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The Impact of Financial Financing Structure in Profitability Indicators in the Iraqi Industrial Sector

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Abstract

The study aims to examine the correlational relationship and impact between the capital structure and profitability indicators in Iraqi industrial companies. It also explores the changes in the capital structure and their implications on market value, and provides necessary solutions to enhance the Iraqi industrial sector and protect local products. To achieve these objectives, the Iraqi industrial sector was selected as the study sample, consisting of a selected sample of 13 Iraqi companies from the total population, disregarding 3 companies due to production cessation and financial constraints. Therefore, the sample represents approximately 81% of the total sample population. A total of 450 questionnaires were distributed, and 431 were retrieved. After sorting and collecting the questionnaires for analysis, it was found that 10 questionnaires were invalid, resulting in a total of 421 valid questionnaires for analysis. After delving into the theoretical and practical aspects of the research, the study found a statistically significant correlation between short-term capital structure and profitability indicators, characterized by strength with a value of 0.632, significant at a level lower than 0.05. Similarly, there is a correlation between long-term capital structure and profitability indicators, characterized by a moderate strength with a value of 0.593, significant at a level lower than 0.05. Additionally, there is a correlation between the capital structure of equity and capital and profitability indicators, characterized by a moderate strength with a value of 0.653, significant at a level lower than 0.05. The results indicate that the financial capital structure explains approximately 0.55 of the observed variations in profitability indicators.

Keywords: *financing - financing structure - profitability.*

Introduction

Many industrial companies strive to use the available financial resources at the lowest cost to achieve higher returns. This falls under the concept of optimizing the financial structure, which allows the company to sustain and expand in the dynamic internal and external environment. This necessitates exploring the various conflicting approaches regarding the idea of an optimal financial structure.

Industrial companies are influenced by numerous internal and external factors when making their managerial and financial decisions, as the financial structure itself is one of these factors. The financial aspect has a significant impact on guiding the decisions of company managers, especially financial decisions related to investment, financing, and profit distribution (Sadiki et al., 2017: 77). The financial structure is among the most

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important issues that have gained scientific research attention in the field of financial management. Several theories have emerged regarding the optimality of choosing the financial structure for financial companies and explaining their financing behavior as a decision center. They establish a set of financial decisions for the purpose of comparison, as they create a financial structure to direct various financial resources towards uses that yield financial returns. In this sense, the company is in the process of formulating a financial policy for its various economic activities, whether new or existing, which require appropriate financing and managerial skills to grow and achieve acceptable income and profit (Badrawi & Alawi, 2021: 5.(

The financing decision is one of the most important strategic decisions for industrial companies, and its importance increases with the rapid changes in the globalization stage and the World Trade Organization. This includes the opening of global markets to goods and products, as well as the internal competition among companies and small and medium-sized enterprises operating in an environment characterized by instability resulting from the economic transformation process. This requires more flexible financing patterns to be able to face an uncertain environment. Interestingly, financial transformations are not easily accessible for this type of companies to obtain external financing (Hashem, 2015: 65(.

Profitability indicators are considered financial analysis tools for evaluating the performance of different managements by using financial analysis tools and establishing the relationship between the content and implications of the financial statements to rationalize their financial decisions. It helps determine the efficiency of their performance, plan financial needs and surpluses, and consequently achieve a suitable return on available funds and invest them in various areas (Mohammed, 2020: 75). Financial analysis tools convert the vast amount of historical numbers into regular financial relationships to evaluate the financial and credit position of the company. Therefore, they serve as a means to link internal environmental variables (strengths and weaknesses) to external variables (opportunities and threats), forming the strategic dimension of financial analysis to evaluate business decisions and achieve a competitive advantage (Damodaran, 2020: 6). Both (Perumal and Premraj ,2019: 28) see financial analysis as a tool for diagnosing weaknesses, addressing them, identifying strengths, and strengthening the company's financial structure to achieve success and a distinctive competitive position. They rely on financial analysis indicators and ratios, including profitability indicators, for financial statement data. Financial analysis (Vesti & Kule, 2016: 45) involves following financial methods and procedures to develop the financial position of the institution, conducting analytical studies of financial statements, extracting financial ratios, profitability, and liquidity, and enhancing the financial plan with these analytical studies. As a result, this study sheds light on the analysis of the integrative relationship between the financial structure and profitability indicators in the Iraqi industrial sector. Based on that, this study is divided into three parts: presenting the methodology of the study in the first part, discussing the theoretical literature in the second part, and addressing the applied study (method and procedures) in the third part, followed by the study's conclusion.

The first part: Methodology of the Study

Despite the availability of multiple sources of financing for economic companies and their diverse forms, the focus is still on how to determine the optimal capital structure and its role in improving company performance. This has made the issue of corporate financing and designing its financial structure one of the fundamental topics that has been debated among experts for over half a century. Since then, studies related to this topic have multiplied and diversified, and perspectives have differed between proponents and opponents regarding the possibility of achieving an optimal financing structure for industrial companies to improve their performance, based on previous studies presented. Therefore, the researcher sees the problem of the study as follows: the main question is,

"Is there a relationship or correlation between the capital structure and profitability indicators in the Iraqi industrial sector?"

The study holds its significance from the importance of the prominent role played by the capital structure in industrial companies, covering all their obligations and requirements. Additionally, it is considered the main pillar for the sustainability and continuity of companies in the process of stimulating industrial exchange. The decision to choose sources of financing is one of the most important financial management decisions in companies, particularly in the industrial sector. This sector is assumed to be one of the most important economic sectors, as it plays a vital role in aggregating savings and redirecting them to various economic activities. Furthermore, this sector acts as a link between the local economy and external economies. It is expected that the results of this study, which attempts to select the financial structure represented by Iraqi industrial companies, will be of interest to shareholders, investors, creditors, and financial analysts. This study sheds light on the impact of the relationship between the capital structure and profitability indicators and its implications for the beneficiaries.

The aim of the study is to demonstrate the correlation and impact between the capital structure and profitability indicators in Iraqi industrial companies. It also examines the changes in the capital structure and their implications on market value. The study provides necessary solutions to enhance the Iraqi industrial sector and protect domestic products.

The study adopted both the deductive and inductive approaches. The deductive approach shed light on the concepts of financial capital structure and profitability indicators. Meanwhile, the inductive approach diagnosed the problem of the study and identified its dimensions by reviewing financial reports and publications issued by the Iraq Stock Exchange related to Iraqi industrial companies.

The scope of the study encompasses the industrial sector listed in the Iraq Stock Exchange, defining the geographical boundaries of the study. The study also has a time frame from 2017 to 2023.

