



## Individual Micro-Entrepreneurs: A Discussion on Financial Management and Business Expectations

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**Abstract:** In this quantitative study, we sought to identify the association between declared conceptual knowledge and the use of financial control tools by managers of individual micro-enterprises in Nineveh, Iraq. Archival data and documentary sources were used to collect information and evidence, as well as surveys conducted through field research. The sample comprised 120 micro-entrepreneurs drawn from the Central Statistical Organization (CSO) of the Ministry of Planning in Iraq, to whom a questionnaire was administered to trace not only the sociodemographic profile but also the business profile and knowledge and use of financial control instruments. The data, which was analyzed using Multiple Correspondence Analysis, revealed a link between schooling and knowledge of financial management instruments and the use of financial controls, with MEI having completed higher education demonstrating “high knowledge” and frequency of “daily use.” Microentrepreneurs with primary education tended to have medium knowledge and did not use controls. Although the “illiterate” category results are inconclusive, there is a strong association between “low knowledge” and any situation characterized by the “use of control instruments.” Concerning the reasons for formalization, the decision to establish the business was characterized by opportunity and necessity, with entrepreneurship as an opportunity to obtain financial benefits and the possibility of avoiding problems with inspection dominating. Unemployed people and homemakers were found to be motivated by entrepreneurship out of necessity. High knowledge and frequent use of inventory controls, accounts payable and accounts receivable were strongly associated with entrepreneurship by opportunity.

**Keywords:** Individual Microentrepreneur, Financial Control, Knowledge, Nineveh city, Iraq.

### 1. INTRODUCTION

Individual Micro-entrepreneur (MEI) is a legal personality in Iraq [1] that allows individuals who conduct their business informally to form legal entities. Because the costs of formalising a company, regardless of its size, were relatively high for those starting a business, many businesses, for example, were developed informally due to their volume of operations and company size.

According to Motala et al. (2021), [2] informal business is conducted outside the law. Individual professionals, framed in micro-entrepreneurs condition, had more significant opportunities to leave illegality through the formalisation of their businesses, obtaining rights and benefits such as

retirement by age, disability retirement, sickness benefit, maternity salary, and death pension with government approval (for the family).

Following the legislation that removed the MEI from informality, several surveys were conducted to map the profile of this entrepreneur, particularly the Iraq Service of Support to Micro and Small Enterprises (MSMEs), which develops annual studies to classify the MEI's profile. Nema et al. (2014) [3] studied its concentration in specific cities. However, the consultations revealed no studies of this type that investigated the profile of MEI in Nineveh.

According to data from Salamzadeh (2022) [4], more than 1000 businesses classified as individual microenterprises remained active in Iraq from 2009 to 2021, with a total of 3000 opt-ins in the Nineveh governorate. On July 31, the city of Nineveh had 21, 350 micro-entrepreneurs divided into industrial, commercial, or service activities.

It is also worth noting that the studies provide descriptive information about micro-entrepreneurs, typically focusing on presenting the sociodemographic profile of these entrepreneurs, but do not investigate the reasons that led them to formalise their businesses or the difficulties they encountered after the process of formalisation, nor do they investigate their knowledge and use of financial management instruments. They also do not seek to identify MEI's future business expectations. Statistical data show who they are and what they do, but not what they think or want. In this sense, the purpose of this research is to answer the following question: What is the relationship between an MEI's declared knowledge of management instruments and the use of financial control tools?

The overall goal is to see if there is a link between declared conceptual knowledge and the use of financial control tools by managers of individual microenterprises in Nineveh [5]. To accomplish this, it was necessary to: (i) describe the sociodemographic characteristics of individual microentrepreneurs (gender, age, marital status, level of education) and other occupational characteristics (time working in the project, specific activity, project location, previous occupation formalisation as MEI, and primary sources of income); (ii) present the reasons (necessity or opportunity) for formalising the business; and (iii) identify the level of knowledge about financial management.

In light of the preceding, there is the possibility of conducting a more in-depth investigation to learn both the profile of individual micro-entrepreneurs and the business profile of the enterprises registered in Nineveh city, as well as the motivation for formalising as MEI, and thus discussing microenterprise management based on the use of financial control instruments. Another justification for the current study is that the researcher has formalised MEI family members who work in various economic sectors, resulting in her interest in knowing specific issues related to the theme. As a contribution, it is understood that the results, while related to the micro-entrepreneur in the city studied, can be used by micro-enterprise support and promotion agencies to refine or direct their actions to increase the effectiveness of their services and monitoring of MEIs.

## 2. THEORETICAL BACKGROUNDS

### 2.1 Entrepreneurship and Individual Microentrepreneur

Individual Micro-entrepreneur (MEI) is a legal personality in Iraq that allows individuals who conduct their business informally to form legal entities. Because the costs of formalising a company, regardless of its size, were relatively high for those starting a business, many businesses, for example, were developed informally due to their volume of operations and company size.[6]

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## 2.2 Financial Management

Financial management comprises a set of actions and administrative procedures involving planning, analyzing, and controlling the company's financial activity to maximise economic and financial results [7]. However, it is essential to note that the concepts related to the management tools disclosed in this study are those recommended by Picincu, (2018) [8] which, as previously stated, develops diversified actions to train individual micro-entrepreneurs. This entity created and disseminated several manuals to provide a broad and practical view of existing management tools, contributing to the improvement of small enterprise management without exhausting the topics addressed" [7].

