

## Sociological Study of Institutional factors in Sustainable Employment Generation Project (EGP) and Realizing the Production Leap

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Received 6 February 2022 ||| Accepted 1 March 2022

**Abstract:** This study was carried out with the aim of sociological study of the barriers to investment in sustainable employment projects and realizing the production leap. In this study, 324 entrepreneurs have been contacted according to statistical indicators, and the researcher has conducted face-to-face interviews with people who have used employment-generating loans between 1997 and 2017. Finally, four hypotheses were investigated. After statistical analysis and finally the final chart was analyzed using statistical indicators and LISREL software and it was concluded that variables such as rent, transparency, stability and trust have an important effect on job creation and production jump. The research is done in a quantitative framework using the documentary and field approach in this study.

**Keywords:** rent, transparency, trust, political stability, investment.

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### Introduction and problem statement

Politicians have always attached special importance to employment due to the employment crisis and its social, economic and political consequences, so that regardless of the destructive effects of unemployment on economic and social issues, the political dimensions of this phenomenon must also be considered. Capital accumulation<sup>4</sup> and investment are among the most important factors in creating employment that have been validated both theoretically and empirically. That is, the necessary measures must be taken in different ways to accumulate capital or be invested through banks by paying loans in large and small projects, and increase the means of production and employment, which this loan payment policy has been repeated over and over again under different headings by governments, however, each time either a job has not been created or it has not been sustainable and the projects have failed.

Nowadays, the capital has been accumulated many times the required capacity in the Iranian economy and billions of dollars have been injected into it in the last decade, and with this huge volume of capital and dollar injections to improve the country's employment, we are more involved in the employment crisis. This shows that there is no proper relationship between the volume of investment and job creation in our country, because economics expresses its theories for economies where the general situation is normal in other economic, political, and economic-related areas, and the government effectively performs its main and customary tasks. It seems that the failure of employment generation project (EGP) in the country is not affected by the accumulation or non-accumulation of

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<sup>4</sup> Capital accumulation refers to an increase in assets from investments or profits and is one of the building blocks of a capitalist economy. The goal is to increase the value of an initial investment as a return on investment, whether that be through appreciation, rent, capital gains, or interest.

capital and payment of loans, because when production units located in the industrial cities of the country are operating at low capacity, it means that these units are able to produce with maximum capacity in good condition, so in terms of the main sources of production we do not face a shortage of money, but the main shortcomings of the country in production and economy, lack of stability, lack of trust, lack of bright horizon and promising transparency, and these are the resources that shape in the political and social space, not only in the economic space, which is called as transaction costs<sup>1</sup>. So if total costs are defined as follows: the sum of the production and transaction cost, then production costs are part of the costs that are used in the final product and can be calculated and predicted, and transaction costs are part of the costs that are imposed on transactions and are unpredictable and unpredictable, and they are effective in reducing the final profit of the product, and this factor is so much in the decision-making and action in investment and production, by entrepreneurs, that sometimes the entrepreneur prefers not to invest in production due to the fear of incurring these costs. Transaction costs do not have clear components or indicators and depend on the state of society in the period in question. When there is the lowest type of exchange costs in the country, the business environment has economic risks, and because the risk can be calculated and predicted, economic actors take and implement the amount of risk in their calculations, but the perceptions of Iranian investors have now shifted from investment risk to uncertainty. Thus, all investment in employment has stagnated due to a lack of attention to institutional economic theories in policymaking, and investments do not have the required returns. Although economics is necessary in policy-making, it is not enough, because the institutional structure of any country profoundly has a significant effect on its economic performance, in developing countries due to underdevelopment and weak economic mechanisms. Classical and neoclassical economic theories have not been able to explain the astonishing economic growth of some countries in achieving development goals during the second half of the twentieth century, which undoubtedly can't be denied the decisive role of institutions in this regard. Any reform in the functioning of political and legal institutions in order to increase the efficiency of all three branches of the military and security apparatus can be considered as a step towards providing a context for production. Institutions reduce uncertainty by providing structures for everyday life, as it is not possible to have healthy, productive and sustainable employment by issuing directives and implementing government directives, and job-creating schemes can have devastating effects such as inflation and stagnation if they do not lead to employment. In such circumstances, institutionalism has become a model in various areas of social development.

### **Necessity and importance of research**

Douglass North (2006) believes that research on the importance of institutions in the evolution of human society is very important and necessary. Institutions are considered as the 'rules of the game' in a society. Institutional changes determine the evolution of human societies throughout history, and are therefore the key to understanding historical change. Institutions are defined as frameworks within which human interaction takes place. These actions and costs are beyond the investor's control and sometimes he/she has to pay for them, such as corruption, rent, lack of transparency, political instability and trust, because according to economic theories, these factors are the growth of investment and consequently production and employment, and reduces the investment incentive for domestic and foreign investors, and prevents talent from turning to productive and productive work, and disrupts the composition of government spending and makes it unhealthy. Economic growth emerge when people allocate resources to their best use, that allocation is itself a function of how institutions respond. Relative stability and sustainability are essential for the policies and strategies adopted by the government. Unfortunately, economic legislation lacks the necessary reflection, precision and expertise, and is not far from political passivity and cross-cutting crises, which lead to inconsistencies between economic institutions that impose the worst blow to the country's economic security through frequent changes in laws, regulations and directives, and these lack of transparency in political and economic systems, have increased the cost of investment and economic activities and reduced the incentive for productive activities, especially long-term ones. All the mentioned factors

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<sup>1</sup> Transaction costs are expenses incurred when buying or selling a good or service.

have a negative effect on the cost of production, the amount of production and production activity and affect them in order to continue production.

