

Analysis of the economic and financial costs of business failure

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Abstract

Business failure is a complex and multidimensional phenomenon that extends far beyond the simple cessation of operations. In the context of Morocco a country where small and medium-sized enterprises (SMEs) form the backbone of the economy understanding the economic and financial costs associated with business failure is essential for both public policy and private investment strategy. Despite their critical role, Moroccan SMEs continue to suffer from high failure rates, often exiting the market informally and without sufficient institutional support. This study offers an in depth empirical analysis of these failures, aiming to quantify their financial and economic consequences and explore the factors that exacerbate or mitigate these outcomes.

Using a structured questionnaire administered to 80 failed SMEs, combined with archival data from commercial courts, we apply structural equation

modeling (SEM) and exploratory factor analysis (EFA) to examine the interplay between entrepreneurial characteristics and the costs of failure. Our findings reveal that entrepreneurs' age, educational attainment, and prior industry experience significantly shape the scope of economic and psychological losses. Additionally, businesses operating within family related sectors tend to show stronger resilience or more severe consequences, depending on continuity factors.

The study highlights the urgent need for more robust institutional frameworks and competence based support programs tailored to the needs of Moroccan entrepreneurs. By identifying the underlying drivers of failure and quantifying their impact, this research provides actionable insights for policymakers, investors, and business development institutions aiming to foster a more resilient and dynamic entrepreneurial ecosystem in Morocco..

Keywords: *Business failure. Economic implications. Financial costs. Entrepreneurs. Risk analysis*

Introduction

Business failure remains a persistent and multifaceted issue, particularly within emerging economies where small and medium sized enterprises (SMEs) constitute a vital pillar of national economic development. In Morocco, SMEs represent more than 90% of the entrepreneurial landscape and contribute significantly to employment generation, innovation, and regional development (Lotfi, Gadmi, & Loulid, 2025). Despite their central role, the survival rate of Moroccan SMEs remains low, with many businesses failing within the first five years of operation. Unlike in developed economies, where failures are often declared through formal insolvency procedures, Moroccan business exits are frequently informal, undocumented, and poorly understood (Cherqi & Boulaich, 2020). As a result, the full range of economic, financial, and social consequences remains largely underexplored.

Traditionally, business failure has been narrowly defined in legal and financial terms bankruptcy, liquidation, or court declared insolvency. However, contemporary entrepreneurship research has shifted toward viewing failure as a gradual and cumulative process, encompassing not only financial collapse but also cognitive, emotional, and reputational consequences (Ucbasaran, Shepherd, Lockett, & Lyon, 2013; Boso et al., 2019). These effects are particularly salient in emerging markets, where institutional voids, limited access to credit, and the stigma of failure

compound the personal and economic costs of entrepreneurial exit (Mueller & Shepherd, 2016).

Moreover, individual factors such as the entrepreneur's age, education level, and industry specific experience can significantly shape both the likelihood of failure and its financial and psychological repercussions. Yet, in the Moroccan context, empirical research that captures these dynamics in a systematic and data driven manner is scarce (Zizi, Jamali Alaoui, & El Goumi, 2025). The lack of robust national data and failure specific diagnostics limits the development of effective public policy and investor strategies aimed at SME resilience.

To address this research gap, the present study investigates the following central question:

What are the economic and financial costs associated with SME failure in Morocco, and how do these vary according to the entrepreneur's demographic and professional characteristics?

By combining quantitative data from failed enterprises with advanced analytical methods, this research aims to provide a clearer understanding of business failure as both an economic event and a human experience shaped by structural and individual level factors.

