Barriers to Absorb Investment in Urban Area (Case Study: Lorestan Province)

Mirnaser Mirbaqeri Hir*  
Assistant Professor, Department of Economics, Payam Noor University, Iran  
Meysam Salahvarzi  
Master of Economic Sciences, Payam Noor University, Iran

Received: 2016/04/18       Accepted: 2016/06/25

Abstract: Absorbing investment in urban area is an important factor affecting progress and prosperity of the urban economy. Investment in any province is affected by a set of major factors in the country and specific factors of that province. If it is not invested appropriately in any society, economic growth will be slowed or stopped. During last years, by notifying the policies of Article 44 of the constitution and law of attraction and protection of foreign investment, the ground has been prepared to increase private sector participation in investment. Thus, this research aims to investigate the barriers of absorbing investment in urban area in Lorestan Province. Data were collected by questionnaire from a sample of 189 economic experts and masters in the Organization of Industry, Trade and Mine in 2015. To analyze data, one sample t-test and ANOVA were used. The results indicated that development of investment infrastructures, risk (insecurity) of investment, organizations and governmental institutions’ attitude toward investment, and rules and regulations of investment affect extremely investment in Lorestan Province.

Keywords: investment, barriers of investment, urban economy, Lorestan Province  
JEL Classification: N75, P25, O16, E22

* Corresponding author: mirbagheri@pnu.ac.ir
1- Introduction

Inequity in the world has had a growing trend in some indicators. This is more tangible in the third world countries resulting in increasing growth of metropolises and gradual retardation of some areas (Mirbaqeri, et.al, 2015). Thus, one of the economic aspects i.e. investment has been investigated in the present research since development and progress of deprived areas require investment in economic areas. In other words, economic growth and development would not be achieved without capital accumulation. This means that most scholars consider underdevelopment reason of many countries as lack of revenue, saving, and consequently insufficient investment. Capital can simulate production unit. By increasing production, it helps trade growth, improvement of people’s livelihood, and economic growth and development. Lack of capital has been recognized as one of the main reasons of many countries’ underdevelopment, and in addition to widespread unemployment, it causes retardation of national production level, leading to economic poverty in the next stage (Mohammadpour Zarandi & Tabatabaei Mozdabadi, 2012).

Enjoying agriculture and tourism potential, Lorestan Province may take advantage of legal capacities to absorb more domestic and foreign capital if appropriate strategies and economic management are done. Thus, it has been tried in this research to investigate investment barriers in the Province.

Given great influence that investment could have on urban management growth and development and other economic variables, it is of great importance to identify barriers to absorb capital in urban area. Since Lorestan Province is in initial development stage, necessary costs have not been provided in the Province, and consequently it has not been invested in it, it is necessary to identify possible barriers to absorb capital before investment in order not to have any obstacle for investment growth. Since it is possible an investment project face a serious problem and it may fail to be finished even after 50 percent of project. Thus, it is necessary to investigate its aspects to prevent waste of money and time resources.

In this regard, research questions are:
1. Do investment rules and regulations influence on its absorption in Lorestan Province?
2. Do organizations and governmental attitudes toward investment influence on its absorption in the Province?
3. Does development condition of investment infrastructures influence on absorbing investment in Lorestan Province?
4. Does investment insecurity influence on absorbing investment in the Province?

2- Literature Review

a) Foreign Researches

Poirson (1998) studied 53 developed countries and concluded that private investment is strongly affected by risk of expropriation, the degree of civil liberties, and bureaucracy, and economic growth is influenced by risk of expropriation, political terrorism in short-term, corruption, and non-adherence to contracts in long-term. Considering institutional non-economic variables such as stability of political leadership, risk of civil war, manner of bureaucracy, inattention to contracts by government, and risk of expropriation that can be named totally as economic security, he has indicated the decisive role of non-economic variables in investment...
performance and urban and economic management growth and development in different areas.

Mauro (1995) indicated that private sector is influenced by corruption in judicial system and administrative regulations (limitations). He summarized these variables in a particular index and named it as efficient index of administrative system.

