The Impact of Job Training on Employee’s Satisfaction: A Study in Public Institutions in Western Uganda

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1. Introduction
The extent to which an organisation implements planned training programme, indicates the extent to which it is committed to capacity building needs of its staff. It is measured by the extent to which both on-job and off-job training function decisions go beyond approval and filing to implementation within an institution. Such efforts can result in acquisition of new knowledge and skills to employees, beneficial for the organisational growth as it may increase individual labour productivity (Raja & Sal, 2016). On the other hand, job satisfaction refers to level of happiness of employees in fulfilling their desires and needs at the work i.e., the pleasurable feeling that result from an employee perception of
achieving the desire level of needs. Job satisfaction is an outcome variable which explains attitude of employees toward their job. Institutions expend numerous resources on training and development, to elevate the knowledge and skills of their staff as part of building positive feelings or job satisfaction, and recently, research effort has been dedicated to enhancing the link between employee training and job satisfaction (Martin et al., 2013). This relationship has garnered unceasing attention from an array of stakeholders. For example, researchers, policymakers, and investors, considering the low productivity, poor performance and job turnover visible in public institutions (Ravaghi et al., 2017; Patanakul, 2014). To this effect, it’s observed that at Mbarara University of Science and Technology (MUST), job satisfaction has remained low exemplified by failure to meet their work targets, low levels of research output, offering less man hours per day and unwillingness to work beyond normal hours.

Despite the above unpleasant scenario, however, there has been a growing agreement to the effect that institutions with an effective employee training program tend to exhibit higher levels of job satisfaction (Kanapathippillai & Ferdous Azami, 2020; Gambo, 2015; He et al., 2014). Moreover, highly skilled workers provide better customer service experiences and engage more clients for longer periods (Mudor & Tooksoom, 2011). It is an undisputed fact that employee training serves as a key role in the day-to-day work life and practice of an organisation because it improves the knowledge and skills of employees leading to increase in per capita labour productivity (Bakotić, 2016). Whereas, on-job training takes place at a person’s workplace to develop work related knowledge and skills, that are required for employees to perform a specific job within the work environment, off-job training is one form of training, that takes place outside the work place and as proved by Vasanthi and Basariya (2019), that effectively helps in enhancing motivation, job satisfaction and the performance of the employees through and by improving their general knowledge.

Even though a number of scholars have studied employee training and job satisfaction, there are still inconclusive results as per varied context. Past empirical studies were conducted in different settings and used different methods, making their results hard to generalise to public institutions in Western Uganda. This study therefore is premised on the quest to unearth the empirical scrutiny about the impact of employee training on employees’ job satisfaction in public institutions in Western Uganda. Stakeholders of public institutions have always expressed their concern on the quality-of-service delivery in such institutions. The outcomes of this study are in several aspects a benefit to many such stakeholders. First, public institutions will gain insights into the context of how employee training relates with job satisfaction and related organisational performance. Secondly, seen from management and policy formulation point of view, management at MUST will review and enact appropriate policies that have a long bearing on performance behaviour, or evaluate their training effectiveness to finally guard against any negative behaviour of employees. In what follows, the paper presents literature review with details on empirical gaps, methodology, results, discussion, conclusions, implications, and recommendations.

2. Literature Review and Hypothesis Development

Even when a significant relationship has been found to exist between employee training and job satisfaction, as suggested by discrepancy theory perspective, some empirical facts exist in industrial organisation literature showing results that tend to disagree. For instance, Nguyen and Duong (2020) studied training and job satisfaction in Vietnam, using a quantitative approach and found positive effects. Culibrk et al (2018) carried out a similar study on same concepts in Serbia in Southeastern Europe and reported significant positive association. Relatedly, Farooq and Khan (2011) report a positive link between off-job training and job satisfaction. Farooq and Khan’s findings agree with Amos and Natamba (2015) and Hanif (2013) who conducted similar studies in different contexts and confirms the same results. Their studies support the view that training away from the workplace, improve employees’ knowledge and skills and reduce possibilities for job and skill mismatches. In addition, Vasanthi and Basariya (2019) observes a positive association between on-job training and job satisfaction in the manufacturing industry in Chennai. The authors express their support on on-the-job training for it uses regular or existing workplace tools, machines, documents, equipment, knowledge, and skills necessary for an employee to learn to effectively perform his or her job. Furthermore, Timsal et al. (2016) and Watson et al. (2018) find positive association between on-the-job-training and job satisfaction for it a source of skills, knowledge and capabilities which impact on their job satisfaction. Altogether, they anonymously agree that on-job training is central to an employee’s well-being, noting that it has a big role influencing an individual’s attitude towards work.

However, Ahmed (2010) in exploratory study in Pakistan, based on primary data from non-academic staff of University of the Punjab, failed to get sufficient evidence to support the relationship between training as a motivational factor and job satisfaction. Besides, Pastore and Pompili (2019) states that certain off-job training methods, do not lead well to certain “knowledge” outcomes, yet other studies like Chen and Cooper (2014) find difficulty in exactly determining how off-job training contributes to job satisfaction. This view is shared by Card et al. (2010), who find Some off-job training methods only suitable for verbal comprehension ability, or only for general reasoning ability and therefore, have negative
or insignificant results in the short run. Moreover, according to Halawi and Haydar (2018), on-job training also does not always result in favourable benefits all the time.

Apparently, and as literature portrays, some scholars find a positive connection, while others failed to get sufficient evidence to confirm their hypothesis. However, on-job and off-job-training, apparently influence an individual’s knowledge levels and lead to consequent motivation effects i.e., job satisfaction. Again, literature shows that happiness of employees helps in fulfilling their desires and needs at the work, which increases their labour productivity. Even though most industrial psychology researchers agree that a systematic firm-level training process will lead to employee motivation and related job satisfaction, some scholars have found a positive connection, while others failed to get sufficient evidence to confirm their hypothesis, showing inconclusiveness. This has been the basis for the researchers to infer that the discussion on employee training and its impact on employees’ job satisfaction is still ongoing especially when seen in the public institution context in Western Uganda. Consequently, we hypothesised as follows:

**H1:** on-job Training has a significant effect on employee job satisfaction

**H2:** off-job Training has a significant effect on employee job satisfaction

Figure (1) demonstrates the conceptual and theoretical linkages in the studied variables.

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**3. Materials and Methods**

Since the study was conducted to investigate the relationship between employee training and job satisfaction, a quantitative survey design, cross-sectional in nature was adopted i.e., we captured the research information at a point in time (Bell et al., 2018). The study population was 324 and comprised of teaching staff and non-teaching staff at MUST. Even when the planned strategy of data collection was face-to-face questionnaire delivery, Corona virus pandemic prevention guidelines related to social distancing could not allow that to happen. We therefore used telephone-based approach to collect data using structured questionnaire (Szlöwnoki & Hoffmann, 2013) in the month of September 2020, and achieved 100% response rate with no missing values. This was possible after securing respondent phone contacts from directorate of Human Resources. A sample size of 230 was determined according to Krejcie and Morgan (1970) sample determination table. The perceptions of these employee were used to estimate the relationship between variables under investigation.

Various reasons could have accounted for the choice of this case institution. Apparently, higher learning institutions in Africa countries play critical roles in not only building up academic systems that enable those countries to join global knowledge society and be able to effectively compete in knowledge economies elsewhere, but also a source of innovations and competent manpower (Valavanidis & Vlachogianni, 2013). Our study operationalisation and scale and questionnaire development were guided by previous studies on employee training and job satisfaction (Watson et al., 2018; Culibrk et al., 2018; Steptoe-Warren, 2013; Wright & Cronpanzano, 2000). After questionnaire pre-test on a sample of ten academic and industry experts, we developed scales for three variables in our model: (1) on-job training, (2) off-job training, and (3) job satisfaction. We used a 5-point Likert scale to measure perception of respondents where 5 stood for strongly agree, and 1 stood for strongly disagree (Lee & Lee, 2011) because it helps in producing better data distribution.

The study was concerned with instrument validity and reliability and therefore conducted validity and reliability checks. Table (1) present details of validity and reliability of the study scales and apparently content validity and Cronbach’s Alpha values were within acceptable ranges (Field, 2009) proving the internal consistency of the questionnaire.
Table 1. Validity and reliability tests through CVI and Cronbach’s Alpha coefficients for the variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>CVI</th>
<th>Cronbach’s Alpha</th>
<th>No of items</th>
<th>No of items deleted</th>
<th>Remainder</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-job Training Methods</td>
<td>0.782</td>
<td>0.743</td>
<td>31</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td>Off-job Training Methods</td>
<td>0.801</td>
<td>0.723</td>
<td>08</td>
<td>1</td>
<td>07</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>0.724</td>
<td>0.821</td>
<td>14</td>
<td>3</td>
<td>11</td>
</tr>
</tbody>
</table>

The data analysis, testing hypotheses and doing estimations between the study variables were done using Pearson Correlation and Linear Regression (Tabachnick & Fidell, 2006).

4. Results and Discussion
This section contains details on results and discussion of the results.

4.1. Results
Table (2) demonstrates profile of respondents surveyed. The majority (80%) from the 230 surveyed were males with the leading ages range between 18 and 27 (41.7%) an indication of rich data obtained from young adults. In terms of education levels, on average the respondents surveyed had master’s degree (50.4%), and also majority respondents were married (60%). The study also found out that a big number of employees had worked for the institution studied for more than 5 years (47.4%), which is an indication that the sample had a good work experience. Finally, the study observed that a big majority of surveyed respondents were senior managers (88.3%).

Table 2. Demographic profile of respondents surveyed (Primary data collected in September 2020).

