Multidisciplinary Journal of Management, Economics, and Accounting
ISSN: 2705-2842
Number 10 Issue 4 2024

Analysis of the Relationship Between Cost Indicators And Financial Performance of Investment Portfolios in the Stock Market

Hameeda Karim Shalan Hadrawi, Faculty of Administration and Economics,University of Kufa, Najaf, Iraq
hameedak.alhadrawi@uokufa.edu.iq

Huda Mu'ayyad Hatem Al-Saadoun, Imam Al-Kadhim College Diwaniyah Departments, Diwaniyah, Iraq.
huda.muayad@Iku.edu.iq
Mohammed Rashid Hamid Fatlawi, Imam Al-Kadhim College, Diwaniyah Departments, Diwaniyah, Iraq.
mohammud.rashed@lku.edu.iq

Abstract

This study aims to identify the impact of cost indicators on the financial performance of the investment portfolio of companies listed in the Iraq Stock Exchange. The study was applied to a sample of companies listed in the Iraqi Stock Exchange. The study used the descriptive analytical method in addition to the structural modeling method to identify the multiple effects within the structural model that can work together to achieve the gradual effects in the financial performance of the portfolio. The study reached a set of conclusions, the most important of which is that interest in cost indicators contributes significantly to improving the return and reducing the risk within the financial portfolio, which is positively reflected in improving the financial portfolio of companies listed in the stock market.

Keywords: Cost indicators, financial performance, investment portfolio.

1.Introduction

In the complex scene in which financial markets are passing, the performance of investment portfolios is greatly affected by various cost indicators, which are influential measures in investment strategies and greatly affect net returns. Local and international institutions and companies face many challenges, the most important of which is the great competition, especially with regard to rationalizing and reducing costs and improving their financial performance. Performance in general and financial performance in particular have become a distinguished position among institutions currently, which gives importance to the efficiency of the institution and performance levels and achieving its goals and competitive capabilities . The problem came as the largest part of accounting research that aims to rationalize costs and improve performance, and this requires identifying and managing costs that can affect in one way or another the level of financial performance of the portfolio, and from here the problem is represented by the following question: What is the role of cost indicators in improving the financial performance of the investment portfolio of the stock market?

2.Methodology

2.1.Study Problem

Reviewing financial research and studies that discussed investment strategies and the possibility of outperforming the market and thus achieving additional returns shows the great controversy among academics, researchers and financial analysts about the possibility of finding a model or framework that helps investors find low-value or overpriced stocks and use them in forming investment portfolios capable of achieving additional risk-adjusted returns. Cost indicators are also one of the basic elements that can affect the financial performance of companies and are reflected in the return and risk. Investors focus on achieving high returns without considering the costs that can

affect those returns, and high costs affect net returns even if they are high. Accordingly, the research problem involves identifying the impact of cost indicators on the financial performance of the investment portfolio of the stock market.

2.2.The Importance of the Study

The study of financial indicators such as returns and risks does not reflect a complete picture of the performance of the financial portfolio if the costs associated with them are not taken into account. These costs also vary according to the financial portfolio and the investors and the type of their investments. In addition, there is difficulty in accurately estimating costs due to their overlap with other indicators such as market fluctuations and economic policies. This requires identifying the opinions of specialists and integrating them with the financial results actually achieved to reach results that link opinions, expectations and actual results, which reflects a clear picture of the nature of the impact of costs on the performance of the investment portfolio of companies, and this helps companies and investors to build their future investment decisions accurately. When they have a clear understanding of the costs associated with their investments, they can make the right decisions and be more careful when choosing investment strategies. By reducing costs, they can enhance returns and increase the value of their financial portfolios.

2.3.Study Objectives

The current study aims to identify a set of objectives, which are represented in the main objective of identifying the impact of cost indicators on the financial performance of the investment portfolio of the stock market. Which contributes to developing strategies to improve financial performance and providing recommendations based on the results obtained.

2.4.Study Hypotheses

(H1) A financial portfolio can be built for companies in the Iraqi Stock Exchange.

(H2): There is a significant relationship between cost indicators and financial performance of the investment portfolio

(H2-1) There is a significant relationship between the cost of salaries and wages and the financial performance of the investment portfolio

(H2-2) There is a significant relationship between the cost of commodity supplies and the financial performance of the investment portfolio

(H2-3) There is a significant relationship between the cost of service supplies and the financial performance of the investment portfolio

(H2-4) There is a significant relationship between the cost of depreciation and the financial performance of the investment portfolio

(H2-5) There is a significant relationship between the cost of taxes and fees and the financial performance of the investment portfolio

2.5.Study Model

The study model in Figure (1) includes two types of variables as follows:

Independent Variable	X	Cost Indicators In Total
	X1	Salaries And Wages
	X2	Commodity Requirements
	X3	Service Requirements
	X4	Depreciation
	X5	Taxes
Dependent Variable	RE	Return
	RI	Risk
	FP	Financial Performance Of The Investment Portfolio

Multidisciplinary Journal
of Management, Economics, and Accounting
ISSN: 2705-2842
Number 10 Issue 4 2024

