Asymmetric Of Informational and Its Implications for Share Returns Through the Announcement of Dividend: A Study of a Sample of Iraqi Firms

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Abstract

The main objective of this study is to determine the impact of informational asymmetry and its implications on share returns by relying on some measures of informational asymmetry, including the size of the Firm , the role that firms' announcements play on their dividend in the financial market, and the availability of information to help investors make rational decisions to eliminate The problem of information asymmetry, because these announcements send positive information to investors in the financial market, their content indicates that the management believes that the share is trading in the financial market at less than its true fair value . The study focused on two main dimensions of the problem, for which two hypotheses were formulated, the study relied on a sample consisting of (69) dividend announcements by (30) Firms listed on the Iraq Share Exchange for the period from 1/1/2016 to 2/26/2020. And by using a number of financial and statistical methods using the programs (EXCEL) and (SPSS-23). In order to analyze the study variables and test their hypotheses, the study reached a number of conclusions, perhaps the most important of which is that the size of the Firm is related to the information sent to the money market by announcing the dividend and this was inferred through the results of the average cumulative abnormal returns for small Firms, which were higher than the averages of large Firms all along Event window due to the increase state of informational asymmetry .

Keywords: Asymmetric of informational, share returns, Dividend announcements.

1. Introduction

Instability of the financial markets is a result of the information asymmetry problem, which expresses the situation in which one of participants in the market, who are well-informed, has more information than other investors, which makes them unable to properly estimate of returns and risks, and this leads to making wrong decisions. , as a result of the lack of information that is the raw material in the financial markets, and this means that stock prices do not fully and at any time reflect all the information. , and this means a violation of the fairness and efficiency of market in allocating the economic resources of the country in an optimal way, so this study dealt with a topic of great importance, which is the role that announcements play as information sent in eliminating the problem of informational asymmetry through public announcements, including dividend announcements as information

sent to Investors help them make better decisions. Any activity undertaken by the managers will be interpreted by the investors as information sent to them and they will act accordingly, therefore , dividend programs in the financial market are a very important means in distributing the surplus cash to shareholders and getting rid of the agency problem and facing hostile takeovers of control of the firm and raising the share price if It was below its real value and securing stock options to motivate employees and modify the firm's capital structure .

2. Study methodology

The scientific methodology for the study is the foundation that join the theoretical philosophy and its crystallization in its practical aspect, so it is the path that the study will take for the purpose of achieving its goals as follows:

2.1. The study problem and its questions:

There is a problem of information asymmetry facing investors due to the inefficiency of the Iraq Share Exchange completely, and there is an ongoing knowledge debate about whether the disclosure of information completely to address the problem of information asymmetry by obliging firms and monitoring them accurately through the governance of the Securities Commission regulating the market For the purpose of raising the efficiency of the market, it goes without saying what this problem has of direct negative effects on the country's economic resources, and based on the above, this study seeks to try to find a solution to the existing intellectual debate centered on the following questions: -

1) Does the size of the firm (the size of the market value) have a relationship to the degree of information asymmetry? Does informational asymmetry differ according to the Firms market value?
2) Is the Iraq Share Exchange efficient at the half-strong level in responding to informational content by declaring the dividend?

2.2. Study hypotheses: In light of the problem and its questions, the following hypotheses were formulated:

2.2.1. The first hypothesis: The size of the informational asymmetry has no relationship to the difference in the size of the Firm, nor does the information content have an effect on the announcements of the dividend in the share returns.

2.2.2. The second hypothesis: that the Iraq Share Exchange is not efficient at the half-strong level in responding to the informational content of dividend announcements.

2.3. Study Objectives: The study aims to achieve the following:

1) A test of whether informational asymmetry is effective and conducive to achieving abnormal returns.
2) A statement as to whether the information asymmetry has a relationship to the size of the Firm (the amount of its market value) surveyed.
3) The experimental test of the efficiency of the Iraq Share Exchange in the form of half-strong in response to the information received on the announcements of the dividend.

2.4. Importance of studying:

1. It is testing one of the financial tools, which is informational asymmetry and its reflection in share prices to achieve abnormal returns, whether positive or negative, which are

supposed to respond to share prices in the market to information according to the efficient market hypothesis. Therefore, two main meanings represent the essence of the importance of this study. The first statement: Does informational asymmetry have an impact and reflection on share prices and abnormal returns? The second is to test the efficiency of the market half of the strong through its response to the informational content of the announcements of the dividend? The two questions are the subject of widespread controversy and disagreement in the modern financial literature.

2. The study relied, in its intellectual, philosophical and analytical aspect, on the information sent, which is considered essential for investors, by identifying the management's expectations regarding the future of the firm and using this information in evaluating prices fairly when the firm announces its dividend.

2.5. Study Population and Sample:

The study population consists of (129) firms listed on the Iraq Share Exchange from various sectors for the period from 1/1/2016 to 2/26/2020. The selected sample was (30) firms that announced the cash dividend during this period, and the number of their announcements was (69) announcements. The sample firms were classified into large and small firms depending on their average market value. Large firms ares with a market value greater than the average market value of the total firms. Small firms are firms with a market value smaller than the average market value. The average market value (capitalization) was calculated during the aforementioned period for each of the firms surveyed, and the 30 firms were arranged from the largest (the largest market capitalization) to the smallest, and the largest five firms were selected (the first five top firms in terms of market value) And the smallest five firms (the last five firms in terms of market value), as it appears in tables (1) (2). (15) daily views were used, including (8) views before the announcement and (6) views after the announcement in addition to the day of the event, which means viewing the share price in the daily session, meaning that the approved period of study in the event analysis (dividend announcement) consists of (15) One day noting that all these data were taken from the reports of the Iraq Share Exchange on the website (http://www.isx-iq.net/isxportal).

Table (1) *large firms Study sample in terms of market value (amounts in millions of dinars)*

N0	Large firms	Type *of activ*ates	Average market value	No	Date of announcement
1	Asia Cell Communications	Telecom	2,681,500,000,000	3	12/12/2017 17/12/2018 28/04/2019
2	Baghdad for soft drinks	Industry	583,426,666,666	2	24/09/2018 18/10/2016
3	Mansour Bank	Banks	167,500,000,000	4	25/04/2016 13/06/2017 14/05/2018 07/05/2019
4	Babylon Hotel	Hotels and tourism	150,000,000,000	4	07/05/2019 09/01/2019 23/02/2020 23/02/2020
5	Iraqi Commercial Bank	Banks	115,000,000,000	4	14/02/2018 31/07/2018 28/02/2019 05/12/2019

Source: Prepared by researchers based on the Iraq Share Exchange data http://www.isx-iq.net/isxportal.