The studies conducted in the field of research have covered various aspects. These studies can be directly or indirectly related to the subject of the research. The study conducted by Al-Tai and Al-Shukri (2022) highlighted the use of traditional indicators that have been rarely used before, namely profitability indicators. These indicators serve as early warning signals for banks in case of financial risks. The study identified seven key indicators: return on equity (ROE), return on assets (ROA), net operating profit margin (NOPM), earnings per share (EPS), net profit margin (NPM), asset utilization (AU), and equity multiplier (EM). The study sample consisted of ten private commercial banks in Iraq from 2004 to 2019. The results indicated a strong relationship between these indicators and the market value of the bank, with a multiple correlation coefficient of 0.78, which is statistically significant at the 1% level.

The study by Samantilleke (2022) aimed to examine the decision-making process of capital structure and its relationship with organizational performance in terms of profitability in Sri Lankan banks listed on the Colombo Stock Exchange. The banking sector is considered a fundamental pillar of any country's economy. The study employed a pragmatic philosophy and a mixed-method approach, using both quantitative and qualitative methods to answer research questions. The results revealed variations in the capital structure between banks and non-financial organizations due to regulations that banks must comply with. The capital structure of the bank acts as a preventive measure against insolvency and absorbs losses in case of insolvency. This research identified a positive relationship between capital adequacy ratio and return on assets and net interest margin. However, there was no specific relationship between debt-to-equity ratio and total debt-to-total assets ratio with profitability. In addition, the study recommended easing capital structure policies and regulations in favor of new investors.

The study by Al-Yasiri and Radi (2022) examined the financing policies of working capital and their impact on bank profitability in four Iraqi commercial banks: Al-Ittihad Bank, Babylon Bank, Sumer Bank, and Gulf Bank. The study covered a period of eight years from 2009 to 2016. The results indicated a significant impact of short-term and long-term working capital financing ratios on the profitability indicators used in the research. The financial manager in the bank can achieve the desired profitability according to the employed research indicators by following a moderate financing policy. The study recommended focusing on working capital financing policies and their impact on bank profitability, as they play a vital and strategic role in achieving the objectives for which they were established.

The study by Al-Bina and Aziz (2022) aimed to identify the role of financing structure variables in reducing financial fragility in private commercial banks. The study addressed the problem of whether financing structure affects the reduction of financial fragility, which is considered a crucial topic that requires continuous monitoring and study due to its significant impact on the success and continuity of banks' operations. The study concluded with several recommendations, including the necessity for banks to adopt traditional and modern hedging mechanisms to mitigate fragility. Additionally, applying the Kida model to measure financial fragility and determine its financial position was also recommended.

Based on the previous information, the following hypotheses have been proposed:

1. There is a statistically significant relationship between financial structure and profitability indicators at a significance level of 0.05.

2. There is a statistically significant relationship between short-term financial structure and profitability indicators in the Iraqi industrial sector at a significance level of 0.05.

3. There is a statistically significant relationship between long-term financial structure and profitability indicators in the Iraqi industrial sector at a significance level of 0.05.

4. There is a statistically significant relationship between financial structure from equity and capital and profitability indicators in the Iraqi industrial sector at a significance level of 0.05.

5. There is an impact relationship between financial structure and profitability indicators.

Part Two: Review of future literature

2.1 Concept of Finance:

The concept of finance refers to the art and science of managing money. Finance encompasses the processes, institutions, markets, and instruments involved in the transfer of funds between individuals, companies, and governments. Understanding finance enables better personal financial decision-making, especially for those working in financial positions (Gitman & Zutter, 2012:4). Finance can be defined as a set of decisions regarding how to obtain the necessary funds to finance a company's investments and determine the optimal financing mix of borrowed funds and equity to cover the company's investments (Al-Shammari & Hamza, 2015:20). It is also a fundamental function of financial management to ensure that a business has sufficient funds available to operate efficiently and capitalize on opportunities (Broyles, 2003:4). The concept of finance involves making financial decisions, and for financial managers to make sound decisions, they need the best possible information (financial and otherwise). Thus, finance can be seen as a framework for making financial decisions in general (Cohen, 2005:21). According to (Al-Jubouri ,2019:18), finance is considered the means through which necessary funds can be obtained. Before delving into the topic of financial

structure, it is advisable to clarify the following concepts to avoid confusion: asset structure, which represents the right side of the balance sheet, i.e., the company's resources that need to be financed, and financial structure, which refers to the left side of the balance sheet, i.e., the financing of resources or assets needed by companies. Capital structure, on the other hand, refers to the long-term financing of companies and is represented by forms such as long-term loans, preferred stocks, and equity ownership rights.

2.2 Structure of Financing:

Economic activity is characterized by a constant movement driven by diverse and varied investments. Investments are the main and fundamental factor that allows companies to develop and survive. Currently, there are numerous and diverse sources of financing available, differing in costs and conditions for obtaining them. Therefore, it has become necessary for companies' management to accurately identify the available financing alternatives in order to compare them and choose the appropriate financing structure.(Al-Hasnawi ,2020:31) defines the financing structure as a combination of funds used by companies to finance their investment operations. These funds can be classified into equity funds and borrowed funds. Equity funds include common shares, preferred shares, and retained earnings. Borrowed funds include bank loans, bonds, and commercial credit. These funds are classified based on their maturity into long-term financing and short-term financing. On the other hand, (Lopez and Sanchez ,2007:270) refer to the concept of financing structure as the structure used to compare financing sources and the resulting or associated risks.

As Cappa ,2020:82) and (Yinusa ,2015:203) mentioned, companies that have the same operations but with diversified financial structures and diversified assets have a different net profit figure than others, so financing structure decisions have received special attention from others. Companies, because they have a significant impact on profitability. In addition, the lack of corporate financing structure with regard to loans and equity often limits the growth of companies, and thus these companies always seek to create a combination between equity and loans in a way that ensures maximization of shareholders' wealth. (Brigham & Houston, 2018:476) refers to the composition of the financing structure as it affects the value of the company because it affects the cost of capital invested in the company. If the return on investment is equal, then the high cost of capital leads to a decrease in the profitability of the company and shareholders. While (Mirzaee et al, 2017: 1121) believes that an ineffective financing structure will affect the process of accumulating capital and thus be a reason for not providing new investment opportunities and increasing the costs of using funds, as companies always seek to improve the financing structure and thus their investment opportunities. (Abor ,2005: 439) indicates that the financing structure represents the best solution for financing companies, as financing options take a hierarchical form, starting from internal sources such as retained profits, while external financing prefers loans, and the decision to issue shares is the final decision for financing companies, and since the financing structure reflects a variety of sources The financing obtained by companies is therefore defined by Allen (Allen) as a mixture of long-term debt and equity that companies use to finance their operations (Allen et al., 2018: 11). (Yuliani et al., 2018: 58)believes that it is reflected in the total Liabilities in the balance sheet, the capital structure is reflected only in the long-term debt and their capital components, both of which are either permanent funds or long-term funds. Therefore, the capital structure is only a part of the financial structure. As Broyles defined it, it is a form of debt. And the rights that make up the total capital of companies (Broyles, 2003:304.(

(Al-Hasnawi, 2020: 33(.also defines it as financing the company's total assets or investments, which represents the left side of the balance sheet, that is, the liabilities and shareholders' equity side, which shows all the financing methods used by the company .