Also, not paying attention to history and the past, which is considered as one of the factors influencing the success and failure of investment in the economic and employment fields, and helps planners to identify barriers to job creation and how to fix and improve decision-making, as well as historical institutionalists believes that there is a higher level of importance for economic knowledge, and past choices act as constraints for present and future choices, as each choice creates constraint or re-constraint, while a large part of the roots of the coalition of material and human resources is to be unaware of these constraints, and ultimately, we are constantly confronted with costly and unattainable frictions, and this problem can only be solved by the need to understand and examine the historical experiences and historical perspective put forward by the institutionalists. These factors have left no hope for fundamental positive changes in the economy and the capitalist has no incentive for launching production workshops.

Given that the country's situation is heavily influenced by external and global factors, and on the other hand due to the inability of the economic system to create adequate capacity for production growth and significant employment growth through the injection of money and loans, it seems that the structure of unemployment must be examined from a sociological point of view, in which the institutional structures that lead to increase the transaction costs, can be identified and addressed. Unfortunately, governments have been lending to job seekers or entrepreneurs under various headings since 1997, but it has not had a significant effect on the unemployment rate, and each government has continued the wrong path of previous governments due to the lack of even one research on the effect of sociological factors and exchange costs on eliminating unemployment and lack of a historical view of the economy, which has led to a waste of capital.

This study was carried out aimed to investigate the issue that the problem of unemployment will not be solved by paying loans alone, but this problem is rooted in social and political issues of society and economic growth, although it requires investment, but the provision of a suitable environment and security. It is necessary to realize investment and create sustainable jobs. It should be examined whether this precondition already exists in our country? And if not, where are the elements of insecurity active and in which social spheres? The need for this research reveals the need to discover the answers to these questions in order to encourage stakeholders to better plan for managing the factors that make the business environment insecure in the country.

### **Theoretical foundations**

The theories put forward by institutionalists about development and underdevelopment are superior to the conventional economy, because both the secrets of development are more understandable and explanations can be given to failed countries. In a theoretical context of the institutionalization, the realization of development ultimately depends on the circumstances that in which the institutional structure encourages reducing transaction costs. According to economic history, efficient institutions, characterized by low transaction costs, have facilitated development and led to change and innovation. As a result, a proper understanding of what changes and innovations need to take place to improve economic performance which can help decision-making and resource allocation and communities. The high cost of economic exchange distinguishes the method of transaction costs from the traditional theory inherited by economists from Adam Smith. The profits from trade made possible by specialization and division of labor formed the basis of economic theory for years, but specialization became possible as markets grew in size, and the number of exchanges that took place during the performance of economies grew exponentially with global economic growth and the specialization of the division of labor. However, many economists, following this method, did not realize that the exchange process is costly. Given that the exchange process involves transaction costs, it makes significant improvements in economic theory, and has very different consequences for economic performance (North 2007, 85). Markets do not function efficiently due to high transaction costs. In extreme cases, high transaction costs can lead to the failure of the entire market, so that some activities that are not common in low transaction cost environments are not performed at all in high transaction cost environments. In such a situation, it will be very difficult and costly to gain an accurate

understanding of the facts and economic relations. For this reason, transaction costs can be considered as costs arising from institutional frameworks, the scope of which is political and economic markets.

## Employment generation projects in previous governments

### Research background

Institutionalism debates have begun with the translation of Douglas North's works seriously in Iran. Given that this approach opens new horizons for Iran's economic survival, some economic circles used institutionalist literature and publications on Jamee, Eghtesad, Takapoo publications and several other publications on institutionalism in a scattered manner. Some related domestic and foreign studies that have considered institutional factors on the growth of investment in community employment are discussed here.

#### *Domestic and foreign research conducted*

Result	Topic	Year	Author
Production with competition leads to progress and stability that facilitates the conditions for national security and even civil and political freedoms.	Rationality and Iran's National Development	2017	Mahmood Sariolghalam
Instability of trade in the long term has a negative effect on economic growth in Iran.	Investigating the effect of exchange rate instability on Iran's economic growth	2011	Kazeruni et al
The main tasks of the government that has abandoned the protection of property rights and increasing the cost of swapping the lead.	Market and non-market books	2014	Mohsen Renani
As the level of Economic Development, increases, corruption reduces	Investigating the relationship between corruption and economic growth	2014	Dezhamashou
Total investment is higher in well-governed countries, political stability as one of the most important aspects of governance between foreign and private direct investment	Governance, private investment and foreign investment in developing countries	2012	Maurice
Corruption may lead to economic growth in underdeveloped countries, but as countries's institutional functioning improves, the positive effect of corruption on growth becomes negative in the long run.	Investigating the effect of institutional factors in creating a relationship between corruption as part of the institutional structure and economic growth of countries	2009	Eben and Wal
Appropriate institutional structure, risky investments increase the number of patents and the growth rate of the establishment of the enterprise increase, and a high rate of economic growth is provided by raising the level of entrepreneurship,...	Baumol's theory test, quality of institutions and entrepreneurial productivity	2008	Sobel

## Employment generation projects in previous governments

According to Articles 3, 12, 28 and 43 of the Constitution, and taking into account the unemployment statistics in the country, it is necessary to pay serious attention to the issue of job creation. At a glance, we can see that Iran's economy has experienced the implementation of four major projects to generate employment in the last two decades. Self-employment, impact-based employment, early-yielding enterprises and rural self-employment loans have been the main government projects, which have been registered on the Kara site, and other projects such as employer facilities have been implemented.

### Subject literature

#### A- Lack of transparency

Nowadays, transparency has become an important concept in the social sciences, especially in political economy and economic development. Transparency plays an important role in increasing performance and improving efficiency, effectiveness and productivity, also plays an important role in building trust among citizens and organizations and institutions-related parties, and provides a favorable context in attracting capital and economic growth and has a significant impact on the behavior of investors. According to the existing conditions, as the transparency of information increases, the holding of cash assets decreases as well. Usually, the two concepts of transparency and access to official information are confused, but transparency, in addition to openness of government, also includes concepts such as simplicity and comprehensiveness.

In the public sphere, transparency is born of a desire to advance democracy. Transparency is defined as the true and comprehensive information in the field of economic activities and the clarity of the mechanisms governing economic relations. Transparency and economic corruption are at odds.

