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The Effect of the Capital Structure on the Efficiency of Stock Pricing - Analytical Research

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Abstract

The research aims to know the effect of investment risks measured by the beta coefficient on the efficiency of stock pricing measured by the pricing error. The research was applied in the banks listed in the Iraq market for the period (2017-2020). That affects the value of the shares of the companies listed in it and the risks associated with it, as the capital structure is a dynamic process that changes over time depending on the variables that affect the general development of the economy, so these fluctuations should be taken into account when choosing the capital structure and companies seek to determine their financing structure Whether debt financing or equity financing is a critical decision for financial management, not only because of the need to maximize returns, but also because of the impact of risks and what is reflected in stock prices in the Iraqi stock markets. Through them, the following question was asked: Does debt financing and property rights contribute to affecting the efficiency of pricing? In light of this, the importance of the research and its objectives were determined, and the research methodology relies on the analytical method as it is more appropriate to the nature and scope of the research, in order to reach the results that the research aims at.

Keywords: capital structure, stock pricing efficiency.

1. Introduction

With the increasing globalization in the world, stock markets are affected by many factors such as economic or political events, and social, as well as the available information about stock prices in the financial market, so pricing efficiency is an important concept through the degree to which stock prices reflect all available information, in Timely and accurate, both in terms of understanding the work of capital markets or in terms of their performance and contribution to the development of the economy, and during the past decades, the

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efficient market hypothesis (EMH) represented the heart of the discussion in the financial literature because of its important implications, and (Fama 1970) defined the efficient financial market If the prices of securities fully reflect all the available information, and in the light of efficient financial markets, then the prices will represent the real values of the securities, and thus attention is not given to the form of the structural relationship between risk and expected return, but rather to the accuracy that the securities enjoy in the market with regard to their structure. New information about a particular company is known, so efficient markets count how quickly stock prices adjust to reflect the new information? If prices respond to all relevant new information in a rapid manner, we can say that the market is relatively efficient. Alternatively, the information is reflected relatively slowly in all securities in the market, as investors take time to analyze the information and respond, perhaps overreacting. Accordingly, the values may deviate from the real values based on a careful analysis of all available relevant information, and such a market can be described as inefficient in an appropriate way, and thus the prices of securities cannot be predicted, so companies should pay attention to their information and the most important information, It is the capital structure of the company, so the study of the capital structure seeks to explain the financing mix that companies use to finance investment. The company's capital structure directly determines its common risks and the cost of capital. The cheapest form of external financing, but it is accompanied by the risk of default, and the volatility of the dividends and the return on the equity of the company, and the risk increases with its borrowing and with the increase in financial leverage, and the benefits decrease from the decrease in the cost of financing by indebtedness due to the increase in financial risks and the increase in the possibility of financial distress and bankruptcy, and thus, are reflected Capital structure information negatively and positively on pricing efficiency in the stock market.

2. Literature review

In light of the rapid and complex environmental developments, the environment is characterized by a high state of uncertainty and complexity (Alabadi & Alsomaidaee, 2020, 4079), and an abundance of rapid and sudden changes that have not been calculated, so the work of most companies is characterized by fluctuations and deterioration sometimes to keep pace with this complexity and this change (Salman et al, 2019:452) Therefore, the capital structure is considered one of the most important decisions that must be taken in the company, and financial managers need to achieve a balance between two main sources of debt financing and equity in order to find an optimal level of maximization that leads to maximizing returns,

and a high debt ratio leads to Higher potential profit, due to the tax advantages of debt and no need to issue more shares. However, the probability of bankruptcy increases with the increase in financial leverage, as they reached a positive and highly significant relationship between the change in financial leverage and risk (Alnassar & Bin Chin, 2015:568), and high levels of debt financing lead to increased costs with higher risk.