Dhankar indicates that capital structure is the method or method that a company uses to finance its operations through a combination of debt and equity, that is, a combination of long-term financing sources such as preferred stock, common stock, retained earnings, bonds, and long-term loans (Dhankar, 2019:198). While Both Nasih and Al-Badran state that the term capital structure includes sources of financing, both ownership rights and long-term loans only (Nasih and Al-Badran, 2014: 86). As for Ross, he did not differentiate between financing structure and capital structure and gave a single definition. They have a combination of long-term debt and equity that the company uses to finance its operations (Ross et al, 2007: 34).

2.3Nature and concept of profitability

Profits are what companies primarily focus on achieving. The size of the profit is a measure of the company's efficiency. The larger the size of the profits, the greater the company's efficiency. Therefore, companies can evaluate and analyze their profits by examining the profitability of their realized investments (Barad, 2010:109). Profitability in the form of retained earnings is one of the basic sources of capital generation and a sound banking system is supported by profitable banks with sufficient capital, and is defined as "the indicator revealing the competitive position of the bank in the banking markets and the quality of its management, and allows the company to retain certain risks and provides protection against issues "urgent" (Greuning & Bratanovic, 2009: 102)

Profitability is a word derived from two words (profitability) at its base, namely (profit) which means profit and the word (ability) which means ability. The term profit refers to the company's ability to achieve profits, while ability refers to the company's operational performance. Therefore, profitability is defined from a financial perspective as the company's ability to obtain continuous cash flow through investments that achieve a return that achieves stability. Therefore, profitability is one of the most important basic sources in generating cash as well as the basis for a successful company and is an indicator of the quality of management and the strength of performance. Economic profitability refers to the reward that the project owner receives because he bears all the risks associated with that project (Helou, 2022: 121). The accounting concept of profits is concerned with the accumulation of profits, while the analytical concept of profitability is concerned with the future accumulation of wealth, and that the profit of any company represents a statement and evidence of The operational and financial efficiency of an activity, while profitability provides a clear picture of the decision-making process by linking long-term profit to other factors that are likely to have an impact on those profits (Barad, 2010:109). As a result, (Bansal, 2010:123) presents long-term profit as an accounting concept, as it indicates the increase of revenues over expenses over time, and every business project continues to exist mostly because of it. In contrast, long-term profitability is a concept and measurement. Relative because it is expressed as a percentage, it depicts the relationship between the absolute value of profit with various other factors and highlights the management ability, work culture and operational efficiency of companies. "Some people define it from an accounting and economic point of view. From the accounting point of view, it is the increase in total revenues over the total costs during a certain period, while from the economic point of view, it is the increase in wealth, which includes an increase in the revenues generated over their costs, in addition to the costs of alternative opportunities, that is, Economic profit is less than accounting profit due to the presence of these added costs (Al-Karawi, 2020: 4(

What is also meant by profitability by (Al-Riahi, 2006: 136) is the financial return or return generated from investing the bank's resources in activities that use money in profitable assets (or interest-earning, which are loans and investments), and the relationship of net profit or return to total assets is used as a financial indicator to measure The rate of return on assets based on the financial statements at the end of the year. (Trivedi ,2010:237) confirms my position on profit and profitability as he referred to profit in the context of financial management as "a test of efficiency and a measure of

control." A measure of the value of investment for owners, a margin of safety or security for creditors, a measure subject to taxation and a basis for legislative action of the government, and finally a measure of the state but it also serves as a measure of economic development, the amount of national income it produces, and the improvement of the standard of living. In other words, even though banks have the same amount of profits, they may not have equal profits because the winds do not always blow in the direction of profitability. This is what (Barad, 2010: 110) explained. The reason for this is that the identical profit resulting from two separate commercial projects occurs at the same time and many times because their profits differ when measured in terms of the size of the investment. What is noticeable from this is the role played by Profits and profitability in business institutions in general and banks in particular are identical to the function performed by blood and pulse in the human body."

We explain through this that profit and profitability differ not only conceptually but also practically as a measure or indicator of the operational and financial efficiency of any organization in general, and this is due to the close overlaps between them, which gives others or stakeholders a perception of reality in general that may be blurry or incorrect yet. If we define profitability in terms of accounting and economic concepts, there is no doubt that it is similar to the concept of profits and is linked to other ideas such as effectiveness, accounting, and added value.

Profitability and efficiency are not the same thing when it comes to efficiency. Profitability is viewed as a management measure to enhance effectiveness. However, the level of profitability should not be used as an exclusive criterion for efficiency. Satisfactory profits may sometimes be a symptom of inefficiency. On the other hand, it can be accompanied by the absence of profits with the appropriate level of efficiency. Since change in operational efficiency is one of the factors that strongly influence the profitability of companies, net profit only reflects a satisfactory balance between revenues and expenses. In addition, efficiency is only one element that affects profitability (Trivedi, 2010:236). Confirmed by Rahaman et al. al., 2018:) The profitability of a company is its ability to achieve appropriate returns from the funds invested in its activities, and that means its activities, and this means that the relationship between the profits achieved by companies, and the contribution of investments in achieving these profits." And the definition of profitability (Ball et al., 2015: 226) "It is the company's ability to achieve profits during a certain period, and profits are the remaining surplus of revenues achieved by the company after deducting all expenses directly related to generating revenues, such as product production costs, and other expenses related to the conduct of business activities." As the literature confirms Also, profitability is the final result, or the final performance result, that shows the net effects of the company's policies and activities in the financial year, and that many factors such as inflation, accounting policy, a high level of competition, etc. may have an impact on the company's profitability (Tek at el ,2019:49). Profitability is necessary for the company to maintain continuous activity, and for shareholders to obtain rewarding returns. High profitability must not be at the expense of the safety of the company's system, the quality of services, or the reputation of the company itself (Trujillo-Ponce, 2013:3). It is based on The idea of profitability in terms of the value added to the wealth generated (net wealth acquired) as a result of companies' operations during certain periods of time. The lifeline of a company's survival or expansion is wealth creation. A company can continue to operate even when it is not making a profit, but it stops operating when stops adding value, and as a result,(Barad ,2010:110-112) compares a company without profits to a patient whose lack of added value ultimately leads to death. In addition, he claims that profit models are one of the components of added value, making the latter A more general concept that should be "defined as value added at a certain level of operational capacity, and claims that should be defined as value added can reveal a company's efficiency or inefficiency for business." The idea of social profitability is linked to the idea of value added at the same time, and includes the investments it holds. Corporate investments by shareholders, bondholders,

creditors, and financial institutions. If a company fails to achieve growth or provide any additional value, this only indicates misappropriation of public funds, this idea meaning a fair transfer of wealth in exchange for increased bank output (its business activities by reducing resource consumption while maintaining the same possible output, or better).

