

Investigation of the effect of market on economic growth of businesses: Case study of agricultural processing industries in Kerman

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Abstract: This study aims to identify the effect of market on economic growth of businesses in agriculture and processing industries section. In fact, the study is going to investigate that how the effect of economic growth of businesses of agricultural processing section is. The population of the study is the managers of agricultural processing businesses in Kerman. Simple random sampling method has been used, and data gathering tool at this stage was questionnaire. The validity of the study was measured through experts, and the reliability of the questionnaire was approved by using Chronbach Alpha which is obtained 0.82. Mean test and ANOVA test have been used for data analysis to confirm the hypotheses. The results showed that the effect of customers, competitors, and the government on economic growth of agricultural processing businesses in Kerman is significant.

[Javidi, Ali. **Investigation of the effect of market on economic growth of businesses: Case study of agricultural processing industries in Kerman.** *Academ Arena* 2013;5(9):11-16] (ISSN 1553-992X).
<http://www.sciencepub.net/academia>. 3

Key words: market, economic growth, business , Agricultural Development.

1. Introduction

Economic growth of businesses and investments can leads to the reformation of management system and transmission of economic experiences as well as utilization of modern technologies (Bodn, 1999). A declining share for agriculture in national employment and GDP is an inevitable consequence of economic progress (Byerlee et al, 2009; Timmer, 1988; Cervantes et al, 2009). Lewis(1955) viewed economic development as a process of relocating factors of production from an agricultural sector characterized by low productivity and the use of traditional technology to a modern industrial sector with higher productivity. Lewis's theory was interpreted as advocating industrialization and used to justify government policies that favoured protection for domestic industries and, explicitly or implicitly, taxed the agricultural sector (Kirkpatrick et al, 2004). That theory and it implications for policy have been largely debunked by later work and the degree to which economic policies of developing countries discriminate against agriculture has lessened dramatically in recent decades (Anderson et al, 2008). Many efforts have been made in Iran to contribute in huge volume of capital transmission in the world, and many obstacles have been overcome; but still the contribution of Iran to absorb universal capitals is little. Agriculture in Iran has allocated a significant share of gross national production and huge share of non-petroleum exports. Therefore, the growth of this section plays a determinant role in economic growth of the country. Investment on infrastructure is one of the factors that can increase the productivity of agriculture by increasing the productivity of labor

force, capital, and other inputs of production(Estevez, 2004; Traxler et al, 2001). Unlike many of claims about inefficiency of agriculture, which mainly come from lack of recognition and lack of attention to the inherent potentials of the economy of Iran, this section is the infrastructure of our economy and also can make an evolution in our social system in terms of enabling, and it can be the beginning of several construction in socioeconomic relations of the country (Estevez, 2004).

The statistics show that after the entrance of any technologies in agriculture, many workers lose their jobs, but upstream and downstream businesses and industries of agriculture form by the same speed of production increase in agriculture and provide the possibility of employment for manpower from simple workers to engineers, traders, retailers, and brokers (Lumby, 1991). With regarding to such development, the role of processing industries in agriculture will be increasingly serious(Bodn, 1999).

Thus, scientific agriculture cannot be useful by focusing on today's knowledge and without providing appropriate businesses in processing industries (Hughes, 2009). And any production without support of permanent markets cannot be out of risk. While many farmers are obliged to invest most on constant assets, and it can reduce cash on flow of the farmer which can be the support of market risk in productions' prices (Traxler et al, 2001) It is necessary for every farmer to allocate a part of his capital to the affairs after harvest, such as processing, packaging, or other activities(Lumby, 1991).

Recognition of the factors, especially in the

market, affecting economic growth of agricultural processing businesses seems necessary (Estevez, 2004). Haghighi indicated that the tendency of agricultural processing producers of Khorasan province to export their product can be an important factor to accelerate the process of export and growth of businesses. Shakeri and Mousavi also reported that value-added of agriculture section has no effect on growth of businesses and private investment on agriculture over long-term. Shokri et al showed that capital stock in agriculture and banking facilities to the agricultural sector have positive and significant effect on growth of businesses and investment. According to the importance of the subject and mentioned discusses, and regarding to the fact that, there has been no research on this field in Kerman, this study aims to investigate the effect of market on economic growth of agricultural processing businesses of Kerman.

So, the present study looks for the answer of the following questions:

How is the impact of customers on economic growth of agricultural processing businesses of Kerman?

How is the impact of competitors on economic growth of agricultural processing businesses of Kerman?

How is the impact of suppliers on economic growth of agricultural processing businesses of Kerman?

How is the impact of the government on economic growth of agricultural processing businesses of Kerman?

How is the impact of brokers on economic growth of agricultural processing businesses of Kerman?

