



The Key Factors Affecting Investment in Middle East, The Case of Iraq

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This study aimed to identify the key factors affecting investment in the Middle East (ME) and Iraq particularly. The study has used the descriptive analytical approach, where a questionnaire was employed as the study instrument, to examine the hypotheses for the key factors affecting investment in ME, the case of Iraq, with Statistical Package for Social Sciences (SPSS) used in processing. The population of the study consisted of the purposive sample from 500 clothing retailers in Basra and from 217 clothing retailers in Basra as it is classified into its demographic characteristics. The results showed that the key factors affecting investment in Iraq was high. Furthermore, the level of investment in Iraq was also high. The results also showed that there is a statistically significant impact of factors affecting investment (infrastructure, governance and risk aversion) on the investment (stability of the investment environment and investor satisfaction) at the level ($\alpha \leq 0.05$).

Key words: *Investment, Middle East, Iraq*

1. Introduction

During the 2000s, investment witnessed a significant decline due to civil wars and popular revolutions that have occurred, especially in the Middle East (El-Katiri & Fattouh, 2017). However, many countries sought out to discover new opportunities that will allow investors to help in developing the economy and create jobs in the process. There is a consensus among economists and policymakers that investment is an integral part of the economic progress, national income and creating job opportunities (Ursul, Kiss, Chumakov, Leonova, Weiming, Kirchsclaeger & Sheffield, 2014). From this, it can be established that a government's ability to attract investment and provide a suitable environment that gives the country a competitive advantage plays a major role in its success (Thomas, 2007).

Research in the literature related to strategy, business management and economics has given increasing attention to the role of investment in the improvement of economic growth and the development in a country (ADB, Furceri & IMF, 2016). It took into account the strong impacts

of domestic investment flows and Foreign Direct Investment (FDI), especially in improving the economy throughout innovation, which made efforts between developed and developing countries to attract FDI a serious mechanism of competition among them (Brown, 2011).

There are major factors that help with stimulating investment decisions in developing countries, the most prominent of which are political stability, security, the regulatory environment, legal and legislative environment stability, low tax rates and low labour costs (Yong, Ong, P'ng, Poon & Tan, 2012). In addition, policies adopted by decision-makers also play a major role in attracting foreign investments, which would lead to a notable contribution in creating new jobs and increasing the competitiveness of the economy hosting these investments (Gofe, 2018).

An example of a developing country that was able to attract investments was Iraq, which was one of the richest countries in the ME (OECD, 2016) and has always been superior in its internal and external investments (Salem, 2013). However, and considering the current economic conditions that the Iraqi economy suffers from, it currently views foreign investments as a reality that must be interacted with, and an important source that is necessary for financing its integral investments to implement production and development plans (OECD, 2016).

However, Iraq currently finds it much more difficult to attract investors, due to the fact that they are not eager to come to Iraq despite the country being a promising, large market in the heart of the ME. Reasons for such lack of eagerness that undermine investment in Iraq can be due to fragile security, uncivilised practices such as kidnappings, extortion and threats, as well as the possibility encountering life-threatening incidents (Salem, 2013).

However, as demands increased, so did the need to improve investments in Iraq (OECD, 2016), but regardless of the notable increase in FDI during in the last few years, Iraq still has a frustrating time attracting FDI compared to other developing countries because of the reasons mentioned before. This led to the Iraqi economic growth and employment potential to be strongly and negatively affected (Bouyahiaoui & Hammache, 2013).

In light of the preceding, this paper aims to explain the most important factors that affect investment directly, and to study the determinants of FDI in Iraq, and how the characteristics of the country and its internal stability affect investment, including the current transitional phase in Iraq that is accompanied by relevant political, social and economic transformations.

This study also attempts to provide insights on the factors that affect investment in a direct manner and tries to find answers to the main question, which is:

Is there a statistically significant impact of factors affecting investment (Infrastructure, Governance, and Risk Aversion) on investment (Stability of the investment environment, and Investor satisfaction)?

2. Literature Review

2.1 Investment

Investment is considered one of the key drivers of any country’s growth and job creation (Miškinis & Byrka, 2014). In the short term, an investment can influence profit and recruitment by increasing the aggregate demand. On the other hand, private investments can contribute to gains and job creation by immediately increasing the economy’s productive capacity. This can also encourage productivity by providing new production techniques and processes. Public investment can also have an effect on supply throughout several channels, and given its extremely integral structure, it can be considered a stimulant for private-sector improvement and productivity advancement (Papadopoulos, Hamzaoui-Essoussi & El Banna, 2016).