2.4 The relationship of financing structure to profitability indicators

The relationship between the company's profitability and the financing structure over different time periods has been the subject of great debate in the literature. The opinions of financial management scholars have been divided on the relationship of the financing structure in terms of its formulation, the calculation of its cost, and the extent of its relationship to the company's profitability. Some opinions agreed on this relationship, while another group denied it. The financing structure isolates the financing structure from the company's profitability, so some believe that there is an optimal financing structure that maximizes the company's profitability, and that the most important financing structure theories affecting the company's profitability are:

1. Traditional theory: This theory is based on the basic principle that debt, as a source of investment financing, is usually less expensive than equity. Therefore, if the cost of debt and equity remain constant for the company, it can reduce the average cost of financing by increasing the debt-to-equity ratio. Ownership (or leverage) (Chandra et al., 2019:2(.

2. Net income input theory: (David, 1952) proposed this theory to predict the required return based on both the income statement and the balance sheet. To refer to this input as (required return), the theory supports the fact that the use of debt will have a long-term positive impact on the value of debt. The company, which increases the company's profitability by reducing the total cost of financing. Which means that by changing the financial mix or financing structure of a company, the total cost of financing or the weighted average cost of financing may increase or decrease (Gabriel & Nneji, 2015: 70.(

3. Exchange Theory: The theory of (Modcliani & Miller) serves as the basis upon which (Litzenberger & Kraus, 1973) was based in developing the theory of exchange, and it is one of the main theories that explain corporate financing decisions (Silva et al., 2011:382). As Modcliani & Miller concluded in their revised theory in 1963, debt financing is cheaper than equity financing when taxes are present, which increases the profitability of the company due to the advantages of tax breaks that reduce the company's taxable income (Gardi et al., 2020: 12572). However, the trade-off theory touched on the necessity of introducing some modifications to the theory (Modcliani & Miller), as well as the importance of not ignoring a group of costs related to the financing process that rise with the increase in the debt financing ratio and which could negatively affect the company’s profitability and include financing costs. All of them cost financial hardship, agency, and bankruptcy (Amidu, 2007:69).

The third part: The Application Framework (Methodology and Procedures)

3.1 Study Sample

The study sample represents a community of companies operating in the Iraqi industrial sector. The sample consists of 13 Iraqi companies, which accounts for 81% of the total sample community, as there were 16 companies initially included. However, three companies were excluded due to production cessation and financial constraints caused by acts of sabotage during their liberation from terrorist groups.

3.2 Study Sample

The study sample consisted of companies in the Iraqi industrial sector. A total of 450 survey questionnaires were distributed, and 431 questionnaires were returned. After

sorting and collecting the questionnaires for analysis, it was found that 10 questionnaires were invalid. Therefore, the total number of valid questionnaires for analysis was 421.

3.3 Coding of Study Variables

The purpose of coding the study variables is to examine and test the measurement tool and ensure its consistency with the studied sample. It requires describing and distinguishing the variables included in the measurement. This contributes to facilitating the process of statistical analysis. The study variables (financial structure, profitability indicators) were substituted with a set of symbols and abbreviations, as illustrated in Table 1.

Table No. (1) Study Variables Coding

Study variables		Dimensions	Paragraphs	code
The first axis	Financial financing structure	Short-term financing structure	10	STFS
		Long-term financing structure	10	LTFS
		Financing structure of owners' equity and capital	10	FSFOEC
The second axis	Profitability indicators	One-dimensional	22	IP

3.4 Data normality test

Preparing for data fairness testing requires examining missing and anomalous data. My agencies:

-1 Examination of missing and anomalous data

This step builds the first path to examining anomalous data, as it requires the researcher to first examine the extent of a defect or loss in the data included in the analysis. In the event of a defect or loss of data, this affects the accuracy and credibility of the data and vice versa. On the other hand, the reasons that The reason for the loss of data is due to not completely filling out the questionnaire paragraphs for all paragraphs or errors that occur during data entry for the purpose of analyzing it, and so on. For the purpose of processing this step, the researcher used the statistical package (SPSS.V.27) to show the percentage of missing data by extracting special frequencies. In each of the paragraphs, this allows the researcher to process the data in its early stages before proceeding to extract the required results. Table (2) shows that there is no missing data that could affect the results of the study.

Table No. (2) Results of missing data for study variables

Paragraph	Saturation	Paragraph	Saturation
FSFOEC6	**0**	STFS1	**0**
FSFOEC7	**0**	STFS2	**0**
FSFOEC8	**0**	STFS3	**0**
FSFOEC9	**0**	STFS4	**0**
FSFOEC10	**0**	STFS5	**0**
IP1	**0**	STFS6	**0**
IP2	**0**	STFS7	**0**
IP3	**0**	STFS8	**0**
IP4	**0**	STFS9	**0**
IP5	**0**	STFS10	**0**
IP6	**0**	LTFS1	**0**
IP7	**0**	LTFS2	**0**
IP8	**0**	LTFS3	**0**
IP9	**0**	LTFS4	**0**
IP10	**0**	LTFS5	**0**
IP11	**0**	LTFS6	**0**
IP12	**0**	LTFS7	**0**
IP13	**0**	LTFS8	**0**

IP14	**0**	LTFS9	**0**
IP15	**0**	LTFS10	**0**
IP16	**0**	FSFOEC1	**0**
IP17	**0**	FSFOEC2	**0**
IP18	**0**	FSFOEC3	**0**
IP19	**0**	FSFOEC4	**0**
IP20	**0**	FSFOEC5	**0**
IP21	**0**		
IP22	**0**		

-Testing the normality of data (testing the normal distribution of study variables(

Most of the statistical tests that are used to test the study hypotheses are essentially tests that adopt the parametric method of measurement. Therefore, in order to prove that the current study adopted the parametric method, it is necessary to subject it to normal distribution tests in order to demonstrate the extent to which the data drawn from the study population follow the normal distribution, and accordingly The normal distribution of the variables included in the analysis can be checked through two commonly used tests, the Kolmogorov–Smirnov and Shapiro–Wilk tests. These two tests are verified by the P-value, which is acceptable when it is greater than (0.05). This test shows whether the distribution of data is significantly different from the normal distribution or is it similar to the normal distribution. These two tests are based on two hypotheses:

Null hypothesis: It assumes that the drawn data do not follow the normal distribution model when the significant value is less than (0.05).

