

THE READINESS OF IRAQ'S SECURITIES MARKET TO APPLY ISLAMIC SUKUK INSTRUMENTS

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Abstract

The study assesses the readiness of the Iraq Stock Exchange to apply of Islamic Sukuk (bonds) by determining the market's readiness from a Shariah, legal, and financial perspective. It also examines the feasibility of applying modern Islamic financial instruments in this market and clarifies the concept of Sukuk, its regulations, and issuance mechanism. The study sheds light on the Iraq Stock Exchange and the relationship between Islamic Sukuk and stock market indicators by studying the case of the Iraq Stock Exchange (ISX). The study uses appropriate statistical methods for testing and found that the readiness in the Iraq Stock Exchange for the implementation of Islamic Sukuk is statistically significant (Sig=0.00) and has a high level of agreement (above 0.80). Finally, the study provides recommendations to the Iraq Stock Exchange (the sample of the study) in line with its findings, including the necessity of enhancing the market's effectiveness through legislating Islamic Sukuk and investment fund laws. Additionally, it emphasizes the importance of learning from successful experiences of other countries in Islamic Sukuk issuance, such as Malaysia, Saudi Arabia, the UAE, and the UK, to benefit the national economy.

Keywords: Iraq Stock Exchange, Islamic Sukuk, Shariah readiness, legal readiness, financial readiness, Islamic financial markets, financial engineering instruments.

INTRODUCTION

Islamic financial instruments have emerged in global markets and grown rapidly due to their efficiency and diversity. International efforts by Islamic financial institutions and educational centers aim to standardize and innovate new investment tools in financial markets. As Islamic *Sukuk* issuance increases, they have gained a prominent position in financial markets (Albawwat and Basah, 2015). This study focuses on the readiness of the Iraq Stock Exchange, specifically the 22 Islamic banks listed in the Iraq Stock Exchange, to implement Islamic *Sukuk*. The study poses the following sub-questions:

- What is the Shariah readiness of the Iraq Stock Exchange to apply Islamic *Sukuk*?
- What is the legal and regulatory readiness of the Iraq Stock Exchange to apply Islamic *Sukuk*?
- What is the financial readiness of the Iraq Stock Exchange to apply Islamic *Sukuk*?

The significance of study has two aspects: theoretical and practical ones, as indicated in the following:

- **Theoretical Significance**

The theoretical significance of this study lies in the following aspects:

- It reviews and examines some previous relevant studies and attempts to explore the readiness of the Iraq Stock Exchange to apply Islamic *Sukuk*.
- It focuses on discussing and analyzing the application of Islamic *Sukuk* in terms of the Shariah, legal, and financial readiness of the Iraq Stock Exchange.
- It contributes theoretically by providing a serious and valuable specialized study. There is a pressing scientific need to highlight the role of the Iraq Stock Exchange in implementing *Sukuk*, thus supporting the economic literature and providing scholarly material that can serve as a foundation for more scientific research.

- **Practical Significance**

The practical significance of this research lies in investigating the Iraq Stock Exchange by drawing the attention of market administrators. The results may assist and support the market through the adoption of Islamic financing instruments, which have turned as an essential requirement to activate the Iraqi economy. Primarily, the study holds practical importance through the results and the analysis, as well as through the recommendations presented. The researcher hopes that they will be utilized in the implementation of Islamic *Sukuk* and in providing innovative financing instruments as covered in this study.

PREVIOUS STUDIES & THEORETICAL FRAMEWORK

Previous Studies

This section presents a review of the relevant studies. The researcher emphasizes the scarcity of research on assessing the relation between Iraq Stock Exchange and Islamic *Sukuk* in the economic environment of Iraq.

- Polat's (2018) highlights the role of *Sukuk* in the development of Islamic finance industry. It demonstrates the relevant impact of *Sukuk* in promoting financial growth by providing various methods for investors to expand the Islamic finance market. The study finds an increasing use of *Sukuk* in many Western countries, similar to Islamic countries, including Hong Kong, where they developed an Islamic Stock Exchange.
- Muharam (2019) analyzes the relationship between the Islamic Stock Exchange and the development of *Sukuk*. It investigates whether trade openness affects the development of the Islamic stock market, *Sukuk* market, and economic growth, focusing on Indonesia and Malaysia. The study reveals a bilateral causal relationship between the development of the Islamic Sukities market and the *Sukuk* market in both Indonesia and Malaysia. It also finds a bilateral causal relationship between the *Sukuk* market and economic growth in Indonesia and Malaysia.