Mattingly (2001) investigated determining investment factors of urban areas and argued that used economic variables in model (governmental investment, credits, exchange rate etc.) has less impact on investment behavior of urban area than other factors. Main barriers to investment include policy-making factors such as rules and regulations, political and geographical situation, functional costs of water and electricity, and lack of skilled labor force.

Morrissey and Udomkerdmongkol (2011) investigated annual data of 45 developing countries and identified effective factors on investment. They concluded that investment is more in countries with good governance indicators, and corruption and political instability are the most important barriers to investment.

a) Iranian Researches

Memarzadeh Tehran & Amini (2012) identified barriers to foreign investment in Iran with descriptive-analytical method. The results indicated that economic, supportive, and structural factors, and rules and regulations are some of obstacles of absorbing investment in Iran.

KalantariBengar (2004) argued that low economic safety, rules and regulations related to foreign exchange, and insufficient governmental supports are some of the barriers to invest in deprived areas that foreign exchange and governmental supports can partially create economic safety.

Saeidi & Miadi (2011) investigated major barriers to foreign investment in Iran. The results indicated that there was a significant relationship among starting business, obtaining necessary permits, property records, supporting minority shareholders, tax payment, cross-border trade, entry into force of contracts, business termination, and absorbing foreign investment.

Hemmati (1997) investigated investment barriers by emphasizing on administrative barriers and problems. He allotted the most importance to consolidation and economic security establishment and preventing exchange rate fluctuations that can prepare the grounds to increase private investment in long-term.

Generally, it can be stated that barriers to investment are instability of formulated laws and regulations, organizations’ disharmony with each other, and long administrative process, and lack of economic infrastructures were emphasized and agreed by researchers like Rahimniya (1994), Hemmati (1998), and Kalantari Bengar (2004).

3- Theoretical Principles

One of the most important goals of urban economy is to create necessary condition to increase GDP\(^1\) and economic growth. Investment is one of the required conditions to increase economic growth and product. Generally, investment by expanding market areas, creating better competitive condition, and increasing welfare help to increase economic growth and product.

\(^1\) Gross Domestic Product
Growth and progress in any society depends on physical infrastructures to produce and distribute goods and services among people and enterprises. This means that the strength of national economy depend on its infrastructure ability, and quality and efficiency of these infrastructures are effective on continuation of commercial activities, urban management, quality of life, and social health (Akbariyan & Ghaedi, 2011). Investment development helps to absorb inefficient capital, direct them to economic productive sectors, optimal allocation, and finally improving macro indicators of economic development. In the socio-economic development process, investment is a pre-requisite of production. In other words, it is its necessary condition. Economists regard capital as driving force and economic engine of growth and development and they have designed all models based on this hypothesis (Mobarak & Azarpeyvand, 2009).

Barriers to absorb investment means any factor that negatively affects formation and development process of investment in different areas. Once investors come into arena that grounds are prepared; otherwise investment is not formed. Mobarak & Azarpeyvand (2009) argued that main cause of backwardness of some countries was not lack of capital; rather it was due to lack of appropriate body for productive economic activities. Some of economic barriers to absorb investment are:

- Early changes of foreign exchange, monetary and customs regulations: early changes of regulations destroy the principle of stability of the investment environment and represent itself in investment risks parameter. It is obvious when investment economic environment risk increases, willingness to investment will be reduced.

Banking system barriers: Reputable foreign banks make it possible to open different types of accounts across the world for domestic exporters and producers by creating many particular facilities and after a while, they make credits available for them while there are no enough facilities to foreign exchange transfer in developing countries.

Information barriers: They are created because of two reasons: 1- information flaws and lack of domestic applicants’ understanding of capital centers in the world and not knowing exact condition to attract capital and lack of knowledge of techniques of negotiation 2- lack of investor’s centers information about efficient projects and economic opportunities

Demand issue: Uncertainty about demand cause doubts for investors and it increases project risk (www.imna.ir).

