

## INNOVATIONS

### **Business environment requirements and their impact on the growth of entrepreneurship in Iraq**

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#### **Abstract**

Globally: Entrepreneurship has an important role in economic growth, being a gateway to diversifying sources of income, and a mechanism for reducing unemployment rates by providing job opportunities and absorbing human energies, in order to achieve the best investment of economic resources, in a way that works to achieve a state of economic balance. The most important objectives of the research are to diagnose the requirements of the appropriate entrepreneurial environment for the success of pilot projects in Iraq, and the most important challenges it faces, as well as clarifying the role of these projects in achieving economic development. The research reached a set of conclusions, the most prominent of which is the weakness of Iraq's position in the field of doing business compared to other countries within its regional and Arab surroundings, the inflexibility of the procedures required to launch pioneering projects.

**Keywords:** 1. Entrepreneurship 2. Economic growth 3. Business environment 4. Innovation 5. Risk taking.

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#### **Introduction**

Entrepreneurial projects have a role in leading the economic growth of the country, within the framework of a business environment conducive to the growth of these projects, so what are the requirements of that environment?

In other words, the elements of the entrepreneurial business environment related to finance, support, policies, markets, human capital, infrastructure, research and development centers, culture, media, and women's empowerment, as these elements contribute to supporting these projects? Are its components available in the Iraqi economy? Answering these questions allows economic decision makers to develop mechanisms to provide a suitable environment for the development of entrepreneurial activities or businesses in Iraq.

The importance of this article focused on shedding light within the theoretical framework on the concept of entrepreneurship, its importance and elements, and the role it can play to achieve economic diversification and diversify sources of income in preparation for economic development. The research has been divided into four axes, within the first axis we presented the methodology that was adopted, and we focused in the second axis on the definitional framework for entrepreneurship and its importance and its elements, while in the third axis we dealt with the reality of entrepreneurship in Iraq, and in the fourth axis we presented the conclusions and recommendations that we reached, was among the most important; Iraq's weak position in the field of doing business compared to other countries within its regional and Arab surroundings, and the inflexibility of the procedures required to launch pioneering projects.

## **1: Research Methodology**

### **1-1: Research problem**

The research stems from the question:

- ✓ What are the mechanisms required to provide a suitable business environment for the growth of entrepreneurial projects?
- ✓ Are there elements of an enabling environment for the establishment of pilot projects in Iraq?
- ✓ What do we need to promote entrepreneurial activities?

### **1-2: Research importance**

- ✓ The knowledge addition provided by this research paper by combining the elements of the business environment (the independent variable) and the growth of entrepreneurial projects (the dependent variable).

- ✓ Providing future visions for reforming the business environment in order to establish and develop pioneering projects.
- ✓ Shedding light on the importance of pioneering projects by absorbing the high unemployment rates that Iraq suffers from, and allowing the private sector to take its role in diversifying sources of income.

### **1-3: Research goals**

- ✓ Identify the concept of entrepreneurship, the elements of its success, and its relationship to achieving economic development.
- ✓ The availability of a suitable environment for the establishment of pilot projects in Iraq.
- ✓ Challenges facing entrepreneurs in Iraq.

### **1-4: Research hypothesis**

The growth of entrepreneurial projects is linked to the availability of an appropriate business environment.

### **1-5: Research methodology**

We adopted the descriptive approach (description and analysis) as well as comparison with international experiences in the field of entrepreneurial projects.

## **2: Theoretical framework**

### **2-1: What does the concept of entrepreneurship mean?**

Entrepreneurship, according to the economist Joseph Schumpeter, means creating goods and services in a new way, as well as discovering new ways to produce goods and services (**Kharboutli. 2018**)

The Global Entrepreneurship Monitor (**GEM**) has defined entrepreneurship as expressing initiatives, whether individual or collective, that produce products (goods and services) with the aim of achieving profits (**Al-Mutairi. 2019**).

