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THE ROLE OF LONG AND SHORT-TERM FINANCING SOURCES IN ENHANCING FIXED ASSETS: APPLIED RESEARCH

Ali Mahmood Hasen

Lecturer, Madenat Alelem University College, Iraq

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ABSTRACT

The research sought to prove a main hypothesis that “there is a statistical relationship between financing sources and fixed assets” and This hypothesis was based on a problem summarized by the following question: Has the Modern Company for Animal and Agricultural Production invested sources of funding in enhancing its fixed assets?

In general, the research aimed to identify the degree of the influence of long and short-term funding sources on fixed assets. The research used the quantitative method to prove its hypotheses, and found that the Long-term sources of funding represented in the ownership rights of The Modern Company for Animal and Agricultural Production, contribute to enhancing fixed assets. This indicates that the company made good use of the sources of funds and invested them in the correct manner, which is consistent with the nature of the industrial sector.

Key words: *financing, uses of funds, equity, liabilities, current assets.*

INTRODUCTION

The Iraqi industrial sector experiences a small percentage of its contribution to GDP after 2003, This reduction is the effect of various components, the most significant of which is the increase in the contribution of the energy sector and the financial sector to the gross domestic product, Which was reflected in the high standard of living of citizens and the increase in demand for imported commodities and services, which facilitated the economic openness to facilitate their flow to the Iraqi marketplace, These commodities and services were manufactured in neighboring states, which took advantage of previous long periods of time in ramping up the infrastructure that helped in the growth of their manufacture, unlike Iraq.

In the wake of the growing demands of the Iraqi people for the revival of the industrial sector, what has become apparent with the emergence of continuous calls for support for the local product, the signs of the return of this sector to the exercise of its active role in economic life by the increase of products produced in Iraq.

It is well known that the industrial sector needs, in order to produce with great efficiency, machines, equipment's, rather large and specialized workplaces, all are fixed assets that assist in the production process, which is qualified by two main advantages, the foremost of which is the high value of the investments paid in it, the second is that the production process relies on it primarily, which means that production is impossible without its existence, Therefore, industrial sources of

funds allocate a large percentage of these funds to capital funding.

And industrial companies are the same as any company in another economic sector whose sources of funds consist of a variety of short and long-term sources of financing, and each of these characters has its price and advantages over the other character, Ultimately, the use of these resources in industrial companies should focus on plant construction, that is, capital investment, Especially in a country like Iraq, which lacks factories capable of meeting the growing demand for goods and services from its citizens.

THE PROBLEM OF THE RESEARCH

In order for Iraq to keep pace with the industrial development of neighboring countries, it needs financing for the industrial sector, whether long or short-term financing, who is supposed to invest in buying fixed assets for any industry project, the distinguishing characteristic of industrial projects lies in the fact that their fixed assets, which are one of the most significant agents of production, have the heaviest share of the sources of funding. Therefore, the research problem can be formulated with the following question:

Has The Modern Company for Animal and Agricultural Production invested its

financing sources in enhancing its fixed assets?

THE IMPORTANCE AND PURPOSE OF THE RESEARCH

The importance of research is highlighted through its discussion of an important economic sector, which is the industrial sector, from the escalating calls for revitalization of this sector, in addition to touching the research on an important part of this sector, which is the sources of funding and the aspects of utilization, which differs from other economic sectors by the specificity of its need for relatively expensive production components.

The research aims to attain the following objectives:

Firstly. Identify the volume of financing granted to an industry leader listed on the Iraq Stock Exchange.

Secondly. Measure the impact of short- and long-term funding sources on capital improvements at the Modern Company for Animal and Agricultural Production.

Third. Identify the source of financing that has the largest impact on fixed assets.

FORMS OF FINANCING

Researchers have differed opinions about the concept of financing, as they did not agree on a specific definition of funding.

Among these definitions is that financing is the search for the possibility of spending in a rational manner and providing the necessary financial resources to achieve the set goals (Malika, 2006: 21)

It is also the provision of the cash necessary to pay and develop a public or private project and the supply of funds in times of need (Sayyoda, 2009: 30), It was also defined as the various operations that enable the corporation to obtain the necessary funds to finance its activities, whether from internal sources through self-financing or external sources through borrowing (Al-Samarrai, 1997: 23).

There are two main forms of financing

Firstly. Long-term financing sources: Which is obtained from the capital markets and the economic unit itself, Through the financial markets, shares are issue, either through the economic unit, profits are withheld and reserves are created. (Al-Sheddifat, 2001: 57)

Secondly. Short-term financing sources: Which economic institutions resort to in order to finance their needs, and therefore the term of this credit cannot exceed in any way a single cycle, usually estimated at one year, and short-term financing is defined as that obligation that must be paid within a period not exceeding one year (Al-Nuaimi and Al-Kharasha, 2015: 140).

FACTORS CALLING FOR INTEREST IN FINANCING FIXED ASSETS

- a. Difficulty in predicting the future of fixed assets: this is accompanied by an increase in the degree of risk as a result of the possibility that the management will not be able to use these assets in the best possible way to achieve profits.
- b. The huge amounts invested in fixed assets: the development, stability and survival of industrial companies in the market depends mainly on the process of investing in fixed assets, without these investments the company cannot grow and develop.
- c. Privacy of fixed assets: The majority of fixed assets elements have a certain specificity, and the company's management must take this privacy into consideration, as the elements of fixed assets vary among themselves in terms of their nature, use, age, cost, returns and productivity.
- d. Observations of fixed assets components: Fixed assets are subject to obsolescence due to use or technical obsolescence, as all fixed assets elements except for

lands are subject to a progressive decrease as a result of use, and this naturally requires replacing them with other assets that act in their place, which necessitates their follow-up and control (Al Sayyah and Al Amiri, 2007: 63).

