

An Investigation Into The Factors That Cause Small Business Failure In Iraq

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| Article Info | Abstract |
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| <p>Article History</p> <p>Received: June 28, 2021</p> <p>Accepted: January 29, 2022</p> <hr/> <p>Keywords : Business, Enterprises, Failure, Government, Strategies</p> <p>DOI: 10.5281/zenodo.6335073</p> | <p><i>The reasons small businesses fail in Al-Hilla Textile Factory and Diwanayah Tires Factory In part, the high failure rates can be explained by small, medium, and microenterprises' own shortcomings as well as the deficiencies in support institutions. Small companies should use these strategies to help them become more competitive. The analysis was investigative, as well as exploratory and descriptive. We elected to use semi structure interviews to collect data. Among the study's many findings, the data showed that the most prevalent causes of company loss are ignorance of legal issues, lack of capital, lack of experience, and lack of business acumen. Improving government funding systems was another recommendation made in the report. It also suggests that cash flow management preparation is crucial for small to medium-sized businesses Al-Hilla Textile Factory and Diwanayah Tires Factory Implementation of these guidelines would lead to a successful future for small enterprises and the whole country.</i></p> |

Introduction

Small businesses that have many positive effects on their respective national economies Because of their low profits, small businesses are more susceptible to large losses than larger companies, it is very difficult for them to succeed in an economic downturn. 70% of all the companies in Iraq are micro-entrepreneurs, but they have a slightly above-average failure rate. In the majority of cases, small businesses typically collapse within five years. Finally, it goes up to around 80% in certain countries. They vanished after almost all of the early adopters had taken the plunge. Enterprises shy away from creative projects due to the risk of failure [1].

Since these small, medium, and even medium-sized schemes lack sufficient financing, the failure rate is predictable. Prior to the collapse of the Saddam Hussein's regime, the Iraqi government had failed to adequately provide for small enterprises. In general, a big firm can receive the most investment from smaller firms. After the year 1990, though, this has turned around for the better. There have also been several governmental initiatives aimed at developing and increasing the number of small and middle-sized enterprises in recent years [2].

Many books have been written on the topic of why small businesses struggle. As many small firms, small businesses often die because of cash flow problems. This is arguing that when an organization is established or growing, funds are required for negligible results. A company must have a stable leader, decent finances, excellent people management, and an integrated board of directors. Smaller companies are more likely to struggle when transitioning to a market because of their high startup costs, which reduces their marketability and hinders their production [3].

Smaller companies struggle with taking in employees from the outside is an already crowded labor pool is a problem [4]. As long as the development isn't complete, benefits cannot be produced yet. And funds that are not needed for necessary purchases, such as food, clothing, and housing can also be used to assist families in addition to this their aspirations are open on the other side, but they're subject to some confusion. Fewer candidates would be considered, however they have all the necessary abilities. Forgetting people is bad business [5]. For example, only people who have been responsive and people who have learned to think more constructively take on a leadership role as a leader in small business. Additionally, many small business owners incorrectly feel that they should rely on their employees to be trustworthy and faithful and give the company credit where it is due, even though they aren't being paid for it [6]. The employees feel like they are getting special treatment and they believe they are receiving benefits from the boss. Good employee performance would be hampered if they do not have contact with customers. And just as with clients, there would be lack of dedication if there were no regard for the interests of employees. Furthermore, smaller businesses use "do-it-yourself" employees if they do not have guidance [7].

If small business growth is to occur, people must understand what creativity is. It is essential to comprehend how finance is utilized in the absence of high knowledge about the future market. Small businesses, by their

very nature, run in a world that doesn't lend itself to reliability. There is a need to comprehend the methods banks and investment firms use to provide financing, as the knowledge they provide is outdated and unavailable. It is said that nothing has been done to assist small businesses in Iraq. Since governments have supported businesses in various ways over the years, there have been a number of theories and debates on the essence of their involvement [8]. The government has been urging people to recognize that assistance has been delivered in sections rather than as a whole and coherently. An additional argument is that small companies have received little budgetary assistance, institutional, and interagency provision coherence [9].