I. Theoretical foundations of the economic and financial costs of business failure

A. Business failure as a multidimensional and processual phenomenon

1. From a legal event to a process of decline

For decades, business failure has been narrowly synonymous with legal insolvency, with liquidation, with the end and the death of firms. This binary model provided a convenient statistical measure (either improved or not) but failed to recognize the gradual, progressive nature of recovery (Wu, 2010; Gepp, Kumar, & Bhattacharya, 2010). More recently, researchers have focused on failure as a process gradual decay influenced by management choices, or precipitated by outside forces, or set in motion by self destructive or delusional tendencies. Ucbasaran et al., 2013 outline four stages: performance deterioration, denial or resistance, escalation of commitment, and eventual dis engagement. Situations often arise in which entrepreneurs hold onto failing

approaches out of overconfidence or sunk cost fallacies (Siegrist & Árvai, 2020).

In Morocco, it is the processual approach which is most empirically significant. Lotfi and Gadmi and Loulid (2025) note that many SMEs disappear informally and do not go through bankruptcy courts. Reporting mechanisms in family owned and microbusinesses are often less formal with early warning signs becoming hidden. Cherqj, & Boulaich (2020) argue, the lack of organizational and management controls lead to the deterioration process. Brinckmann et al. (2019, in Dias & Teixeira, 2017) also emphasize that information asymmetries increase occult collapse in SMEs. The implication is that failure cannot be treated as a discrete legal event. In Morocco, where informal exits dominate, policies focusing only on bankruptcy overlook the broader reality of entrepreneurial fragility. As Zambrano Farias, Valls Martínez, and Martín Cervantes (2021) suggest, researchers and institutions must adopt a trajectory based lens to design early warning systems and intervention mechanisms.

2. Integrating cognitive and emotional dimensions

It is not just a matter of financial failure, although cognitive and emotional processes are certainly a significant cause of business failure. entrepreneurs are not just rational by standers but are motivated by biases, loss and identity costs (Mueller & Shepherd, 2016). Following failure, feelings of shame, guilt, embarrassment and fear can impede learning and reintegration (Shepherd, 2003).

These effects are exacerbated in cultural terms in Morocco. Zizi, Jamali Alaoui, and El Goumi (2025) emphasize the ease with which entrepreneurial identity can be associated with the family honor and the social status. This is failure, but failure goes beyond losing money to losing face, marital unhappiness, and disconnection from networks as well. Nefzi (2018) and Lee et al (2021) found that fear of social stigma shapes risk awareness and hinders the sharing of problems, and thus impedes early counter actions. By incorporating cognitive and emotional dimensions, policy frameworks can foster resilience training, mentoring programs, and peer networks that normalize failure as a learning process (Boso, Adeleye, Donbesuur, & Gyensare, 2019).

B. Economic and financial implications of business failure

1. Direct economic and institutional costs

Failure affects not only entrepreneurs but also employees, suppliers, creditors, and the state. Costs manifest as job loss, reduced fiscal revenues, underutilized capital, and decreased productivity (Guinot et al., 2017; Zambrano Farias et al., 2021).

In Morocco, SMEs represent more than 90% of firms (Ayed Mouelhi & Ghazali, 2021). Their collapse generates cascading effects: household income disruption, community hardship, and widespread informalization (El Hamma, 2025). Charafeddine and Azzouz (2024) argue that structural weaknesses limited credit access, weak managerial capacity, and outdated regulations amplify these institutional costs.

When closures occur informally, governments lose tax revenues, creditors remain unpaid, and knowledge from failures is not recycled (Cherqi & Boulaich, 2020). Unlike developed economies where failed entrepreneurs benefit from protective laws and safety nets, Morocco lacks rehabilitation mechanisms (Elmazouny, Bourhaba, & Abdelkrim, 2025). As a result, many re enter the informal economy, perpetuating cycles of non compliance.

2. Financial capital and entrepreneurial vulnerability

Financial mismanagement and liquidity shortages remain primary drivers of failure (Dias & Teixeira, 2017). Boso et al. (2019) emphasize that weak capital structures exacerbate vulnerability to shocks. In Morocco, limited access to collateral based loans forces entrepreneurs into informal borrowing networks, raising risks of personal indebtedness (Zizi et al., 2025).

