

RESEARCH ARTICLE

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THE ROLE OF ECONOMIC DATA ANALYSIS IN MANAGING MEDIUM AND SMALL COMPANIES TO MAKE STRATEGIC DECISIONS AND IMPROVE PERFORMANCE: AN ANALYTICAL STUDY

Hadeel Fawzi Mohammed

University Of Dijlla College, Iraq

Mustafa Tilab Abd Ali

Ministry of Education, First Kurkh Education Directorate, Iraq

Ola Thaer Kamil

University of Dijlla College, Iraq

Abstract

Economic analysis plays a pivotal role in managerial decision-making processes. This analysis is predicated on deeply understanding economic forces and market factors influencing corporate strategies and decisions. This paper delves into the role of economic data analysis in managing small and medium-sized enterprises (SMEs) to make strategic decisions and enhance performance. The study underscores the significance of this approach and its impact on corporate outcomes. The research analyzes annual reports from three companies: Al-Mahfaza for Mobile and Internet Financial Payment and Settlement Services Company Limited, Al-Arab for Electronic Payment Company, and Iraq Electronic Gateway for Financial Services Company. The paper concludes by drawing key findings from this analysis.

Keywords Economic, Decision-making, Mobile, Financial Services Company.

INTRODUCTION

A broader vision of investing in dynamic and unpredictable market scenarios must come in. To discern the ways of profiting from investing, one must be able to understand predominant economic issues that form the basis for market movement and affect potential investment opportunities. That is where economic analysis comes in. Various investment strategies incorporate a measure of

potential risk against rewards, where investors can arrive at by analyzing a host of financial data, market trends, and indicators. This paper looks at the role of financial analysis in making informed investment decisions. (Wickinson,1986).

Economic analysis evaluates the position held by economic factors to an investment decision. It provides a framework for assessing the potential

risks and rewards in available investment opportunities. This is considering the various economic indicators, market trends, and other data, which afford clarity to an investor about the general health and the direction of an economy and how it might affect the investment decision. (Robbins,1999)

In making investment decisions, investment analysis helps investors identify key factors affecting the performance of various assets, such as stocks, bonds, commodities, real estate. It empowers investors to weigh the potential risks and rewards of various investment options in, and make informed decisions based on sound economic principles (Rayburn,1996)

2. Concepts and Terms:

2.1 Economic data

Economic data refers to information that describes the actual economy in the past or present. This data is typically found in the form of time series, covering multiple time periods (e.g., monthly unemployment rates for the past five years), or cross-sectional data, representing a single point in time (e.g., consumption and income levels for a sample of households. (Pandey,1995)

2.2 Data analysis

Data analysis is defined as the process of examining, verifying, and selecting data, transforming, storing, and modeling it with the aim of extracting useful conclusions or information that can be used to understand the causes or explain events that occurred in the past, or to improve future events and assist in making better decisions. (Moscove,1990)

2.3 Managing companies.

Management is the process of utilizing resources to achieve specific objectives. It involves various functions such as planning, which sets goals, and organizing, which allocates resources to

accomplish these goals. Additionally, management includes directing, which involves leading and motivating employees, and controlling, which entails monitoring performance and taking corrective action. Management serves as a compass for organizations, guiding them in their operations, decision-making, and ensuring that they stay on track to achieve their objectives. (Morse,2003)

2.4 Medium and small companies

SMEs, or (SMB), are firms whose revenue, assets, or number of employees fall below certain thresholds. The definition of SMEs varies across countries and economic organizations. (Moorbeard,1995)

2.5 Strategic decisions

A strategic decision is defined as a choice made by an organization depending on a variety of factors, this includes its operating environment, overall resources, and the individuals who have contributed to its development. What distinguishes a strategic decision is its long-lasting impact, often spanning years or even decades. Once made, it is exceedingly difficult to reverse in a brief period. (Kaplan,1998)

2.6 Improve performance.

Performance improvement is the measurement of results of a particular process or activity, and then modifying that activity, or activity to increase growth, productivity, or effort. Performance improvement could be applied to individual performance—for example, an athlete—or it could be organizational performance, such as a running club or business. (Horngren ,2000).

3. Methodology

The researcher employed a descriptive method to present theoretical definitions and an inductive method in the applied aspect to evaluate the research hypothesis.

4. Research Objective:

the study aimed at investigating the effect of the

data analysis of economics on guiding medium and small enterprises towards strategic decision-making and enhancing performance, thereby achieving the desired goals and objectives of these decisions.

