# Challenges of accounting organization for the activities of business incubators in the higher education sector

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## Abstract:

The research sheds light on the most important challenges facing the work of business incubators of the Iraqi higher education sector, represented by the weakness of the accounting practices used in the conduct of their business, as the importance of the research lies in the importance of the influence that the accounting organization has on the decisions of its funders and the aim of the research is to clarify the most important challenges facing The work of business incubators and the effect of the accounting organization on the decisions of the financiers And this is by conducting a survey of the views and opinions of the study sample, which included directors of departments and divisions of business incubators in the higher education sector. The study found a set of results, the most important of which is the influence of administrative and financing decisions with the accounting information provided by the accounting organization, for the activities of the incubators, and the existence of an independent accounting unit in the incubator that adopts international accounting standards for the public sector in the accounting organization that will provide useful and appropriate information in the decision-making process.

**Key words:** business incubators, higher education sector.

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**Introduction:**

Business incubators are one of the important tools to accelerate the growth of projects and the successful development of entrepreneurial businesses with their integrated sets of services, and in recent times the importance of incubators has increased as economic tools that stimulate local development by providing services and facilities represented by (business planning, legal, accounting and marketing support) to facilitate The growth of small companies. Also, companies graduating from the incubator have a higher survival rate, so the main goal of incubators is to graduate successful companies that are financially viable and stand alone, providing new job opportunities for the unemployed and contributing to the development of the local and national economy. Business incubators, like any economic unit, require preparing all the means and requirements that lead to their success and survival and among their requirements is attention to all matters, especially accounting matters. And to overcome all the challenges facing its work and stand in front of its development, and the importance of the information produced by the accounting systems as it is a tool of communication between the institution and its external environment through the financial statements presented to various users, whether internal or external .We will learn about the most important accounting challenges facing the activities of business incubators in the Iraqi environment and propose appropriate solutions that will increase the chances of their success and survival Therefore, the problem of the study lies in the lack of interest in the accounting aspects of the work of business incubators in the Iraqi environment and in the Iraqi public sector, which affected the provision of adequate and transparent financial reporting that reflects the work of its activities, which affected the provision of financial resources that guarantee their survival and sustainability. The research gained its importance by highlighting the role that business incubators offer in sponsoring small enterprises, and because of the role of these incubators in stimulating self-employment and thus reducing unemployment. The aim of the research is to know the most important accounting challenges facing the work of incubators in the Iraqi environment, and to shed light on the importance of establishing business incubators in the Iraqi public sector based on according to international accounting standards.