Alternative hypothesis: It assumes that the drawn data follows the normal distribution model when the significant value is greater than (0.05).

One of the things that must be present when using analysis is the normal distribution of the study data. This assumption can be verified by using a test called Kolmogorov-Smirnov and the Shapiro-Wilk test, as well as through graphs. If the values are a shape close to the shape of a bell, this indicates that However, the distribution is a normal distribution. Using the statistical program (SPSSvr.27), the researcher drew the shapes of the normal distribution of the data for the dimensions used in the research, which showed that the distribution of the data is actually a normal distribution, which is evidence of the availability of the assumption in this regard, as Table (3) shows the normal distribution of the study data.

Table No. (3): Normal distribution of study data

Dimensions	**Shapiro-Wilk**		**Kolmogorov-Smirnova**			
	Statistic	**Df**	**Sig.**	**Statistic**	**Df**	**Sig.**
Short-term financing structure	0.975	282	0.131	0.066	282	0.081
Long-term financing structure	0.978	282	0.066	0.125	282	0.178
Financing structure of owners' equity and capital	0.984	282	0.083	0.092	282	0.085
Profitability indicators	0.983	282	0.160	0.073	282	0.216

The table above shows that all results of the Sig for the normal distribution test are higher than (0.05). This means that the data follows a normal distribution (Mahmoud, 2013: 388), and that the results obtained can be analysed.

3. Internal consistency

What is meant by the internal consistency of the questionnaire statements is the extent to which the questionnaire items are consistent with the axis to which they belong, that is, in other words, they measure only what they were designed for. Therefore, interest in

measuring the stability of the study tool items contributes to improving the study's capabilities to interpret the reviewed results more accurately and objectively, which allows The matter is to extract correlation coefficients between the variables and their dependent dimensions, as well as extracting correlation coefficients between each of the paragraphs with its dependent dimension. Accordingly, the correlation value must be significant in order for it to be acceptable (Hair et al., 2010: 664), as follows:-

4. Financial financing structure

Table No. (4): Internal consistency of the first axis statements (financial financing structure)

Sequence	Independent variable items: short-term financing structure	Pearson Correlation	Sig.
1	Iraqi industrial companies suffer from weak short-term financing due to the lack of returns resulting from their sales process.	0.7560	0.000
2	Iraqi industrial companies suffer from weak administrative efficiency, which leads to increased financing risks.	0.8650	0.000
3	Iraqi industrial companies are committed to diversifying investments in order to reduce the financing risks they face in the short term.	0.7140	0.000
4	Iraqi industrial companies are committed to following specific short-term financing policies to reduce the financial risks they face.	0.7620	0.000
5	Iraqi industrial companies face weak repayment of short-term loans, which incur additional interest and fines.	0.8650	0.000
6	Iraqi industrial companies face multiple problems in repaying creditors and notes payable, which makes them unable to deal with these parties.	0.5860	0.000
7	Iraqi industrial companies are committed to diversifying investment (providing a range of services to clients) in order to reduce the risk of price fluctuations.	0.7850	0.000
8	Iraqi industrial companies work to remove any obstacles that prevent the payment of obligations due on the due date.	0.9630	0.000
9	Iraqi industrial companies suffer from regular risks such as fluctuations in interest or foreign exchange rate risks and increased financial risks.	0.8560	0.000
10	Iraqi industrial companies are committed to staggering maturity dates and setting a maximum maturity date to reduce cash flow risks.	0.9220	0.000
Sequence	Independent variable items: long-term financing structure	Pearson Correlation	Sig.
1	Iraqi industrial companies suffer from weak long-term financing	0.7650	0.000
2	Iraqi industrial companies face the problem of non-payment of long-term debts.	0.8130	0.000
3	The company bears the risk of not paying long-term debts, including additional interest and fines in the long term, which causes the company to incur additional financial distress.	0.6580	0.000
4	There is no financial independence in Iraqi industrial companies.	0.8560	0.000
5	The inability of Iraqi industrial companies to generate high long-term returns.	0.8650	0.000
6	Iraqi industrial companies rely on financing through bonds issued by companies for the purpose of long-term financing.	0.6950	0.000
7	The company relies on financial leasing for the purpose of long-term financing.	0.6840	0.000
8	Iraqi industrial companies bear part of the risks in repaying long-term debts, especially while bearing the interest of delaying loan repayment.	0.7810	0.000
9	Iraqi industrial companies suffer from a lack of cash flow due to weak financial and production performance, lack of government support, and external openness	0.5620	0.000
10	Iraqi industrial companies rely on financing through ordinary shares and preferred shares, which are issued by companies for the purpose	0.8540	0.000

	of long-term financing.		
Sequence	Independent variable items: Financing structure from owners' equity and capital	Pearson Correlation	Sig.
1	Iraqi industrial companies depend on internal sources of financing for financing.	0.7150	0.000
2	Iraqi industrial companies pay part of their obligations from their retained profits.	0.7940	0.000
3	Industrial companies rely on contractual leasing for financing.	0.6720	0.000
4	Financing is done through preferred and common shares.	0.8730	0.000
5	The capital structure is financed by increasing capital in Iraqi industrial companies.	0.6250	0.000
6	Iraqi industrial companies pay part of their obligations through their existing reserves.	0.7450	0.000
7	Iraqi industrial companies are interested in the opportunity cost when providing a new service or developing an existing service with the aim of financing and increasing the financing structure.	0.5620	0.000
8	Iraqi industrial companies follow a conservative or defensive investment policy to reduce credit risks.	0.8960	0.000
9	Iraqi industrial companies are studying financing options before making a decision.	0.7450	0.000
10	Iraqi industrial companies identify various sources of financing in order to confront the financing risks they face in the future.	.89600	0.000

Through the data of the table above, it is clear to us that all paragraphs are linked to the first axis (financial financing structure), which means that all paragraphs are statistically significant. We also find that the correlation coefficient in all paragraphs of this axis is significant, meaning that there is a moral correlation, and therefore it is considered The items in this axis are honest and have internal consistency for what they were designed to measure.