- Haron & Nomran (2019) examines the impact of COVID-19 on Islamic stock markets versus conventional markets, using international evidence from financial markets and comparing the returns of Islamic markets with traditional markets. The study utilizes daily data from 15 countries and finds that Islamic index returns started to show positive trends instead of negative ones by mid-April 2020. It also reveals a statistically significant negative effect of COVID-19 on both stock market performances, although the impact was weaker on Islamic indices and stronger on conventional ones.
- Boubrema & Aouissi (2020) emphasizes the significance of *Sukuk* in enhancing international Islamic financial market issuances, using the International Islamic Financial Market (IIFM) model in Bahrain. It highlights the significance of Islamic *Sukuk* in stimulating the international Islamic financial market in Bahrain, emphasizing credibility from issuers of sovereign and large entities, diversity in issuance duration, and the positive reputation of Islamic *Sukuk* in supporting the Islamic financial market.
- Al-Fahdil (2021) focuses on the factors influencing the stimulation of the *Sukuk* market. It considers regulatory, Shariah, and financial factors that can play a role in stimulating financial markets. The study uses analytical and comparative approaches, and the results confirm the significance of factors such as awareness of *Sukuk*, Shariah compliance, and economic and regulatory factors in stimulating the *Sukuk* market.
- Musab (2022) identifies the impact of Islamic *Sukuk* issuance on key indicators of the Malaysian stock exchange and the possibility of replacing conventional bonds with *Sukuk*. The study concludes that Islamic *Sukuk* significantly influenced the Malaysian stock market index and were considered a legitimate and suitable alternative to conventional bonds.

ASPECTS DISTINGUISHING THE CURRENT STUDY FROM PREVIOUS STUDIES:

1. This study distinguishes itself by focusing on assessing the readiness of the Iraq Stock Exchange for the implementation of Islamic *Sukuk*, **which is** a point missing in previous studies.
2. It emphasizes the significance of the Iraq Stock Exchange in the context of the Islamic economy; however, it is still a research direction not widely explored in previous research.
3. It examines the contributions of Islamic *Sukuk* in activating the Iraq Stock Exchange, its issuance rules, and trading mechanisms, offering a unique perspective compared to earlier studies.

THEORETICAL FRAMEWORK

The Islamic financial markets in advanced countries have witnessed significant technological and regulatory developments, while the Iraq Stock Exchange is still taking its initial steps and striving to develop its financial markets to catch up with advanced nations.

- **Defining Islamic Financial Markets**

Islamic financial markets are defined as markets where financial instruments such as stocks and Islamic *Sukuk* are traded according to Islamic principles (Hattab, 2005). These markets facilitate the issuance and trading of Shariah-compliant financial instruments among investors and are supervised by the Islamic market regulatory authority (Jouda, 2017).

- **Nature of the Iraq Stock Exchange**

Since 1992, there existed a market known as the Baghdad Stock Exchange, established under Law No. 24 of 1991. This market was a government market that managed to list 113 private and mixed Iraqi joint-stock companies at that time. It was able to attract annual trading rates that exceeded seventeen and a half million dollars until 2003. This market was closed by a decision of the board of directors on March 19, 2003.

On April 18, 2004, Law No. 74 was issued to establish two important institutions in the capital market sector: **the Iraq Stock Exchange (ISX)** and **the Iraqi Securities Commission** (Al-Rubai 2009: 7).

The ISX was established in 2004 under the supervision of the Iraq Securities Commission. Before 2003, it was known as the Baghdad Stock Exchange, managed by the Iraqi Ministry of Finance. Currently, the ISX is an independent stock exchange, with over 100 listed companies (Al-Layla, 2015: 193).