In addition to economic variables, there are non-economic variables that strongly affect capital formation. Political, social, and cultural structure governing on society are some of the factors that can have a determining role in people and group’s decision-making for investment. Some of them will be mentioned in the following:

Political barriers: Historical evidences indicate capital flight raise during revolution, chaos and insecurity, unstable political atmosphere, ethnic tensions, civil and external strife, conflict, unhealthy competition between political wings, and lack of governments’ accountability against people and democratic institutions. If an investor feels a system, governing the society, is divided or it does not have the authority to control the unrest or pressure, he may leave the arena and may choose another country with more appropriate environment for investment.
Social barriers: economic development requires certain social changes. Based on these changes, social values governing in that system advance in the path of production and industrialization. Economic and legislative bodies are some of major factors creating these changes that production relations are formed through them. Historical study of production barriers confirms the issue that forming legislative and economic bodies, quality of administrative systems, and avoiding bureaucracy in communities are of great importance in investment security.

Cultural barriers: productive investment should be expressed as value in public opinion because of creating value added, production, employment, and having considerable share in GDP and there should be a continuous and close relationship among development, economic system, and investment in our intellectual system as well as society in order to prepare a suitable cultural ground in society and create self-confidence in investors and managers.

*Investment Safety:* It is one of the most important concepts in the field of attracting investors. For the first time, by designing an index to measure reliable regulations and calculating it in more than 70 countries, Brunetti et.al, (1998) indicated those countries that regulations are less reliable in them compared to other ones may experience less investment and economic growth.

In unstable condition, investors transfer their capital to a safer place. However, production inefficiency caused by political instability will reduce final production (Meydari, 1995). Security has a very strong relationship with ownership and its type. If safe and secure property rights are realized, firstly, official rights of private property will greatly increase market size by reducing transaction costs. Secondly, without safe and certain property rights, business owners that their property is not official can only have special trade relations with those who know them or trust them whereas official ownership system help people to change into a larger network of indefinable people and active economic agencies. Thirdly, entrepreneurs can pawn their assets such as house or land in banks to cover loan. Fourthly, property owners will invest more and their capital will not limit to domestic market (Yousefui, 2007). For instance, after taking deeds of property on land, Thai farmers could receive loan and credit between 50 to 500 percent more. By increasing investment, new production unit promoted between 14 and 25 percent more compared to those farmers without deeds of property on their lands. Experience in Brazil, Indonesia, Thailand and the Philippines indicate when villagers took deeds of property, their asset value increased between 43 and 81 percent. After guarantying land use rights, China and India experienced high economic growth in agriculture (Zalm, 2006).

**PPP and its Impact on Investment in Urban Economy**

PPP is a model to finance infrastructures projects like communication system, airports, power plants, and municipal services. One of the most important uses of public-private contracts is related to the time that advanced abilities and skills, and extensive financial investment are required in such a way that a private or even governmental company cannot easily cope with it. Public and private

1- Public Private Partnership
agreements allow public sectors to take a glance to other projects that they were impossible to do. In this issue, private partnership may allow government to use financial levers such as capital resources of private sector as an intermediary. With this solution, the ability is created for public sectors to allocate its limited financial resources to other suitable and economical projects. Given various and exclusive material and spiritual capital in the country, attracting private sector investment in municipal projects would have various advantages such as improving economic situation of cities and servicing and promoting citizens’ welfare (Sadeghi et.al, 2015).

Investment Infrastructures in Lorestan Province

According to the released official statistics, having 2.37 percent of Iran population, Lorestan Province has allotted only 1.2 percent of Iran’s GDP to itself. However, according to the report on deputy of planning of Ministry of Mine and Industry, regarding ranking Iran provinces in terms of industrial development from indicators such as value added of mineral and industrial activity, investment of active industrial and mineral units, fixed capital of projects with at least 60 percent progress, area of operational phase in industrial townships, Lorestan Province ranked 20, 21, 21, 23, 24, 24, 24, and 24 in 2000, 2001, 2012, 2013, 1024, 2015, 2016, and 2017 respectively. Young population help to increase dependency ratio. As a result, it has disturbed the balance between households’ income and expense. Finally, it has prevented considerable saving and investment in the Province (www.bashgah.net).

Despite previous planned documents of the province repeatedly considered shortcomings including lack of skilled human force, weakness in developmental infrastructures, entrepreneurship weakness and lack of investment in private sector, some ethnical problems, and technical knowledge, these developmental dilemmas and shortcomings have been regarded without minimum change in the last developmental document of the Province (National Development Document of Lorestan Province, 2005).

