


FINANCING SMALL AND MEDIUM-SIZED ENTERPRISES AND THE ROLE OF PRIVATE BANKS: AN EXPLORATORY STUDY IN DHI-QAR PROVINCE

Abdulridha H. Saud^A, Mohammed Fadhil Neamah^B, Azhar A. Sabbar^C



ARTICLE INFO	<u>ABSTRACT</u>
<p>Article history:</p> <p>Received 30 Dezember 2021</p> <p>Accepted 07 February 2022</p>	<p>Purpose: The research aims to shed light on the financing of Small and Medium-Sized Enterprises (SMEs) in Dhi-Qar province and the role of private banks in that.</p> <p>Theoretical framework: The theoretical framework of study focuses on the defining of (SMEs), the method of financing the (SMEs) which included the operating loans and investment loans, the obstacles to financing, and the factors of success and failure in SMEs also included in theoretical framework.</p> <p>Design/methodology/approach: The study tool for the practical side was a questionnaire, and the study relied on the descriptive analytical approach, where the questionnaire was distributed (335) questionnaire on the owners of (SMEs) represented (Chamber of Commerce, The Business Federation, and the Chamber of Industry) and the number of questionnaires valid for analysis was (300) and the statistical program was used (SPSS.v.23), Research, Practical & Social implications:</p> <p>Findings: The study reached the most important conclusions, including the inability of owners of (SMEs) to provide the required guarantees from private banks, and the weak ability to Submit the required financial statements for which the loan is granted, and the amount of loans granted by the banks is not compatible with the capital and operational needs of the owners of (SMEs).</p> <p>Originality/value: Highlight in the necessity of finding a mechanism to financially support (SMEs) and urge banks and financial institutions to encourage them to support these enterprises.</p>
<p>Keywords:</p> <p>Bank financing; Small and medium – sized enterprises; Private banks.</p> <div data-bbox="172 987 480 1234" style="text-align: center;">  </div>	<p>Doi: https://doi.org/10.26668/businessreview/2022.v7i2.0469</p>

^A Doctor. Faculty of Administration and Economics, University of Sumer, Iraq.

E-mail: abdulridhasaud@gmail.com Orcid:<https://orcid.org/0000-0003-3264-804X>

^B Doctor. University Karbala Technical Institute: Karbala, Karbala, Iraq.

E-mail: mohammed.fadeel@atu.edu.iq Orcid:<https://orcid.org/0000-0002-8624-7172>

^C Doctor. University Karbala Technical Institute: Karbala, Karbala, Iraq.

E-mail: azhar1966@atu.edu.iq Orcid:<https://orcid.org/0000-0002-7533-3948>

FINANCIAMENTO DE PEQUENAS E MÉDIAS EMPRESAS E O PAPEL DOS BANCOS PRIVADOS: UM ESTUDO EXPLORATÓRIO NA PROVÍNCIA DE DHI-QAR

RESUMO

Objetivo: A pesquisa visa esclarecer o financiamento de Pequenas e Médias Empresas (PMEs) na província de Dhi-Qar e o papel dos bancos privados nessa área.

Estrutura teórica: A estrutura teórica do estudo concentra-se na definição de (PMEs), no método de financiamento das (PMEs) que incluiu os empréstimos operacionais e empréstimos para investimento, nos obstáculos ao financiamento e nos fatores de sucesso e fracasso nas PMEs também incluídos na estrutura teórica.

Concepção/método/abordagem: A ferramenta de estudo para a parte prática foi um questionário, e o estudo se baseou na abordagem analítica descritiva, onde o questionário foi distribuído (335) questionário sobre os proprietários de (PMEs) representados (Câmara de Comércio, Federação Empresarial e Câmara da Indústria) e o número de questionários válidos para análise foi (300) e o programa estatístico foi utilizado (SPSS.v.23), Pesquisa, Implicações Práticas e Sociais:

Conclusões: O estudo chegou às conclusões mais importantes, incluindo a incapacidade dos proprietários de (PMEs) de fornecer as garantias exigidas pelos bancos privados, e a fraca capacidade de Apresentar as demonstrações financeiras exigidas para as quais o empréstimo é concedido, e o montante dos empréstimos concedidos pelos bancos não é compatível com as necessidades de capital e operacionais dos proprietários de (PMEs).