Freedom of information and transparency are inevitable for a good government as well, because some governments have the illusion of transparency, but their data and information do not have the necessary quality and can't be used. Secrecy is essential for the survival of corrupt governments, because secrecy allows for inefficiency and extravagance. Nobel-winning economist Amartya Sen, says there has been no severe famine in countries with democratic governance and relative freedom of expression. Information enables people to consider government actions based on appropriate and informed information about these actions (Rezaeizadeh, 2009).

As the power and creativity of economic actors increase, their knowledge and mental power increase to analyze the situation, and so their spiritual rationality becomes more difficult to justify and they are deceived later than other people, which is why economic entrepreneurs seldom accept to invest in conditions of opacity and having complete information and the existence of vague rules. As the flow of accurate information in a community increases, so does public confidence, as it is necessary to have information and statistics for a manufacturer for any careful planning, so that it will not take any steps to invest if there are no basic statistics and information for a manufacturer.

Accountability and transparency are considered as the foundations of democratic oversight, which force the public, private and civil society sectors to focus on results, pursue clear goals, develop effective strategies, monitor performance and make report. Lack of transparency makes democratic accountability impossible. How can the government be held accountable for the consequences of actions that are the product of illegal communication between citizens and bureaucrats? It is very difficult to find those responsible for the work and to trace the source of the corruption of the work when the methods of doing government work are not in accordance with the law, and to determine the collusion and political strife of the way of doing work. Low transparency causes people to be pessimistic and frustrated with the government, and ultimately leads to public dissatisfaction.

On the other hand, the lack of transparency has a significant effect on the investment capacity, and has a negative impact on the government's foreign relations with other countries. Lack of transparency can reinforce the negative consequences of economic weakness, and ultimately lead to a decrease in national efficiency in a country and reduce competitiveness and ultimately reduce the quality of life of the people of that country. Furthermore, lack of transparency and non-disclosure of information leads to corruption, and the dissemination of information freely and the right of people to access to information equally and fairly lead to the prevention of information rents. Also, regulating the flow of government information will lead to transparency of economic and political activities. Dissemination of economic information, especially regarding the holding of tenders and auctions, makes it possible to publicly monitor the economic performance of the government, in addition to public access to this information, which will be the most important factor in reducing corruption. Lack of transparency reduces public trust and undermines political stability.

### **Transparency and investment**

Lack of transparency imposes additional costs on trade. For example, if government agencies that implement policies do not provide sufficient information to investors about the activities of government agencies, they will have to make up for the lack of information themselves. Firms participating in government auctions expect to have complete information about the auction, in which case an additional cost is imposed on them for any information set that contains a lower level of information required for investors, which will ultimately lead to losses.

Transparency in trade policies has a positive effect on business behavior in the economy. According to the results of all studies on business behavior, the basis for large corporate decisions for investment is based on their knowledge of the country's macroeconomic position. In addition to the factors that has a significant effect on the investor behavior, it should be noted that most of these companies are looking for a clean and open economy, an economy where business policies are predictable, the risks of unexpected events are minimized in case of investment in such an economic environment.

Transparency of economic policies and government institutions shapes the decisions of investors and leads to the formation of investment. The lack of efficient and comprehensive regulations on business activities has a significant impact on commercial companies. Impact on the competitive position of firms is one of these effects. Unfair competition that creates an advantage for an investor makes the failed investor reluctant to invest. Lack of transparency causes:

1- Some of the most important basic conditions of a competitive economy include transparency in the supply and demand of goods, services, labor, capital and money, as well as the number of owners and the possibility of access to them. 2- Impossibility of financial control and tracking of violations. 3. Lack of information of the people about the conditions and time of foreign exchange and Rial facilities granted by the government, as well as various import and export licenses and various quotas. 4. Impossibility of implementing monetary, financial and trade policies. 5. Impossibility of realistic policy-making and planning.

High access to documented and transparent information is one of the main conditions for increasing the functioning of civil society organizations such as the press and non-governmental organizations to fight financial corruption. Otherwise, these institutions will be more speculative, and this will not only not achieve the desired result, but also cause public concern, people's pessimism about the government, and the desecration of human beings and the disgrace of individuals (Haghshenas and Najafpour). 2010, 39).

## **B. Trust**

Although the term trust is commonly used in colloquial literature, it has been proven that it is very difficult to define it in the organizational literature. In fact, social trust refers to accepting the risk of facing others, assuming that they are as expected they will behave (Sharepour 2007, 168) or will not persecute us, and is divided into four categories: 1- Basic trust 2- Personal trust 3- Social trust 3- Institutional trust

### **The impact of trust on government-private sector relationships**

When there is no trust, people in the community consider the intentions and goals of others' behavior with suspicion. In an atmosphere of suspicion, people do not consider others as collaborators, but as competitors and seek to understand the reasons and motives of profiteering and malicious pursuit of their every action and decision. As governments sometimes blame the private sector for this when problems arise, and capitalists blame the growing economic turmoil, and sometimes even sacrifice the private sector to satisfy public opinion. The atmosphere of suspicion leads to cooperation and ways and actions lead to intensified distrust. The private sector believes that the government is not the main and final factor of change and the government is expected to change its behavior and attitude. In the case of the private sector, three categories of factors can be considered as a wave of declining trust between the two sectors. First, the government's lack of need for the private sector due to its reliance on oil revenues, second, the private sector reproduces the relationship based on distrust due to weak cohesion, lack of comprehensive vision and attitude towards national development and dependence on rent. The third category is the changes and fluctuations of macroeconomic variables that make the operating environment unpredictable. In general, the private sector not only does not trust the government, but also believes that the government does not trust the private sector, and does not move in their interests. The government feels that the private sector relies only on government resources, and the private sector suspects that government managers and experts expect some of the profits to be credited to them in exchange for the transfer of these resources. As a result, cooperation is formed on the basis of mistrust, which aims to remove more public resources, which intensifies this cycle of mistrust, and in turn affects the reproduction of this unhealthy relationship. Finally, the government fears that the private sector will seize power because it can assert itself in the political arena, and seeks to weaken the private sector, and ignore their interests, because any economic power can become political power, and this is not desirable for the government.