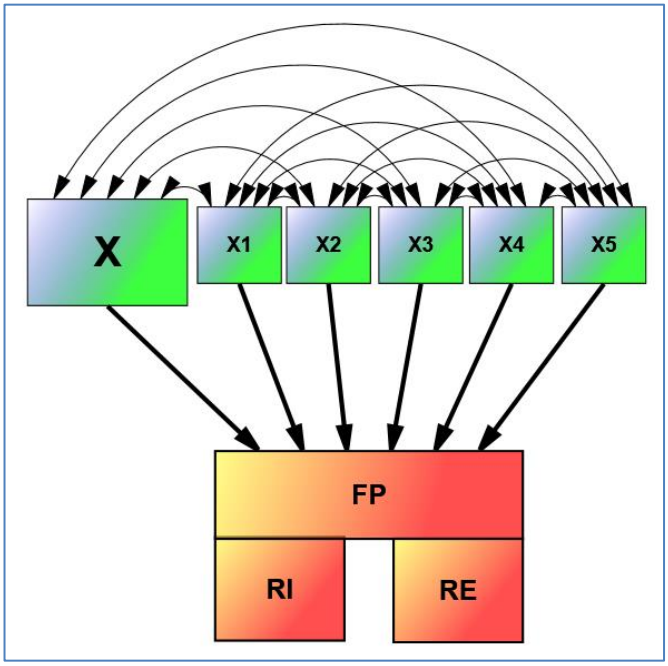

Figure 1: Study model

2.6.Study Population And Sample

The study population is represented by the companies listed in the Iraq Stock Exchange. A sample of 4 companies from different sectors was selected when selecting the sample. The companies were (Iraqi Carpets and Furniture, Iraqi Meat Production and Marketing, Al-Maamoura Real Estate Investments, Al-Karkh Tourist Amusement City).

2.7.Statistical Methods

The study relied on the Iraq Stock Exchange reports to calculate the cost indicators. Regarding the extraction of return and risk indicators, the law of return on net return on assets was relied upon. Regarding risk, it was calculated by volatility in returns using the standard deviation. And testing the relationships using the structural modeling method.

3.Literature Review

3.1.The Concept of Cost

Cost is the voluntary sacrifice of resources for current or future benefits. It is the sacrifice of resources to achieve a specific goal and is measured in monetary units that must be paid to obtain goods and services (such as raw materials or advertising). A distinction must be made between actual costs, which are the costs actually achieved (historical costs) and the costs included in the budget, which are the expected or predicted costs known as (future costs) (Shaker 2014: 352). Cost can be defined as (an economic sacrifice borne by the project in exchange for a service or benefit necessary to achieve its goals and is used according to established standards and can be measured in monetary units). Horngren (1995: 63) defined it as (a resource sacrificed or lost to achieve a specific goal, and the cost (such as direct materials or advertising) is usually measured in monetary values that must be paid to obtain goods and services).

For accountants, cost is related to everything that the economic unit sacrifices in order to achieve the desired goals, while accepting what is sacrificed for quantitative measurement, where the total profit or loss and net profit and loss are shown in light of comparing all costs with revenues, and considering that the cost represents a reduction in the revenues of the economic unit and thus reduces the value of profit, and since accounting seeks to determine the profits for the economic unit, this is what made the concept of cost take a clear and important position for accountants, and the material element of sacrifice or depletion is essential in the concept of cost for accountants, where cost is viewed as a sacrifice expressed in the form of a number of monetary units or their equivalent to obtain resources or economic benefits that are used in production, purchase or services, and accountants and economists agree that cost has a specific meaning represented by sacrifice, but in the field of measuring it through money, there is a difference between them, since economists take into account the fluctuations that occur in the value of money, and the impact it leaves on

the change in the values of goods and services, while accountants They insist on the stability of the monetary unit (John, 2021: 1)

The final cost is defined as the set of costs incurred by a product or service provided from the start of the preparation process until it reaches the final stage, i.e. the product sold or the service provided has only one cost, which is the sum of the costs related to it. The final cost of products, goods or services that have actually been sold in each economic unit is determined according to the following:

1. The final cost in the commercial economic unit: The cost of purchasing the goods sold + distribution costs (direct and indirect).

2. The final cost in the production economic unit: The cost of the products sold + distribution costs (direct and indirect).

The expense is also defined as a cost that is matched with the revenue in an accounting period (year).

The costs are defined as part of the costs or an element of them, and they are usually only accounting values that are used to charge or distribute costs to products and services. (Stanley & Lambert, 2019:3)

Basically, keeping costs to a minimum while maintaining quality at a sufficient level is crucial for the survival of many economic units in the competitive market. Research shows that economic units that fail to accurately estimate the cost of a product or service at the conceptual design stage have a higher probability of delaying the schedule or increasing the cost at a later development stage than those that successfully complete the cost estimate. (Huang et al., 2012:5).

3.2.Cost Indicators

The indicator is the measure that extracts information about a specific topic and gives a clear indication of the contents of a specific problem or phenomenon and provides an appropriate degree to answer questions that contribute to determining meaningful

values and priorities that clarify goals and provide support to decision-makers to take a specific action based on the results of the indicators. Cost management within production and service companies is one of the priorities that these companies work to reduce their indicators and apply all skills, tools, methods and techniques to various activities to reduce costs and increase revenues. Cost indicators are a measure of the extent of the management's efficiency to achieve the required goals (Ebaid, 2018: 20). Cost indicators represent a set of standards and ratios used to measure costs in commercial activities or investment projects. These indicators aim to understand and analyze costs associated with production or financial activities, evaluate the efficiency of resource use and improve financial performance (Buchner et al., 2016: 16). The administration works to know the costs in order to serve its decisions and help rationalize them through the cost accounting unit, which expresses the thing whose cost is to be determined in detail, such as a commodity, project, service, trademark, activity, program, etc., and the units of these costs are calculated for the purpose of serving administrative decisions (Charitou et al., 2020:15). In general, the budget includes a set of costs, the most important of which are (salaries, wages, costs of commodity supplies, costs of service supplies, depreciation, taxes and fees), which will be addressed in the current research (ISX-Iraq, 2023).