It means the possession of a person or group of people with innovative and pioneering ideas that contribute to the establishment of a new project, characterized by creativity and risk, in order to achieve profit with an appreciation of the risk involved.

Entrepreneurship is the search for or creation of opportunities to create something new that has value on the economic and social levels, carried out by specific people called “initiators” or “entrepreneurs” who invest in the possibilities around them, develop their skills and seek through them to produce new products or provide services. The entrepreneurial act is within a group in an existing company, or an independent initiative. Entrepreneurs are actually people who create and activate a specific company or project, looking for solutions to fill a specific “need” (and sometimes creating a need), taking risks in order to seek change through their product, innovation and development, in other words, creativity, innovation and the new addition to work in a framework of high risks .

**Entrepreneurship includes two main components: innovation and risk taking:** (Morris et al., 2001)

- ✓ **Innovation:** Represented by a group creating a new or different product or service to meet the needs of consumers. The innovator may not be an inventor, but he has the ability to anticipate the possibility of benefiting from different inventions.
- ✓ **Risk:** The element of risk is related to the establishment of a new project and the uncertainty of achieving profits or losses, due to the various variables surrounding the project environment, so the entrepreneur needs to have the courage to establish such a project and the adventure that he can undertake.

## **2- 2:The goals and importance of entrepreneurship**

Entrepreneurship seeks to achieve a set of objectives, including creating a suitable climate for entrepreneurship at the institutional level, establishing new projects or finding new production lines in existing projects, adopting modern initiatives presented by employees, rethinking the institution’s vision and available opportunities (Abdul Rahman. 2011).

**The importance of entrepreneurship is thus:** (Amer.2018)

- Achieving rates of economic growth, as a result of the creativity and innovation of entrepreneurship, thus creating new markets.
- Achieving a better investment of economic resources, because the entrepreneur is creative and innovative.
- Achieving a state of relative balance between the forces of supply and demand, as entrepreneurs are working to create new

opportunities for work, and therefore they are working to develop effective demand as a result of distributing more income, which increases the demand for goods and services, which in turn will increase production .

- Contributes to the accumulation and development of knowledge as a result of the application of creative ideas and their transformation into goods and services. Therefore, the entrepreneur works to discover non-traditional sources to improve the level of their production of goods and services and then achieve a competitive advantage.
- Pioneering projects play an important role in increasing the rate of women's employment. This is embodied in the introduction of some businesses that support women's work. Women start establishing entrepreneurial businesses, which contributes and enhances the role of women in the development of the national economy.

Entrepreneurial projects have contributed to economic growth in many developed countries, by achieving the best investment of economic resources and creating many jobs that have absorbed large numbers of labor, within this framework, statistics in the American economy indicate that entrepreneurial businesses have contributed to creating 15 million jobs in the sector. In 1992, entrepreneurial projects in Britain accounted for about 27% of the total work force, and entrepreneurial projects in China exceeded about 50% of the total national income ((ESCWA. 2007)

### **2-3: Entrepreneurial environment requirements**

Entrepreneurial business environment means that the economic and social environment that surrounds and influences the entrepreneurial project, whether it includes individuals, organizations and institutions, upon it. Whenever the appropriate environment is provided for the emergence, success and continuity of entrepreneurial businesses, this leads to the growth of entrepreneurial projects, which leads to ensuring the achievement of economic development, on the contrary. Including the lack of an environment that prevents the growth of entrepreneurial projects.

Within this framework, the dimensions of the external economic and social environment of entrepreneurial projects are divided into a group of elements related to financing programs, government policies, market openness, structure, research and development, the prevailing culture,

women's empowerment and their contribution to the labor market (Ramadan. 2013).