1. Capital structure

The capital structure refers to the financing sources used by the company. These sources include debt and equity that the company uses to finance its assets, operations and future growth (Baker and Martin, 2011, p. 1), that determining the appropriate capital structure is one of the most important management decisions. Finance (Nirajini and Priya, 2013: 36), and although the mix of actual levels of permanent long-term funding for a company represented in debt, preferred stock, and ordinary equity may vary somewhat over time, most companies try to keep their financing mix close to the structure Target capital ((Gitman & Zutter, 2012:508, text, 2018) Jami and Koloukhi) states that decisions regarding capital structure include choosing the amount of capital required first, and second considering the range of financing available for the business, and capital structure is critical to managing any Work because the financial risks and the cost of the company's capital are affected by the capital structure (Kofi, 2021:37), the main purpose of the capital structure is to form an ideal mix of debt and equity, and the decision of the company's capital structure includes its selection of the target capital structure, and the average maturity of its debts, and the specific types of financing it decides to use at any given time. As with operating decisions, managers must make capital structure decisions designed to maximize the intrinsic value of the company (AbuTawahina, 2015:14). Capital structure also refers to the extent of debt and equity. The ownership that makes up the liability section of a company's balance sheet, often known as "leverage" (Gitman et al. 2016: 260, the capital used may consist of equity (equity) and debt, and debt is any external debt that can be repaid and has costs associated with it (Rödel, 2013:11), and companies that use a high debt ratio to obtain high returns are Risky (Al-Ubadi et al, 2020:6712), (Expenses can be direct, such as interest payments, or indirect, such as the cost of the organization. The debt may be short (less than one year) or long (more than one year) Companies may use different forms of debt (Arthur, 2019:205, on the other hand, it comes in the form of common stock, preferred stock, and retained earnings. Nawi, 2015:9). This financing option does not require interest expense or monthly payments. , it is more expensive than debt, especially during a period of low interest rate, common stock is subject to the cost associated with asymmetric information

(Wendy, 2019:91), so the capital structure is defined as the combination of long-term debt and equity borne by the company (Popoola , 2016: 7) It can be defined as the combination of financing sources that appear in the balance sheet. The capital structure is classified into four main parts: capital and retained earnings, family loans, debt, and equity (Nawi, 2015:9),

And the capital structure depends on the company's ability to structure to reduce the average cost of capital (WACC), and corporate capital (Abu Samra, Majeed, 2015: 8)

2. Stock pricing efficiency

Pricing efficiency was developed on the basis of the “market efficiency hypothesis” by Fama (1970), which measures the degree to which price reflects information in the capital market. This price reflects not only the total amount of information received, but also the sensitivity of the information. It is generally believed that The more company-wide information a stock price will include (specific information or proprietary information), the more sensitive the price volatility will be to information changes, and the more efficient the stock pricing will be. Diamond and Verrecchia (1987) argue that the faster price adjusts to private information; Asset pricing was more efficient. (He & Fang, 2019: 5) Because prices always accurately reflect information, they are good signals of value and encourage better capital allocation. If the market is efficient, the information is fully and immediately reflected in prices, i.e. Pricing efficiency depends critically on information (Ackert & Deaves, 2010:29), and that an efficient market means a market that is well-informed and works correctly, and Jones (2009) describes it as reflecting the prices of all securities quickly and completely all available information about the assets, The concept assumes that investors will absorb all price-related information in making buying and selling decisions. The efficiency of the capital market can be understood at three levels: the internal (operational) level, the external (pricing) level, and the allocation level. Internal efficiency means that investors can quickly and accurately obtain Reliable transaction services at the cheapest possible rate, given the costs associated with providing the services. External efficiency means that prices fully reflect at all times all available information relevant to the valuation of securities. At the allocation level, the concern is whether the market efficiently allocates society's scarce resources where they can be most productive. The most important concept of efficiency is pricing. The efficiency of the capital market depends on how quickly new information is reflected in stock prices and information is treated as fundamental to setting stock prices, At the allocation level, the concern is whether the market efficiently allocates society's scarce resources where they can be most productive. The most important concept of efficiency is pricing. The efficiency of the