3.3. Financial Performance

Portfolio financial performance is "a measure used to evaluate how a group of investments or financial assets perform over a specific period of time. This performance includes several aspects, including:

Financial performance is “a quantitative measure to identify the financial position of the institution during a specific period of time, and financial performance refers to the overall financial health of the company”.

The use of financial indicators for the purposes of evaluating banking organizations

and their performance has become a common and widespread matter because they are compatible with the nature of the work of these organizations and express the extent to which their strategic goals are achieved. Through financial analysis using these indicators, the past performance of these organizations is studied, their present conditions are evaluated, and then the possibility of achieving their desired goals in the future is predicted and the necessary current and expected decisions are made (Smith & Grimm, 2020: 17). The trend towards measuring the performance of banks according to the financial perspective is the most established and developed trend, as excellence in the field of banking financial performance guarantees the bank a superior competitive advantage by opening up horizons for it to move towards strengthening and developing that position (Shortell & Zajac, 2019: 12). Banking financial performance is closely linked to the need of the various parties related to a specific project to know the financial changes that occurred in the course of its business during the specified periods for planning goals, as well as to know the historical variables and predict the future, because it expresses the bank's processing of available data with the aim of obtaining information used in evaluating the performance of banks in the past and present and predicting what it will be in the future, thus helping in the decision-making process (Yin, 2017: 10), as the evaluation of that performance depends mainly on financial analysis processes that help banks know their financial position and evaluate the results of their work, as it is a financial analytical process to evaluate the bank's performance in the past to discover deviations and develop that performance in the future. The financial performance of the portfolio is measured by comparing the actual return achieved by the portfolio with the expected return or a reference index, as well as comparing the risk with the expected risk after diversifying the portfolio. The financial performance of the portfolio or the financial performance of the portfolio aims to determine the success

of the strategy and the extent to which the goals are achieved (Buchner et al., 2016:16). The financial analysis of the portfolio is frequently used to make better decisions and adjust the investment strategy according to market and economic variables and the investor's long-term goals (Guizani & Abdalkrim, 2017:25).

3.4.The Investment Portfolio

The American analyst Harry Markowitz is the first to write about the investment portfolio in its economic concept. Harry Markowitz is considered one of the distinguished thinkers in the field of finance and investment. He is credited with inventing the investment portfolio theory in 1952. Then Sharp developed the portfolio theory in 1962. In 1966, Sharp and Winter presented a model known as the capital asset pricing line model, which became a standard for the efficiency of the investment portfolio (Ulrich, 2007: 18). After that, Ross developed the model in 1976 and it became known as the weighted price model, which is based on choosing alternatives from among securities by comparing return and risk. When returns are equal, the securities with the lowest risk are chosen. Thus, the portfolio theory is considered an intellectual revolution in the world of finance and investment. The importance of this theory lies in the fact that it contributes to the possibility of measuring investment risks quantitatively. Therefore, the investor no longer relies on the expected return only as a basis for choosing investments, but the risk factor was added to it (Reilly, 2017: 1) . The origin of the investment portfolio goes back to the emergence of many financial institutions and banks during the fifties and sixties in the United States and Britain. Their main goal was to collect savings from individuals who could not invest them due to lack of experience or time in order to invest them in a correct investment that would achieve a good income for the institution, which led to the emergence of a large number of portfolios, but as a result of the presence of a large number of non-specialized managers who did not apply the scientific

foundations of managing investment portfolios and thus failed in their management, that prompted researchers and scholars to focus on managing investment portfolios. The financial portfolio is the sum of assets that aim to achieve the best return and an acceptable level of risk less than the normal level (Al-Ani, 2008: 2). It is also referred to within mathematical logic as the assets and returns weighted by weights within each company's share of the total portfolio (Abdelhamid, 2008: 9). It is represented by the diverse financial formation of securities that are linked to a similar group of characteristics and take into account future returns and their risks (Fisherm, 2013: 571). The financial portfolio is also known as a group of financial assets owned by a person or a commercial entity and usually includes stocks, bonds and other securities and aims to achieve specific goals such as increasing wealth or providing fixed income. The financial portfolio varies based on the investor's goals and risk tolerance level. The portfolio may be balanced between stocks and bonds to achieve a balance between return and risk, or it may be more oriented towards stocks to achieve higher returns in the long term despite the risks associated with them (Guizani & Abdalkrim, 2017: 25). Therefore, the basic assumption of portfolio theory is that investors seek to achieve the greatest possible benefit from investments and desire the highest return with an acceptable level of risk or the least possible risk within a specified return, as an increase in return leads to an increase in the benefit to the investor, while an increase in risk leads to a decrease in the benefit (Nguyen & Nguyen, 2018: 33).

And evaluating how the portfolio performs in achieving financial returns and investment efficiency for these financial resources. This is done by building a financial portfolio, which refers to a group of financial assets such as stocks, bonds, commodities, real estate and cash owned by a company, institution or individual investor (Agana et al., 2021: 35).

3.5.Building And Forming The Investment Portfolio

The investment portfolio theory is based on five main assumptions: (Dias, 2023: 2)

1. The investor examines each investment alternative from the perspective of the probability distribution of the expected return over a given period.
2. Maximizing profit and economic benefits.
3. The investor views risk as an indicator of the volatility of the expected return.
4. The investor bases decision on only two basic variables (return and risk).
5. All investors avoid risk. If the investor chooses between two alternatives with the same return, he will choose the one with the least risk.