<table>
<thead>
<tr>
<th>Respondent age</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-27</td>
<td>41.7</td>
</tr>
<tr>
<td>28-37</td>
<td>25.7</td>
</tr>
<tr>
<td>38-47</td>
<td>18.3</td>
</tr>
<tr>
<td>48-57</td>
<td>14.3</td>
</tr>
<tr>
<td>Respondents’ Gender</td>
<td>%</td>
</tr>
<tr>
<td>Male</td>
<td>80.0</td>
</tr>
<tr>
<td>Female</td>
<td>20.0</td>
</tr>
<tr>
<td>Respondent’s marital status</td>
<td>%</td>
</tr>
<tr>
<td>Married</td>
<td>60.0</td>
</tr>
<tr>
<td>Single</td>
<td>39.1</td>
</tr>
<tr>
<td>Widowed</td>
<td>0.90</td>
</tr>
<tr>
<td>Education level of respondents</td>
<td>%</td>
</tr>
<tr>
<td>PhD</td>
<td>10.4</td>
</tr>
<tr>
<td>Masters</td>
<td>50.4</td>
</tr>
<tr>
<td>Bachelor</td>
<td>39.2</td>
</tr>
<tr>
<td>Length of service of respondents</td>
<td>%</td>
</tr>
<tr>
<td>Below 1 year</td>
<td>2.2</td>
</tr>
<tr>
<td>1-2 years</td>
<td>10.8</td>
</tr>
<tr>
<td>3-5 years</td>
<td>39.6</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>47.4</td>
</tr>
<tr>
<td>Position held by the respondent</td>
<td>%</td>
</tr>
<tr>
<td>Top Management</td>
<td>11.7</td>
</tr>
<tr>
<td>Senior managers</td>
<td>88.3</td>
</tr>
</tbody>
</table>

As can be portrayed in Table (3), the study results suggest that on-job training had a significant positive association with job satisfaction at MUST ($r=0.381, p<0.01$). Since on-job training influences the mood of employees towards liking what they do, managers should locate a big budget for it. For the fact that the correlation is moderate, the university needs to attend to other causes of variations in job satisfaction since on-job training only accounts for 14%. This means that other factors not specified in the model explain up to 86% of changes in job satisfaction. Human behaviour ostensibly according to Abraham Maslow is complex presupposing a state of insatiability but effort can be made in terms of policy to reduce any existing state of displeasure (Maslow, 1943).
The study results (Table 4) suggest that off-job training had a significant positive relationship with job satisfaction at MUST ($r=0.308$, $p<0.01$). The implication of the model results is that a unit change in designing and implementing these off-job training methods has a resultant positive effect on job satisfaction (willingness to work more hours, stay longer with the institution, achieve targets and increase team spirit). The model predicts job satisfaction by only 9% relatively smaller than the model for on-job training. When comparing the predictive power of on-job training (Table 3) on job satisfaction and off-job training predictive power on-job satisfaction, it is evident that employees at MUST prefer trainings that are carried out at their places of work.

### Table 3. Regression model summary for on-job training (Primary data collected in September 2020).

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.381*</td>
<td>0.145</td>
<td>0.141</td>
<td>0.16792</td>
</tr>
</tbody>
</table>

* Predictors: (Constant), On-job training.

### Table 4. Regression model summary for off-job training (Primary data collected in September 2020).

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.308*</td>
<td>0.095</td>
<td>0.091</td>
<td>0.17276</td>
</tr>
</tbody>
</table>

* Predictors: (Constant), Off-job training.

### 4.2. Discussion

The study outcomes suggest that both on-job and off-job training affect job satisfaction of employees (Vasanthi & Basariya, 2019; Watson et al., 2018; Culibrk et al., 2018; Steptoe-Warren, 2013; Wright & Cropanzano, 2000). It is therefore justified to say that this study narrows the gap in literature, that on-job and off-job training play a critical role in influencing the state of feeling of an employee at work. Perhaps, owing from the newly acquired knowledge and skills from the training that enriches him or her with job-specific know-how, which closes the hitherto skills deficiency gap (Swart et al., 2005). We can refer to (Goball et al., 2018) for more enlighten on how training enables one to gain not only right attitudes towards the job, but also confidence. Indeed, lack of knowledge capacity has been cited by Bashir (2015) as one of the major factors hindering the growth of African economies and organizations. The biggest take home from this study is that for institutional growth to be realised, capacity building needs must be given sufficient attention. This argument rises the training and development curtain as a critical capacity development intervention across the globe for organisations to succeed (DeCorby-Watson et al., 2018) The pronounced significance of this whole debate on employee training and job satisfaction owes from the highly competitive nature of business environment and the tight labour markets with evolving competition where skills potential is a major determinant of competitive advantage (Lall, 1999). High productivity leads to placing organizations in the better position to face competition and stay at the top. Ostensibly, qualified staffs are key ingredient for effective running of institutions, since they are prepared for challenges facing the rapid changing business world (Khan et al, 2011). The study agrees with other scholars who acknowledge that employee training plays a vital role in improving job satisfaction of employees as well as increasing their productivity at work (Watson et al., 2018; Culibrk et al., 2018). One would imagine an existence of a significant difference between the organizations that train their employees and organizations that do not. Moreover, empirical literature brings evidence in terms of training benefits for the employee in form of knowledge, skills, ability, competencies, and behaviour (Jehanzeb & Bashir, 2013).

### 5. Conclusion and Managerial Implications

This study was premised on the quest to unearth the empirical scrutiny on the impact of employee training on employees’ job satisfaction in public institutions in Western Uganda. It is concluded that the study objectives have been met. It has been found out that MUST have various number of employee training methods such as: mentorship/coaching/orientation, seminars and conferences, job rotation and transfers (on-job training methods) and special courses and lecturers (off-job training methods). These were found to positively affect employee job satisfaction. The study observed and concluded that 14% of changes in job satisfaction are attributed to on-job training methods MUST uses, whereas 9% of changes in job satisfaction were caused by off-job training methods MUST uses. The study concludes that any unit increase in these training methods implementations has a resultant positive effect on-job satisfaction (willingness to work more hours, stay longer with the institution, achieve targets and increase team spirit). The study makes a contribution to the growing body of job satisfaction knowledge and a debate in regard to improving the way trainings are conceived. The study works on the only one riding assumption that employee training is the only...
influencer of job satisfaction, which is a source of one of its limitations. Moreover, telephone survey as a means of data collection could also have affected results in one way or the other. MUST however, is hereby challenged to always review its training policies and planning in order to achieve good results as a consequence of good mood of employees.

The managerial implication is to have an enlightened view on the significance of both on-job and off-job training for knowledge and skills acquisition purposes. HR practitioners in particular and institutional administration in public institutions in Western Uganda general should have a formal focus on both on-job and off-job training programs for both short term and long terms skill acquisition in order to minimise any possibility for any skill-deficiency-based cause of low performance among employees. They however need to also, think about and include in their strategic plans, other factors besides training that may hinder employee productivity and work towards improving them policy wise. Besides, the study uncovers that the case study institution does not organize trainings for supervisors on how to conduct performance appraisals and failure to structure job rotations. Consequent to this, the study recommends that they inculcate trainings for supervisors on how to conduct appraisals in their HR and administration manuals in order to equip supervisors with sufficient performance appraisal skills to be able to appropriately identify employee training needs. Secondly, considering the fact that transfers and job rotations are intended to widen skills set of employees which enhances performance, they should embrace the significance of job rotations in overall employee performance policy framework. In this regard researchers acknowledge that structured and formal job rotations positively influence the mood of employees.

6. Limitations and Areas for Future Research

The way the concepts have been conceptualised and operationalised considering the mixed perspectives on on-job training and off-job training scope, could have affected the study. We did not also do a combined effect analysis. Besides, this study conceptualised employee training as only predictors of job satisfaction, used telephone as means to capture self-report questionnaire-based data and restricted the investigation to employees of one public institution operating in Mbarara district. All these limitations mean that the present study findings should be treated with caution. Last but not least, the study is cross-sectional, yet it is possible that opinions held by people may change over time. Future research may wish to carry out a longitudinal study to test how on-job and off-job training predict job satisfaction in a private higher learning institution setting in another country.

References


The Impact of Servant Leadership on Positive Affectivity: Mediating by Career Adaptability

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Abstract

Career adaptability (CA) in terms of concern, control, curiosity, and confidence exhibited like a mediator between servant leadership and positive affectivity and is the main focus of the present study's conceptual model. In Sulaymaniyah city in Kurdistan Region of Iraq, hotel workers collected information. Structural equation modeling was used to assess the collected data from five-star hotel workers at Sulaymaniyah. The constructs are meaningful and dependable via exploratory factor analysis with reliability testing. Factor analysis demonstrates high convergent and discriminative validity of the results. A complete mediator linking servant leadership and good effectiveness were found to be the CA. In hotel business, embracing a servant leadership approach may enhance personal resources and improve career adaptability.

Keywords: Servant Leadership, Career Adaptability, CA, Positive Affectivity, Hotel Employees.

1. Introduction

Workers are one of the most important resources, especially in the service sectors as they have a direct contact and interaction with customers, they can deliver excellent service quality and satisfy customers’ needs and wants thus companies obtain competitive advantages over their rivals (Faeq, 2022). Workers need to work in a resourceful work environment that is guided by a leadership style suitable for this domain (Faeq et al., 2022a), such as servant leadership. As they put workers’ interest before their own interest to promote a process that improves workers’ positive affectivity (Sadq et al., 2021). A servant leader does seem to make people like their job, give them personal and work support, and build their career adaptability.