Methodology Sampling

To collect the data for this analysis, cluster sampling was employed [10]. The small business was subclassified according to whether it was considered to be survivalist, micro- or small. It is a type of cluster sampling called "subdivision sampling". For purposes of all the statistical tests, purposive sampling was used. There were ten units used in each of the three clusters of an interrogation. Since random sampling covers all, purposive sampling focuses on the characteristics of the thing one wants to know about. This research focused on mom-and-pop establishments, such as fast food franchises and grocery stores, and failed to include large institutions such as medical practices, garages, or specialized facilities such as dentists'

Data Collection

First of all, the small business owners were canvassed in their target markets, which includes where they have establishments Al-Hilla Textile Factory and Diwaniyah Tires Factory Each business owner was granted a permit to sign the letter of agreement [11]. The letter outlined the reasons for the interview, secrecy, privacy, and anonymity, and they were addressed in full. Mostly, however, semi-struct interviews were used to obtain information. With this approach, it was possible to learn why small companies were being ineffective Semi-struct interviewing encompasses inquiry-oriented questions such as "questions that enable the interviewer to expand and explore on responses given and offer the interviewee more leeway to elaborate." To obtain additional details, semi-structured interviews allow the researcher to probe since neither the interviewer nor the interviewees are limited to fixed questions and answers [10]. The interviews were audio taped and noted. Each business owner was profiled according to his or her business location. Some of them were not able to speak English, but in these cases, the interviews were held in their native tongues about ten to twenty minutes is the amount of time each interview took. He spent six weeks collecting data.

Data analysis

Grounded theory was used, as well as theoretical sampling, constant data collection, and constant analysis. Correlational theory is grounded on empirical evidence that was collected and checked through the testing process Near association between data collection [12], study, and possible hypothesis formation of theory. Survival data was recorded in tabular and categorical form, and one was assigned to each of the survivors, as well as each of the smaller companies that took part in the survey. Also, because the topic is complicated and involved, applying grounded theory is the most effective method. The results presented in this study depend on interviews accompanied by ten research questions.

Results and Discussion

Lack of Legal Requirements

To determine whether or not, 30% of the survivalists stated that they were granted a license to conduct their business 40% of the micro enterprises as well as 100% of the small businesses were authorised" Figure 1 shows the lack of legal requirement: Based on the report, the researcher noticed that small companies often ignore laws and regulations. According to the [13], small businessmen face various problems, such as those encountered by survivalists and microentrepreneurs, while operating their own operations. However, registration is attributable to the government's inability to supply relevant information. In contrast to survivalists and microentrepreneurs, who lack title deeds to the land, major business property owners use licenses to correctly identify the amount of time required to operate a small-scale operations (19). Thus, according to the findings of the survey, one of the main causes for survivalists and microentrepreneurship failure is government lack of funding.