METHODOLOGY

The model of Long-term financing sources depends on the impact left on Fixed Assets, which is supposed to have a positive effect, as shown in the following equation:

$$FA = \alpha + \beta LTF$$

And The model of Short-term financing sources depends on the impact left on Fixed Assets, which is also supposed to

have a positive effect, as shown in the following equation:

$$FA = \alpha + \beta STF$$

MEASUREMENT OF THE RELATIONSHIP BETWEEN FINANCE SOURCES AND FIXED ASSETS.

Research variables

The research contained two independent variables LTF (Long-term financing sources) and STF (Short-term financing sources), and one dependent variable FA (Fixed Assets), The period of time researched extended from 2003 until 2018 It is the last year in which the Modern Company for Animal and Vegetable Production issued certified financial statements, and as shown in this table:

Table (1) data for search variables

Amounts = one million Iraqi dinars

Year	LTF	STF	FA
2003	2547	1161	211
2004	2541	1203	283
2005	2557	1214	214
2006	2980	976	337
2007	3006	898	341
2008	3980	1358	347
2009	2939	1401	339
2010	2980	1470	390
2011	4251	3484	3789
2012	4555	4060	5084
2013	6518	2272	5195

2014	6601	2098	5123
2015	6723	1296	5020
2016	6614	2059	4994
2017	6523	2178	4966
2018	6447	2214	4979

Source: Prepared by the researcher based on the annual reports (2003-2018) of The Modern Company for Animal and Agricultural Production.

A measure of the relationship between Long-term financing sources and fixed assets.

The value of the beta coefficient was 1.259, which measures the sum of influence of Long-term financing sources in the fixed assets, and it is significant as the calculated value of (t) of 9.55 is greater than its tabular value of 2.62 at the level of significance (0.01), and the simple linear

regression equation is also significant, this is proven by the estimated value of (F) of 91.31, which is greater than its tabular value of 8.86 at the level of significance (0.01), while the value of the Regression coefficient is 0.87, Having in mind that Long-term financing sources can explain 87% of the change in the fixed assets, and this is consistent with the theoretical details of the research, and as indicated in the next table:

Table (2) the correlation coefficient and the regression between Long-term financing sources and the fixed assets.

A	β_1	Calculated t	R	R ²	Calculated F
-3045	1.259	9.556	0.93	0.87	91.310

Tabular value for (F) in df (1 , 14) And the level of significance 0.01 = 8.86

Tabular value for (t) in df (1 , 14) And the level of significance 0.01 = 2.62

Source: Prepared by the researcher according to SPSS results.

A measure of the relationship between Short-term financing sources and fixed assets.

The value of the beta coefficient was 1.819, which measures the sum of influence of Short-term financing sources in the fixed assets, and it is significant as the calculated value of (t) of 3.46 is greater

than its tabular value of 2.62 at the level of significance (0.01), and the simple linear regression equation is also significant, this is proven by the estimated value of (F) of 11.99, which is greater than its tabular value of 8.86 at the level of significance (0.01), while the value of the Regression coefficient is 0.46, Having in mind that Short-term financing sources can explain 46% of the change in the fixed assets, and

this is consistent with the theoretical details of the research, and as indicated in the next table:

Table (3) the correlation coefficient and the regression between Short-term financing sources and fixed assets					
A	β_2	Calculated t	R	R^2	Calculated F
-734	1.819	3.463	0.68	0.46	11.99
Tabular value for (F) in df (1 , 14) And the level of significance 0.01 = 8.86					
Tabular value for (t) in df (1 , 14) And the level of significance 0.01 = 2.62					
Source: Prepared by the researcher according to SPSS results.					

CONCLUSION

Long-term sources of funding represented in the ownership rights of The Modern Company for Animal and Agricultural Production, contribute to enhancing fixed assets. This indicates that the company made good use of the sources of funds and invested them in the correct manner, which is consistent with the nature of the industrial sector.

As for the short-term sources of financing, they also contributed to enhancing fixed assets, but to a lesser extent. This also corresponds to the nature of the industrial sector, as the short-term sources of financing represented by current liabilities have a faster turnover than equity, that is, it is payable on maturity, so a large part of it is used to finance current assets.

From a review of the research data, it becomes clear that the Modern Company

for Animal and Agricultural Production has increased its investment in fixed assets in an increasing manner. With the exception of the last three years, which witnessed a slight decrease, in general, the company's behavior reflects the development and growth of the company during the period discussed, and this is desirable for the national economy, and companies operating in the same company sector should follow suit in growth and development.

RECOMMENDATIONS

First. The regulatory authorities responsible for industrial companies should direct towards increasing long-term funding sources, with clear time limits, if this increase will contribute to the development of the industrial sector.

Second. Benefiting from scientific studies that show that short-term sources of funding, and although they are often requirements, are costly to bear interest burdens, they may be less expensive than

long-term funding sources, especially if the opportunity costs and the impact of all funding sources on taxes are studied.

Third. the Modern Company for Animal and Agricultural Production should set the optimal mix of funding sources, work to stabilize them and avoid their decline, because in the event of a decline, this is a financial indicator of weak activity and has serious repercussions.

7. The annual reports (2003-2018) of The Modern Company for Animal and Agricultural Production

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