capital market depends on how quickly new information is reflected in stock prices and information is treated as fundamental to Determination of stock prices, and therefore it is the central issue of the concept of an efficient market and that the financial market will not price securities fairly unless this company provides all relevant financial information, and the market uses this information to assess the true ability of the company to create value, and the information can be classified as historical Or current or expected, but only current and historical information is certain in its impact on the price (Nyamosi, 2015:173), pricing efficiency is defined as the degree to which stock prices reflect all available information, in a timely and accurate manner (Saffi, 2008:2), It is also known as the rapid arrival of new information to dealers in the market without a large time interval and without incurring high costs, as stock prices reflect all available information, and all investors have the opportunity to obtain that information and at the same level of returns, but only a few investors can achieve Unusual returns as it depends on how the information is analyzed (Fabozzi, et al, 2010: 289). Pricing efficiency is an important indicator for measuring the quality of the capital market. It is considered vital in the efficient allocation of various financial assets and plays a positive indicative role in the healthy development of the real economy. In a high-quality stock market, information can be fast, accurate, and fully integrated into each share price. And when the stock is affected by positive or negative news, due to the political conditions in Iraq (Raheemah et al, 2020:298), its price can be adjusted quickly, and the stock price mechanism is vital in the efficient allocation of resources, and thus the distribution of limited funds quickly among the stocks (Zhao et al, 2021: 1).

3. Material and Methods

First: capital structure metrics

Indebtedness ratio: It is a ratio that measures the extent to which the company relies on borrowing (debt) to finance its investments compared to the financing provided by the owners, and includes the following , (Zelgalve& Berzkalne,2015:109) , (Josue,2015:14(Al-Khalidi & Al-Jubouri, 214:2021).:

A: Debt ratio to total assets = (debt total) / (assets total)

This ratio measures the amount of debt contribution to financing the company's assets, and the decrease of this ratio indicates that the company does not benefit from the financial leverage process and thus the return decreases, while the increase of this ratio leads to great financial risks .

B: Debt to equity ratio = (debt total) / (equity rights)

This ratio measures the degree of the company's dependence on financing from its own sources, and its rise suggests an increase in financing risks and the company's inability to pay its obligations. Equity financing is higher than debt financing costs

Second: Stock pricing efficiency metrics

A. average returns (Najm, 2012:182)

$$\overline{R} = \frac{\sum_{i=1}^{n} Ri}{n}$$

whereas :

$\bar{R}$: $average\ returns$

(Ri): $The\ company's\ stock\ dividend.$

N: $the\ number\ of\ periods$

B- To calculate returns for individual assets, the following mathematical formula has been adopted (Hashem & Ismail, 2013:67) (Muhammad & Adnan, 2014:185)

$$R_i = \frac{P_t - P_{t-1}}{P_{t-1}}$$

whereas :

(Ri): The company's earnings per share.

Pt: the share price for the current period.

Pt-1: the share price for the previous period

c. The measure (pricing error) was calculated according to the following formula

The error of higher pricing is lower efficiency and lower sensitivity of the trading price that absorbs new information (Nie, 2019:9). The pricing error can be expressed through the following equation (Qin&singal,2014:4(,

$p_t = m_t + s_t$

- Whereas:

p_t: pricing error

- m_t: is defined as the expected stock value given all available public information and assumes that it follows a random walk

4. Discuss the results

First: Discussing the capital structure

A: Debt ratio to total assets = (debt total) / (assets total)

