companies of Iraqi banks, which is a low rate during the research period for all banks, and this is not considered abnormal if it is known that this period extending from 2003 - until the present time Iraq

has not witnessed political and economic stability and suffered from the loss of security stability, and this was reflected in the paralysis of economic starch in Iraq in general, so the required rate of return ranged between 0.046 as the highest rate and 0.043 Three banks were participating at a rate of 0.046, namely the Bank of Baghdad, the Middle East Bank and the Bank of Mosul, while the banks whose returns were at the level of 0.043, as the difference is simple, as the limits of the rate were at a similar level for all banks, as shown in Table 3. It is worth noting the levels of the rate of return for the sample group consistent with the level of the Beta coefficient, which was also at a low level, where the highest beta coefficient was 0.075 for the Kurd Stan Bank and the lowest beta is 0.017 for the Bank of Baghdad.

Table 3. Required Rate of Return.

Year Bank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	AV	B
Commercial Bank of Iraq	0.065	0.051	0.058	0.042	0.035	0.045	0.035	0.034	0.041	0.037	0.044	0.045
Bank of Baghdad	0.061	0.056	0.058	0.048	0.044	0.047	0.036	0.036	0.038	0.037	0.046	0.017
Sumer Consumption	0.067	0.048	0.058	0.039	0.031	0.044	0.034	0.032	0.043	0.038	0.043	0.061
Iraqi Investment Bank	0.066	0.049	0.058	0.041	0.033	0.045	0.034	0.033	0.042	0.037	0.044	0.052
Middle East Bank	0.063	0.054	0.058	0.046	0.041	0.046	0.036	0.035	0.039	0.037	0.046	0.027
Assyria	0.064	0.053	0.058	0.044	0.039	0.046	0.035	0.035	0.040	0.037	0.045	0.034
National Bank of Iraq	0.063	0.054	0.058	0.046	0.040	0.046	0.036	0.035	0.039	0.037	0.045	0.028
Mansour Bank	0.065	0.051	0.058	0.043	0.036	0.045	0.035	0.034	0.041	0.037	0.045	0.042
Mosul Bank	0.062	0.055	0.058	0.047	0.042	0.047	0.036	0.036	0.039	0.037	0.046	0.022
United Bank	0.064	0.052	0.058	0.044	0.038	0.046	0.035	0.035	0.040	0.037	0.045	0.036
Gulf Bank	0.066	0.050	0.058	0.041	0.034	0.045	0.035	0.033	0.042	0.037	0.044	0.050
Babylon	0.063	0.053	0.058	0.045	0.040	0.046	0.036	0.035	0.040	0.037	0.045	0.037
Kurdistan Bank	0.069	0.045	0.058	0.036	0.026	0.044	0.033	0.031	0.045	0.038	0.043	0.075
Iraqi Islamic Bank	0.065	0.051	0.058	0.042	0.036	0.045	0.035	0.034	0.041	0.037	0.044	0.043

1

he risk premium is an additional return against the risk facing the bank in its investment banking activities, and it is calculated by subtracting the risk-free rate of return from the return of the market portfolio and for its calculation multiplied by the risk coefficient, which is the beta coefficient, and thus it becomes a beta-treated risk premium, and the higher the beta coefficient, the higher the required rate of return that is commensurate with the beta level. The risk premium was low for all banks and negative and therefore affected the required rate of return, which was also low, while if the risk premium was high, the required rate of return would also be high, and as can be seen from Table 4, which shows the levels of risk premium, which was characterized by low and negative, it increases with increasing risk and decreases with decrease, so the premium was low.

Table 4. Risk Premium.