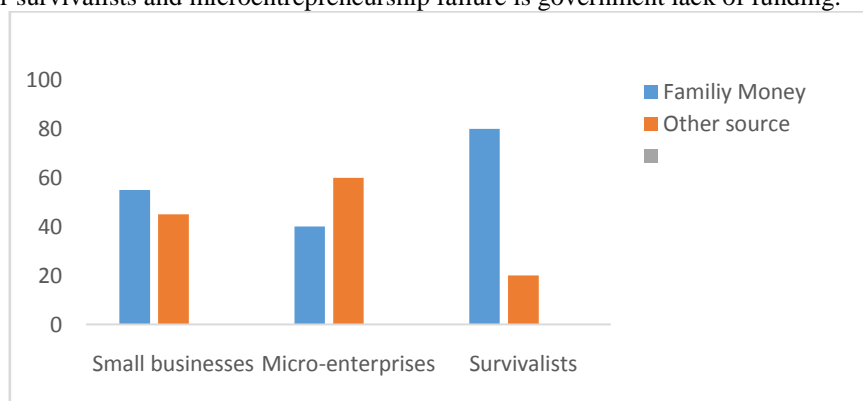


Figure 1: Shows the lack of legal requirement

Failure to Manage Finance

Small business record-keeping, startup financing, and budgeting are also included. Table 2 shows that 30% of survivalists, 40% of micro-enterprises, and 100% of small companies keep track of their expenses. The findings back up the literature that most survivalists and microbusinesses don't hold notes. Bad record-keeping is apparent in small companies [14]. However, the researcher concluded in this report that the majority of survivalists and micro-enterprises struggle because they are under-informed or lack record-keeping training. Since most businesses use bookkeepers, only small businesses such as supermarkets maintain notes.

Table 1: Finance – keeping of records

| Description | Small businesses | Micro-enterprises | Survivalists |
|--------------------|------------------|-------------------|--------------|
| Finance | | | |
| Keep records | 8 | 4 | 3 |
| Don't keep records | | 6 | 7 |
| Total | 7 | 11 | 10 |

Poor Staff Relations

Table 2 reveals that 30% of survivalists, 60% of micro-enterprises, and 100% of small firms recruit employees rather than family members and frequently do the job themselves. The respondents found that using family members resulted in additional financial expenditures, especially when the company was first starting out – it seems that a business spends more money on its goals than on growth. Additionally, training your family members in company would be difficult, and costly. Another incentive for small companies to hire outside staff is that they don't have to handle these tasks themselves, including marketing, shipping, and defense. Thus, regardless of the various sub-sectors, only workers outside the industry can have a net benefit to the company. [15] Found that having relatives in the market can delay profitable start-up. Based on this conclusion, it can be inferred that most microbusinesses and small businesses tend to not to employ relatives because it's hard to control those that are family members, and also the importance of family needs could impede their business.

Table 2: shows Hiring of staff businesses

| Description | Small businesses | Micro-enterprises | Survivalists |
|--------------------|------------------|-------------------|--------------|
| Staff hired | | | |
| Self | 0 | 1 | 3 |
| Family | 0 | 3 | 3 |
| Other Staff | 7 | 7 | 4 |
| Total | 7 | 11 | 10 |

Technology

According to the findings, 70 percent of survivalists, 80 percent of micro-enterprises, and 100 percent of small companies use technology (see Figure 2) Telephones, mobile phones, fax machines, cash registers, printers, and calculators are all included. The research backs up the results that using at least some technologies improves market management. It is impossible to meet vendors and consumers through the use of technologies. According to [11], small companies that do not employ emerging technologies suffer from a lack of expertise as well as the high potential cost of insufficient management time in isolating cash flows related to their ventures. According to [13], many small businesses lack the time, finances, technologies, or experience to study and implement innovative business concepts and inventions. In this situation, the lack of available technology will become a key factor preventing small business growth and development. According to the findings of this report, the lack of technology in survivalists, micro-enterprises, and small businesses is due to a lack of preparation, a lack of financial capital to invest in technology, a lack of motivation, and a lack of resources to attend exhibitions about the 46 new information technology. This lack of technological expertise could jeopardize the proper operation of a company.