2. Main body

Research methodology

The method of the study is to survey, and its tool is researcher-made questionnaire. The population of the study includes the managers of agriculture processing industrial units of Kerman. The number of active production units on processing industries in Kerman is 720 units. The sample of the research has been obtained using Cochran's formulation. The number of sample volume was considered 250 by using this formulation.

Random sampling method was used to choose the managers of agriculture processing industries for data gathering.

The questions of the questionnaire: this part of the questionnaire includes two sections:

General questions: it has been tried in general questions to gather general and demographic information about the respondents.

Subject questions: this section involves expert

questions related to the effect of market on economic growth of business. The efforts have been made that the questions of this section be understandable. Likert's spectrum which is one of the most common measures has been used in this part. General layout and scoring of this spectrum for the questions is as very low, low, somewhat, high, and very high.

The validity of each questionnaire has been investigated and approved by advisor, consultant, and five members of scientific board of the university, and also five experts and scholars of this field. One of the ways to calculate the validity and reliability of the tool is Chronback's alpha, which would be used in this research. Alpha coefficient indicates that questions have overlap and alignment. In this regard, a set of respondents have answered the questions accurately. For a test with research objectives, obtaining the reliability within 0.6 to 0.8 is appropriate and sufficient. Therefore, chronback's alpha has been used to measure the validity and this value was calculated 0.82 by using SPSS software, which is an accepted value.

Discussion and results

At first, simple correlation coefficient between variables was used to investigate whether there is generally a relationship between the variables. According to the table1, the correlation between costumers, competitors, and government with economic growth of agricultural processing industry businesses in Kerman is significant.

Table 1- correlation coefficients between the variables

Variable	Economic growth of businesses	Costumers	Competitors	Government	Suppliers	Brokers
Economic growth of businesses	1					
Costumers	.682**	1				
Competitors	.559**	ns, .019	1			
Government	.475**	ns, .075	ns, .065	1		
Suppliers	ns, .017	ns, .019	ns, .109	ns, .029	1	
Brokers	ns, .075	ns, .075	ns, .055	ns, .005	ns, .045	1

To investigate the significance of the effect of costumers on economic growth of processing industry businesses and significant linear relationship between these two variables, regression variance analysis has been used, and the slope and intercept were tested. According to the table 2, the effect of costumers on economic growth of agricultural processing industry businesses in Kerman is significant at 1% possibility level.

Table 2- the results of ANOVA table between costumers and economic growth

Change resource	Freedom degree	Sum of squares	Mean of squares	F	P-value
Regression	1	240.47	240.47	103.49	.0004
Remaining	249	276.50	2.324		
Total	250	516.97			

As table 2 shows, the value of P is significant at level 0.01. Meant that, the effect of costumers on economic growth of agricultural processing industry businesses in Kerman is significant at 1% possibility level. On the other words, purchasing power and preferences, and other factors associated with this variable can affect significantly on economic growth of agricultural processing industry businesses in Kerman, and should be considered. For instance, the decrease of costumers' purchasing power might leads to the reduction of economic growth of agricultural processing industry businesses in Kerman, vice versa. These findings are in accordance with the findings of Shokri et al, who investigated the factors affecting the growth of businesses in agriculture sector. The result of their study indicated the significant role of costumers on economic growth of businesses in agriculture.

To investigate the significance of the effect of competitors on economic growth of processing industry businesses and significant linear relationship between these two variables, regression variance analysis has been used, and the slope and intercept were tested. According to the table2, the effect of competitors on economic growth of agricultural processing industry businesses in Kerman is significant at 1% possibility level.

Table 3- the results of ANOVA table between competitors and economic growth

Change resource	Freedom degree	Sum of squares	Mean of squares	F	P-value
Regression	1	162.61	162.608	54.133	.0004
Remaining	249	357.46	3.004		
Total	250	520.06			

As table 4-6 show, the value of P is significant at level 0.01. Meant that, the effect of competitors on economic growth of agricultural processing industry businesses in Kerman is significant at 1% possibility level. On the other words, number of competitors, technology level, experience, and affordability can affect significantly on economic growth of agricultural processing industry businesses in Kerman, and should be considered. For instance, the increase of technology level might leads to the increase of economic growth of agricultural processing industry businesses in Kerman, vice versa.

These findings are in accordance with the findings of Lambi. He concluded in his research entitled "measuring the growth of businesses and investment and related decision" that the competitors play an important and significant role in business growth.