5. Research Hypothesis:

Economic data analysis plays a pivotal role in guiding medium and small enterprises, particularly

those in Baghdad, towards strategic decision-making and improved performance.

6. Research Population:

Medium and Small Enterprises (SMEs) in Iraq.

7. Sample of the research:

The following medium and small companies were selected as a sample for the research:

Company Name	Address	Email
Al-Mahfaza for Mobile and Internet Financial Payment and Settlement Services Company Limited	Baghdad / Al-Khadrah neighborhood / St. 631 / Bl. 10 / Bldg. 129 / Opposite Al-Aidi Residential Complex / Fl. 1 and 6	info@zaincash.iq
Al-Arab for Electronic Payment Company	Baghdad / Abu Nawas Street 66/13/Bataween / Adjacent to the Communications Building	info@ait.iq
Iraq Electronic Gateway for Financial Services Company	Baghdad / Karrada / Al-Jadriya / Near the New Central Bank Building	compliance@switch.com

While all companies in this sample provide electronic payment services, Al-Mahfaza for Mobile and Internet Financial Payment and Settlement Services Company Limited and Al-Arab for Electronic Payment Company have adopted data analytics as a primary tool for strategic decision-making since 2019. In contrast, Iraq Electronic Gateway for Financial Services Company did not adopt this practice until 2022.

8. Sources of Data and Information:

To prepare and complete this research study, the

researcher was assisted by the following data and information.

- Theoretical aspects: Arabic and foreign sources.
- The practical resources: these will include company records, production reports, cost accounts, and personal interviews with a few company executives.

9. Understanding market trends and forecasting economic indicators

Likewise, therefore, a crucial part of financial analysis is the comprehension of prevailing market trends and forecasting the innovative economic indicators. By analyzing historical data alongside the actual situation in the market, investors can be able to discern patterns and trends capable of predicting what the future of the market will be like. This will help in determining the most appropriate time to make a purchase and to sell stocks. (Edmonds, 2000)

While assessing the market trends, most of the investors attempt to keep track of prime economic indicators like gross domestic product growth rate, inflation, interest rates, unemployment, and consumer confidence index, among others. This valuable information about the overall health and direction of the economy is provided by the indicators. For example, increasing Gross Domestic Production growth and decreasing unemployment rates could be indicative of economic growth, which might be a suitable time for investment

opportunities. (Mondi R, 1995).

It involves the prediction of future prices, given past trends and present conditions in the market. The same could be achieved through various statistical algorithms and methods of forecasting. A forecast of economic indicators would provide the investor with a competitive edge with respect to decisions relating to investment. (Hilton, 1999).

An analysis of the annual reports of the three companies revealed that Al Mahfouz Company for Mobile and Internet Financial and Remittance Services Ltd. and Al Arab Electronic Payment Company demonstrated a significantly improved understanding of market trends and economic forecasts in their business decisions made in 2019, 2020, and 2021. This was due to their reliance on market data analysis results in their decision-making processes, compared to Iraq Electronic Company for Financial Services, which did not utilize data analysis techniques, as illustrated in the figure 1.

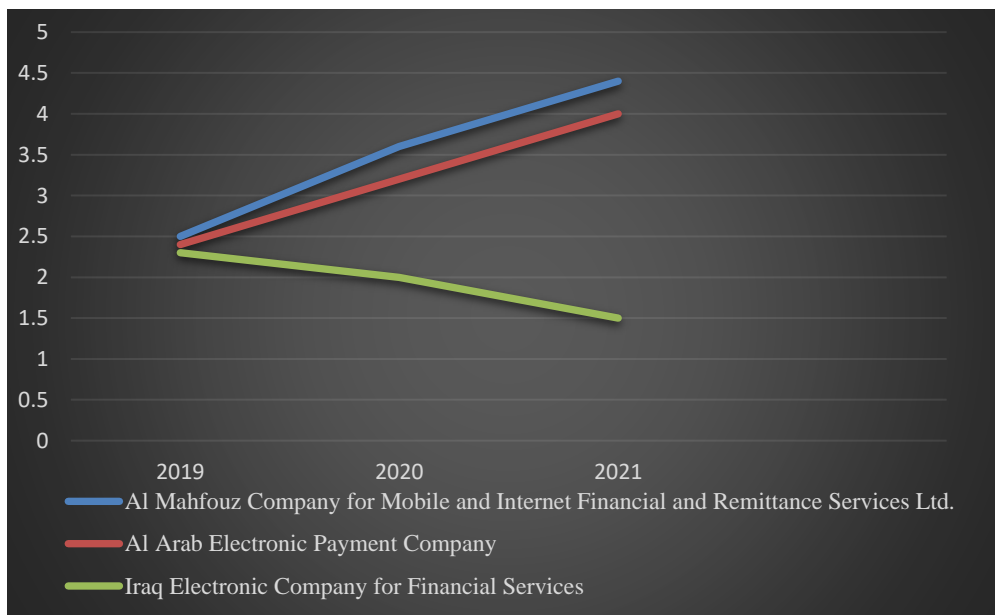


Figure 1: A metric indicating the results of the annual reports analysis for the three companies regarding their understanding of market trends and economic forecasting.

