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## INTRODUCTION

Entrepreneurship plays a critical role in the advancement and development of any economy, (Geldhof et al., 2016). This is especially important for a semi-autonomous region such as Kurdistan which is located in the northern part of Iraq with an estimated population of 5.3 million, (KRG Fact and Figure, 2016). Kurdistan Region Government (KRG) of Iraq, which recently announced its victory against ISIS on the battlefield, has yet a long way to recover from its economic crisis (UNFPA, 2018). The economy is highly burdened by the public sector as government employment accounts for 70% of the labor force (World Bank Group, 2016). Comparing this rate to most of the other diversified economies in the MENA region such as Turkey which employs only 12%, Iran stands for 17%, and Jordan about 37% of population. It's no secret that KRG is noticeably standing at the highest level, (World Bank Report, 2016).

The oil industry has dominated Iraq's and KRG's economy. However, KRG's ongoing instability and its conflict with the central government in Baghdad over oil revenue-sharing has led to many internal disputes and cuts to KRG public sector salaries. While accounting for 65% of Iraq's GDP, the oil sector currently employs only 1% of the total labor force (United Nations Iraq, 2019). Therefore, it is critical for KRG to initiate diversified private sector reforms to enable economic growth. Especially, existent youth unemployment as a major challenge in the region, drags attention to boosting entrepreneurial ventures as a possible solution. "Unless opportunities are created for youth, their disillusionment will only grow" (United Nations Iraq, 2019). The World Bank report "Doing Business" ranks Iraq 165th regarding the ease of doing business, which confirms, that "small businesses operate in a very unfavorable business environment, due to competition from the highly subsidized public sector and foreign imports" (World Bank 2016). These businesses will have a higher chance to transform the face of the economy, by moving it from a government-centered, oil and gas dominated structure into a more sustainable and diversified economic model. (United Nations Iraq, 2019).

Despite the victory against the ISIS and the global rising oil prices, the rate of employment and job creation has decreased dramatically in the Kurdistan Region of Iraq. As a consequence, the youth population have lost their hopes in securing a job

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(UNFPA 2016). Youth unemployment is usually measured amongst those who are between 16-29 year olds (World Bank 2016). This outcome has led the Kurdish young population to face serious challenges. Research shows that the unemployed are unhappier and more likely to experience a range of health issues, anxiety, and face challenges in being reemployed in the future (Alavi, Håbek, 2016). "Existence of the entrepreneurial spirit has a facilitator role in the development of countries" (Din et al, 2016). Therefore, thousands of youths and fresh graduates in the Kurdistan region have gone through a transition period between 2014-2017, from having the desire to be employed by the government, to become entrepreneurs to have their own financial stability (AUIS, 2017). In contrast, the number of entrepreneurs in the Kurdistan region is very limited, according to the American University of Iraq, the population of entrepreneurs has not reached the ideal number for the region (AUIS, 2017). This finding convey the message that the Kurdistan region is falling behind the other MENA countries in terms of developing entrepreneurial ecosystem. According to Autio (2018), the government plays a major role in creating and boosting environment in which entrepreneurial businesses thrive. Not surprisingly, the regional government in Kurdistan has been under pressure by the youth population in order to be financed and well supported for starting their businesses journey (Sabir, 2018). A reflection of youth demands can be traced in Rudaw's report (Mansour and van den Toorn., 2018) which refers to gathering of young people from all the governorates in Erbil under the government's freestanding council 'Kurdistan Youth Council' to address their unique challenges and give voice to their problems as well as discussing the solutions.

Since entrepreneurship is recognized as an answer to many economic dilemmas at global level, governments around the world are actively promoting it through various forms of support. Particularly, through building an entrepreneurial ecosystem (Farid, 2007). Hence, to achieve faster regional and local economic development, the world recognized the need for building entrepreneurial ecosystems and expanding networks of its support institutions (Oa et al., 2017).

Entrepreneurial ecosystems are defined as "a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory" (Stam and Spigel, 2016), Moreover, it's a collection of stakeholders, including research and development institutions, educational bodies, venture capitalists and support services (Autio, 2017). According to Ibrahim (2018); there is a long list of factors for state involvement affecting entrepreneurship ecosystem's fostering entrepreneurial activities. Among others , main areas can be listed as: government program and policies, finance, human capital, (R & D) center, market penetration, culture and social norms, legal infrastructure, and training. The entrepreneurship ecosystems play a more important role and their economic presence becomes bolder when state follows policies which are synergetic with other elements mentioned above (Hermanto and Suryanto, 2017). Evidence collected from the region shows that the KRG has an opportunity to leverage the power of entrepreneurship towards fostering significant economic growth. However, prior to fully tapping into the regional economic potential, there are number of challenges which must be addressed. An example can be, neither school or educational institutions such as universities prepare students with the right set of skills that enable the youth in the future to become successful entrepreneurs (Ghalwash, 2017).