The goal of this study is to see whether CA may work as a mediator between servant leadership and positive affectivity. It is hypothesized that CA has a mediating function in the link between servant leadership affectivity when it is shown as care, control, curiosity, and confidence by hotel workers in Sulaymaniyah city in Kurdistan Region of Iraq. The current study attempts to fill several gaps in the management area.

First, CA has been linked with work resources in recent empirical investigations (e.g., Safavi & Karatepe, 2018; Karacan Özdemir & Yerin Güneri, 2017; Karatepe & Olugbade, 2017). However, there have been few empirical research studies on the impact of leadership style on CA (Lan & Chen, 2020; Wang et al., 2017). With that being said, this study examines the influence of servant leadership on CA.
Second, being able to change directions in one's career is a critical competency for individuals who are dealing with a lot of change (Boon et al., 2019). Extant study, on the other hand, does not provide adequate proof for CA's outcomes. That means there is a dearth of research on the impact of CA on the positive affectivity of employees.

Third, a review of the most recent research shows that the fundamental method through which servant leadership influences workers' relevant and good results is still under-researched. There is a paucity of empirical evidence on how servant leadership impacts good worker outcomes (e.g., Faruz et al., 2019). According to a recent study by Karatepe et al. (2019), there is a dearth of empirical evidence on the impact of servant leadership on the behavior of workers. Lack of understanding of how servant leadership impacts attitudes and behavior is also highlighted by Alafesha and Tanova (2019). In a nutshell, these results urge for greater empirical study on a gap in the current studies.

Lastly, most recent empirical research (e.g., Melchar & Bosco, 2010; Schwarz et al., 2016; Donia et al., 2016; Jang & Kandampully, 2018; Langhof & Güldenberg, 2020) on servant leadership have focused on developed nations. There may be substantial disparities in culture and human interactions when it comes to leadership styles in developing nations or emerging economies compared to those found in established countries. A rising market economy and a multitude of physical, religious, and historical tourism attractions have made the Kurdistan Region of Iraq popular (Ahmed & Faeq, 2020). There is not any evidence for this in the current studies.

Models and hypothesis, research methods, empirical findings, discussion and conclusions, and final notes make up the framework of this study. A number of theories have been put forward. Finally, empirical findings are presented to show the statistical methods used to evaluate the hypotheses. Different factors that influenced the results are highlighted. Managerial implications for promoting servant leadership, career flexibility, and positive affectivity are also discussed.

2. Literature Review
This section briefly defines the main elements of the study including servant leadership, career adaptability, and positive affectivity that shaped the hypothesis development and the study framework.

2.1. Servant leadership
Servant leadership is "a philosophy and practice of leadership which emphasizes the health of those led above self-interest of leaders, accentuating leadership behaviors which support the growth of followers and reducing the glorification of leaders" (Hale & Fields, 2007). Concern for the well-being of followers, rather than one's own, is a hallmark of a servant leader (Stone et al., 2004). The goal of a servant leader is to improve health, wisdom, and willingness to take responsibility of those under his or her care (Yukl, 2010).

2.2. Career adaptability
CA is "a person's capacity to cope with anticipated duties of training and participating in a job position, as well as the unforeseen adaptations carried on by changes in employment and the working environment" (Savickas, 1997). Concern, control, curiosity, and confidence are all indications of CA (Savickas & Porfeli, 2012). Concern for one's professional future, as well as taking control of one's professional future, and interest in potential and future circumstances, are some of the characteristics of CA that may be seen in a person with the disorder. In a work setting where servant leaders give support, workers' career flexibility may be enhanced, which in turn increases the mood (Yang et al., 2019).

Career concern is “concern for one's professional future”.
Career control is “desire for workers to be able to make choices about their own careers”.
Career curiosity is “to be open to new possibilities”.
Career confidence is “to believe in own abilities to make achievements”.

2.3. Positive affectivity
Positive affectivity is described as "the degree to which the person feels energized, active, and aware" (Watson et al., 1988). Positive affect reflects individual differences in positive emotionality and self-concept (Faeq et al., 2022b). It is a person's ability to be joyful over time and in different settings, and it is considered to be one of the most important psychological abilities (Yavas et al., 2018).

2.4. Hypotheses development
Social Cognitive Theory (SCT) was originally used to establish a hypothesis regarding the effect of servant leadership on CA. According to SCT, people who get realistic encouragement are more likely to put in more effort to complete their tasks and succeed than those who are plagued with self-doubt (Wood & Bandura, 1989).
This is similar to the qualities of servant leadership which include: providing followers with timely assistance, guidance, and resources, assisting them in growing and succeeding by demonstrating real concern for their professional growth and goal accomplishment, and a key part of empowering subordinates are enabling and encouraging them to take ownership of their work and giving them the freedom to deal with difficult circumstances in their own way (Faraz et al., 2019; Faraj et al., 2021). It also involves acting in an ethical manner and adding value to the community (Faraz et al., 2021; Liden et al., 2008). A servant leader does seem to make people like their job, give personal and work support, and build their CA as a changeable resource.

CA is a mediator for transformational leadership and goal attainment and organization-directed civic behavior (Lan et al., 2020). Transformative leadership is linked to more flexible job design (Wang et al., 2017). A rise in individual adaptability was predicted by leaders’ visions (Griffin et al., 2010). No research seems to have explored the impact of servant leadership on CA, however. As a result of our discussion above, we propose:

H1: Servant leadership has a positive impact on CA.

Based on the idea of career building, which holds that "individuals create their professions by imposing meanings on their vocational conduct and occupational experiences," we discovered the association between CA and positive affectivity (Savickas, 1997). It is not surprising that people need to adjust their resources to meet the demands and stress of their careers in the workplace (Chong & Leong, 2015; Faq et al., 2021). A self-regular resource like CA is meant to be flexible rather than a fixed one (Koen et al., 2012). "In career formation theory, adaptability resources, create the methods that people utilize to influence their adaptable behavior" (Savickas & Profeli, 2012).

CA-rated workers are better able to deal with the challenges of a rapidly changing workplace. Ohme and Zacher (2015) postulate that workers that possess this skill set are better able to adapt to the demands of their jobs and the changing nature of their workplace and will be able to make more informed judgments about their career (Hirschi et al., 2011). When it comes to professional flexibility, having the resources and doing the actions that go along with them are just as important as having them (Koen et al., 2012). Workers who scored well on CA showed greater levels of positive affectivity. They are more likely to see the positive side of the words they hear (Iverson et al., 1998). Instead of being low-energy, sluggish or depressed, these individuals "tend to be bright and energetic, and who sense nice feelings, such as pleasure and wellbeing, across a range of situations" (Barsade & Gison, 2007). The empirical evidence for the link between CA and positively is scant, according to a review of the relevant literature. According to a study by Fiori et al. (2015), CA was a significant predictor of Swiss workers’ emotional condition. As a result, the following hypothesis have been made:

H2: CA has a positive influence on positive affectivity.

Leader-Member Exchange (LMX) theory, perspective is unique among leadership theories in that it focuses on dyadic relationships between leaders and followers (Liden et al., 2008). Leaders have a differentiated relationship with their workers that starts from low to moderate to high quality relationships (Erdogan & Bauer, 2014). The establishment and maintenance of healthy interpersonal ties between leaders and followers are aided by servant leadership behaviors (Liden et al., 2008). They provide attention, support, a resourceful environment, and influence in helping workers to activate their CA in the form of concern, control, curiosity, and confidence resources. Under these circumstances, these workers reciprocate with higher positive affectivity.

Empirically, it seems that various studies have treated CA as a mediator. However, none of them has treated CA as a mediator of the effect of servant leaders on frontline hotel workers’ positive affectivity. For example, a study by Safavi and Karatepe (2018) conducted in Iran, reported that CA mediates the impact of high-performance work practice on meeting expectations, creative performance, and exert-role performance. Nilforoooshan and Salimi (2016) demonstrated that CA was a partial mediator between personality and career engagement. Maggiori et al. (2013) indicated that CA was a partial mediator between the professional setting and overall professional wellbeing. We propose in this study that frontline hotel workers' positive perceptions of servant leaders' practices have a positive impact on CA, which leads to positive affectivity. As a result, the following hypothesis have been made:

H3: CA mediate the influence of servant leadership on positive affectivity.

2.5 Study framework
According to Social Cognitive Theory, career building theory, Leader–Member Exchange theory, and empirical data given in the study model in Figure (1), the hypothesized correlations are produced. When it comes to the link between servant leadership and positive affectivity, career adaptability serves as a mediator (Figure 1).
3. Methodology
This section outlines the methodology of the study including survey preparation and data collection.

3.1. Data collection
Hotel workers at Sulaymaniyah in Kurdistan Region of Iraq provided data for this empirical research. Five-star hotels were licensed by the General Directory of Tourist in Sulaymaniyah which is part of Iraq's Ministry of Municipality and Tourism at the time this research was conducted. Permission to gather data was obtained from the hotels via the use of letters from management. All hotels' management decided to participate in the event. A description of anatomical assurance and confidentiality may be included on the first page of each questionnaire in all the worker surveys that were sent out, which are servant leadership and positive affectivity.