4- Research Method

Survey method has been used in this research. Population includes economic experts and scholars of Organization of Industry, Mine, and Trade in Lorestan Province in 2015. Simple random sampling was used. 189 economic experts and scholars of Organization of Industry, Mine, and Trade of Lorestan Province were selected based on Cochran formula. In this regard, to investigate barriers to attract investment in urban area of Lorestan Province, researcher-made questionnaire was used. Face validity was confirmed by experts as an optimal level. To estimate reliability, Cronbach’s alpha was used equal to 0.83 percent.

To analyze statistical data, given continuous scale and interval data, and after ensuring normal distribution of data through Kolmogorov-Smirnov test, one sample t-test and ANOVA were used.

5-Research Findings

To answer the first question i.e. “Do investment rules and regulation situation influence on attracting investment in Lorestan Province?”, three components have been investigated in the questionnaire:

1- Analysis of variance
1. Changing and unstable rules and regulations related to investment
2. Changing and unstable rules and regulations related to export and import
3. Early changes of foreign exchange, banking, and custom regulations

To analyze the questions in this part, one-sample t-test was used. Given obtained t, it can be proposed that there is a significant difference at $\alpha$-0.05 between theoretical average and experimental one. Thus, since experimental mean is higher than theoretical mean, it can be stated that the impact of investment rules and regulations situation on attracting investment in Lorestan Province is higher than average in terms of research samples (table1).

<table>
<thead>
<tr>
<th>Components</th>
<th>Mean</th>
<th>SD</th>
<th>Df</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>The impact of change and instability of rules and regulations related to investment in Lorestan Province</td>
<td>4.32</td>
<td>0.68</td>
<td>188</td>
<td>26.58</td>
<td></td>
</tr>
<tr>
<td>The impact of change and instability of rules and regulations related to export and import on attracting investment in Lorestan Province</td>
<td>3.45</td>
<td>0.65</td>
<td>188</td>
<td>10.05</td>
<td>0.00</td>
</tr>
<tr>
<td>The impact of change and instability of foreign exchange, banking and custom rules and regulations on attracting investment in Lorestan Province</td>
<td>3.90</td>
<td>0.31</td>
<td>188</td>
<td>39.85</td>
<td></td>
</tr>
<tr>
<td>The impact of investment rules and regulations situation on attracting investment in Lorestan Province</td>
<td>3.89</td>
<td>0.38</td>
<td>188</td>
<td>32.67</td>
<td></td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)

To prioritize barriers to attract urban investment in urban rules and regulations, given three components of questionnaire including the impact of change and instability of rules and regulations related to investment in Lorestan Province, the impact of change and instability of rules and regulations related to export and import on attracting investment in Lorestan Province, the impact of change and instability of foreign exchange, banking and custom rules and regulations on attracting investment in Lorestan Province, one-way ANOVA was used. Given the obtained F, it can be stated that there is a significant difference at $\alpha$-0.05 level regarding these three barriers to attract investment in rules and regulation area. In this regard, the results indicate that the highest impact of investment rules and regulations on attracting investment in Lorestan Province is related to change and instability of rules and regulations related to investment, and the lowest impact is related to change and instability of import and export rules and regulations (table2).
Table 2. Prioritization of barriers to attract urban investment in the field of urban rules and regulations

<table>
<thead>
<tr>
<th>Situation of rules and regulations</th>
<th>Ranking-average</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing and unstable rules and regulations related to investment</td>
<td>(1) 4.32</td>
<td>104.050</td>
<td>0.000</td>
</tr>
<tr>
<td>Early foreign exchange, banking, and custom changes</td>
<td>(2) 3.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changing and unstable rules and regulations of imports and exports</td>
<td>(3) 3.45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)

To answer the second question i.e. “do organizations and governmental institutions’ attitudes toward investment influence on attracting investment in the Province?”, two components were investigated:

1. High investment risk from perspective of organizations and governmental investment institutions of Lorestan Province

2. Low return on investment from perspective of organizations and governmental investment institutions of Lorestan Province

