
The Role of Private Investment in Rural Development

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ABSTRACT

In this thesis, an attempt has been made to study in two stages the role of unofficial capitals in rural development. In the first stage, as an introduction to investment in agriculture, the function of official and unofficial capitals is investigated. One of the main aims of the government with respect to rural development is to offer loans through banks. This has some advantages, but also two disadvantages, which has been addressed in this thesis. First, although the rate of interest of such official capitals is relatively low, bureaucratic formalities prevent the majority of farmers from using such loans. Second, the banks that offer loans have no control over the way the loans are spent. In practice, the policy of offering low-interest loans has failed in its aim of rural development. In the second stage, an analytic model was used on 33 development indexes (economic, social, fundamental) in 32 villages and Isargaran wholesale fruit center. The purpose was both to evaluate the relation between whole sale fruit centers with rural areas from economic and social points of view and to evaluate the purchasing power of this center and its function and investment power in the whole country. The results of the second stage showed that first, because of developments in transportation and communication, villagers now have a better understanding of the factors influential in the market and the traditional and healthy relation between producers and sellers in the wholesale fruit center has decreased. Second, although the fruit produced in the south of the country are of bad quality, wholesale fruit sellers prefer to buy fruit from the north or the fruit produced in the province. It is to be noted that this wholesale fruit center is rich enough to do investment throughout the country, but so far, it has failed to play a part in the economy at a national level. Finally, an attempt has been made to offer a suitable pattern for the area under study and to attract the attention of policy makers by showing the shortcomings of the present programs.

Keywords: Unofficial Capitals, Official Capitals, Rural Development, Investment, Development Indexes, Wholesale Fruit.

Introduction

Transitive branch of economics is that each of them should be given to specific the field, such as welfare economics, monetary economics, microeconomics, etc.

But so far unofficial economic activity, economists is located less discussed. The informal economy, the economy is an irregular. Unofficial capital is defined as

the content of the informal economy (Sadeghi, 2000). Iran is among the countries due to the economic characteristics of agricultural agronomic and livestock have long dealt this communication has been effective in the everyday life of the people of this land. Ties is rooted in town and village markets of agricultural products and only looked at the economics, Also, how the relations between city and village in different ways ductile, and ultimately the development of rural settlements and their effect on the internal and external Ties. The effectiveness of the method, different concepts and ideas has been proposed. Apart from various harvesting theoretical, what should be considered before anything else, is the temporal and spatial characteristics. This means considering the Ties of different locations that are determined according to the changing circumstances of. The characteristics of the city and village landscape plays an important role spatial Ties and the relationships that form the basis of geographical studies. Continuation of short-term markets, known as the Friday Market, Saturday Market, Monday markets, Wednesday markets, etc. In In particular northern provinces and in other states of the country in general, tells the history of monetary and barter transactions in the areas livestock important feature of economic life is based on agriculture. In these markets, today as in the distant past, handicraft production of livestock and poultry farmers and ranchers to offer, with the difference that now the money has replaced barter transactions (fruit and vegetables scheme poignancy Tehran, 1993). The current the agricultural sector by enjoying about 50 million hectares of arable land in the climate of 102 million ha of forest and natural pasture, about 120 billion cubic

meters of water control, reserves abundant harvesting to aquaculture and above all, cheap labor and adept, a significant share of the country's economic development. Although the vast majority of officials and agricultural experts about the power and potential capacity the agricultural sector development and necessity There is unanimity among But the obstacles to growth and development and the role of key factors influencing the development of different ideas to solve problems and achieve goals there.

However, the most important structural problems the agricultural sector can be described as follows:

- Dispersion and comminuted and lack of land ownership document.
- Lack of motivation for investment by the private sector.
- Weakness financial exploitation of soil and water infrastructure and inadequate credits for state and the banking.
- Interference the state sector in the prices of agricultural products and livestock manufacturers a way that leads to the loss of their real income is reduced.
- Lack of effective mechanisms for attracting technical and credit facilities.