Table (2) *Small firms Study sample in terms of market value (amounts in millions of* **dinars**)

N0	Small firms	Type *of activ*ates	Average market value	No	Date of announcement
1	Middle East for fish production	Agricultural	2,625,000,000	3	18/10/2016 21/02/2018 26/02/2019
2	Iraqi for the production and marketing of agricultural products	Agricultural	4,338,000,000	3	14/12/2017 16/12/2018 20/03/2019
3	Iraqi carpets and furnishings	Industry	4,425,000,000	4	20/12/2016 27/09/2017 28/08/2018 05/09/2019
4	Al-Mansour Pharmaceutical Industries	Industry	6,145,803,983	2	16/05/2017 10/02/2019
5	Modern Sewing Firm	Industry	6,500,000,000	1	08/1/2019

Source: Prepared by researchers based on the Iraq Share Exchange data http://www.isx-iq.net/isxportal.

2.6. Period and data of study:

The study included two types of periods and data in order to achieve its objectives. The first type concerns the duration of the estimation window to measure the relationship between the daily share return and the market return for calculating the beta coefficient, and the second type is the event window period, which is used in the event study test as follows:

2.6.1 First: Period and data of estimation window:

1)   Approving the daily closing prices of the firms 'shares, the study sample, for a period of (50) calendar days prior to the days of the event.

2)   Adopting the daily closing prices for the Iraq Share Exchange Index for the periods corresponding to the firms 'share prices, the study sample above.

2.6.2. Second: Period and data of event window:

a.   Approving the daily closing prices for the firms 'shares for the sample study of the event. This required obtaining (8) daily closing prices before the date of the relevant announcement, the closing price on the announcement day, and (6) daily closing prices after the announcement date.

b.   Adopting the daily closing prices of the Iraq Share Exchange Index for the periods corresponding to the firms 'share prices that were adopted in the dividend announcements within the event study sample.

c.   The adoption of the daily interest rate on the transfers of the Central Bank of Iraq for the period corresponding to the sample of the event study announcements.

2.7. Financial and statistical methods used:

1)   Financial and statistical methods were used that helped in testing the hypotheses of the study and achieving its objectives, using the programs (EXCEL-2016) and (SPSS-23) to extract the financial and statistical data and equations related to the daily market return and daily share return and measure the risk between them (by Beta coefficient) and expected return and abnormal return and cumulative abnormal return and their averages for shares of firms study sample is as follows:

2)   Daily share return: It was calculated according to the following equation:(Gupta et.al, 2014: 8); (Chen, 2007 :244): 1) **(1)** **-itP (Ln -) it (PLn =itR**

As:
Rit: is daily return per share (i) per day (t)
Pit: is the closing price of share (i) per day (t)
Pit-1 is closing price of share (i) on the previous day (1- t)

     B. Calculating the daily market return: It can be calculated as follows (Chen, 2013: 17); (Wada, 2010: 21):

$$Rm,t = Ln (Pm ,t) - Ln (Pm,t-1) \quad (2)$$

As:
Pm, t: is closing price of market index on the day (t)
Pm, t-1: is closing price of market index on the previous day (t-1)
R m, t: market return.

     C.Expected return calculation: The expected return of the security was calculated using the capital asset pricing model (CAPM). It is calculated as follows (Nossa ,et.al, 2010: 11): -

$$\hat{R}it = rf + \beta i(Rm - rf) \quad (3).$$

As:
R^it: Expected return per share (i) on day (t)
rf: is risk-free rate.
βi: Beta measures the relationship between market return and share return.
Risk Premium: (Rm -rf).

     D.Abnormal return: It can be calculated according to the following equation (2009: 172 Thanatawee); (Otchere & Ross, 2000: 12): -

ARit = Rit - R^it4)
As:
R^it: expected return per share (i) on day (t) calculated using the capital asset pricing model (CAPM).
ARit: the abnormal daily return of (i) share on day (t).

     E. Cumulative abnormal return: It was calculated according to the following equation (Kim&Kim, 2012: 20) ;(Micheloud,2013: 13):

$$CAR = \sum_{t=t1}^{t2} A\,R_{it} \quad (5)$$

As:
CAR: The cumulative abnormal daily return over the duration of event window.
t: Event window length

     F. Average of cumulative abnormal Return: Average of cumulative abnormal return is calculated. Through the divisor of the total cumulative abnormal returns on the number of announcements, according to the following equation (Cremers, 2012: 19):

$$CAAR = \frac{1}{N} \sum_{t=t1}^{t2} CAR \quad (6)$$

As:
CAAR: is average of cumulative abnormal return of daily
N: number of events
2.8. The limits of the study:

     The Iraq Share Exchange was established according to Law 74 of 4/18/2004 as a private legal entity, it is a non-profit organization, financially and administratively

independent, and it is subject to the supervision of the Iraqi Securities Commission. The Iraq market started its activity in its first trading session on 24/6 /2004 it is located in Karrada in the capital, Baghdad.

3. Informational Asymmetric

The practical reality has proven that one of the most important means that lead to the instability of the financial market is the problem of informational asymmetry, which expresses the situation in which one of the market participants, especially the knowledgeable (managers), has more information than other investors, which makes them unable to estimate returns. And risks properly, and this leads to making wrong decisions, as a result of a lack of information, which is considered as the raw material in the financial markets. In this context, it means that the managers have better private information about the real value of the firm compared to the shareholders, so when the markets are inefficient, only public information will be available to the shareholders, and the private information that the managers possess is not available to other investors, so this confidential information It cannot be reflected in the current share prices (Fisal, 2008: 6), and as a result, these managers will achieve abnormal returns on the interests of others. The information asymmetry between managers and investors is a kind of lack of information arising from the lack of fulfillment of the requirements of free and complete competition in the market (which at the same time represents a violation of the requirements of the efficiency of the financial market), and this deficiency is achieved as a result of managers possessing private information not announced to the general public of investors being more Power and knowledge of the firm's policies, while the general public of investors can only review the firm's expected performance by evaluating the firm information sent to them (Chen, 2007: 74). The information asymmetry may result from the issuance of information by the concerned party to multiple parties, but the understanding of this information is not equal, and here this fraud in the understanding may be intended by the party that issued this information, that is: Insiders do not want to disclose some information Confidentiality and mission, in order to exploit it and then achieve abnormal returns from this information (Al-Janabi, 2015: 52). Usually, the firm's management and those familiar with it enjoy a privileged position from the rest of the investors in the financial market, as it always possesses private information that is not available to the general public, which allows it to exploit this information that it possesses and is not available to others, meaning that this information is embodied in the administrative decisions taken by the managers, through their actions. And their decisions taken, insiders in firms disclose confidential information to investors, which can be very costly for investors to obtain this information that managers possess. Therefore, it may be better for managers to transfer this private or confidential information periodically to the financial markets at a cost they pay. Investors in exchange for this information (Siegel & Karim, 1998; Champenois, 2021; Danielsen & Valaker, 2021). Therefore, the firm's management can operate in light of non-compliance with the principles of corporate governance by exploiting private information that is not disclosed, whether positive or negative, to achieve abnormal returns at the expense of other investors. In the market (Rajabimoghadam & Khalatbari, 2013; Busch, 2021). As a result, a state of mistrust is generated on the part of the investor community about the purposes behind the firms 'decision-making, and this problem may seriously damage the firm, so if firms have a problem of information asymmetry, they can get rid of it or reduce it through tight governance procedures (Lee, et .al, 2011: 1). As well as by sending honest information to the public of investors.