Bank Name	Average	Standard deviation	Contrast	Beta	Rf+(Rm-Rf)*Bata Required rate of return	Risk Premium
National Bank of Iraq	0.0443	0.010050373	0.00010101	99.49879346	-5.919927608	-5.969927608
Bank of Baghdad	0.0461	0.009071384	8,229E-05	110.2367672	-6.564206035	-6.614206035
Sumer Consumption	0.0434	0.011010904	0.00012124	90.81906703	-5.399144022	-5.449144022
Iraqi Investment Bank	0.0438	0.010533755	0.00011096	94.93290614	-5.645974369	-5.695974369
Middle East Bank	0.0455	0.009330059	8,705E-05	107.1804589	-6.380827536	-6.430827536
Assyria	0.0451	0.009596353	9.209E-05	104.206249	-6.202374942	-6.252374942
National Bank of Iraq	0.0454	0.009382963	8,804E-05	106.5761391	-6.344568345	-6.394568345
Mansour Bank	0.0445	0.009942334	9,885E-05	100.5800074	-5.984800443	-6.034800443
Mosul Bank	0.0459	0.009104395	8,289E-05	109.8370677	-6.540224063	-6.590224063
United Bank	0.0449	0.009585927	9.189E-05	104.3195907	-6.209175439	-6.259175439
Gulf Bank	0.0441	0.010396634	0.00010809	96.18497614	-5.721098568	-5.771098568
Babylon	0.0453	0.009230926	8,521E-05	108.3314902	-6.449889413	-6.499889413
Kurdistan Bank	0.0425	0.012306502	0.00015145	81.25785636	-4.825471382	-4.875471382
Iraqi Islamic Bank	0.0444	0.009961928	9,924E-05	100.3821798	-5.972930789	-6.022930789

The share of the dividend divider was significantly low, which is normal due to political and economic instability and accordingly social, all of which are clearly and significantly influential factors on the course of public life, including the most important economic activity, which was negatively affected by the activity of business establishments in general and led to the flight of Ras abroad. Therefore, the activity was

affected and contracted, and accordingly, revenues and profits were low, which is reflected negatively on the dividend divider and thus on the share share. From the dividend divider, as shown in Table 5, where the highest average dividend during the period was 1.0581 dinars, where the National Bank of Iraq had the lowest average was 0.0149 dinars, where it was for the Iraqi Islamic Bank, which indicates the low level of returns for investments surrounded by security and economic instability, and therefore results at this level reflect their negative effects on the fair value of shares, and as shown in Table 5, Table of share of dividend dividendIt shows the low dividends due to the low return resulting from the decline in banking activity due to the political and economic conditions that Iraq has gone through over twenty years.

Table 5. Share of Dividend

Year Bank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	AV
Commercial Bank of Iraq BCOI	0.7497	0.3484	0.3221	0.0117	0.2184	0.4543	0.8866	0.3535	0.5762	0.3237	0750
Bank of Baghdad BBOB	0.0644	0.0477	0.4396	0.0844	0.8651	0.2240	0.4967	0.0023	0.3077	0.0644	0.0477
Iraqi Islamic Bank BIIB	0.6371	0.0149	0.1450	0.0530	0.0092	0.0158	0.1924	0.8083	0.2673	0.6371	0.0149
Middle East Bank BIME	0.1899	0.0328	0.0073	0.0400	0.0015	0.0104	0.5383	0.7266	0.2055	0.1899	0.0328
Iraqi Investment Bank (BIBI)	0.2657	0.1002	0.2605	0.1719	0.2283	0.0966	0.0241	0.0284	0.0471	0.2657	0.1002
National Bank of Iraq BNOI	0.5290	1.0581	0.2809	0.7309	0.0499	0.0983	0.1481	0.1470	0.7450	0.5290	1.0581
Credit Bank of Iraq BROI	0.0856	0.6338	0.5390	0.0650	1.3434	0.0024	0.9027	0.1009	0.0122	0.2329	0.0856
Al Mansour Investment Bank	0.3536	0.3311	0.0250	0.5897	0.0021	0.7837	0.6220	0.0101	0.9944	0.3536	0.3311
Sumer Commercial Bank BSUC	0.2442	0.9696	0.0587	0.5698	0.0011	0.0310	0.0199	0.1212	0.1084	0.2442	0.9696
Babylon BBAY	0.2416	0.2997	0.1263	0.3604	0.7333	0.6895	0.0364	0.0713	0.6482	0.2416	0.2997
Assyria	0.4388	0.5595	0.5274	0.5831	0.8954	0.2043	0.6163	0.5952	0.6067	0.5727	0.4388
Mosul Bank	0.0194	0.0943	0.0553	0.0876	0.0933	0.9825	0.4378	0.2754	0.2960	0. 3042	0.0194
United Bank	0.1391	0.0794	0.1924	0.2841	0.6320	0.2471	0.6038	0.3198	0.4943	0.7430	0.1391
Gulf Bank	0.4832	0.6322	0.7931	0.4925	0.6628	0.6582	0.0992	0.6480	0.3971	0.7327	0.4832
Kurdistan Bank	0.0926	0.0339	0.1851	0.4752	0.3031	0. 3768	0.4890	0.2361	0.4972	0.2974	0.0926

