

## Investigating the Role of Problematic Financial Factors for the Development of Entrepreneurship and Job Creation in the Sixth Development Plan of Mazandaran Province

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### Abstract

*Industry sector development is in favor of the other economic sectors. This issue shows the close relationship between agriculture, industry, and services sectors. Therefore, considering the consecution between these three sectors is essential (Bartlet, 2001). The growth of industry sector plus moving the other economic sectors will increase employment, production, income, and the general economy. In addition to industrialization, it has high yield rate and saving which lead to better training of the workforce, using infrastructural facilities, more and stronger relationships among industries, imitation effect in production, consumption, etc. Furthermore, it is worthy to note that income increases more, savings and investments increase, and consequently goods supply and demand will increase by industrialization process. In industrialization process of the society, the combination and role of industries are enclosed to the important changes. In other words, the industrial structures are changed in addition to developing by per capita income growth in consumption behaviors of society and the occurrence of new expectations in needed structures and people demand. Ryan (2012) divided various resources according to their role and importance in establishing the industry*

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*infrastructures and helping to the industrial development of societies in order to determine this regulation and integrity in changes to three groups of preliminary industries, intermediate industries, and final industries. Today, human force is proposed as the unlimited resource and the pillar of all development types. Meanwhile, the entrepreneurs have more effective and specific roles in the economic development process. Studies have shown that there is a positive correlation between the economic growth and number of entrepreneurs in a country because when a country has many entrepreneurs, it has strong economic and commercial driving force (Valadkhani, 2005). In addition, the government has specifically focused on the entrepreneurship in the 5<sup>th</sup> and 6<sup>th</sup> development plans by such an approach to use the optimum capacity and has provided its financial mechanisms to support entrepreneurs.*

**Key words:** Employment, Financial factors, Sixth Development Plan, Mazandaran

## **PROBLEM STATEMENT**

The unemployment phenomenon and misemployment in communities have social and economic consequences, and the employment matter has been the most important issue of the temporary world. Therefore, many governments have a specific look at the early-returns agencies in the development plans to respond to the market needs today. Article 80 of the 5<sup>th</sup> development plan emphasizes on the sustainable employment, entrepreneurship development, regional imbalance reduction, and new jobs development. In this regard, it is assigned to give financial support and encourage the development of networks, clusters, and productive chains by making the proper connection among small, medium, and big-sized agencies (giving the purposeful facilities), necessary arrangements for technical, engineering, and specialized empowerment, R&D, marketing in SMAs, and development of the informative and e-business centers (Hafez Nia, 2011).

Therefore, the provincial and supervisory institutions tend to provide facilities for the entrepreneurs by giving credits to banks to

reach the mentioned objectives and provide proper job opportunities in the province besides solving their financial resources problems. Theo and Chong (2008) concluded in a research with title of “the significant obstacles against entrepreneurship development” that the most important problems of the small and medium-sized enterprises are lack of financial supplement, low productivity, and lack of managerial potentials, weak access to management and technology, and heavy surveillance load. Furthermore, studies of the most developing countries in the development step of small and medium-sized enterprises show that many related issues to the development of the small and medium-sized enterprises are common as though the results of Aidis research (2002) show that the formal obstacles in Lithuania such as taxes, permanent changes, ambiguity in financial policies (and environmental obstacles), and lack of investment are the most important preventing factors against the small and medium-sized enterprises. In addition, Muent (2001) stated in his research that the principal problems of taxes and legal environment in non-fair competitiveness by the informal big economy are the most significant obstacles against small and medium-sized enterprises in Albania. Bartlett research (2001) has shown that high-interest rate and financial supplement problems are considered as the most important obstacles against the small and medium-sized enterprises in Russia and Bulgaria. In addition, the problems of corporate registration, high tax, and lack of necessary support are the most important obstacles in this regard in Czech.

Many countries support the entrepreneurship by tax discount or reduction, paying the essential loans and other regulative plans thus increase the opportunity for people to identify the attractive opportunities and consequently decide to start their own business. Financial support for SMAs is one of the most popular approaches to promote entrepreneurship all over the world. These financial supports may be specifically important for the entrepreneurs who suffer lack of financial resources as the main obstacles to run a business (Seyedi and Taghikhani, 2011). The condition to prepare the 6<sup>th</sup> development plan was provided according to lack of preparing the 6<sup>th</sup> development plan in the defined time interval and emphasis of the Islamic Consultative Assembly on holdover for one more year (to the beginning of 2017). In this regard, state planning organization with

the executive systems of the state are responsible to evaluate the performance of the 5<sup>th</sup> development plan and it is necessary to analyze the document of the 5<sup>th</sup> development plan indexes. On the other hand, the coincidence of this research with the end of the 5<sup>th</sup> development plan makes it possible to refer to the management and planning organization of Mazandaran and organization of industry, mine, and trade of Mazandaran to investigate the employment condition in industrial sector to plot an entrepreneurship model in the 6<sup>th</sup> development plan. Lack of such model will bring the serious damages and will keep the problem of youth unemployment unsolved. Therefore, the main question of research is: does financial factor have a preventing role in entrepreneurship?