3.1. Financial market efficiency and the problem of informational asymmetry:

The concept of Efficient Market Hypothesis (EMH) was first formulated by Fama in

1970 and states that prices "fully reflect" and at any given time that all information is available. Therefore, we can say that since investors are rational and the market is free of No market frictions, the price of the share always equals its fundamental value (Bhunia, et.al, 2011:1). In other words, the price of a security should be exactly equal to its true value, and this means not responding when there is no information. New (Shleifer, 2000:5). This theory is an extension of the classical economic theory, which assumes the absence of abnormal surplus returns under conditions of perfect competition. If there is a set of information available equitably to all dealers in the financial market, then it is expected under conditions Perfect competition in the market is that the actual rate of return is approximately equal to the expected rate of return, which means that the attribute of justice is achieved for all dealers in the financial market that is fully efficient (Al-Janabi, 2015: 76).

Hence, it is impossible to beat the market, regardless of the skill of the investors, because the share prices already embody and reflect all the relevant information (Karolak & Wolszczak, 2004: 9). It is worth noting that the efficient market hypothesis did not depend entirely on rationality alone, because it does not assume that all investors are rational, but it assumes that the market is proceeding rationally and it also does not assume the possibility of anticipating the future through the markets, but it assumes that the markets make unbiased predictions of the future. Which gave this theory a lot of credibility (Ritter, 2003: 2). The idea of an efficient financial market has raised a great controversy among those interested in those markets, as the market depends on the quality of the information received, as the information comes to the market at any time is independent and random, so the price of the security is decided based on the information received in the market, and if the prices of the traded securities reflect that information, The market in this case was characterized by efficiency, which has a role in reducing risks and reducing them to the lowest levels, and this means: The arbitrage opportunities do not exist (Pedersen, 2014: 7). Therefore, efficiency in the share market is intended as that market that has the High flexibility that allows achieving a quick response in the prices of securities to changes in the results of the analysis of data and information flowing to the market, which ultimately leads to achieving a balance between the market value and the real value of the security. And that the efficiency of the capital market will not be achieved unless all the information received into the market, whether past, present or future, is rapidly reflected in the prices of securities (Hirschey, 2001, 485). With the necessity of the availability of a large number of rationalized dealers in the capital market, in addition to the low transaction costs, which encourages more dealings on the offered securities. (Timmermann & Granger, 2004: 17). Therefore, capital markets play a central role in distributing the firm's capital in the economic sphere. Investors can choose from among the securities that represent effective ownership of the firm, and thus capital markets have a major role in allocating resources and distributing firm equity (Fama, 1970: 383). Therefore, the efficient money market reflects the prices in the real values of the security, which will be Conducive to efficient distribution of resources in the economic sphere. But the question arises: Are capital markets really efficient? (Bhunia, 2011: 1). In other words, there is no information asymmetry, no taxes, and the information is available to everyone at no cost.The problem of informational asymmetry exists when the financial market is not fully efficient, that is, when share prices do not fully reflect all relevant information, quickly and impartially, and the level of market efficiency affects the strength of the market response to corporate behavior , In other words: the presence of informational asymmetry among market participants may lead to insiders (especially managers) possessing good information, especially about the expected profitability, and the future performance of the firm, but the prevailing share prices in the market do not reflect this, because the general public of investors They only obtain publicly disclosed information (Thanatawee,2009:26). The reason for this is that insiders do not easily

and freely disclose private information. However, an information environment rich in public information, characterized by more accurate and more useful information, should dilute part of the problem of wrong choice between managers and investors, which reduces the pressure on managers to transfer private information to the market (Hail, et.al, 2013: 1). And theoretical models expect that high-quality disclosure reduces informational asymmetry among parties dealing in financial markets (Diamond & Verrecchia, 1991: 1328); (Heflin, et.al,2005: 1).

3.2. Measures of informational asymmetry:

Three measures are used to measure the level or degree of asymmetry of information faced by the firm: the size of the firm, whether or not the firm has coverage by the analyst, and a scale based on the number of analysts and the errors of analysts' expectations, and the size of the firm is often used as a representative of the information environment (Collins & Kothari: 1989), and in experimental tests the size of the firm is measured using the market value at the end of the fiscal year (Fama & French, 1992: 427-465).The group of firms whose market value at the end of the fiscal year exceeds the average or the market capitalization rate is considered one of the large firms and has less information asymmetry. As for the firms that have a market value at the end of the fiscal year below average, they are described as small firms that face more informational asymmetry. (Xue, 2003: 13). The effect of scale is already there. Small firms showed a greater response than large firms, and this result is consistent with the informational asymmetry theory, which says that small firms are subject to a greater amount of information asymmetry than large firms, because the former is usually not the focus of investment interest by large institutions dealing in the money market, Hence, there is a significant lack of media coverage as well as coverage of investment analysis firms (Isa, et.al, 2011: 32). That is, the size of the firm has an inverse relationship with the degree of informational asymmetry (Al-Janabi, 2015: 55). It is expected that small firms (with a lower market value) are more prone to wrong evaluation of share prices. (Firth, et.al, 2008: 10). Moreover, firm size (the amount of market value) is often considered a proxy for information efficiency, as it allows institutional investors to invest in small firms, but with more restrictions, and financial analysts do not follow small firms as closely as they do in large firms. This reduces the information efficiency of small firms (Brennan & Avanidhar, 1995: 361). Therefore, the market response to small firms is better than large firms, and thus achieve abnormal returns greater than large firms. (Chiao, et.al, 2007: 18). Informational asymmetry can be measured through the adverse selection component of trading costs (Stoll, 2000: 1479). This component compensates the market maker for the risk of losing money to informed dealers (the cost of obtaining private information). As the market maker expects informed traders) to send buy orders to the market before the period for the good news to be disclosed and to send sell orders to the market before the bad news appears. On the other hand, it is assumed that unfamiliar dealers may send buy and sell orders to the market by the possibility themselves, due to their lack of The private information that insiders possess, therefore, the imbalance (gap) in the flow of these orders to the market will be positive (buy exceeds sells), when the security is undervalued, and negative (the sale exceeds the purchase) when The security is overvalued (Bhattacharya, et.al, 2012: 10). In the context of full financial markets, information is supposed to be inexpensive and available to everyone alike, which ensures that all market participants know this information in the same way. This is what was assumed by both (Modigliani & Miller, 1961) that the financial markets are complete and efficient, meaning that information is available to everyone and without cost ,This means under the assumptions (M & M: 1961) that the information is identical and available to everyone and the market in A state of equilibrium in addition to that, and from the above, the difference between symmetry and informational asymmetry is the difference between efficient financial markets and inefficient financial markets, and that the difference between symmetry and informational