In the ME, encouraging high-quality investment has been a significant policy challenge. Numerous studies over the past decades have concluded that the poor standard of private investment and the absence of public investment are the fundamental restraints on growth and job creation in the region. However, policymakers in the entire region have taken steps toward providing an environment that is more helpful to private-sector advancement and economic diversity. There has also been an attempt to enhance the state of public investment and promote reforms aimed at boosting its impact on growth in some countries (Tietjen, Pahle & Fuss, 2016). Figure 1 shows how the FDI inflows increased significantly.

During the period 2008-2013 in most countries of the ME and North Africa the United Arab Emirates and Saudi Arabia remain the main destinations for FDI inflows in the region. However, their respective shares in the total were slightly lower than in 2008 (57%).

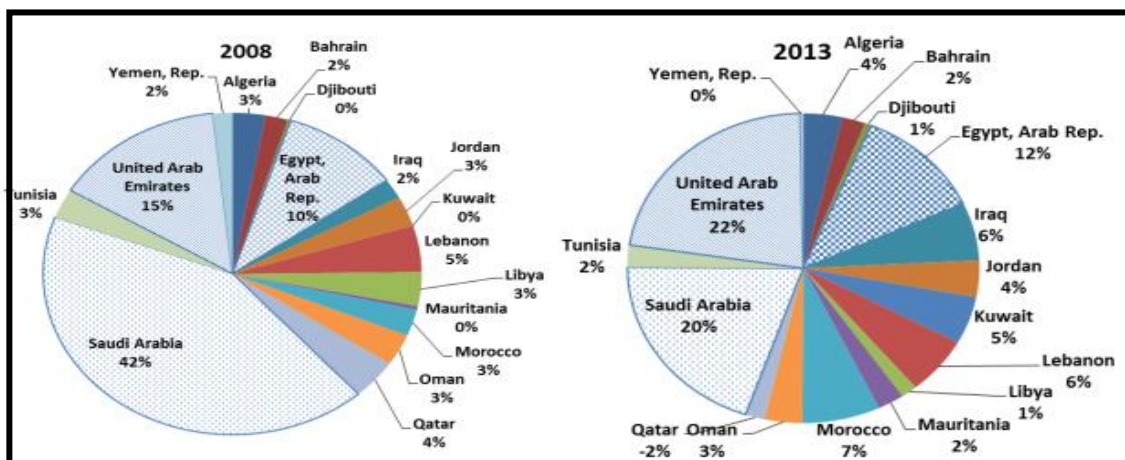


Figure 1: FDI inflows by MENA country destination 2008-2013

Source: UNCTAD FDI Database

Ha, Ha, Duc & Thang (2016) explained that enhancing the effectiveness of public investment on growth while securing financial resources still requires better public investment management frameworks. There has also been growing empirical evidence that achieving investor satisfaction leads to a stronger relationship between investment and growth through providing preliminary information, where collecting and processing of information affected the level of customer satisfaction in a competitive marketplace (Sadiq Sohail & Al-Otaibi, 2016).

In addition, Rutkowska (2015) emphasizes that investor satisfaction has a huge role in achieving a highly-competitive advantage in the region. If the region can fulfil the demands of investors, there will be a positive impact on their satisfaction, which will improve the investment decisions in the region (Ha, Ha, Duc & Thang, 2016). In other words, satisfying investors' demands is very significant in order to attract investment enterprise and to satisfy investors, decision-makers have to be able to pinpoint the elements that affect investor satisfaction, then come up with solutions to enhance by which enhance investor satisfaction and attract investment into the region (Sharma, Kaur & Jain, 2012).

Logically, environment stability would have a significantly positive impact on investment (Rathnasiri, 2009), as stability in the region will raise the certainty in the economic environment, therefore enhancing the incentives for investors to invest in the country (Şıklar & Kocaman, 2018).

Thus, it can be established that there is a relationship between political stability and investment. According to Musibah (2017), political instability influences the economic development and growth of the country negatively. This often causes investors to hesitate about investing in the country unless they are reassured that the country's business environment is strong and attractive (Hir & Salahvarzi, 2016).