## Literature Review:

Business incubators are an urgent necessity for the development of local economies because they provide various services for the development of small enterprises and the development of pioneering ideas. It should be considered as major development units with regard to transactions and preparation of financial statements. There are many literary works that dealt with many aspects related to business incubators. Including the study of Al Faihan 2012, the study sought to clarify the concept and definition of entrepreneurship, its characteristics and types, as well as the concept, types and stages of development of business incubators and their role in supporting entrepreneurship and entrepreneurial projects. The risks facing these projects, Bakhlad study (2014) The study tried to delimiting the mechanisms that technology business incubators can provide to help rehabilitate small and medium enterprises. The study aimed to know the role of technology incubators in the development and support of small and medium enterprises in Ouargla. The researcher followed the case study approach. The most important findings of the study are that incubators provide many basic services to small and medium enterprises during the incubation period .The study of Zouda and Boukfa (2014). The study tried to determine what mechanisms the incubation system adopts in order to ensure the survival and continuity of small and medium enterprises in Algeria. The study aimed to develop a conceptual framework for business incubators that was drawn from the experiences of countries in this field. The researcher followed the descriptive and analytical approach to the work of business incubators. The study concluded that business incubators are one of the most important mechanisms that help in solving the various problems facing small and medium-sized companies in their inception in various countries of the world. Ali and Karim's study (2016) The study sheds light on some of the means and methods that can be adopted by incubators management for the development and development of small and medium enterprises by identifying the success factors and obstacles of these incubators and taking the experiences of some western and foreign countries in the field of business incubation, The most important results of the study are that incubators play a major role in the success of small and medium enterprises at the beginning of their formation, and the study recommended the need to solve and address the obstacles that cause confusion in the work of incubators. Al Qawasim Study (2018) This study discussed the most important economic and social obstacles that may face projects at the beginning of their establishment. The study aimed to shed light on the work of incubators in the Palestinian territories, and sought to know the reality of the situation in which incubators operate in the West Bank and the amount of support provided by incubators for small projects. The researcher followed the descriptive, analytical and inductive approach. The most important results of the study is that the purpose of popularizing the idea of incubators is to develop the technology sector and contribute to reducing unemployment by creating new job opportunities. Al Sowayi Study 2018The study focused on the role and importance of small enterprises in the advancement of the Libyan economy, in addition to the nature of the overlap and relationship between business incubators and small enterprises in the field of achieving economic development. In his study, the researcher sought to achieve his main goal, which is to find out the reality of business incubators in Libya, shed light on the development and support they contribute to small and medium enterprises, identify all the difficulties that limit their operations, and direct them to improve their effectiveness in the performance of their services to small enterprises. Abdul Amir and Nasrallah's study (2018), this study deals with the problem of incompatibility of the Iraqi university accounting education curricula with what is required by the International Educational Standard No. (2) and that it does not fit with the idea of business incubators. The study aimed to introduce the standard of international accounting education, as well as to address the standard of accounting business incubators adopted by the International Federation of Accountants in embracing accountants after graduation and preparing them scientifically and practically. Bakhit's study (2019) The study aimed to present a proposed model for business incubators that would lead to the successful completion of the project life cycle. The researcher concluded that there are no incentives to raise societal awareness of the role of entrepreneurship and the role of business incubators despite the high rates of unemployment. Al-Obaidi and others study (2020) The study aimed to benefit from academic experiences in supporting small enterprises and to provide sources of financing for business incubators affiliated with the Ministry of Higher Education in order to play their role in supporting small and medium enterprises. By studying the experience of Iraq in establishing business incubators in the education sector, the researchers used the questionnaire and SWAT analysis, the most important finding of the study mechanism is the lack of government financial support and the reluctance of financial institutions to provide loans for the lack of government guarantees, which leads to a great weakness in the work of incubators. Chandra (2009) study This study dealt with a comparison of the incubation process for three countries, the United States, Brazil and China, where the comparison included identifying the differences and similarities for incubators from several aspects (sources of funding, financial services, and the government's role in the incubation process). The study aimed to classify the work of the incubators in the countries. Three The researcher selected a random sample of 30 incubators from the main cities of the three countries. The most important finding of the study is that there are many similarities between the incubation approach in developed and developing countries and that the cultural context and the nature of the institution affect the work of the incubator. Hanadi (2011). This study consisted of identifying the basic (critical) activities required by the project when its formation and the role of incubators in helping to manage those activities. It identified eight main activities that the incubated project needs at its inception. The researcher used previous literature and studied the case of several incubators. In different countries, the most important findings of the study mechanism is that business incubators are an added value and a powerful tool for economic development around the world. Study (Khalid, et. (2012) This study deals with identifying the basic components used by technology incubators to incubate the pioneers of information and communication technology in Malaysia, and considered that the financial incubator resources are the most important part of the success of the incubators' work. Mutambi (2014) study. It focused on presenting the challenges facing the manufacturing sector, especially small companies in Uganda, which threaten its existence. It also focused on introducing the world of incubators and reviewing new methods of developing companies and the potential role of the business incubation strategy in motivation and entrepreneurship. The study concluded that incubators are the effective axis, not the success of small enterprises, and the major role in supporting the local economy. The most important characteristic of the current study is to shed light on the Iraqi experience of business incubators in the public sector and to stand on the most important accounting challenges facing their work that stands in the way of reaching their goals and proposing solutions to overcome them.

**Methodology:**

The methodology of the current study relied on an archival review of previous literature by using sources of information to define accounting practices as required by the International Public Sector Accounting Standards. In addition, the research studies and analyzes the accounting reality of business incubators operating in the higher education sector، The researchers, conducted a survey an intentional sample consisting of 35 observations from workers in business incubators in the Iraqi education sector as department managers, people, employees, and accountants to investigate their views on the existence of an accounting organization, for business incubators and its impact on the decisions of the financiers, And determining the extent of business incubators' compliance with the needs of financial reporting in accordance with international accounting standards for the public sector, and the effect of preparing an integrated set of financial statements for business incubators operating in the Iraqi environment.

**Business incubators a conceptual introduction:**

The conceptual aspects of business incubators will be presented in terms of the concept، the importance of having an accounting organization for their activities and the most important accounting challenges they face.