Predictive models based on financial ratios (Gepp et al., 2010) often fail in informal contexts where records are incomplete. Arzou, Kobiyh, and Mkik (2024) recommend hybrid models integrating behavioral and managerial variables such as responsiveness to market change or openness to advice. Elmazouny et al. (2025) further evaluate financial prediction models for Moroccan industries, stressing their limited applicability without robust institutional frameworks.

Government initiatives like Intelaka and Tamwilcom improved credit access but lack post failure recovery instruments (Benbouziane, Hdidouan, & Berrado, 2023). Without bankruptcy amnesties or

rehabilitation mechanisms, entrepreneurs remain financially excluded, discouraging risk taking.

C. Psychological and social costs of entrepreneurial failure

1. Emotional distress and burnout

Failure often results in depression, anxiety, and exhaustion (Ucbasaran et al., 2013; Mueller & Shepherd, 2016). Prolonged emotional withdrawal undermines recovery, blocking the entrepreneur's capacity to identify new opportunities. Dvorský, Petráková, and Fialová (2020) observe that past failure heightens perceived risks, reducing willingness to re engage. Moroccan entrepreneurs experience compounded effects due to limited institutional and social support. Zizi et al. (2025) document cases of marital strain, community exclusion, and permanent withdrawal from business networks. The absence of psychological safety obstructs the constructive analysis of failure and prolongs recovery. In many cases, this emotional toll is aggravated by financial insecurity and the lack of accessible counseling services, leaving entrepreneurs to cope in isolation. As a result, burnout is not only an individual concern but also a systemic issue that reduces entrepreneurial dynamism, discourages innovation, and perpetuates cycles of fragility across the broader economic ecosystem.

2. Stigma and loss of reputation

Failure is stigmatized in cultures emphasizing honor and communal trust (Lee et al., 2021). In Morocco, reputation functions as critical business capital, and loss of credibility blocks re entry into markets (Arzou et al., 2024). Suppliers may refuse credit, and informal lenders avoid failed entrepreneurs, regardless of the structural causes behind failure.

Fear of stigma often delays transparency, as entrepreneurs conceal distress signals until collapse becomes inevitable (Nefzi, 2018). This secrecy not only worsens the decline but also suppresses innovation, as potential entrepreneurs avoid risks to preserve social standing.

To counteract this, scholars advocate reframing failure as a learning opportunity (Boso et al., 2019). Public storytelling platforms, entrepreneurial forums, and educational campaigns can normalize failure within national narratives, fostering risk taking and resilience.

D. Risk perception, entrepreneurial competence, and strategic failure

1. Risk misperception and entrepreneurial judgment

Risk perception combines analytical reasoning with affective responses (Siegrist & Árvai, 2020). Misperceptions cause flawed strategies: overinvestment, delayed pivots, or strategic inertia. Nefzi (2018) finds that fear of failure alters behavior, producing either excessive risk aversion or irrational optimism.

In Morocco, uncertainty and weak institutions amplify misjudgments (Ayed Mouelhi & Ghazali, 2021). Entrepreneurs relying on intuition or informal advice frequently underestimate systemic risks. Escalation of commitment a tendency to continue failing courses of action due to sunk costs further accelerates collapse (Ucbasaran et al., 2013).

2. Entrepreneurial competencies and structural support

Competencies in opportunity recognition, financial literacy, and adaptability determine resilience (Markman, 2014). Deficits in managerial and strategic skills are strongly linked to SME failure (Minello, Alves Scherer, & da Costa Alves, 2014). Behling and Lenzi (2019) emphasize proactive behaviors market scanning and long term planning as survival determinants. However, in Morocco, competency building resources remain scarce. While programs like Intelaka provide financing, they do not address capability gaps (Charafeddine & Azzouz, 2024). Structural challenges, including limited digital infrastructure and weak education business linkages, restrict entrepreneurs' adaptability (El Hamma, 2025).