The theory developed by Markowitz is known as a normative theory that deals with rational financial decisions made by investors to find a balance between the return and risk achieved from investing in financial or material assets.

Therefore, the basic assumption of portfolio theory is that the investor seeks to achieve the greatest possible benefit from investments. He wants to achieve the highest expected return within a specific level of risk or the lowest possible risk within a specific return, as the increase in return leads to an increase in the benefit to the investor, while the increase in risk leads to a decrease in benefit. The concept of the portfolio is based on the assumption that all the advantages of the investment portfolio can be summarized by the expected return weighted by risk, and that all the disadvantages of the portfolio can be summarized by the level of volatility in returns (Otávio, 2020: 2). The scientist Markowitz relied on conventional wisdom that always dictates not to put all your eggs in one basket. that means to use diversification, So the concept of diversification came and was applied to different areas of finance and investment and it played a major role in avoiding risks and improving and building optimal investment portfolios within the effective limits of return and risk in order to achieve the goals of the investor (Luis & Alves, 2010 :45).

Multidisciplinary Journal of Management, Economics, and Accounting
ISSN: 2705-2842
Number 10 Issue 4 2024

4.Results

4.1.Cost Indicators

Table (1) indicates that the highest costs in 2020 were for the Iraqi Company for Meat Production and Marketing, where the total costs were (821,196,853), and the lowest costs were for Al-Maamoura Real Estate Investments Company, which was (107,223,511), while the highest total costs in 2021 were for the Iraqi Carpet Company, which was (624,167,344), and the lowest costs were for Al-Maamoura Real Estate Investments Company, which was (108,998,504). The highest total costs in 2022 were for the Iraqi Company for Meat Production and Marketing, which was (625,449,153), and the lowest costs were for Al-Maamoura Real Estate Investments Company, which was (121,509,097). Likewise, the highest total costs in 2023 were for the Iraqi Company for Meat Production and Marketing, which was (665,943,973), and the lowest costs were for Al-Maamoura Real Estate Investments Company, which was (137,270,576).

Table 1: Cost indicators for sample companies for the period 2020-2023

Company	Year	Salaries And Wages X1	Commodity Requirements X2	Service Requirements X3	Depreciation X4	Taxes X5	Total X
Sajad	2020	182,059,340	32,998,590	135,664,590	256,268	462,500	351,441,288
	2021	171,192,000	107,965,330	172,409,430	47,084	172,553,500	624,167,344
	2022	190,604,000	15,318,560	104,890,075	211,878	37,401,500	348,426,013
	2023	197,309,000	215,806,900	159,287,136	242,500	43,696,269	616,341,805
Iraqia	2020	426,962,199	24,074,900	179,704,000	171,565,604	18,890,150	821,196,853
	2021	329,199,940	19,514,200	46,969,500	173,647,333	19,108,250	588,439,223
	2022	350,848,565	24,246,290	57,000,850	165,027,198	28,326,250	625,449,153
	2023	419,450,085	25,577,280	48,495,500	150,611,358	21,809,750	665,943,973
Maamoura	2020	92,510,786	1,823,313	9,622,729	3,266,683	-	107,223,511
	2021	94,910,472	831,875	9,494,000	2,958,282	803,875	108,998,504
	2022	105,060,375	1,340,750	11,529,375	2,265,659	1,312,938	121,509,097
	2023	106,096,425	1,545,500	19,485,890	1,411,011	8,731,750	137,270,576

Karkh	2020	54,510,000	26,878,250	55,514,446	51,279,935	1,244,000	189,426,631
	2021	124,355,340	27,642,905	56,263,798	57,295,359	9,901,500	275,458,902
	2022	108,986,520	33,272,820	107,276,886	94,773,555	6,192,000	350,501,781
	2023	136,742,686	47,708,180	124,654,656	67,245,070	9,465,576	385,816,168

4.2.Rate of Return and Risk

Table (2) indicates the return and risk rates for the study sample companies for the period 2020-2023. It is clear that the total return rate reached (2.191%), and the highest return rate was for Maamoura Company (4.88%) and the lowest return rate was for Karkh Company (0.40%). Also, the highest risk was for Maamoura Company (6.33%) and the lowest risk was for Sajad Company (1.94%). Regarding the companies and during the study period extending from 2020-2023, Sajad Company recorded a return rate of (1.50%) and a risk rate of (1.94%), and as for Iraqia Company, the return rate was (2%) and a risk rate of (2.79%), while the return rate for Maamoura Company was (4.88%) and a risk rate of (6.33%), while Karkh Company had a return rate of (0.40%) and a risk rate of (3.21%).

Table 2: Return and Risk Rate for the Period 2020-2023

Company	Sajad	Iraqia	Maamoura	Karkh	Rm
Year	A	B	C	D	
2020	0.0115	-0.0009	0.0704	-0.0043	0.0192
2021	0.0430	-0.0037	-0.0048	-0.0277	0.0017
2022	-0.0008	0.0553	0.1287	-0.0008	0.0456
2023	0.0061	0.0292	0.0008	0.0486	0.0212
Av. Return	0.0150	0.0200	0.0488	0.0040	0.0219
Av. Risk	0.0194	0.0279	0.0633	0.0321	0.0181

The rate of return and risk for companies during the study period can be visualized as in Figures (1)and (2).