**Concept of business incubators:**

As is the case in many modern concepts, there is no unified definition of business incubators, because scientific references include different definitions of incubators and this is due to the different tasks they perform. Definitions in industrial societies reflect local cultures and national policies, for example France and the Netherlands promote the university incubator model. And Germany is the innovative beginnings. In America, incubators are targeting commercial companies, and this increases the difference in definitions. The concept of business incubators can be explained through what the NBIA has defined (National Business Incubation Association) They are bodies working to help emerging projects and new entrepreneurs and provide them with the necessary support means (places, financial support, expertise) to skip the stages of establishment and launch, to then provide marketing and product promotion services for those projects (12: 2006, NBIA), and business incubators are defined as a procedure As a unit with a moral personality that aims to assist entrepreneurs (students -

businessmen) in developing and managing new facilities and encouraging innovation and creative ideas (Jad Allah, 2010: 155), Business incubators are seen as a means to achieve a goal and not an end in themselves, as they are organized that provide the infrastructure to support innovative companies to overcome barriers related to innovation and establish new projects (Mutambi 2016: 4) .It has also been defined as an organization that helps establish successful companies through Providing it with a comprehensive and integrated set of services (Center of Economic and Social Services, 2010: 20), and these services include:

- To provide a safe and flexible place equipped with equipment.
- Providing professional, administrative and technical consultations and coordination with sources of capital (Al-Shammari and Al-Saru, 2016: 8).
- Providing various office services.
- Providing means of communication, the internet, fax and e-mail, all under one roof, Center of Economic and Social Services, 2010: 20.

Through what was presented of the definition of business incubators, it can be defined as an institutional building that seeks to provide a range of services and facilities for small projects at the beginning of their life, and promotional and marketing services for the products of these companies after maturity.

**The importance of business incubators:**

The importance of business incubators lies in the importance of their role in developing and promoting the establishment of small and medium enterprises, as they are the means that contribute to creating and developing creativity and leadership and enhancing the competitive capabilities of emerging companies through the services they provide, represented by consulting services to develop existing businesses, whether these services are in administrative or Technical, legal, marketing, or services necessary to provide financing (Barhoumeh, 2014: 65). Business incubators have gained their importance from their effective contribution to:

1. Providing advice and a feasibility study for the incubated new projects.
2. Mobilizing and operating small savings, benefiting from them and employing them in successful investments, as they are thus an important source of income in the national economy (Mansouri 225: 2019).

3. Investing in successful entrepreneurial ideas and transforming them into productive projects that contributes to expanding and diversifying the economic base (Mansouri 225: 2019)
4. It acts as a link between the government, industry, universities and its research centers (Sufyan, 105: 2018).
5. Exposing the creative potential and change them into distinct productive projects (2012: 3, Tello).
6. Helping the affiliated projects to cope with the administrative, financial, technical and marketing difficulties that usually face projects in the establishment stage (Javadi and Abdel-Lawi, 2011: 43).

**Business incubator activities:**

Business incubators, while providing their services to the projects joined to them, carry out many activities as follows:

1. Lending activity by providing loan to incubated projects.
2. The investment activity, which is represented in the percentage that it owns in the ownership of the project that has been incubated (Taib and others, 2006: 32).
3. All other administrative, advisory, and legal services and office space that it provides to the projects that have been accepted and incubated, and for which they receive fees and rents (Khaled, Dadden, 2020: 254).

**The importance of accounting for the activities of business incubators:**

The application of an accounting system is of great importance to the operating entities in order to achieve a variety of goals, and the researcher believes the importance of having an accounting system for the business incubator through the following:

- Provides detailed and accurate financial information that reflects the incubator's financial position.
- It provides a response to the needs of current and potential financiers and provides a suitable method for making the comparison.
- Contributes to providing the best information that forms the basis for decision-making.
- It provides an appropriate way to control costs, which encourages cost pressure and unjustified spending.
- Encourages and attracts foreign direct investment in response to the needs of investors.

• Improving the progress of loans from banks and financing institutions by creating a realistic financial position for the incubator.

**Accounting challenges for business incubators:**

The issue of organizing accounts for an official institution (a business incubator) specialized in sponsoring and creating pioneering companies is one of the matters that must be taken care of, especially since the financial reports that the accounting presents in which it shows the results of its activities to stop many important matters, especially those related to financing, for example providing funding from government agencies or The sponsoring organizations depend on gaining the trust of the financiers, and this can only be done with the existence of financial reporting that suits their needs. Among the most important accounting challenges that affect the work of incubators are the following:

• Problems of lack of accounting skills.
• The use of traditional accounting and auditing systems, neglecting compliance with international accounting standards.
• The apparent deficiency in the process of financial reporting on its financial activities and merging its accounts with the accounts of the agency or governmental institution that sponsors it

One of the most important things that attract entrepreneurs to the incubator is the availability of funding, and this requires knowledge of whether the incubator has an organized financial management or is it shaky, and that is through reviewing the results of the incubator's accounting operations.