- **Islamic *Sukuk*:** Islamic *Sukuk* possess several distinct characteristics, contributing to their widespread use, as indicated in the following:
 - a- They represent common ownership shares issued in the name of the owner in equal value categories, providing evidence of ownership rights in existing or future assets, while they do not represent a debt on their issuer.
 - b- They are traded based on Shariah-compliant rules and conditions for asset, benefits, and services trading.
 - c- They provide holders with a share of profits, if applicable, who bear full investment risks (Jouda, 2017).
 - d- The proceeds from *Sukuk* issuances are typically allocated to investments that comply with Islamic principles, pre-defined in advance.
 - e- The reliance on a valid Shariah contract governs the relationship between the parties involved in the *Sukuk* application process. Furthermore, the absence of speculative or gambling activities guarantees the credibility of the market (Al-Fadil, 2021: 63-69).

- **The Significance of Islamic *Sukuk* for the Iraq Stock Exchange**

The significance of Islamic *Sukuk* lies in its potential to develop the market through the following aspects (Shuaib, 2016: 87):

- a- The application of Islamic *Sukuk* represents a genuine addition to the Iraqi stock market due to the development it brings to the available financial instruments and, consequently, the expansion of the market base.
- b- The increase in quantity and quality of Islamic *Sukuk* will lead to enhanced efficiency and expansion of the financial market. As the trading volumes of these *Sukuk* increase, it will benefit the Iraqi stock market by diversifying the issuance of Islamic financial instruments and meeting various financing and investment needs.
- c- *Sukuk* contribute to supporting, developing, and revitalizing the overall Iraq Stock Exchange and the financial market in particular. This role is achieved through expanding the base of Islamic financial instruments in the market and solving some problems that hinder the growth and development of the Iraq Stock Exchange (Al-Zuhairi, 2017: 57).

PROPOSED REQUIREMENTS TO APPLY ISLAMIC *SUKUK*

- **Shariah Compliance Readiness:**

The Iraqi stock market was established based on a capitalist interest-based approach but possesses all the elements required for establishing an Islamic financial market. The important Shariah requirements can be summarized as follows:

1. The establishment of a body for issuing fatwas and overseeing Shariah compliance, tasked with verifying and monitoring adherence to Islamic Shariah principles and standards.
2. Prohibition of trading any financial instruments unless they are free from usury, which is forbidden by Shariah. They must be free from all forms of fraud, ignorance, deception, and avoid any transactions leading to the wrongful appropriation of people's wealth, in accordance with Shariah principles and regulations.
3. The issuance of Islamic *Sukuk* to finance economic or investment purposes requires fulfilling the Shariah conditions. For example, Iraq needs to support sectors such as industry, agriculture, and real estate. In an oil-dependent economy, where over 90% of revenues come from oil, *Sukuk* covering these sectors are not issued. Here, the issuance of *Sukuk* becomes instrumental in financing economic or investment purposes (Shihata & Fayyad, 2001: 101).
4. Identifying Islamic financial instruments eligible for issuance (*Sukuk*, Shariah-compliant stocks, and investment funds) under the supervision of Shariah regulatory bodies (Islamic Fiqh Council, No. 63: 211-216).
5. Prohibiting the trading of financial instruments unless they represent genuine ownership of the financial assets they represent. This list of conditions is not exhaustive and market

management may introduce additional restrictions and requirements in consideration of the public interest (Al-Ayoubi, Criterion 21-12, 2007: 354).

- **Legal Readiness:**

The legal framework includes the regulations governing the issuance and trading of *Sukuk*, along with the technical rules associated with those issuances, in addition to other market-related rules. For an effective legislative framework for *Sukuk* issuance and trading, the following legal requirements need to be met (Jouda, 2017: 11):

1. Revision of existing laws governing the established stock exchange to align with the principles and provisions of Islamic Shariah through the enactment of laws on Islamic *Sukuk* and investment funds.
2. The laws and regulations governing and supervising market activities should be adapted, utilizing the laws and regulations of some countries as a reference if they do not contradict Islamic Shariah principles.
3. The market must obtain legal approval from the Central Bank of Iraq for all financial products and instruments used for financing, trading, and investment, obtaining the necessary licenses.
4. The formulation of rules and regulations to ensure the soundness of financial trading transactions and protect the market from fraudulent transactions. Last, legal readiness plays a significant role in the application of *Sukuk* in the Iraq Stock Exchange, granting it a high capacity to face the challenges posed by contemporary financial markets.