The industrial sector, IMOS Modern Sewing Company achieved the highest indebtedness ratio, as the average indebtedness reached (0.544), and the fluctuations in the ratio in the company amounted to (0.647), as well as the coefficient of difference for the ratio appeared in the company, as it amounted to (1.187), followed by the Carpet and Furniture Company IITC, as the average indebtedness amounted to (0.381) and amounted to The ratio fluctuations in the company were (0.099), and the coefficient of difference for the ratio appeared in the company, as it reached (0.260), followed by the Chemical and Plastic Industries Company (INCP), as the average indebtedness reached (0.322), and the ratio fluctuations in the company amounted to (0.007), and this indicates the instability of the ratio during a period The study also showed the coefficient of variation for the ratio in the company, which amounted to (0.024), and (Baghdad Soft Drinks IBSD) achieved the lowest debt ratio, as the average ratio was (0.024), and the coefficient of variation for the ratio was (0.340), and the coefficient of variation for the debt ratio was (0.1.384).), followed by (Baghdad Packaging Materials Industry IBPD) with an average of (0.024) and the discrepancy in the company was (0.012), and the coefficient of variation for the percentage was the highest among the companies as it reached (0.510).

Table (1) total Debt / total assets of the research sample companies for the period (2017-2020)

IBSD	INCP	IBPM	IITC	IMOS	الشركات / السنوات
0.09928677	0.31487548	0.03537308	0.43920608	0.27429276	2016
0.04831349	0.33153678	0.04405743	0.44570841	0.17344079	2017
0.04903741	0.31624289	0.01149105	0.4315489	0.26028208	2018
0.9256075	0.31772153	0.01677996	0.40534414	1.83683078	2019
0.1082587	0.33278359	0.01614861	0.18488339	0.17948662	2020
0.24610077	0.32263205	0.02477003	0.38133819	0.5448666	AV
0.34065759	0.00784151	0.01264065	0.09918075	0.64727578	ST
1.3842199	0.02430482	0.51032026	0.26008608	1.18795274	CV

B: Debt to equity ratio = (debt total) / (equity rights)

The carpet and furnishings company IITC achieved the highest indebtedness ratio, as the average indebtedness reached (2.089), and the fluctuations in the ratio in the company amounted to (0.391), and this indicates the instability of the ratio during the study period. The average indebtedness was (0.476), and the ratio fluctuations in the company amounted to (0.017), as well as the coefficient of difference for the ratio in the company, which amounted to (0.036), followed by (Modern Sewing IMOS), the average ratio in which was (0.277), and

the standard deviation of the ratio increased and reached (0.073). Likewise, the coefficient of difference for the ratio appeared to be the lowest in the company among the companies, as it reached (0.263), while the lowest ratio of indebtedness was in the company (Baghdad Soft Drinks IBSD), as the average ratio was (0.087), and the fluctuations of the ratio reached (0.030). The lowest in the company among the companies, as it reached (0.344), and came in second place was the company (Baghdad for Manufacturing Packaging Materials IBPD), with an average debt ratio of (0.216), and the fluctuations of the ratio amounted to (0.391), and the coefficient of variation for the debt ratio reached (1.811).

Table (2) Total debt / Total equity of the research sample companies for the period (2017-2020)

IBSD	INCP	IBPM	IITC	IMOS	الشركات / السنوات
0.11023127	0.4595887	0.03667022	0.78318624	0.37796613	2016
0.05076618	0.49596861	1	8.04103854	0.20983468	2017
0.05156608	0.46250765	0.01162463	0.75916627	0.35357542	2018
0.10200215	0.4656772	0.01706634	0.68164492	0.22506723	2019
0.12140146	0.4987641	0.01641367	0.22681833	0.21874917	2020
0.08719343	0.47650125	0.21635497	2.09837086	0.27703853	AV
0.03005489	0.01716757	0.39191661	2.97819744	0.07301958	ST
0.34469216	0.03602839	1.81145181	1.41929031	0.26357195	CV