Originalidade/valor: Destacar a necessidade de encontrar um mecanismo de apoio financeiro (PMEs) e instar os bancos e instituições financeiras a incentivá-los a apoiar essas empresas.

Palavras-chave: Reputação do escritório do auditor, Exatidão da opinião do auditor sobre a continuidade dos negócios, Falha financeira.

Palavras-chave: Financiamento Bancário, Empresas De Pequeno E Médio Porte, Bancos Privados.

LA FINANCIACIÓN DE LAS PEQUEÑAS Y MEDIANAS EMPRESAS Y EL PAPEL DE LOS BANCOS PRIVADOS: UN ESTUDIO EXPLORATORIO EN LA PROVINCIA DE DHI-QAR

RESUMEN

Objetivo: La investigación pretende arrojar luz sobre la financiación de las pequeñas y medianas empresas (PYME) en la provincia de Dhi-Qar y el papel de los bancos privados en ella.

Marco teórico: El marco teórico del estudio se centra en la definición de las (PYME), el método de financiación de las (PYME) que incluye los préstamos de explotación y los préstamos de inversión, los obstáculos a la financiación y los factores de éxito y fracaso de las PYME también incluidos en el marco teórico.

Diseño/metodología/enfoque: La herramienta de estudio para la parte práctica fue un cuestionario, y el estudio se basó en el enfoque analítico descriptivo, donde el cuestionario se distribuyó (335) cuestionario sobre los propietarios de (PYME) representados (Cámara de Comercio, La Federación de Empresas, y la Cámara de Industria) y el número de cuestionarios válidos para el análisis fue (300) y el programa estadístico se utilizó (SPSS.v.23), Investigación, Práctica e implicaciones sociales:

Conclusiones: El estudio llegó a las conclusiones más importantes, incluyendo la incapacidad de los propietarios de (PYMES) para proporcionar las garantías requeridas de los bancos privados, y la escasa capacidad de presentar los estados financieros requeridos para los que se concede el préstamo, y la cantidad de préstamos concedidos por los bancos no es compatible con el capital y las necesidades operativas de los propietarios de (PYMES).

Originalidad/valor: Destacar en la necesidad de encontrar un mecanismo de apoyo financiero a las (PYMES) e instar a los bancos e instituciones financieras a que se animen a apoyar a estas empresas.

Palabras clave: Financiación Bancaria, Pequeñas Y Medianas Empresas, Bancos Privados.

INTRODUCTION

Small and Medium – Sized Enterprises (SMEs) are the main nerve of the economy of any country, because they are the main engine for more technological innovations, which are reflected in the diversity and increase of exports, and thus constitute one of the main engines of

economic and social growth through the provision of job opportunities, thus eliminating poverty, as well as reducing dependence on imports. And support for exports and provision of foreign currency, which leads to an increase in national income, which in turn is reflected in improving the level of individual and family income and increasing the welfare of society. However, these enterprises suffer from many problems in practice, the most important of which is the problem of financing, and these enterprises start with family capital, and often invest in fixed capital, and that the enterprise's operational and development activities need other sources of funding for the purpose of promoting and producing the enterprise, and these The problem arises greatly in developing countries, especially Iraq, where SMEs face many internal and external difficulties and challenges, especially financing.

At the same time, there are many private banks which are accused of being found for reasons of converting foreign currency out of the country and not contributing to supporting the national economy by providing liquidity to enterprises, especially small and medium ones, and therefore this point was highlighted by a questionnaire in Dhi-Qar Governorate that It contains many SMEs and (13) private banks.

A bank can be defined as an institution that performs one or more procedures such as accepting custody of funds, lending money, offering credit, issuing currency or facilitating the transfer of funds via checks, bills of exchange or other credit instruments (Kanagasabai, 1999).

According to Wendy and Colin (2003), the role of commercial banks lies in accelerating investment and growth in the economy, and banks are the nerve centers of economics and finance and a measure of a country's economic perspective.

The researchers here seek to answer the main question in the research that represents the problem. Is there an influential role for private banks in financing SMEs in Dhi-Qar province? the research acquires its importance from the importance of answering the above question, and that financing these enterprises contributes effectively to economic development. The researchers set the following hypothesis for the research. Private banks in Dhi-Qar province are considered an ineffective component in financing SMEs.