Given the above, we seen the most important problem the agricultural sector structural constraints and capital market financial is formal and informal sectors.

Since the theoretical models able to recognize the various aspects of city and village Ties and activate mind and can help them better understand the unique capabilities of the models they used. It Necessary be noted that each of these models has its advantages and disadvantages and its spatial position requires special conditions.

Theory of rural financial market (RFM)

Theory R.F.M. Believes that subsidized credits for rural economic growth and

equality is harmful and non-the vital. It also affirms that cheap loans, the rural rich do not. As cheap loans are allocated based on political considerations (Agayt Su, 1998).

Agricultural Financing theory (FF)

Attitudes F.F. Believes that subsidized credits for rural economy growth and equality is important and essential. According to traditional belief, F.F. Believes that subsidized loans to farmers should be allocated to the small-scale farmers so poor that are not typically charge interest rates paid (Agayt Su, 1998).

Duality model

This model is essentially a fundamental conflict between urban and rural dichotomy is the substantial growth in both urban and rural emphasis. According to this method, how to adaptation and integrate with the city and the village in general, the dichotomy of city and village environments, the differences will be examined below (Bhfrz, 1999).

- A) The fundamental economic differences.
- B) Applying the difference skills and technical ability.
- C) In terms of the inequality division of power and status of the legal - the law.
- D) Different ethnic, cultural and social.

The model centers - around

According to this model, the two main components of living systems are sometimes the center (as a source of power and domination) and the periphery (as the central focus dependent). Unequal exchange of goods produced, focusing economic power, economic growth and the spread of innovations in of productive and production activities of the center are to

safeguard the value of the center to around (Rezvani, 2000).

Bylaw of Fruit and vegetable trades in the statutes of general Forum of the Union of all the guilds and consists of two parts:

The first section contains general rules that virtually all the guilds and for the force, Such as rules necessary obtaining licenses. The second part of the laws that depending on the activity and status of each guild is bound to its own standards, Such as tile wall food booth 120 cm, load Sq is also included in this law (Fruit and Vegetable Scheme poignancy Tehran, 1993). Generally, load fields a country transaction is done in the or in the form of trust or documents. trades the trust of the financial documents traded but not providing any product, whether it be the manufacturer, Or that is mediated other regions or load Sq so called, its load to deliver the load Sq and load Sq to the time it sells And sales per product, 10 percent of the total as of right action (commission) will take load of the (same).

Many airline loading Sq, healthiest and the most trouble- transaction is safe.

The documentary deals with three types of promissory note, check and waybill are classified. Namely, the crop, Sq crop load the total cost of a product or the amount of the advance money to farmers in return for the farmer will receive promissory note.

Union Sq load Mashhad city which is composed of 5 patients voting members and the field capacity and the extent of load, these 5 patients were divided into squares load Mashhad. For example 2 people Isargaran load Sq, 2 people Razavi and 1 Sq load Sq load Noghan. Then one of the 5 people was voting for the president of the Union, and that person will be responsible for supervising the Union Council. But all the decisions made of the council for the affairs of the organization,

is elected president of the Union. Selection period of 4 years and the only president of legal and union staff salaries are high.

Administration Economic Affairs and Finance of the city tax imposed on the load Sq that is highly desirable and constructive, As such, the Administration Finance and Union Sq load for a period of one year to reach an agreement as to the amount of tax that does not seem very logical, Why that this figure cannot be determine the on the basis of dry and wet, and the Union Square once it is received, This is one of the important problems in the sq is vegetables load. An article entitled Planning Rural development (concepts, strategies, and processes) By doctor Mohammad Reza Rezvani to refer the important Rural development is a systematic process and any attempt to reform the system of nature, without regard to the broader environment of institutional, organizational, motivational and communication will not likely to achieve the desired appeal. What is needed is a complete set of components are interconnected systems which holistic new concept of development is achieved. In such a system, development strategies, not from the top down and not than bottom-up, but a combination of both. Also article reviews the concept of sustainable development, with emphasis on the scientific research aspects of agriculture and rural geography in October 1999, written by doctor Fatemeh Bhfrz, Tehran University Department of Geography as Which rural development policy making may be classified under three large Which one with the vision and investment activities such as farming and single product plantations and private foundations. National approach of the creation of family farms and cooperatives to assist rural economic development. Share orientation approach of which also