Although the role of public sector has been emphasized regularly in entrepreneurship

literature, the Middle East and North African states do not show any significance in this regard. The reason could go back to the fact that most of research in this field has been done in the circle of developed countries and MENA countries are yet to be explored (El Mahdi, 2002).

The purpose of this paper is to critically investigate the challenges faced by entrepreneurs in the KRG as well as getting insights on how the public sector provides solutions for further development of sustainable entrepreneurship in the region. The paper consists of four parts: After the introduction, second part will provide empirical data on challenges facing entrepreneurs in Kurdistan Region of Iraq. Discussion and analysis of the findings are done in the third part. Finally, in the last part, paper will offer conclusions by summarizing the key findings. Hence, this study is significant, as it is designed to investigate the challenges which entrepreneurs are facing or have faced in starting their business and suggesting solutions to the problem of how the KRG could boost entrepreneurship ecosystem through public policy?

By answering the following research questions, the paper intends to find a solution for the problem addressed above: "What are the factors that hold back entrepreneurs in the Kurdistan Region to start their own businesses?" "What measures local government can take to mitigate such challenges?"

### **METHODOLOGY OF RESEARCH**

The explanatory research approach is taken in current study to define the relation among variables. In an explanatory study, the researcher uses theories or hypotheses to represent the factors that caused this specific phenomenon to occur (Denish, 2019). The applied design involves collecting and analysis of quantitative data. Primarily, a focus group discussion was formed in order to gather information from the participants regarding possible challenges that entrepreneurs face in the Kurdistan Region and to identify appropriate and relevant questions for the survey method. The discussion and findings were then used to formulate a quantitative questionnaire about the challenges faced by entrepreneurs. Later, the questionnaire was administered online among the entrepreneur's network and community active in the region. Information collected from the focus group discussion was based on the individual's view and opinion towards the obstacles faced by entrepreneurs in the region, whereas the quantitative study addressed the regional entrepreneur's population and the primary goal of it was to correspond the views from the focus group members with realities of challenges facing local entrepreneurs in Kurdistan.

Simple Random Sampling method was used in the process of data collection. A pilot study conducted to develop discussion and ensure the clarity of questions asked in questionnaire and it was administered after careful examination of responses. The pilot study respondents were not included in main survey process.

For the purpose of data analysis, the study applied statistical and descriptive quantitative methods. The data analysis was performed by application of SPSS software after collecting 83 responses from local entrepreneurs.

### **RESULTS**

Table 1, shows the age category of the responders which falls into five groups, from the graph, it is clear that more than half of the respondents in this study were aged between (25-35) years old with 43 respondents (52%), and minority respondents 2 (2%) belongs

to the respondents under the age of 18. Respondents who were between the age of (18-25), as well as respondents between the age of (35-50) were about 16 (19%) and 18 (22%) respectively, followed by the least being of the age of 50 and above, found only 4 (5%) fall under this group. The outcome indicates that most of the respondents are primarily under the age of 35 and they are in their active and most productive time in their life.

**Table 1**  
**Frequency Distribution of Age Category**

Age Class	Number of Respondents	Percentage of Respondents
Under 18	2	2%
18 - 25	16	19%
25 - 35	43	52%
35 - 50	18	22%
Above 50	4	5%
<b>Total</b>	<b>83</b>	<b>100%</b>

Table 2 refers to the participant's gender, where 44 (53%) out of 83 respondents were male. This number is higher than the female entrepreneurs by around 8%, which was 37 (45%). This result reveals that female entrepreneurs in the region are close to male entrepreneurs and signifies the presence of female entrepreneurial activities in contrast with existing stereotypes. In addition, it should be noted that 2 (2%) respondents did not wish to identify their gender.

**Table 2**  
**Frequency Distribution of Respondents' Gender**

Gender	Number of Respondents	Percentage of Respondents
Female	37	45%
Male	44	53%
Prefer not to say	2	2%
<b>Total</b>	<b>83</b>	<b>100%</b>

Table 3 represents the motivational factor for entrepreneurs who start a business in the Kurdistan region. In result, 80 (96.4) of the respondents selected at least one motivational reason such as; lack of job opportunity, to become independent, experience in the field, to have a higher income etc. According to Table 3, the main reason for starting a business is to gain greater income (48.8%).