Table 3. The impact of organizations and governmental institutions’ attitude toward investment on attracting investment in Lorestan Province

<table>
<thead>
<tr>
<th>Components</th>
<th>Mean</th>
<th>SD</th>
<th>Df</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>The impact of high investment risk from organizations and governmental investment institutions view on attracting investment in Lorestan Province</td>
<td>3.82</td>
<td>0.34</td>
<td>188</td>
<td>48.37</td>
<td>0.000</td>
</tr>
<tr>
<td>The impact of low return on investment from organizations and governmental investment institutions view on attracting investment in Lorestan Province</td>
<td>3.78</td>
<td>0.25</td>
<td>188</td>
<td>37.72</td>
<td>0.000</td>
</tr>
<tr>
<td>The impact of organizations and governmental institutions’ attitude toward investment on attracting investment in Lorestan Province</td>
<td>3.90</td>
<td>0.24</td>
<td>188</td>
<td>52.97</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)

To prioritize barriers to attract urban investment regarding organizations and governmental investment institutions toward investment, given two proposed components including high investment risk and low return on investment, one-way ANOWA was used. Given the obtained F, it can be stated that there is a significant difference at α-0.05 regarding two barriers to attract investment regarding organizations and governmental institutions’ attitude toward investment (table 4).
Table 4. Prioritization of barriers to attract urban investment in the field of organizations and governmental institutions’ attitude toward investment

<table>
<thead>
<tr>
<th>Organizations and governmental institutions’ attitude toward investment</th>
<th>Ranking-average</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>High investment risk from organizations and governmental institutions’ view</td>
<td>(1) 3.82</td>
<td>85.312</td>
<td>0.000</td>
</tr>
<tr>
<td>Low return on investment from organizations and governmental institutions’ view</td>
<td>(2) 3.78</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)

To answer the third question i.e. “does development situation of investment infrastructures influence on absorbing investment in Lorestan Province?”, the following four components have been investigated:

1. Basic infrastructure facilities (water, electricity, fuel, and internal transport system of the area etc.)
2. Proper service facilities (entertainment venues, accommodations etc.)
3. Advanced infrastructures (facilities of modern free zones, equipped airport etc.)
4. Rent, land purchase and service facilities

To analyze questions, one-sample t-test was used. Given obtained t, it can be proposed that there is a significant difference at α-0.05 between theoretical average and experimental one. Thus, since experimental means is higher than theoretical mean, it can be stated that the impact of development situation of investment infrastructures on attracting investment in Lorestan Province is more than average in terms of research samples (table 5).

Table 5. The impact of development situation of investment infrastructures on attracting investment in Lorestan Province

<table>
<thead>
<tr>
<th>Components</th>
<th>Mean</th>
<th>SD</th>
<th>Df</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>The impact of lack of advanced infrastructures on attracting investment in Lorestan Province</td>
<td>4.59</td>
<td>0.62</td>
<td>188</td>
<td>36.090</td>
<td></td>
</tr>
<tr>
<td>The impact of lack of basic infrastructure facilities on attracting investment in Lorestan Province</td>
<td>4.01</td>
<td>0.45</td>
<td>188</td>
<td>33.995</td>
<td></td>
</tr>
<tr>
<td>The impact of lack of proper service facilities on attracting investment in Lorestan Province</td>
<td>3.79</td>
<td>0.29</td>
<td>188</td>
<td>39.758</td>
<td>0.000</td>
</tr>
<tr>
<td>The impact of high rent, land purchase, and service facilities on attracting investment in Lorestan Province</td>
<td>3.38</td>
<td>0.51</td>
<td>188</td>
<td>23.784</td>
<td></td>
</tr>
<tr>
<td>The impact of development situation of investment infrastructures on attracting investment in Lorestan Province</td>
<td>4.12</td>
<td>0.26</td>
<td>188</td>
<td>49.18</td>
<td></td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)
To prioritize barriers to attract municipal investment in investment infrastructures, given four proposed components in this part including lack of basic infrastructure facilities (water, electricity, fuel, internal transport system in the area etc.), lack of proper service facilities (recreation, accommodation etc.), lack of advanced infrastructures (facilities of modern free zones, equipped airport etc.), and high rent, land purchase, and service facilities, one-way ANOVA test was used. Given the obtained F, it can be stated that there is a significant difference at α-0.05 level, regarding three barriers to attract investment in investment infrastructures. In this regard, the results indicate that the highest impact of investment infrastructures on attracting investment in Lorestan Province is related to advanced infrastructures and the lowest rate is related to high rent, land purchase, and service facilities (table6).