shared with a cooperatives productive unit and the local market is considered. The main objective of the structural problems in the banking system and the monetary and financial markets in the agricultural sector is formal. So that the shortcomings of the informal financial sector, especially in recent decades has intensified. The framework surely the credit needs of agricultural sector in the of channel banking system is not possible and the legal basis for the establishment of non-bank financial markets and the economy in this part of the country.

Materials and methods

This research With consider, the most important structural constraints to agricultural problems of formal and informal financial markets and capital is To investigate the role informal capital, Mashhad esargaran to fruit and vegetable holders of load as a component of informal finance in villages finance has been covered. In this research, three models Overview of agricultural finance, Dual model and the model is center around directly related to the present discussion should As results disparities in urban and rural areas in terms of economic activities, the effects of backwardness of, Development lack of rural areas and the rural areas to the cities, the flow of capital is greater.

Scope of research

In terms of time, cannot set a specific date for the fruit and vegetable market in the city of Mashhad Not because the writing is written and it is not for this kind of market, time to be determined. In ancient times, there are places where people brought their products to exchanges and barter offered. These places have been stability of overtime and expanded.

Usually these markets in the old city center were formed. Of the time construction of the main street in the city of Shah Abbas (979 Hijri) (Slyany, 1994) of the above Street Gate Sq QUCHAN current shrine of Imam Reza continued, Main Market of Mashhad came into existence in the last century and gradually spread its the initial core took shape in fruit and vegetable market And the fruit and vegetable market on the margins of major streets caravansaries That start of execution down the street and up to four Load the Sq is Naderi along the High Street. In addition to the caravanserai and Allaf margin Street shops are also engaged in the same activity.

Caravansaras are the Malek of the Caravansara, Azqand, Drmhmdy, Safarzadeh, and Saberan, Rafiee noted that some of the INS is still active. The first field of fruits and vegetables to the true meaning and today it was established in 1345, called Sq Load Naderi. In this Sq Load all required products were popular and separate careers at this point was not observed. Load Sq Naderi 1977 to survive and grow in the years since the city of Mashhad, Population growth, productivity growth, increasing traffic volumes in the city and more importantly, it requires a larger environment, The Sq was divided into three Sq fruit and vegetables, including Load Sq Fath Abad (Farah Abad), Razavi, and finally Load Sq is Noghan. Notably, the majority of sales of old and Naderi pioneer main pillars of constituting load Sq is Fateh Abad Generally, freight forwarders and Sq load, Razavi and Noghan formed. Load Sq in 1356 to Fateh Abad of 1997 continued to operate for 20 years the time esargaran in establishment of the Central load Sq in 1997, load Sq Fatah Abad its role of has lost. Isargaran Sq load established in the year 1997, completely changed the texture of

vegetable products so that Sq load he entered specialization in order to and there were Sq load when new people enter the economic, social, cultural and changed it. Was completely specialized activities so that each booth has a physical systems Sq load working time using architectural Sqs Load made European countries, the Increased Sq load Isargaran expand. The supply fruit and vegetables, dried fruits, foods, clothing, furniture, appliances, carpets and handicrafts, audio, and international market from current activities in Sq load Isargaran to each user which has its own axis (Bhfrz, 1999).

Results and discussion

Examine the area influence load Sq Isargaran

Isargaran Sq load realm of influence of can be explained in three separate parts: realm of influence of purchasing, selling and sphere of realm of influence of abroad.

Realm of influence of purchase

Must be pointed out is Isargaran to the of realm of influence of purchase Sq load almost all parts of the country can be considered Isargaran of realm of influence of Sq load. This means that some vegetable crops in terms of production, specific certain regions are Like Citrus produced mainly in several cities north and south of the country and are able to provide. What is produced in the Khorasan Province, mostly vegetables and cucurbits, so for most fruit and vegetable Sq Isargaran outside the province to provide from different parts of the country. Maps 2 to 7, realm of influence of purchase of products in the Sq load the Isargaran are classified into 7 floor shows.