- **Financial Readiness**

Islamic financial engineering is among modern tools that combine economic efficiency and Shariah credibility. It involves contemporary Islamic financial innovations, with Islamic *Sukuk* being one of the most prominent. For the successful application of *Sukuk* in the Iraq Stock Exchange, the following financial requirements are essential (Shihata, Fayyad, 2001: 101):

1. Establishment of Islamic investment companies, Islamic investment funds, and Islamic brokerage firms to support transactions in the Iraq Stock Exchange.
2. Encouragement of economic sectors to issue Islamic *Sukuk* through the introduction of incentive policies for institutions wishing to adopt the *Sukuk* process.
3. Utilizing successful experiences from other countries and attempting to apply them, tailored to priority economic sectors that serve the Iraqi economy.
4. Adherence to the principle of market entry freedom and freedom of transactions, preventing the imposition of any restrictions that would hinder the right to engage in brokerage activities or buying and selling in the market. This principle prevents monopolies and cartels and fosters free competition.

5. In addition to the above, developing some prohibited financial instruments, adapting them, and proposing alternatives that are valid for trading in the market, specific standards for dealing in the Iraq Stock Exchange should be issued (Jouda, 2017: 12-13).

STUDY HYPOTHESIS

Addressing the problem of the study, the following hypotheses were formulated:

- There is no readiness in the Iraq Stock Exchange for the implementation of Islamic *Sukuk* from a Shariah perspective.
- There is no readiness in the Iraq Stock Exchange for the implementation of Islamic *Sukuk* from a regulatory and legal perspective.
- The readiness for the application of Islamic *Sukuk* from a financial perspective is not available in the Iraq Stock Exchange.

STUDY METHODOLOGY

In order to achieve the objectives of the study and cover its various aspects, the adopted methodology relies on the inductive (analytical) approach in conducting this study. This approach involves analyzing the data to understand the significance of the numbers, their statistical implications, and their broader description and interpretation beyond the descriptive method. The inductive analysis deals with various tests, including hypothesis testing, to determine the validity of certain conclusions drawn from the data. Additionally, it estimates the population values of the study through various statistical measures (Sawan, 2018: 238).

Discussion of Data Analysis and Hypothesis Testing

The researcher developed the study tool, which is a questionnaire, and prepared it electronically using an online questionnaire platform (Google Form) in a random sample style. In this method, the sample items are selected randomly from the original population without any intervention or bias from the researcher during the study (Al-Jubouri, 2018: 129). After 42 days, 399 respondents completed the electronic questionnaire, all of which were valid for statistical analysis, representing and suiting the study population as per the consultative table developed by (Sekaran, & Bougie, 2020: 296). The study utilizes descriptive statistics to describe the sample responses to the questionnaire items, including frequency, percentage, mean, and standard deviation. The hypotheses were subjected to a One Sample T-Test, which aims to examine whether the average of a given sample significantly differs from the mean of the population from which it was drawn. Furthermore, it finds the difference between the sample mean and the parameter value of the original scale used, which is 3 (Al-Najjar et al., 2020: 211). The readiness of Iraq's financial securities for the application of Islamic *Sukuk* can be determined based on the following equation: $\text{Readiness Level} = T/\sqrt{n}$, where T = test value, n = sample size. If the test value is less than 0.20, readiness is considered weak in terms of implementation; if it falls between 0.20 and less than 0.80, readiness is considered moderate; and if the test value exceeds 0.80, readiness is considered high for implementation (Leech,

Barrett, & George, 2015: 171). The results of the face validity analysis are presented in Table (1).