Several financial instruments can be used in the management process of any business to provide more significant support for decisions. It is recognised that the use of these instruments, including in micro and small businesses, is necessary and beneficial, because most entrepreneurs base their decisions on personal experiences, owing to a lack of knowledge about the usefulness of these instruments as well as the level of informality in daily operations, as observed by Borges and Leon-Castro, et al (2013). Given that the most common cause of discontinuity - stoppage or closure of operational activities - stems from financial difficulties or a lack of working capital.

Basic financial controls, such as cash and bank control or accounts payable and receivable control, enable the elaboration of cash flow, the management of working capital, and the dimensioning of its requirement. Cash flow is projected to forecast the institution's financial situation, the need for additional funds, and its investment capacity. Nour, et al (2012) [10] depicts the primary objective of cash flow as the projection of the inflows and outflows of financial resources for a given period in order to diagnose the "need to raise loans or apply cash surpluses in profitable operations for the company, providing a balanced cash flow, optimising the application, of own resources and of third parties in the most efficient manner."

Table 1 - Basic financial control tools and their purposes

Tools / Description	Purpose(s)
Daily cash control: Records all cash inflows and outflows and checks the current cash balance. The primary goal of cash control is to ensure that no recording errors or resource deviations occur.	§ Control the amounts deposited in banks;
	§ Control and analyze the expenses paid;
	§ Provide data for preparing the cash flow.
Banking control: It is the daily recording of all bank transactions and the Control of existing balances, that is, deposits and credits in the company's account, as well as all bank payments and other amounts debited from the account (bank fees, interest on debt balance, energy, water and telephone bills, among the main ones).	§ Compare the company's records and the entries generated by the bank, in addition to determining the differences in the records if this occurs;
	§ Generate information on existing bank balances, including whether they are enough to pay the day's commitments.
	§ Control the total daily sales and the respective deadlines for receipts in cash and installments;
	§ Total monthly sales by receipt deadlines;
Sales control: Registers daily and monthly sales, allowing the entrepreneur to take	§ Provide data for cash checking (to make sure the cash sales amounts were recorded in the cash

daily measures to meet sales targets.	register);
	§ Controlling the records of installment sales values in the Control of accounts receivable;
	§ Provide information for purchases and cash flow.
Control of accounts receivable: Its purpose is to keep track of the amounts owed from credit sales.	§ Provide information on total amounts receivable from customers;
	§ Estimate the amounts receivable that will enter the company's cash, by maturity periods;
	§ Know the amount of overdue bills and the respective delay periods, as well as take steps to collect and receive overdue amounts;
	§ Provide information about customers who pay on time;
	§ Provide information for preparing the cash flow.
Control of accounts payable / Control of monthly expenses payable: Its goal is to keep track of the amounts payable from credit purchases and other monthly obligations payable.	§ Establish payment priorities in case of financial difficulties;
	§ Controlling the amount of overdue and unpaid commitments, in cases of financial difficulties;
	§ Provide information for preparing cash flow.
Inventory control: Helps to control the company's finances and physical space by preventing the accumulation or lack of products.	§ Avoid deviations of goods;
	§ Provide information for replacement of products sold;
	§ Facilitate the taking of measures to reduce the products stopped in stock.
Cash Flow Projection: Its goal is to determine and forecast the available balance so that there is always working capital available for application or potential expenses.	§ Record all daily receipts and payments;
	§ Project future payments and receipts;
	§ Analyze the daily balance and in future periods;
	§ In a deficit situation, make a decision on the need for working capital;
	§ In surplus situation, make decision on investment and application of resources.

Source: Adapted from Lefter, et al (2007).

AlShattarat, et al. (2010) [11] define working capital as "a portion of capital applied in the company's operating cycle, which covers the period of movement of goods or raw materials until their sale value is received." Working capital refers to the capital required to finance the continuation of a company's operations, such as resources for financing customers (in instalment sales), resources for maintaining inventories, and resources for paying suppliers (purchases of material raw materials or resale goods), taxes, wages, and other operating costs and expenses.

Poor working capital management is one of the main factors contributing to the transience of MSMEs in Iraq. According to Welsh, et al. (2004), a survey of 2,000 MSEs and 800 MEIs in Middle east found that 39% of entrepreneurs did not know what the working capital requirement (WCR) was to start a business. Working capital is critical to the financial health of any company, but in the case of MSEs, mismanagement of this resource can lead to serious financial problems.

When implemented, the control tools can help understand the need for turnover, define the percentage of the markup rate for forming the sales price, and know the necessary sales volume during the month to pay all costs and expenses (break-even point).

Finally, while it is not financial Control, planning is essential for managing any size business. According to Sadq, et al (2020) [13], planning is a tool that people and organisations use to manage their relationships with the future, as well as a specific tool in the decision-making process at the strategic, tactical, and operational levels. Controls and planning serve as a guide in undertakings of



any size, detailing the business proposal as well as the resources required to carry it out, and thus it is essential to ensure the continuity of this business, as well as signalling the possibility of discontinuing, that is, closing or terminating the activities of that business.

Studies [14] on the MEI have attempted to describe specific characteristics of this legal entity and business types while discussing the social and economic impact of this type of enterprise. Other studies that stand out, even though they only looked at managers in micro and small businesses, bring up interesting discussions about financial Control and management tool knowledge and use. There may be similarities between the findings of these studies and the findings of this research, which focuses on the MEI. The following are some research findings related to the theme.