Multidisciplinary Journal
of Management, Economics, and Accounting
ISSN: 2705-2842
Number 10 Issue 4 2024

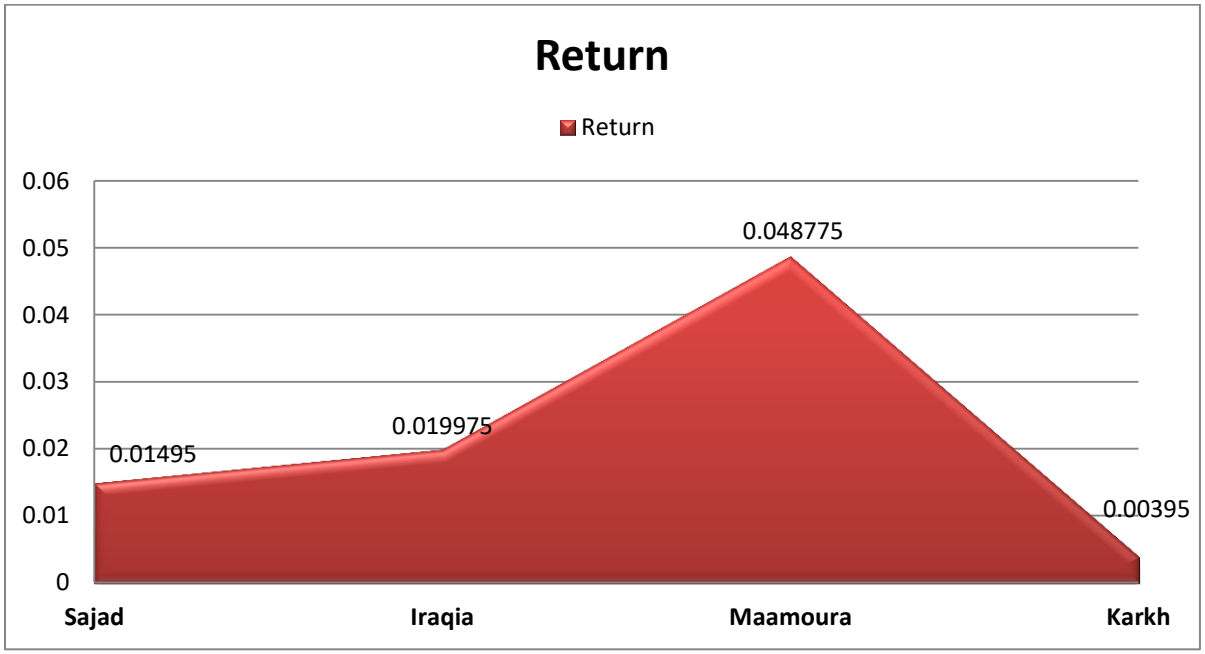

Figure 1: Corporate Return Rate for 2020-2023

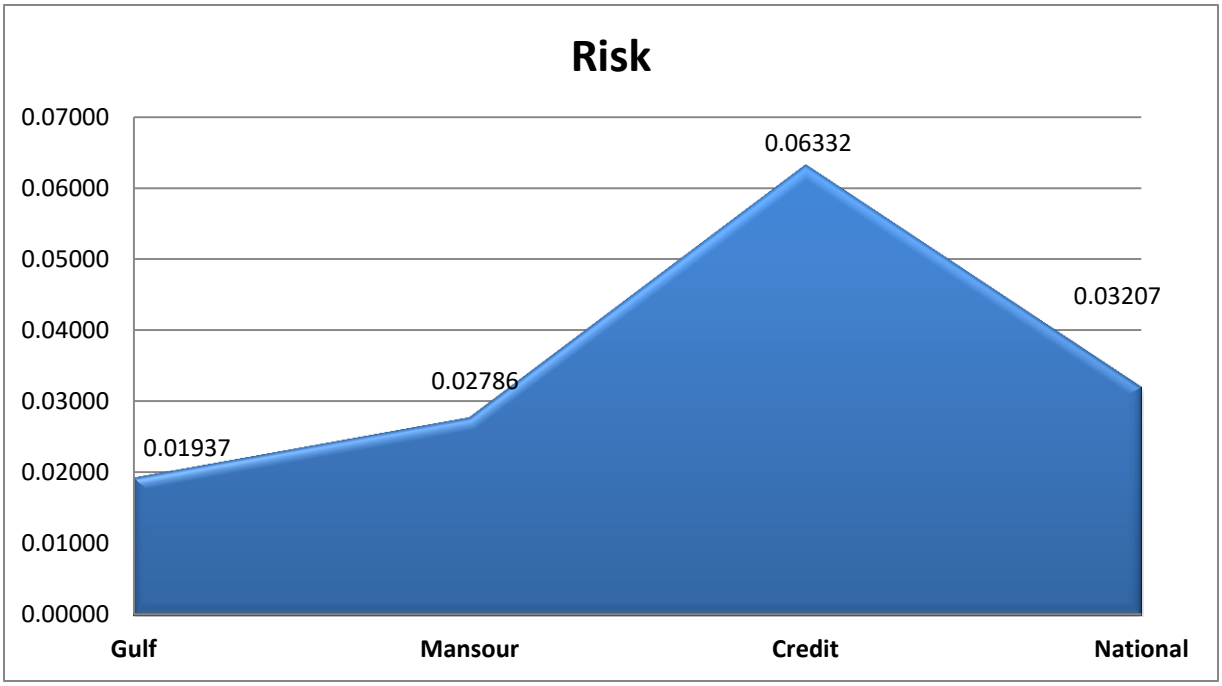

Figure 2: Risk ratios for companies during the period 2020-2023

Multidisciplinary Journal
of Management, Economics, and Accounting
ISSN: 2705-2842
Number 10 Issue 4 2024

4.3.Hypothesis 1 :A financial portfolio can be built for companies in the Iraq Stock Exchange.