Table 1: The Degree of Correlation of Each Paragraph to its Axis

Page Number	Axis	Correlation Coefficient
A	Shariah Compliance Readiness	
1	Significant proportions of investors desire to invest in Islamic <i>Sukuk</i> because they represent a practical application of Islamic law.	**0.566
2	Non-Muslim investors are interested in investing in Islamic <i>Sukuk</i> as they are new financial products.	**0.600
3	Shariah controls ensure the safety of Islamic bondholders.	**0.618
4	Shariah controls provide transparency for Islamic bondholders.	**0.560
5	Shariah compliance means commitment to Islamic law and its provisions	**0.591
6	Shariah readiness plays a role in preparing, implementing, and developing Islamic <i>Sukuk</i> in the Iraq Stock Exchange	**0.616
7	The issuing authority has a management capable of applying the standards and fatwas issued by the Shariah Supervisory Board.	**0.541
8	The availability of a subsidiary Shariah Supervisory Committee and a central Shariah Supervisory Committee ensures compliance of the issuance with the provisions of Islamic law.	**0.645
9	Ensuring halal profit is one of the objectives of issuing Islamic <i>Sukuk</i> .	**0.621
10	The application of Islamic <i>Sukuk</i> in accordance with the Shariah Supervisory Board's decision facilitates the marketing of Islamic <i>Sukuk</i> .	**0.587
11	The Shariah quality has an impact on the investment decision of investors in Islamic <i>Sukuk</i> .	**0.625
Page Number	Axis	Correlation Coefficient
12	Avoiding usury, either receiving or giving, is considered the fundamental principle in issuing Islamic <i>Sukuk</i> .	**0.613
13	Sufficient public awareness of the nature of Islamic <i>Sukuk</i> contributes to their success	**0.545
14	Having members of the Shariah board with appropriate scientific and practical expertise is crucial,	**0.609
15	The costs resulting from the application of Shariah regulations represent a small proportion of the overall costs of traditional asset <i>Sukuk</i> application operations	**0.516
16	The success of Islamic <i>Sukuk</i> depends on avoiding Shariah tricks that undermine their essence, content, and legal guarantees	**0.605
17	Islamic <i>Sukuk</i> have Shariah provisions that help regulate their issuance and the relationship with investors	**0.572
18	Enhancing the diversity of Shariah formulas for Islamic <i>Sukuk</i> , such as <i>Sukuk Al-Mudarabah</i> , <i>Sukuk Al-Musharakah</i> , and <i>Sukuk Al-Murabahah</i> , contributes to their success and Islamic finance market development in Iraq	**0.643
19	Islamic <i>Sukuk</i> are considered tools of Islamic financial engineering that can be traded in the Iraq Stock Exchange	**0.610
20	Islamic <i>Sukuk</i> are issued based on a contractual and Shariah-compliant framework between the parties, and their trading is subject to the terms and Shariah	**0.665

Page Number	Axis	Correlation Coefficient
	regulations issued by the Shariah Supervisory Board	
B	Legal Readiness	
1	The legal framework to apply <i>Sukuk</i> is considered the fundamental and effective factor in issuing Islamic bonds in Iraq.	**0.660
2	The legal framework is sufficient for the development of the Iraqi Stock Exchange in general and the implementation of <i>Sukuk</i> in particular.	**0.639
3	Regulatory factors play a role in implementing <i>Sukuk</i> , increasing the number of bond issuances, and developing the issuance market.	**0.640
4	The success of the legal framework is tied to the necessary flexibility for adjustments in case of any market developments. The more the legal provisions are general and referred to regulatory decisions, the more flexible the legislative framework becomes.	**0.672
5	The legal environment enhances the regulation of these Islamic bonds.	**0.623
6	The standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions only gain binding force through legal enactment.	**0.448
7	One of the key factors in the success of the Islamic application of <i>Sukuk</i> is ensuring sound legal formulation to achieve the intended purpose.	**0.641
8	The risks of Islamic <i>Sukuk</i> can be significantly mitigated through the establishment of a strong legislative and legal environment for the issuance process.	**0.698
9	For the legislative framework of Islamic <i>Sukuk</i> issuance and trading to be effective, guarantees of the rights of all parties must be in place.	**0.608
10	Contracts must meet their Shariah requirements, including the legal proof of true ownership.	**0.476
11	Shariah controls are reinforced through laws and their derivatives for the implementation of <i>Sukuk</i> .	**0.650
12	Shariah controls, through laws and their derivatives, promote the application of <i>Sukuk</i> . Islamic bond structures are built through arrangement, organization, and inclusiveness.	**0.694
13	The support of state institutions for the importance of Islamic <i>Sukuk</i> issuance is crucial.	**0.604
14	The issuance of laws supporting the application of Islamic <i>Sukuk</i> by many Arab countries serves as an incentive for Iraq to adopt successful experiences.	**0.576
15	Enhancing the effectiveness of the Iraqi Stock Exchange lies in legislating the Islamic bonds law and the investment funds law.	**0.597
16	Promoting the culture of Islamic bonds as a financial instrument for financing, through intensified seminars and scientific conferences, can lead to the enactment of an Islamic <i>Sukuk</i> law.	**0.644
17	The current prevailing laws related to Islamic application of <i>Sukuk</i> are integrated.	**0.625
18	Adhering to the provisions, conditions, and regulations governing the issuance of Islamic <i>Sukuk</i> is essential to avoid failures that might arise in the application of certain types.	**0.631
19	There is substantial agreement between different legal texts related to asset <i>Sukuk</i> application processes. Encouraging the private sector by providing suitable controls, systems, instructions, and investment climate facilitates the issuance of Islamic bonds.	**0.623
20	The legal framework for the implementation of <i>Sukuk</i> is considered the	**0.638