LITERATURE REVIEW

Financing of Small and Medium-Sized Enterprises

Funding is defined by Webster's dictionary as the system that includes money trading, credit granting, investment making, and banking facility provision (Brigham & Houston, 2017). Also, financing was defined as providing money in times of need, and the most important elements of financing can be identified in the following: (Al-Hajj, 2010)

- ✓ Determine when exactly it is needed.
- ✓ Find sources of funds.
- ✓ The risks to any human activity

It is clear to researchers that financing is in the sense of obtaining money from its various sources (liabilities and ownership). Accordingly, the concept of enterprise financing can be defined as choosing and providing needs for funds or providing financial resources and forming new capital to build institutions and equipment to establish investment enterprises for goods and services.

Methods of financing of SMEs

Commercial banks are a major funder of **SMEs**, and because of the absence of specialized credit institutions and a weak money market, through which they intervene to provide a variety of loans classified according to the nature of the activity funded by operating loans, and investment loans.

Operating loans

Operating activities are all operations performed by enterprises in the short term, which do not exceed (12) months. (Marasili and Schleife, 2017) and includes:

1. Public loans: They are called public loans because they are intended to finance the current assets as a whole and not to finance specific assets.
2. Private loans, including:
 - A. Fund Facilities: These are loans provided to facilitate temporary liquidity difficulties.
 - B. Overdraft from banks is a bank loan for a customer who records a shortage in the treasury due to insufficient working capital.
 - C. Seasonal loan: A special type of bank loan that arises when the bank funds a seasonal activity for a customer.
 - D. Interconnection loans: It is a loan granted to the customer to meet the need for the liquidity required to finance the financial process. Mostly, it is almost certain, but it is deferred only for external reasons. The bank decides on this type of loan when there is almost a certainty that the process being funded is verified. But there are only certain reasons that have delayed their achievement.

Investment loans

In fact, investment activities are those operations that enterprises undertake for long periods of time. Banks provide a type of loan directed to finance SMEs investments. These loans can be divided according to the term into long-term and medium-term loans: (Belbshir and Daho, 2016).

1. Mid-term loans: Medium term loans range between one and seven years and are granted for the purpose of financing investment activities. Given the long period, the bank is exposed to the risk of freezing funds, as well as other risks related to default, and here it is necessary to distinguish between two types of medium-term loans:

A. Mid-term refillable loans: they are loans that the bank can usually deduct from another financial institution or central banks, thus avoiding the risk of default.

B. Mid-term loans are not refillable: This type of loan does not give the bank the ability to re-deduct these loans with other financial institutions or with the central bank and this makes the bank have to wait for the loan repayment period and therefore the risk is greater.

2. Long-term loans: The enterprises aim to use this type of loan to finance long-term investments. These investments are distinguished by a high cost, and the process of collecting investment income is long-term, which exceeds a period of (7) years, which may reach (20) years and aims mainly to finance Huge investment. Given the nature of these loans and the high risks associated with banks 'freezing of funds for a long time, the search for ways to reduce these risks remains a major concern for banks. Among the options available in this field for banks is the participation of many financial institutions in one financing, or requesting real guarantees of high value before starting the financing process (Alzabari et al., 2019).

It is clear to researchers that there are many types of financing for SMEs, there is internal financing such as reserves and retain earnings in the enterprise, personal savings for owners or obtaining financing by increasing the capital by introducing new partners in these enterprises. As for external financing, it is represented by the commercial banks that grant loans against obtaining the required credit, or obtaining financial support in various forms of institutions interested in supporting SMEs, including governmental and non-governmental ones. SMEs 'internal sources and sources of financing to meet all of these enterprises ' needs are often at different stages of development, and some may impose unwanted obligations on their owners. Financial reserves or retain earning in the early years of enterprises are usually not available and negative tax impacts on these enterprises, while support from family, relatives, or friends,

if not limited, may lead to interference in enterprise management, and therefore may not be inclined to it Owners of these enterprises.