2.2 Factors Affecting Investment

There are many factors which affect investment in a country, which are:

- **Infrastructure**

The importance of infrastructure lies in the effects it has on the country in general and the economy in particular, specifically economic growth and opportunity generation, which are reflected in economic stability (Kuzmina-Merlino, Skorobogatova, Schmidtke & Behrendt, 2018). Some scholars view infrastructure as the key to economic growth and employment and believe that it's not possible to achieve economic growth and generate opportunities that are reflected in economic stability without tangible progress in the infrastructure quality (Yang, Wang, Chen & Yuan, 2011).

On the other hand, the existence of a defect in the infrastructure does not only adversely affect the attraction of foreign investment, but also harms the local industry; this can be attributed to the inability and inappropriateness of the current infrastructure in dealing with the surrounding environmental conditions (Kuzmina-Merlino, Skorobogatova, Schmidtke & Behrendt, 2018). For example, commercial traffic has been suspended in some countries due to the closing of shops and banks; in other instances, bad weather conditions and inefficient drainage and sewer infrastructures caused serious damage to goods by water leakage, which in turn led to losses that were estimated in millions (Yang, Wang, Chen & Yuan, 2011).

- **Governance**

Corporate governance plays an important role in raising the competitiveness of joint-stock companies (Wahyudi & Chairunesia, 2019). This is achieved by either enhancing transparency, improving company management, ensuring sound and strategic decisions, and fair dealing with shareholders, employees, creditors and other interested parties (Manuel, 2015). This is reflected in reducing the cost of the capital as well as improving the financial performance of companies. In addition, governance contributes to reassuring investors and provides an enabling environment that guarantees rewarding returns and acceptable risks on a macro level; thus, it enhances the economy's ability to attract investment (Azhar, Abbas, Waheed & Malik, 2019).

- **Risk Aversions**

Risk aversion is one of the prominent factors that heavily affect decision-making in regard to investment (Lippi, Barbieri, Piva & De Bondt, 2018). Numerous studies show that investors do not ignore risks and claim to be rational, thus, risky investments are often avoided by these investors (Hallberg & Jammi, 2004). However, there is a significant and positive relationship between risk aversion and investment decision-making. Studies show that investments that carry great risks provide great profit. Therefore, many veteran investors make investment decisions, regardless of the risks that surround them (Hunjra, Rehman & Ali Qureshi, 2012).

Investment in Iraqi Clothes

After the 2003 war, Iraqi clothing factories were struggling to cope with the severe economic crisis caused by the war. This required intervention from the Ministry of Defence, which helped re-open three factories that were closed after the war. It also helped to revive a large textile factory in Najaf. In addition, private-sector representatives in the US were encouraged to do business in Iraq in order to improve its textile and clothing industry (F2F Newsletter, 2019).

In addition to the previously-mentioned, China and Hong Kong, who were sweeping the global clothing market and the Iraqi clothing market with 18.1% and 12.2% respectively (Culpan,

Ekin & Kumbaracı, 2007), showed keenness to dominate the clothing market in Iraq by providing low cost and large production capacity, especially China. Due to the availability of cheap labour and the integrated cotton, textile and garment industries, China was able to defeat any other source in terms of prices over the past decade (Erokhin, 2016).

Despite that, Iraq still managed to become the largest market for Turkish clothing in the period between 2015 and 2019, and Turkish clothing was able to invade Iraqi stores because of their higher quality in comparison to their Chinese counterpart, as well as Turkey's closer proximity to Iraq (Tolunay & Türkoğlu, 2014). In addition, the Iraqi investors in the clothing sector resorted to importing all the products related to this sector, including textiles, clothes, and cotton (Demir, Özmen & Rashid, 2014).

However, and following the events caused by ISIS in 2014, Turkey lost about \$1.3 billion in exports to Iraq, which led Turkey's exports in 2014 to be approximately \$10 billion, which was 16% less compared to 2013. One of the most important goods that were affected by these events was the clothing sector, which resulted in a decrease in Turkish clothing exports to Iraq by a significant amount during that period (Erokhin, 2016).

2.1 MODEL OF THE STUDY

According to previous studies and literature review, model of the study was designed, and the fields of the independent variable and the dependent variable were defined as shown in the figure (2).