Page Number	Axis	Correlation Coefficient
	fundamental and effective factor in issuing Islamic bonds in Iraq.	
C	Financial Readiness	
1	The issuance of Islamic Sukuk as a financing tool positively affects economic indicators.	**0.572
2	The economic feasibility study of the project plays an important role in encouraging the issuance of Islamic <i>Sukuk</i> and developing the issuance market	**0.691
3	The financial study requires several necessary conditions for the success of the Islamic <i>Sukuk</i> application process	**0.690
4	Monetary policy indicators, such as lower interest rates and exchange rates, influence the issuance of Islamic <i>Sukuk</i>	**0.693
5	The level of confidence in the Iraqi economy, attractive for investment, affects the demand for issuing Islamic <i>Sukuk</i>	**0.639
6	Issuing Islamic <i>Sukuk</i> as a financing instrument leads to an increase in economic growth rates	**0.438
7	Addressing the one-sided economic problems by diversifying its financing sources, including Islamic <i>Sukuk</i> , helps reduce its reliance on oil resources for funding	**0.490
8	The continuity of financial controls throughout the bond's life contributes to the issuance of Islamic <i>Sukuk</i>	**0.627
9	Financially capable institutions seek to invest in Islamic <i>Sukuk</i>	**0.574
10	Companies and institutions show interest in using Islamic <i>Sukuk</i> as a financing tool.	**0.636
11	Islamic <i>Sukuk</i> help increase financing rates by tapping savings, especially among small savers	**0.599
12	The application of Islamic <i>Sukuk</i> supports the state budget by providing the necessary funding for developmental projects.	**0.622
13	Islamic <i>Sukuk</i> are considered an optimal solution by utilizing liquidity surpluses in Islamic banks.	**0.664
14	Issuing Islamic <i>Sukuk</i> is considered a suitable alternative for meeting liquidity requirements for a large sector of investors, whether for existing projects or new ventures.	**0.643
15	Islamic <i>Sukuk</i> are exposed to risks similar to any other financial instrument.	**0.680
16	The risks associated with Islamic <i>Sukuk</i> can be reduced by creating a conducive economic environment.	**0.520
17	Innovating new financial instruments like Islamic <i>Sukuk</i> and trading them in the Iraq Stock Exchange plays a significant role in generating investment opportunities.	**0.733
18	Embracing economic development plans for the implementation and issuance of Islamic <i>Sukuk</i> leads to the establishment of a secondary market for trading these <i>Sukuk</i> .	**0.658
19	Islamic <i>Sukuk</i> contribute to strengthening the Iraq Stock Exchange by expanding the base of Islamic financial products in the market.	**0.625
20	Some non-Islamic countries are seeking to issue <i>Sukuk</i> with the aim of achieving economic development and increasing economic growth rates.	**0.504
** Statistically significant at the level of (0.01)		Statistically significant at the level of (0.05)

Prepared by the researcher according to the statistical analysis (SPSS)

Table 2: Arithmetic Mean and Standard Deviation of Participants' Responses towards Shariah Readiness

A	Statement	Mean	Standard Deviation	Percentage	Level	Rank
	General Index for Shariah Readiness	3.98	0.518	%79.6	High	

Table (2) indicates that the respondents' attitudes towards Shariah Readiness were high, with a general mean of 3.98 and a standard deviation of 0.518. All items in this axis received high agreement scores, with mean scores ranging from 3.84 to 4.13.

