

Re-classification of Small Industrial Enterprises as An Approach to the Development of the Small Business Sector in Iraq

إعادة تصنيف المنشآت الصناعية الصغيرة كنهج لتطوير قطاع الأعمال الصغيرة في العراق

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Abstract:

Objectives: This study aims to analyze the impact of the reclassification of small industrial enterprises on the development of the small business sector in Iraq. It seeks to identify the current gaps in the current classification system and propose a new framework that considers the challenges facing these enterprises and contributes to enhancing their competitiveness.

Methods: The study adopted the inductive approach to prove the importance of reclassifying industrial projects in Iraq and developing the industrial sector. The clarity of the nature of the industrial structure and its classifications according to a new perspective of classifying the project sizes of the industrial sector is an entry point for the reform of the private industrial sector.

Results: The study found that the applied classification of industrial projects, whether small or medium, is not compatible with what is prevailing internationally by adopting it only within small and micro enterprises, which led to a weakness in the industrial performance of the private sector compared to its counterpart in neighboring countries and globally.

Conclusion: The reclassification of small industrial enterprises represents a decisive step towards the development of the small business sector in Iraq. It contributes to creating a more sustainable business environment as well as contributing to coordination between the private sector and financial institutions under government supervision and support to attract private sector investments inside the country.

Keywords: classification of enterprises; small business; sector development; Iraq.

المخلص:

الأهداف: تهدف هذه الدراسة إلى تحليل تأثير إعادة تصنيف المنشآت الصناعية الصغيرة على تطوير قطاع الأعمال الصغيرة في العراق. حيث تسعى إلى تحديد الفجوات الحالية في نظام التصنيف الحالي، واقتراح إطار عمل جديد يراعي التحديات التي تواجه هذه المنشآت، ويساهم في تعزيز قدرتها التنافسية. **المنهجية:** اعتمدت الدراسة المنهج الاستقرائي لإثبات أهمية إعادة تصنيف المشاريع الصناعية في العراق وتطوير القطاع الصناعي، يعد وضوح طبيعة الهيكل الصناعي وتصنيفاته وفق منظور جديد لتصنيف أحجام المشاريع للقطاع الصناعي نقطة دخول لإصلاح القطاع الصناعي الخاص. **النتائج:** توصلت الدراسة إلى عدم مواءمة ما مطبق من تصنيف للمشاريع الصناعية سواء الصغيرة أو المتوسطة مع ما هو سائد دوليًا باعتماده فقط ضمن المشاريع الصغيرة والمتناهية الصغر مما أفضى إلى ضعف في الأداء الصناعي للقطاع الخاص مقارنة مع نظيره في دول الجوار وعالمياً. **الخلاصة:** إن إعادة تصنيف المنشآت الصناعية الصغيرة يمثل خطوة حاسمة نحو تطوير قطاع الأعمال الصغيرة في العراق. حيث يساهم في خلق بيئة أعمال أكثر استدامة كذلك المساهمة في التنسيق بين القطاع الخاص والمؤسسات التمويلية بأشراف ودعم حكومي من أجل جذب استثمارات القطاع الخاص داخل البلاد.

الكلمات المفتاحية: تصنيف المنشآت؛ الأعمال الصغيرة؛ تطوير القطاع؛ العراق.

1 Introduction

Small and Medium-sized Enterprises are universally recognized as backbones of economies, specially in developing countries (Acs & Mueller, 2008). They are key drivers of job creation, innovation, and economic growth (Henrekson & Johansson, 2010). However, the SME sector in Iraq, while possessing immense potential, faces significant challenges, including a complex business environment, limited access to finance, and inadequate infrastructure (UNDP, 2021).

One specific segment of the Iraqi SME sector that warrants particular attention is small industrial enterprises. These enterprises have the potential to contribute to industrialization, diversification of the economy, and export generation. Nevertheless, their growth and development have been hindered by several factors, including restrictive classifications and policies that have limited their access to support and resources (GIZ, 2023).

This research proposes that a re-classification of small industrial enterprises can serve as a strategic approach to invigorating the overall small business sector in Iraq. By redefining the parameters of small industrial enterprises, the study aims to explore how this policy shift can unlock their growth potential, enhance their competitiveness, and contribute to the broader economic development of the country.

1.1 Significance of Research

Based on what other countries have done in the past when they adopted the classification of projects by adding a "classificatory identifier," the project of reclassifying industrial projects according to the most recent international standards is very important for achieving the set of goals that help solve the problem of promoting the private industrial sector in Iraq and letting it lead the Iraqi economy.

1.2 Research Problem

The reclassification of industrial projects in Iraq is vital and significant for organizing the private industrial sector and revitalizing the Iraqi economy.

1.3 Research Hypothesis

The reclassification of industrial projects in Iraq leads to an increase in the efficiency of the industrial sector, which contributes to the development of the business sector and the economic development in Iraq.

1.4 Research Purpose

The study's main goal is to:

- Emphasize the significance of reclassifying industrial projects worldwide, which has a favorable impact on the performance of the industrial business sector by concentrating support for certain types of industrial projects for economic reasons.
- Describe the issues with the way industrial projects are now categorized: government assistance, essential industrial policies, and the benefits that the private industrial sector in Iraq may get by reclassifying these projects.

2 Research Methodology

The inductive method was adopted by the researchers participating in the study through a review of the literature that showed the importance of reclassifying industrial projects in Iraq to develop the industrial sector using international data, especially in Arab countries.