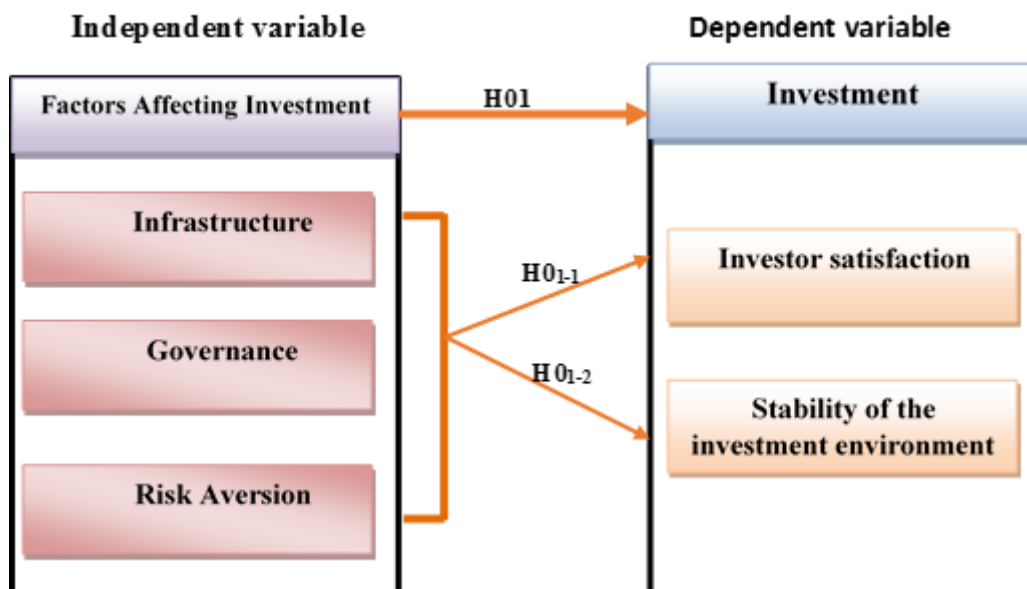


Figure 2: Model of the study

3. RESEARCH METHODOLOGY

This study sought to explore the key factors affecting investment in ME, the case of Iraq. The resources of the primary data were collected using a survey instrument.

3.1 *The Research Instrument*

The instrument contains (25) questions measuring the key factors affecting investment in ME, the case of Iraq. The questionnaire was distributed by hand. It contains (3) demographic variables and (25) questions represent study variables as follows.

Factors Affecting Investment: it is formulated into benchmarks or objectives to reach, into (3) fields with a total of (15) questions:

- **Infrastructure:** contains (5) questions.
- **Governance:** contains (5) questions.
- **Risk Aversion:** contains (5) questions.

Investment: it is formulated into benchmarks or objectives to reach, into (2) fields with a total of (10) questions:

- **Investor satisfaction:** contains (5) questions.
- **Stability of the investment environment:** contains (5) questions.

3.2 *Data Analysis and Interpretation*

To examine the hypotheses Statistical Package for Social Sciences (SPSS) was used in processing the following statistical techniques and tests in data analysis:

1. **Reliability Test** for the Instruments of Measurement. The reliability of a measure highlights the stability of consistency with which the instrument is measuring the concept and helps to assess the 'goodness' of a measure.
2. **Frequencies and percentages** to describe demographical variables.
3. **Descriptive Statistical Techniques** including means and standard deviations. These techniques will be used to illustrate respondents to study fields.
4. **Multiple Regression Test** to explore the direct effects of variables on to answer sub hypothesis
5. **One-way ANOVA**, independent samples, this test was used to examine the differences in the sample; if there is a significant level we apply the Scheffe test.
6. **T-test analysis** used to know the differences between the pair group (gender).

Respondents were asked to read each item and select one of the choices as follow:

- Score 5: For the Strongly Agree answer
- Score 4: For the Agree answer
- Score 3: For the Neutral answer
- Score 2: For the Disagree answer
- Score 1: For the Strongly Disagree answer

For this study means were divided into three stages as (1.33) is the length of each stage:

- Low: For means (1 - 2.33)
- Moderate: For means (2.34 - 3.67)
- High: For means (3.68 - 5)

3.3 Study Sample:

The population of the study consisted of the purposive sample from 500 of clothing retailers in Basra, and the sample from 217 of clothing retailers in Basra as it is classified into its demographic characteristics in the tables below:

Table 1): Demographic Characteristics for the Study Sample (Gender)

Gender	Sample	
	Frequency	Percentage
Male	183	84.3
Female	34	15.7
Total	217	100%

Table 1 shows that the percentage of males from the sample was (84.3%) meanwhile for females it was (15.7%).