**Table 3**  
**Frequency Result of Motivation Factor**

Motivations	Responses		Valid Cases	Percentage
	N	Percent		
Lack of job opportunity	26	31%	80	96.4%
To have a greater income	41	48.8%		
To start something new	31	38.8%		
Experience in the field	33	41.3%		
To have freedom	35	43.8%		
All of the above	11	13.8%		
None of the above	1	1.3%		

While 35 (43.8%) respondents referred to desire for freedom at work, third main reason for starting an entrepreneurial activity with 33 (41.3%) respondents referred to being inspired by their own experience in the field and eventually turning their experience into a business.

While all the possible challenges are important to be studied, the current existing challenges for the entrepreneurs in the business play a critical part in this study. The aim of this specific question is to help both the new entrepreneurs and the policy makers to understand what are the difficulties the current entrepreneurs are struggling with. In the response to this part, according to Table 4, main challenge for respondents was funding the business as 49 (59.0%) of them stated that finding capital to run their business is a big obstacle. The runner up challenge was instability of the economy which was marked by 42 (50.6%) respondents. Market profit being mentioned by 40 (48.2%) of respondents took the third place among important challenges facing Kurdish entrepreneurs. This signifies the role of unexpected costs within the business operation. Notably, copy right protection and protecting business ideas was identified by 38 (45.8%) of the respondents and ranked as fourth among main impediments for successfully running their business. Other important challenges can be ranked as following: Business expansion 32 (38.6%) respondents, Government regulation 29 (34.9%) respondents, Leadership & Management experience 20(24.1%) respondents, Weak market demand 19 (22.9%) respondents, Tax 6 (7.2%) respondents and all of above 2 (2.4%).

**Table 4**  
**Frequency Result of the Current Challenges while the Entrepreneurs Run the Business**

Current Challenges	Responses		Valid Cases	Percentage
	N	Percent		
Finding capital	49	59.0%	83	100.0%
Market profit	40	48.2%		
Business expansion	32	38.6%		
Weak market demand	19	22.9%		
Protecting my business ideas	38	45.8%		
High competition	18	21.7%		
Government regulation	29	34.9%		
Tax	6	7.2%		
Leadership & Management experience	20	24.1%		
Unstable economy	42	50.6%		
All of above	2	2.4%		

In quest for establishing a suitable environment for the entrepreneurs by the government, this study presents key statements related to public policy role in supporting entrepreneurs based on the recommendations of the focus group members. In Table 5, the outcome of analyzing data collected via survey questionnaire shows that 61 (73.5%) of the respondents observed : Creation of a more friendly government regulatory procedures and easy access to business registration as the most important attribute among government initiatives to help the entrepreneurs keep and grow their business. Establishing an entrepreneurship ecosystem department within the movement was recognized took the second rank due to its recognition by 58 (69.9%) of respondents. Non surprisingly, thirdly ranked initiative was creation of funding programs for entrepreneurial activities which was recognized by 47(56.6%) of respondents. However, taking the third place by need for financial support reveals the fact that regulatory environment of business and access to expert opinion is recognized as foremost requirements of entrepreneurial society in Kurdistan and should be taken seriously by public sector. Table 5 also depicts the importance of other government initiatives from the perspective of Kurdish entrepreneurs.

**Table 5**  
**Frequency Result of Government Initiatives to Establish a Better Environment for Entrepreneurs**

Government Initiatives to Establish Better Environment for the Entrepreneur	Responses		Valid Cases	Percentage
	N	Percent		
Establishing an entrepreneurship ecosystem department within the government	58	69.9%	83	100.0%
Create a more friendly government regulatory procedures and easy access to business registration	61	73.5%		
Create funding programs	47	56.6%		
Provide access to bank loans	26	31.3%		
Open business incubators (labs)	21	25.3%		
Find a new market for product and services for entrepreneurs	24	28.9%		
Provide mentorship and training for entrepreneurs	36	43.4%		
Support entrepreneurs' public profile to receive media attention	31	37.3%		
Secure political stability in the region	27	32.5%		
Secure the economy in the region	21	25.3%		
Sponsor entrepreneurship participation in global events	18	21.7%		
All of above	10	12.0%		
None of above	1	1.2%		

Table 6 illustrates the respondent's selections with regards to the supporting methods taken during the start-up phase of a business. Among others, 65 (86.7%) of the entrepreneurs relied on their own savings to start a business, while 21 (28.0%) received family support. There were also other methods of support such as International Organization Funds 9 (12.00%) and Investors Opportunity recognized by 7 (9.30%) of respondents. Step by Step (gradual) development was chosen only one respondent which can refer to high costs of business process. In the same way, the bank loans are considered as a business financing method only by one respondent which indicates the low popularity of banks among entrepreneurs due to their high interest rates, difficult procedure of obtaining the loan and short payback periods.