Second: Discussing the results of the efficiency of stock pricing

A: Analysis and discussion of the monthly stock returns of the research sample companies and for the period (2017-2020)

based on the monthly closing prices of the shares of the research sample companies in the Iraq Stock Exchange. The monthly return was calculated as shown in Table (3((4), as we find that the average stock return has A positive value was recorded in 3 companies from the industrial sector, amounting to 5 industrial companies, my agencies (IMOS Modern Sewing, Baghdad Soft Drinks, IBSD Chemical and Plastic Industries INCP), and the company (Baghdad for the manufacture of packing materials, IBPD, carpets and furnishings) did not achieve at the level of the industrial sector, the company (Industries Chemical and plastic (INCP) had the highest rate of return, if it reached (0.098), with a standard deviation of (0.135), while the company (IITC Carpets and Furniture Baghdad for Manufacturing Packaging Materials (IBPD) achieved the lowest rate of return amounted to (-0.013%), with a standard deviation of (0.296).

Table (3) the monthly return of the research sample companies for the period (2017-2020)

IBSD	INCP	IBPM	IITC	IMOS	الشركات / الشهر
0.076	-0.016129	-0.1032609	0.1650485	0.0628019	Jan-17
-0.0148699	0	0.0606061	0.3266667	-0.0409091	Feb-17
-0.109434	-0.147541	0.0571429	-0.0389447	-0.0047393	Mar-17
0	0	0	0	0	Apr-17
0.0805085	0	-0.1621622	0.0535948	-0.047619	May-17
-0.0196078	0.0769231	-0.1290323	-0.0136476	-0.2525	Jun-17
-0.028	-0.0535714	-0.037037	-0.0314465	-0.0635452	Jul-17
0.0658436	-0.0566038	-0.0384615	-0.0909091	0.4285714	Aug-17
-0.023166	0	0.12	0.1757143	0.2875	Sep-17
-0.0395257	-0.02	-0.1285714	-0.1373026	-0.3592233	Oct-17
0.0493827	0.2040816	0.1557377	0.1591549	0.4848485	Nov-17
0.0509804	-0.0338983	-0.0212766	-0.0157959	0	Des-17
0.2126866	0.0175439-	0	0.0123457-	0.2040816	Jan-18
0.2215385	0.25	0.1304348-	0.00625	0.0559322	Feb-18
0.0503778	0.2428571	0.25	0.0074534	0.0369181-	Mar-18
0.0407674-	0.1264368-	0.0266667	0.0135635-	0.0333333-	Apr-18
0.0275	0.0131579	0.025974-	0.01875-	0	May-18
0.0097324-	0.025974-	0.0666667-	0.0191083-	0.0344828	Jun-18
0.022113-	0.0533333-	0.1-	0.025974-	0.0666667-	Jul-18
0.0376884-	0	0	0.0133333-	0.0178571	Aug-18
0.0678851-	0.056338-	1-	0.0067568-	0.0175439	Sep-18
0.022409			0.0340136-	0.0172414	Oct-18
0.0219178-	0.0447761-	0	0.0211268	0.0169492	Nov-18
0.0056022	0.015625	0.0077519	0.1006897	0.1	Des-18

Table (4) the monthly return of the research sample companies for the period (2017-2020)