Spheres of influence Sale

Isargaran Sq load in the selling on the domain with fruit products Vtrh four times the basic point is important: First time can be Isargaran sell citrus from the Sq load the products are loaded on other parts of the country. Located the second city of Mashhad, Iran's geographical corner of the Sq load Isargaran to selling, weak action geographically located in the center and the provinces, rather than take distributive role. It is essential It should be noted that the discussion of is not the distribution of production, It may be produce massively production in a corner of the country and also to provide But our purpose here is distributed. The third point that the transport system and its related issues have a major role in bringing down the level of sales, This means that if one of the cities of Mashhad cargo from other the provinces should be sent back mostly empty And loads of other provinces often come to the Sq load Isargaran Mashhad provides an opportunity to the in Sq load to send the products. And finally, the last point that some products such as citrus largely in specific areas, Are exclusively producer of and distributor, so that just as these cities need to focus on providing the entire country.

Realm of influence of abroad.

Export

Fruit and vegetable exports in central Isargaran Sq load is noteworthy that all goods imported into the Sq , Few cases are certain export feature that is the most important to them Kiwifruit exports. This means that the investment on Kiwifruit exports is in line with finally, if the export market is faced with a reduction in one year, Iran will strengthen the domestic markets. After kiwi of products that are exported, mainly to countries in the area of

the Persian Gulf melon or the Central Asian countries are offered. Some citrus like oranges and tangerines case of exports to the Central Asian countries, it is sent along with the mediators.

Import

It is the first Sq Load in the import is Isargaran to the direct product Tehran but fruit and vegetables as the center, and then to receiving out Cargo the fields is distributed over Loads. Imports of the product, depending on market traction, especially during the New Year during the year, therefore the market for imported products, can increase or decrease. The main products can be imported banana, coconut, pineapple and mango mentioned. The main exporting countries, banana, coconut and pineapple are Somalia, Gvath Mala, Ecuador, and Pakistan, among these countries often have lower quality bananas Pakistan. Major countries exporting mangoes from India and Pakistan to be pointed out.

Suggestions

Health and successfully of credit programs in the agriculture sector in general and agricultural credit system consistency and uniformity and consistency in decisions made and behavior in three main groups, namely: Farmer, credit institutions, including: the central bank and the government depends on the conflicting motivations of these three elements are, The coordination and integrity that is not easy, so the credit system in our country as it was before, as there are many difficulties and bottlenecks. Here are some suggestions for improving this system in certain groups, quantitative and qualitative, long-term objectives and policy implementation (short-term) is provided:

Long-term policies and guidelines

A) Objectives and long-term orientation in agricultural credit

- Increasing the share of total bank credit to private sector credit from 7/15 percent in 1993 to 8/36% during the second program of economic development. In this case, a total of 96,116 billion rials, which account for 40 percent credit will be given to the potential demand from agriculture.

- The share of agricultural credit allocation should be increased and peasant farmers.

In this group, 70 percent of agricultural production and 30 percent of the credits they receive. The requirement for increase, law enforcement agencies across the rural, the Corporations and local councils must be Spontaneous and self-farmers and the rural society of culture and the proper way, can have only a supporting role and a guiding.

- Increasing the collective of loans that could be an incentive for rural organizations, such loans cannot be paid to an individual, but as a group is responsibility the repayment.

- Increasing agricultural production in order to increase farmers' income and the trading price of production in agriculture, Farmers will be able to work with the banking system, provided that their benefits will accrue to an increase in agricultural prices Not intermediaries for this purpose, the government and the banking system by using the methods of systematic and timely supply of inputs, credits services and marketing support and promote appropriate (for domestic production and exports) and short, using a system developed to support efficient agriculture come.

B) Diversification and expansion of agricultural credit and financial institutions:

- Specialized investment banks in national and regional development banks, which will work to commercialize agriculture.