3.2. Measuring instrument
The questionnaires utilized in this research were divided into 2 sections. The first section is related to demographic information, and the second section is related to the study variables. To execute servant leadership, CA and positive activity components were modified from previously created measures. It was also used to quantify servant leadership by adapting 7 elements from Liden et al. (2014). Concern, control, curiosity, and confidence were all operationalized by hotel personnel using items modified from Savickas and Porfeli (2012). There were 6 items in each set. CA was evaluated using a total of 24 elements. To measure positive activity, we used 3 items from Agho et al. (1992). Summing up how much you agree or disagree with the aspects of servant leadership on a scale of 7 (strongly agree) to 1 (strongly disagree). While the Likert scale for CA and positive activity ranged from 5 (strongly agree) to 1 (not at all agree) (strongly disagree). Respondents were asked for demographic data in the second section of the survey. With the help of 25 hotel workers, the questionnaire was pre-tested. The results of this pilot research indicated that no adjustments were required. Even though the study's participants were Kurd nationality, all the questions were written in English. This was accomplished by using Psrameswaran and Yapark (1987) to reverse-translate the English questionnaire into Kurdish.

3.3. Data analytic strategy
Confirmatory factor analysis (CFA) is a statistical tool for validating a collection of observed variables' component structure (Suhr, 2006). In our work, we conducted CFA for the postulated model (Figure 1). The correlation analysis is also performed to produce a correlation matrix in order to determine the strength of the association between two variables based across all items for each degree, which can then be used as an input for the path analysis. The CFA allows us to analyse the rigor of our study model in the context of one-dimensionality, reliability, and scale composite reliability. (Gefen et al., 2000). Many tests and analysis are impacted by the idea of one-dimensionality. It may be described as the amountroy of the study model in the context of one-dimensionality, reliability, and scale composite reliability. (Gefen et al., 2000). Many tests and analysis are impacted by the idea of one-dimensionality. It may be described as the amount.
to which the items are closely connected with each other, and constitute a single factor, which is an important requirement for reliability analysis and construct validity (Anderson & Gerbing, 1982). The advantage of employing the CFA, unlike the exploratory component analysis, is indeed the availability of test for loadings to analyse the statistical significance to validate or reject the measurement hypothesis. Both reliability analysis and correlation analyses may be added into the CFA when examining the one-dimensionality of each component.

4. Empirical Analysis
This section contains results and empirical analysis of the results.

4.1. Respondents profile
Total number of workers working in those five-star hotels were 473 workers. 300 questionnaires were distributed to the workers and 225 were received with answers. After removing outliers, the final sample included 215 samples, yielding a 72% response rate. Table (1) shows the respondents’ profile.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency (Number of Employee)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-27</td>
<td>63</td>
<td>29.302</td>
</tr>
<tr>
<td>28-37</td>
<td>129</td>
<td>60</td>
</tr>
<tr>
<td>38-47</td>
<td>11</td>
<td>5.116</td>
</tr>
<tr>
<td>48-57</td>
<td>12</td>
<td>5.581</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>181</td>
<td>84.186</td>
</tr>
<tr>
<td>Female</td>
<td>34</td>
<td>15.814</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary and high school</td>
<td>144</td>
<td>66.976</td>
</tr>
<tr>
<td>Two-year college degree</td>
<td>41</td>
<td>19.069</td>
</tr>
<tr>
<td>Four-year college degree</td>
<td>15</td>
<td>6.976</td>
</tr>
<tr>
<td>Graduate degree</td>
<td>15</td>
<td>6.976</td>
</tr>
<tr>
<td>Organization tenure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>26</td>
<td>12.093</td>
</tr>
<tr>
<td>1-5</td>
<td>119</td>
<td>55.348</td>
</tr>
<tr>
<td>6-10</td>
<td>31</td>
<td>14.418</td>
</tr>
<tr>
<td>11-15</td>
<td>14</td>
<td>6.511</td>
</tr>
<tr>
<td>16-20</td>
<td>8</td>
<td>3.720</td>
</tr>
<tr>
<td>More than 20</td>
<td>17</td>
<td>7.907</td>
</tr>
<tr>
<td>Martial status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single or divorced</td>
<td>161</td>
<td>74.88</td>
</tr>
<tr>
<td>Married</td>
<td>54</td>
<td>25.12</td>
</tr>
</tbody>
</table>

4.2. Measurement model check
Several items were found to have standardized loadings smaller than 0.50 and correlation experimental errors in the original analysis. These factors have been taken away. Table (2) shows the results of the CFA for the remaining items. X2 = 1505.93; df = 953; X2 /df=1.58; CFI = 0.91; PNFI= 0.809; RMSEA = 0.062) supported the measurement model overall. All loadings were larger than 0.5 and marked in Table (2). It was also found that the average extracted variance (AVE) was more than 0. Convergent validity was shown by Fornell and Larcker (1981) study. The approach devised by Fornell and Larker (1981) to test for discriminant validity was used. It was found that the AVE for each latent variable exceeded the variance of the variable when compared to the others. As a result, we were able to demonstrate discriminant validity. Because each reliability coefficient was more than 0.6 and the coefficient alpha (0.7) was regarded acceptable, all measures were considered trustworthy (Bagozzi & Yi, 1988). Table (2) shows the results of the dependability scores for several measurements.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Standardized loading</th>
<th>T value</th>
<th>AVE</th>
<th>CR</th>
<th>Alpha</th>
</tr>
</thead>
</table>

Table 2. Confirmatory factor analysis.
4.3. Test of research hypotheses

The results reveal that the curiosity of CA (α=0.58, t= 20.41) is the most reliable indicator, followed by control (α= 0.56, t= 17.33), concern (α=0.53, t= 18.86), and confidence (α=0.501, t= 16.61). In order to evaluate all of the study hypotheses, the Structural Equation Modelling (SEM) approach to analyse the measurement model and estimate the structural model.
was used. According to the recommended criteria, the fit of the conceptual model to the empirical data is excellent, with $X^2 = 425; df = 178; X^2/df = 2.38$, which satisfies the GFI of 0.95; the Comparative Fit Index (CFI) of 0.92; and the Root Mean Square Error of Approximation (RMSEA) of 0.075. According to the suggested research methodology, Table (3) shows the results of the hypotheses that were tested. Table (3) shows that the study model supports H1 and H2.

The H1 hypothesis is backed by the fact that servant leaders have a positive ($\beta = 0.51$) and substantial ($p < 0.001$) influence on CA. The favourable effects of CA on affective well-being ($\beta = 0.31$) are also statistically significant ($p < 0.001$). As long as the mediating factors (CA) are present, the indirect impact of the servant leader on positive affectivity is insignificant at a significance level of 0.01.

These findings suggest that servant leadership has a substantial impact on positive affectivity even when mediators are not present ($\beta = 0.28; *p* < 0.001). This supports the hypothesis in H3 that there are significant mediating effects.

### Table 3. Results of the hypotheses.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Estimate</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Servant leader $\rightarrow$ CA</td>
<td>0.51***</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>CA $\rightarrow$ positive affectivity</td>
<td>0.31***</td>
<td>Supported</td>
</tr>
</tbody>
</table>

* $p < 0.05$, *** $p < 0.001$.

(X$^2$/df=2.38; CFI =0.92; PNFI= 0.77; RMSEA= 0.075; SRMR= 0.061).

NOTE: CA = Career adaptability, CEI= Comparative fit index; PNFI= Parsimonynormed fit index; RMSEA= Root mean square error of approximation.

There is a lot of complete mediation in the CA's mediating test. Due to that Table (4) shows support for H3. CA has been shown to be a full mediator between servant leadership and good affectivity. Figure (2) depicts the study's three hypotheses in a graphic form.

### Table 4. Results of the mediation hypotheses.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Indirect (ab)</th>
<th>Direct ($\hat{c}$)</th>
<th>Total($c$)</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H3</td>
<td>Servant leader $\rightarrow$ CA $\rightarrow$ positive affectivity</td>
<td>0.31***</td>
<td>0.01***</td>
<td>0.32</td>
<td>Supported</td>
</tr>
</tbody>
</table>

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

![Figure 2. Hypothesized model test result.](image)

### 5. Conclusion

This section contains the theoretical and practical implication of the study and concludes with the limitations and directions for future works.
5.1. Theoretical implication
There are four theoretical implications emerging from the findings of our study. The first key contribution refers to the association between servant leadership and CA. Due to the lack of information indicating the association between the two variables, this appears to be the most essential finding of this study. Social cognitive theory contends that when individuals obtain realistic encouragement, they are likely to exert more effort to fulfill the job and become more successful than those who are troubled by self-doubt (Wood & Bandura, 1989). In summary, hotel workers who are encouraged by their servant leaders in the workplace are survival and knowledge is needed to construct and develop their career. The second strength of the current study refers to the examination of the critical outcome of CA which is positive affectivity. The research void regarding the examination of the effect of CA on positive affectivity. Uncovering the factors influencing hotel workers’ positive attitude is relevant and significant. Third, the literature lacks sufficient evidence showing the underlying mechanism through which workers’ perception of servant leaders’ practices is linked to behavioral and personal outcomes. Hotel workers perceive that the corporation considers servant leaders' initiatives critical for success with an elevated level of CA and positive affectivity. Fourth, the general management literature seems to be devoid of empirical research about hotel workers’ perceptions of servant leaders' practices and potential consequences of servant leaders based on data obtained from emerging economies. Our study uses data obtained from hotel workers in the Kurdistan Region of Iraq.

5.2 Practical implications
The findings of this research have several practical managerial consequences. The decision makers in the organization need to provide a foundation to cultivate the servant leadership style in the work environment by selecting, hiring, and recruiting a person to be a leader that has all the specifications of the servant leader style.

Organizations need to value and motivate leaders to practice the servant leadership style at work. Servant leaders are a real model that the employees are proud of and try to behave like them in empowerment, emotional healing, ethics, and helping others. They will feel more confident, concerned, curious, and in control of their vocational future.