asymmetry is the difference between the correct signal and the misleading signal (Al-Janabi: 2015,57). (Myers & Majluf, 1984) indicated in the context of informational asymmetry that managers act in the interest of current shareholders and have an incentive to avoid issuing shares when the firm's share prices are undervalued. Therefore, setting conditions on the issuance of shares, the market rationally deducts the share price The issuing firm (Daniel, et.al, 2008: 5-6). The increase in cash dividends allows improving the firm's future image and this is considered good information sent to investors in a reliable and more reliable manner. As for the decrease in these distributions, which necessarily arises from poor performance, the firm will be forced to send information about bad news (Okpara, 2010: 213). Cash dividends, this means: The future picture of the firm will not change fundamentally. Therefore, information about cash distributions and changes in the distribution policy in particular is important in reducing the state of informational asymmetry (Khang & King, 2002: 1). Managers and investors evaluate share prices differently. The presence of informational asymmetry leads to the valuation of the share price below its real value (Chen, 2007: 3).

4. Announcement of cash dividend:

The dividend policy is considered one of the most important financing policies in firms due to its direct relationship with shareholders and its implications for the share price in the market. It relates to the decision to distribute the net profits of the firm between dividends distributed to shareholders and retained earnings (Brealey & Myers,2003:443). The announcement of the dividend contains new information and managers can use the dividend to send information and convey good news to the shareholders. According to this concept, firms will increase the dividend when they expect that there will be an increase in future profits. Therefore, the increase in the dividend contains on a letter indicating expectations of improving firm performance (Karami et al, 2010: 110). In other words, announcement of dividend provides positive information to investors about the future performance of management, and information can be transmitted in a timely manner about profits, for example, the dividend can provide positive information sent to investors, as the decrease in retained earnings limits the dividend of future cash profits She points out that the firm's management expects good investment opportunities and a positive performance in the future (Bechmann & Raaballe, 2007: 575). Regarding increasing the dividend, the shareholders concluded that the managers believe that there are future profits, and the dividend will continue in the future at a higher level than before. Therefore, shareholders assume that they do not absorb the firm information as managers absorb it towards increasing the cash dividend and enhancing the share price in the market (Kordestani,2009:132) On the other hand, when managers believe that long-term profitability will decrease, they will reduce the dividend in cash dividends, and shareholders respond to exchanging the firm's shares for the lower price (Abbasi, etal,2013:271). Mainly to information as an indication of current and future earnings. According to this belief that the dividend has a significant effect on the share price, so an increase in the dividend results in an increase in the share price and a similar decrease in the dividend result in a decrease in the share price, and that any change in the dividend policy generates information sent to shareholders and investors about the future and profits of the firm When the dividend increases as a sign of positive information about the firm's future earnings, this leads to a rise in the share price, and when the dividend decreases as a sign of negative information about the future of the firm and a decrease in its profits, this leads to a decrease in the share price (Saif, et, al, 2013: 91) . The increase in the dividend allows firms to improve future expectations to indicate good news to investors in a more reliable way. The decrease in the dividend reflects the poor performance of the firm and forces the firm to send information about bad news and this is reflected negatively on the share price, so we find that it is not surprising that managers are

reluctant. Or they do not want to announce a decrease in the dividend, and that firms tend to increase the dividend of profits when managers think that profits have increased permanently, and this suggestion that the increase in the dividend of profits requires that there be stable profits in the long term (Al-Malkawi, et.al, 2010: 186). As for when no change is made, the information sent on the dividend of the profits about the expectations of the firm will not have any fundamental change, and accordingly, the reference information for the dividend of profits and changes in the dividend policy in particular are important in reducing or limiting the informational asymmetry (Khang &King, 2002: 71-94 This means that any change in the dividend policy can affect the firm's share price, and an increase in the profitability of shares can lead to an increase in the share price, and any decrease In addition, the earnings per share leads to a decrease in the share price, in other words that the change in the payments or share of per share (DPS) is considered as information or a signal sent to shareholders and investors about the availability of future profits in the firm (Farzanfar, et.al, 2013: 218). There are some implications for the dividend policy, according to this concept that outside investors do not have the same level of information that insiders possess about the firm's true profits, so the dividend of high profits will generate signals or information to external investors that the firm has stable cash flows in the future (Kumar Also, small firms need to generate information as signals to investors by pushing the dividend, and this means there is a large information asymmetry in them, and this is the reason why small firms pay more dividends (Saif, et, al, 2013: 91) Because it is considered as a sign of positive information, which leads to an increase in the price of its shares. From the above, it is clear to us that increasing the amount of dividend distributed positively affects the share price, while at the same time it reduces retained earnings and thus reduces the growth rate, which negatively affects the share price in the future. Given that the firm's goal is to maximize shareholders 'wealth by reaching the share price to the highest possible level, achieving that goal requires choosing a dividend policy that achieves a balance between the amount of return that is distributed to shareholders and the rate of growth in profits (Baginski & Wahlen, 2003: 327). However, investment decisions always remain conservative at a certain level of the dividend, which is one of the priorities of the payment policy. The dividend policy is considered as a secondary issue against investment that needs to be addressed or addressed by corporate managers after meeting the needs of investment and cash liquidity. This means that the dividend is an expensive method due to informational asymmetry, especially when studying the relationship between information asymmetry and corporate dividend policies under the information content model. Because the decision on information asymmetry is a precious or costly one, firms with a greater amount of information asymmetry should be more effective in pushing the dividend to improve their image (Li & Zhao, 2008: 2). The dividend of profits is considered a reason for reducing the cost of the agency, as it is considered a tool to reduce the cost of the agency. The more the firm increases the dividend, the more it reduces the cost of the agency (Brunarski, et. al, 2004: 44).