2.1 The concept of micro-enterprises economically

The concept of micro-enterprises, or what is technically called "micro-enterprises," is one of the recent concepts whose economic importance has emerged at the level of the individual and society because of global economic developments and the economic problems that most countries suffer from, the most important of which are poverty and unemployment. One of the essential means of reducing poverty, particularly following the experience of the Grameen Bank in Bangladesh in the late 1970s, specifically in 1979, and through the initiative of the economist Dr. Muhammad Yunus in establishing the bank was to provide small, manageable loans to individuals to create income-generating job opportunities as a pioneering experiment in an underdeveloped

economy. (Daou, 2020, 148) Historically, these projects have been around since the beginning of the industrial era. Their growth paths and the number of branches have been linked to the growth and development of local and international markets, which have grown and changed over time, along with the sizes of projects, as technology and industry changed and grew. Then, the need arose to classify these projects according to their sizes (small, medium, and large) according to several criteria, such as the number of workers, volume of invested capital, value-added, and sales volume, due to the importance of this in the field of consolidating the organizational framework for projects. A significant aspect of it is linked to strengthening advantages and competitiveness according to the stages of growth and development and the ability to meet domestic demand and enhance the ability to export, which is associated with the emergence of the industrial sector as a leading sector in the national economy and the extent of the expansion of the industrial base, its diversity, and its intertwining with the rest of the economic activities. Until it became a diversified, broad, integrated, and developed sector with multiple branches, highlighting the characteristics of the economic strength of countries and their classifications at the international level; however, the economic problems, especially unemployment, remained in light of the difference in the economic importance of projects according to their sizes (small, medium, and large). However, micro-projects, as tiny projects, have been linked to their importance from an economic perspective, as they are income-generating projects and are considered one of the most effective means to reduce poverty. (Karides, 2015, 197)

2.2 The manufacturing approach is based on small and micro enterprises

The review and analysis of the development experiences of most developing countries, including Iraq, where an import-substitution strategy was used to create an industrial and technological base by setting up local industries that depend on the production of consumer goods using old technology, led to several conclusions, the most important of which is that weak financing capabilities and weak capacity remain. The competitiveness of most developing countries and their inability to establish large projects (McKenzie, 2019, 12) prompted them later to establish small projects in harmony with the local economic environment because of their advantages that are compatible with the self-capabilities of those societies, as a first stage, to move from the old economic-industrial pattern, which relied on agriculture, mainly to create an industrial base later, and to motivate individuals to establish those projects based on the expansion of the local market and the creation of a competitive environment, which will expand those projects and grow into larger projects to meet the local demand, and then create an integrated industrial base within the economy. (Ferjani, 2010, 78) However, most of the development experiences of those countries that used that strategy, including Iraq, stayed in a vicious circle of industrialization based on tiny projects, even though their populations grew. This was shown by the growth of markets where they could not meet the growing demand, which led to the decline of their economic role because their projects were too small to keep up with all these changes. As a result, the industrialization process in most developing countries has been characterized by a fragmented methodology with a heavy reliance on the establishment of tiny production units (Al-Najjar, 2017, 9). The attempt to increase the use of production factors is still below the level of sufficient attention needed to stimulate projects to grow, given the continued smallness and modernity of the production apparatus. It is at a level that cannot replace local production inputs and manufacture locally produced raw materials. Its dependence on typical labor-intensive technology means that there are no changes in the structure of industrial output through increasing production and achieving capital accumulation, which is reflected in the expansion of its capital and, thus, the expansion of capital intensification. As a production pattern to reduce costs, increase production and productivity, and enhance its competitive capabilities.

2.3 The reality of the industrial sector according to the classification of projects internationally

Countries set priorities for achieving industrial development due to the considerations that characterize this sector, especially in developing countries like Iraq. Countries put in place a set of legislative and regulatory considerations to organize industrial projects according to an integrated and balanced industrial structure. The classification of projects is one of the most critical priorities through which countries aim to consolidate their industrial sector's industrial structure because of that sector's importance in the national economy. In light of this, the pioneering European countries in this field took the initiative, at the beginning of the nineties of the last century, to reclassify industrial projects based on traditional criteria (such as the number of workers, capital, and value-added), based on the changes that took place in the existing economic reality, and based on the

emergence of several developments. Industrial and technological, where the restructuring of the industrial sector by transforming into industries that depend primarily on scientific, technical, and knowledge density and the introduction of new production concepts as a pattern of structural adjustment policies for the industry, such as high-tech industries based on artificial intelligence, and the adoption of a productive method based on the density of the head of money, while reducing dependence on typical industries, which adopt the method of labour intensity, for economic considerations. This came considering the adoption of knowledge economy concepts and indicators. Official Journal of the European Union, 2003, among those changes is the classification of micro-enterprises as a newly developed industrial classification in addition to the prevailing classifications of enterprises (small, medium, and large) based on providing goods and services according to knowledge content. (UNCTAD, 2020, 11) The reclassification of projects and the introduction of the classification of micro-projects came as a distinction for these projects in terms of economic dimensions compatible with the requirements of economic adaptation, given that these projects have no direct impact on the industrial reality system according to their productive nature. However, it seemed different in developing countries, where these projects were tiny production units with a simple administrative structure. Their main objective was social, income-generating production units, and they were dependent on meeting a typically limited demand. As individual projects are tiny, they do not have an impact on the GDP of the economy. (Mark: 2010: 1) Its production method is also different from small, medium, and large industrial projects, whose objectives are linked at the strategic level with the sectoral economic objectives of those countries, which have an impact on the economy through the volume of their production, the volume of their invested capital, the volume of their inputs, the volume of labour employed, and their ability to take advantage of the economic savings, in addition to its growing production capabilities, resulting from changing its production structures, stemming from the requirements of the stages of development of the global economy, represented by global trade openness. (Firouzeh, 2004, 76) Internationally, the World Bank classifies micro-industrial projects as those that employ up to 10 workers, have annual sales of approximately \$100 thousand, and have total assets and sales of up to \$10 thousand. Small projects are classified as those that employ up to 50 workers, and the total assets of the project are approximately three million dollars. (Serge, 2009, 6) The United Nations for Industrial Development also used the updated European Union classification from 2005 as a standard for industrial classification. (Ledwith & Turnor, 2016) Micro-enterprises employ fewer than ten employees. Minor projects and a workforce ranging from 10 to 49. - medium projects with a workforce ranging from 50 to 249. The reclassification of industrial projects came as a basis to strengthen the ability of specialized government agencies to direct and organize support for local industries for economic considerations based on the reality of these classifications, as shown in the following table.