### 2.3 Related studies

The Google Scholar database and the ResearchGate Portal were searched for related studies using the search terms "individual micro-entrepreneurs," "individual micro-entrepreneurs' profile," "financial management for MEIs," and "planning and financial control for MEIs." It is worth noting that other correlated studies may exist in other databases that needed to be consulted, which is a significant limitation.

The primary source of information about the MEI is socialised by CSO, [15] which described and classified the profile of the individual entrepreneur in a 2011 report, in addition to mapping and presenting the sociodemographic characteristics of these micro-entrepreneurs, identifying their motivations for formalisation and what their business expectations are, to facilitate the understanding and evolution of these businesses. Data from July 1, 2009 to March 31, 2021, revealed a population of 3000 MEIs, from which a stratified random sample of 350 entrepreneurs was obtained. According to the findings, the main reason for formalisation was the prospect of "having a formal company" (41% of respondents). When asked about their future business goals, 87% said they wanted to expand and transform their company into a microenterprise. Only 13% were unwilling to expand their business [16]. The commercial sector has the most businesses (37.4%). The most common activities discovered were retail trade in clothing and accessories (9.8%) and hairdressers (7.3%). Another finding was that the MEI's primary previous occupation was formal employee (50%), followed by informal entrepreneur (23%), and informal employee (13%). Regarding gender, the majority (52.4%) are male and are distributed across various sectors and activities. On a scale of 18 to 65 years, the highest concentration of microentrepreneurs was found between the ages of 30 and 39. [16].

Researchers have been interested in investigating MEI's sociodemographic and business profile. Without claiming to map all Iraq studies related to the sociodemographic profile of the MEI, the study by Vianna, Teixeira, and Franca (2013) [17] in Aracaju, Sergipe on the profile of individual entrepreneurs and characteristics of businesses formalised by the entrepreneur Individual (EI) programme is cited. The results revealed expressive female participation that was proportional to male participation; the predominant age group was between 30 and 40 years old, indicating a young profile among those polled. Schooling is widely available, but entrepreneurs with a secondary or technical education should be more represented. The trade sector predominates, followed by the service sector. In terms of education, it can be seen that high school or technical high school is the most common level of education among EIs, accounting for 38.3% of the statements, followed by 35.7% with complete or incomplete primary education and 26% with complete or incomplete graduate or higher education.

Borges and Borges (2014)[18] researched the sociodemographic profile of MEI in Curvelo (MG). As a result, it was discovered that the individuals polled are entrepreneurs with a low level of education who are only sometimes eager to learn new things and thus miss out on opportunities to grow and enjoy the benefits provided by the law. Regarding age, the majority (38%) are between the ages of 31 and 40.

Faria et al. (2015) [19] profiled and analysed the characteristics of MEIs in Volta Redonda. The majority (62%) of the 73 respondents were female. More than half (51%) were over the age of 40, which contrasts with findings in Iraq and the State of Rio de Janeiro, where the majority of MEIs are

between the ages of 21 and 40. The majority (44%) had completed secondary or technical school. Clothing was the most prevalent activity sector among those investigated. For 65% of respondents, their business is their primary source of income, and they stated that they have no other sources of income. In terms of expansion, 84% of respondents say they want to expand their business.

In terms of the business profile, Behling et al (2015) [20] used secondary data from the entrepreneur Portal to describe the demographic profile of MEIs in Santa Catarina from 2009 to 2012. The authors concluded that the MEI found an alternative in Iraqi law for regularising its business activities and entering the formal economy. Regarding mode of operation, 56.62% of the MEI in Santa Catarina work with a fixed establishment to serve the public.

Falco et al. (2017) [21] described the characteristics of managers and businesses at the CARUARU handicraft fair, identifying how professionals deal with financial planning and Control. It was confirmed that business administration is primarily performed by the owner himself; the majority (n=71) had completed high school; and the predominant gender is male (52.11%). In terms of financial management characteristics, it was determined that financial planning tools are rarely used, whereas some financial control techniques are commonly used on a daily basis.

Managers of micro and small businesses and small businesses were the subjects of studies on financial management tool knowledge and use. Only the research by Lopes et al (2014) [22] stands out in terms of the individual microentrepreneur, as it confirmed the existence of associations between the characteristics of the MEIs and the practises of financial and non-financial controls in their businesses. The survey was conducted with entrepreneurs working near the University of Baghdad, Iraq. It was discovered that the income obtained is related to financial Control practises such as controlling accounts receivable and setting the sales price. The only profile variable associated with Control practises was the professionals' age: younger professionals intended to offer new products or services to their clients. As a result, the significance of investigating this issue is emphasised, as is the contribution resulting from the analyses.

### 3. METHODOLOGICAL PROCEDURES

This exploratory and descriptive study sought to determine whether there is a relationship between declared conceptual knowledge and the use of financial control tools by managers of individual microenterprises in Nineveh. It is exploratory because it is the first study of its kind in Nineveh, and descriptive because it describes, analyses, interprets, and categorises a specific population, namely individual microentrepreneurs. The quantitative approach to the problem is based primarily on using statistical instruments for data processing [23].

Regarding research procedures, bibliographical research [7, 25] was used to consult previously prepared materials, such as books and scientific articles, to learn about research and its findings on the topic under consideration. In addition, file, documentary, and field study research methods were used. In terms of archival research, data on the number of companies formalised in the MEI modality in Iraq, specifically Nineveh City, was initially collected through the Entrepreneur Portal beginning in 2009. The investigation was conducted on July 31, 2021, when the existence of 300MEIs was discovered. Although the Entrepreneur Portal provides statistics on the number of microentrepreneurs by city, gender, and activity, no address or other sociodemographic information is provided. As a result of consultation with MSMEs, file data, economic activity, sector of activity, date of establishment, and address of MEIs served by the entity were obtained. The data came from 350 micro-entrepreneurs, whose information was used to create the sample.