- **Descriptive statistics towards the second axis (Legal Readiness)**

Table (2) presents the arithmetic mean, standard deviation, and rank of participants' responses towards Legal Readiness, measured based on 20 items.

Table 3: Arithmetic Mean and Standard Deviation of Participants' Responses towards Legal Readiness

B	Statement	Mean	Standard Deviation	Percentage	Level	Rank
	General Index for Legal Readiness	3.97	0.528	%79.4	High	

Table (3) indicates that the respondents' attitudes towards Legal Readiness were high, with an overall mean of 3.97 and a standard deviation of 0.528. All the items in this axis received high agreement scores, with mean scores ranging from 3.84 to 4.10...

- **Descriptive statistics towards the third axis (Financial Readiness)**

Table (2) presents the arithmetic mean, standard deviation, and rank of participants' responses towards Financial Readiness, measured based on 20 items.

Table (4): Arithmetic Mean and Standard Deviation of Respondents' Responses towards Financial Readiness

Table 4: Arithmetic Mean and Standard Deviation of Participants' Responses towards Financial Readiness

C	Statement	Mean	Standard Deviation	Percentage	Level	Rank
	General Index for Financial Readiness	4.03	0.500	%80.6	High	

The table (4) indicates that the respondents' attitudes towards Financial Readiness were high, with an overall mean of 4.03 and a standard deviation of 0.500. All the items in this axis received high agreement scores, with mean scores ranging from 3.91 to 4.12.

STUDY HYPOTHESES RESULTS:

- **Results of First Hypothesis 1:**

Ho: There is no readiness in the Iraq Stock Exchange for the Shariah-compliant application of Islamic *Sukuk*.

Ha: There is readiness in the Iraq Stock Exchange for the Shariah-compliant application of

Islamic *Sukuk*.

The hypothesis was tested using the One Sample T-Test, answering the first question in the problem of the study, and the results are shown in table (4).

Table 5: Results of First Hypothesis

T Calculated	T Critical	T SIG	Degrees of Freedom (DF)	Result of the Null Hypothesis (HO)
37.969	1.96	0.00*	398	Reject
*Statistically significant at the level (0.05)				
The critical t-value at one degree of freedom (N-1)				

The table (5) presents the statistical test results for Hypothesis 1, indicating that the Iraq Stock Exchange is ready for the Shariah-compliant application of Islamic *Sukuk*. This was confirmed by the calculated T-value (37.969), which is greater than the critical T-value (1.96) at a significance level of 0.05, with 398 degrees of freedom. To assess the extent of readiness in the Iraq Stock Exchange for the Shariah-compliant application of Islamic *Sukuk*, the calculated T-value (37.969) is divided by the square root of the sample size (399), resulting in (1.901). Thus, the readiness of the Iraq Stock Exchange for the Shariah-compliant application of Islamic *Sukuk* is considered high, as the test value exceeds 0.80.

• **Results of Hypothesis 2**

Ho: There is no readiness in the Iraq Stock Exchange for the regulatory and legal application of Islamic *Sukuk*.

Ha: There is readiness in the Iraq Stock Exchange for the regulatory and legal application of Islamic *Sukuk*.

The hypothesis was tested using the One Sample T-Test, answering the second question in the study's problem, and the results are shown in table (6).

Table 6: Results of Hypothesis 2

T Calculated	T Critical	T SIG	Degrees of Freedom (DF)	Result of the Null Hypothesis (HO)
36.878	1.96	0.00*	398	Reject
*Statistically significant at the (0.05) level				
The critical t-value at one degree of freedom (N-1)				

The table (6) presents the statistical test results for Hypothesis 2, indicating that the Iraq Stock Exchange is ready for the regulatory and legal application of Islamic *Sukuk*. This was confirmed by the calculated T-value (36.878), which is greater than the critical T-value (1.96) at a significance level of 0.05, with 398 degrees of freedom. To assess the extent of readiness in the Iraq Stock Exchange for the regulatory and legal application of Islamic *Sukuk*, the calculated T-value (36.878) is divided by the square root of the sample size (399), resulting in (1.846). Thus, the readiness of the Iraq Stock Exchange for the regulatory and legal application of Islamic *Sukuk* is considered high, as the test value exceeds 0.80.