Table 1: Classification of industrial projects according to the classification of the United Nations

Target Group	Primary Development Objective	Key Challenge	Main Market Orientation	UNIDO Support Programmes	SME Enabling Framework & Institutional Support Information Services
Medium	"Fair" globalisation	Competitive insertion into national and global value chains	Regional Global export markets	Promotion of Corporate Social Responsibility & Business Partnership SME Export Consortia	
Small	Sustainable local development	Creating the "missing middle"	National market and first attempts in export market	Cluster and Network Development	
Micro	Poverty reduction	Moving from survivalist into growth mode	Local markets	Rural and Women Entrepreneurships & Human Security	

Source: United Nations Industrial Development Organization- SME Technical Working Papers Series - Working Paper No. 15 – p23.

The Arab Industrial Development and Mining Organization categorized the projects at the Arab level in accordance with this idea as follows: (2007) (Al-Sous)

- Microbusinesses with less than 5 employees and less than \$5,000 invested in fixed assets other than land, buildings, and working capital.

- Small enterprises employ between 14 and 6 people, and their fixed asset investment capital is less than \$15,000.

Intermediate industries spend \$25,000 to \$15,000 in fixed assets and employ 50 to 15 people.

When classifying projects based on several criteria, the Arab Monetary Fund (AMF) specified that these factors should include the number of workers, size of the head of capital invested, and volume of sales. According to the following table, Arab nations utilize various standards for categorizing projects. (AMF: 2019:9) (AMF: 2019:9)

Table 2: Arab Monetary Fund's classification of micro, small and medium-sized enterprises for Arab State

Country	Classifications	Microenterprises	Small business	Medium enterprise
Jordan	Workers numbers	Less 5 workers	5-20 worker	21-100 worker
UAE	sales values	Less than 100000 JD	100000- 1 million JD	1 million JD-3 million JD
	Trade sector / workers	Less 5 workers	5-20 worker	51-200 worker
	Trade sector / sales	Less than AED 3 million	Less than AED 50 million	Less than AED 250 million
	Industry sector / workers	Less than (10) workers)	10 - 100 workers	101 - 250 workers
	Industry/sales sector	Less than AED 3 million	Less than AED 50 million	Less than AED 250 million
	Service sector/workers	Less Than (5) Workers	6 - 50 workers	51 - 200 workers
	Trade sector / sales	Less than AED 2 million	Less than AED 20 million	Less than AED 200 million
Bahrain	Number of Workers	(6) workers and less	6 - 50 workers	6 - 50 workers
	Capital (Bahraini Dinar)	(1-50) dinars	(50) thousand - one million dinars	(50) thousand - one million dinars
Tunisia	Number of Workers	Less than (6) workers	(6 - 49) workers	(50-199) workers
	Investment Size (Tunisian Dinar)	Less than (15) million Tunisian dinars		
KSA	Number of Workers	(1 - 5) factor	(6 - 49) workers	(50-500) workers
	Sales/ SAR	Less than (3) million riyals	(3-4) million riyals	(41-200) million riyals
Iraq	Number of Workers	1-2 workers	3-9 workers	10-24 workers
Oman	Number of Workers	Less than (5) workers	(6-25) workers	(26-99) worker
	Capital / thousand Omani riyals	(100) thousand riyals	(100-500) thousand riyals	Less than (3) million riyals
Palestine	Number of Workers	(1 - 4) factor	(5-9) worker	(10-19) workers
	Sales (thousands of USD).	Less than (5) thousand dollars	(5-50) The dollar	Less than (100) thousand dollars
Qatar	Number of Workers	(1 - 10) worker	(11-50) workers	(51-250) workers
	Sales (Million Qatari Riyals)	less than one million riyals	(1-20) million riyals	(20-100) million riyals
Kuwait	Number of Workers	--	Not more than (50) workers	(51-150) workers
	Sales/ Kuwaiti dinars	---	not exceed (750) thousand dinars	not exceed (1500) million dinars
Lebanon	Number of Workers	Less than (10) workers	(10-50) workers	(50-100) workers
	Sales / LBP	It does not exceed (500) LBP	(500 thousand LBP - 5 million LBP)	(5-25) million LBP
Egypt	Number of Workers	(1 - 10) worker	(11-200) workers	More than (200) workers
	Sales (million EGP)	Less than a million EGP	(1-50) million EGP	(51-200) million EGP
	Invested capital / thousand EGP	Less than (50) thousand EGP	(50 thousand - 5 million EGP)	(5) million - (15) million EGP
Mauritania	Number of Workers	Less 10 workers	(10) A worker or more	-----
	Capital / million MRO	-----	(50-200) million MRO	-----

Source: Arab Monetary Fund (2017) Results of the Small and Medium Enterprises Environment Survey in Arab Countries.