Using the file information, an Excel spreadsheet was created. Participants were randomly drawn to compose the sample using a statistical formula, with a confidence level of 90% and an error of 10%. The original sample size was 94 MEIs. Following the sample selection, field research was conducted through on-site visits to the entrepreneurs to apply the research instrument. The final sample investigated was 120 at the end of the collection. It is worth noting that some of the MEIs drawn did not exist at the addresses provided by The Ministry of Planning's Central Statistical Organization (CSO), while others had already ceased operations. In this case, new sample participants were

chosen using the previously described procedure. The visits were scheduled for August and September of 2021.

During the field research, questionnaires with questions adapted from previous studies [24] and own research instrument were used to outline not only the MEI profile of the Nineveh city served by CSO, but also the business profile and the entrepreneur's knowledge of financial control instruments. In the first section of the questionnaire, questions were asked to determine the MEI's sociodemographic and business profile (gender, age, marital status, education, time working in the enterprise, specific activity, location of the enterprise, occupation before formalisation as MEI, and primary sources of income).

The questions in the second section determined the reasons for formalising the business. The twelve reasons that respondents should indicate are also included in CSO-validated instruments. These reasons were classified into opportunity and necessity for the discussion to respond to the second specific goal of this research: to identify the entrepreneur by opportunity and necessity to associate this motivation with knowledge and use of financial control instruments.

In the third section, the MEIs were asked about their level of knowledge about financial management instruments, as well as how frequently they used them, in order to correlate the knowledge declared by the MEI with the use of financial control tools. Respondents were asked to rate their own understanding on a scale of 0 to 10: 0.0 represents no knowledge, 0.1 to 3.0 represents low knowledge, 3.1 to 7.0 represents average knowledge, and 7.1 to 10.0 represents high knowledge. It is a proposed scale for this study, and it was validated in a pre-test with five microenterprise managers. In terms of the frequency with which financial controls were used, a scale was also provided for respondents to indicate whether they used controls on a daily, weekly, fortnightly, monthly, or annual basis, or did not.

In the fourth and final section, open questions were posed to the MEI regarding the difficulties encountered since the business' formalisation and its expectations for the future: continuity or discontinuity of this business. This discussion aimed to determine whether management difficulties result in business continuity/discontinuity expectations in the speech.

Descriptive Analysis was used to treat and analyse data collected in the instrument's first, second, and third sections. The Multiple Correspondence Analysis (MCA) was also used in the third section to describe the association between sociodemographic variables (gender, age, education) and the respondent's knowledge and use of financial controls; Motivation - opportunity or need - was also associated with knowledge and use of controls. The responses to the fourth section of the instrument, which characterises the indicators of difficulties in maintaining the business and the expectation for the future: business continuity or discontinuity, were used to discuss whether those who use controls have different future perspectives. The results discussion is presented below.

#### 4. RESULTS DISCUSSION

At the end of two months of data collection, responses were obtained from 120 participants, whose sociodemographic characteristics regarding gender, age, marital status and education are shown in Table 2.

Table 2 - Sociodemographic profile of individual microentrepreneurs

Variables	n=120		
		f	f(%)
Gender	Male	61	50.83
	Female	59	49.17
Age	From 21 to 30 years	36	30.00
	From 31 to 40 years	45	37.50
	From 41 to 50 years	29	24.17
	From 51 to 60 years	8	6.67
	Over 60 years	2	1.67

Marital status	Single	35	29.17
	Married/Stable Union	60	50.00
	Widower	5	4.17
	Separated/Divorced	20	16.67
Schooling	Illiterate	4	3.33
	Incomplete Foundation	8	6.67
	Complete Fundamental*	20	16.67
	Full medium**	62	51.67
	Full Superior	26	21.67

Source: Survey data.

\* Concentrates the sum of complete fundamental, incomplete secondary and incomplete technical levels.

\*\* It concentrates the sum of the complete secondary, complete technical and incomplete higher education levels.

The majority (61%) of MEI (Table 2) participants in this study (n=120) are male. In terms of age, microentrepreneurs aged 31 to 40 predominate (45%), but there are many respondents (30%) aged 21 to 30 years. MEIs who are married or in a stable relationship outnumber those who are not (60%). The sociodemographic variable 'age' findings are consistent with the findings of the Kareem, et al (2019)[25] survey, which shows a concentration of MEIs in the 30-39 age group. Borges and Borges (2014) [18] also confirmed an age group predominance of 31 to 40 years. According to the findings of this study, the age group of 31 to 40 years old has the highest concentration of MEIs in Nineveh governorate Iraq, followed by the variable age group of 21 to 30 years old. In terms of education, the majority (51.67%) had a high school diploma. Faria et al.[19] discovered a similar result. It's worth noting that the proportion of participants with a complete higher education (21.2%) is similar to the figure in a 2017 study[25].

#### 4.1 Profile of the business and performance of the Individual Microentrepreneur

MEI's business profile and performance data - length of time working in the enterprise, specific activity, location of operation, occupation prior to formalisation, and primary sources of income - were also identified. Table 3 summarises the descriptive results. It is worth noting that the questions are similar to those used by Kareem et al (2019). According to Table 2, respondents' time as formalised micro-entrepreneurs varies, but those with one to two years of formal activity predominate (39.0%). In terms of activity, the commercial sector has the highest frequency of transactions (61.9%). An open question identified the type of activity performed, confirming a wide range of businesses, with retail clothing and hairdressing being the most common (beauty salon, in general). It is a similar result to Kareem et al (2019).