• Gaining the confidence of financiers (financial institutions, banks, international donors) is one of the most important challenges facing incubators, and this depends on the existence of sound financial reporting in accordance with international standards.
• Failure to take into account the quality of the financial information that expresses the operational status of the incubator, which does not lead to revealing the strengths and weaknesses of the incubator’s work, so spending is spent on extra activities that do not add value to the incubator.
• The lack of adequate financial reports will not enable us to know the available cash and to work on investing the surplus from it in an optimal way.

**The importance of applying international public sector accounting standards for business incubator activities:**

The international public sector accounting standards are designed to be applied to public sector data, which include national and local government public sector institutions and the establishments that make up universities, hospitals and others, (Khudair, Yunus,2016:100). Accounting and giving it reliability in order to achieve the interests of different groups of users, which are basically heterogeneous, through the use of appropriate accounting methods for identifying and measuring the financial events of the unit, and providing the appropriate method for taking appropriate and timely decisions (Allawi and Omar,85:2013). The researcher considers the importance of applying International accounting standards for the public sector to regulate the activities of business incubators through the following:

1. Availability of adequate disclosure that helps protect the interests of the various parties interested in the activities of business incubators.
2. The application of international accounting standards for the public sector helps incubation administrations to develop the financial information system in the incubator through continuous improvement of information.
3. Applying (I PSAS) leads to the availability of useful information that is appropriate to the needs of decision-makers.
4. Improving the implementation of internal control over the assets and liabilities of incubators.
5. The application of international accounting standards for the public sector provides consistency in the presentation of information and the viability of the financial statements for comparison due to the detailed requirements contained in the standards and the guidance contained in each standard ...
6. The availability of financial reports that show a fair and true aspect of the incubator's activity result and its financial position.

**The application side of the research (the experience of Iraq in establishing business incubators in the higher education sector):**

**Business incubators originated in the Iraqi Ministry of Education:**

The Ministry of Higher Education and Scientific Research created the Higher Education and Scientific Research Incubator Division of the Research and Development Department according to the Ministerial Order No.(Q/4/4/4964) in (3/12/2014) A central administrative formation to work on value-added projects represented by various incubator projects (technology incubator, public business incubators, regional incubator, international incubator).

Technology parks...etc.), and the university's productive projects prepared by researchers in the university through self-efforts to reflect these projects the concept of exporting knowledge. A year later, its name was changed to a higher education incubator according to Ministerial Order No. (4/4/2284) on (29/6/2015), and then it was changed into a department by creating the Business Incubators Department of the organizational structure of the Research and Development Department according to the Ministerial Order number (Q4/4/894) on (2/28/2019).

**The vision and components of higher education incubators:**

Creating and activating business incubators affiliated with higher education is a step that supports researchers and innovators and helps them move a new idea from its laboratory or experimental form to a product or service, providing support, consulting, financing, organization and marketing services to assist the researcher or innovator in the process of creating a new product or developing an existing product or providing services New, so the incubator section consists of three divisions, namely (the Incubators Division, the Incubation Division, The Engineering and Agricultural Projects Division) and the Incubators Department created a network of university business incubators, which is the first and the largest in Iraq, which links with the incubator department located in the ministry with the rest of the 33 incubators developed in each university, which are distributed among Iraqi universities affiliated with higher education throughout Iraq.

**The accounting and financial reality of the Iraqi higher education incubators:**

After reviewing the accounting reality of the Business Incubation Department, it was found that it does not have an independent accounting organization, and its own expenses and incubation expenses are not fixed for the projects that have been incubated. An accountant at the incubators organizes their work with regard to managing the main financial activities of the incubator (lending activity and investment activity), verifying (expenditures) and collecting (revenues) The higher education incubator does not have any documentary or book group, and by nature there are no review balances and its independent financial reports according to the principles and international accounting standards, and as government units that depend on annual central funding, they have no other source of funding through which they can finance their incubated projects only the operating budget and given the lack of popularity of the culture of diversifying sources of education financing and reliance on allocations of the state's general budget, the absence of a mechanism and an appropriate idea by which to convince the owners of external financing sources such as Banks, chambers of commerce and investors to provide sufficient funds for these incubated projects. This led to a delay in supporting advanced projects and not to proceed with embracing them.