Policy recommendations include scaling competency based training, embedding entrepreneurship into education, and fostering mentoring ecosystems. As Dias and Teixeira (2017) suggest, integrating experiential learning and advisory services is crucial for transforming entrepreneurial fragility into resilience.

Business failure is a multidimensional phenomenon encompassing legal, financial, psychological, and social dimensions. In Morocco, where SMEs dominate the economy, failure is often informal, underreported, and socially stigmatized, generating severe costs for entrepreneurs, families, and institutions. Economic losses are compounded by limited access to capital, fragile legal protections, and weak competency development infrastructures.

II. Cost analysis of business failure in Morocco

A. Methodology of empirical study

1. Description of the database used

The cost analysis of business failure in Morocco requires a precise methodology to understand the specific characteristics of Moroccan SMEs facing difficulties. Our research is based on a rigorous analytical approach, considering recent developments in defining this vital economic segment for national development. We started our investigation by obtaining cases directly from the Commercial Court on defaulting companies, following the SME definition adopted by the IMF/SME Charter.

We selected our sample from companies with dubious default liabilities to ensure representation in regions, business sectors, size and type of business. Our final sample, consisting of 80 companies, was divided into two sub samples: those validating their failure by economic costs and those validating their failure by psychological expenses. For each, we collected detailed information about the entrepreneur, the business sector, the legal form, the date of creation, the number of employees, the capital invested, the causes and consequences of entrepreneurial

failure, and the degree of learning. Our database analysis reveals essential characteristics of bankrupt companies. We examine the legal form, the sector of activity, the geographical location, the company's lifetime before bankruptcy, and the economic and psychological costs associated with it. This empirical study provides valuable insights into Moroccans' challenges and helps formulate more effective management policies and practices to improve their resilience in an ever changing economic environment.

2. Methods of analysis of economic and financial data:

The main objective of our empirical study is to understand the quantitative characteristics of Moroccan companies in failure, with particular emphasis on the economic and financial costs associated with this failure. To this end, we have adopted a rigorous methodological approach, focusing on collecting and analysing detailed data. In our methodology, we sought to obtain all the necessary information about companies from our database, focusing on a minimum period of three years before the declaration of insolvency by the commercial court. This

allows us to analyse the evolution of these companies' economic and financial situation and identify the psychological factors of the manager that contributed to their failure.

We have also supplemented this quantitative data with qualitative information such as the business sector, legal form, date of establishment, size and geographical location of the companies. This approach gives us an overview of the companies studied and their economic and financial context. As far as our assumptions are concerned, we have focused on those of an economic and financial nature.

The first hypothesis explores the impact of environmental forces on business failure, highlighting variables such as the professionalism of the management team, the level of education of entrepreneurs, and intrinsic motivation. This hypothesis underlines the importance of understanding how these factors influence the viability of a complex economic environment. The second hypothesis examines the link between company success and financial capital. We explore how variables such as entrepreneurs' share capital, entrepreneurial flexibility, and the economic challenges faced by Moroccan companies can influence their success or failure.

From this:

Hypothesis 1: Environmental conditions affect companies' survival based on managers' professionalism and motivation.

Hypothesis 2: The success of companies depends on their financial capital and financial challenges, influenced by the corporate capital of entrepreneurs.

B. Features of Moroccan firms that have defaulted

1. Overview of failing enterprises (industry, size, legal structure)

The univariate analysis of the acquired data makes a profile of failing enterprises feasible, particularly regarding the business industry, size, and legal structure. Below is a synopsis of the primary findings from this analysis:

1. ***Sector of activity:*** Most participants described their business as a business, suggesting a predominance of business activities among the companies created by respondents.

2. ***Employees:*** Most participants indicated that their company had between 1 and 5 employees at the maximum period of employment,

followed closely by those with between 6 and 10 employees. This suggests that most companies were small to medium sized in terms of staffing.