Table 3 – About the performance and the business

Variables	n=120		
		f	f(%)
Uptime*	Up to 1 year	20	16.67
	Up to 2 years	26	21.67
	Up to 3 years	13	10.83
	From 3 to 4 years	11	9.17
	From 4 to 5 years	13	10.83
	From 5 to 6 years	10	8.33
	From 6 to 7 years	11	9.17
	From 7 to 8 years	11	9.17
	From 8 to 9 years	5	4.17
Branch of activity	Trade	72	60.00
	Industry	6	5.00
	Provision of service	42	35.00



Place of operation	At home (from MEI)	30	25.00
	On the street (walking)	11	9.17
	In a commercial establishment	56	46.67
	Shopping mall or fair	4	3.33
	In the customer's home/ company	19	15.83
Previous occupation	Informal entrepreneur (without CNPJ)	54	45.00
	Employee (signed wallet)	20	16.67
	Public servant	1	0.83
	Employee (no signed license)	6	5.00
	Unemployed	23	19.17
	Housewife	5	4.17
	Formal entrepreneur	1	0.83
	Retired	1	0.83
	Student	9	7.50
Additional sources of income#	It does not have	51	42.50
	Formal employment (signed portfolio)	2	1.67
	Informal employment (no signed license)	9	7.50
	Another business (on your own)	32	26.67
	Retirement/pension	3	2.50
	Family grant	2	1.67
	Financial aid	3	2.50
	Property rental	27	22.50

\* After formalization as MEI.

#Respondents could mark more than one alternative as an answer.

In terms of location, the majority of individual microentrepreneurs (73%) work in a fixed location, either at home or in a commercial establishment. Hairdressers, manicurists, tyre repairers, and mechanics are examples of MEIs with fixed establishments. Some entrepreneurs work in fixed establishments in the Nineveh city Entrepreneur Portal, corroborating the result found. In addition, Behling et al (2015) discovered that 56.62% of individual microentrepreneurs in Santa Catarina work with a fixed establishment in their study. In terms of previous occupations, the data (Table 2) show that 46.6% already worked informally, 17.8% employed, and the rest (20.3%) were unemployed. This result differs from [25] findings, which revealed that only 23.0% of MEIs were informal entrepreneurs, while the majority (50.0%) were formal employees (with a formal contract).

The source of income was also investigated to determine the existence of additional income to that provided by the business (MEI), and respondents were permitted to select more than one option as an answer. Most (42.5%) have no additional income, which means they devote their entire time to the business, which is consistent with the findings of a survey conducted by Faria et al (2015). It is worth noting that 25.6% said they had extra income from another business they ran on their own, which contradicts the legislation that governs the individual micro-entrepreneur, as it is illegal to open a second company under this or any other regime. The majority of respondents (21.7%) earn money from property rentals.

#### 4.2 On formalization and difficulties

The reasons for formalising the business, as elicited in the second part of the research instrument, stem from the respondent's perception of multiple alternatives, as indicated by the instruction to mark as many options as represent their opinion. Although the reasons presented were adapted from a CSO instrument (2017a), this research sought to discuss them in light of the need or opportunity identified in studies on entrepreneurship in terms of motivation to undertake. The findings (Table 4) show that, in descending order, the reasons for formalisation were: obtaining INSS benefits (n=80; 66.67%); avoiding inspection problems (n=67; 55.83%); and having a formal company (n=57;47.5%). Similar findings were found in [25] study, where the phrase "avoiding problems with inspection" appears more frequently, followed by "obtaining INSS benefits."

Table 4 - Reasons for formalization

n=120		
Reasons	f	f(%)
<b>BENEFITS OF INSS</b>	80	66.67
Avoid problems with surveillance	67	55.83
Having a formal company	57	47.50
Buy from wholesalers for a better price	46	38.33
Ease of opening the company	25	20.83
Possibility to accept credit/debit card	21	17.50
Issue tax note	19	15.83
Formalization for free	19	15.83
Possibility to grow more as a company	15	12.50
Possibility to sell to other companies	7	5.83
Possibility to sell the government / participate in bidding	3	2.50
Get loan as a company	1	0.83

Considering the stated reasons (Table 4) and their previous occupation (Table 3), some conclusions can be drawn: both opportunity and necessity. Entrepreneurship is evident in the interviewees' responses: those who had previously worked informally (n =56) had the opportunity to establish a formal company. Furthermore, the majority (n=80) interpret the INSS (National Institute of Social Security) benefits as an opportunity to access such a benefit.

Given the content of law in Iraq's governorates, where both reasons are emphasised: the opportunity to formalise a business under more accessible and facilitated conditions, as well as the benefits resulting from this formalisation, and given the frequency of responses to both options, it is understood It was discovered that micro-entrepreneurs had more opportunities to escape illegality, in addition to gaining a benefit that they did not previously have. Entrepreneurship by opportunity is also observed in the MEIs that chose to formalise in order to participate in bids; shopping from wholesalers for a better price; and formalisation of grace [colloquial term used by CSO], among other things.