CA is a flexible resource that promotes individual career success. Broadly speaking, organizations need to design training programs to promote employees’ CA. They should place more emphasis on the career needs that cope with the challenges to increase the positive value that these programs bring to organizations.

In the business world, all organizations need to achieve their financial and nonfinancial goals. However, those goals cannot be achieved without employees in the hospitality industry as they are the most valuable asset and generator of service quality. Especially those employees who have high positive affectivity. Thus, organizations need to commit to the servant leadership philosophy that employees are their priority and create a resourceful work environment that provides reward, empowerment, teamwork, work social support, and organizational support in order to motivate employees’ career adaptability. This in turn leads to developing employees’ personal resources such as positive affectivity.

Along with useful directions for future research, several limitations are in order. In closing, our study utilized data gathered from employees in a single city. As mentioned earlier, servant leadership is also considered as an effective leadership style in other service settings. Therefore, conducting a cross-national study with employees in various service settings, such as banks, airlines, and restaurants to test the relationships proposed in our study would contribute to limited evidence about the impact of CA in the intermediate linkage between servant leadership and positive affectivity.

References


Private Sector Development Analysis in Post-Conflict Kurdistan Region of Iraq

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Abstract
Private sector development (PSD) has been a vital part of the Kurdistan Regional Government (KRG)’s economic development policy since the very beginning of the development of the region. The objective of this paper is to critically analyse private sector development in post-conflict Kurdistan Region of Iraq (KRI). A qualitative method of critical review to the development of private sector in the use of official documents is used from 2006 to 2016. It is concluded that because of the key challenges facing the private sector and a weak synergy between private and public sector, the KRG polices, and the experience of private sector were not effective in favour of the economy of Kurdistan. This was possibly due to the failure of the KRG in monitoring and evaluating the impact of those polices, political consideration in the way of doing business, internal conflict, and poor institutional system of the region. Public policy implication of this study is that there must be a close tied up of PSD programme to governance and interventions of peacebuilding. Most importantly, promoting the rule of law in the way that political actors should have neither influence on legal system nor on businesses.

Keywords: Private Sector Development, Post-Conflict Area, Tax Incentives, Interest Rate Subsidy, Kurdistan Region of Iraq.

1. Introduction
Since the establishment of the KRI in 1992, internal conflict between the ruling parties has led to political instability. Years of instability of conflict and civil war during the 1990s have blocked the economic development of the region. As such, international aid has played an important role in the development of the region (Bizhan, 2018; Muhamad & Heshmati, 2021). However, after the collapse of Saddam Husain’s regime in 2003, the ruling parties entered into a power sharing agreement in favour of a shared bright future. The post-conflict agreement to collaborate in a joint regional government has assisted the region to successfully putting the estate of the Kurdish civil war behind (Ali Saleem & Skelton, 2020).

Kurdistan Region which is an autonomous region in the north of Iraq, is a conflict-sensitive region. It is constitutionally recognised and run by the KRG. The region is in a stage of partial transformation from an agricultural society to industry, services, and information technology consuming society. Its economy just hatched in the aftermath of the collapse of Saddam Husein's regime in 2003. Rapid urbanisation, the economy of property development, political rent seeking, mechanisation of agriculture and business driven development strategy based on speculative property development,
import and distribution of services have led to high dependency on neighbouring countries and natural resources extraction.

Oil and gas, which account for the major share of the KRG’s revenue, is estimated to be more than 85% of all fiscal revenues and about 45% of all value added (World Bank Group, 2016). This has left the KRG to face continuous revenue volatility. As such, the KRG has been reinforcing regulatory environment for the development of private sector aiming at diversifying the economy. Private sector development has a critical role in overcoming the challenges of the resource curse and diversification of the economy (Muhamad et al, 2020, 2021). As a result, the number of private sector companies, both local and foreign, has increased dramatically from 4866 in 2006 to 24209 in 2016. However, this relative development of the private sector in the region neither led to a visible diversification of the economy nor a significant change in the economic role of the KRG.

Unlike other parts of Iraq, the relative security and stability has been in advantage of the region. Such a stability has attracted private enterprises and investment to the region and then the KRG has strongly advocated international trade and investment in the region through a variety of inducements such as tax incentives and interest rate subsidy. Consequently, the nominal GDP per capita between 2008 and 2011 increased by around 12% (World Bank Group, 2016).

KRI does not have economic sovereignty. This has resulted in having no fully independent economic policies which has made the region institutionally and financially centralised. The economy is overburdened with bureaucratic regulations resulting in a difficult environment for the development of private sector businesses (Sümer & Joseph, 2019; World Bank Group, 2016). This impedes private sector development and causes to undermine private sectors competitiveness in the market. Consequently, the undiversified nature of Kurdistan’s economy results in further dependency on import. As such, the region has become the dumping ground for all types of imported goods and has affected the development of the private sector’s export capability (Ahmed, 2012; Sosnowski, 2016). Therefore, there is an urgent need for private sector development and economic diversification in reshaping the public and private sector’s role in the economy.

This article builds on qualitative method of critical review of practical action to the development of the private sector in post-conflict KRI’s case, rooted in data from the revision of academic studies, organisational reports, official documents, and observational data. The objective of this paper is to (a) analyse the development of the private sector in post-conflict KRI from 2006 to 2016, and (b) the analysis is extended to assess the role of the KRG in this development in the use of both the tax incentive and interest rate subsidy policies. The findings suggest that the initiative polices of tax incentive and interest rate subsidy have not been in favour of the economic development of the region in diversifying the economy. Further finding is that the misallocation of large amount of subsidies has changed the composition of the KRG’s expenditure leading to a large amount of deficit.

This paper contributes to the existing literature on private sector development and post-conflict area in two ways. First it improves our understanding of private sector development in post-conflict area by analysing the development of the private sector in post-conflict KRI progressing towards prosperity. Second this study is the first to introduce qualitative finding on post-conflict KRI’s private sector development’s policy in a fragile post-conflict area of Iraq. These would help to develop a typology of its implication for post-conflict stability.

The next section of this paper provides a brief overview of recent literature on private sector development and the role of governments in this development. Section 3 provides methodology of the study. Section 4 examines the KRG policies of tax incentive and interest subsidies to private sector and discuss the impact of these policies and its consequences on the development of private sector in KRI. Section 5 provides conclusion and few recommendations.

2. Literature Review

Over the past years, there has been a substantial literature on privatisation, but recent literature specific to private sector development in post-conflict area is scarce. Previous studies on the role of the private sector focuses on “business for peace” either in warzone or after. Less attention has been paid to the post-conflict private sector development and the consequences of this development.

Private sector development (PSD) is usually defined as a set of strategies aiming at strengthening the private sector for improving the welfare of people through economic diversification, sustainability, job creation and economic growth (Di Bella et al., 2013; Muhamad et al., 2020, 2021). This strategy cannot be a process lead by governments, but rather the government should provide conditions in which the private sector is able to grow (Atherton & Smallbone, 2013).

1 While the market structure of KRI is not entirely clear, the KRG’s role in the economy is large. According to the World Bank (2016), the contribution of the KRG’s expenditure to GDP is over 50%. The KRG is the main employer with a share of more than 50% in total employment as well as subsidising several services such as electricity, fuel, water and agriculture which accounted for over 50% of their budget over a certain period of time.
However, private sector development in the post-conflict area based broadly on the strength and capacity of state institutions as well as the overall political, economic, and social manifestation (MacLeod, 2013; Nigar, 2015). Katsos & AlKafaji (2019) study private sector's role in building peace in an active violent conflict country of Iraq. Their findings suggest that businesses that tied to government representatives are more likely to contribute to corruption. Mueller (2018) report the type of private sectors that emerge or survive in fragile, and conflict affected states such as telecommunication and hotels hospitality sector. Such private businesses achieve lucrative revenue due to available resources and political ties with corrupt officials. Speakman & Rysova (2015) study small enterprises in fragile and conflict-affected situations. They find that conflict-affected private sectors are having different characteristics subject to different incentives and motivations. They are small, specialising in trade and services sector, less innovative and growing slower than businesses in non-conflict-countries.

However, private sector contributes to economic growth through generating economic benefits for the societies, creating values for stakeholders, developing new products and transferring valuable technology, creating job opportunities for local people, making foreign direct investment, and expanding export in favour of balance of trade (Buckley, 2014; Maulidia et al., 2019; Milliken et al., 2015; Nettle et al., 2018). By providing this insight, private sector contributes to improvement of the nation's economic efficiency and may reduce the risk of violent conflict (Haywood & Wright, 2019; Katsos & AlKafaji, 2019; Zhao et al., 2022).

Private sector development requires booster strategies to improve business competitiveness. Mueller (2018) identifies foreign direct investment (FDI) as one of the main sources of capital inflow in the life cycle of private sector development in post-conflict developing countries. Langan (2011) suggests having access to debt subsidies or/and low-cost borrowing would induce private sector businesses to expand. Zhang et al. (2018) find substantial effects of tax incentives on small enterprises and larger cash flow enterprises in China.

Muhamad et al. (2020); Osei-Kyei & Chan (2017); Sinha et al. (2001) combined several macro factors that affect the development of the private sector, namely the economic system and policies, political system and governance, and the social and cultural context. The economic policy of governments as described by Adelina-Geanina (2011); Getahun & Villanger (2019) includes systems for setting levels of taxation, subsidisation, government budgets, and interest rates as well as the labour market and national ownership.

Macroeconomic determinants, namely inflation, fiscal deficit, interest rate, and exchange rates can also shape the development of the private sector. Inflation and budget deficit are two serious macroeconomic challenges facing the private sector: a high inflation rate, which tends to be followed by a lasting budget deficit, discourages private sector development (Kaur, 2018; Kirkpatrick, 2014; Narayan et al., 2019).