According to the table1, there is not a significant correlation between suppliers and economic growth of agricultural processing industry businesses in Kerman. Therefore, there is no line equation for them. This lack of correlation between suppliers and economic growth of agricultural processing industry businesses in Kerman means that the managers participated in this research believed that suppliers have no significant effect on their economic growth. Thus, third hypothesis is denied. These results were also obtained by Shakeri and Mousavi. They studied the factors affecting economic growth of businesses and private and public investment on agriculture sector and concluded that the effect of suppliers is not significant. These findings are in accordance with the findings of Vigel. He concluded in his research entitled "estimation of investment demand function and economic growth of businesses in agriculture sector" that the suppliers play an unimportant and insignificant role in business growth.

According to the table 4, the effect of government on economic growth of agricultural processing industry businesses in Kerman is significant at 1% possibility level. So, hypothesis 4 is accepted.

Table 4- the results of ANOVA table between government and economic growth

Change resource	Freedom degree	Sum of squares	Mean of squares	F	P-value
Regression	1	3.162	3.162	12.947	.0001
Remaining	249	21.982	.244		
Total	250	25.145			

As table 4 shows, the value of P is significant at level 0.01. Meant that, the effect of government on economic growth of agricultural processing industry businesses in Kerman is significant at 1% possibility level. On the other words, laws and interest rate can affect significantly on economic growth of agricultural processing industry in Kerman, and should be considered. For instance, the increase of interest rate might leads to the increase of economic growth of agricultural processing industry businesses in Kerman, vice versa. These findings are in accordance with the findings of Araji. He studied the yield of investment of the government on agriculture sector and wheat research in western regions of USA, and concluded that the role of government on economic growth of agriculture section is significant.

According to the table1, there is not a significant

correlation between brokers and economic growth of agricultural processing industry businesses in Kerman. Therefore, there is no line equation for them. This lack of correlation between brokers and economic growth of agricultural processing industry businesses in Kerman means that the managers participated in this research believed that brokers have no significant effect on their economic growth. Thus, fifth hypothesis is denied. These results were also obtained by Ghorbani and colleagues. They recognized the effect of market on economic growth of businesses and investments on agriculture of Khorasan Razavi in soil protection, and reported that the role of brokers in economic growth of businesses is insignificant.

Agricultural wastes in Iran are estimated about 25 to 30%. Economic value of these wastes is approximately 5 billion dollars. It can provide three foods of 20 million people. This is while 25 to 30% of our population are vulnerable in terms of energy, protein, and vitamin consumption. And 10% of them suffer from severe nutritional deficiencies and complications of diseases and malnutrition. To overcome this undesired results, we can convert these wastes, which many of them are destroyed during harvest, transportation, stocking, and distribution, and sometimes impose irreparable economic losses to farmers and economy of the country, by appropriate planning to the development and supporting processing and complementary industries of agriculture sector.

Undoubtedly, establishment of processing industries in every region is one of the most useful communications between agriculture and industry sectors. These industries will reduce the rate of seasonal and permanent unemployment in rural areas and also provide the proper grounds for the development of the region as well as increases the productions and productivity, job opportunities, essential needs, relationship with other economic sectors, and decreases regional inequities. Thus, such industries can be pre-requirement of industrialization industry and be the provider of food security throughout the country.

Attention to the importance of this sector, the governments should perform vital activities for more development of the region due to their effective role. In today's agricultural economy, processing industries are important factors in processing the agricultural productions. In this section, on one side improve the value-added of the products, and from other side, present products to the market which are obtained by using modern technologies. Therefore, they have proper features in terms of production and productivity continuity. Moreover, the existing resources will be used properly and the efficiency of

the resources will be significantly increased. The employment established in processing industries is significant in terms of productivity and production. By conversion and processing agricultural products, in addition to production of foods and other high value-added products, the possibility to easily store and transport them will be provided. In developed countries, the government has always established their economic policies based on the combination of agriculture and industries. The possibility of relationship between agriculture and industries in national level is significantly associated with balanced growth of the agriculture and industry sectors, their interactions, as well as complete satisfaction of one's needs to another's. However, in recent years the role of the government in agriculture sector is revised such as other sectors of the economy. In this regard, determining the optimal level of government's tenure has relative high importance in change of public sector's role in servicing agriculture sector.

The role of suppliers has been insignificant in this article. But in many cases they can affect seriously on economic development of agricultural businesses. High prices of produced raw materials and agricultural products from one side, and exhaustion of machineries and old technologies in some of processing and complementary industrial units as well as using labor force from other side caused that the prices of products are higher than foreign rivals and also the productivity of this units is reduced; eventually all of them have negative effect on export.