Obstacles facing SMEs

The growth and development of the SME sector around the world faces a host of problems. These may vary from one country to another and from one sector to another, but there are some problems that are common problems faced by SMEs all over the world. The nature of the problems faced by SMEs is intertwined. In general, some of these problems are internal problems that occur within the enterprise or because of the owner, while external problems are considered if they occur due to the influence of external factors or the environment surrounding these enterprises. When reviewing the literature and previous studies in this regard, the most important problems facing SMEs in general can be summarized as follows: (Al-Mahrouq and Moqabla, 2006; Abbasi et al., 2018; Al-khoury et al., 2022).

1. **Capital cost:** This problem is directly reflected in the profitability of these enterprises by requiring SMEs to pay a high interest rate compared to the price paid by large enterprises. In addition, SMEs rely mainly on borrowing from banks, which increases their costs.
2. **Inflation:** in terms of its impact on higher prices of raw materials and labor costs, which will inevitably lead to higher operating costs, and this is a major constraint as it faces competition from large enterprises, and it is unable to raise prices to avoid the impact of higher wages and raw materials.
3. **Financing:** SMEs face difficulties in financing because of their size (lack of adequate guarantees) and consequently the lack of credit, which leads to financial institutions exposure to a set of risks when financing small and medium enterprises in different stages of their development. (Establishment - Initial Growth - Active Growth - Integration). Because of these risks, private banks are reluctant to provide the necessary financing for these enterprises because they are keen on depositors' funds.
4. **Governmental Procedures:** This is a growing problem in developing countries, especially in the area of regulations and instructions related to the organization of SMEs.
5. **Taxes:** The tax system is one of the most important problems facing SMEs all over the world. This problem is reflected in two aspects, the high amount of the tax, and on the other hand it is also a problem with regard to taxes, due to the lack of necessary data, especially in small enterprises that do not have regular accounting records, which limits the work of the tax authority.

6. Competition: competition and marketing are among the main problems facing small and medium enterprises, especially large ones, which benefit from the volume of mass production in order to reduce costs and offer the product at a competitive price that SMEs cannot afford.
7. Scarcity of raw materials: in terms of natural scarcity, and a lack of storage capacity, which leads to vulnerability to changes in import and exchange prices.

Factors of success and failure in SMEs

For the success of any SMEs, there must be a number of factors and ingredients, which are among the most important (*Ejbara, 2016*):

1. That the entrepreneur has an entrepreneurial spirit.
2. That the enterprise owner has chosen the appropriate investment idea and values and prepared a feasibility study (technical, financial, environmental) in a scientific and accurate manner and took the right investment decision.
3. The enterprise construction phase was implemented in a scientific way to reduce exposure to subsequent problems, especially during the operational phase.
4. Providing administrative competence that is the administration's ability to respond and adapt to change in economic and social conditions and developments in the field of information technology, its ability to effect change for the benefit of the enterprise, its ability to provide appropriate resources, especially skilled labor, and its ability to plan, monitor, and forecast future market trends .
5. Providing the appropriate investment, economic, political, social and legal environment.

As for the reasons for failure are the lack of previous ingredients, and the failure of some SMEs can be attributed to the causes of mismanagement and competitiveness, and among the most important reasons for failure: (*Ejbara, 2016*)

1. Inefficiency of management: When the enterprise owner lacks the required administrative skills.
2. Lack of experience: experience is the line between success and failure.
3. Financial mismanagement: which may lead to a lack of sufficient capital to start the enterprise, and credit conditions may not be appropriate.
4. Inappropriate site: the site greatly impacts both cost and sales.
5. Inability to shift: failure to change with market requirements is a major cause of failure.

It is clear to researchers that the most important factors that may cause these enterprises to fail are poor financial means and the need for these enterprises to be funded according to their nature and circumstances. Accordingly, the difficulties that SMEs face in obtaining the required financing from traditional sources are highlighted, as the effective role that private banks can play in the contribution of SMEs, especially since the mechanisms of these banks work include many forms of financing that can benefit from SMEs Without incurring additional costs such as high guarantees, interest, etc.

The exploratory study

To answer the main question of the study, is there an influential role for private banks in financing small and medium enterprises in Dhi-Qar province? Where (335) questionnaires were distributed to the owners of SMEs through the Chamber of Commerce, the Business Union and the Chamber of Industry. The number of questionnaires valid for analysis was (300) and the statistical program (SPSS.v.23) was used for the analysis.