Tax incentives are another type of financial assistance in the development strategy of the private sector. Even though taxes have implications for government revenue, tax policy and its administration are a key part of country’s private sector development strategy (Maweije & Sebudde, 2019). Most empirical literature on the effect of tax on the private sector focuses on the relationship between tax incentives and FDI (Appiah-Kubi et al., 2021; Hsu et al., 2019; Mosquera Valderrama, 2020). A study by Klemm & Parys (2012) found that a decrease of 10% in corporate tax is associated with an increase in FDI between 0.33 and 4.5% of GDP.

Governments are playing a significant role in the development of the private sector through classic top-down supply side inducements especially fiscal incentives of tax incentives and interest rate subsidies. Koven & Lyons (2003) define tax incentives as an agreement that the taxpayers do not pay taxes for a period of time, and interest rate subsidy as a loan at a below market rate. The supply side economic developments argue the significance of the flexible tax rate in attracting businesses, thus governments should keep taxes low. Hsu et al. (2019); Klemm & Parys (2012); Mosquera Valderrama (2020) believe that tax incentives foster a favourable business climate for investment, and thus businesses produce jobs and economic prosperity.

However, some supply siders believe that tax incentives should be targeted to improve the economy (Koven & Lyons, 2010). For example, in developed countries tax incentives are used to attract a certain type of investment, while in small economies of Hong Kong, Lebanon and Mauritius tax incentives are given to all companies (Nuţă & Nuţă, 2012). A mixed result for both developed and developing countries was found which largely depends on the purpose of the tax incentive either for attracting investment projects or high added value (Alsultan, 2022; Gürsel, 2020; Song et al., 2020).

Another factor that actively promotes the development of private businesses is interest rate subsidy or loan subsidy. The policy of interest rate subsidy is applied commonly by governments in various economic conditions (Montmartin & Herrera, 2015; Williams et al., 2015). Koven & Lyons (2003) argue that once the cost of borrowing is less or there is an interest rate subsidy, investors are willing to put their money into investment.

Despite little existence of empirical evidence on the effects of subsidised loans on private sector development, the evidence is controversial. Horvath & Lang (2021) examined the impact of subsidised loan program in Hungary. They find
The effective contribution of subsidised loans on employment, investment and enhancing the efficiency of small firms over time. Nevertheless, scholars observed that the effectiveness of this subsidy on private sector investment contingent up on the quality of government supervision (Dailami & Leipziger, 1998; Sobel, 2008). This understanding implies that government must have a continuous effective monitoring programme on the use of the loan subsidy from the very beginning to the completion of the loan period. On the other hand, Dinh et al. (2012) believe that subsidy, similar to tax incentives, should be targeted at specific sectors or groups.

Studies emphasised on the condition of good governance in the development strategy of the private sector. Political systems and governance including business legislation, market regulation and the rule of law often affect economic systems and macroeconomic policies (Keping, 2018; Kirkpatrick, 2014). The type of regulations that rule the business activities are affected by the governance and its quality of institutions (Sinha et al., 2001). Therefore, the role of institutions and governance is of paramount importance in the development of private sector (Acemoglu & Robinson, 2019; Keping, 2018; MacLeod, 2013).

In addition, one of the serious barriers for the private sector to enter new businesses and make new investments is political and economic instability. According to Dautta & Roy (2011); Kesar & Jena (2022); Uroos et al. (2022) effective operation of market requires an environment with low levels of corruption and a high degree of political and economic stability.

Development theorists have emphasised the government’s role in the development of the private sector, but studies highlighted changes in this role. Tanzi (2014) discussed the changing role of the state in the economy suggesting that states have to play only a regulatory role. Recent years have seen a greater role of the market, as opposed to the state, in developing national economies. Consequently, as markets develop and become more efficient, states have been required to have fewer roles.

3. Methodology

This paper provides a critical analysis to the development of the private sector in the post-conflict KRI. It uses a qualitative method of critical review of practical action to the development of private sector in KRI in the use of both the tax incentive and interest rate subsidy polices by using official documents. Although empirical research methods have been widely considered by most of the economics studies, the availability of adequate data has limited wider analysing for many studies including this study. Lenger (2019) finds qualitative methodological critique as one of the major reasons of rejecting many economics studies. However, critical analysis approach of this paper will question the development of the private sector and examine the polices that have been applied through using official documents.

Action research has been used as a qualitative method of investigation. It has been categorised in three types of actions: practical, emancipatory, and technical. Practical action is defined as the process of conceptualising the issue and providing suggestions for future improvements (Amir Hussin, 2018; Carr & Kemmis, 2003; Efron & Ravid, 2019; McKernan, 2013; Tang, 2021).

Official documents and papers might not be considered as research materials, but documentary research methods are just as good as other qualitative methods (Chohan, 2019; Mackieson et al., 2019; Mogalakwe, 2006; Wood et al., 2020). The use of documentary methods, which has been broadly used in case study research, refers to the analysis of documents that contain information about the phenomenon we wish to study (Bailey, 2008; Wood et al., 2020). In this method, only official documents driven from governmental agencies will be used. The rationale for using such a method is that it helps in identifying the limitation of resources in the area of private sector development in the KRI in which there is not any published secondary research.

The disadvantages of using qualitative over quantitative and vice versa are controversial. Although different papers have indicated the insignificance of qualitative research comparing to quantitative approach, they mostly emphasise on the purpose of the research and specific issues under investigation. While studies by Lenger (2019); Starr (2014) generally claimed that qualitative research in economics has been relatively insignificant compared to quantitative papers, Jemna (2016) believes that a better explanation of data has obtained through a qualitative approach. Jemna (2016) states that the specific advantages of using qualitative methods depend on a particular issue that is analysed in the research. Accordingly, qualitative research is applied when there is a limited data registered which is not statistically representative for the population studied.

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2 Governance is defined “as a government’s ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not” (Fukuyama 2013)
4. Private Sector Development Analysis in KRI
Governments play a significant role in the development strategy of the private sector. Tanzi (2011) believes that this role depends on the structure of the economy and the commitment of the government itself in the development process. Since the very beginning of the development of the region in 2005, the KRG has adopted free market economy and highly liberalised trade and investment policies. Specifically, the KRG has offered different types of financial assistance in the development strategy of the private sector to affect business investment, namely tax incentives and interest rate subsidies. This promotion has led to a visible growing of private business companies, although the contribution of them to the economy has been very little. This section analyses the policies, practices, and problems of the development of private sector in KRI.

4.1. The KRG Policies Towards Private Sector Development
The KRG policies and initiatives towards the development of the private sector makes the business environment more favourable than the rest of Iraq. Security and infrastructure have been relatively better. The KRG has promoted the development of the private sector through a variety of inducements. Some of these were effective in stimulating private businesses, and others were not. However, the lack of close monitoring and evaluation of the impact of these polices on one side made the contribution less effective in improving the economic efficiency of the region. On the other side, the private sector has been criticised for poor quality contribution in return for the massive supports of the KRG. For instance, the private sector employment in the region was only 20% and the tax contribution in total revenue was only 4.7% (World Bank Group, 2016).

4.1.1. Tax Incentives
The government in accordance with the development of private sector maintains a liberal investment law that offers tax exemptions to investors. This results in a visible development of the private sector including signing several investment contracts with foreign companies. The KRG has been offering tax incentives to private investment since 2006. The approval of The Investment Law No. 4 in 2006 provides all investors including foreigners in the region full ownership of their operations, tax-exemption for 10 years, free allocation of lands and the ability to repatriate all earnings for foreign companies (Board of Investment, 2006). Furthermore, to strengthen long-term relationships, the Law grants additional incentives to Joint Venture Investment (JVI) projects between national and foreign investors. Consequently, such incentives promote a business environment for all investors.

Economic activity has seen a boom in the period of 2006 to 2013. The World Bank Group (2016) reported that the nominal GDP per capita between 2008 and 2011 grew by around 12% and the real GDP in 2013 raised by 8%. Figure 1 shows licensed non-energy sector investment financed by the private sector. The KRG Board of Investment (BOI) estimates the region received 45,988 million United States Dollar (USD)s in investment in 2006-2016, 21.9% of which was Foreign Direct Investment (FDI) and JVI. The domestic investment type has made the largest contribution in the investment projects of the region accounted for 35879 million USD into the economy.

![Figure 1. Investment type by capital in billion USD in 2006-2016](Board of Investment – KRG, 2019); author’s calculation

Furthermore, the JVI resulted in building local capacity and developing competitive services. For instance, several domestic companies establish partnership with foreign counterparts to develop their local capacities (World Bank Group,

3 Iraq's economy is ranked poorly in the Ease of Doing Business.

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2016). JVI projects were granted additional incentives in order for private sectors to have access to greater resources, including specialised staff, technology and finance. Contrary to the KRG’s policy towards this kind of investments, the contribution of these projects was less than both domestic and FDI accounted for 4071 million USD. One possible explanation for this is that the primary culture of doing this type of investment in Kurdistan has not allowed local investors to do joint venture. Secondly, the lucrative money expected to be received prevented both local and foreign investors from an extraordinary coincidence.

As the region experienced more stability and development with fiscal stimulus, there is certain to be increasing foreign investment inflows (Figure 2). FDI in the region started dramatically; the region received 6039 million USD of FDI in 2006-2016, although it has had poor basic infrastructure, internal conflict and political instability, and expensive labour costs. The inflow of foreign investment in the last decade was outstanding. When global FDI fell by 18% to 1.35 trillion USD in 2012, the development strategy of the KRG has made investment to reach its peak in 2013 (Figure 2), where the amount of foreign investment was 2.4 billion USD in which it was even higher than countries such as Jordan, which accounted for 1.8 billion USD (Taglioni & Winkler, 2016).