- Banks and local cooperative that will support the traditional agricultural sector.

- Companies and unions in the villages, cities and provincial centers, in the face, savings and loan or purchase of shares will be paid to the farmers.

- Non-bank financial institutions and investment companies that mainly engaged in buying and selling shares on behalf of their customers will have (Iran-Nejad, 1995).

- Supervising and controlling the appropriate conduct of government and non-financial assets in the informal main channel, especially in the field of fruit and vegetable holders association are systematically same market.

- Legal carry out reforms in the sector, and harmonizing regulations governing the agricultural sector and the banking system together with economic, social and cultural communities, especially rural farmers.

Short-term policies and guidelines

A) Expansion of banking network

Agricultural and nonagricultural agricultural banks accept deposits and extend the network and move toward becoming a commercial bank. Since the establishment of new branch offices requires heavy investment, branch offices can be banks or cooperatives banks, commercial and agricultural duties to be performed by the server.

B) Boost the performance management

One of the most important criteria for success is the effective management of credit institutions, especially the customer's choice.

C) The increase credits for farmers

Farmers to benefit from seasonal price fluctuations, in addition to increasing their

credits needs of farmers to reduce speculators.

Storage facilities and capacities required in different areas of increased loans to rural cooperatives and private investors are recommended for this purpose (Khademian, 1992).

In such circumstances, more than ever Changes in the relationships between production and non-production sectors and controlling the activities of the revenue derived from to propel resources from the undeniable fact that (Iran-Nejad, 1996).

Conclusion

Developments in recent decades deep and broad effects on producers and market agents have different dimensions. Therefore manufacturer's agricultural products using the results of the developments of transport networks, the development of roads, Development of electronic communications, have considerable success in marketing products achieve. In contrast, the owners of the is not ignored these developments, there are fundamentally changing the their contexts. The substantial effects of the variation between owners and farmers have the traditional communicated. One of the major reasons for changes in tissue holders, the effects of the privatization of plan. Spad Company Khorasan a private company with a capital of different strata of people has Isargaran trustee and founder of Load Sq. The company, regardless of cultural issues, social, trade (particularly Sq Load) will attempted to sell their pavilions Everyone has the capital and in the estuary will be entered into Sq Load arena has been And arrival Sq Load and gradually the non-union origins and laws indifference Load Sq Causes loss unity between its members and the changes in the types of transactions, Trust

between each other and between the Sq and the end Sq owners agricultural and producers all over the country have influenced the Load owners and other Sqs. In this research of various aspects of formal financing granted facilities from banks and financial institutions and the credit been examined. According to interviews with the rural sample society, all jointly have emphasized that the best source of finance for loans granted by banks to strengthen economic growth, agricultural production is Loans because the interest rate is much lower than the interest rate informal loans and the amount of the loan is granted. But red tape borrowing, providing valid collateral out from the peasants, Lack of timely payment of loans to farmers and ultimately limitations on the repayment of loans Has led dominant farmers to informal loans, with benefit on those extremely high. Obviously, the size of the correction granted facilities and agricultural problems in this area is on the Interest in the use financial resources and the more formal pressure mediated a series of middlemen and the farmers are having informal capital will be lower. This research is trying to identify structural obstacles official sources and suggestions to try to correct and finally able to apply appropriate strategies for informal funds agricultural producers can provide. Despite laws and regulations legal and the creation and expansion of the monetary financial institutions in the country, Again, the unofficial capital and money markets in the country illegally and are active in the underground and with In line the high volume of damage and disruption liquidity in the economic system, such as inflation and employment fake are created. It is evident that economic policy makers and decision makers in big ways to try informal monetary and financial activities

in the country is blocked But achieving this goal requires the cooperation of multiple devices and greater national commitment (Rahimi Far, 2011). It is the end of this research has attempted to review the formal financial credit problems and Proposals to address these problems trying to attract more farmers to the credit The other hand organizing and controlling the unofficial capital to be able to use the vast resources And the capital's main channel and regulate our guided.

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