• **Results of Hypothesis 3**

Ho: There is no readiness in the Iraq Stock Exchange for the implementation of Islamic *Sukuk* from a financial perspective.

Ha: There is readiness in the Iraq Stock Exchange for the implementation of Islamic *Sukuk* from a financial perspective.

This hypothesis was tested using the One Sample T-Test, which addresses the third question in the study, and the results are as shown in Table (7).

Table 7: Results of Hypothesis 3

T Calculated	T Critical	T SIG	Degrees of Freedom (DF)	Result of the Null Hypothesis (HO)
41.226	1.96	0.00*	398	Reject
*Statistically significant at the (0.05) level				
The critical t-value at one degree of freedom (N-1)				

Table (7) represents the statistical test results for the third hypothesis model, indicating that the Iraq Stock Exchange has readiness for the implementation of Islamic *Sukuk* from a financial perspective. This is supported by the T-value calculated, which is 41.226, greater than the T Critical value of 1.96, indicating statistical significance at one degree of freedom, with a significance level (Sig=0.00) less than (0.05). The test achieved a high level of approval, considering that the test value exceeded (0.80).

Theoretical Conclusions of the Study

1. Shariah readiness is the primary source for implementing Islamic *Sukuk*, as *Sukuk* types vary based on diverse Islamic financial transactions such as *Murabaha*, *Musharakah*, *Mudarabah*, *Ijarah*, *Istisna'*, and agency-based investments.
2. Legal readiness is one of the most critical success factors for implementing Islamic *Sukuk*, requiring sound legal frameworks to achieve their intended purposes. Flexibility for adaptation in response to developments in the Iraq Stock Exchange is also crucial.
3. Islamic *Sukuk* represent instruments that combine economic efficiency and Shariah compliance. They have become a legitimate alternative to traditional financing instruments linked to fixed interest rates. The implementation of Islamic *Sukuk* in Iraq's financial markets contributes to global openness by increasing foreign investments inflow.

Practical Conclusions of the Study

1. (Ha 1): There is readiness in the Iraq Stock Exchange for the implementation of Islamic *Sukuk* from a Shariah perspective, with an overall average of 3.98 and a standard deviation of 0.518. The calculated T-value (37.969) is greater than the T Critical value (1.96), and the significance level (Sig=0.00) is less than (0.05).
2. (Ha 2): There is readiness in the Iraq Stock Exchange for the implementation of Islamic *Sukuk* from a regulatory and legal perspective, with an overall average of 3.97 and a standard

deviation of 0.528. The calculated T-value (36.878) is greater than the T Critical value (1.96), and the significance level (Sig=0.00) is less than (0.05).

3. (Ha 3): There is readiness in the Iraq Stock Exchange for the implementation of Islamic *Sukuk* from a financial perspective, with an overall average of 4.03 and a standard deviation of 0.500. The calculated T-value (41.226) is greater than the T Critical value (1.96), and the significance level (Sig=0.00) is less than (0.05), indicating a high level of approval considering that the test value exceeded (0.80).

Recommendations

Recommendations: A set of recommendations has been provided to the Iraq Stock Exchange (sample of the study) that align with the study's findings. The most important recommendations are as follows:

1. The need to enhance the effectiveness of the Iraq Stock Exchange through enacting legislation for Islamic *Sukuk* and investment funds.
2. The necessity of establishing an independent financial market for trading Islamic *Sukuk* separately from stocks and *Sukuk*.
3. The importance of implementing the Islamic bond market in Iraq, benefiting from the successful experiences of other countries in the Islamic bond industry as discussed in the current study (Malaysia, Saudi Arabia, UAE, and the UK), and attempting to apply them in a way that serves the national economy.
4. Encouraging further research on Islamic *Sukuk* and ensuring practical application while adhering to the regulations and conditions governing *Sukuk* issuance to avoid potential violations.

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