![Figure 2. Foreign investment in KRI (Board of Investment – KRG, 2019); author’s calculation](image)

However, as it is shown in Figure 2, there are sharp declines of investments in 2011 and 2013. Perhaps the most effective factors have affected both joint venture and foreign investment in KRI is internal political conflict. KRI has faced some internal political shocks that seriously affected investment in the region. Table 1, for instance, illustrates the impact of internal conflict and political instability on foreign and joint venture investments. The mass demonstrations of February 17th, 2011, in Sulaymaniyah diminished both FDI and JVI by 35.6% from 987.3 in 2010 to 635.9 million USD in 2011. Another incident was election in late 2013 and the delay of the KRG cabinet formation for more than 9 months that had extremely reduced FDI and JVI by 98.7% from its peak in 2013 with the amount of 5.19 billion USD to its trough in 2014 with only 679 thousand USD.

<table>
<thead>
<tr>
<th>Investments</th>
<th>Capital/Years</th>
<th>Capital/Years</th>
<th>Percentage Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign and joint venture investment</td>
<td>987/2010</td>
<td>635/2011</td>
<td>35.6</td>
</tr>
<tr>
<td></td>
<td>5188/2013</td>
<td>0.679/2014</td>
<td>98.7</td>
</tr>
</tbody>
</table>

Despite of these occasions, the KRG was keen to attract and facilitate foreign investment as means of sustainable development. Therefore, these incentives not only increased investment projects but also caused to raise number of private companies remarkably. Once the KRG at the same period of tax incentives reinforced the regulatory environment for private sectors, the number of companies including both local and foreign numerously increased from 4866 in 2006 to 24209 in 2016 (Figure 3). However, many of them has never shown the way forward on quality services and efficiency. According to World Bank Group (2016), out of 179 private firms, only 6% has internationally recognised quality certification and less than 1% use technology licensed from international firms.
As mentioned earlier in the literature review section, the supply siders of economics believe that once incentives are targeted, it improves the economy (Koven & Lyons, 2010). Nevertheless, the tax incentive from the Investment Law of KRG was not targeted to a specific sector, but rather investments from all other sectors. This has resulted in poor quality investment services and thereby not having long consequences on the economy. Further consequence on the KRG’s revenue generation is that with the rise of investments size, the amount of revenue forgone to tax exemption has increased. The more the number of investment projects, the larger tax revenue forgone. Nonetheless, the investors tax incentives provision is now in conflict with the current KRG policy to increase the government’s revenue through widening the tax base and increasing domestic tax revenue to reduce the shortage of total revenue.

4.1.2. Interest Rate Subsidies

Loans can be given through banks, but the banking sector in KRI has been underdeveloped. While a substantial number of banks has been operating in the region, the weakness of the banks themselves made restricted contribution to the economy. One of the major factors of that weaknesses is less trust in the banking sector due to long-lasting conflict within the region and Iraq, and frequent financial disruption. Despite the underdevelopment financial institutions in Iraq, the KRG’s banking system has been mostly run by weak state banks and traditional activities of private banks. Consequently, these features have limited bank’s ability in attracting deposits and offering credit to the private businesses (Sümer & Joseph, 2019). The world Bank reported a very low access of the private sector to finance estimated 2% of share of GDP in 2015 (World Bank Group, 2016).

However, the KRG financed some private sector projects from its budget. This led to a considerable change in the composition of the KRG expenditure. The KRG has allocated loans to a number of private companies in which some of them received the loan at below market rate. The purpose of this policy was sharing the challenging cost of capital with private companies. Between 2005-2013, the KRG almost allocated 434 trillion Iraqi dinars (IQD) with 11% interest rate for some companies. During this period, the KRG has issued private decrees for only seven companies to allocate loans with various subsidy rates; private companies were given 136.7 trillion IQD and 8.5 million USD with 3 to 8.5% interest rates⁴, and hard assets of the receivers were pledged as a loan collateral⁵. While there have not been any kind of laws to organise the allocation of loans, there were not equal opportunities for all private sector companies to benefit from debt subsidies.

Interest rate in KRI has been stable at 11% based on market rates. While regulations have not been brought in for tiding financial sector up especially interest rate subsidy, a number of companies were given large amount of interest rate subsidies. Table 2 shows the rate of subsidies the KRG provided to seven companies in the sense of promoting the development of private sector.

Table 2. Interest rate subsidies to the private sector. (Ministry of Finance and Economy – KRG, 2019), author’s calculation

<table>
<thead>
<tr>
<th>Investors</th>
<th>Amount of loans</th>
<th>Interest Rate Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Nalia Company</td>
<td>43 750 000 000 IQD</td>
<td>3</td>
</tr>
<tr>
<td>2 Abdulbaqi Company</td>
<td>8 000 000 000 IQD</td>
<td>8</td>
</tr>
<tr>
<td>3 Barez Company</td>
<td>20 000 000 000 IQD</td>
<td>2.5</td>
</tr>
</tbody>
</table>

⁴ Amirald Bank was given unknown amount of loans with 11% interest rate during the same period.
⁵ Since 2017, over a number of crisis and financial disruptions, the KRG issued several decrees for these loans to be paid back, but because the value of the collaterals was less than the value of the loans, still some of the debt has not been paid back.
It appears that the interest rate subsidy did not have visible impact on the economy of the KRI. Firstly, the interest subsidies were not controlled at preferential rate. There was a variation on the amount of the subsidy rate resulted from not being regulated. Secondly, whilst the purpose of this kind of intervention was generally to promote the private sector through the provision of funds to priority sectors, the experience of the receivers indicated that the loans were used to finance cash activities of real estate investments and trading. As a result, these subsidised corporate loans have been misallocated and not led to greater productive investment in the KRI.

Despite interest rate subsidy, several services such as agricultural, fuel, and electricity have been subsidised. These subsidised services costed the KRG 21.313 billion USD\(^7\). Table 3 shows subsidisation of several key components of budget in 2010-2013. Although there is evidence that these subsidies were fiscally very costly and had a massive deadweight loss, together with the interest rate subsidy caused a large deficit of the KRG’s budget (Figure 4).

Table 3. Fuel subsidy compared to key component of budget (on average percentage) in 2010-2013.

<table>
<thead>
<tr>
<th>Fuel Subsidy</th>
<th>Education</th>
<th>Health</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.8</td>
<td>7.8</td>
<td>11.4</td>
<td>3.66</td>
</tr>
</tbody>
</table>

Figure 4. The KRG budget deficit in billion IQD (Ministry of Finance and Economy – KRG, 2019), author’s calculation

Table 3 shows the contribution of some key component on average percentage to the KRG budget compared to fuel subsidy from 2010 to 2013. Expenditure on fuel subsidies in KRI exceeded some vital important key component of government spending such as public expenditures on education, agriculture and very close to health as well. The rapid increase in the amount of subsidy resulted from social welfare and business promotion policies of the KRG caused a burden deficit in the government’s budget. Hence, the subsidy policy of the KRG led to a large amount of deficit; it accounted for around 14.9 billion USD from 2013 to 2016 (Figure 4). This is an indication of a negative impact of the effect of subsidies on the economy of KRI that might not typically be discussed by some of the KRG policy makers and decision makers when considering subsidies\(^8\).

Another disadvantage of interest rate subsidy on the region’s economy is generating inflation. As indicated earlier, inflation is one of the serious macroeconomic challenges facing the private sector; loan subsidy would generate high inflation (Dinh et al., 2012; Kaur, 2018; Narayan et al., 2019). The inflation rate in KRI increased almost by double form 26.6 in 2009 to 50.1 in 2015. Figure 5 shows the high rate of inflation compared to the base year 2007 over the period of 2009-2015 resulted from the expansion policy of the KRG and large size of subsidies.

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\(^6\) Barez Company was given loans twice with various interest rate subsidies. At the first it was given in IQD with the interest rate subsidy of 2.5 and then it was given in USD with interest rate subsidy of 7%.


\(^8\) Subsidy is not the only cause of budget deficit, in 2014 the KRI faced three shocks: the suspension of the share of the KRG in the federal budget by Iraqi government, ISIS attacks and then a massive number of Internal Displaced People (IDP)’s arrival to KRI.
4.2. Public-Private Sector Synergy in KRI
Public-private sector synergy requires an active collaboration between civil society and private stakeholders of which it relies on the services states transfer to the private sector, and the ability of the private sector to take on the responsibility of carrying out those services (Osei-Kyei & Chan, 2017; Schaller, 2021). Governance infrastructure and private sector interests have been seen as preconditions for such collaboration in which public–private co-responsibility develops to provide social and economic infrastructures (Schaller, 2021). This synergy was extremely poor in the KRI because of many factors and consequently, the lack of synergy caused a poor commitment in improving the region’s economic efficiency and encouraged the growing of informal economy.

The factors prohibited the essential collaboration of public-private sector were first political consideration in the way of doing business. For example, equal opportunities were not given to all private companies benefiting from debt subsidies when loans allocated for several private companies with various interest rate subsidies. Subsidised loans were offered more on the basis of political considerations than on economic one. Second the ruling parties have dominated the major profitable sectors of the economy and they left a very little space for others. Third the private sector low access to finance was another significant factor, which made the allocation of credits carried out by the government in one side. On the other, it made the first and second reasons highly possible.