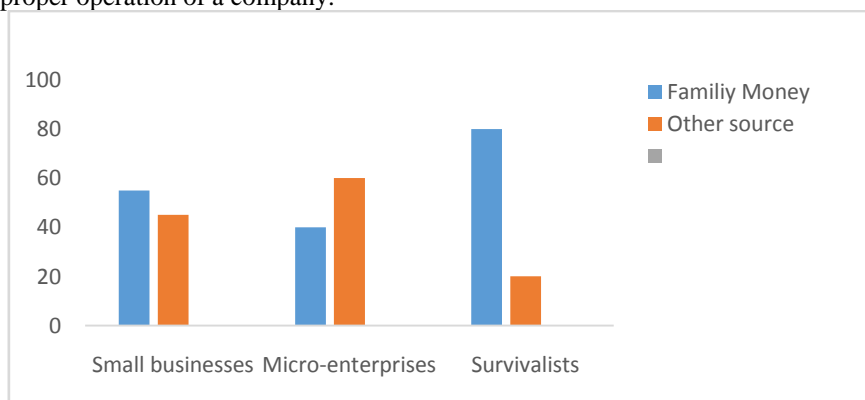


Figure 2: Shows use of technology

Start-up finance

According to Figure 3, 80 percent of survivalists, 40 percent of micro-enterprises, and 55 percent of small companies interviewed said they use support from their families. The family consists of parents, wives, brothers and sisters who work or have previously worked and have money in their accounts. The remaining findings show that 10% of survivalists, 70% of micro-enterprises, and 37.5 percent of small companies use cash from their package (earnings on retrenchment). Both small business owners indicated that they did not have any deposits or a loan from a financial institution. The results support the literature that small business owners have difficulty securing loans to launch their companies. According to [9], most start-ups, especially those without prior experience, lack a historical foundation for financial forecasts. As a result, they are required to tour libraries, do informal studies, and examine how other rivals operate their businesses in order to find the details they need to run their company. According to the small business Advisor launching a business can be daunting due to the 31 challenges of securing a loan from a financial institution. A significant amount of small companies struggle due to a lack of preparedness. They still underestimate the costs of starting and operating a company. Based on the study's findings, the researcher concluded that most small business owners starting out do not receive loans due to a lack of confidence from financial institutions, a lack of a strong track record, and a lack of business expertise. Small company loss rates are exacerbated by a lack of financial resources.

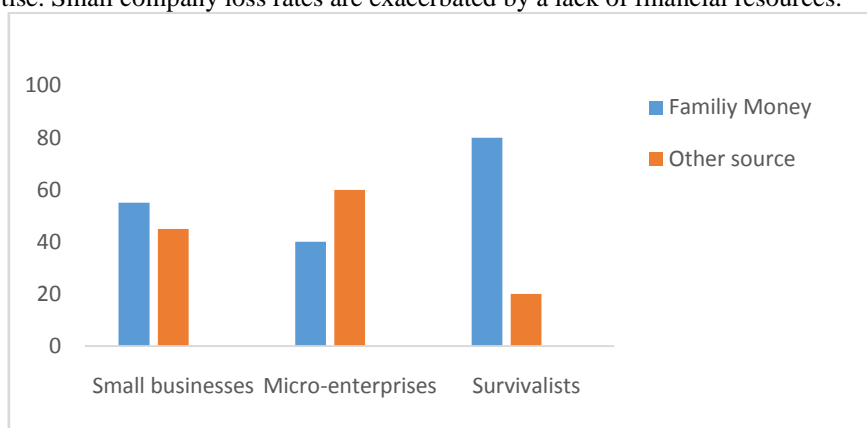


Figure 3: Shows the use of startup money for business by family member or other source

Conclusion

Crippled small businessmen are criminal and thus an obstacle to their existence (Al-Hilla Textile Factory and Diwanayah Tires Factory). Survivalists and small business owners face several problems, as they have yet to figure out how to register their companies.

Second, survivalists and micro-enterprises don't keep adequate records, leading to financial difficulties. Disco and micro-entrepreneurs, on the other hand, regard documents as unnecessary because they feel that they can effectively monitor and regulate their undertakings." Borrowing money is a much more dependable means of tracking business dealings than relying on one's memories.

It is finally argued that families are to blame for the disappearance of small businesses. This is because money is always used to meet the family's wants before it is put into business resources. It means, in other words, family and the company are not seen as distinct bodies that can make the business collapse because capital is not pumped in to it to be able to support it and grow.

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