## **RESEARCH METHODOLOGY**

The aim of this research is investigating the role of problematic financial factors for the development of entrepreneurship and job creation in the sixth development plan of Mazandaran province; thus, the accurate cognition of the entrepreneurship problems, opportunities, threats, and weaknesses and strength of the small and medium-sized agencies' entrepreneurs make this research applied. The statistical population of this research is made of two parts: 1) document data: this data is about the present documents in general directorate of cooperatives, labor, and social welfare of Mazandaran province and mining and industry organization of Mazandaran province which show employment condition in the province. 2) Prior entrepreneurs: these include 40 prior entrepreneurs in the industry who were identified as the prior ones in the general directorate of cooperatives, labor, and social welfare of Mazandaran province in the 5<sup>th</sup> development plan period.

The data collection method is as follows:

- 1- Note taking
- 2- Open questionnaire
- 3- The researcher-made close-end questionnaire

For this purpose, first, the research background and literature were formulated by note taking from books, research articles, and also MA and Ph.D. theses. Then, opportunities, threats, strengths, and

weaknesses of entrepreneurs in small and medium-sized agencies were identified through an open questionnaire. After that, each preventing factor of entrepreneurship was evaluated through the closed-end questionnaire in Likert scale (very low, low, medium, high, and very high). The librarian studies were used to determine the validity of the questionnaire, after that, the problematic and preventing factors in entrepreneurship and threats, opportunities, weaknesses, and strength were identified by referring to the prior entrepreneurs. Then, the closed-end questionnaire was adjusted and given to the authorities, and they guide to confirm the face validity. They confirmed the face validity of the questionnaire after studying and modifying it. The reliability of the measurement tool is interpreted as the validity, precision, and reliability. It means if a measurement tool is made to evaluate the made variable and the characteristics, it can be used in the similar place and time, and similar results are obtained. Cronbach's alpha coefficient is used to measure the tool reliability. If the Cronbach's alpha coefficient is more than 0.7, it shows the internal correlation of the measurement tool, and the measurement tool is reliable enough. Results of Cronbach's alpha coefficient of the closed-end questionnaire of 2 and 3 are confirmed with  $\alpha=0.888$  and  $\alpha=0.870$ , respectively. All data was counted and census based on the limitation of the statistical population. Therefore, data was first defined and classified in SPSS environment and each research variable was described by frequently tables, the percentage in addition to the central indexes (mean), and distribution sizes (variance and standard deviation). Moreover, the employment status of Mazandaran province was described by employment rate, unemployment rate, and other quantitative related data to the province employment which were extracted from the documentary data.

## **DISCUSSION OF FINDINGS**

What important in analysis step is that the researcher must analyze data along with research objective and answer to the research questions and hypotheses, and evaluation of the hypotheses (Lashkari, 2011). Therefore, it is essential to extract data from

documents and questionnaires and analyze it by the descriptive statistical method.

The main question of research:

**Does Financial Factor Have a Preventing Role in Entrepreneurship?**

This factor is made of 6 indexes of increasing the cost of production units, shortage of working capital, high bank interest rates, instability of the exchange rate, lack of cheap facilities to buy equipment, lack of timely debt payment of executive agencies and government companies to the producers. Following tables show the frequency distribution of these indexes.

- Index of increasing the cost of production units

Table 1 shows the frequency distribution of the preventing role of increasing the cost of production units in entrepreneurship.

**Table 1: frequency distribution of the preventing role of increasing the cost of production units in entrepreneurship**

Choice	Frequency	Percentage frequency	Cumulative frequency percentage
Medium	3	7.5	7.5
High	7	17.5	25
Very high	30	75	100
Total	40	100	

According to Table 1, 5.92% of participants stated the preventing role of increasing the cost of production units very high and high in entrepreneurship and 5.7% of them state it medium (Appendix 9).

- Index of shortage of working capital

Table 2 shows the frequency distribution of the preventing role of shortage of working capital in entrepreneurship.

**Table 2: frequency distribution of the preventing role of shortage of working capital in entrepreneurship**

Choice	Frequency	Percentage frequency	Cumulative frequency percentage
Medium	3	7.5	7.5
High	7	17.5	25
Very high	30	75	100
Total	40	100	

According to Table 2, 5.92% of participants stated the preventing role of shortage of working capital in entrepreneurship very high and high and 5.7% of them stated it medium (Appendix 9).

- Index of high bank interest rates

Table 3 shows the frequency distribution of the preventing role of high bank interest rates in entrepreneurship.

**Table 3: frequency distribution of the preventing role of high bank interest rates in entrepreneurship**

Choice	Frequency	Percentage frequency	Cumulative frequency percentage
medium	6	15	15
High	12	30	45
Very high	22	55	100
Total	40	100	

According to Table 3, 85% of participants stated the preventing role of shortage of working capital in entrepreneurship very high and high and 15% of them stated it medium (Appendix 9).

- Index of instability of exchange rate

Table 4 shows the frequency distribution of the preventing role of instability of exchange rate in entrepreneurship.