### **How trust affects economic development**

The level of trust in society is a function of social norms. Trust helps people avoid the costs of searching to determine honest brokers and formulating and signing expensive contracts. In a world

where there is trust, the costs of doing business and the risks of doing so are reduced. Also, in a world where there is little trust, consumers need to spend more time and effort identifying honest brokers. The use of trust has a long history among decision makers. Trust is the best alternative in the absence of a legal guarantee.

The use of the exploratory effect of trust reduces transaction costs, and makes quick, effective and efficient decisions in a world with legal guarantees but limited rationality. In fact, trust is expected of the other party acts on the promise made. Such people are likely to keep their promises because one knows that the interests or well-being of others are their own well-being, indicating a reciprocal relationship, or knowing that if they break the contract, their credibility will be damaged or they will face unpleasant legal and social consequences and undoubtedly, there will be associated with economic consequences (Amartyasen 2001, 61).

Economic actors easily feel the consequences of low levels of public trust in their economic activities, and believe that they should seek the trust of the people to get their opinions, which, if unsuccessful in dealing with the private sector, is incompatible with long-term and developmental economic behavior. Economic behaviors, especially those of investment-related behaviors, depend more than anything on the predictable environment. Human actions are future-oriented, investment is considered as one of the actions that are clearly dependent on an understanding of the future. People are less inclined to invest in the long run when people feel confused about the future, or can't predict it. Trust is associated with predictable situations, which is why communities with high levels of trust provide a more conducive environment for economic development.

Lack of trust means more risk than anything else. Countries with a higher level of public trust have a higher level of partnership between the workforce and management, as well as a higher level of unionization. As the level of public trust increases, so the number of union members increases. If mistrust is institutionalized in society, it wastes people's energy. With the spread of suspicion and pessimism, fear, and a bleak future, people have less opportunity for individual initiative, and acceptable opportunities for profit diminish, and meritocracy diminishes.

Fear, hypocrisy and pessimism are seen in such a society, and an external order with a predominantly political nature prevails in the society in a fragile way. In such a society, the vicious cycle of mistrust, fear and hypocrisy is reinforced. Trust in the social spheres of society is greatly influenced by the government or in other words political trust at the community level. As political trust increases in a society, trust in the social sphere is strengthened. Trust plays an important role in the production of knowledge and any public good. Because trust makes possible the production and sharing of large amounts of knowledge compared to authority or market rule, it significantly reduces transaction costs as well as firm risk. Therefore, trust can greatly alleviate the coordination problems that arise because knowledge is a public good. Financial markets are highly dependent on trust for activity, because the activity of these markets involves the promise of future payments, the debtor of these transactions must be very reliable, because legal protection alone is very costly and unreliable.

### **C. Rent**

Economic rent refers to any earnings that result from monopolies, licenses, and quotas. The school of public choice considers the existence of economic rents as the reason for the failure of government intervention in the economy, and believes that the granting of monopolies by the government is the cause of rents.

#### **The impact of rents on economic development**

High tendency to monopoly is one of the characteristics of rent-seeking economic systems, in which monopoly, whether public or private, is considered as an opportunity to exploit monopoly positions for personal gain. In a society in which a small group owns property ownership, the likelihood of developing biased and self-interested socio-economic policies increases. High economic concentration leads to increased rents in society by influencing economic policies, and increasing income inequality. Also, monopoly control provides countless opportunities for personal abuse. They believe that monopolies increase the likelihood of rent-seeking in shaping policies, rules, controlling access to infrastructure, and setting up executive operations to build companies (Susan Rose-Ackerman, 1999,

87-127). Also, rent-seeking governments are divided into three groups, which are: 1) *Kleptocracy*, 2) *bilateral monopolies*, 3) *mafia-dominated*

In kleptocratic regimes, a corrupt ruler and those around him have complete control over everything, including economic resources. According to this, one can observe a kind of special state monopoly. In fact, kleptocrats misuse resources as sources of personal gain by having sources of economic power. However, privatization is also seen in some of these types of governments. In most cases, privatization is designed to involve the forced sale of state-owned companies and institutions at a low price to the ruler and those around him.

The head of government is faced with a small number of bribe-takers in the private sector (monopoly of the private sector and the public sector), opportunities for unjust personal gain are created for the parties in this mutual monopoly. In the bilateral monopoly of bribe-takers, their relative power determines the distribution of benefits and their total amount. The third type of rent-seeking government is mafia-dominated governments, in which private power dominates the public sector, and buys the cooperation of government officials through intimidation and bribery.

In the private sector, monopolists may be domestic mafias, corporations, or cohesive oligarchies, with dysfunctional democracies or authoritarian governments with weak management, bribery and embezzlement by government officials from government-entrusted resources, and fraud in the form of manipulation of information and statistics by government employees to achieve personal gain is an example of rent, which the efficiency of economic activities increases with decreasing rents., and then private sector activists more confidently turn to high-yield and profitable investment from boosting production and creating security for investment, and it is obvious that by continuing this process, a suitable context will be provided for creating employment and attracting more labor and reducing the unemployment rate.

Rents have a significant effect on investment by increasing uncertainty to the return on investment activities, and entrepreneurs are forced to transfer part of their investment income to rent-seeking authorities in order to obtain and access the target market. Rents create uncertainty through illegal activities and secrecy, so that rents increase the uncertainty of the return on investment activities and ultimately reduce the incentive for individuals to invest (Schelfer and Vishni 1993, 157).

#### **D. Instability of foreign and domestic laws and policies**

Policies and strategies adopted by the government in some cases translate into laws and regulations, which must have a relative and stable stability, which unfortunately economic legislation does not have the necessary reflection and precision and expertise and is not far from political passions and cross-cutting crises and they are carried out under the influence of certain circumstances, without taking into account all the different cultural, social and economic aspects of the issue. As a result, homogeneous policies are not pursued in the laws that are regulated.