General description of the questions asked about SME financing

Table (1) below includes a general description of the questionnaire questions, the number of frequencies for each question, and the percentage according to Likert Seven's scale.

Table (1) general description of the questionnaire questions

No.	Financing SMEs	Answer scale													
		1		2		3		4		5		6		7	
		Agree to the fullest extent		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Disagree to the fullest extent	
		%	F	%	F	%	F	%	F	%	F	%	F	%	F
1	The facilities provided by private banks in Dhi-Qar province for the owners of small and medium enterprises are good and important.	10.7	32	14.3	43	17.0	51	2.7	8	9.0	27	3.3	10	2.0	6
2	The amount of loans granted by private banks in the province of Dhi-Qar to owners of SMEs greatly helps in the development of those enterprises	16.7	50	32.7	98	34.0	102	7.3	22	5.3	16	2.7	8	1.3	4

3	The interest of loans provided by private banks to owners of SMEs is very high.	13.7	41	27.7	83	34.3	103	5.3	16	8.0	24	5.3	16	5.7	17
4	Private banks overestimate guarantees for SME owners.	7.3	22	27.3	82	39.0	117	8.3	25	7.7	23	7.0	21	3.3	10
5	Private banks are better than SME financing institutions that specialize in providing the necessary financing to SME owners.	7.7	23	26.3	79	36.0	108	8.7	26	12.3	37	6.7	20	2.3	7
6	Private banks work to provide the full financing required for owners of SMEs.	9.0	27	23.0	69	38.3	115	7.3	22	15.0	45	6.0	18	1.3	4
7	The owners of SMEs rely more on private banks than government banks.	10.0	30	18.7	56	37.7	113	12.3	37	12.3	37	7.7	23	1.3	4
8	SME owners can deal with private banks with high confidence.	9.7	29	22.7	68	36.0	108	12.3	37	10.7	32	6.0	18	2.7	8
9	Private banks are a strong competitor to government banks for financial dealings with the private sector in the governorate.	13.0	39	26.7	80	35.0	105	8.3	25	9.7	29	2.3	7	5.0	15
10	The expansion of granting licenses to new private banks is an influencing factor in economic development	16.0	48	25.3	76	38.0	114	5.0	15	9.7	29	2.0	6	4.0	12

Reliability of the questionnaire

For the purpose of verifying the degree of reliability of the questionnaire, the Cronbach's alpha coefficient has been used, as its value must be greater than (0.7) in order for the questionnaire to be adopted in terms of the reliability of the internal consistency, as this value of the Cronbach's alpha coefficient is a marginal limit in general for all paragraphs and for each paragraph separately (*Morgan , et. al, 2004*).

The researchers measured the Cronbach's alpha coefficient for all paragraphs of the questionnaire first and for each of its paragraphs in a second stage to ensure the consistency of the internal consistency of the questionnaire as a whole on the one hand and for each term separately on the other hand and table (2) shows the Cronbach's alpha coefficient for all paragraphs of the questionnaire and table (3) The Cronbach's alpha coefficient is shown for each paragraph separately, as follows :

Table (2) Cronbach's alpha coefficient for all paragraphs of the questionnaire

Reliability Statistics	
Cronbach's Alpha	N of Items
0.8	10

From table (2) it is clear that the Cronbach's alpha coefficient was (0.8) for the elements of the questionnaire, and it represents an acceptable reliability of the data collection tool, which indicates the internal consistency of the data obtained and indicates the possibility of proving the results of the study tool when applied. (Sekaran & Bougie , 2010)

In table (3) it is clear that the Cronbach's alpha coefficient was (0.8) for all questions. As for each question, it ranged between (0.811) and (0.672), which represents an acceptable reliability of the data collection tool, which indicates the internal consistency of the data obtained, which It indicates the possibility of proving the results of the study tool when applying it.