- Arab Monetary Fund (2019) Results of the Small and Medium Enterprises Environment Survey in Arab Countries
- From the above table, it can be seen that most Arab countries "used more than one criterion in classifying projects, and it should be noted that the Arab Monetary Fund, Noting that Arab countries have conducted a classification of enterprises by number of workers, which has resulted in an informal classification of

different government agencies, formal, informal, and accredited, while there is a formal acknowledgment of the existence of a classification of microenterprises, which is true to our research that projects should be reclassified. It is not only propaganda or survival when supporting and subsidizing these enterprises without qualifying the level of these enterprises from micro to small and medium-sized, which reflects part of the industrial development that should be carried out according to the classification levels and grade. It may be noted that Iraq (1) and 2 are factors. In contrast, Saudi Arabia (1–5), where Iraq is found to be the worst case of service enterprises, still does not rise to the level of development and is the basis of the problem of the non-development of such enterprises, where they remain in the individual's mind and not the enterprises. The re-introduction of a classification of capital size and number of workers is due to:

- Increase the number of beneficiaries.
- Requirements for the economic adjustment phase of the industrial sector.
- strengthening the industrial structure because of international economic developments.

To separate microenterprises from industrial enterprises that make up the structure of the industrial sector as a balanced sector that can meet the needs of economic growth.

These variables, accompanied by a series of industrial reclassification policies in developed countries, have resulted in the relocation of industries that depend on labour intensification to the countries of the South. Due to economic considerations and the environment resulting from differing incomes for workers in such traditional industries as textiles and clothing and consistent with the emergence of high-tech industries, the abandonment of traditional consumer industries in favor of a business-intensive technological pattern.

2.4 Justification of Industrial Projects for International Reclassification

The various countries of the world endeavor to support and assist the industrial sector through various technical, legislative, and regulatory means. Project classification is one of the most important ways to stay organized and reach many goals, such as:

A- For developed countries:

- Restructuring and regulation of this sector for economic considerations
 - Strengthening the competitiveness of domestic enterprises in the face of foreign goods, linked to means of government support, to develop modern industrial activities within the principle of the international division of labor, to establish an integrated and evolving industrial sector capable of meeting the demand needs of consumer, intermediate, and productive goods.
 - Revitalizing industrial entanglements and achieving economic benefits by strengthening them and increasing their international competitiveness through trade liberalization agreements, where the World Trade Organization (WTO) has emerged as an industrial development force, which prompted the restructuring of the industrial sectors of the developed and industrially emerging countries of the world. Among them is the emphasis on the principle of international industrial specialization in the economic environment, which in one respect necessitated the reclassification of industrial enterprises in line with the requirements of a competitive and liberalized economic environment.
 - Improving the balance of trade by enhancing export capacities and entry into global markets under the liberalization of international trade
 - Distinguishing the sector of micro-industrial enterprises from small, medium, and large industrial enterprises as individual projects that meet limited demand, using simple techniques with a primitive production pattern and an industrial structure for financial, productive, marketing, and technical considerations. This type of enterprise has an economic characteristic associated with its very small volumes, which do not affect the structures of those economies' industrial sectors (United Nations Conference on Trade and Development:2020: 11).
- Encouraging foreign capital in domestic investment through the adoption of investment laws that encourage private activity in the establishment of small, medium, and large enterprises.
 - Revitalizing the business sector locally by encouraging individuals to establish income-generating projects to reduce poverty within the context of discrimination in favor of microenterprises (Zugbi: 2020:222)
 - Dependence on the exploitation of locally produced resources

This change has prompted several states to reclassify industrial enterprises in line with the new global classification, especially those industrially emerging states, to begin the transition towards trade liberalization and their accession to the World Trade Organization (WTO), and to consider the reclassification of their enterprises on the basis of the international classification as one of the most important pillars of their competitive advantages in the face of extreme competitiveness under global trade liberalization. As indicated in the following table for some regional and global states, the following table indicates the classification of projects according to their size for some countries as follows:

Table 3: Classification of micro, small and medium enterprises in different countries

Country	standard	Microenterprise	small business	Average of project
Egypt	No of workers +capital	10-1	Less 200 workers+ 50k to 5 M EGP	Less 200 workers 5-15 million EGP
Jordan	No of workers +capital	5-20 sales volume less than 1 million JD	21-100 sales volume (1 million JD	50-249
Sudia Arab	No of workers +capital	1-5 Less than 27000 USD	6-49 27000- 1.3 million USD	50-249 1.3- 13.3 million USD
EU countries	No of workers +capital	1-9 2 million EURO	10-49 10 million EURO	50-249 50 million EURO

Source: Prepared by Researchers

This classification reflects the extent of development consistent with the principle of competitiveness and thus the need to create a qualitative classification of enterprises, representing the appropriate means of achieving many advantages and achieving a number of objectives, in addition to which it will provide economic planners with the ability to provide support and technical assistance, realize direct benefits, realize financial advantages, and provide other incentives (Center for International Private Projects, 2006, 2).