.5 Profitability indicators

Table No. (5) Internal consistency of the first dimension statements (profitability indicators)

Sequence	Paragraphs: Profitability indicators	Pearson Correlation	Sig.
1	Analysis of profitability indicators requires continuous monitoring and follow-up and an increase in time and effort in order to become more accurate.	0 .856	0.000
2	I feel that analyzing profitability indicators gives quantitative information about the situation of Iraqi industrial companies.	.7450	0.000
3	I feel that analyzing profitability indicators gives qualitative information about the situation of Iraqi industrial companies.	0.896	0.000
4	I believe that analyzing profitability indicators reveals deviations and errors in Iraqi industrial companies.	.8560	0.000
5	I believe that analyzing profitability indicators plays a major role in determining profitability.	.7560	0.000
6	The more expensive the analysis of profitability indicators, the more accurate it is.	.6950	0.000
7	I see that some industrial companies need to analyze profitability indicators more than others.	.6850	0.000
8	Analyzing profitability indicators helps indicate the company's ability to borrow and repay.	.8650	0.000
9	I believe that analyzing profitability indicators helps cooperation between Iraqi industrial companies.	.7560	0.000
10	Analysis of profitability indicators helps in predicting the business results of Iraqi industrial companies.	.8960	0.000
11	I prefer that Iraqi industrial companies publish their data after analyzing profitability indicators.	.8650	0.000
12	I prefer that Iraqi industrial companies keep data analyzing	.8740	0.000

	profitability indicators and keep them confidential.		
13	I prefer financial information that is objective, so that the analysis of profitability indicators is more accurate.	.7950	0.000
14	I feel that the main goal of analyzing profitability indicators is to determine the company's financial information.	.7850	0.000
15	Analysis of profitability indicators retabulates, tabulates and corrects data.	.6570	0.000
16	The list of profits and losses is more important than that of analyzing profitability indicators.	.7140	0.000
17	Political conditions affect the results of the analysis of profitability indicators.	.7350	0.000
18	The more Iraqi industrial companies rely on electronic dealings, the less they need to analyze profitability indicators.	.8560	0.000
19	I prefer that some Iraqi industrial companies, based on the results of analyzing profitability indicators, modify the nature of their work.	.7850	0.000
20	In analyzing profitability indicators, it is preferable to compare financial statements for two consecutive years of activity.	.8560	0.000
21	Analysis of profitability indicators reveals data related to fraudulent manipulation, as the data obtained through analysis of profitability indicators is studied and reviewed.	.6950	0.000
22	I believe that analyzing profitability indicators is necessary for Iraqi industrial companies.	.8630	0.000

Through the data of the table above, it is clear to us that all paragraphs are related to the second axis (profitability indicators), which means that all paragraphs are statistically significant. We also find that the correlation coefficient in all paragraphs of this axis is significant, meaning that there is a moral correlation, and therefore they are considered paragraphs This axis is valid and has internal consistency for what it was designed to measure.

3.5 Descriptive analysis

This paragraph reviews the descriptive analysis of the study variables, through the arithmetic mean, standard deviation, and relative importance, by relying on the statistical package for the program (SPSS.V.27). Relative importance was also measured by dividing the lowest and highest categories of the level and direction of the answer by the highest. It was graded on a five-point Likert scale (5), and Table (6) shows the degree of differentiation in the level and direction of the answer, where the following results were reached-:

Table No. (6): Standard for availability of study variables

Answer level		**Direction of the answer**
very low	**1.80 – 1**	**I totally disagree**
low	**2.60 – 1.81**	**I do not agree**
Moderate	**3.40 – 2.61**	**neutral**
Moderate	**4.20 – 3.41**	**I agree**
Very moderate	**5 - 4.21**	**Totally agree**
Level of materiality	**Categories**	
Very weak	**0.36– 0.01**	
weak	**bigger0.52 – 0.36**	
middle	**bigger0.68 – 0.52**	
good	**bigger0.84 – 0.68**	
excellent	**bigger1 – 0.84**	

1- Dimension: short-term financing structure

The results of Table (7) show that the general arithmetic mean for the short-term financing structure dimension is trending towards neutral, with a moderate response level of (3.13) and a standard deviation of (1.423), which means that workers in the Iraqi

commercial industrial sector are aware of the importance of the short-term financing structure, which increases The interest of workers in the industrial sector in managing the short-term financing structure in developing the companies in which they work.

Table No. (7): Dimension Description: Short-term financing structure

Dimension: short-term financing structure	**Arithmetic mean**	**standard deviation**	**Relative importance**	**Order of importance**
Iraqi industrial companies suffer from weak short-term financing due to the lack of returns resulting from their sales process.	3.12	0.809	62%	5
Iraqi industrial companies suffer from weak administrative efficiency, which leads to increased financing risks.	3.02	1.113	60%	10
Iraqi industrial companies are committed to diversifying investments in order to reduce the financing risks they face in the short term.	3.24	1.248	65%	1
Iraqi industrial companies are committed to following specific short-term financing policies to reduce the financial risks they face.	3.12	0.985	62%	6
Iraqi industrial companies face weak repayment of short-term loans, which incur additional interest and fines.	3.08	0.814	62%	8
Iraqi industrial companies face multiple problems in repaying creditors and notes payable, which makes them unable to deal with these parties.	3.06	0.726	61%	9
Iraqi industrial companies are committed to diversifying investment (providing a range of services to clients) in order to reduce the risk of price fluctuations.	3.16	1.196	63%	4
Iraqi industrial companies work to remove any obstacles that prevent the payment of obligations due on the due date.	3.10	0.824	62%	7
Iraqi industrial companies suffer from regular risks such as fluctuations in interest or foreign exchange rate risks and increased financial risks.	3.20	1.190	64%	2
Iraqi industrial companies are committed to staggering maturity dates and setting a maximum maturity date to reduce cash flow risks.	3.20	1.345	64%	3
General Average	**3.13**	**1.423**	**63%**	

2-The second dimension: long-term financing structure

The results of Table (8) show that the general arithmetic mean of the long-term financing structure dimension is trending towards neutral, with a moderate response level of (3.126) and a standard deviation of (1.422), which means that workers in the Iraqi industrial and commercial sector are aware of the importance of the long-term financing structure, which increases The interest of workers in the industrial sector in managing the long-term financing structure in developing the companies in which they work.