Table (3) Cronbach's alpha coefficient for each paragraph separately

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
q1	44.22	93.933	.764	.705
q2	43.02	109.869	.433	.805
q3	43.46	107.018	.464	.750
q4	43.05	107.623	.588	.712
q5	43.12	105.246	.667	.691
q6	42.89	107.574	.613	.783
q7	43.16	105.352	.679	.811
q8	43.28	103.734	.748	.701
q9	43.18	98.518	.883	.672
q10	42.96	98.637	.855	.743

Test how the sample opinions differ when answering the questionnaire

Table (4) shows the degree of difference in the opinions of the study sample with respect to each of the questionnaire questions, as we note that the coefficient of difference is somewhat convergent and the reason for the convergence is due to the homogeneity of the study sample and the similar view towards the study problem.

Table (4) The mean, standard deviation, and coefficient of variation

Descriptive Statistics				
	N	Mean	Std. Deviation	C.V
q1	300	4.949	1.957	0.395
q2	300	5.346	1.583	0.296
q3	300	4.950	1.740	0.351
q4	300	4.840	1.405	0.290
q5	300	4.790	1.422	0.296
q6	300	4.803	1.361	0.283
q7	300	4.733	1.395	0.294
q8	300	4.796	1.384	0.288
q9	300	4.980	1.484	0.297
q10	300	5.110	1.518	0.297
Valid N (listwise)	300			

Comment on the results

It is clear from the above table that the diagnosis of the SME financing axis included ten items, which were measured using the Likert Seven index. The mean averages came close to all questions. The second question came with the highest value with a mean of (5.346) which is higher than the hypothetical mean (4) And its percentage reached (34.0), which indicates that the owners of SMEs confirm that (The size of loans granted by private banks in the province of Dhi-Qar to owners of SMEs helps a lot in the development of those enterprises), and the lowest mean value (4.733) question (7) has reached a percentage of (37.7), and this is evident from the high bank interest provided by private banks on lending to SMEs, where the interest rate is (13%), while government banks impose an interest rate (8%), in spite of this, the owners of SMEs may resort to financing on private banks to avoid the complicated procedures imposed by government banks.

The following is the comment at the level of questions:

1- It appears from question (1) that the percentage (10.7%) of the sample respondents agree to the fullest extent that (the facilities provided by private banks in Dhi-Qar Governorate to the owners of SMEs are important), while the percentage of those who do not agree reached to the fullest extent of this (2.0%).

2- It appears from question (2) that (16.7%) of the sample respondents agree to the fullest extent, and that (34.0%) of the respondents agree that (the size of loans granted by private banks in Dhi-Qar Governorate to the owners of SMEs helps a lot in the development of those enterprises), while the percentage of those who disagree to the fullest extent was (1.3%).

3- It appears from question (3) that the percentage (27.7%) of the sample respondents strongly agree that (the interest of loans provided by private banks to the owners of SMEs is very high), while the percentage of those who do not agree to the fullest extent reached to that: (5.7%) As for the individuals who did not express specific answers, their rate reached (5.3%).

4- It appears from question (4) that the percentage (39.0%) of the respondents agree that (private banks overestimate the guarantees for lending to the owners of SMEs), while the percentage of those who do not agree with this is (7.7%), while individuals who do not appear specific answers, they reached (8.3%).

5- It appears from question (5) that (36.0%) of the sample respondents agree that (private banks are better than SMEs financing institutions specialized in providing the necessary financing), while the percentage of those who do not agree to the fullest extent on this is (2.3%).

6- It appears from question (6) that the percentage (38.3%) of the sample respondents agree that (private banks work to provide the full financing required for owners of SMEs), while the percentage of those who do not agree with this is: (1.3%)

7- 2- It appears from question (7) that the percentage (37.7%) of the sample respondents agree that (the owners of SMEs depend on financing on private banks more than government banks), while the percentage of those who do not agree with this is (12.3%), while Individuals who did not show specific answers, their percentage (12.3%).

8- 3- It appears from question (8) that (36.0%) of the sample respondents agree that (the owners of SMEs can deal with private banks with high confidence), while the percentage of those who disagree to the fullest extent is (2.7%).

9- It appears from question (9) that (26.7%) of the sample respondents strongly agree that (private banks are a strong competitor to government banks for financial dealings with the private sector in the governorate), while the percentage of those who do not agree to the fullest extent is (4.0%).

10- It appears from question (10) that the percentage (38.0%) of respondents agree that (expansion by granting licenses to new private banks is considered an influencing factor in economic development), while the percentage of those who do not agree to the fullest extent on this is (4.0%), while Individuals who did not express specific answers their percentage (5.0%).