Table 2): Demographic Characteristics of the Sample (Academic Level)

Academic Level	Sample	
	Frequency	Percentage %
High School Degree or Below	35	16.1
Bachelor's Degree	118	54.4
Master's Degree	56	25.8
Doctorate Degree	8	3.7
Total	217	100.0%

For the variable (Academic Level) it seems that the (High School Degree or Below) rank achieved (16.1 %) and (Bachelor's Degree) rank achieved (54.4 %) and (Master's Degree) rank achieved (25.8 %) and (Doctorate Degree) rank achieved (3.7 %).

Table 3: Demographic Characteristics of the Sample (Years of Experience)

Years of Experience	Sample	
	Frequency	Percentage %
Less than 1 year	13	6.0
1-3 years	3	1.4
3-5 years	64	29.5
More than 5 years	137	63.1
Total	217	100.0%

For the variable (Years of Experience) it seems that the (Less than 1 year) rank achieved (6.0 %), and (1 – 3 years) rank achieved (1.4 %) and (3 – 5 years) rank achieved (29.5 %) and finally (More than 5 years) rank achieved (63.1 %).

3.4 Validity of the instruments

The test was given to experts to judge the extent to which the test is valid and reliable. For this reason, the test was designed to meet validity test requirements. The experts were chosen according to their broad experiences in the field of teaching translation.

3.5 Tool reliability:

To reach a degree of reliability of the test, the researcher used Reliability Test for the Instruments of Measurement. The reliability of a measure highlights the stability of consistency with which the instrument is measuring the concept and helps to assess the 'goodness' of a measure, to compare if the students achieve stability.

Table 4: Cronbach's Alpha for the Study Fields

Field number	Field	Value of (α)
F1	Infrastructure	0.842
F2	Governance	0.787
F3	Risk Aversion	0.850
F4	Investor satisfaction	0.879
F5	Stability of the investment environment	0.741

As shown in Table 4 the total Cronbach's alpha for the study fields was above than (0.60) which will lead to the stability of the results for this study.

4. Study Results

the following was used to analyse the data and answer the questions, to explore the key factors affecting investment in ME.

Question 1: What are the Key Factors Affecting Investment in Iraq?

Means and standard deviation were calculated for each field in the study instrument and Table 5 shows the results.

Table 5: Descriptive Statistics for Key Factors Affecting Investment in ME, the case of Iraq Fields

Field Number	Field	Mean	Std. Deviation	Level
F1	Infrastructure	4.15	0.34	High
F2	Governance	3.82	0.57	High
F3	Risk Aversion	4.12	0.35	High
F4	Investor satisfaction	3.84	0.57	High
F5	Stability of the investment environment	4.17	0.38	High

As seen from Table 5 the independent variable (Factors Affecting Investment) mean reached (4.03) and a standard deviation of (0.31), with a high level. In details: the (Infrastructure) field achieved a mean which reached (4.15) and a standard deviation of (0.34); the (Governance) field achieved a mean which reached (3.82) and a standard deviation of (0.57); and the (Risk Aversion) field achieved a mean which reached (4.12) and a standard deviation of (0.57).

Infrastructure

Means and standard deviation were calculated for each item in the Infrastructure field and Table 6 shows the results.

Table 6: Descriptive Statistics for Infrastructure Field

Question number	Question	Mean	Std. Deviation	Rank
5	Weak telecommunications results in the reluctance of investors to invest in the country.	4.52	0.50	1
2	Infrastructure is a factor in attracting investments.	4.28	0.53	2
3	The improvement of roads, railways, airports and ports attracts investment.	4.02	0.96	3
1	The periodic interruption of energy and electricity in the country reduces investment opportunities in the country.	3.97	0.78	4
4	Providing a strong technology infrastructure contributes to attracting investors faster.	3.94	0.84	5
	Infrastructure field	4.15	0.34	

As seen from Table 6 the total mean for this field was (4.15) with a standard deviation (0.34). We also note that Question 5 which is "Weak telecommunications results in the reluctance of investors to invest in the country" ranked first with a mean of (4.52) and standard deviation of (0.50) and Question 4 which is "Providing a strong technology infrastructure contributes to attracting investors fast" mean reached (3.94) and standard deviation of (0.84) came in the final rank.