Because it was assumed that all of the reasons presented (Table 4) reflect opportunities for formalisation, the respondents' previous occupation was used to characterise entrepreneurship as a necessity in this study. Faria et al (2015) found that homemakers sought entrepreneurship due to difficulties and a lack of alternatives in the labour market in their study. Thus, 29 (twenty-nine) respondents (24.6%) in the sample were entrepreneurs by necessity, while the remaining 89 MEI (75.4%) were entrepreneurs by opportunity.

Table 5 shows the responses to questions about the potential difficulties that MEIs may face in maintaining their business after formalisation. The options used to characterise the difficulties are similar to those used in Ismail (2017)[26] report; with microentrepreneurs, they were instructed to check as many boxes as represented their opinion.

Table 5 - Difficulties after formalization

n=120		
Difficulties	f	f(%)
I had no difficulties	41	34.17
Competition	36	30.00
Win customers/sell	29	24.17
Understand/comply with legal obligations	26	21.67
Innovate	18	15.00
Sell or provide service	19	15.83
Do some business planning	15	12.50
Get credit	10	8.33
Manage the business	11	9.17

Control the company's money	11	9.17
Difficulties with the commercial point	7	5.83
Find support	2	1.67
Buy well/ cheap	3	2.50

It is confirmed that 34.17% (n=41) stated they had no difficulties running the business. With these MEIs excluded, the majority (n=78) reported difficulty. The findings of this study are consistent with the discussions presented by Faria et al (2015), who state that the majority of respondents in their study stated that they had no difficulty maintaining the business. Kareem et al [25] studies yielded similar results, with (25%) of respondents claiming no difficulties.

Among the difficulties mentioned, competition predominates for 30% of MEI, followed by 'conquering customers' for 24.17% of respondents. Because 'understanding/fulfilling legal obligations' was the third difficulty mentioned, some observations about this situation are interesting: all participants in this research are included in a database of micro-entrepreneurs assisted by Kareem et al [25], which shows signs that their doubts about understanding legal obligations remain after consultations. Concerning 'compliance with legal obligations,' the result is also concerning, and may lead to the conclusion that the number of defaulters and inactive establishments is due to financial problems. In terms of competition, the findings are comparable to those of Faria et al (2015). In the Kareem et al [25] study, the options that stood out the most were winning customers and obtaining credit.

Microentrepreneurs were also asked about their growth prospects, with the majority (67.8%) stating that they did not have any. The intention to increase the product mix, expand the workspace, and even migrate from MEI to microenterprises were mentioned and justified by those who have a growth perspective for the business (32.2%). When comparing this study's findings to those of previous studies such as Faria et al (2015), a reduction in the MEI's growth perspective is observed, at least in relation to the microentrepreneurs interviewed in Nineveh city. According to Faria et al. (2015), 84% of micro-entrepreneurs wanted to expand their businesses and eventually migrate to a higher income range than law. According to Kareem et al, the relative frequency of the growth perspective was 52%.

### 4.3 Level of knowledge and use of financial control instruments

To determine the level of knowledge about financial control instruments, the MEI was asked to self-evaluate on a scale of 0 to 10, with 0 indicating no knowledge, 0.1 to 3 indicating low knowledge, 3.1 to 7 indicating medium knowledge, and 7.1 to 10 indicating high knowledge. Table 6 displays the obtained results.

Table 6 - Summary of self-assessment on knowledge of control instruments

Controls	None		Low		Medium		High		$\Sigma$ n=120
	f	f(%)	f	f(%)	f	f(%)	f	f(%)	
Knowledge_Banking Control	3	2.50	5	4.17	52	43.33	60	50.00	120
Knowledge_Sales Control	1	0.83	4	3.33	52	43.33	63	52.50	120
Knowledge_Control Accounts Receive	1	0.83	3	2.50	42	35.00	74	61.67	120
Knowledge_ControlAccountsPagar	1	0.83	4	3.33	37	30.83	78	65.00	120
Knowledge_ControlStocks	1	0.83	7	5.83	46	38.33	66	55.00	120
Knowledge_MovementBox	1	0.83	11	9.17	46	38.33	62	51.67	120
Equilibrium Point	4	3.33	23	19.17	60	50.00	33	27.50	120
Sales Price Formation	3	2.50	22	18.33	55	45.83	40	33.33	120
NCG	8	6.67	28	23.33	54	45.00	30	25.00	120

Table 6 shows that the MEIs self-assessed with high knowledge about bank controls, sales, accounts receivable, accounts payable, inventories, and daily cash control, with the relative frequency of responses in this range of the category (from 7.1 to 10) greater than 50% about all of these controls. All of the respondents were familiar with accounts receivable, accounts payable, inventories, and

daily cash control. Table 6 also shows that micro-entrepreneurs claim to have average knowledge of the break-even point, sales price formation, and the need for working capital.

Microentrepreneurs with a complete secondary and higher education have the highest frequency of self-assessment of having a high level of knowledge about financial control instruments. The MEIs declared medium knowledge for conceptual knowledge about the break-even point, sales price formation, which were considered in this study as resulting from knowledge and use of financial controls. Nonetheless, the data summarised in Table 6 show that the second highest frequency of answers places MEI self-assessment of knowledge on the scale of high conceptual knowledge about break-even point, price formation. According to Kareem et al [25], knowing the NCG is critical for any company's financial health because when this resource is mismanaged, it causes serious financial problems.

Because knowledge of financial control instruments is not proof that they are used by MEIs, participants were asked how frequently they were used. Thus, the frequency of use of control instruments related to bank transactions, cash and term sales that generate Control of accounts receivable and cash transactions, and purchases that generate Control of accounts payable and inventory. The frequency of use responses was related to the declared level of knowledge. Table 7 shows a summary of the findings.