Subsequent developments in international project reclassification have evolved into the reclassification of small enterprises according to economic sectors (classification of industrial enterprises, classification of service enterprises, etc.), as shown in the following table:

Table 4: Criteria for classifying projects by economic activity

Country	Field	Standard	Small business
Japan	industry	Number of workers + Invested Capital	300 and fewer workers 100million yen
	Wholesale trade	Number of workers + Invested Capital	100 workers 30million yen
South Koria	manufacturing	Number of workers + Invested Capital	300 and fewer workers Less than 6 million USD
	Services	Number of workers + Invested Capital	From 30 to 300 workers depending on the type of Service + From 1 to 1.6 million dollars
Australia	industry	Number of workers	Less than 100 workers
	Services	Number of workers	Less than 50 workers
China	heavy industry	Number of workers + sales returns	Less than 20 workers and returns of more than 3 million dollars
	manufacturing	Number of workers + sales returns	Less than 20 workers + returns more than 2 million dollars
	Trade	Number of workers + sales returns	5more factors + returns of more than 10 million
	textile industry	Number of workers + sales returns	More than 50 workers + more than one million returns

Source: Prepared by researchers

From the above table, most States have begun to give partial classifications of projects' classification, depending on the nature of those projects sectoral due to regulatory considerations. * The countries of the South are

developing countries and are among the poorest economically, and the World Bank uses this term to refer to low- and middle-income countries.

The term "South" was used as an alternative to the term "third world" or "developing countries," as it was considered less racist and classist.

2. Classification of private industry projects in Iraq

The structure of the private industrial sector is shaped by the classification of industrial projects according to their size in their various industrial branches into small, medium, and large enterprises. This classification is one of the scientific and technical methods in the analysis of the industrial sector. The size of enterprises is differentiated according to specific criteria such as the number of workers, size of capital, value-added, volume of inputs, and value of output. Some states use one of these criteria to classify industrial projects based on their size, whereas Iraq frequently uses the number of workers and rarely the head of money. (Salem and Murad 2019, 32).

Iraq's private industrial sector structure consists of small, medium, and large enterprises according to the following table:

Table 5: The structure of the private industrial sector is a prophecy for industrial projects in Iraq

size	Workers no	Projects no	number of employees	Salaries and wages	product value
Small business	(9 – 1)	21809	84272	259762393 IQD	1924980220
Medium business	(24 – 10)	218	3357	14277527 IQD	187019772
Large size projects	25 and above	640	28656	1473724 IQD	1288410
Total		22667	116285		

Source: Prepared by researchers based on the publications of the Iraqi Ministry of Planning - Central Statistical Agency - Industrial Statistics -2016.

The number of small enterprises (21,809) is productively diversified, accounting for 96 percent of the total number of enterprises in the private industrial sector. The ratio of labor to total employees is 72 percent, while the value of output is 91 percent of total private output. The number of medium-sized enterprises is (218), accounting for 0.009% of all private industrial sector enterprises. The proportion of employees is 0.028 of the total number of employees, while the number of industrial enterprises (640) is 0.028 of the total number of enterprises and the proportion of employees is 24%.

It should be noted that Iraq's micro-industries are not classified as micro-enterprises. The nature of small industrial enterprises depends on the nature of Iraq's production organization. Small industrial enterprises in Iraq are classified into two types based on their organizational structure:

Type 1: A primitive production pattern based on the production of industrial outputs that meets limited domestic demand by geographical areas and the abundance of resources (regionally), which in its organizational structure relies heavily on the principle of family solidarity in the regulatory process and as a source of labor. The regulatory reality of industrial production is of a literal nature. Most industries categorize this pattern within the concept of "cottage industries," often involving simple industries (food, simple services, and other popular industries). Simple and primitive capital equipment is used in the production process. This pattern is often widespread in major cities and in the countryside, though on a limited basis due to marketing considerations. Income-generating activities are a pervasive feature of women's labor forces, as regards the nature of social reality, which limits women's work in workshops and community laboratories. The type's economic regulatory reality is also largely linked to the informal economy (Sakarna, 2006,14).

Type 2: The nature of the art workshop is closer to the technical workshop with a more sophisticated organizational structure than the first type, but it is also of a more rudimentary organizational nature (cost considerations and production limitations) as compared to other classifications such as the average size of the projects or large ones. The industries contained in this type of enterprise include several (clothing, food, furniture, and other industries). Thus, according to their classification, the organizational nature of small industrial projects is not able to effectively contribute to the impact of industrial reality on the one hand and represents an obstacle to the construction of a private industrial sector capable of creating a domestic industrial base, covering domestic demand, and being able to compete with foreign goods. In terms of quality and ability

to provide material and financial support to this sector, the low level of industrial sector contribution to GDP can be explained by the fact that these projects represent a substantial proportion of Iraq's total private sector industrial projects.

Comparison of the size of Iraq's small industrial project with the global description. The classification of micro-industrial enterprises globally corresponds to the size of small industrial enterprises in Iraq, as indicated, since such enterprises have a range of positive and negative advantages that can be summarized as follows (Murad, 2008, 45):

Positive features

- 1) is an income-generating employment activity.
- 2) Their production is highly localized.
- 3) You will require a small amount of capital.
- 4) Simple to set up in any location.
- 5) You don't need infrastructure in general.
- 6) Relying heavily on local raw materials.
- 7) is largely unaffected by the competitive factor of imported goods.
- 8) The simplicity of its administrative and organizational structure.

The contribution of Iraq's small industrial enterprise sector to the industrial sector according to world standards' GDP relative to the nations of the world in general and regional countries in particular; they represent micro-projects by rankings that are linked to specific features. This makes it a scattered enterprise sector unable to promote the realities of a promising industrial sector capable of contributing, developing, and competing, especially if it has material, financial, and legislative potential. Despite their legitimacy, most of these activities are conducted far from enforcing the state's laws and legislation and operate in an unregulated sector. Especially given the large domestic consumption of manufactured goods and the estimated import volume of \$18.1 billion for imported goods in 2020. (Iraqi Ministry of Planning, 2020, 2) This brings us to the economic reality of Iraq's economy, which is its high degree of exposure:

1. Their exceedingly small volumes result in relatively large production inputs not being used, and consequently their outputs are limited, especially since they are characterized by low value added depending on the nature of the goods produced, which does not have an impact on economic capital formation. 2) You are closer to the artisanal character of the production pattern. 3) Difficulty obtaining financing, such as bank loans or bank credit, to finance their productive operations. The low value of its assets used in the production process, in addition to its low output, does not enable it to obtain bank credit because it is unable to provide the necessary guarantees. 4) It uses limited skilled labor due to the nature of the capital tools used and the nature of the production in general, not requiring skills but limited knowledge to operate the business. 5) Workers' wages are low because of the skill factor and the nature of the commodities produced. The limited volume of production results in a limited yield and, thus, a limited economic profit, resulting in lower wages paid to workers. 6) Child labor is one of the most important elements of production. 7) Its output is characterized by low quality due to low invested capital and often underdeveloped technology, reflecting on product quality. 8) The primacy of administrative regulation and the lack of knowledge of business economics, since it is usually the organizer who conducts all the administrative and organizational work of the industrial project. 9) Limited production, employment, growth, and expansion of the project 10) Their regulation is often associated with unregulated industrial activity. 11) The areas of activity of these projects are linked to a limited industrial pattern and diminish in projects with a primitive production pattern, characterized by simplicity, such as industries (primitive food, folkloric, popular industries, children's toys, etc.) to meet mainly domestic consumer demand, unable to expand and move to the field of export abroad. (Abbas, 2020:24)
2. Its ability to employ manpower: Because small businesses can employ a large number of workers as their rating expands, which tends to employ labor with mostly medium skills, they can develop in proportion to their ability to use relatively advanced techniques in their field of activity, especially if the concept of skill is linked to the volume of remuneration paid.
3. Their financial requirements are acceptable. Medium industrial enterprises need specific capital for their establishment. In this way, many means of financing can be used, especially those linked to the value of their fixed assets, through which bank financing can be obtained. Especially if a government program aimed at

reviving national industry is developed and established, it can be done according to the form of partnership between the government and the private sector. It enables it to obtain credit guarantees by ensuring the value of its productive assets.

As a result, an absence of structural changes. The economic significance of reclassifying small businesses by global standards is a critical entry point for industrial development, as is their size and development. This can be determined by taking advantage of several areas of concern:

Government support is important for developing the industrial sector, particularly small industrial enterprises. It argues that:

Targeted support: Government aid should be focused on businesses with high growth potential rather than spreading resources thinly across all small enterprises.

Economic benefits: Reclassifying small industrial enterprises can generate significant economic savings and foster industrial integration.

Competitive advantage: These enterprises can better compete in domestic and potentially international markets by reducing production costs.

Industrial linkages: Reclassification can promote the development of interconnected industries, creating a more robust economic ecosystem.

Small enterprise is included in the Iraqi Securities Market Project, reflecting the departure of such enterprises from access as industrial enterprises, productive enterprises, or financial sobriety, enabling access to the stock market's productive nature, as previously referred to, by clarifying its productive nature or through the nature of its organizational structure, which leads to its inability to benefit from the financial advantages provided by financial markets. This confirms that one of the main reasons for the decline in the volume of trading is the inability of small enterprises according to the current industrial classification to expand and develop for the purpose of increasing their competitiveness, considering that these enterprises represent the basic base of the Iraqi industrial sector according to the current classification of industrial enterprises in Iraq, which indicates that they represent 94% of the number of industrial enterprises in Iraq. By indicating the role of the financial market in enhancing the realities of small and medium enterprises, the Egyptian experience in this field, which is the first experience in the use of the stock market towards supporting small industrial enterprises, can be used. Through the Nile Stock Exchange, which was established in 2007 and is part of the securities market, SMEs are targeting fast-growing in various productive activities by facilitating the registration of such enterprises according to the controls and requirements of a less complex registration to encourage them to enter the financial market to earn a range of gains and strengthen the capacities of SMEs as follows (Hawley and Idris, 2017, 185):

1. Aids in the unrestricted financing of SMEs without the need for collateral.
2. Establishing investment funds aimed at investing in successful companies and helping them develop in terms of management systems, marketing, and technology.
3. Achieve greater growth and expansion opportunities than unregistered companies in the financial market.

Based on the foregoing, the current description of the size of the industrial project in Iraq is one of the main reasons why financial support for the industrial sector cannot be provided by the state. It is worth mentioning that the economic importance of such enterprises in the national economy lies in their providing a source of income for a large segment of individuals, but they are problematic in the government's program for achieving economic viability by supporting such enterprises on economic grounds that can be summarized as follows: Support for these projects within government lending programs is economically ineffective. It is a trend to waste more financial resources within the industrial sector's investment allocations, as these are very small industries that are unable to influence the market for industrial goods in the national economy.

The amount that each of them contributes to the added value of the national economy as an individual is very small.

They are usually more income-generating than industrial enterprises, which have a much smaller national economic impact as very small individual enterprises with no impact on economic reality. The average total cost of that size of enterprise is high because of the regulatory nature of those industries, which are often associated with a lagging organizational level, so it cannot achieve economic surpluses and is unable to compete with foreign goods.

Industrial enterprises, according to the current classification, make it extremely difficult for the state to obtain economic gains as a result of their large numbers in addition to their weak productive capacities, which makes it difficult to support their investment allocations in support of the industrial sector, which is largely linked to what has been referred to above.

They form a broad base of industries, but, at the same time, they are unable to grow and expand, given the nature of those projects, which stem from their limited manufacturing capabilities and are unable to create capital accumulation, making the process of supporting them as an opportunity to create an industrial sector far from the industrial reality of their weak productive capabilities. (Ahmed: 1995:32)

It is important to note that the total amount of loans that small industrial enterprises still owe is important compared to the number of economic problems that come with their size.