IBSD	INCP	IBPM	IITC	IMOS	الشركات / الشهر
-0.0529248	0.0461538	0	0.0401003	0.0451128	Jan-19
-0.1911765	-0.0147059	0	-0.0481928	-0.0767386	Feb-19
0.0545455	-0.0298507	0.0692308	0.0075949	0.3766234	Mar-19
0.0827586	-0.0307692	0.0215827	0.0188442	0.0849057	Apr-19
0.1305732	0.015873	0.0774648	-0.0505549	0.0173913	May-19
0	0.046875	-0.5294118	0.0831169	-0.017094	Jun-19
-0.0478873	0.0149254	1.5	-0.0407674	-0.026087	Jul-19
-0.035503	0	0	0.0125	0	Aug-19
0.0306748	0.1911765	0	0.0493827	-0.0357143	Sep-19
0.0119048	0.3333333	0	-0.0352941	0.0185185	Oct-19
-0.0176471	0.2314815	0	0.0487805	0.1818182	Nov-19
-0.0149701	0.4285714	0.1	0.0290698	0	Des-19
0.1033435-	0.2473684	0	0.0169492	0.0076923-	Jan-20
0.1186441-	0.1265823-	0.0909091-	0.0555556	0.0077519	Feb-20
0.1038462-	0.1014493-	0	0.04-	1-	Mar-20
0.1373391-	0.1344086-	0	0.0526316		Apr-20
0.0895522	0.4161491		0.0520833-	0.0634921-	May-20
0.1506849	0.0175439-		0.0164835	0.0677966	Jun-20
0.0515873	0.0267857-	0	0.0162162-	0.0634921-	Jul-20
0.1132075	0.0275229-	0	0.032967	0.4779661	Aug-20
0.1491525	0.0424528-		0.0531915	0.1754587	Sep-20
0.0029499	0.0049261	0	0.0555556-	0.3453659-	Oct-20
0.0352941	0.0441176	0.1111111	0.0427807	0.0089419-	Nov-20
0.1789773	0.0046948	0	0.025641	0.0045113	Des-20
0.0676584	0.0982926	0.0001342-	0.0164736	0.0135232	AVE
0.0877256	0.1354614	0.2967492	0.0753524	0.2258306	Q
1.2965955	1.3781437	2211.6993-	4.5741338	16.699444	CV

B: Analysis and discussion of the pricing error for the study sample companies and for the period (2017-2020)

The higher pricing error is the lower the efficiency and lower sensitivity of the trading price that absorbs the new information, and the pricing error can be measured through the following equation (Nie,2019:9)

$p_t = m_t + s_t$ ……

whereas:

p_t: pricing error

m_t :is defined as the expected stock value given all available public information and assumes that it follows a random walk

s_(t): measures the deviation between the transaction price and the efficient price

t: normal time

The table (5) (6) ,shows the pricing error of the research sample companies and for the period (2017-2020), as we find that (IMOS Modern Sewing Company) has obtained the highest pricing error, as it reached (0.340), and the Chemical and Plastic Industries Company ranked second, as the pricing error reached (0.177), It was followed by the (Baghdad Packaging Materials Industry) company (IBPD), as the pricing error reached (0.175), and this indicates a decrease in efficiency and less price sensitivity. It reached (0.089), and this means that there is a rise in efficiency and more sensitivity in price among the two research sample companies.

Table (5) pricing error for the research sample companies for the period (2017-2020)

IBSD	INCP	IBPM	IITC	IMOS	الشركات / الأشهر
0.076	-0.016129	0.0832609	0.1650485	0.0628019	Jan-17
0.0348699	0	0.0606061	0.3266667	0.1209091	Feb-17
0.129434	0.087541	0.0571429	0.1389447	0.0847393	Mar-17
0.02	0	0	0.1	0.08	Apr-17
0.0805085	0	0.1421622	0.0535948	0.127619	May-17
0.0396078	0.0769231	0.1090323	0.1136476	0.3325	Jun-17
0.048	-0.0064286	0.017037	0.1314465	0.1435452	Jul-17
0.0658436	-0.0033962	0.0184615	0.1909091	0.4285714	Aug-17
0.043166	0	0.12	0.1757143	0.2875	Sep-17
0.0595257	-0.02	0.1085714	0.2373026	0.4392233	Oct-17
0.0493827	0.2040816	0.1557377	0.1591549	0.4848485	Nov-17
0.0509804	-0.0261017	0.0012766	0.1157959	0.08	Des-17
0.2126866	0.0575439	0	0.0103457	0.2040816	Jan-18
0.2215385	0.25	0.0495652-	0.0062457	0.0559322	Feb-18
0.0503778	0.2428571	0.25	0.0074261	0.0969181	Mar-18
0.1007674	0.1664368	0.0266667	0.0115635	0.0933333	Apr-18
0.0325	0.0268421	0.025974-	0.01675	0.06	May-18
0.0697324	0.065974	0.0666667-	0.0171083	0.0344828	Jun-18
0.082113	0.0933333	0.08-	0.023974	0.1266667	Jul-18
0.0976884	0.04	0	0.0113333	0.0421429	Aug-18
0.1278851	0.096338	0.82	0.004831	0.0424561	Sep-18
0.037591	0.04	0	0.0320136	0.0427586	Oct-18
0.0819178	0.0847761	0	0.0211268	0.0430508	Nov-18
0.0543978	0.024375	0.0077519	0.1006897	0.1	Des-18