Table 7 - Frequency of use of financial Control [or management] instruments

Controls	Daily		Weekly		Biweekly		Monthly		Annual		It doesn't	
	<i>f</i>	<i>f</i> (%)	<i>f</i>	<i>f</i> (%)	<i>f</i>	<i>f</i> (%)	<i>f</i>	<i>f</i> (%)	<i>f</i>	<i>f</i> (%)	<i>f</i>	<i>f</i> (%)
Use Control Banks	9	7.50	12	10.00	1	0.83	47	39.17	1	0.83	50	41.67
Use of Term Purchases Control	6	5.00	13	10.83	13	10.83	31	25.83	1	0.83	56	46.67
Use Control Cash Sales	68	56.67	9	7.50	3	2.50	18	15.00	1	0.83	21	17.50
Use Control Term Sales	12	10.00	13	10.83	3	2.50	21	17.50	1	0.83	70	58.33
Use Stock Control	17	14.17	25	20.83	18	15.00	29	24.17	1	0.83	30	25.00

The findings show that, despite declaring knowledge of financial control instruments (as shown in Table 5), several micro-entrepreneurs participating in this study do not use them. A total of 50 micro-entrepreneurs (41.67%) do not use bank transactions; 46.67% of respondents (n=56) do not use term purchase control; and 17.50% (n=21) and 58.33% (n=70) of MEIs do not control cash and instalment sales, respectively. Inventory control is performed by less than 25% (n=30) of the microentrepreneurs interviewed. Suppose the MEIs do not control purchases and sales on instalments. In that case, it is assumed that they do not have controls on accounts payable, accounts receivable, and inventories, about which all respondents were knowledgeable.

Except cash sales controls, most MEIs declared that they use all types of controls every month. As a result, microentrepreneurs only record bank transactions (n=47; 39.17%), purchases (n=31; 25.83%), cash sales (n=18; 15%), instalment sales (n=21; 17.5%), and inventories (n=29; 24.7%) once a month. It is worth noting that, in addition to controlling cash sales, the majority (56.8%) of MEIs do it on a daily basis, with inventory control standing out among those with a daily frequency for 15.3% of respondents. The findings also show that inventory control is performed by 75.4% of MEIs, regardless of frequency [daily, weekly, fortnightly, or monthly].

The data also revealed that sales control has a lower frequency of use (n=71; 60.2%), possibly because selling in instalments is not a practice among the interviewed MEIs. This is justified, because when compared to Control of cash sales - which results in Cash Movement, its use is cited as daily by the majority of respondents (n=67; 56.8%), implying that sales are predominantly in cash.

Returning to the control discussion, an association was made between the variables defining schooling, declared knowledge, and the use of financial control instruments. The self-assessment of controlling accounts receivable, payable, and stocks, as seen in Table 6, demonstrate that all MEIs have some knowledge - low, medium, or high - but there is a gap between this declared knowledge and the frequency of use. As shown in Table 7, simply knowing the instrument does not imply its



practical use. To visualize the strength of the associations, perceptual maps that show the associations between the variable's education, knowledge, and use of controls are presented.

In the perceptual map analysis, there is a strong association between "Sup-Complete" schooling with 'High' knowledge and 'Daily' inventory control use. It has been discovered that 'Average' knowledge is more closely associated with MEIs who have completed elementary school and do not use inventory control. MEI, with only an incomplete primary education, has little knowledge of this type of Control and is unlikely to use it. Because the dispersion points (in the perceptual map) are equidistant, it is impossible to conduct a conclusive analysis between the association of 'illiterate' schooling with any knowledge and the use of this Control. This result could be explained by the low number of respondents in the 'illiterate' category.

A similar analysis was performed to associate education with knowledge of controlling installment purchases and controlling accounts payable. Microentrepreneurs with insufficient primary education have average knowledge but need to use accounts payable Control. The emphasis is on microentrepreneurs who need a college education, who are associated with low knowledge and who do not use accounts payable Control regularly. These associations imply that education is a distinguishing factor in the use of controls.

It is discovered that the category "complete higher education" has a stronger association with the category "high knowledge", but is more strongly associated with the frequency of using accounts receivable controls to receive on a weekly and fortnightly basis. Despite the association with high knowledge, MEIs who declared 'complete high school' is more associated with the category "Does not" use the controls. No link was found between the 'illiterate' category and either type of Control [accounts payable or accounts receivable]. There is, however, an association between the 'illiterate' category and low knowledge, as evidenced by all associations in the perceptual maps. These associations corroborate the findings in Tables 6 and 7, allowing us to conclude that the 'education' of the microentrepreneurs studied in this study appears to influence their 'knowledge' and 'use' of financial control instruments.

Regarding the relationship between entrepreneurship motivation - opportunity or need - and knowledge and use of controls, it was discovered that the 'opportunity' category strongly correlates with high knowledge and frequency of use closer to the 'daily' category. The 'need' category is shown to be equidistant from all knowledge and frequency of use of inventory control categories. Perceptual maps can confirm such information (not given in this article). By associating the reasons for undertaking with credit purchase knowledge and frequency of use of accounts payable controls, the 'Opportunity' category is associated with high credit purchase knowledge and daily frequency of use of accounts payable controls. No association exists between the 'Need' category and any category of knowledge, and monthly Control of instalment purchases is only weakly associated with this category of entrepreneurship motivation. In addition, a strong association was confirmed between the category 'Opportunity' with high knowledge and weekly and biweekly frequency of sales controls on credit and accounts receivable. The category 'Need' has a weak relationship with median knowledge and monthly use of accounts receivable controls.