Governance

Means and standard deviation were calculated for each item in the Governance field and Table 7 shows the results.

Table 7: Descriptive Statistics for Governance Field

Question Number	Question	Mean	Std. Deviation	Rank
6	Governance adheres to the equality controls of all shareholders to win the confidence of investors.	4.30	0.65	1
7	Commitment to applying corporate governance principles helps enable local firms to integrate with foreign companies	4.29	0.84	2
8	The commitment to apply the principles of governance increases the value of exports in the Iraqi clothing sector.	3.58	0.99	3
10	Proper application of corporate governance principles protects the rights of shareholders and investors.	3.51	0.98	4
9	The existence of binding legislation to apply the principles of governance contributes to attracting foreign investment.	3.44	0.94	5
	Governance field	3.82	0.57	

As seen from Table 7 the total mean for this field was (3.82) and with a standard deviation of (0.94). We also note that Question 6 which is "Governance adheres to the equality controls of all shareholders to win the confidence of investors" ranked first with a mean of (4.30) and standard deviation of (0.65) and the Question 9 which is "The existence of binding legislation to apply the principles of governance contributes to attracting foreign investment" with mean reached (3.44) and standard deviation of (0.94) came in the final rank.

Risk Aversion

Means and standard deviation were calculated for each item in the Risk Aversion field and Table 8 shows the results.

Table 8: Descriptive Statistics for Risk Aversion Field

Question Number	Question	Mean	Std. Deviation	Rank
14	Psychological and emotional factors and a low level of confidence affect investor reluctance to invest.	4.45	0.58	1
13	The drop in stock prices contributes to investors' aversion to investment risk.	4.40	0.49	2
11	Global and regional economic recession leads to declining investment.	4.28	0.64	3
15	Market volatility and instability contribute to aversion investors.	4.20	0.46	4
12	Continuing wars and problems in Iraq leads to the reluctance of investors to pump their capital into the clothing sector.	3.27	1.03	5
	Risk Aversion field	4.12	0.35	

As seen in Table 8 the total mean for this field was (4.12) and with a standard deviation of (0.46). We also note that Question 14 which is " Psychological and emotional factors and a low level of confidence affect investor reluctance to invest" ranked first with a mean of (4.45) and standard deviation of (0.58) and Question 12 which is "Continuing wars and problems in Iraq leads to the reluctance of investors to pump their capital into the clothing sector" with mean of (3.27) and standard deviation of (1.03) came in the final rank.

Question 2: What is the Level of Investment in Iraq?

Means and standard deviation were calculated for each field in the study instrument and Table 9 shows the results.

Table 9: Descriptive Statistics for Investment Fields

Field Number	Field	Mean	Std. Deviation	Level
F1	Investor satisfaction	3.84	0.57	High
F2	Stability of the investment environment	4.17	0.38	High

As seen from Table 9 the dependent variable (Investment) came with a high level. In details: the (Investor satisfaction) field achieved a mean which reached (3.84) and a standard deviation of (0.57); the (Stability of the investment environment) field achieved a mean which reached (4.17), and a standard deviation of (0.38).

Investor satisfaction

Means and standard deviation were calculated for each item in the (Investor satisfaction) field and Table 10 shows the results.

Table 10: Descriptive Statistics for Investor Satisfaction Field

Question Number	Question	Mean	Std. Deviation	Rank
16	Speed in the procedures necessary to agree to contract with investors.	4.32	0.65	1
17	Public services are provided to all investors fairly and without personal considerations.	4.31	0.84	2
18	Customs exemptions for production requirements are provided to investors.	3.60	0.99	3
20	Speed in Solving the Problems Facing Investors.	3.53	0.98	4
19	The terms of the contract with the investors are clear and flexible.	3.46	0.94	5
	Investor satisfaction	3.84	0.57	

As seen from Table 10 the total mean for this field was (3.84) and with a standard deviation of (0.57). We also note that Question 16 which is "Speed in the procedures necessary to agree to contract with investors" ranked first with a mean of (4.32) and standard deviation of (0.65) and Question 19 which is "The terms of the contract with the investors are clear and flexible" with a mean of (3.46) and standard deviation of (0.94) came in the final rank.