T

able 6, shows the fair value of the shares of the sample banks during the period from 2011– 2020 For the same reasons that were diagnosed that faced Iraqi business establishments for the period after 2003, this value affected that this value was so low that the average period was for some banks less than the nominal value of the share,

which is one dinar, which seems not logical that the fair value is lower than the nominal value, but when observing the variables that were adopted in the calculation of fair value, they also appeared consistent with the low levels of the variables adopted in the value calculation, As the loss of security and political stability, and consequently the loss of economic stability and the occupation of some provinces by terrorists, this generates the impression that the Iraqi environment is an environment that repels investment, and therefore investment banking activity was limited to narrow and ineffective activities.

In return, as can be seen from the table, the highest average fair value was for the Bank of Kurdistan, where the average was 1.811 dinars, followed by the Bank of Baghdad, where it reached 1.444 dinars, and these figures in economic measures are low, but compared to the selected sample group were the best, as the lowest average was 0.698 dinars, where it was the share of the Bank of Babylon, and this average is less than the nominal value of the share, and this indicates that economic activity was affected by the conditions that faced Iraq during the period and the sector. Banker specifically.

Table 6. Fair Value of Shares.

Sunnah Bank Name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**Average**
Commercial Bank of Iraq	1.412	1.757	1.204	1.484	0.835	0.668	0.485	0.766	0.777	1.147	1.0535
Bank of Baghdad	3.569	1.707	2.417	1.693	1.949	0.95	1.013	0.326	0.351	0.466	1.4441
Sumer Consumption	0.87	1.089	0.964	0.991	0.923	1.408	0.927	1.812	0.723	0.708	1.0415
Iraqi Investment Bank	0.935	0.99	0.94	1.053	0.879	0.739	0.658	0.368	0.514	0.317	0.7393
Middle East Bank	2	2.075	2.021	0.584	0.491	0.449	0.345	0.157	0.279	0.148	0.8549
Assyria	1.46	1.45	1.262	1.481	0.610	1.18	0.85	0.73	0.76	0.69	1.0473
National Bank of Iraq	1.5	0.936	0.915	0.954	0.577	1.091	0.725	1.351	1.096	1.19	1.0335
Mansour Bank	2.145	1.18	2.27	1.557	0.842	1.512	0.729	1.162	1.118	0.782	1.3297
Mosul Bank	1.55	1.08	1.083	1.11	1.183	0.624	0.393	0.208	0.245	0.144	0.762
United Bank	1.68	1.44	1.57	1.46	0.73	0.81	0.60	0.31	0.14	0.21	0.895
Gulf Bank	1.635	1.416	1.699	0.960	1.130	1.065	0.853	0.952	0.741	0.601	1.1052
Babylon	0.89	0.97	0.945	0.494	0.625	1.017	0.955	0.219	0.174	0.693	0.6982
Kurdistan Bank	2.617	2.485	2.350	2.306	1.774	1.497	1.699	1.246	1.076	1.062	1.8112
Iraqi Islamic Bank	0.994	1.776	1.233	1.051	0.543	0.583	0.498	0.573	1.161	0.624	0.9036

approved research hypothesis is that there is a significant correlation and effect between the risk premium and the fair value of the shares of the sample group of banks, as is clear from the data of the Table 7 and the level of correlation (0.517) and this expresses the existence of a positive and medium correlation between the two variables and the table also showed that the level of impact of the risk premium in the second variable is the fair

value at the level of (0.048) and statistically significant at the level of (0.05), and the value of (F) calculated is (4.371) which is higher than the tabular (3.964) Therefore, do not reject the research hypothesis that there is a correlation and influence between the two variables.