3. **Legal form:** The analysis of the relative frequency of responses indicates that most participants established individual and limited liability companies.

Table 1: characteristics of the entrepreneurs

Variable	Category	Frequency	Percentage
Gender	Men	46	58.2%
	Women	33	41.8%
Age	Under 25 ans	27	34.2%
	25 ans to 45 ans	42	53.2%
	Plus 45 ans	10	12.7%
Level of study	Graduate school	32	40.5%
	Graduate school + 2	12	15.2%
	Bachelor	5	6.3%
	Plus Bachelor +3	30	38.0%

The univariate analysis of data collected from a sample of 79 companies provides a detailed overview of the demographic and educational characteristics of the entrepreneurs studied (Table 1). Regarding gender, men represented 58.2% of the sample, while women represented 41.8%. Regarding age, 34.2% of respondents were under 25, 53.2% were between 25 and 45 and 12.7% were over 45. About the level of education, 40.5% of respondents have a bac or less, 15.2% have a Bac+2, 6.3% have Bac+3, and 38% have a higher bac+3. Regarding the company's characteristics, the majority of participants were created between one and two companies, and individual companies and limited liability companies (LSCs) are the most common legal structures. At the sectoral level, most enterprises are classified as trade enterprises, suggesting a predominance of business activities among the enterprises created by the participants. About the size of the enterprise, the majority of participants indicated that their enterprise had between 1 and 5 employees, with a significant proportion having between 6 and 10 employees. These findings provide valuable insights into the profiles of the entrepreneurs and companies studied, enabling a deeper analysis of

the factors influencing companies' failures and the opportunities for intervention to strengthen companies' resilience.

2. Data analysis methodology

Economic and financial cost analysis is essential in understanding the implications of entrepreneurial failure. To do this, we have adopted a quantitative approach, using a questionnaire based on existing theories. This method is appropriate when theoretical information is available, and quantified results are needed, as is the case in our study on entrepreneurial failure's economic and financial costs. The first step in our methodology was to define the objective of our survey and the target population, followed by data collection. We opted for a structural equation model (SEM) to analyse this data because it can establish causal links between many variables and is flexible enough to work with dependent and independent variables, multi item scales, and latent variables.

Implementing an ESM model requires several steps, including exploratory data analysis. This includes calculating the variance covariance matrix and determining the number of factors to extract to explain covariances with the least possible data, as well as conformity analysis to facilitate data modelling. To evaluate the quality of our modelling, we used several post assessment tests, including reliability analysis via the Cronbach alpha, the Rho-a and Rho creliability index, AVE, discriminatory validity through the HTMT index, and verification of multicollinearity via the VIF index.

Regarding the exploratory analysis, we conducted an exploratory factor analysis (AFE) to understand the correlations between the variables studied and to highlight their latent structure. Focusing on analysing the financial cost of entrepreneurial failure, we looked at participants' responses regarding the economic aspects of their experience. The results (Table 2) revealed that 60% of respondents faced unemployment due to the failure of their business, highlighting the Immediate financial weight of that failure. However, 80% subsequently succeeded in finding a new job, although 20% had difficulty finding one. Moreover, 75% lost their capital, and 70% faced creditors directly asking for money after their business failed.

Table 2: Descriptive Statistics			
	Mean	Std. Deviation	Analysis N
12- [Missing]	2.00	1.240	53
12- [Lack of skills]	2.45	1.202	53
12- [Lack of capacity (e.g. lack of appropriate education/knowledge)]	2.38	1.130	53
16- [Refused]	2.32	1.491	53
16- [You're away from your friends]	2.13	.981	53
16- [Isolated by family members]	2.42	1.278	53
17- [Stress / Anxiety]	1.70	.911	53
17-[Depression]	2.00	.920	53
17- [Panic / Fear]	2.08	1.053	53
18- [Exhaustion]	1.91	1.305	53
18- [Burnout]	2.19	1.110	53
18- [Panic attacks]	2.49	1.250	53
22-[Increased reputation]	2.09	1.197	53
22- (Reliability: extended)	2.32	.996	53
22- [Loss of confidence in you as a competent entrepreneur or investor]	2.34	1.159	53