10. Risk and Return Analysis in Investment Opportunities

Investment decisions thus involve an assessment of the possible risks against the advantages that

may be associated with various investment opportunities. In making such risk-reward trade-offs, economic analysis has a particularly key role to play. (Daft, 2001).

Risk simply denotes the uncertainty or volatility of returns that may originate from market fluctuations, economic conditions, geopolitical events, and firm-specific risk factors. The analysis of economic data and trends in the markets gives a view of the possible risks associated with investment strategies. (Barfeed ,2003).

It is the profit or return on investment, in other words. Capital may be measured in terms of capital, dividend income, interest income, or rental income. An investor will use investment analysis to establish the probable returns from various investment opportunities that exist against the

risks involved. (Maryam,1988).

Most used statistical models to analyze these dimensions are Sharpe Ratio to measure the returns adjusted for risk and investor risk tolerance. Potential rewards and risks can be taken in these dimensions, respectively, by the investors in framing and making a suitable investment decision. (Al-Kaabi,2003)

The annual reports of the three companies show that Al-Mahfaza for Mobile and Internet Financial Payment and Settlement Services Company Limited and Al-Arab for Electronic Payment Company were able to avoid inflation problems and technical crises, unlike Iraq Electronic Gateway for Financial Services Company, as shown in the following figure.

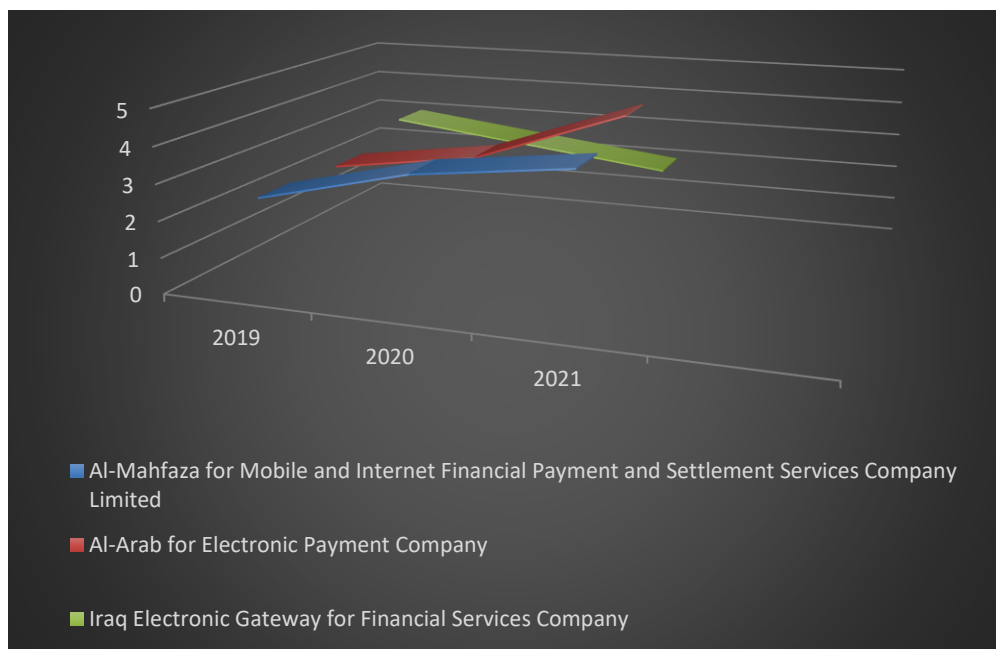


Figure 2: An indicator that demonstrates the role of data analysis in risk and return analysis for investment opportunities.

11. Company Performance Evaluation and Competitive Advantage Macroeconomic factors provide the overview of the economy, and microeconomic analysis ensures that

one focuses on a specific firm or industry. It involves an analysis of firm performance, its advantage, and the ability to generate profits. (Abdel-Rahim, 1990).