The financial portfolio indicators are calculated, which reflect the financial performance of companies measured by return and risk. In order to achieve the best results for the financial performance of the portfolio, the optimal financial portfolio is formed based on weighting by diversifying investments and ratios for each company by revealing the variance, because the weighting in the optimal portfolio improves the indicators that make up the portfolio by maximizing the return and reducing the risk. The (Solver) technique is used to calculate the optimal financial portfolio that gives the highest return and the lowest risk. Tables (3) and (4) indicate that the total value of the portfolio return rate reached (2.19%) before diversifying the weights and weights, while it became a return of (3.62%) after diversification. Also, the risk within the normal portfolio reached (1.81%), while the risk decreased after diversification and weighting to (1.12%). This indicates the efficiency of the portfolio and the improvement of its financial performance after diversification and weighting. these results support the (H1) hypothesis.

Table 3: Portfolio Indicators Before And After Diversification For The Period 2020-2023 Using Portfolio Solving Methods

Company	Sajad	Iraqia	Maamoura	Karkh	Rm
Year	A	B	C	D	
2020	0.0115	-0.0009	0.0704	-0.0043	0.0192
2021	0.0430	-0.0037	-0.0048	-0.0277	0.0017
2022	-0.0008	0.0553	0.1287	-0.0008	0.0456
2023	0.0061	0.0292	0.0008	0.0486	0.0212
Av. Return	0.0150	0.0200	0.0488	0.0040	0.0219
Av. Risk	0.0194	0.0279	0.0633	0.0321	0.0181
Weight before diversification	25%	25%	25%	25%	100.00%
Weight before diversification	49%	-3%	61%	-7%	100.00%

Return before diversification	0.0037	0.0050	0.0122	0.0010	2.19%
Return after diversification	0.0073	-0.0006	0.0298	-0.0003	3.62%
Total return before diversification and hedging					2.19%
Total risk before diversification and hedging					1.81%
Total return after diversification and hedging					3.62%
Total risk after diversification and hedging					1.12%

Table 4: Covariance Detection Matrix For Companies Using Portfolio Solving Methods

Index	A	B	C	D
A	0.02532	0.00181	0.02836	0.00071
B	0.00181	0.00611	0.00096	0.00645
C	0.02836	0.00096	0.03446	-0.00095
D	0.00071	0.00645	-0.00095	0.00729

4.4.Hypothesis 2

The results of Table 5 and Figure 4 indicate a significant impact of cost indicators in improving the financial performance, as the value of the regression coefficients is acceptable and resulted in a positive impact that contributes to achieving an increase in return (0.517) and contributes to achieving a reduction in risk (0.211-) and affects financial performance (0.613), which is high and significant at the level of (0.05). These results support the hypothesis, i.e. reducing cost indicators increases the level of "financial performance of the investment portfolio". that support this hypothesis. as for sub hypotheses as follows:

1) **Hypothesis 2-1**:

The results of Table 5 and Figure 3 indicate a significant impact of salaries and wages in improving the financial performance, as the value of the regression coefficients is acceptable and resulted in a positive impact that contributes to achieving an increase in return (0.423) and contributes to achieving a reduction in risk (0.189-) and affects financial performance (0.567), which is high and significant at the level of (0.05).

These results support the hypothesis, i.e. reducing the costs of salaries and wages increases the level of "financial performance of the investment portfolio". that support this hypothesis.

2) **Hypothesis 2-2**:

The results indicate a significant impact of commodity requirements in improving the financial performance, as the value of the regression coefficients is acceptable and resulted in a positive impact that contributes to achieving an increase in return (0.413) and contributes to achieving a reduction in risk (0.1110-) and affects financial performance (0.442), which is high and significant at the level of (0.05). These results support the hypothesis, i.e. reducing the costs of commodity requirements increases the level of "financial performance of the investment portfolio". that support this hypothesis.

3) **Hypothesis 2-3**:

The results indicate a significant impact of service requirements in improving the financial performance, as the value of the regression coefficients is acceptable and resulted in a positive impact that contributes to achieving an increase in return (0.339) and contributes to achieving a reduction in risk (0.123-) and affects financial performance (0.339), which is high and significant at the level of (0.05). These results support the hypothesis, i.e. reducing the costs of service requirements increases the level of "financial performance of the investment portfolio". that support this hypothesis.

4) **Hypothesis 2-4**:

The results indicate a significant impact of depreciation indicators in improving the financial performance of the investment portfolio, as the value of the regression coefficients is acceptable and resulted in a positive impact that contributes to achieving an increase in return (0.313) and contributes to achieving a reduction in

risk (0.111-) and affects financial performance (0.289), which is high and significant at the level of (0.05). These results support the hypothesis, i.e. reducing depreciation costs increases the level of "financial performance of the investment portfolio". that support this hypothesis.

5) **Hypothesis 2-5**:

Results 3 indicate a significant impact of taxes and fees in improving the financial performance, as the value of the regression coefficients is acceptable and resulted in a positive impact that contributes to achieving an increase in return (0.306) and contributes to achieving a reduction in risk (0.229-) and affects the financial performance (0.281), which is high and significant at the level of (0.05). These results support the hypothesis, i.e. reducing the costs of taxes and fees increases the level of "financial performance of the investment portfolio". that support this hypothesis.