**Table 4: frequency distribution of the preventing role of instability of exchange rate in entrepreneurship**

Choice	Frequency	Percentage frequency	Cumulative frequency percentage
Medium	1	2.5	2.5
High	15	37.5	40
Very high	24	60	100
Total	40	100	

According to Table 4, 5.95% of participants stated the preventing role of shortage of instability of exchange rate in entrepreneurship very high and high and 2.5% of them stated it medium.

- Index of lack of cheap facilities to buy equipment

Table 4-20 shows the frequency distribution of the preventing role of lack of cheap facilities to buy equipment in entrepreneurship.

**Table 5: frequency distribution of the preventing role of lack of cheap facilities to buy equipment in entrepreneurship**

Choice	Frequency	Percentage frequency	Cumulative frequency percentage
Very low	1	2.5	2.5
medium	9	22.5	25
High	25	62.5	87.5
Very high	5	12.5	100
Total	40	100	

According to Table 5, 75% of participants stated the preventing role of lack of cheap facilities to buy equipment in entrepreneurship very high and high, 5.22% of them stated it medium, and 5.2% of them described it very low (Appendix 9).

- Index of lack of timely debt payment of executive agencies and government companies to the producers

Table 6 shows frequency distribution of the preventing role of lack of timely debt payment of executive agencies and government companies to the producers in entrepreneurship.

**Table 6: frequency distribution of the preventing role of lack of timely debt payment of executive agencies and government companies to the producers in entrepreneurship.**

Choice	Frequency	Percentage frequency	Cumulative frequency percentage
low	7	17.5	17.5
medium	23	57.5	75
High	3	7.5	82.5
Very high	7	17.5	100
Total	40	100	

According to Table 6, 25% of participants stated the preventing role of lack of timely debt payment of executive agencies and government companies to the producers in entrepreneurship very high and high, 5.57% of them stated it medium, and 5.17% of them described it very low.

On the other hand, first all the scores were summed up and instrument scores were divided to the following groups according to their range (minimum score of 6 and maximum score of 30) for the better cognition of the preventing role of financial factors in entrepreneurship.



**Table 7: frequency distribution of the preventing role of financial factors in entrepreneurship**

Choice	Frequency	Percentage frequency	Cumulative frequency percentage
Medium	1	2.5	2.5
High	20	50	52.5
Very high	19	47.5	100
Total	40	100	

Mean= 40.25

Standard deviation= 35.2

According to Table 7, 5.97% of participants stated the preventing role of the financial factors in entrepreneurship very high and high and 5.2% of them stated it medium.

Moreover, according to the calculated mean ( $\mu = 40.25$ ) that is higher than the theoretical mean ( $\mu_e = 18$ ), it can be concluded that the financial factor has the preventing role in entrepreneurship.

## CONCLUSION

Findings show that the role of industry sector in Mazandaran province is less than the role of agricultural and service sectors in employment. New investments are needed in this sector according to the unemployment rate during the 5th development plan while many entrepreneurs of small and medium-sized enterprises face serious challenges. Findings show that the entrepreneurs' problems are mainly laws and regulations, human, financial, and method and system factors; as though, ranking shows that the first problem of the entrepreneurs is the financial factor including 1- increasing cost of the production units, 2- lack of working capital, 3- high bank interest rate, 4- instability of exchange rate, 5- lack of cheap facilities to buy equipment, and 6- lack of timely debt payment of the executive systems and governmental companies to the producers which have preventing role in the entrepreneurship of the production units. Meanwhile, according to the results of this research, the financial factors such as (1-increasing cost of the production unit, 2-lack of working capital, 3- high bank interest rate, and 4- instability of exchange rate), managerial factor (1-low productivity of workforce, 2-problems of supplying high-quality raw materials, 3- lack of industrial production strategies in state, and method and system factor (1-non-

modernization of production equipment, 2-prolonged administrative processes, 3-lack of proper transportation infrastructures with desirable price, and 4- lack of proper infrastructures in industrial towns) are the problems of the entrepreneurs in small and medium-sized enterprises.

Furthermore, laws and regulations problems such as customs problems, social security law, non-fair tax laws, non-aligned banks laws with the production and development plans and also the resulted problems by the human factors such as lack of expertise human force, lack of motivation among entrepreneurs, and lack of the governmental systems employees cooperation with the entrepreneurs and investors of the production units are the preventing factors against entrepreneurs of the production units whose results are similar to the results of the mentioned studies. Results of this research show that financial, managerial, direct method, laws and regulations, and human factor are the most important problems of the entrepreneurs in the small and medium-sized enterprises in industry, respectively. These results in comparison to the results of Shahabi (2004) research based on the reverse relationship among the employment variables and assignment facilities state that the effectiveness of the assignment facilities distributes only 1% of employment. Moreover, these results in comparison to the results of Madhushi and Ghadi study (2007) under the title of "effect of the initial capital on the survival of the small and medium-sized enterprises of Iran" concluded that there is a positive relationship between the initial capital and survival of the small and medium-sized production companies. Thus, these research results are in agreement with the results of this research based on the financial factor.

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