### Table6. Prioritization of barriers to attract urban investment in the field of investment infrastructures

<table>
<thead>
<tr>
<th>Situation of investment infrastructures</th>
<th>Ranking/average</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of advanced infrastructures</td>
<td>(1) 4.59</td>
<td>98.975</td>
<td>0.000</td>
</tr>
<tr>
<td>Lack of basic infrastructure facilities</td>
<td>(2) 4.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of proper service facilities</td>
<td>(3) 3.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High rent, land purchase, and service facilities</td>
<td>(4) 3.38</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)

To answer the fourth question i.e. “does investment insecurity influence on absorbing investment in the Province?”, the following three components were investigated:

1. Investment risk more than specified coefficient
2. Previous attitudes and beliefs about insecurity
3. Lack of formulated strategy to support investors

To analyze questions, one-sample t-test was used. Given the obtained t, it can be stated that there is a significant difference at α-0.05 level between experimental and theoretical means. Thus, given the experimental average is higher than theoretical one, it can be said that the impact of investment risk situation (lack of safety) on attracting investment in Lorestan Province is more than average in terms of research samples (table7).

### Table7. The impact of investment risk situation (lack of safety) on attracting investment in Lorestan Province

<table>
<thead>
<tr>
<th>Components</th>
<th>Mean</th>
<th>SD</th>
<th>Df</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>The impact of previous attitudes and beliefs about insecurity of investment environment on absorbing investment in Lorestan Province</td>
<td>4.32</td>
<td>0.52</td>
<td>188</td>
<td>34.808</td>
<td></td>
</tr>
<tr>
<td>The impact of investment risk more than specified coefficient on absorbing investment in Lorestan Province</td>
<td>3.82</td>
<td>0.36</td>
<td>188</td>
<td>18.232</td>
<td>0.000</td>
</tr>
<tr>
<td>The impact of lack of formulated strategy to support investors on absorbing investment in Lorestan Province</td>
<td>3.04</td>
<td>0.84</td>
<td>188</td>
<td>12.425</td>
<td></td>
</tr>
<tr>
<td>The impact of investment risk situation (lack of safety) on attracting investment in Lorestan Province</td>
<td>4.06</td>
<td>0.85</td>
<td>188</td>
<td>21.93</td>
<td></td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)
To prioritize barriers to attract urban investment, regarding investment risk, given three proposed questions in this part, including investment risk more than specified coefficient, previous attitudes and beliefs about insecurity, and lack of formulated strategy to support investors, one-way ANOVA test was used. Given the obtained F, it can be stated that there is a significant difference at α-0.05 level, regarding three barriers to attract investment about investment risk. In this regard, the results indicate that the highest impact of investment risk on attracting investment in Lorestan Province is related to previous attitudes and beliefs about insecurity and the lowest one is related to lack of formulated strategy to support investors (table 8).

Table 8. Prioritization of barriers to attract urban investment regarding investment risk

<table>
<thead>
<tr>
<th>Investment risk</th>
<th>Ranking-mean</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous attitudes and beliefs about insecurity of</td>
<td>(1) 4.32</td>
<td>75.805</td>
<td>0.000</td>
</tr>
<tr>
<td>investment environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment risk more than specified coefficient</td>
<td>(2) 3.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of formulated strategy to support investors</td>
<td>(3) 3.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reference: (Researchers’ findings)

6- Conclusion and Suggestions

This research aimed to identify barriers to attract investment in urban area in Lorestan Province. The findings indicated that the situation of investment rules and regulations, organizations and governmental institutions’ attitude toward investment, development of investment infrastructures, and investment risk (insecurity) have influential role in attracting investment in Lorestan Province from economic experts and scholars’ view of Industry, Mine and Trade Organization of Lorestan Province.