One of the determinants of the profit distribution policy that helps pay the dividend is cash. The cash liquidity position is one of the important and influencing factors in the dividend. Firms that have a lot of cash are more likely to pay a dividend in profits compared to firms that have liquidity problems (Ahmed & Javad, 2008: 3). dividend payments depend more on cash flows, which reflect the firm's ability to pay a dividend. As for firms with scarcity in cash liquidity, they pay less dividend or not pay at all due to lack of cash (Musiega, et.al, 2013: 255) . Many studies have shown that cash flows are the main determinant of the dividend payment policy. Previous studies have concluded that free cash flows correlate positively with a firm's dividend (Hellstrom &Lnagambaev , 2012: 26). In other words, the more cash flows the firm has, the more cash it becomes available, and it is able to pay the dividend. Also among the determinants are current earnings: Firms that have high profitability with more stable profits

can manage their cash flows more broadly, and because of that, they can pay a larger dividend to shareholders. Moreover, fast-growing firms pay a larger dividend in order to attract largest number of investors (Musiega, et.al, 2013: 256). also indicated that the main determinant of paying the dividend is the expected level of future profits. And that the dividend payment depends more on the cash flows that reflect the firm's ability to pay the dividend. Also, one of the determinants of the dividend is the size of the firm: which is considered a major factor in determining the policy of the dividend, and among the studies that examined this is a study (AL-Shubiri, 2011: 7) and found that there is a large and strong positive relationship between the size of the firm and the decision to pay the dividend.Large firms are more diversified than smaller firms, and thus, are less likely to be vulnerable to financial hardship, and more able to pay dividends to shareholders (Musiega,et.al,2013:256). And that capitalization includes the market value of the firm, which is a great advantage, which reflects the size of the firm (Gill, et.al, 2010: 9).

5. Examining THE implicationsof informational asymmetry in share returns through announcement of dividend: Analytical coverage.

In this part, the two hypotheses of the study related to the half-strong efficiency of the Iraqi financial market will be tested, as well as related to the effect of the size of the firms for the informational content through the declarations of the dividend by large firms versus small firms by studying the event for the purpose of demonstrating the speed, completeness and objectivity of the reflection of informational asymmetry in the shares of firms through an account Daily abnormal share returns (AR) and cumulative abnormal returns (CAR) and their average (CAAR) daily. It is assumed that the abnormal and cumulative returns and their averages are higher for the shares of small firms due to the high information asymmetry in addition to the lack and lack of interest of analysts in this type of firms. As for the large firms, the opposite is true.

5.1. Large-sized firms

Based on the criterion for classification of large firms, which was based on the size of the market value as a measure and shown in the methodology, five firms were selected, which are the largest in size. The response of the share prices of these firms to the information content of the dividend announcements has been tested for the purpose of knowing the speed, objectivity and completeness of the reflection of the informational content of the announcements of the dividend of the profits of large firms by calculating the abnormal returns and the cumulative abnormal returns and their daily averages during the event window used during the study period. After calculating the actual returns per share, the beta, and the expected returns through the capital asset pricing model and the daily abnormal returns of the share through the difference between the actual earnings per share and the expected returns, Table (3) shows the daily abnormal and cumulative returns per share and the daily average of the cumulative abnormal returns for the firms' dividend announcements The aforementioned major and for a period of (8) days before the day of the announcement in addition to the day of the announcement (event) and (6) days after the announcement.

Table (3) *the abnormal daily returns of shares, their cumulative returns, and their averages for large firms.*

Event	TASC AR	TASC CAR	IBSD AR	IBSD CAR	BMNS AR	BMNS CAR	HBAY AR	HBAY CAR	BCOI AR	BCOI CAR	Market CAAR
-8	0.01049	0.01049	0.026504	0.026504	-0.0158	-0.0158	-0.05826	-0.05826	0.009527	0.009527	-0.00551
-7	-0.00038	0.01012	-0.06037	-0.03386	-0.01625	-0.03206	-0.00018	-0.05844	-0.03502	-0.02549	-0.02519
-6	0.00045	0.01057	-0.02808	-0.06195	-0.00878	-0.04084	0.0006	-0.05784	-0.01256	-0.03805	-0.02365
-5	-0.16103	-0.1505	0.026139	-0.03581	-0.01086	-0.0517	-0.00511	-0.06295	0.03075	-0.00731	-0.04283
-4	-0.0214	-0.1719	-0.00383	-0.03964	-0.01056	-0.06226	-0.0044	-0.06735	-0.01242	-0.01972	-0.04134
-3	0.06651	-0.1054	-0.02299	-0.06262	-0.0118	-0.07405	-0.01819	-0.08554	-0.01214	-0.03186	-0.0358
-2	0.01066	-0.0947	0.05612	-0.0065	-0.01164	-0.08569	0.012825	-0.07271	-0.01265	-0.04451	-0.02488
-1	0.01937	-0.0753	0.033825	0.027322	-0.0116	-0.09729	0.005303	-0.06741	-0.01262	-0.05714	-0.02356
0	-0.02894	-0.1043	0.005349	0.032671	0.034229	-0.06306	-0.00276	-0.07017	-0.01263	-0.06977	-0.02793
1	-0.00876	-0.113	-0.04058	-0.00791	0.004805	-0.05825	0.023134	-0.04704	-0.01249	-0.08225	-0.03424
2	-0.00656	-0.1196	-0.02618	-0.03409	-0.01167	-0.06992	0.000628	-0.04641	-0.01246	-0.09471	-0.04209
3	0.04401	-0.0756	0.049733	0.015645	0.002823	-0.0671	-0.00587	-0.05228	-0.01317	-0.10788	-0.02097
4	0.00608	-0.0695	-0.01697	-0.00133	0.015936	-0.05116	0.02836	-0.02392	-0.0343	-0.14218	-0.0289
5	0.03724	-0.0322	0.009547	0.008219	0.015438	-0.03572	-0.00923	-0.03315	0.008404	-0.13377	-0.01653
6	-0.01343	-0.0457	-0.00023	0.007989	-0.01038	-0.0461	-0.02608	-0.05924	-0.01277	-0.14654	-0.03525

Source: Prepared by researchers based on the reports of the Iraq Share Exchange.