Therefore, in order to develop entrepreneurial projects in any economy, the following elements must be available:

### **2-3-1: Legislation, laws and regulations**

The legal environment in terms of legislation, laws and regulations conducive to the growth of entrepreneurial projects plays a role in encouraging the establishment of these projects, which will have importance in the development of economic activities, when a country is interested in providing an appropriate legal environment, regulations and instructions that work to overcome the difficulties facing the establishment of small and medium-sized entrepreneurial projects. To motivate individuals to set up their projects and to achieve economic development. Any project needs mechanisms to register it, how long does this process take, the required documents, and other procedures called the procedures for doing business, as many developed countries were able to overcome these procedures and take advantage of electronic programs in the registration process(Caliph.2009)

### **2-3-2: The banking system for financing entrepreneurship projects**

Finance has an important role in establishing the entrepreneurial project, so what is the benefit of having creative ideas, but they do not find a way to implement them due to the difficulty of obtaining adequate financing, or the high interest rates of loans (set by lending institutions and banks) that are offered to entrepreneurs, especially young people, and the difficult procedures required To obtain it, it is also difficult to find funders from individuals and other institutions

### **2-3-3: Government policies and national initiatives**

Entrepreneurial projects grow and thrive in any country, require government policies that support and support them, to motivate and encourage entrepreneurs, especially young people, to actively participate in setting up entrepreneurial projects. Universities in Malaysia set up companies with their students who have distinguished projects. They provide technical and material support and assistance, in exchange for the university getting its share of the success of these companies when they

enter the labor market. This work makes the education sector a creative and innovative sector, which contributes to creating new jobs and providing Job opportunities for a wide range of individuals in society, and thus achieving economic development. Also in Singapore and Indonesia, universities support entrepreneurial projects by providing training programs and transferring knowledge with the aim of preparing a generation of entrepreneurs with diverse skills, and also contribute to funding research to develop innovation (ESCWA. 2007).

Building innovative and creative thinking must start from primary education, as in education in America and Europe, where motivating and encouraging students in the primary stage to set up projects and engage in buying and selling business, for example, the experience of selling lemonade during the summer in America, encourages children to take risks and take responsibility Self-reliance, which leads to the accumulation of knowledge and experience (The Faihan.2012). Also, reducing taxes works to provide a stimulating environment for entrepreneurs. Tax exemptions for startup entrepreneurial projects enhance the competitive role of those projects in the market ((Kharboutli. 2018).

### **3: The reality of entrepreneurship in Iraq**

There are a set of facts that can be recorded about the entrepreneurial business in Iraq, the most important of which are:

#### **3-1: Doing business**

According to the report issued by the World Bank in 2020 on doing business, Iraq's ranking was 172 out of 190, compared to distinguished progress achieved by Arab countries, including the UAE, which ranked 16, Bahrain 43, Morocco 53, Saudi Arabia 62, Jordan 75, Kuwait 83, Tunisia 78 This clearly indicates a low level for Iraq in doing business. (The World Bank. 2020)

The report also indicates the absence of reforms to the procedures for doing business in Iraq during the years 2019 and 2020, compared to the rest of the Arab countries whose details are shown in Table-1-

**Table 1 - Ranking of some Arab countries in the field of ease of doing business**

Number of Reforms		The degree of ease of doing business (0- 100)		Country Ranking in Doing Business 2020 (1-190)	Country
Doing Business Report 020	Doing Business Report 2019	Doing Business Report 2020	Doing Business Report 2019		
4	3	80.9	81.6	16	The United Arab Emirates
9	2	76.0	70.1	43	Bahrain
6	4	73.4	71.7	53	Morocco
8	5	71.6	63.8	62	Kingdom Saudi Arabia
3	4	68.7	67.2	78	Tunisia
7	2	67.4	62.6	83	Kuwait
4	5	60.1	58.5	114	Egypt
0	0	44.7	44.7	172	Iraq

Source: World Bank. Doing Business Report 2020.