**Table 6**  
**Frequency Result of Supporting Business Financially**

Supporting Business	Responses		Valid Cases	Percentage
	N	Percent		
Own saving	65	86.70%	75	90.40%
International Organization Funds	9	12.00%		
Family support	21	28.00%		
Bank loan	1	1.30%		
Investors opportunity	7	9.30%		
Step by Step	1	1.30%		
Self-made	1	1.00%		
None of the above	2	2.70%		

In order to find the answer to research question of "What measures the local government can take to mitigate such challenges?" The correlation between variables relevant to current challenges facing entrepreneurial activities and possible government

initiatives to establish a better environment for entrepreneurs in Kurdistan were measured. Due to nominal nature of variables, Phi and Cramer's V methods were used for the measurement purpose. Table 7 demonstrates meaningful correlations among different variables in question.

**Table 7**

**Meaningful Correlation Among Existing Challenges for Entrepreneurship in Kurdistan and Possible Government Initiatives to Establish a Better Environment for Entrepreneurs**

**1. Finding capital vs Establishing an entrepreneurship ecosystem department within the government**

		Value	Approximate Significance
Nominal by Nominal	Phi	0.361	0.001
	Cramer's V	0.361	0.001
N of Valid Cases		83	

**2. Finding capital vs Create a friendlier government regulatory procedures and easy access to business registration**

		Value	Approximate Significance
Nominal by Nominal	Phi	0.221	0.044
	Cramer's V	0.221	0.044
N of Valid Cases		83	

**3. Finding capital vs Create funding programs**

		Value	Approximate Significance
Nominal by Nominal	Phi	0.260	0.018
	Cramer's V	0.260	0.018
N of Valid Cases		83	

**4. Finding capital vs All of above**

		Value	Approximate Significance
Nominal by Nominal	Phi	-0.294	0.007
	Cramer's V	0.294	0.007
N of Valid Cases		83	

**5. Protecting my business ideas vs Create a more friendly government regulatory procedures and easy access to business**

		Value	Approximate Significance
Nominal by Nominal	Phi	0.223	0.042
	Cramer's V	0.223	0.042
N of Valid Cases		83	

**6. Government regulation vs Create a more friendly government regulatory procedures and easy access to business**

		Value	Approximate Significance
Nominal by Nominal	Phi	0.211	0.054
	Cramer's V	0.211	0.054
N of Valid Cases		83	

**7. Leadership & Management experience vs Open business incubators (labs)**

		Value	Approximate Significance
Nominal by Nominal	Phi	0.385	0.045
	Cramer's V	0.385	0.045
N of Valid Cases		83	

## DISCUSSION

According to data analysis conducted in current research, Kurdish entrepreneurs clearly take their fair share of facing barriers in the early stage and ongoing obstacles in their journey towards establishment of a small business and further growth of growing their initiative to in later stages.

Generally, the many entrepreneurs are still operating their business despite the ongoing challenges the region had faced in the last few years. This is an important finding and it's shows a positive point towards entrepreneurs' resilience during crisis in the region. This could potentially have a strong relation to "age as resilience", as most of the respondents were between the age of (25-35), as this group of youth are naturally known for having the capability and are motivationally driven as well as easily adaptation to changes in market regardless of challenges and risks .However, a key to answer is that respondents in the above mentioned age range tend to have less responsibilities such family dependencies, health conditions & financial commitments.to those in the older age groups.

Another finding shows that gender did not affect the continuation of business in the Kurdistan region as statistics showed a slight imbalance between male and female, and their choice of business operation. This could come as a result of the continued efforts of national and international intervention towards gender equality and women empowerment in recent years which were delivered through public awareness campaigns and different programs for the purpose of encouraging women and girls to start their careers or businesses.

The results also confirm that entrepreneurs' main challenges were financial support as 59% of the respondents agree that access to finance is a major challenge and they were mainly supported by their own savings which could be very limited at time, especially due to the high unemployment rate in the region.