This creates a mismatch between the various economic components. On the other hand, the worst impact is on the country's economic security through frequent changes in laws, regulations, bylaws and directives. Conversely, the relative stability and reasonable longevity of policies and regulations in an economy, and the lawfulness and predictability of policy and regulatory changes, reinforce the sense that operators are operating in a safe and predictable environment by creating a sense of calm, in such an environment 1. Unexpected changes in policies and laws are few 2. Brokers are confident that the government will abide by the policies and laws that it has set and announced 3. Any changes in policies and laws will be notified immediately to stakeholders and brokers are involved in the process of making changes to policies and regulations. The stability of a country's domestic and foreign laws and policies, which provides a good platform for the economic activities of a society, means a calm and reliable political and social environment, continuity of laws, management and policies, as well as the absence of conditions such as war, revolts, coups, chaos and threats to the system and society. If this variable can have a significant impact on the economic structure in many ways, and affect production and economic growth.

#### **The impact of stability of foreign and domestic laws and policies on economic development**

It is a complex, difficult and time-consuming process to achieve economic development, which on the one hand requires a lot of effort and practice, stability, determination and mobilization of all resources



to achieve it, and on the other hand requires a calm and stable political and social context. It is a prerequisite for its realization, and it is necessary for political stability to be achieved in order to achieve any goal we consider for development, including economic development. Basically, the development-seeking government, which seeks to achieve development, must establish stability in various areas of government, including policies, management, laws, etc., as a necessary first step. Continuous changes in policies, laws, strategies and confusion in pursuing different development goals lead to the loss of resources and facilities of society and the loss of development opportunities. Furthermore, the existence of any political instability, such as war, coups, street riots, and threats, removes development from priority and diverts society's resources and resources to goals other than development.

Various thinkers have emphasized the importance of a stable environment in order to achieve development. Huntington, for example, argues that the difference between states in achieving growth and equality, or that neither is achieved, depends on the environment in which growth takes place (Weiner and Huntington, 1996: 5). Politics in different countries is more important than the difference between democracy and autocracy (Huntington, 1996: 5). Political calm is essential for development so that individuals and human groups can reflect on innovation and creativity. Political ups and downs in the field of political legitimacy delay the realization of development and ultimately make it impossible. Political unrest disrupts the confidence and hope for the future that underlies development, contaminates the decision-making and policy-making space, and, in general, leads to reduced efficiency and desirability (Sariolghalam, 1996: 1993).

Lack of a clear and comprehensive definition of national goals and interests is another obstacle to development and economic development in particular, which creates permanent instability in the definition of national interests, goals and general principles of domestic and foreign policy by creating instability in policies and strategies. These definitions are constantly evolving and evolving with the emergence of new groups and governments and their coming to power, all of which have led to a lack of economic development.

### **Conceptual model of research**

Theoretical framework and conceptual model are presented with the aim of building a model from which hypotheses, concepts and variables can be extracted and hypotheses tested in the study community. A theoretical model with theoretical support may become a theory after the final confirmation of some hypotheses by inferential statistical methods.

The following model is examined to investigate the factors affecting the reduction of investment in sustainable employment generation projects.

**Diagram:** Conceptual research model: Investigating the factors affecting the reduction of investment in the fields of sustainable employment generation

### **Research hypotheses**

1. There is a positive and significant relationship between rent and investment reduction in employment generation projects.
2. There is a positive and significant relationship between lack of transparency and reduction of investment in employment generation fields.
3. There is a positive and significant relationship between lack of trust and reduction of investment in employment generation projects.
4. There is a significant relationship between the instability of foreign and domestic laws and policies and the reduction of investment in employment generation projects.

### **Research methodology**

This study is considered as a quantitative research, and in terms of purpose, it is classified in the category of applied research and in terms of time, in the category of cross-sectional research. Data were collected by survey, which was analyzed by field method. Also, the present study is considered as a descriptive and correlational study in terms of method, in which the relationships between variables are investigated using the structural equation modeling approach. SPSS25 and LISREL10.20 software have been used to study descriptive and inferential statistics.

### Statistical population and statistical sample

Given that nearly 80% of the country's economy is concentrated in Tehran province, and most companies in Tehran have headquarters, the statistical population of this study includes all managers of manufacturing companies and entrepreneurs in Tehran province. 384 people were selected as a statistical sample using Cochran's formula due to the large number of statistical population and their uncertainty.

Where,

$Z_{\frac{\alpha}{2}}$ : The value of the unit normal variable, corresponding to the 95% confidence level,

$\varepsilon$ : Permissible error value,  $0.05 = \varepsilon$

P: The probability of success is considered 0.5 using the precautionary method.

q: Probability of failure whose value is  $1-p$ .

384 questionnaires were distributed based on simple random sampling method between statistical samples during 2 months according to the unlimited statistical population and based on the above calculations. Finally, 324 questionnaires were completed.

### Data collection tool

In this study, data is collected using both field and library methods.

**Library Method:** This section addresses data collection by examining the theoretical and experimental foundations of research. For this purpose, books, scientific journals, articles and dissertations related to the research topic as well as authoritative scientific articles published in related journals are reviewed. (Delavar, 2007, 58)

**Field method:** Given that the relationships between variables are determined by receiving the opinions of managers and entrepreneurs, in this study, questionnaire tools are used to collect their opinions to assess the status of research variables (Azar and Momeni, 2012, 29).

### Questionnaire

The questionnaire was used as a measurement tool. The questionnaires that were set up by the researchers to collect the information needed for this study included specific questions (18 questions in 5 indicators based on the Likert scale (five-point scale including very low, low, medium, high and very high)).