In conclusion, there is an exaggeration in the size of the guarantees required by private banks to grant the necessary financing to owners of SMEs, as well as there is a high interest rate compared to what is imposed by government banks, however owners of enterprises prefer to deal with private banks due to the lack of complexity and delay in the procedures in the banks Government. The expansion of granting establishment licenses to these banks and encouraging them by the central bank, which is the direct supervisor of granting loans while reducing interest, would improve the work of the SMEs sector according to the opinion of the selected sample.

CONCLUSION

SMEs play an important role in achieving industrial and economic growth, and creating a type of competition, which leads to improving the type and quality of services and goods provided, and meeting the needs of the local market and various services and reducing dependence on the external market for these goods and services, but in return, the necessary financing is the nerve that it leads these enterprises towards continuation and success, and the inability of the owners of SMEs to provide the required guarantees from private banks, and the weak ability to provide the required financial statements on which the loan is granted, making these enterprises unable to obtain the necessary financing. On the other hand, failure to organize integrated feasibility studies by owners of SMEs leads to banks' reluctance to finance these enterprises, and if there is funding from some private banks that want to take a risk at a certain rate, there is often an incompatibility of the amount of loans granted by banks with the capital and operation needs for SMEs. Consequently, there is a need for government authorities to find a mechanism to support SMEs financially and to urge banks and financial institutions to encourage them to support these enterprises, train enterprise owners in preparing feasibility studies and facilitate all procedures related to credit facilities and adopt promotional policies for private banks.

REFERENCES

Abbasi, W. A., Wang, Z., & Alsakarneh, A. (2018). Overcoming SMEs financing and supply chain obstacles by introducing supply chain finance. *HOLISTICA—Journal of Business and Public Administration*, 9(1), 7-22.

Al-Asadi, Karim, (2010), Evaluation of the Performance of Municipal Services Sector Activity in Baghdad Governorate/ Karrada Municipality, Case Study, PhD thesis in Project Management Philosophy, S.t. Clements International University, Iraq.

Al-Hajj, Tariq, (2010), *Funding Principles*, First Edition, Safa for Publishing and Distribution, Amman.

Al-Hakim, Imran, (2007), *Banks Strategy in Financing Small and Medium Enterprises - A Case Study of Public Banks in Al-Masilah State*, Master Thesis, Department of Commercial Sciences, Mohamed Boudiaf University, M'sila, Faculty of Economic Sciences, Management Sciences, and Commercial Sciences.

Al-khoury, A., Hussein, S. A., Abdulwhab, M., Aljuboori, Z. M., Haddad, H., Ali, M. A., Abed, I. A., & Flayyih, H. H. (2022). Intellectual Capital History and Trends : A Bibliometric Analysis Using Scopus Database. *Sustainability*, 14(16), 1–27.

Al-Mahrouq, Maher Hassan, and Muqabla, Ihab, (2006), *Small and Medium Enterprises are Important and Constraints*, Center for Small and Medium Enterprises (a center affiliated with the Arab Academy for Banking and Financial Sciences and the Industrial Development Bank), Amman.

Al-Najjar, S. M., & Kalaf, K. H. (2012). Designing a balanced scorecard to measure a bank's performance: A case study. *International journal of business administration*, 3(4), 44.

Al-Qaisi, Fadel Hamad, and Al-Taie, Ali Hassoun, (2014), *Strategic Management Theories - Approaches - Examples and Contemporary Issues*, (1st ed.), Amman, Safaa for Publishing and Distribution.

Al-Sanhouri, Muhammad Mustafa, (2013), *Strategic Management (Theory and Practice)*, (1st ed.), Al-Fikr Al-Jami'a for publishing.

Al-Taie, B.F.K., Flayyih, H.H., Talab, H.R. (2017). Measurement of income smoothing and its effect on accounting conservatism: An empirical study of listed companies in the iraqi stock exchange. *International Journal of Economic Perspectives*, 2017, 11(3), pp. 710–719.

Alzabari, S.A.H., Talab, H.R., Flayyih, H.H. (2019). The effect of internal training and auditing of auditors on supply chain management: An empirical study in listed companies of Iraqi stock exchange for the period 2012-2015. *International Journal of Supply Chain Management*, (5), pp. 1070–1075.