Table 5: The impact of cost indicators on the financial performance of the investment portfolio

Path	B	Sig.	Path	B	Sig.
X --> RE	0.517	0.000	X --> RI	-0.211	0.020
X1 --> RE	0.423	0.000	X1 --> RI	-0.189	0.0336
X2 --> RE	0.413	0.000	X2 --> RI	-0.111	0.048
X3 --> RE	0.339	0.000	X3 --> RI	-0.123	0.039
X4 --> RE	0.313	0.000	X4 --> RI	-0.111	0.048
X5 --> RE	0.306	0.000	X5 --> RI	-0.229	0.013
X --> FP	0.613	0.000			
X1 --> FP	0.567	0.000			
X2 --> FP	0.422	0.000			
X3 --> FP	0.339	0.000			
X4 --> FP	0.289	0.009			
X5 --> FP	0.281	0.011			
X	Cost Indicators In Total				

Multidisciplinary Journal
of Management, Economics, and Accounting
ISSN: 2705-2842
Number 10 Issue 4 2024

X1	Salaries And Wages
X2	Commodity Requirements
X3	Service Requirements
X4	Depreciation
X5	Taxes
RE	Return
RI	Risk
FP	Financial Performance Of The Investment Portfolio

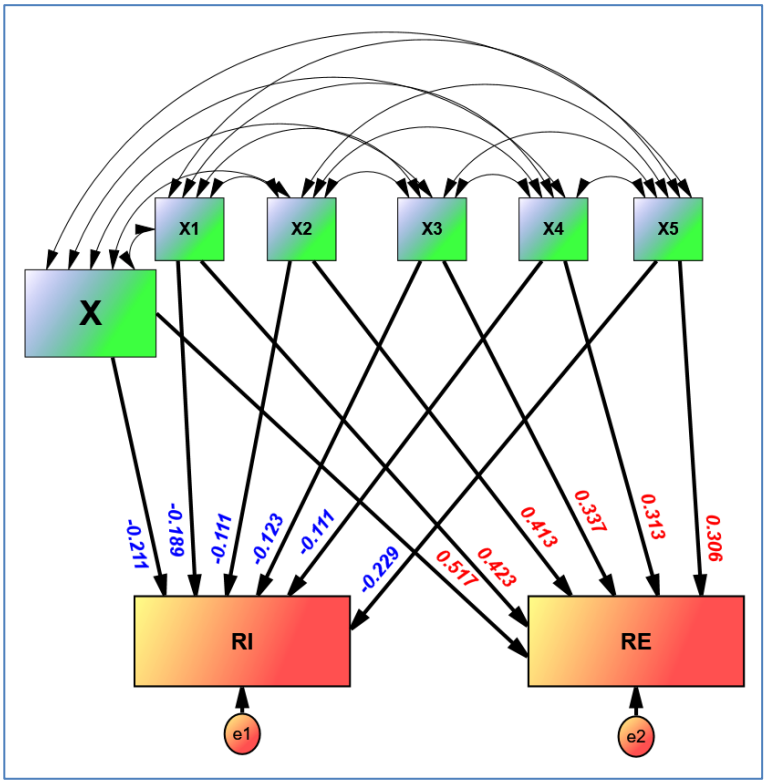

Figure 3: Model of the impact of cost indicators on the financial performance of the investment portfolio at the level of indicators

Multidisciplinary Journal
of Management, Economics, and Accounting
ISSN: 2705-2842
Number 10 Issue 4 2024

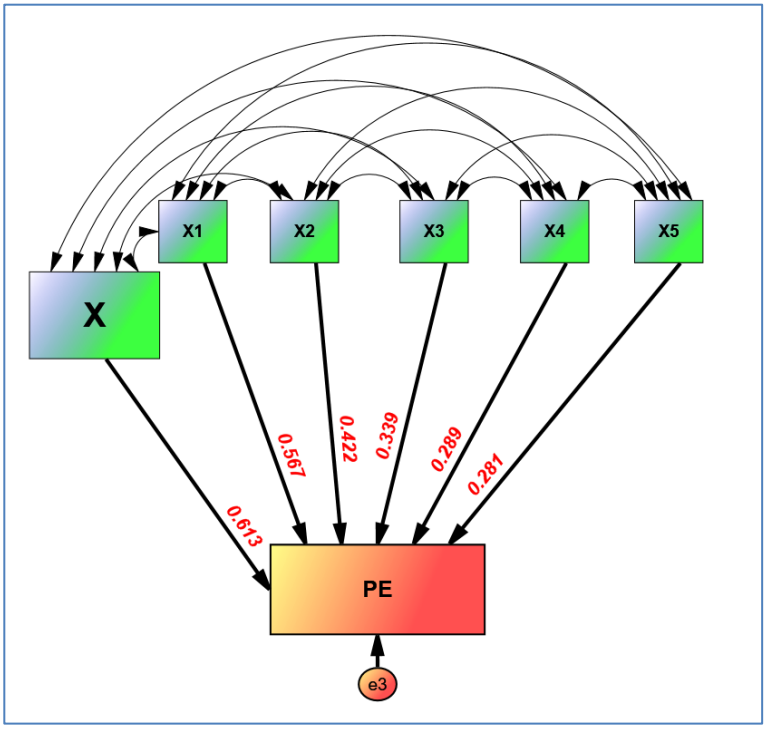

Figure 4: Model of the impact of cost indicators on the financial performance of the investment portfolio at the aggregate level

Accordingly, it is evident that the hypothesis is supported, which indicates that cost indicators affect the financial performance of the investment portfolio. The more attention is paid to cost indicators, the more it will be positively reflected in increasing the return and reducing the risk, which will be positively reflected in improving the financial performance of the banks' investment portfolio.