From the second and third columns in the aforementioned table, which respectively represent the daily abnormal returns and their cumulative abnormal returns for Asia Telecom, it appears that the daily abnormal returns throughout the eight days preceding the announcement were fluctuating, one time being positive, and at other times negative despite the asymmetry. Informatics in such type of firms should be low, so the largest abnormal return was achieved on the third day for the period preceding the day of the announcement, as it reached (0.06651). The lowest unusual return was on the fifth day of the period preceding the date of the announcement by (-0.16103), which is At the same time, it represents the highest loss of the share before the announcement. As for the abnormal daily returns in the remaining days, which are limited between the first and eighth days preceding the day of the announcement, their values range between the two values mentioned above. On the day of the announcement, the abnormal earnings per share reached (-0.02894), which is considered a loss, and this means that the market does not respond to the information as it decreased on the day of the announcement. Between positive and negative throughout the period following the day of the announcement until it settled in the last view of the event window at (-0.01343). This means that the reversal is not correct before and after the announcement, because it is supposed to be positive before and during the announcement and zero after the announcement, and this is an indication that the market is not efficient .As for the cumulative abnormal share return (CAR) for the shares of Asia Telecom, under the conditions of efficiency, it should start positive on the first day of the time window of the event (day -8) and then rise to reach its highest value on the day of announcing the event (day 0) and after that it remains constant. And stable at its value on the day of the announcement until the last day in the window (day +6). But as long as the CAR values appeared, increasing and decreasing at other times during the period prior to the announcement day, as a result of achieving unusual returns, sometimes negative and positive at other times. This is an indication of a biased response on the part of the market to declare the dividend of this firm's profits. On the other hand, and as long as the abnormal returns cumulative on the day of the announcement and after it did not stabilize, but were negative as a result of negative abnormal returns CAR, which is supposed to be the abnormal returns cumulative on the day of the announcement as the maximum possible and stabilize after that until the last day of the event window, which is the sixth day After the announcement, this result has three implications: The first is that the announcement of the dividend for the firm's shares has an influential informational content, and the evidence for this is achieving abnormal returns (regardless of its indication), which should be zero if the advertisement does not have an influential informational content, and this implies the existence of My information asymmetry problem. The second connotation is that the market's response is biased as a result of the negative abnormal returns before and during the announcement. The third implication is that the market's response is slow and not complete as a result of achieving negative unusual returns even after six days have passed from the date of the announcement. The market did not respond fully and quickly on the day of the announcement, which is an indication of market inefficiency. In fact, this result is shared by the advertisements of other firms as well, but to varying degrees. For the purpose of general judgment on the effects of advertisements of this type of firms, we will analyze the average abnormal cumulative return at the level of these firms, which appears in the last column of the table. As is evident from the figures in the last column, the daily averages of cumulative abnormal returns (CAAR) did not show a behavior indicative of the efficient response on the part of the share prices of large firms to declare the dividend. It appeared negative throughout the event, and this was true in all fifteen days of observations. The fact is that their behavior indicative of efficiency confirms that it must be positive and progressive before the day of the announcement, and its value stabilizes on the day of the announcement and throughout the remaining period of the event
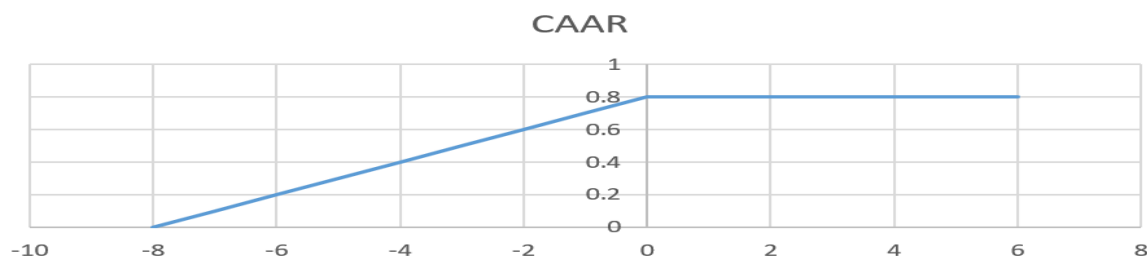
window. As shown in Figure (1).

Figure (1) *CAAR behavior in light of efficient market response to corporate dividend announcements*

The largest daily average of abnormal returns cumulative on the eighth day before the announcement was achieved, as it reached (-0.00551), which represents the lowest loss. The lowest cumulative daily average of abnormal returns was on the fifth day before the day of the announcement, as it reached (-0.04283), which represents the highest loss. The average cumulative abnormal returns were negative from the eighth day before the announcement and continued in this direction until the last day in the window of the event, and the market did not reveal an efficient response to the announcement on the day of the announcement, as the average on this day was negative and in the amount of (-0.02793), while it is assumed that Be positive. The daily averages of cumulative abnormal share returns (CAAR) for observations after the day of the announcement continued until the last day of the event window, which is the sixth day, and settled at (-0.03525), as shown in Figure (2).
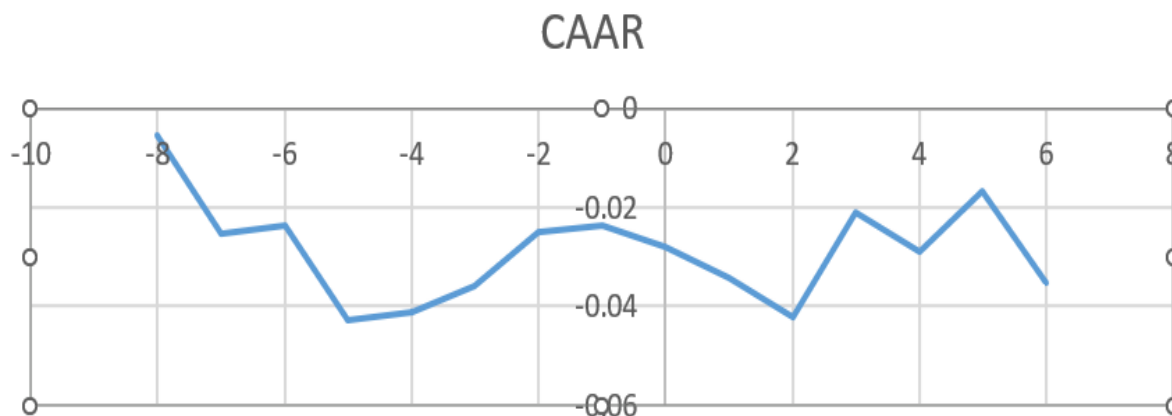

Figure (2) Average Cumulative Abnormal Return (CAAR) of large firms shares announced for dividend

5.2. Small-sized firms:

According to the small firms classification criterion explained in the methodology, five firms were selected, which are the smallest in terms of market value. The response of the share prices of these firms was tested for the purpose of knowing the speed, objectivity and completeness of the informational asymmetry reflection of the earnings dividend announcements for small firms by calculating the abnormal returns of shares and their cumulative abnormal returns and their daily averages during the fifteen-day time window of the event. After calculating the actual returns of shares and the beta and their expected returns through the capital asset pricing model (CAPM) and the daily abnormal returns of the share through the difference between the actual returns of shares sond the expected returns, Table (4) shows the daily abnormal and cumulative returns per share and the daily average of the cumulative abnormal returns for the firms' dividend announcements The small size mentioned

above and for a period of (8) days before the day of the announcement in addition to the day of the announcement (the event) and (6) days after the announcement.