Customers play a determinant role in economic growth of businesses. Many of senior managers in our country do not have an appropriate relationship with their customers. It can be said that there are 4 main reasons to have inappropriate relationship with customers. First, most of the managers believe that their company has desired relationship with customers previously, so they do not try to improve them. If they face a problem in this field, they think that the problem can be solved by increasing the budget of customers' services or market study. Being in a relationship with the customers is so important that all of them consider it as a priority. But most of the managers consider it obvious so that they neglect it. The second reason that why the managers of big companies have limited relationships with customers is that, they neglect symbolic power of their managerial methods. Being sample is a part of secondary nature of contractor managers, and senior managers of huge companies should be aware of this aspect of the management. Senior managers cannot assign the duty of culture to the others. They are the most important and most effective person in the

company who can do this job. Managerial methods of senior managers affect the performance of work teams, staff, and other managers. When the relationship between senior managers and costumers is cut, this will happen for entire the organization. The third reason which convert the relationship with costumers a vague problem is that it is not considered as an important management problem. Today, the concern of modern managers is issues such as strategy, mergers and acquisitions, stock price and balance sheet strength. Relationship with costumers is considered a low level job, and it cannot be seen as the main factor of success. The fourth and final reason is that most of the managers do not think of costumers from all aspects. From the view of a senior manager in a huge company, costumers are usually information, graphs, and numbers. They are not seen as real humans. Blind spot of the management is to fail to establish costumer oriented companies and not to understand the role manger plays. Lack of real and sustainable relationship has led to the detriment of factors such as innovation, costumer's loyalty, and profitable growth of the organizations.

Suppliers can also significantly effect on the performance of agricultural industries in terms of price, quality, technology, and delivery. Attention to the issues related to supply chain are very important, and among them attention to the long-term relationship with suppliers of raw material should be investigated; because presenting top value is important for the costumers. For this purpose, the pathway from supplier to the end user must be synergic, and should be able to create higher value compared to the competitors. Today, the success of each organization not only depended on the relationship management with the costumers, but also depends on the considerations of suppliers.

The role of brokers on economic growth of processing industries has varied in different studies; but generally it has been always one of the concerns of agriculture sector; in our country, it has been almost to cutoff the hands of brokers and reduces their roles in favor of the government. Basically, there is someone who plays the role of broker in the process of marketing and distribution during delivery the product from producer to the consumer; and it can be said that their presence is essential to accelerate and facilitate the process and reduce the risk of activities. This role can be considered positive when the share they receive from the price is logical and fair, and when they have positive performance on the quality of the product or its distribution.

Some of the brokers play as dealer and receive high amounts of money for their activities, while they have no positive impact on the process of marketing or distribution of the products. If their number is

more than essential limit, their negative role will be increased, and they can even get the supply of the products or a group of products through hoarding and black markets so that increase the prices and inflation rate. Generally, it is not possible to eliminate the dealers; since, the circle of production and consumption is linked through these persons and we should only try to organize them and their activities. To prevent from negative impact of brokers, they should be organized and systemized. The government must plan for improvement of marketing structure, including transportation, processing industries... and provide the facilities for active and effective presence of private sector.

It seems that marketing circle can be organized by transparent market, production cooperatives, and cooperatives related to each stages of marketing process; so that negative effects of brokers would be decreased. Today, we can step in electronic commerce by using modern information and communication technologies, and also develop the marketing process through them.

Organization and systemization of mediation and the effects on development of marketing process leads to the motivation of activities and productiveness in agriculture sector; so that this sector will be developed. Since, receiving the proper price from producer and motivate more production with better quality. On the other side, consumer also receive better quality product with appropriate price, and finally both of them will be interested and increase of welfare will be observed.

Anyway, processing and complementary industries support agricultural products and export development. Development of these units near farmlands is necessary, and reconstruction, modernization and upgrading food and processing industries technology according to the demands of domestic and international markets and strengthening systems to inform investors and exporters cause to develop this industry in the province, and it can brings good futures for economic development of the province.

Conclusion and Recommendations

The following recommendations are presented according to the results of this research:

Attention to the significant effect of costumers on economic growth of processing industries, promotion of culture of using new and varied products of processing industries and even export can allocate an especial place in economic development.

According to the results of the research, the government can play a significant role in economic development by making correct decisions and supporting processing industries of agriculture sector.

Establishment of a competitive structure among different rivals of processing industries, which might leads to the utilization of updated knowledge and use of modern facilities and equipment, can cause economic growth of processing industries of agriculture sector due to the important role of competitors.

One of the obstacles to the economic growth of businesses in agriculture sectors is broker. Cutting off the hand of dealers and supplying the products more directly can decrease the prices and increase the demands; and it is the cause of economic development.

It is recommended for future studies to search for other effective variables in addition to the variables considered in this research.

Future researches can be performed by using more comprehensive questionnaires which indicate more accurate items.

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8/21/2013