Table (6) pricing error for the research sample companies for the period (2017-2020)

IBSD	INCP	IBPM	IITC	IMOS	الشركات / الأشهر
0.0449248	0.1538462	0.2	0.0401003	0.0548872	Jan -19
0.1831765	0.2147059	0.2	0.0681928	0.1767386	Feb-19
0.0545455	0.2298507	0.1307692	0.0124051	0.3766234	Mar-19
0.0827586	0.2307692	0.1784173	0.0188442	0.0849057	Apr-19
0.1305732	0.184127	0.1225352	0.0705549	0.0826087	May-19
0	0.153125	0.7294118	0.0831169	0.117094	Jun-19
0.0398873	0.1850746	1.5	0.0607674	0.126087	Jul-19
0.027503	0.2	0.2	0.0125	0.1	Aug-19
0.0306748	0.1911765	0.2	0.0493827	0.1357143	Sep-19
0.0119048	0.3333333	0.2	0.0552941	0.0814815	Oct-19
0.0096471	0.2314815	0.2	0.0487805	0.1818182	Nov-19
0.0069701	0.4285714	0.1	0.0290698	0.1	Des-19
0.1633435	0.2473684	0.004	0.0169492	0.4476923	Jan-20
0.1786441	0.1665823	0.0949091	0.0555556	0.4322481	Feb-20
0.1638462	0.1414493	0.004	0.06	1.44	Mar-20
0.1973391	0.1744086	0.004	0.0526316	0.44	Apr-20
0.0895522	0.4161491	0.004	0.0720833	0.5034921	May-20
0.1506849	0.0575439	0.004	0.0164835	0.3722034	Jun-20
0.0515873	0.0667857	0.004	0.0362162	0.5034921	Jul-20
0.1132075	0.0675229	0.004	0.032967	0.4779661	Aug-20
0.1491525	0.0824528	0.004	0.0531915	0.2645413	Sep-20
0.0570501	0.0350739	0.004	0.0755556	0.7853659	Oct-20
0.0352941	0.0441176	0.1111111	0.0427807	0.4489419	Nov-20
0.1789773	0.0353052	0.004	0.025641	0.4354887	Des-20
0.0896352	0.1779509	0.1752981	0.0453777	0.3403913	AVE

4. Conclusions

1. The results showed that the optimal level of debt is the level that achieves the maximum amount of information disclosure at the lowest possible cost, because with the increase in financial leverage, the benefits decrease from the decrease in the cost of financing by indebtedness due to the increase in risks and the increase in the possibility of financial distress and bankruptcy, and this is reflected in the information in The market that leads to a decrease in the efficiency of stock pricing in the research sample companies

2. The results showed that the high degree of investment risk in the Iraq Stock Exchange is a natural result and reflection of the political and economic conditions in Iraq in the time period under study, and the risks associated with debt and equity financing, which affects the efficiency of stock pricing due to the information available in the market, which may lead to Investors' reluctance to invest in it in the future.

3. The results showed that the effect of the capital structure on the efficiency of stock pricing is positive at low to medium debt levels and negative at high debt ratios.

4. Equity financing costs more, but it is less risky because companies do not have a legal obligation to pay dividends to shareholders if their

performance is poor, and therefore the information available about the company is private and investors cannot view it, and therefore there is no impact on the efficiency of share pricing for the companies concerned.

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