Table 7. Matrix of Correlation and Influence Relationships for Research Variables.

Morale level	Beta	F	R2	Calculated T value	R	Risk Premium
0.048	0.517	4.371	0.267	2.091	0.517	Fair Value

Source: Prepared by the researcher based on the program (Spss, vev.26)

6. Conclusion and Discussion

The results show low levels of returns for the sample banks during the research period due to unstable conditions of all kinds, which affected the investment path. It is also evident that the required rate of return and the level of risk are low due to the paralysis of the Iraqi economy in all its sectors. The results also show that there is a positive and significant relationship between the two variables, but it is a medium relationship, which is significant at the level of (0.02). In addition, there is a decrease in the fair value of the sample bank shares due to the low levels of return for the same reasons. Therefore, it is necessary, in light of the unstable conditions affecting the course of economic activity, and the reflection of this effect on the nature of the business of business establishments, including the sample banks, and they must search for investment opportunities that will benefit them economically. Interest rates on short-term loans should also be reduced to encourage short-term investments.

REFERENCES

[1.] E. F. Brigham and M. C. Ehrhardt, *Financial Management*, 13th ed. Boston, MA: Cengage Learning, 2013.

[2.] G. Arnold, *Corporate Financial Management*, 5th ed. Boston, MA: Pearson, 2013.

[3.] E. F. Brigham and J. F. Houston, *Fundamentals of Financial Management*, 15th ed. Boston, MA: Cengage Learning, 2019.

[4.] S. Baresa, S. Bogdan, and M. Z. Ivanovic, "Strategy of Stock Valuation by Fundamental Analysis," *Journal of Economics*, vol. 4, no. 1, pp. 1-9, 2013.

[5.] P. Chandra, *Financial Management*, 8th ed. New Delhi, India: Tata McGraw-Hill, 2011.

[6.] Iraq Stock Exchange, *Annual Reports*, 2010-2020.

[7.] M. A. Ibrahim, *Financial Management*, Baghdad, Iraq, 2007.

[8.] R. C. Merton, "On Estimating the Expected Return on the Market: An Exploratory Investigation," Journal of Financial Economics, vol. 8, no. 4, pp. 323-361, 1980.

[9.] C. Lundblad, "The Risk Return Tradeoff in the Long Run: 1836–2003," Journal of Financial Economics, vol. 85, no. 1, pp. 123-150, 2007.

[10.] R. Anderson and S. Sundaresan, "A Comparative Study of Structural Models of Corporate Bond Yields: An Exploratory Investigation," Journal of Banking & Finance, vol. 24, no. 1-2, pp. 255-269, 2000.

[11.] M. Paananen, "Fair Value Accounting for Goodwill Under IFRS: An Exploratory Study of the Comparability in France, Germany, and the United Kingdom," Germany, and the United Kingdom, Sept. 30, 2008.

[12.] J. O'Hanlon and A. Steele, "Estimating the Equity Risk Premium Using Accounting Fundamentals," Journal of Business Finance & Accounting, vol. 27, no. 9-10, pp. 1051-1083, 2000.

[13.] M. F. Neamah, "The Impact of IFRS 9 Compliance on Financial Statement Outputs: An Exploratory Study of a Sample of Commercial Banks," Journal of Economics, Finance and Accounting Studies, vol. 6, no. 1, pp. 54-66, 2024.

[14.] P. Nadler and Y. Guo, "The Fair Value of a Token: How Do Markets Price Cryptocurrencies?," Research in International Business and Finance, vol. 52, p. 101108, 2020.

[15.] R. D. Arnott and P. L. Bernstein, "What Risk Premium is 'Normal'?," Financial Analysts Journal, vol. 58, no. 2, pp. 64-85, 2002