**View and analyze the survey results:**

Descriptive statistics results by presenting the results of the field study conducted by the researcher and analyzing them by using the descriptive statistics tools represented by the arithmetic mean to determine the extent of the agreement of the selected sample with the questionnaire questions. A general framework for respondents' preference and their general orientations regarding research variables through the Likart scale

The questionnaire consisted of (15) questions distributed on one main axis (challenges of accounting organization in accordance with international accounting standards for the public sector) through the preparation of an electronically designed questionnaire with (31) questionnaires.

1. Presenting and interpreting the results of the arithmetic mean and the standard deviation of the first axis (the challenges of the accounting organization according to the international accounting standards for the

public sector), where Table (1) shows the arithmetic mean and the standard deviations coefficient of variation.

**Table (1) Ratios, frequencies, arithmetic means and standard deviations (challenges of accounting organization in accordance with international accounting standards for the public sector)**

| Coefficient of variation% | standard deviation | Arithmetic mean | the answer | | | | | | | | | | Questions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | I don't totally agree | | I do not agree | | neutral | | Agreed | | Totally agree | | |
| | | | % | T | % | T | % | T | % | T | % | T | |
| 18.19% | 0.81 | 4.45 | 0 | 0 | 3.2 | 1 | 9.7 | 3 | 25.8 | 8 | 61.3 | 19 | 1 |
| 11.56% | 0.54 | 4.68 | 0 | 0 | 0 | 0 | 3.2 | 1 | 25.8 | 8 | 71 | 22 | 2 |
| 20.13% | 0.86 | 4.29 | 0 | 0 | 3.2 | 1 | 16.1 | 5 | 29 | 9 | 51.6 | 16 | 3 |
| 17.15% | 0.77 | 4.48 | 0 | 0 | 3.2 | 1 | 6.5 | 2 | 29 | 9 | 61.3 | 19 | 4 |
| 12.49% | 0.57 | 4.55 | 0 | 0 | 0 | 0 | 3.2 | 1 | 38.7 | 12 | 58.1 | 18 | 5 |
| 24.22% | 1.02 | 4.23 | 3.2 | 1 | 3.2 | 1 | 12.9 | 4 | 29 | 9 | 51.6 | 16 | 6 |
| 13.30% | 0.63 | 4.74 | 0 | 0 | 0 | 0 | 3.2 | 1 | 16.1 | 5 | 80.6 | 25 | 7 |
| 16.16% | 0.72 | 4.48 | 0 | 0 | 0 | 0 | 12.9 | 4 | 25.8 | 8 | 61.3 | 19 | 8 |
| 13.54% | 0.62 | 4.58 | 0 | 0 | 0 | 0 | 6.5 | 2 | 29 | 9 | 64.5 | 20 | 9 |
| 10.95% | 0.50 | 4.58 | 0 | 0 | 0 | 0 | 0 | 0 | 41.9 | 13 | 58.1 | 18 | 10 |
| 14.02% | 0.62 | 4.39 | 0 | 0 | 0 | 0 | 6.5 | 2 | 48.4 | 15th | 45.2 | 14 | 11 |
| 13.09% | 0.61 | 4.65 | 0 | 0 | 0 | 0 | 6.5 | 2 | 22.6 | 7 | 71 | 22 | 12 |
| 9.38% | 0.44 | 4.74 | 0 | 0 | 0 | 0 | 0 | 0 | 25.8 | 8 | 74.2 | 23 | 13 |
| 12.11% | 0.56 | 4.61 | 0 | 0 | 0 | 0 | 3.2 | 1 | 32.3 | 10 | 64.5 | 20 | 14 |
| 16.24% | 0.72 | 4.45 | 0 | 0 | 0 | 0 | 12.9 | 4 | 29 | 9 | 58.1 | 18 | 15 |
| 10.46 | 0.47 | 4.53 | 0.22 | 1 | 0.86 | 4 | 6.88 | 32 | 29.89 | 139 | 62.15 | 289 | **The first axis** |