### Measurement of measurement tool

The questionnaire should have good validity and reliability to ensure that the measurement results and measurement data are reliable. Validity means the extent to which the measurements obtained in a study represent the actual status and dimensions of the phenomenon we intend to measure. (Sakaran, 2006, 106) Content validity was used to determine the validity of the questionnaire in this study, as the initial questionnaire was given to the expert after preparation, then the opinions of professors and experts were taken into account in the questionnaire.

*Table 1- Questionnaire reliability*

Cronbach's alpha	number of samples	Number of questions	Component	No
0.804	324	3	Investing in employment generation projects	1
0.406	324	4	Rent	2
0.746	324	4	Lack of transparency	3
0.969	324	3	distrust	4
0.974	324	4	Political instability	5
0.911	324	18	Total questionnaire questions	

Reliability means the extent to which a measuring instrument achieves the same results under the same conditions. In this case, Cronbach's alpha criterion is used. Cronbach's alpha is a classic indicator for reliability analysis that provides an estimate for reliability based on the internal correlation of references. A tool with a Cronbach's alpha of a minimum of 70% has good reliability. Reliability test was performed by "SPSS25" software. In this study, values above 0.7 were obtained for all variables and dimensions.

**Research Findings**  
**Descriptive statistics**

The average standard deviation and kurtosis of the research variables are given in Table 2.

*Table2: Descriptive values of variables*

Kurtosis	Skewness	Standard deviation	Average	Variable
0.427	-0.041	0.42	3.95	Rent
-0.318	-0.436	0.38	3.96	Lack of transparency
0.561	-0.901	0.68	4.34	distrust
1.403	-1.254	0.94	4.11	Political instability
1.679	-1.276	0.79	3.78	Investing in employment generation projects

According to the table above, Kurtosis and skewness of all variables are between -2 and 2, which is acceptable.

**Inferential statistics**

The Kaiser–Meyer–Olkin test should be performed to ensure sample adequacy before factor analysis.

**The Kaiser–Meyer–Olkin test:**

The Kaiser-Meyer-Olkin measure of sampling adequacy tests whether the partial correlations among variables are small, and thus determines whether the variance of the research variables is affected by the common variance of some latent and fundamental factors. This index is in the range of zero to one. If the value of the index is close to one, the data are suitable for factor analysis, otherwise (usually less than 0.5) the results of factor analysis are not very suitable for the data.

**Bartlett's test:** This test examines when a correlation matrix is known (mathematically a unit matrix) and is therefore unsuitable for identifying a structure (factor model). The correlation matrix has two modes:

**Mode 1:** When the correlation matrix between variables is a unit, identity matrix, then there is no significant relationship between variables, and therefore it is not possible to identify new factors based on the correlation of variables with each other.

**Mode 2:** When the correlation matrix between variables is not a single matrix, in which case, there is a significant relationship between the variables and therefore it is possible to identify and define new factors based on the correlation of variables. If the significance of the Bartlett test is less than 5%, factor analysis is appropriate to identify the structure (factor model), because the assumption that the correlation matrix is known is rejected (Torani, 2013). Tables 6 and 7, show the adequacy of sampling in both general and partial modes.

*Table 3: 6- Sampling adequacy test in general mode*

0.904	Kaiser–Meyer–Olkin test
8489.006	Bartlett's test
153	Degrees of freedom
0.000	Significance level

According to the table above, a sampling adequacy index is close to 1, and since the significance level is less than 0.05, the sample adequacy assumption is accepted. Kaiser–Meyer–Olkin test and Bartlett spherical test statistics and significance level of each of the variables are given in the table below, which have all been confirmed.

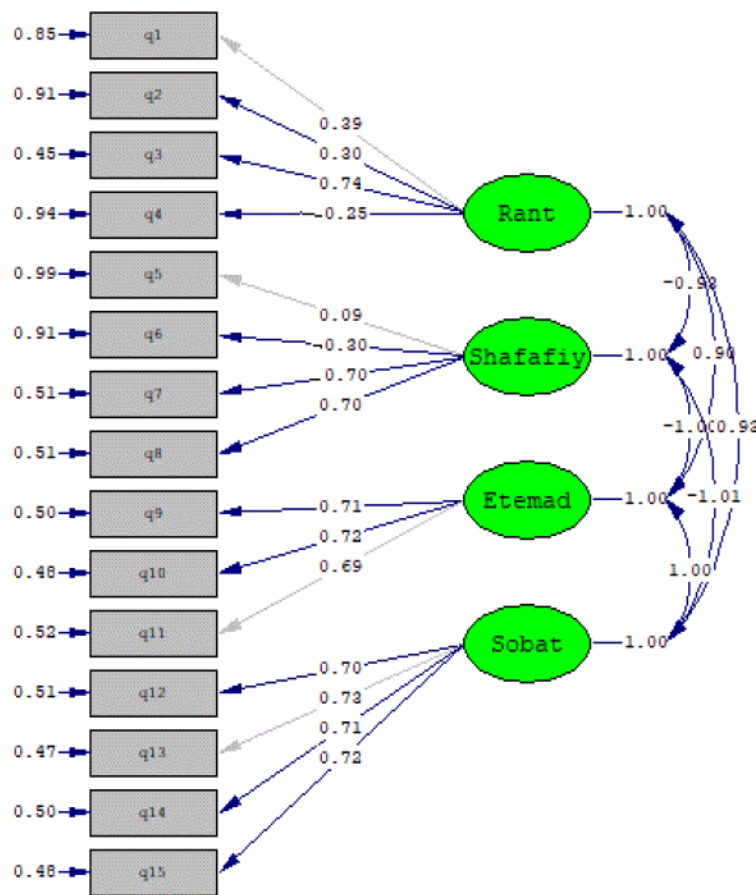
*Table 4- Kaiser–Meyer–Olkin test for each variable*

Cronbach's alpha	number of samples	Number of questions	Component	No
0.586	324	3	Investing in employment - projects	1
0.544	324	4	Rent	2
0.645	324	4	Lack of transparency	3
0.756	324	3	distrust	4
0.810	324	4	Political instability	5

**Confirmatory factor analysis**

Confirmatory factor analysis examines the relationship between items (questionnaire questions) and constructs (variables). Therefore, confirmatory factor analysis is used to prove that the data were measured correctly. Factor load is used to show the strength of the relationship between the hidden variable and the visible variable. The load factor is between zero and one. If the factor load is less than 0.3, the weak relationship is considered and ignored. A factor load of between 0.3 and 0.6 is acceptable, and if greater than 0.6 it is highly desirable (Klein, 1994).