Table (4) *The abnormal daily earnings of shares, their cumulative returns and their averages for small firms.*

Event	AMEF AR	AMEF CAR	AIRP AR	AIRP CAR	IITC AR	IITC CAR	IMAP AR	IMAP CAR	IMOS AR	IMOS CAR	Market CAAR
-8	-0.01707	-0.01707	-0.03255	-0.03255	-0.01399	-0.01399	-0.01033	-0.01033	0.0238	0.0238	-0.01003
-7	-0.02499	-0.02499	-0.01923	-0.05179	-0.02377	-0.03776	0.019913	0.009586	-0.05767	-0.03387	-0.02446
-6	-0.01873	-0.01873	0.017577	-0.03421	-3.2E-05	-0.0378	0.010576	0.020161	-0.02808	-0.06195	-0.01512
-5	-0.0209	-0.0209	-0.00761	-0.04182	-0.01359	-0.05138	0.008485	0.028646	0.02614	-0.03581	-0.01287
-4	-0.02198	-0.02198	-0.01035	-0.05218	-0.01268	-0.06406	0.006905	0.035551	-0.00383	-0.03964	-0.01843
-3	-0.02111	-0.02111	-0.00544	-0.05761	-0.0064	-0.07047	0.002473	0.038024	-0.02299	-0.06263	-0.02273
-2	-0.01955	-0.01955	-0.00567	-0.06328	-0.01913	-0.0896	0.023928	0.061952	0.05612	-0.00651	-0.00813
-1	-0.02208	-0.02208	-0.00706	-0.07034	-0.0115	-0.1011	-0.00815	0.053804	0.03383	0.027317	-0.01274
0	-0.02341	-0.02341	-0.01122	-0.08156	-0.01234	-0.11344	0.016919	0.070723	0.00535	0.032667	-0.01397
1	-0.02498	-0.02498	0.024246	-0.05731	0.002888	-0.11055	-0.00993	0.060795	-0.04058	-0.00792	-0.01883
2	-0.02024	-0.02024	-0.04247	-0.09978	-0.01449	-0.12504	-0.0039	0.056895	-0.02618	-0.03409	-0.03295
3	-0.01631	-0.01631	-0.00548	-0.10525	-0.02644	-0.15148	-0.00615	0.050741	0.04973	0.015641	-0.02113
4	-0.0184	-0.0184	0.001967	-0.10329	-0.01298	-0.16446	0.037958	0.088699	-0.01697	-0.00133	-0.02072
5	-0.0271	-0.0271	0.002628	-0.10066	-0.01034	-0.17479	-0.00945	0.079246	0.00955	0.008215	-0.02498
6	-0.06401	-0.06401	0.04094	-0.05972	-0.00709	-0.18188	0.010169	0.089415	-0.00206	0.006156	-0.02321

Source: Prepared by researchers based on the reports of the Iraq Share Exchange

It appears from the second and third columns in the above table, which represent the abnormal and cumulative returns of the shares of the Middle East Fish Production Firm respectively that all the abnormal returns before and during the announcement are positive and for all observations except the eighth day before the announcement and the third and sixth days after the announcement were negative and it seems that the previous information did not They were not with the required level of accuracy, and because the informational asymmetry in small firms is large as a result of the lack of interest of analysts in such type of firms and therefore insiders possess confidential and important information that the investors do not possess. Therefore, the firm achieved abnormal returns at the expense of other investors in most days before and during the event. The highest return on an abnormal share for this firm was on the fifth day after the announcement by (0.039146). The lowest return on an abnormal share was on the sixth day after the announcement, as it reached (-0.02766). These returns sometimes rise and decrease at other times whenever we approach the date of the announcement until it reached, He has the abnormal return per share (0.02265), and the abnormal returns continued after the announcement date, fluctuating (negative, positive), rising and decreasing at other times until it reached at the last view of the event window on the sixth day after the announcement (-0.02766). CAR for the shares of the Middle East Fish Production Firm, under the conditions of efficiency, it should start positive on the first day of the time window of the event (day -8), and naturally it starts from the same point from which the abnormal return on the share started on the eighth day before the announcement, then escalates to reach higher Its value on the day of announcing the event (day 0), and after that it remains constant and stable at its value on the day of the announcement until the last day of the event window (day +6). As long as the CAR values appeared, they rise upward during the period preceding the announcement from the eighth day until the day of the announcement, when the CAR reached on this day (0.09902) and continued after the announcement, it rose upward to the end of the event window except for the third and sixth days, when it decreased slightly due to the achievement of negative AR returns. This is an indication that the market response is correct to announce the dividend for the profits of this firm's shares. But on the other hand, the abnormal returns cumulative after the announcement were not stable at (0.09902), which is the CAR on the day of the announcement, which is supposed to remain constant and add nothing

after the day of the announcement, but it started to rise and fall above this value throughout the period after the announcement until The last day in the event window as a result of fluctuating abnormal returns (positive, negative) during this period, and this result has three implications. The first is that the dividend announcement has an influential informational content and the evidence for this is that there are positive and negative abnormal share returns, which should be zero if not the ad has influential informational content, which implies that there is an information asymmetry problem. The second connotation is that the market's response is biased as a result of negative unusual returns, and the third indication is that the market's response is slow as a result of achieving negative unusual returns even after six days have passed from the date of the announcement. This is an important indication for investors that predicted a defect in the efficiency of the market, as it assures the investor that if you bought the share of this firm eight days before announcing the dividend and kept it for six days after the announcement, you could achieve an abnormal cumulative return that approaches (0.14) (CAR). At day +6). In fact, this result, with its three meanings, is shared by the advertisements of other firms as well, but in varying proportions, and when analyzing the total level of firms by examining the CAAR numbers appearing in the last column. From the aforementioned table, it is evident that the emergence of the cumulative abnormal returns of CAR itself, regardless of its indication, confirms that the dividend announcement has an effective informational content. If not, the abnormal dividends would have been zero throughout the event window. This implies a significant information asymmetry problem. On the other hand, the behavior and movements of CAAR in this case, although it did not meet the efficiency requirements, is closer to it compared to the behavior of CAAR for large firms as it is less volatile and did not change from its upward to downward direction only in four of the fifteen days. For the event window. Its upward trend in the days before and during the announcement reflects the objective response to the share prices of these firms to announce the dividend and confirms the effect of the informational asymmetry of this public announcement, but the continued achievement of abnormal share returns after the day of the announcement in a positive way indicates bias, slow and incomplete reflection of advertising information at prices Shares, as shown in Figure (3); -
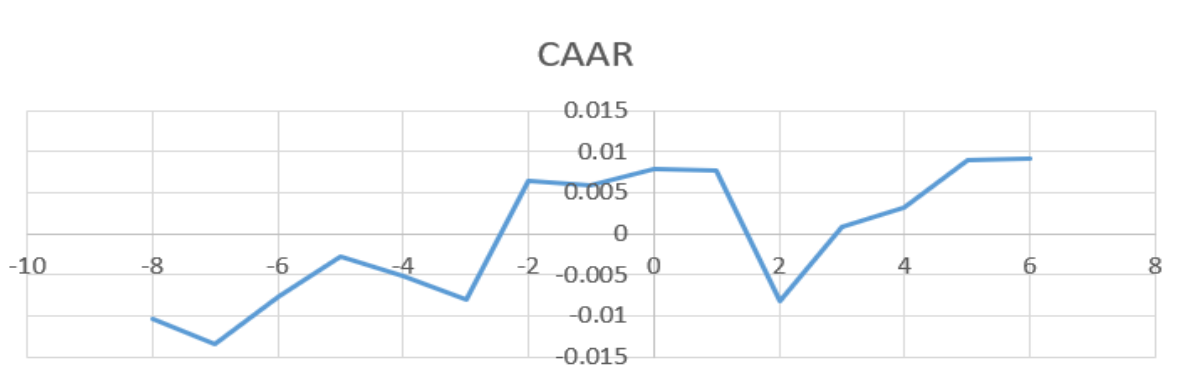