Table No. (8): Dimension description: Long-term financing structure

Dimension: long-term financing structure	**Arithmetic mean**	**standard deviation**	**Relative importance**	**Order of importance**
Iraqi industrial companies suffer from weak long-term financing	3.16	1.336	63%	4
Iraqi industrial companies face the problem of non-payment of long-term debts.	3.16	0.959	63%	5
The company bears the risk of not paying long-term debts, including additional interest	3.12	0.985	62%	6

and fines in the long term, which causes the company to incur additional financial distress.				
There is no financial independence in Iraqi industrial companies.	3.08	0.814	62%	8
The inability of Iraqi industrial companies to generate high long-term returns.	3.06	0.726	61%	9
Iraqi industrial companies rely on financing through bonds issued by companies for the purpose of long-term financing.	3.16	1.196	63%	3
The company relies on financial leasing for the purpose of long-term financing.	3.10	0.824	62%	7
Iraqi industrial companies bear part of the risks in repaying long-term debts, especially while bearing the interest of delaying loan repayment.	3.20	1.190	64%	2
Iraqi industrial companies suffer from a lack of cash flow due to weak financial and production performance, lack of government support, and external openness	3.20	1.345	64%	1
Iraqi industrial companies rely on financing through ordinary shares and preferred shares, which are issued by companies for the purpose of long-term financing.	3.02	1.181	60%	10
General Average	**3.126**	**1.421**	**63%**	

3 . The third dimension: the financing structure of owners' equity and capital

The results of Table (9) show that the general arithmetic mean of the financing structure dimension from owners' equity and capital is trending towards neutral, with a moderate response level of (3.017) and a standard deviation of (1.178), which means that workers in the Iraqi industrial and commercial sector are aware of the importance of the financing structure from owners' equity. And capital, which increases the interest of workers in the industrial sector in the financing structure of owners' rights and capital in developing the companies in which they work.

Table No. (9): Dimension Description: Financing structure from owners' equity and capital

The third dimension: the financing structure of owners' equity and capital	**Arithmetic mean**	**standard deviation**	**Relative importance**	**Order of importance**
Iraqi industrial companies depend on internal sources of financing for financing.	2.90	1.194	58%	11
Iraqi industrial companies pay part of their obligations from their retained profits.	2.73	1.141	55%	12
Industrial companies rely on contractual leasing for financing.	2.96	1.189	59%	10
Financing is done through preferred and common shares.	3.00	1.388	60%	8
The capital structure is financed by increasing capital in Iraqi industrial companies.	3.04	0.864	61%	6
Iraqi industrial companies pay part of their obligations through their existing reserves.	3.00	0.793	60%	9
Iraqi industrial companies are interested in the opportunity cost when providing a new service or developing an existing service with the aim of financing and increasing the financing structure.	3.00	1.139	60%	7
Iraqi industrial companies follow a conservative or defensive investment policy	3.16	1.212	63%	3

to reduce credit risks.				
Iraqi industrial companies are studying financing options before making a decision.	3.18	1.201	64%	2
Iraqi industrial companies identify various sources of financing in order to confront the financing risks they face in the future.	3.20	1.190	64%	1
General Average	**3.017**	**1.178**	**64%**	

4 - profitability indicators

The results of Table (10) show that the general arithmetic mean is oriented towards neutral, with a moderate response level of (3.686) and a standard deviation of (1.351), which means that employees in Iraqi companies are aware of the importance of effective decision-making.

Table No. (10): Description of the axis of profitability indicators

Paragraph axis of profitability indicators	**Arithmetic mean**	**standard deviation**	**Relative importance**	**Order of importance**
Analysis of profitability indicators requires continuous monitoring and follow-up and an increase in time and effort in order to become more accurate.	3.68	1.146	77.1	8
I feel that analyzing profitability indicators gives quantitative information about the situation of Iraqi industrial companies.	3.61	0.957	72.5	21
I feel that analyzing profitability indicators gives qualitative information about the situation of Iraqi industrial companies.	3.64	1.011	75.3	14
I believe that analyzing profitability indicators reveals deviations and errors in Iraqi industrial companies.	3.61	1.052	73.3	20
I believe that analyzing profitability indicators plays a major role in determining profitability.	3.67	1.058	77.3	9
The more expensive the analysis of profitability indicators, the more accurate it is.	3.85	1.121	75.2	3
I see that some industrial companies need to analyze profitability indicators more than others.	3.62	1.006	72.3	18
Analyzing profitability indicators helps indicate the company's ability to borrow and repay.	3.77	1.081	66	4
I believe that analyzing profitability indicators helps cooperation between Iraqi industrial companies.	3.65	1.123	65.5	13
Analysis of profitability indicators helps in predicting the business results of Iraqi industrial companies.	3.68	1.146	77.1	7
I prefer that Iraqi industrial companies publish their data after analyzing profitability indicators.	3.61	0.957	72.5	19
I prefer that Iraqi industrial companies keep data analyzing profitability indicators and keep them confidential.	3.64	1.011	75.3	15
I prefer financial information that is objective, so that the analysis of profitability indicators is more accurate.	3.61	1.052	73.1	22
I feel that the main goal of analyzing profitability indicators is to determine the	3.67	1.058	77.5	10

company's financial information.				
Analysis of profitability indicators retabulates, tabulates and corrects data.	3.85	1.123	75.2	2
The list of profits and losses is more important than that of analyzing profitability indicators.	3.62	1.006	72.3	17
Political conditions affect the results of the analysis of profitability indicators.	3.77	1.081	66	5
The more Iraqi industrial companies rely on electronic dealings, the less they need to analyze profitability indicators.	3.65	1.123	65.5	11
I prefer that some Iraqi industrial companies, based on the results of analyzing profitability indicators, modify the nature of their work.	3.85	1.121	73	1
In analyzing profitability indicators, it is preferable to compare financial statements for two consecutive years of activity.	3.62	1.006	77.1	16
Analysis of profitability indicators reveals data related to fraudulent manipulation, as the data obtained through analysis of profitability indicators is studied and reviewed.	3.77	1.081	75.2	6
I believe that analyzing profitability indicators is necessary for Iraqi industrial companies.	3.65	1.123	76.3	12
General Average	**3.686**	**1.351**	**72.3**	

3.6 Proving the hypotheses of the proposed study:

This paragraph is concerned with measuring the correlation between the financial financing structure and profitability indicators, by testing the study hypothesis which states that there is a statistically significant correlation between the financial financing structure and profitability indicators using analytical statistical methods represented by the simple Pearson correlation coefficient.

Therefore, testing the correlation hypothesis is based on two hypotheses:

H0: There is no significant correlation between the financial financing structure and profitability indicators at a significance level of 0.05."

H1: There is a significant correlation between the financial financing structure and profitability indicators at a significance level of 0.05."

Table No. (11): Values of simple correlation coefficients (Person) between the study variables

Variables		**Profitability indicators**
Financial financing structure	**Person Correlation**	0.742**
	Sig. (2-tailed)	0.000
	N	421

The results of Table (11) indicate that there is a statistically significant correlation between the financial financing structure and profitability indicators, which is characterized by being strong and with a value of (0.742), which is at a significance level less than (0.05), which indicates acceptance of the alternative hypothesis that states (There is a significant correlation between the financial financing structure and profitability indicators) and the null hypothesis which states (there is no significant correlation between the financial financing structure and profitability indicators) was rejected.