LISREL software was used to calculate the results of factor analysis of the scale of measuring research variables and the results are given in Figures 2 and 3. In order to measure 18 questions (visible variables) were used. The factor load observed in all questions of the questionnaire is greater than 0.3, which indicates that the correlation between the hidden variables (dimensions of each of the main structures) and the observable variables is acceptable.



*Figure 1: Factor load of the variables of rent, transparency, trust and political stability*

Research hypotheses can be examined in two ways. First, using LISREL software and the other is using SPSS software. The t-statistic is used in both methods to test a hypothesis, and if this statistic is greater than 1.96, then the relationship between the two variables will be significant with 95%

confidence. Figure 4 shows the output of LISREL software. According to this graph, all statistics are or greater than 1.96, and at the 58% error level all hypotheses are confirmed.

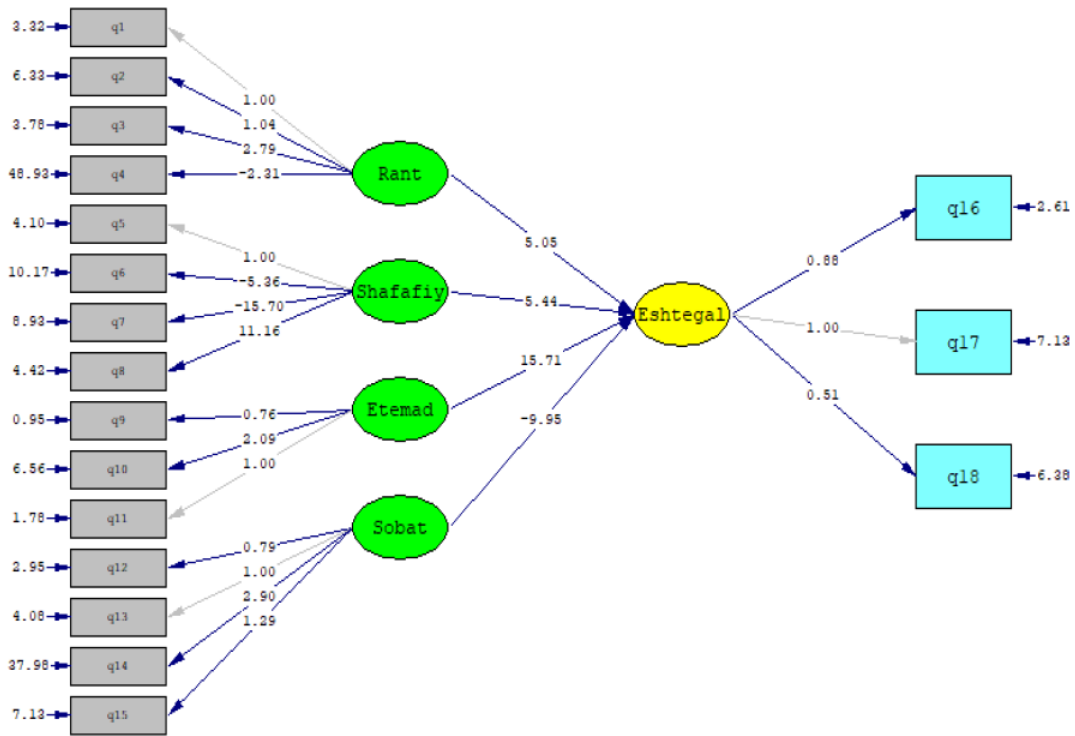


Figure 2: Investigation of research hypotheses using LISREL software

### Fit indices

"To what extent does the model formulated on the basis of theoretical framework and empirical background corresponds to reality?" This question arises for any researcher who has codified his research in the form of a model of structural equations, and is willing to answer it. Acceptable scientific criteria for validating the theoretical model developed using its collected data constitute the main discussion in the "model fit indices".

Although the researcher is often faced with a single criterion for deciding whether to reject or confirm the null hypothesis in traditional statistical methods, there is no such criterion in modeling structural equations until the researcher decides based on that criterion whether his theoretical model is acceptable scientifically or not. Such a situation is due to the complexity and combination of these types of models.

Table 5: Fitting indicators of the theoretical model of research

The value obtained	Optimal amount	Model fit criteria	Index type
125	-	Degrees of freedom (df)	Absolute indicators
237.98	$Df3 \leq x^2 \leq 2df$	Chi-square index ( $x^2$ )	
1.903	Less than 3	Square index adjusted ( $x^2 / df$ )	
0.924	More than 0.90	Goodness-of-Fit (GFI)	Relative indicators
0.057	Less than 0.09	Remaining average squares (RMR)	
0.940	More than 0.9	Confirmatory Fit Index (CFI)	
0.053	Less than 0.08	The root mean square error of approximation (RMSEA)	
0.676	More than 0.6	Parsimony Goodness-of-Fit Index (PGFI)	
0.721	More than 0.6	Parsimony Normed Fit Index (PNFI)	
0.913	More than 0.9	Normed fit index (NFI)	
0.926	More than 0.9	Non-normed fit index. (NNFI)	
0.941	More than 0.9	Incremental Fit Index (IFI)	

There are more than thirty model fit indicators, most of which are reported in software output. Despite the large number of these indicators, most authors agree that these indicators can be divided into three general groups, although there is less agreement on the usefulness of each. The three general groups of model fit are:

1. Absolute fit indices
2. Comparative fit indices
3. Affordable fitting indicators

Chi-square index ( $\chi^2$ ) is considered as one of the absolute indicators. As the chi-square value of the model is smaller, the model developed by the researcher will be more satisfactory and better. The adjusted Chi-square index ( $\chi^2 / df$ ) is one of the general indices, which is calculated from the simple division of the chi-square value to the degree of freedom of the model, and often values between 1 and 3 are considered acceptable for this index. According to the table, its value for desired model is 1.563 which is acceptable.