Figure (3) *The Cumulative Abnormal Average Return (CAAR) of Small Firms Shares announced by dividend*

Which shows a clear deviation from the efficient state (Figure 1), but it is closer to the efficient situation compared to the case of large firms (Figure 2). This is two implications: First: The dividend announcement has an influential informational content, and this is embodied by non-zero numbers of abnormal returns during the event time window, and this means Implying the existence of a problem of information asymmetry, and the second: that there is an inefficient market response to the announcement of the dividend in general. As the

continued achievement of abnormal share returns after the day of the announcement, in a positive or negative manner, indicates bias, slow and incomplete reflection of the advertising information on share prices, and all of the above confirms the slow, incomplete and biased response on the part of the share prices of small firms to the declarations of the dividend. On the other hand, Table (5) presents a comparison between the daily averages of CAAR cumulative abnormal returns for large firms compared to small firms. As is evident from the table figures, the values of the averages of small firms prevail, with a very large difference.

Table (5) *average of Cumulative abnormal returns for the shares of large firms compared to small firms*

The firms with the highest values CAAR	Small firm CAAR	Large firm CAAR	View event window
large	-0.01045	-0.00551	-8
small	-0.01347	-0.02519	-7
small	-0.00763	-0.02365	-6
small	-0.00276	-0.04283	-5
small	-0.00512	-0.04134	-4
small	-0.00806	-0.0358	-3
small	0.00649	-0.02488	-2
small	0.00587	-0.02356	-1
small	0.007919	-0.02793	0
small	0.007731	-0.03424	1
small	-0.00823	-0.04209	2
small	0.000748	-0.02097	3
small	0.003082	-0.0289	4
small	0.009013	-0.01653	5
small	0.009092	-0.03525	6

Source: Prepared by researchers based on the reports of the Iraq Share Exchange

An analysis of the discrepancy between them was carried out and the results are evident in Table (6), which shows that the CAAR values for small firms are much larger and differ significantly from the CAAR values for large firms, in other words, that there are significant differences between the two cases, as is clearly evident from the P-value. It appeared equal to zero, which means that the probability of error in rejecting the null hypothesis is close to zero. This is consistent with the propositions of the financial literature, according to which small firms are subject to a much greater amount of information asymmetry than large firms. On the other hand, he confirms that the information asymmetry has a significant impact on the size of the firm by announcing the dividend and has an impact on the returns of shares as well table (6): -

Table (6) *Results of analysis of variance between CAAR values for large firms compared to small firms*

	Small Firms	Large Firms
Mean	-0.00038500	-0.02857800
Standard Deviation	0.007956032	0.01030984
Variance	0.0000633	0.00010629
Observations	15	15
0Hypothesized Mean Difference		
t-stat	8.386	
P-Value 0.00000		

Source: Based on SPSS results

It achieves abnormal returns, and this is contrary to the first hypothesis of the study. Of course, the difference between CAAR values for small firms compared to large firms is more than (4.434%), (0.009092 + 0.03525), and this sends a signal to investors that the possibility of achieving abnormal returns from investment in shares of firms that intend to announce the dividend of their profits and that the best trading strategy You sell the shares of large firms eight days before the announcement and buy them about a week after the announcement and achieve an abnormal return of more than (3.53%) and buy the shares of small firms at the beginning of the event window and sell them on the last day of the event window and achieve an abnormal return of about (0.91%) . All of this indicates the existence of a defect in the efficiency of the market in a semi-strong form, in order for some dealers to achieve abnormal returns at the expense of other investors, and all of this is consistent with the second hypothesis of the study.

6. Conclusions

1)   The results of the study of the time window of the event proved that the size of the firm (the amount of the market value) is related to the informational content sent to the money market through the declarations of the dividend and this was evidenced by the results of the average cumulative abnormal returns for small firms, which were higher than the averages of large firms along the event window due The high case of informational asymmetry in the first, and this contradicts the first hypothesis of the study.

2)   B - The results of the analysis of the event study for all firms, the study sample representing the Iraq Share Exchange, show that the earnings dividend announcements have an effect on the prices of ordinary shares, as investors in the market depend in making their decisions in response to the firm's announcements of dividend profits on the information leaked from the firm and the way they interpret it.

3)   C - The results of the financial and statistical analysis of studying the event proved that for the declarations of the dividend at the sample level in general that there is a biased, slow and incomplete response on the part of share prices to the declarations of the dividend even though the information became available to everyone after the announcement, and if it was quickly reached, it does not reflect the actual content of this announcement Whether it is positive or negative, and in that a breach of the competency requirements in its semi-strong form. This confirms that the Iraqi market for securities is not sufficiently half-strong in terms of its response to the declaration of the dividend, and this is consistent with the hypothesis of the second study.

4)   D- Investors generally tend in the Iraq Share Exchange to exploit what is available from the information without making an additional effort to obtain additional information, and as a result of the lack of uniformity of the information, this may lead to making wrong decisions by these investors, and there may be private information with Insiders have not been disclosed and are being used to achieve abnormal returns per share at the expense of these investors.

7. Recommendations

Through the conclusions that were reached, a set of recommendations were developed

that could help the departments of the firms in the study sample in particular to benefit from them, and the departments of the Iraqi firms listed on the Iraq Share Exchange can benefit from them in general, which enhances the position of the firm and its success and continuity, as well. On providing the opportunity for shareholders to invest in the firm's shares, and then achieving benefit for all dealers, and these recommendations are as follows:

1)   The need to honestly disclose information so that it is available to everyone, especially in inefficient financial markets, to reduce the problem of information asymmetry between insiders and external investors, and this contributes to raising the efficiency of the financial market by reducing the information asymmetry gap. Which helps investors to make rational decisions.

2)   The administration of the Iraq Share Exchange should be aware of the seriousness of the market inefficiency in responding to public information in general and declarations of the dividend in particular because this would be used by some professionals to formulate trading rules that enable them to achieve abnormal returns at the expense of other participants in the market, and this prevents Market performance of its basic function of optimal allocation of the economy's resources.

3)   C - The necessity of adopting small firms, especially in inefficient financial markets, to use advertisements for the dividend of profits to achieve abnormal positive returns because the market responds to small firms that announce their dividend profits better than large firms and thus achieve abnormal returns better than large firms.

4)   The need to educate the Iraqi investment community, through workshops and seminars, of the full practical dimensions of distribution policies of all kinds in firms, and their role in the growth of firms and the development of the economy of the country.

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