Belbachir, Tawfiq, Dahou, Hanan, (2016), *The problem of financing small and medium enterprises in Algeria*, MA thesis in Monetary and Financial Economics, University of Abi Bakr Belkaid, Faculty of Economic Sciences, Management and Commercial Sciences, Tlemcen, Algeria.

Brigham, E. F., & Houston, J. F. (2012). *Fundamentals of financial management*. Cengage Learning, Boston.

Dergham, Moussa, & Abu Fadda, Mohamed, (2009), The effect of applying a balanced performance model in enhancing the strategic financial performance of Palestinian national banks operating in the Gaza Strip: a field study, *the Journal of the Islamic University (Series of Humanities)*, 17(2).

Ejbara, Zainab Hassan, Abdel Moneim, Hassan, (2016), *The Role of Islamic Banks in Supporting Small and Medium Enterprises in Libya*, Academic Research Magazine, Fifth Issue, January.

Enendu, C. I., Abba, M. A., Fagge, A. I., Nakorji, M., Kure, E. U., Bewaji, P. N., ... & Okoro, A. E. (2013). *Bank Intermediation in Nigeria: Growth, Competition, and Performance of The Banking Industry, 1990–2010*.

Haddad, Munawer, (2006), The Role of Banks and Financial Institutions in Financing Small and Medium Enterprises, International Forum: Requirements for Qualifying Small and Medium Enterprises in Arab Countries, on the 17th and 18th, supervised by the Laboratory of Globalization and North African Economics, Hassiba Ben Bouali University, Algeria.

Hamdan, K. H., Bachay, I. R., Flayyih, H. H., & Talab, H. R. (2018). Using Capital Budget and Sensitivity Analysis to Predict Future Cash Flows and Evaluate Investment Projects: Empirical Study at Iraqi Company for Production, Marketing and Meat and Field Crops. *Journal of Engineering and Applied Sciences*, 1-12. [10.3923/jeasci.2018.10510.10516](https://doi.org/10.3923/jeasci.2018.10510.10516)

Hanapi , Nurfara Hasyikin ,(2016). Performance Evaluation Of Islamic Bank In Malaysia Comparison Between Domestic And Foreign Bank , A report submitted in partial fulfillment of the requirements for the award of the degree of Bachelor of Accounting , Faculty of Management University Technology Malaysia.

Kanagasabai, S. (2010). An economic analysis of priority sector lending under lead bank scheme in the union territory of Pondicherry, work paper, pondicherry universty , India.

Marasili, Karima, & Shlaif, Fatima Al-Zahraa, (2017), The Role of Banks in Financing Small and Medium Enterprises (SMA) Case Study of the Algerian Popular Loan CPA, Master Thesis in Economic Sciences, Specialization, Insurance and Banking, University of Al-Jilali, Buñamah, Khamis Meliana, Faculty of Economic, Commercial and Sciences Management.

Matthiasen, J. H. (2015). Perceptions of Justice: Non-Financial Performance Indicators and Trust (Master's thesis).

Morgan, G. A., Leech, N. L., Gloeckner, G. W., & Barrett, K. C. (2004). SPSS for introductory statistics: Use and interpretation. Psychology Press.

Saudi, Nadia, (2018), Extent of the use of modern management control methods in measuring and evaluating the performance of Algerian commercial banks, PhD thesis of the third phase in commercial sciences, specialization banks, finance and accounting, University of Mohamed Boudiaf, M'sila, Faculty of Economic, Commercial and Management Sciences.

Sekaran, U., & Bougie, R. (2016). Research methods for business: A skill building approach. John Wiley & Sons.

Talab, H.R., Hasan, S.I., Flayyih, H.H., Hussein, N.A. (2017). Analysis of mental accounting: A case study of listed companies in Iraqi stock exchange. *International Journal of Economic Perspectives*, 2017, 11(4), pp. 684–699.

Thijeel, A.M., Flayyih, H.H., Talab, H.R. (2018). The relationship between audit quality and accounting conservatism in the Iraqi banks | La relación entre la calidad de la auditoría y el conservadurismo contable en los bancos Iraquíes. *Opcion*, 34(Special Issue 15), pp. 1564–1592.