Hence, the result further explains the remaining challenges up to date and the data shows that the biggest challenge remains as finding capital for the business to run. This is an important component for the government to provide support if the public policy tends to overcome the economic crisis by creating a small business funds and providing financial support. It's also worth mentioning that the second highest challenge ranked was "unstable economy" in which explains that the economic crisis has affected the entrepreneurs and has created uncertainty for risk and business growth.

When the respondents were given the opportunity to select and provide comment on how could government improve entrepreneurship policy, the highest rank (73%) selected was to "create a more commercially friendly government regulation and environment for entrepreneurs". This also explains the reason for government regulations and legal barriers to be identified as reason behind high cost of business registration.

The statistical analysis shows the positive correlation between different challenges facing entrepreneurs and possible actions which Kurdish government can take in order to establish a better environment for entrepreneurs. Particularly, challenge of finding capital shows meaningful correlation with establishing an entrepreneurship ecosystem department within the government, creating more government friendly regulatory procedures, and easy access to business registration, create funding programs. Demonstration of such correlations provide for local government a roadmap on how to help Kurdish Entrepreneurs for overcoming their financial challenges.



Importance of findings become more obvious when they refute the common belief that only way for government to help entrepreneurs would be providing funding programs. Despite the fact that role of creating funding programs cannot be denied, they would not enough for providing sustainable entrepreneurship in Kurdistan without further actions. Other government initiatives should be taken in parallel to creation of funding programs including: establishing an entrepreneurship ecosystem department within the government and creating more friendly government regulatory procedures, and easy access to business registration. Further, there is a meaningful correlation between protecting business ideas and creating more friendly government regulatory procedures, and easy access to business registration. This shows the importance of providing legal support for entrepreneurs, making them able to safeguard their intellectual property and realize their business ideas in a safe working environment. Finally, there is a meaningful correlation between leadership and management experience and existence of open business incubators which clearly demonstrates importance of mentorship and hands on training in success of entrepreneurial ideas.

## **CONCLUSION**

The entrepreneurial spirit is one of the main factors to the development of employment and economic growth, therefore in the modern world, entrepreneurs are vital for a nation to boost the economic value of the country and to create jobs. The Kurdistan Region has been facing numerous economic and political instability in the past decade, which resulted in a high number of unemployment and market failure.

Although, entrepreneurs are globally known as individuals who have an idea and aim to turn the it into a profitable business via personal expertise and attraction of investors, entrepreneurs in the Kurdistan region face a bumpy road on for survival and further business growth. Numerous reasons can play role in creating difficulties for entrepreneurial activities in KRG inducing: multiple internal and external factors which could mainly deal with; finance, market, support, human capital, knowledge, government regulations, economic crisis, political crisis, corruption etc. Once these challenges are identified, policymakers play a significant role in setting the regulatory stage in favor small and medium size enterprises, mitigating existing obstacles and providing a better environment for businesses to thrive.

The overall assessment shows the existence and readiness of entrepreneurship in the Kurdistan region. As outlined in the previously, it was found that most of the respondents were between the age of (25-35) which are considered "youth" with access to highest level of energy to start their initiative through innovation and unique business ideas.

Interestingly the study sample also discovered that there was a thin line between the gender gap as 53% of the respondents were identified as male and 47% of the respondents were identified as female. This comes as a surprise due to the cultural barrier and the conservative society of Kurdistan region of Iraq. However, this result set a positive step towards the future for female entrepreneurship in the region.

Statistical analysis also showed meaningful correlation between existing challenges for Kurdish entrepreneurs and possible initiatives which government can take to provide a better business environment for SMEs and take distance from dependency on petroleum and main source of national income.

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**Abstract.** The purpose of this paper is to identify the main challenges faced by entrepreneurs in the Kurdistan region of Iraq and possible ways that regional public sector can take for the purpose of improving entrepreneurship development. Given the importance of entrepreneurs in the economic development and job creation, it's critical to understand what drives entrepreneurs to become less effective and to investigate how the implementation of "entrepreneurship ecosystem" practiced by public policy makers mitigates these challenges. As a result, authors strive to answers two main questions in this paper: "What are the factors that hold back entrepreneurs in the Kurdistan Region to start their own businesses?" "And "What measures the local government can take to mitigate such challenges?" The methodology used in this study is quantitative approach, involving a survey questionnaire. This paper consists of four parts: After the introduction, second part will provide empirical data on challenges facing entrepreneurs in Kurdistan Region of Iraq. Discussion and analysis of the findings are done in the third part. Finally, in the last part, paper will offer conclusions by summarizing the key findings.

**Keywords:** entrepreneurship, economy, entrepreneurship ecosystem, market, finance