Although these are not conclusive findings, there are indications that entrepreneurs by opportunity have more knowledge than entrepreneurs by necessity, and that entrepreneurs by necessity are better prepared for the financial management of their businesses. According to Emir et al. (2016) [27], the characteristics of opportunity entrepreneurs - who are financially more stable and act on a possible market opportunity - may justify better preparation and "more professional" performance in terms of using basic financial control instruments.

Finally, when it comes to their future business expectations, the answers to the fourth part of the instrument - characterizing the indicators of difficulties in maintaining the business and this expectation for the future: continuity or discontinuity of the business - revealed that the MEIs want to stay in business. However, unlike the [25] research results, where 87% said they wanted to grow and become a micro-enterprise, those MEIs (n=32) who responded discursively stated that they did not intend to leave the status of micro-entrepreneur.

## 5. Conclusions

The primary goal of this study was to determine the relationship between declared conceptual knowledge and the use of financial control tools by managers of individual microenterprises assisted by CSO in Nineveh. Even though the city of Nineveh had 350 micro-entrepreneurs at the start of this research, data from MEIs served by the local CSO were used due to the need for its address for field research.

The sociodemographic and business profile of the MEIs and the reasons that led them to formalize this business were established based on responses from 120 participants. These micro-entrepreneurs knowledge and frequency of use of financial control instruments were also identified.

The findings confirmed the male microentrepreneur's dominance (52%). In terms of age, (38%) of the MEIs are between the ages of 31 and 40, which is consistent with previous research. The level of education was confirmed as the variable with the most heterogeneity in this profile, with (28.8%) of interviewees having secondary education and (30.5%) having higher education, which is consistent with national statistics revealed by the GEM (2016). Regarding formal performance, 39% have between one and two years of experience.

In terms of activity, the commercial sector has the highest frequency of transactions (61.9%). Among such businesses, the information denotes various activities carried out by the interviewees, but the ones that stand out, are retail clothing activities. When the location of the enterprise was examined, it was discovered that (71%) work in a fixed location, either at their own home or in a commercial establishment. This result is consistent with what was found in the Entrepreneur's Portal for micro-entrepreneurs in Nineveh. Concerning the main previous occupation of the MEIs, 53.7 percent stated that they were already involved in entrepreneurial activities; that is, they worked informally and began to continue their activities legally with the enactment of Complementary law in Iraq.

The majority of formalization was motivated by the desire to obtain INSS benefits. It is worth noting that 20% of microentrepreneurs expressed a desire to avoid inspection problems, which is consistent with [25]. As a result, it was confirmed that entrepreneurship by opportunity was present in the decisions of microentrepreneurs in Nineveh who participated in this research. Despite being confirmed in this study, entrepreneurship by necessity was cited as motivated by only 32% of MEIs and covered only unemployed people and homemakers.

Evidence was discovered that entrepreneurs by opportunity have more knowledge than entrepreneurs by necessity and are better prepared for the financial management of their businesses because the category related to entrepreneurship by opportunity showed a strong association with high knowledge and frequent use of inventory controls, accounts payable and accounts receivable. According to Emir et al. (2016) [27], the characteristics of opportunity entrepreneurs - who are financially more stable and act on a possible market opportunity - may justify better preparation and a "more professional" performance in terms of using basic financial control instruments.

Among the main difficulties presented, (40%) of respondents stated that they had no difficulty, even though the competition was highlighted as the most significant difficulty encountered by 15% of the MEIs whose speeches pointed to competition, owing to the increase in people in the informal sector who have no monthly expenses or expenses and sell products similar to theirs at prices lower than the market price.

In terms of the knowledge and use of financial control instruments, which this study identifies, the results of Multiple Correspondence Analysis revealed an association between the category "schooling" and "knowledge" of financial management instruments and "use" of financial controls. The MEI with higher education demonstrated "high knowledge" and frequency of "daily use." Microentrepreneurs with insufficient primary, secondary, or technical education tend to have average knowledge and not use controls. Although the results for the "illiterate" category are inconclusive, a strong association was found between "low knowledge" and any situation characterized by the "use of control instruments." Such findings raise concerns about the business's long-term viability because the use of financial controls is emphasized as critical to providing more significant support

for decisions and predicting the company's financial situation and the volume of resources required for its upkeep. As a result, failing to use controls can jeopardize the company's financial health.

In terms of future expectations, micro-entrepreneurs intend to remain formalized. Still, they have no intention of migrating to another legal form, such as micro-enterprises or small businesses, for example, because they want to avoid paying more taxes. As a result, future business continuity expectations were confirmed as long as they remain individual micro-entrepreneurs.

Finally, as a limitation of the current study, the size of the investigated sample is worth mentioning. Ideally, the population should have been investigated for results that outline the profile of all Nineveh micro-entrepreneurs and map all the variables investigated to reflect this entrepreneur's situation. Another area for improvement is the use of data from CSO-assisted micro-entrepreneurs, which may reveal specific characteristics of MEIs who know and use more financial controls. The entity develops numerous programs to support and train micro-entrepreneurs to manage their businesses.

This research is then concluded, with the suggestion that future studies examine the profile of the individual microentrepreneur in Nineveh city in a broader sense, in terms of population coverage. A qualitative approach to research is also suggested to discuss in greater depth the reasons that lead this entrepreneur not to use financial controls in his activity, despite his knowledge of control instruments and financial management.

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