Despite the supports to the private sector, most new jobs were offered in the public sector. The public sector created 80% of job opportunities in 2007-2012 and thereby the KRG’s employment share raised to 53.5% in 2014 (Jameel, 2017). This share accounted for 8.3% of total employment of which compare to Middle East regions of 5% was larger than international standard (World Bank Group, 2016). As such, there was a lack of labour force reallocation as the region has had overemployment for a long time. This was an indication of the lack of coexistence between the public and private sector as the latter could not absorb the labour force reallocation from this large public sector.

4.3. The Practice of Private Sector in Exports and Taxes
The growing role of the private sector in generating export and employment is worth noting. Theories on PSD suggested that countries with active number of private sector experience are derivers of economic growth, higher employment, and export rates. However, this was not the case in KRI. Despite having liberalised investment law specifically in offering tax incentives, the private sector has not been in favour of export-driven economy.

One reason for not having export in KRI might be due to the weak consequences of the investment projects, as it seems impossible for any country to have a growing of 24209 private companies and 46 billion USD investment in a decade without having exports. This suggests that the investment project in the region did not have long consequences in the economy. The supply side economic developments have explained this weakness by suggesting that once tax incentives are targeted, it improves the economy. However, the Law of Investment’s tax incentive included for any project in any sector. Although absolute level of investment increased largely, investment climate has been surrounded by the accusation of economically unsustainable factors such as bribery, political interference, and operating agreements (Sümer & Joseph, 2019).

In addition, the KRG application of neoliberal policies for development of the region in some way discouraged the competitiveness of private businesses. The availability of cheap low-quality foreign imported products affected the development of the private sector in export capability. This was because of the characteristic of the private sector in which most of them were small-scale businesses engaged in the provision of trade and services with very low levels of technical capability and productivity (Sümer & Joseph, 2019; World Bank Group, 2016).
The economic policies of unregulated free market, liberalised investment and trade, and conflict and political instability have had critical implications for the economy of the region in which informality has evolved. This has made very little contribution of the private companies into the economy. Figures show that local taxes, which are more stable parts of the government revenue, constituted only 2.6% of GDP or 4.7% of total revenue of the KRG. Table 4 indicates the constitution of corporate tax in the KRG’s total revenue. The very little contribution of corporate tax was an indication to the lack of the natural synergy, which caused lower revenue for the government.

Table 4. Corporate tax contribution in total revenue in 2013-2016 in billion IQD9 (Ministry of Finance and Economy – KRG, 2019), author’s investigation.

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Revenue in billion IQD</th>
<th>Corporate Tax in billion IQD</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>20082</td>
<td>75</td>
<td>0.4</td>
</tr>
<tr>
<td>2014</td>
<td>9059</td>
<td>111</td>
<td>1.2</td>
</tr>
<tr>
<td>2015</td>
<td>10651</td>
<td>95</td>
<td>0.9</td>
</tr>
<tr>
<td>2016</td>
<td>9932</td>
<td>87</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Informalisation of the economy of Kurdistan exacerbated taxation function of the government. While there is not any clear evidence on the percentage of formality of the economy, many of labour force and private companies have involved in the informal economy. Although they might not be well aware of the benefits and drawbacks of operating in the informal or formal economy, the avoiding of taxes might be the main advantage of them for being informal (ILO, 2021). Nevertheless, the economic system and its tax management has enlarged this avoidance. As such, the growing informalisation of the economy has had massive disadvantages for the KRG. The informal sector does not take responsibility towards its role in the synergy between public and private sector through avoidance of taxes and the cost of registration. This has resulted in having the lowest rate of tax among the resource rich countries (Table 5).

Table 5. Tax contribution to GDP in resource rich countries (World Bank Group 2016).

<table>
<thead>
<tr>
<th>KRI</th>
<th>Azerbaijan</th>
<th>Botswana</th>
<th>Malaysia</th>
<th>Saudi Arabia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.6</td>
<td>17.8</td>
<td>35.2</td>
<td>15.5</td>
<td>5.3</td>
</tr>
</tbody>
</table>

4.4. Private Sector Development Constraints
The main constraints to PSD in KRI have been legal and regulatory environment, access to infrastructure and finance. One of the World Bank’s Worldwide Governance Indicators (WGI) is the rule of law. The improvement of rule of law in the context of governance has been seen as a precondition for establishing a favourable business environment (McCarthy, 2018). The KRG’s success in safeguarding the rule of law has been limited. Evidence suggests that the court system of the region has been under political influence (Jameel, 2017; Sümer & Joseph, 2019). As such, the institution system of the region is lacking behind making difficulty for equal business opportunities and thereby encouraged the rise of business oligarchs. The limitation of the implementation of the rule of law and lacking behind of the institutional system in general has affected the KRG’s ability to run the economic governance. The KRG has prepared budget for approval in parliament only a few times since 2005. This reduced the capacity of effective working of the economy and produced clientelism in the allocation of public spending (Sümer & Joseph, 2019). Another outcome of the lack of economic governance was extending the dependency on cash economy. The underdeveloped banking system and large reliance on the cash business in KRI has made the environment less favourable for the private sector. Furthermore, difficulties in accessing accurate data in KRI has made limitations for economic governance. Neither the private business nor the KRG itself had access to data for market assessment, policy performance evaluation and future planning. In addition, the quality of economic regulations has been very poor. They were outdated and confusing of which unable to deliver the economic benefits in a timely manner. Such an environment created a conflict between the interest of investors and what the economy has needed. As a result, there was differences between the expectations of the KRG policy makers with the results received.

Business environment in KRI dominated with burdensome bureaucratic procedures for the private business. Domestic private sector unlike foreign one has been struggling with the regulatory environment. Business registration process while

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9 While tax has been applied years before, the tax system has been very poor and made the availability of the data very restricted.
10 Several international organisations recently criticised the court system of the KRI such as Amnesty international, European Union, United Nations Assistance Mission for Iraq and Human Rights Watch. These critics have made the KRI’s President Nechirvan Barzani in January 2022 to urge for free court system from political influences.
was costly and burdensome, required involvement of multiple government bodies and long durations for approval. Furthermore, the KRG has been unable to ensure the protection of intellectual property right which discouraged creativity and competitiveness of the private businesses (Sümer & Joseph, 2019). These constraints shortened the survival time of domestic small businesses, enlarged the informal sector, and encouraged exit from the market and thereby discouraged the public-private synergy discussed earlier.

Another key challenge for the development of the private sector has been a reliable public infrastructure that could facilitate the development of the private sector. The government has actively played a central role in the construction, transportation, water sanitation, electricity and other infrastructure projects benefiting from the power sharing agreement with the central government. From 2005 to 2014, the KRG’s finance came from the constitutional 17% share of the Iraqi budget. This fund was an important source of the region’s economic growth, government employee salaries, infrastructure development and other investment expenses in health and education. Nonetheless, the disruption of fiscal transfer from central government with severe decline in oil prices in 2014, additional public expenditure demands of the refugees and IDPs and financing the war with ISIS not only postponed infrastructure development, but also caused to fall the region’s economy into a deep recession (Sümer a& Joseph, 2019). The upcoming of ISIS in 2014 and its consequences in bringing war and almost two million refugees and IDPs to the region was further disruptions to the development of the region.

5. Conclusion and Policy Recommendations
The KRG promoted the development of private sector through offering tax incentives and allocating loans at below market rates. This paper analysed polices, practices and problems in the development of private sector in KRI. It is concluded that the KRG polices, and the experience of private sector were not effective in advocating the economy of Kurdistan. It is very rare to have an economy that had 46 billion USD investment and a growing of 24209 private companies in 2006-2016 without having exports. This was possibly due to (a) the KRG failed in monitoring and evaluation of the impact of those polices, (b) neither the tax incentive nor the interest rate subsidy were targeted to the most needed sectors, (c) failure in subsidisation policy due to the lack of regulation in allocating loans, (d) political consideration in the way of doing business in which equal opportunities were not given to all private sectors, (e) the lack of coexistence between the public and private sector, (f) internal conflict seriously affected the development policy of the region, (g) the institution system of the region was lacking behind making difficulty for business opportunities, and (h) the outdated poor quality economic regulations limited the delivery of the economic benefits of those polices.

Consequently, (a) the composition of the KRG expenditure has remarkably changed due to misallocation of large amount of subsidies, (b) the size of informal economy has grown, and thereby the growing informalisation of the economy had substantial disadvantages including a massive loss of revenue from taxes, (c) lacking behind of the institutional system encouraged the rise of business oligarchs, and finally, (d) all these factors discouraged the public-private synergy in KRI.

The major limitation of this study was data limitation to quantitatively measure the issue and the need for more recent studies in post-conflict economic development. However, many opportunities for extending the scope of this research remain. Apparently, the main direction for the next work would be measuring the PSD in post-conflict KRI and analysing its determinants. Nonetheless, public policy implications from this research to post-conflict private sector development area and KRI are firstly, there should be a close tied up of PSD programme to governance and interventions of peacebuilding. This would promote the greater synergy between the public and private sector, encourage formalisation of the economy and encourage collaboration between individual entities. Secondly, reforming in financial regulatory procedure to effectively tide the financial sector up would help in making finance and credit easily accessible to the private sector. Thirdly, the government’s regulatory policies must support new business models and properly protect intellectual property rights. This would encourage creativity, competitiveness, and the development of private sector. Fourthly, the KRG has to regulate the private sector to have certificate of qualities, and to use licensed programmes and technologies. This would affect the quality outcome of the private sector. Finally, most importantly, promoting the rule of law in the way that politics should have neither influence on legal system nor on businesses. This makes all entities accountable to laws and thus would minimise the risk of political power over the right of others and businesses.

References