The following sub-hypotheses branch out from this main hypothesis:

1. There is a statistically significant correlation between the short-term financing structure and profitability indicators in the Iraqi industrial sector at a significance level of 0.05.

2. There is a statistically significant correlation between the long-term financing structure and profitability indicators in the Iraqi industrial sector at a significance level of 0.05.

3. There is a statistically significant correlation between the financing structure of owners' equity and capital and profitability indicators in the Iraqi industrial sector at a significance level of 0.05.

Table No. (12) Values of simple correlation coefficients (Person) between the study variables

Variables		**Profitability indicators**
Short-term financing structure	**Person Correlation**	0.632**
	Sig. (2-tailed)	0.000
Long-term financing structure Variables	**Person Correlation**	0.593**
	Sig. (2-tailed)	0.000
Short-term financing structure Long-term financing structure	**Person Correlation**	0.653**
	Sig. (2-tailed)	0.000
	N	421

The results of Table (12) indicate that there is a statistically significant correlation between the short-term financing structure and profitability indicators. It is characterized by being strong and its value is (0.632), which is at a significant level less than (0.05). There is also a correlation between the long-term financing structure and profitability indicators. It is characterized by being medium and its value is (0.593), which is at a significance level less than (0.05). Likewise, there is a correlation between the financing structure of owners' equity and capital and profitability indicators, which is characterized by being medium and its value is (0.653) and it is at a significance level less than (0.05(.

For the purpose of proposing and testing the impact hypothesis, it states that there is a statistically significant impact relationship between the financial financing structure and profitability indicators in the Iraqi industrial sector at a significance level of 0.05.

In order to test the current hypothesis, the effect was estimated according to a simple linear regression equation in terms of the financial financing structure variable, as shown in the following table: -

Table No. (13) Regression equation on the effect of financial financing structure and profitability indicators

al -massar			Standard estimate	Standard error	Critical value	value R^2	Sig.
Financial financing structure	→---	Profitability indicators	0.423	0.152	83.400	0.001	0.001

The results indicate that the financial financing structure contributed to explaining 55% of the variations in profitability indicators, while the remaining value represents factors not included in the study. Based on the above, the results demonstrate the validity of the second main hypothesis regarding the significant impact of the financial financing structure on profitability indicators at a significance level of 0.05 for the surveyed industrial sector.

3. 7. Results And future Proposals

1. The results indicate a statistically significant relationship between short-term financing structure and profitability indicators, characterized by a strong correlation with a value of 0.632, at a significance level below 0.05.

2. The results show a relationship between long-term financing structure and profitability indicators, characterized by a moderate correlation with a value of 0.593, at a significance level below 0.05.

3. The results reveal a relationship between equity financing structure and capital structure and profitability indicators, characterized by a moderate correlation with a value of 0.653, at a significance level below 0.05.

4. The results indicate a statistically significant relationship between financial financing structure and profitability indicators, characterized by a strong correlation with a value of 0.742, at a significance level below 0.05. This suggests acceptance of the alternative hypothesis stating that there is a significant relationship between financial financing structure and profitability indicators, and rejection of the null hypothesis stating that there is no significant relationship.

5. The results show that the financial financing structure explains 55% of the variations in profitability indicators, while the remaining value represents factors not included in the study. This indicates the validity of the second main hypothesis regarding the significant impact of financial financing structure on profitability indicators at a significance level of 0.05 for the industrial sector.

6. The short-term financing structure explains 39.9% of the variations in profitability indicators, while the remaining value represents factors not included in the study. The long-term financing structure explains 35.1% of the variations in profitability indicators, while the remaining value represents factors not included in the study. The equity financing structure and capital structure explain 42.6% of the variations in profitability indicators, while the remaining value represents factors not included in the study.

7. It is necessary for Iraqi industrial companies to resort to continuous and prudent financing in order to ensure their continuity and survival, as these companies suffer from weak financing.

8. The top management in industrial companies should focus on low-risk financing to sustain financing with low and minimal interest rates.

9. It is essential to use profitability indicators to assess the success or failure of a company, as they are widely used in financial management. Although financial ratios are historical data that may not predict the future, they are still necessary.

10. Iraqi industrial companies should strive for financial balance in their performance, and if they increase debt, they should rely on long-term debts.

Conclusion

The study emphasizes the importance of the prominent role played by the financial structure in industrial companies in meeting their obligations and requirements. It is also considered a fundamental pillar for the sustainability and continuity of companies in enhancing industrial exchange. The decision to choose sources of financing is one of the most important financial management decisions in companies, particularly in the industrial sector. This sector is expected to be one of the most important economic sectors, as it plays a significant role in mobilizing savings and redirecting them to various economic activities. Moreover, this sector acts as a link between the local economy and external economies.

The results of this study, which attempt to select the financial structure represented by Iraqi industrial companies, are expected to be of interest to shareholders, investors, creditors, and financial analysts. This study sheds light on the impact of the relationship between the financial structure and profitability indicators and its reflection on the

beneficiaries. Therefore, it is anticipated that attention and efforts will be directed towards developing the financial structure to enhance financial performance and achieve more benefits for the stakeholders.

The study aims to examine the correlational relationship and impact between the capital structure and profitability indicators in Iraqi industrial companies. It also explores the changes in the capital structure and their implications on market value, and provides necessary solutions to enhance the Iraqi industrial sector and protect local products. To achieve these objectives, the Iraqi industrial sector was selected as the study sample, consisting of a selected sample of 13 Iraqi companies from the total population, disregarding 3 companies due to production cessation and financial constraints. Therefore, the sample represents approximately 81% of the total sample population. A total of 450 questionnaires were distributed, and 431 were retrieved. After sorting and collecting the questionnaires for analysis, it was found that 10 questionnaires were invalid, resulting in a total of 421 valid questionnaires for analysis. After delving into the theoretical and practical aspects of the research, the study found a statistically significant correlation between short-term capital structure and profitability indicators, characterized by strength with a value of 0.632, significant at a level lower than 0.05. Similarly, there is a correlation between long-term capital structure and profitability indicators, characterized by a moderate strength with a value of 0.593, significant at a level lower than 0.05. Additionally, there is a correlation between the capital structure of equity and capital and profitability indicators, characterized by a moderate strength with a value of 0.653, significant at a level lower than 0.05. The results indicate that the financial capital structure explains approximately 0.55 of the observed variations in profitability indicators.

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