5.5.Conclusions And Recommendations

5.1. Conclusions

1) Companies that adopt practical strategies to reduce costs and improve their efficiency make more effective investment decisions, which leads to better allocation of resources and increased investment returns.
2) The impact of costs on financial performance is not constant, but rather varies based on the nature of the sector to which the company belongs. For example,

sectors with high production costs such as manufacturing show a greater impact of costs compared to services.

3) Companies that invest in analyzing and evaluating their costs periodically find opportunities to reduce waste and increase operational efficiency, which leads to improved financial and investment performance in the long term.
4) The analysis showed that a financial portfolio can be built for companies listed on the Iraqi Stock Exchange and that the optimal portfolio is the best by diversifying investments by weighting them.
5) The results showed that all cost indicators have an impact on improving the portfolio return, and that the salaries and wages index is followed by the service costs index, then commodity costs, then taxes and fees, while the depreciation index was ranked last.
6) The results showed that all cost indicators had an impact on reducing portfolio risk, and that the wages and salaries index had the highest impact, followed by the commodity costs index, then service costs, then taxes and fees, while the depreciation index was in last place.
7) The results showed that there is a positive role for cost indicators in improving returns and reducing risks, thus improving financial and portfolio performance.

5.2.Recommendations

1) Adopting the optimal financial portfolio approach after diversifying investments and weighting them with relative weight, which gives the best return and the lowest possible risk.
2) Reviewing tax policies and financing costs to achieve better financial stability.
3) Companies should develop effective cost management strategies, by analyzing fixed and variable costs and identifying areas of efficiency.

4) It is important for companies to invest in modern technology to improve operations and reduce costs, which contributes to enhancing financial performance.
5) Companies should study the economic, political and social factors that may affect costs, and adapt to those changes.
6) Giving priority to costs related to salaries and wages for gradual reduction without affecting the productivity of workers.
7) Identifying the excess costs that do not add value to the organization and working to eliminate them. Cost indicators can be used to identify areas that need improvement and reduce unnecessary costs.

References

1) Luis Q. , Alves R. (2010),The Intelligent Investor's Guide to Portfolio Construction: Maximizing Returns and Managing Risk, Journal Of Aegaeum , 1(2).
2) Shaker, Haider Nouri, Mahmoud Hassan Juma, Strategic Cost Management Techniques, Diyala Magazine, Iraq, Issue 2014.
3) Horngren, C. T. (1995). Management accounting: this century and beyond. Management Accounting Research, 6(3), 281-286.
4) John Eco (2021),Green Intellectual Capital and Firm Performance: A Systematic Literature Review, , Legfin Multidisciplinary Research Journal, 11(4).
5) Stanley, E., & Lambert, (2019) Unlocking Value: Exploring the Scenario Analysis Approach to Cost Rationalization, Hofa: African Journal Of Multidisciplinary Research No (3).

6) Huang, X. X., Newnes, L. B., & Parry, G. C. (2012). The adaptation of product cost estimation techniques to estimate the cost of service. International Journal of Computer Integrated Manufacturing, 25(4-5), 417-431.

7) Ebaid, I. E. (2018), Impact of dividend announcement on Financial performance, , Hofa: african journal of multidisciplinary research No (1).

8) Charitou, A., Clubb, C., & Andreou, A. (2020), Dividend Announcement And Its Impact On The Stock Prices, Journal Of Aegaeum , 1(2).

9) Smith K.G., and C.M. Grimm (2020), What about banks performance ,Management Journal, Vol. 8,pp. 110-119.

10) Shortell, S.M., and J.E. Zajac (2019), Performance in financial firmsy, Academy of Management, Vol. 3 (4).

11) Shortell, S.M., and J.E. Zajac (2019), Performance in financial firmsy, Academy of Management, Vol. 3 (4).

12) Buchner, A., Kaserer, C., & Wagner, N. (2016),Announcement effect of cash dividend changes on share prices, Bylyegody Journal (2).

13) Guizani, M., & Abdalkrim, G. (2017). Empirical analysis: cash dividend changes , Hofa: african journal of multidisciplinary research No (1).

14) Reilly Frank K. (2017), Building Your Investment Portfolio: A Comprehensive Guide to Wealth Creation, , Hova African Journal of Multidisciplinary Research, 7(1).

15) Abdelhamid El Bouhadi,Ounir and El Maguiri, (2008) "The efficient portfolio construction : an empirical investigation based on some listed shares in casablanca stock exchange", Faculté de Droit de Marrakech, Université Cadi Ayyad, Marrakech.

16) Fisherm, E Donald & Jorden, J Ronald, (2013) Security Analysis and portfolio management, 6 edm,.

17) Guizani, M., & Abdalkrim, G. (2017). Empirical analysis: cash dividend changes , Hofa: african journal of multidisciplinary research No (1).

18) Nguyen, H., & Nguyen, T. (2018) ,Effect of profitability and liquidity on cash flow dividend changes, Legfin Multidisciplinary Research Journal, 10(3).

19) Agana, J., Mireku, K., & Appiah, K. O. (2021), Determinants of dividend payout: Profitability and liquidity, Legfin Multidisciplinary Research Journal, 10(3).

20) Dias T. (2023),Mastering the Investment Portfolio: Strategies for Long-Term Growth and Financial Independence, Technology Journal of Management , Accounting and Economics (TECH), Vol. 11 No. 2.

21) Otávio K., Cavalcanti P., Pereira Y. (2020),The Art of Diversification: Crafting an Effective Investment Portfolio, Global Journal Of Social And Future Studies , 2(1)