The inability to develop the industrial sector in the absence of the reclassification of small industrial enterprises makes it difficult to deal with a range of variables that contribute to the development and development of the industrial enterprise sector:

The evolution of banking system transactions and access to loans Contemporary technology.

Freedom of international trade the issue of quality of production, which enhances the competitiveness of those enterprises.

inability to develop and expand production and keep abreast of industrial market developments and trends.

This implies that medium- and long-term underdevelopment will continue. The survival of Iraq's industry depends on the proliferation of low-tech primary and consumer industries, despite the contribution of these projects to alleviating poverty and finding low-income sources of income for families and families engaged in these businesses. But in the same vein, we will find that Iraq's economy will see further slowdown and underdevelopment, especially on the issue of industrial sector development. This is clear by highlighting the numerous government initiatives to support this industry that the Iraqi governments launched but which did not help to improve the indicators and ratios of these projects' economic contribution, namely:1-lender's initiative (the Industrial Development Directorate and Confederation of Iraqi Industries, the Economic Commission of the General Secretariat of the Council of Ministers) worth \$ 15 million in 2008–2007 The Iraqi Government has initiated the allocation of small loans to support small and medium-sized industrial enterprises through the Ministry of Industry and Minerals in cooperation with the Rasheed Bank and the Federation of Iraqi Industries, including projects specifically registered with the Federation of Iraqi Industries. The main objective of industrial loans was to rehabilitate and operate these enterprises to create jobs with a view to reducing unemployment in the country, which was exacerbated by the country's security and political conditions. In 2008, \$408 million was allocated to all the country's governorates, of which only 24% was disbursed. (Abdul Karim, 2012, 25) Industrial Bank Initiative: 2003-2016, a series of government initiatives involving two phases, namely the first phase of cooperation with USAID in 2004 aimed at owners of small and medium-sized industrial enterprises that were suspended due to Iraq's security situation in that period and lasted until 2006, when the government launched a new initiative called "Industrial Initiative" through the Central Bank and in cooperation with the Ministry of Industry and the Federation of Iraqi Industries, to stimulate Iraq's industrial realities. According to Table 6, the number of loans granted by the Industrial Bank can be indicated for the period 2004–2015.

Table 6: Iraq Industrial Bank loans (2004-2015)

Years/ items	2004	2005	2006	2007	2008	2009
number of loans disbursed	2	11	5	6	9	14
Total Allocated Volume (IQD Million)	400	432	128	97	351	439
Years/ items	2010	2011	2012	2013	2014	2015
The number of loans granted	97	279	286	848	2085	1907
The size of the total allocation (billion dinars)	4,254	14,515	15,713	31,524	61,805	49,233

Source: Industrial Bank of Iraq - Annual Report for the Years (2009 - 2015)

4 - Central Bank's initiative 5 trillion

The various initiatives aimed at supporting and activating the role of the industrial sector through various lending programs, however, the desired results are not encouraging but very disappointing and disappointing. Statistics indicate that the percentage of beneficiaries of the Central Bank of Private Industrial Activity Initiative

(5 trillion dinars initiative) has not exceeded 5% over several years. This reflects small entrepreneurs' inability to risk obtaining such loans.

2.5 Methods of government support for industrial projects in Iraq

Government support is one of the main methods in the development of the industrial sector of the Iraqi economy according to the previous analysis of economic considerations by encouraging the private industrial sector to play a leading role in stimulating the economy, restoring idle industrial enterprises, providing income-generating investment opportunities, reducing unemployment rates and relieving pressure on government employment. The methods of government support for the industrial sector vary. The public sector is directly supported through investment plans within the general budget, within the funding lines, and other methods such as state projects.

2.6 Proposed scenario to support the reclassification of Iraq's private industrial sector

- Reclassification of industrial projects for Iraq's industrial sector, consistent with global standards.
- Help and encourage small projects as they are now by making them bigger or combining them with similar projects. With the goal of making the industrial sector stronger through projects that focus on economic ways of making things, selling them, and other economic ideas.
- Supporting the modernization of existing industries and the creation of new, high-tech industries, especially industrial branch projects that contribute to the revitalization of the industrial sector through the unbalanced growth strategy.
- Make sure that the methods of support meet the needs of the stages of putting the industrial sector development strategy into action.
- Use indirect ways to improve people's ability to start new businesses from a financial point of view, such as by setting up specialized business incubators and accelerators, financing companies for specialized productive activities, and cooperative institutions (both public and private) to help new businesses grow. This will help lay the groundwork for strong economic growth.

The difference between the reclassification of small industrial enterprises according to the global classification and how they are currently classified in Iraq is shown in the following two ways:

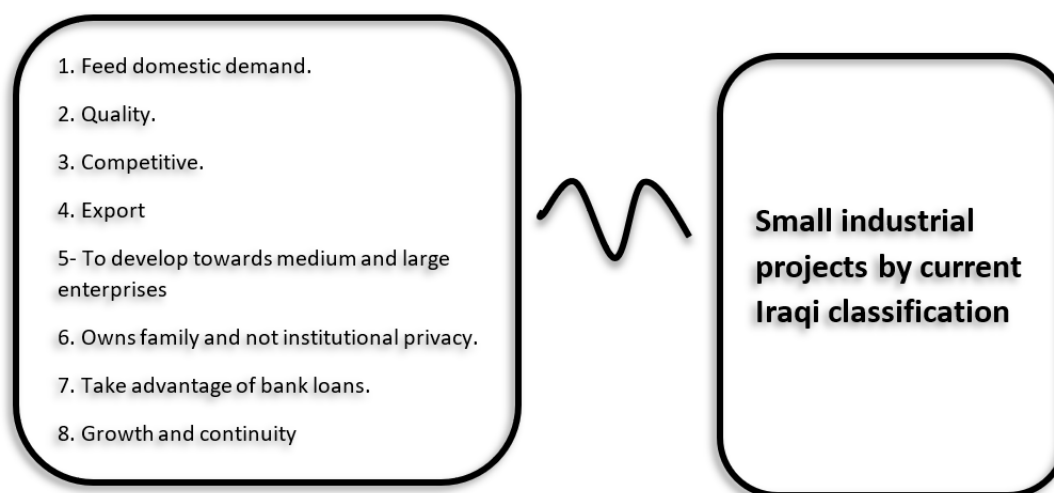


Figure 1: Economic and technical potential of industrial projects in Iraq by classification (1–9)

Through Figure 1, mention can be made of the role of small industrial enterprises, which are micro-enterprises in the economy. They are unable to fill domestic demand because of their limited production, which is usually characterized by their local nature and their reliance on outdated techniques to weaken the volume of capital invested. This is reflected in the quality factor of industrial products, which is due to their inability to compete with goods from abroad and thus their inability to develop industrial regulation.

The problem of this study states that the absence of the classification applied internationally, there are no applications for dealing between government institutions and financial institutions. The size of small businesses according to the international classification, which is a sophisticated industrial regulatory framework, is an

incentive to create an industrial base for an interdependent and balanced industrial sector based on market nutrition and feeding itself from the results of the industrial process, allowing it to overcome problems and obstacles to the establishment of a developed industrial sector and the possibility of overcoming the failure.

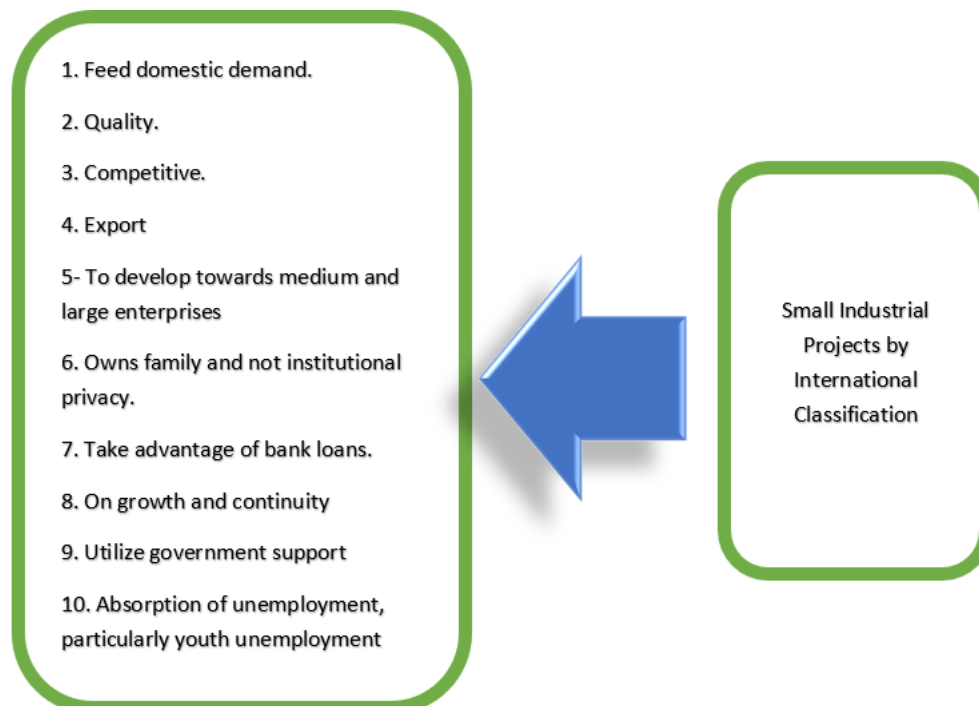


Figure 2: The economic and technical potentials of the industrial projects in Iraq according to the international classification

Conclusions

- SME projects are classified internationally according to their size into projects (Micro, Small, Medium, and Large) to distinguish the role of these projects in economic activity.
- Microenterprises are internationally considered projects aimed at creating simple jobs to obtain income, and countries set priorities to support them to reduce poverty through social institutions and ministries related to the community aspect.
- The organizational and productive nature of microenterprises is primitive and depends on providing simple consumer goods that do not impact the reality of the industrial sector within the national economy and cannot access the world markets.
- The classification of industrial projects in Iraq is not in line with the requirements of the prevailing industrial reality at the level of the international economy in general or at the regional level.
- The percentage of preparation of industrial private sector projects within the industrial structure is approximately (95) % of the total number of industrial projects, which entails a set of problems in the field of providing material and financial support to develop the role of the industrial sector of the Iraqi economy.

Recommendations:

- Reclassification of industrial projects in line with global classification.
- Adoption of the classification of micro-industrial enterprises for organizational and economic considerations.
- To learn from experiences around the world in general and in the field of industrial sector regulation in particular, based on the international classification and the needs of the new phase after change.
- Use the role of private microfinance institutions to help micro-industrial enterprises and keep the state out of the business of financing these enterprises as projects that are not considered in the industrial structure of the private industrial sector because of economic, regulatory, and financing concerns.

- Focusing the government's material and financial support on small, medium, and large industrial enterprises after the reclassification of industrial enterprises, with the goal of achieving the economic goals of restructuring the industrial sector in line with international and regional realities, so that scarce economic resources are not wasted, and financial corruption is stopped.

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