In microfinance analysis, investors consider factors such as financial information, industry trends, competitive environment, and management. From the consideration of such factors, an investor can form an opinion on the growth potential and profitability of a company and hence make relevant investment decisions. (Al-Shama, 2000).

Financial data, like statements for income, balance sheets, and cash flow, provide relevant information concerning a company's health and performance. It is through the analysis of this information that one can measure the cash earnings, profits, debt levels of a company, and the earnings. (Zuilleff, 1995).

Industry trend and competitive landscape analyses enable investors to understand industry-specific

trends and to identify companies with competitive advantages, whether in unique products or services, or a strong brand name or market position that may give a firm a competitive advantage over its peers. Such identities. (Garrison, 2002)

Microeconomic analysis can thus help to reveal the variables underlying corporate performance, trace potential investment opportunities, and come up with informed investment decisions. (Bader,1982).

An analysis of the annual reports of the three companies revealed that the competitive advantage and performance of Al-Mahfaza for Mobile and Internet Financial Payment and Settlement Services Company Limited and Al-Arab for Electronic Payment Company have significantly improved compared to Iraq Electronic Gateway for Financial Services Company, as shown in the following figure.

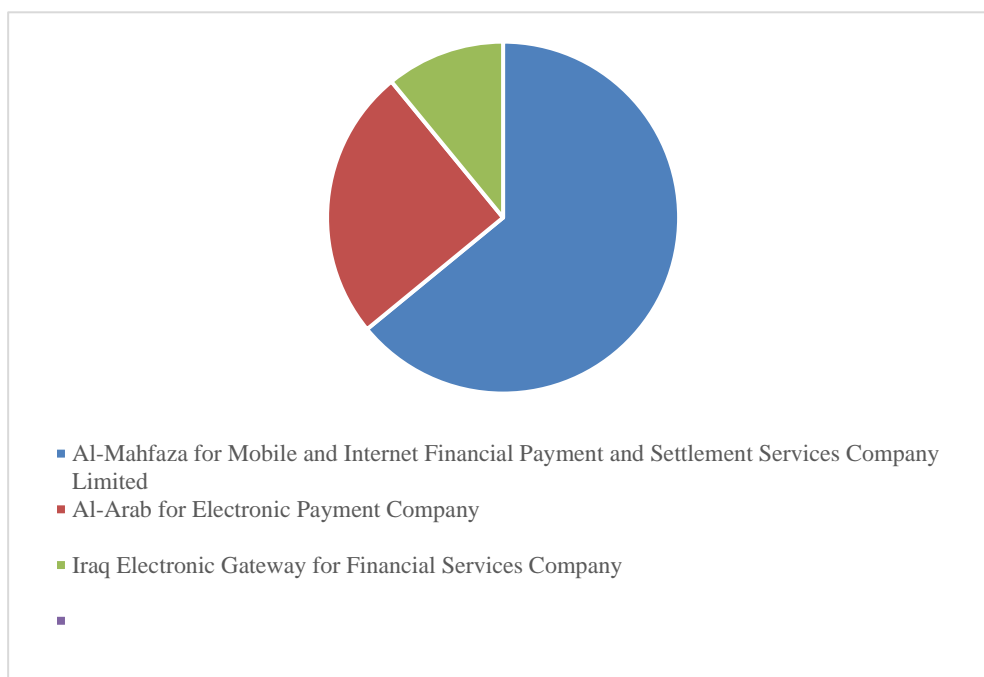


Figure 3: Market share of the three companies in 2021

CONCLUSION

Finally, economic analyses are quite instrumental

in delivering investment decisions. It is for investors to understand the dynamics of the market, forecast financial indicators, assess risks,

and returns, analyze macroeconomic and financial products, apply economic data and statistical analysis, apply economic models, analyze government policy, help evaluate behavioral finance and better allocate investments. By putting financial analysis into a decision-making process, an investor will confidently sail through the complex and time-changing economic environments for all of them to increase their chances of reaching their financial goals.

Based on the preceding discussion, the following conclusions can be drawn:

- Economic analysis is a key instrument in judicious investment decision making.
- Understanding market trends and forecasting economic indicators are crucial elements of successful investment analysis.
- Assessing risks and expected returns is an integral part of any investment decision.
- Both macroeconomic factors (such as GDP and inflation) and microeconomic factors (such as individual company performance) must be considered.
- Economic data and statistical analysis provide valuable insights for investors.
- Economic models can help predict market behavior.
- Government policies significantly influence investment decisions.
- Behavioral economics helps understand investor behavior and make more rational decisions.
- Effective allocation of investments is a primary goal for every investor.

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