Given the results of the first question, it was specified that changing and unstable rules and regulations related to investment is one of the most important barriers to attract investment in Lorestan Province. In other words, due to different laws, investors are always worried about future. In this regard, if rules, regulations, and criteria are observed, investment barriers will be reduced. Sectional laws and decisions, and inattention to instructions are one of the problems. Thus, unstable and changing rules and regulations related to investment is one of the most important factors in attracting investment. According to experts, actualization of unique capabilities in Lorestan Province depends on short-term, medium-term, and long-term planning in order to observe talent development in the province in the shortest time.

The results of the second question indicate that organizations and governmental institutions’ attitude toward investment is one of the barriers to attract investment in Lorestan Province. In fact, lack of governmental organizations and institutions is an obstacle in the path of investment in the deprived areas. It is obvious that to activate these capabilities, particular investment by governmental and private sectors is required in Lorestan Province.
Given weakness in investment infrastructures in the Province and problems facing private investment, governmental sector aid will solve the problem. Particularly, in initial stages of economic growth and development, positive impact of governmental investment on private sector investment is quite evident due to the improvement of infrastructures.

The results of the third question indicated that development situation of investment infrastructures was a barrier to attract investment in Lorestan Province. In other words, lack of proper infrastructure facilities is an obstacle to attract capital. Without having infrastructure facilities, no country would achieve economic and industrial development.

The results of the fourth question indicated that investment risk (insecurity) in Lorestan Province had influential role in lack of investment. In other words, economic insecurity is one of the barriers to attract investment in Lorestan Province.

Regarding the most influential barriers to attract investment in Lorestan Province, given the obtained averages, the results indicated that the situation of investment infrastructures development, investment risk (insecurity), investment rules and regulations, and governmental organizations and institutions’ attitude toward investment are some of barriers to attract investment.

By investigating collected answers by economic experts, summarizing the results, ranking the impact of variables on attracting investment, and considering opportunities and threats facing Lorestan Province, following suggestions are provided regarding how to increase investment areas:

a. Incentive policies: Incentive policies are the first solution to attract investment in the Province. In case of having investment incentives such as investors’ insurance, tax and custom exemptions, and use of cheap foreign facilities, proper conditions will be prepared for investment. Incentive policies can be in the form of bill to investigate and approve in the parliament or in the form of administrative circulars and instructions, and approved by Council of Ministers with a particular look at the Province. With deregulation and simplification of regulations and administrative instructions of the Province governmental organizations to create a safe environment, a suitable ground will be provided for economic growth and development, and investment. Some organizations and institutions should be created for free and useful counseling to investors.

b. Illustration: solution to reduce untrue image of economic security of investment in Lorestan Province. Favorable safety in Lorestan is one of the positive components for investment. High security context factor in Lorestan is in such a way that it is one of top ranking in the country in terms of safety indicators and it has a proper ground for investment. If an investor does not feel safety, one may not be motivated enough to invest. Despite undeniable reasons to prove investment safety in Lorestan Province, unfortunately, an old and false image exists in some people that should be corrected by informing and introducing attractiveness and capacities of Lorestan Province by holding festivals and ceremonies to present a correct image of Lorestan condition. In case of setting up a website for investors in the province to introduce investment capabilities and opportunities in the province, a proper image can be provided in investors’ mind from urban
management environment of Lorestan Province.

c. Infrastructure development: Extensive economic infrastructures such as advanced roads and communication systems are some of effective factors in attracting capital. Creating governmental investment to reduce investment risk, taking advantage of foreign and domestic private sector investors, and developing infrastructures and equipment in the area are on priority.

d. Administrative area and urban management: Approving rules and regulations upon which provincial organizations’ authority will be increased in order to eliminate long administrative paths and coordinate with centers for decision-making. However, bureaucracy, complicated administrative system, and long way between organizations should be reduced and a think tank should be established in the investment secretariat of the province by inviting investors and successful economic activists in the province to provide solutions to improve and promote economic management area.

7- References


Rahimniya, F. (1994). *The study of problems and shortcomings of creating and developing Iran rural industries*, Master thesis, Faculty of Management, University of Mashhad.


http://www.bashgah.net