Stability of the investment environment

Means and standard deviation were calculated for each item in the (Stability of the investment environment) field and Table 11 shows the results.

Table 11: Descriptive Statistics for Stability of the Investment Environment Field

Question number	Question	Mean	Std. Deviation	Rank
24	The economic openness adopted by Iraq helps to provide a favourable investment environment.	4.50	0.58	1
23	Stability in the Iraqi political system provides an attractive factor for investment.	4.45	0.49	2
21	The level of performance of the Iraqi economy negatively affects the investment decisions of investors.	4.33	0.64	3
25	The political turmoil in Iraq affects investment conditions in the clothing sector.	4.25	0.46	4
22	Laws and applicable regulations encourage investment in Iraq.	3.32	1.03	5
	Stability of the investment environment	4.17	0.38	

As seen in Table 11 the total mean for this field was (4.17) and with a standard deviation of (0.38). We also note that the Question 24 which is "The economic openness adopted by Iraq helps to provide a favourable investment environment" ranked first with a mean of (4.50) and

standard deviation of (0.58) and Question 22 which is “Laws and applicable regulations encourage investment in Iraq” with mean of (3.32) and standard deviation of (1.03) came in the final rank.

Test Hypotheses

Main Hypothesis (H01): There is no statistically significant impact of factors affecting Investment (Infrastructure, Governance and Risk Aversion) on the Investment (Stability of the investment environment and Investor Satisfaction) at the level ($\alpha \leq 0.05$).

This hypothesis is divided into two sub-hypotheses:

Sub Hypothesis (H01-1): There is no statistically significant impact of factors affecting Investment (Infrastructure, Governance and Risk Aversion) on Investor Satisfaction at the level ($\alpha \leq 0.05$).

To test this hypothesis, the researcher uses multiple regression analysis to ensure the impact of factors affecting investment (Infrastructure, Governance and Risk Aversion) on Investor Satisfaction, as shown in Table 12.

Table 12: Multiple Regression test to Check the Direct Effect Factors Affecting Investment (Infrastructure, Governance and Risk Aversion) on Investor Satisfaction

Dependent Variable	(R)	(R ²)	F Calculate	DF	Sig*	B		T Calculate	Sig*
Investor Satisfaction	0.874	0.746	230.249	3	0.000	Infrastructure	.070	1.108	.269
				213		Governance	.972	25.127	.000
				216		Risk Aversion	.117	1.859	.064

The impact is significant at level ($\alpha \leq 0.05$)

Table 12 shows that correlation coefficient (R) factors affecting (Investment) and (Investor Satisfaction) equal 0.874 and (R²) = (0.746) this indicates that 74.6% of changes in (Investor Satisfaction) can be explained by (Infrastructure, Governance and Risk Aversion). F-test values indicate that the regression model is significant since F value is (230.249) with a significance level ($\alpha = 0.000$) which is less than 0.05. This means that an increase in factors affecting investment (Infrastructure, Governance and Risk Aversion) leads to an increase of (Investor Satisfaction).

By the values of significant it shows that (Infrastructure) as an independent variable does not affect the (Investor Satisfaction), with a significance level ($\alpha = 0.269$) which is more than 0.05.

By the values of significance it shows that (Governance) as an independent variable affects the (Investor Satisfaction), with a significance level $\alpha = 0.000$ which is less than (0.05).

By the values of significance it shows that (Risk Aversion) as an independent variable does not affect the (Investor Satisfaction), with a significance level ($\alpha = 0.064$) which is more than 0.05.

But in the total model there is significant effect on (Investor Satisfaction) so the null hypothesis is rejected and the alternative one is accepted. This means that there is a statistically significant impact of factors affecting investment (Infrastructure, Governance and Risk Aversion) on (Investor Satisfaction) at the level ($\alpha \leq 0.05$).

Sub Hypothesis (H01-2): There is no statistically significant impact of factors affecting investment (Infrastructure, Governance and Risk Aversion) on the Stability of the investment environment at the level ($\alpha \leq 0.05$).

To test this hypothesis, the researcher used multiple regression analysis to ensure the impact of factors affecting Investment (Infrastructure, Governance and Risk Aversion) on Stability of the investment environment, as shown in Table 13.