Goodness-of-fit index (GFI) is considered as one of the adaptive indicators that a value greater than 0.9 for this value indicates a good fit of the model by the data (Yurskag and Sorbum, 1989). The value of this index for this study is 0.924. The remaining square matrix is one of the common matrices that can be used to evaluate both general and partial fit. The remaining average squares (RMR) for this model is 0.057, which is a good value. Adaptive fitness index (CFI) is one of the adaptive indices, which values 0.9 to 0.95 are interpreted as acceptable and values above 0.95 for this index as a very good fit of the data to the model.

Its value in this study is 0.94, which is acceptable. The The root mean square error of approximation (RMSEA) is one of the most important fitting indices, which if its value is less than 0.08, the results of the model can be trusted (Brown and Shogavara, 1996, 64). In this model, this index is 0.053, and it is a desirable value.

### The results of research hypotheses

The research hypotheses are investigated and tested after examining the fit of the measurement models and the structural mode and having a suitable fit of the model. Therefore, the results obtained from the significance level for each of the hypotheses, the t-statistic of the paths related to each of the hypotheses using SPSS software are discussed in the following sections.

**Hypothesis 1:** There is a positive and significant relationship between rent and investment reduction in employment generation projects. After examining the factor load in LISREL software, the "rent" variable measurement items were selected correctly, and all cases of standardized factor load greater than 0.4 were obtained, indicating that the observed correlation is desirable. The t-test was used to measure the significant relationship between the two variables. The test statistic is 14.676, the absolute value of which is greater than the critical value of t, i.e. 1.96, and the significance level less than 5% indicates that the observed correlation is significant. Therefore, the variable "rent" has a positive and significant effect on reducing investment in employment generation fields.



*Figure 3: Test statistics of the effect of "rent" on investment reduction*

**Hypothesis 2:** There is a significant relationship between lack of transparency and investment reduction in the areas of the sustainable employment generation. After examining the factor load in LISREL software, the "lack of transparency" variable measurement items were selected correctly, and all cases of standardized factor load greater than 0.3 were obtained, indicating that the observed correlation is desirable. The t-test was used to measure the significant relationship between the two variables. The test statistic is 2.341, the absolute value of which is greater than the critical value of t, ie 1.96, and the significance level less than 5% indicates that the observed correlation is significant. Therefore, the variable "lack of transparency" has a positive and significant effect on reducing investment in employment generation fields.



*Figure 4: Test statistics of the effect of "lack of transparency" on investment reduction*

Hypothesis 3: There is a significant relationship between lack of trust and reduced investment in the areas of the sustainable employment generation. After examining the factor load in LISREL software, the "lack of trust" variable measurement items were selected correctly, and all cases of standardized factor load greater than 0.3 were obtained, indicating that the observed correlation is desirable. The t-test was used to measure the significant relationship between the two variables. The test statistic is 4.956, the absolute value of which is greater than the critical value of t, ie 1.96, and the significance level less than 5% indicates that the observed correlation is significant. Therefore, the variable "trust" has a positive and significant effect on reducing investment in employment generation fields.



*Figure 5: Test statistics of the effect of "Trust" on investment reduction*

**Hypothesis 4:** There is a significant relationship between Instability of foreign and domestic laws and policies of the government and reduced investment in the areas of the sustainable employment generation. After examining the factor load in LISREL software, the "Instability of foreign and domestic laws and policies of the government " variable measurement items were selected correctly, and all cases of standardized factor load greater than 0.3 were obtained, indicating that the observed correlation is desirable. The t-test was used to measure the significant relationship between the two variables. The test statistic is 7.776, the absolute value of which is greater than the critical value of t, ie 1.96, and the significance level less than 5% indicates that the observed correlation is significant. Therefore, the variable "Instability of foreign and domestic laws and policies of the government " has a positive and significant effect on reducing investment in employment generation fields.



*Figure 6: Test statistics of the effect of "Instability of foreign and domestic laws and policies of the government" on investment reduction*

*Table 6: Summary of the results of research hypotheses*

Result	The significance level	t Statistics	Path	No
Confirmed	0.000	4.676	There is a positive and significant relationship between rent and investment reduction in the areas of employment generation.	1
Confirmed	0.020	2.341	There is a positive and significant relationship between lack of transparency and investment reduction in the areas of employment generation.	2
Confirmed	0.000	4.956	There is a positive and significant relationship between distrust and reduced investment in e in the areas of employment generation.	3
Confirmed	0.000	7.776	There is a positive and significant relationship between the instability of foreign and domestic government laws and policies and the reduction of investment in the areas of employment generation.	4

**Discussion and conclusion**

This study has sought to investigate the effect of various factors on the reduction of investment in employment generation areas. In this regard, the relationships between four independent variables and a dependent variable were examined in the form of four hypotheses that all hypotheses were confirmed. Given that investors first calculate the profit and loss and act according to the social structures and conditions in which they are located, therefore it is very important to estimate the exchange costs for investment, otherwise it will destroy capital.

### **Recommendations:**

1. Providing a suitable context for the stability of government policies and creating stability in the legal order and formulating laws and regulations and contexts for building trust, eliminating rents and corruption in the country.
2. Respecting private sector contracts and investments and the government should refrain from exerting government influence in undermining contracts and confiscating private sector property
3. Laws and advertisements should all follow the creation of a sales market instead of creating production, or at least facilities should be paid for products that can be sold.
4. The laws of the country should be formulated with a minimum number and in a transparent manner.
5. Preventing the payment of employment loans until the removal of structural barriers.
6. Abolishing monopolies and facilitating licensing of economic activities to the public

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