It is clear to us from the results presented in Table (1) that most of the sample members had a positive response on all paragraphs of this dimension about (Challenges of accounting organization in accordance with international accounting standards for the public sector(And in my account)4.53With a standard deviation (0.47) and a coefficient of variation (10.46%). Where the results were distributed among the highest response level achieved the question Thirteenth Included (requires When funding decisions are made by the management, financial information is provided that reflects the current real situation of the incubator (Since its mean value is 4.74), And a standard deviation between answers (0.44(And coefficient of variation)9.38%), Which reflects the very small amount of dispersion in the respondents' answers And the high concentration in the degree of agreement And the important role The duty when making financing decisions by the management to provide financial information that reflects the current real situation of the incubator, While It was the lowest value of the mean of the question VI Included (The necessity of having a documentary set for the financial events of the activities of the incubators (Where the value of the arithmetic mean (4.23) Standard deviation(1.02) And coefficient of variation (24.22%). Reflecting degrees The dispersion of answers between The individuals of the sample in that A statement of the importance of having a documentary set of financial events for the activities of the incubators, and Figure (1) shows the average distribution of the answers of the members of the researched sample in the content of the main axis (Challenges of accounting organization in accordance with international accounting standards for the public sector).

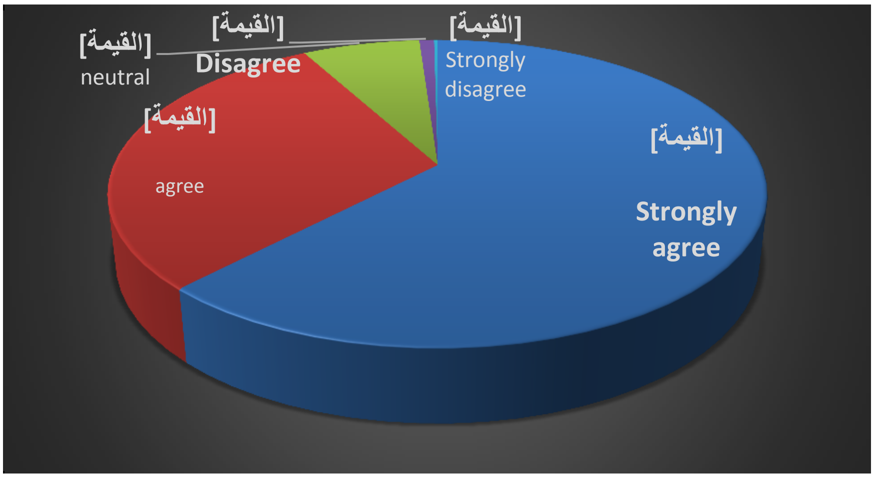


**Figure (1) Challenges of accounting organization in accordance with international accounting standards for the public sector**

2. Test and its meaning analysis challenges of accounting organization in accordance with international accounting standards for the public sector:

For the purpose of testing the research hypothesis. Challenges of accounting organization in accordance with international accounting standards for the public sector "We will use the (T-Test) To measure the morale of the arithmetic mean, and then compare it with the hypothetical mean, so if the arithmetic mean is greater than the hypothetical mean, this means applying that axis, meaning there is a correlation and influence relationship, and if it is smaller it means not applying it, i.e. there is no correlation and influence relationship, the main hypothesis of the research involved. Explaining the most important challenges facing the work of business incubators and the impact of accounting organization on the decisions of the financiers " schedule (2) Shows the results of the coefficient values the test For default search variables.

**Schedule (2) the test (T-Test)**

| indication | Values t Tabular | Degree of freedom | Values t Calculated | standard deviation | Arithmetic mean |
|---|---|---|---|---|---|
| D. | 2.024 | 30 | 18.050 | 0.474 | 4.53 |

**Source:** Prepared by the researcher based on the outputs SPSS.

The value reached (t The calculated (18.050), which is greater than its tabular value at the level of significance (0.05) and the degree of freedom (95), which is (2.024), and this means that there are significant differences, and the value of the arithmetic mean reached (4.53), which is greater than the hypothetical mean of (3) This means that the moral is in favor of the arithmetic mean, which indicates that to apply International Accounting Standards For the public sector As it is a primary source of controls for preparing financial statements and standardizing the bases for their presentation and disclosure. Accordingly, and referring to the data in Table (2), the main hypothesis is accepted. Challenges of accounting organization in accordance with international accounting standards for the public sector".

**Results:**

It was found that there is great importance in the availability of financial information that reflects the current situation of the incubator, such as organizing a list of cash flow, which enables management and financiers to know the sources and use of funds in incubators and enables them to make their appropriate financing decisions.

And that there is great importance in having an independent accounting unit for the incubator that can provide appropriate and useful information in the process of financial decision-making. Reliance on international public sector accounting standards in the accounting organization of business incubators is an urgent necessity to keep pace with changes in the business environment.

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