### 3-2: Private sector

The private sector plays a role in creating a suitable environment for entrepreneurship, which works to advance economic growth and diversify sources of income in any economy. However, in Iraq, the private sector did not have a significant role as a result of a clear dominance of the government sector through the public sector. The decline and weakness of the contribution of the private sector continued after 2003, despite the fact that private sector establishments registered about 80% of the total public sector establishments, but the value of private sector sales amounted to about 20% compared to 76% for the public sector. Likewise, the private

sector attracted only 10% of the workers, compared to more than 88% for the public sector. All of this confirms the weak contribution of the private sector to economic activity, and then weakness in the entrepreneurial business ((Hassan. 2020).

### **3-3: Entrepreneurship reforms**

The World Bank report for the year 2020 for doing business with regard to Iraq indicated that Iraq did not plan to make any reforms to develop business activity towards ease of doing business, and as shown in Table - 1- we note the absence of any reform during 2019 and 2020.

The emerging Iraqi entrepreneur needs eight procedures and 26 days to start his business for a local company that employs 10 to 50 employees during the first month of incorporation, and at the level of procedures

And the steps for registering property: Iraq ranks 121 globally, with five procedures and fifty-one days. Iraq has obtained low indicators in terms of protecting entrepreneurial businesses, as well as obtaining building and electricity licenses, paying taxes and trade.

### **3-4: Business Incubators:**

Incubators are defined as the establishment by the state of official or civil intermediary institutions through which it works by introducing and providing assistance to young entrepreneurs during the project's initiation stages until it reaches advanced stages, in other words, providing all the conditions that contribute to the protection and success of the project, by providing the required experts, tools and information To achieve this economic goal, and despite the availability of universities, research institutions, specialized institutes, economic experts and other human forces capable of incubating entrepreneurial businesses, Iraq lacks the presence of organized institutional work to assist entrepreneurs in planning their projects and diagnosing external and internal challenges to address them, so the role of business incubators is very large in the success of Pioneering projects, and attention should be paid to their establishment in order to develop entrepreneurial businesses in Iraq.

### **3-5: Women's Empowerment**

The contribution of Iraqi women to entrepreneurship is described as low, as there are still restrictions facing businesswomen, in economic and social terms. In general, women in Iraq suffer from a weak perception of their capabilities in their official and popular environment. Statistics indicate that one woman works out of ten working individuals, for social

and economic reasons, Most women in Iraq do not work, and most working women work in the public sector, as this sector is the most attractive to women, and the percentage of female workers in the private sector was only 21%. (Central Statistical Organization, 2016).

It can be said, according to the aforementioned data, that the entrepreneurial business environment in Iraq is not available, as there are organizational, planning, legislative and legal challenges, and these challenges are not able to provide support and the environment for individuals to help them take risks and responsibility by establishing their entrepreneurial projects that can contribute to making the required changes in the structure of the Iraqi economy.

## **4- Conclusion and Recommendation**

### **4-1: Conclusion**

1. The entrepreneurial business environment in Iraq lacks the elements for its development. The absence of planning to establish entrepreneurial projects, the difficulty of procedures in setting up projects, the difficulty of obtaining funding and the neglect of the role of women, all contributed to the lack of an entrepreneurial business environment.
2. The lack of interest in school curricula at the level of schools, institutes and universities in preparing individuals to establish and encourage pioneering projects, as obtaining a job opportunity within the public (governmental) sector has become the most important thing that individuals think of when they complete school stages.
3. Not supporting small and medium enterprises by facilitating their entry into international business activities.

### **4-2: Recommendations**

1. Legislating laws and issuing procedures and instructions that contribute to providing a legal environment for investment activity and providing incentives, facilities and tax exemptions for entrepreneurs.
2. Preparing curricula concerned with spreading the culture of entrepreneurship and encouraging students to enter the labor market with projects
3. Making free courses for every entrepreneur who seeks to establish his project and promote the culture of entrepreneurship from the primary stage, by having a subject given to students that motivates them to

think about setting up entrepreneurial projects, with a focus on vocational education.

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