Table 13: Multiple Regression test to Check the Direct Effect Factors Affecting Investment (Infrastructure, Governance and Risk Aversion) on Stability of the Investment Environment

Dependent Variable	(R)	(R ²)	F Calculate	DF	Sig*	B		T Calculate	Sig*
Stability of the investment environment	0.602	0.362	40.363	3	0.000	Infrastructure	.132	1.554	.122
				213		Governance	.131	2.514	.013
				216		Risk Aversion	.797	9.406	.000

* the impact is significant at level ($\alpha \leq 0.05$)

Table 14 shows that correlation coefficient (R) factors affecting (Investment) and (Stability of the investment environment) equal 0.602 and (R²) = (0.362). This indicates that 36.2% of changes in (Stability of the investment environment) can be explained by (Infrastructure, Governance and Risk Aversion). F-test values indicate that the regression model is significant since F value is (40.363) with a significant level ($\alpha = 0.000$) which is less than 0.05. This means



that an increase in factors affecting Investment (Infrastructure, Governance and Risk Aversion) leads to an increase of (Stability of the investment environment).

By the values of significance it shows that (Infrastructure) as an independent variable does not affect the (Stability of the investment environment). With a significance level ($\alpha = 0.122$) which is more than 0.05.

By the values of significance it shows that “Governance as an independent variable affect the (Stability of the investment environment), with a significance level $\alpha = 0.013$) which is less than (0.05)

By the values of significance it shows that (Risk Aversion) as an independent variable does not affect the (Stability of the investment environment), with a significance level ($\alpha = 0.000$) which is more than 0.05.

So the null hypothesis is rejected and the alternative one is accepted. This means that there is a statistically significant impact of factors affecting Investment (Infrastructure, Governance and Risk Aversion) on the (Stability of the investment environment) at the level ($\alpha \leq 0.05$).

5. Conclusion

The current study was made as an attempt to explore the key factors affecting investment in the Middle East in the Case of Iraq. In light of the results shown in this study, it has been concluded that many factors have affected investment in the clothing sector in Iraq. The most important of these factors are weak infrastructure and discouraging investment regulations. Because of the deteriorating political situation in Iraq, this has led to a reluctance of investors to invest, which, in turn, caused a lot of damage to the clothing and textile sector.

Investment is an integral part of a wide and effective economic system and is considered a primary stimulant for development. Yet, the interest in investment does not accumulate generally and equally across regions, sectors and local societies. Infrastructure, governance, and security stability matter for attracting investment to a larger number of developing countries and for obtaining the full benefits of investment for development.

Results showed that if investment projects do not find a solid infrastructure capable of withstanding the work pressure, the project may fail before its initial start. This means that infrastructure is important in facilitating the workflow and expanding distribution and transportation operations in many areas. It is also necessary to ensure the continuation of the project and its success, as it is the first building block in the march of success and progress of any society seeking a renaissance, and to improve the lives of its members and secure a better



future for them. Therefore, the exposure of Iraq to major crises contributed to the weakness of its infrastructure, which negatively affected investment.

Results also showed that Governance contributes to increasing economic growth and providing efficiency and transparency, which constitutes an infrastructure for continuing economic growth, and thus, achieving comprehensive development. However, the absence of governance in Iraq and its weak influence created an unstable environment, which weakened its ability to attract new investments. On the other hand, the security instability in Iraq proved to be a major obstacle, as it caused a rise in security and protection costs for investment projects, as well as high insurance value for those projects.

As a result, many Iraqi investors lost their businesses and investments, especially the Kurds, as well as workers in the south and centre of the country. This happened after the Iraqi parties dominated the joints of investment in Iraq by bringing in pro-Iranian investors or the PMF Militia in the capital, Baghdad, and the southern and northern governorates, including Mosul Governorate and Salahuddin, which came out almost entirely as a result of the battles that took place during their liberation from ISIS control.

5.1 Research Limitations and Direction for Further Research

The human limitation presented a major limitation within this study, as the study population was limited to include clothing retailers in Basra only.

While choosing clothing retailers in Basra was effective and appropriate for the current study, it would've been more effective to incorporate a bigger sample to acquire better outcomes.

Further research into the broader and more extensive impacts of the FDI on economic growth in Iraq with any new outcomes, regardless of whether they are positive or negative, would be highly valued and appreciated by researchers.



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