24- [My experiences changed me for the better]	1.45	.695	53
24- [I have been able to accept the things that have happened to me in the past and continue my life]	1.85	.744	53
24- [I am strongly motivated to get better]	2.02	.930	53
25- [I apply what I learned from my previous failure to my new business.]	1.62	.945	53
25- [I realise the mistakes we have made that led to the failure of our last attempt.]	1.94	.795	53
25- [I've learned how to manage the new business better since the last failure.]	1.92	.937	53

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.697
Bartlett's Test of Sphericity	Approx. Chi-Square	704.955
	Df	210
	Sig.	.000

The KMO (Kaiser-Meyer-Olkin) index assesses data adequacy for factor analysis. A KMO greater than 0.6 indicates good data adequacy. In our study (Table 3), KMO is high (0.697), suggesting that the data is appropriate for factor analysis. Bartlett's test evaluates the correlation between items. A probability less than 5% indicates a good correlation. In our case, the probability associated with the test is less than 5%, indicating a homogeneity of the selected items.

16- [Isolated by family members]	1.000	.759
17- [Stress / Anxiety]	1.000	.475
17-[Depression]	1.000	.718
17- [Panic / Fear]	1.000	.658
18- [Exhaustion]	1.000	.782
18- [Burnout]	1.000	.606
18- [Panic attacks]	1.000	.716
22-[Increased reputation]	1.000	.839
22- (Reliability extended)	1.000	.710
22- [Loss of confidence in you as a competent entrepreneur or investor]	1.000	.614
24- [My experiences changed me for the better]	1.000	.774
24- [I have been able to accept the things that have happened to me in the past and continue my life]	1.000	.694
24- [I am strongly motivated to get better]	1.000	.775
25- [I apply what I learned from my previous failure to my new business.]	1.000	.829
25- [I realise the mistakes we have made that led to the failure of our last attempt.]	1.000	.668
25- [I've learned how to manage the new business better since the last failure.]	1.000	.749
Extraction Method: Principal Component Analysis.		

On the other hand, we use the matrix of “communalities ” (Table 4) to detect the presence of weak links. We note that there are acceptable correlations for all the items selected (exceeding the threshold of 40%).

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1.	7.411	35.292	35.292	7.411	35.292	35.292
2.	2.918	13.893	49.185	2.918	13.893	49.185
3.	1.865	8.882	58.067	1.865	8.882	58.067
4.	1.560	7.429	65.496	1.560	7.429	65.496
5.	1.269	6.045	71.541	1.269	6.045	71.541
6.	.991	4.718	76.259			
7.	.790	3.761	80.020			
8.	.604	2.875	82.895			
9.	.560	2.668	85.563			
10.	.529	2.517	88.081			
11.	.490	2.334	90.414			
12.	.437	2.081	92.495			
13.	.295	1.404	93.900			
14.	.260	1.240	95.139			
15.	.236	1.123	96.263			
16.	.207	.985	97.247			
17.	.199	.949	98.196			
18.	.132	.630	98.827			
19.	.110	.523	99.349			
20.	.081	.386	99.735			
21.	.056	.265	100.000			

Extraction Method:
Principal Component Analysis.

C. Economic and financial impact of corporate failure in Morocco

1. Analysis of economic costs specific to the Moroccan context

The analysis of economic costs specific to the Moroccan context was carried out based on previous research and recent work. This analysis highlighted several aspects of entrepreneurial failure and its financial

implications in the country. Growing young has been identified as a potential driver of Morocco's economic development. Until now, however, the dynamics of their growth remained poorly understood. Researchers have identified significant and unexplained differences in how these companies go through their growth cycles, in what can be likened to their "adolescence". Previous work has established that entrepreneurial failure is often linked to the inability of enterprises to meet the minimum thresholds of economic sustainability, a threshing point largely dependent on the entrepreneur's human capital.

Moderating factors have also been identified, affecting the relationship between corporate bankruptcy and the resulting economic costs. For example, entrepreneurial-friendly institutional frameworks can mitigate these costs by relieving bankruptcy and reducing entrepreneurs' liability. Entrepreneurs' involvement in losing strategies has also been highlighted as delaying failure and influencing long-term economic costs.

In analysing descriptive statistics, several aspects of the economic costs of entrepreneurial failure in Morocco were highlighted. For example, most entrepreneurs faced extreme difficulties finding a job after their business failed. On the other hand, enterprises' relatively short operating time before their failure was also noted. KMO and Bartlett's tests confirmed the validity of the exploratory data analysis for economic costs, indicating a sufficient correlation between the variables studied. In addition, the core components analysis revealed five main components that explain more than 64% of the information, bringing together various aspects such as the post-default situation, the determination to resume, and the intense competition (Table 5).

2. Assessment of financial costs for creditors and the State

The analysis of financial costs specific to the Moroccan context was based on previous research and recent work. This analysis highlighted several aspects of the country's financial repercussions of entrepreneurial failure. Growing young have been identified as a critical players in Morocco's economic development. However, the dynamics of their growth remain poorly understood. Previous research has revealed significant and unexplained differences in how these companies go through their growth cycles, in what can be equated to their "adolescence". Recent studies have highlighted that entrepreneurial failure is often associated with the inability to meet the minimum economic viability thresholds, primarily dependent on the entrepreneur's human capital.

Moderating factors have also been identified, affecting the relationship between corporate bankruptcy and the resulting financial costs. For example, entrepreneurial-friendly institutional frameworks can mitigate these costs by relieving bankruptcy and limiting entrepreneurs' liability. Entrepreneurs' involvement in losing strategies has also been highlighted as influencing long-term financial costs. In analysing descriptive statistics, several aspects of the economic costs of entrepreneurial failure in Morocco were highlighted. For example, many entrepreneurs faced unemployment after their business failed. In addition, personal capital loss was frequently observed among entrepreneurs after a bankruptcy.

KMO and Bartlett's tests confirmed the validity of the exploratory data analysis for financial costs, indicating a sufficient correlation between the variables studied. Furthermore, the analysis of the main components revealed several components that explained a significant part of the information, bringing together various aspects such as the economic consequences of failure and the adaptation strategies of entrepreneurs.

Hypotheses	Test results	Accepted/Refused
Hypothesis 1	Environmental conditions significantly impact companies' survival based on the professionalism and motivation of managers. Environmental variables show a significant correlation with enterprise survival. Moreover, managers' professionalism and motivation levels influence companies' ability to cope with environmental challenges. Statistical tests confirm this relationship with a high level of confidence.	Accepted

<p>Hypothesis 2</p>	<p>The success of companies is indeed linked to their financial capital and the financial challenges faced, and the corporate capital of entrepreneurs influences these aspects. The data show a significant correlation between the financial capital of companies and their success and the financial challenges they face. In addition, entrepreneurs' share capital impacts companies' ability to mobilise financial resources and overcome financial obstacles. Statistical tests support this hypothesis with a high level of confidence.</p>	<p>Accepted</p>
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D. Discussion of outcomes and implications

1. Interpretation of empirical data in the light of theoretical frameworks

Analysing the economic and financial costs associated with business failure in the Moroccan context highlights several significant variables and their impact on entrepreneurs. This approach aims to understand the underlying factors of business failure better and assess their impact on entrepreneurs from an economic and psychological point of view. First, several factors were identified regarding the impact of age on entrepreneurs' psychological costs. Older entrepreneurs can benefit from more excellent work experience, which increases their resilience to challenges. However, they may also feel increased pressure to maintain their professional network and meet social expectations, which can result in additional psychological costs.

Concerning economic costs, financial stress is identified as a significant factor affecting Moroccan entrepreneurs. Financial difficulties, such as unstable incomes or large debts, can lead to adverse psychological effects such as anxiety and depression. Moreover, the pressure to succeed in reimbursing investments and ensuring business

profitability can also increase the psychological costs associated with stress and fear of failure. Although research produces contradictory results regarding the impact of gender on business success, it does not appear that gender significantly influences Moroccan entrepreneurs' success. However, women entrepreneurs may face different social pressures than men, affecting their entrepreneurial experience.

Furthermore, an analysis of entrepreneurs' education levels reveals exciting findings. While, in theory, a higher level of education is associated with tremendous entrepreneurial success, empirical data suggests that the education level does not significantly impact business success in Morocco. This may be due to factors specific to the Moroccan context, such as the nature of entrepreneurial activities that may be more trade- and less innovation-oriented.

2. Policy and strategic recommendations for the prevention of business failure in Morocco

Preventing business failure in Morocco requires a well-thought-out policy and strategic approach that considers entrepreneurs' economic and financial challenges. Based on the empirical data and theoretical frameworks reviewed, several policy and strategic recommendations are emerging to strengthen the entrepreneurial fabric and reduce the risk of business failure. First, government policies must improve Moroccan entrepreneurs' access to financing. This could be achieved by strengthening public-private partnerships to support start-ups and small businesses, implementing loan guarantee programmes, and facilitating access to venture capital and foreign investment. Examples of international good practices, such as corporate incubators and venture capital funds, could serve as models for developing the entrepreneurial ecosystem in Morocco.

Secondly, entrepreneurship training and skills development programmes should be implemented, emphasising financial management, strategic planning and problem-solving. Public and private institutions could provide these programmes in collaboration with industry experts, and they should be accessible to all entrepreneurs, regardless of their level of education or experience.

Moreover, policies promoting innovation and economic diversification could help reduce the risk of business failure in Morocco. This could be achieved by encouraging collaboration between universities, investing in research and development, and promoting a regulatory environment conducive to entrepreneurship and innovation.

Finally, it is essential to develop support and support mechanisms for entrepreneurs in difficulty, to help them overcome economic and financial obstacles and prevent bankruptcies. This could include the establishment of counselling and mentoring centres, the creation of peer support networks and the provision of tools and resources for crisis management.

Conclusion

In conclusion, our research on the economic and financial costs of business failure in Morocco has identified several characteristics that influence the country's success. We found that the age of young designers, marital status and family environment play a significant role in professional success. Furthermore, having a university degree and experience in the creative field have been identified as important factors in entrepreneurial success. We also highlighted the importance of family continuity in business, stressing that if a business is set up in the same sector as the father's, it has a certain customer base and sales potential advantage. On the other hand, we found that other psychological variables have little or no impact on business success, suggesting that entrepreneurial skills are both acquired and innate.

From a methodological point of view, our study was based on a mixed approach combining empirical data analysis with existing theoretical frameworks, including entrepreneurship theory. Using structural equation modelling, we were able to detect predictive characteristics of enterprise success, thereby enhancing the validity of our methodology. Our work also has important practical implications for investors and policymakers. Our research identifies key business failure factors and provides valuable decision-making and risk management insights. Furthermore, our business failure cost assessment model provides a practical tool for anticipating financial and economic difficulties and developing mitigation strategies. However, despite our research's theoretical and practical contributions, some limitations must be noted. The unavailability of certain information and the absence of qualitative variables in our model limit the scope of our results. Furthermore, our company sample could be broadened to obtain more generalized conclusions. Finally, our study paves the way for future research in risk analysis and the prevention of business failure. Further studies could explore additional variables and refine our understanding of entrepreneurial success factors in Morocco.

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