

A Survey on the Effects of Privatization on Attracting Investment in Cooperative Section

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Abstract. Privatization is one component of the economic adjusting policies which is paid special attention to create more stability in today's world especially in a country like Iran. Investment market as one of the effective parameters with changing legislation and regulations and institutional conditions of economic, social and competitive atmosphere to increase social and economic performance in the community has been created.

Cooperatives are also one of the most important sectors in economy which contribute to local and regional level of economical development all around the world in the highly competitive condition of today's world. As a result, improving production factors qualitatively and quantitatively to achieve sustainable development has been one of the major priorities of all countries. Security plays an important role in investment and economical development. The present study aims at recognizing the efficacy methods and profitable opportunities, the interaction between risk and output, clarification and preparing the ground especially in attracting investment particularly in cooperative section. It seems privatization can create such a comparative and suitable situation for developing countries in cooperative section to facilitate development. This leads to the establishment of cooperatives aiming at supplying the capital resources to maintain and develop the present businesses and to create new employment opportunities. Accordingly, this paper takes into consideration first the notions of privatization and globalization, considered by many economists as ways of attracting the world wandering capitals in the present conditions; second, an analysis of influential parameters in attracting capitals. Finally some suggestions are made concerning participation in the competitive situation, relationship with other markets and knowing of barriers and their removal in the cooperative section of the country.

Keywords: Privatization, Cooperative, Capital, Development, Security, Globalization.

1. Introduction

Of the strategic development objectives of the privatization organization and capital market is to strengthen different sections of economy such as cooperatives which is due to the increasing sense of cooperation among the members of a cooperative. All different kinds of cooperatives whether social ones such as assistance and survival, welfare and business share one thing in common which is satisfying the necessary needs of a society. Capital market plays a very crucial and significant role in the economy of countries. Not only does this market recover the sluggish capital through companies, but also it, as a financial criterion, booms the economy in privatized sections, and attracts capital in the cooperative section of countries. This study tries to point to privatization effects and the economic and social consequences of the capital market in attracting capital in cooperative section.

2. Privatization Defined

*Schwartz, G.*²: "Privatization is means the creation of the new economic system based on market and thus the transformation and evolution in various aspects of the economy calls. *Freidman, M.*³: Privatization includes some reforms making the redistribution of income necessary and making change in employment model. *Frank Lousy*⁴: Privatization is a government policy to transfer the economic activities and resources

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²- Schwartz, G

³- . M. Friedman

⁴- Lousy

from the public sector to the private one. (*WTO*)⁵ : International Monetary Fund defines privatization as a vast and deep merge. It is the increasing mutual economic dependency of the countries all around the world through an increase in the volume and variety of goods transaction and capital flows abroad and also through the vaster section of technology. And trade of services is the inseparable part of rules and regulations of WTO , and WTO membership means the national market is open to international competition. [11]. International trade points to main factors , Free market creates enough motivation to make such a beneficial trade [12].

3. Definitions of Cooperative

Cooperatives have been defined differently. Although there are different opinions regarding these definitions, the nature of all these is the same as all the definitions including the activities of a group of people who voluntarily try to meet their shared expectations and to develop their economic and social condition . For the first time , Robert Awn used the term cooperative instead of competition. These definitions are as follows: - A) cooperative is in an economic unit established by a group of people who use its services. The foundation of this company is based on democracy and is managed by its members.- B) cooperative is a company made of legal and personal entities trying to meet their common expectations and to develop the economic and social conditions through self and mutual assistance and cooperation based on law. - B) cooperative is a manufacturing company established by the authorities of some professions and the partners use their own professions to produce and sell goods. - C) cooperative is the community of some volunteers who have made an agreement satisfy their needs and to reach their shared economic and social objectives. This agreement includes the democratic shared economic and social objectives. This agreement includes the democratic shared establishment, management and control of an institute.

4. Privatization Policies

These policies are in 5 parts: *A)* The general policies of developing nongovernmental sectors and preventing the government section to become larger. *B)* The general policies of cooperative sections. *C)* The general policies of developing nongovernmental sectors via assigning activities of the government sector and their donation. *D).* The general policies of privatization. *E).* The general policies and government practices to avoid monopoly .

5. Objectives and Advantages of Cooperatives

All the nations round the world are seeking ways to develop their economy locally and regionally in today's highly competitive era of globalization, and it has been proved by experience that cooperatives are the ways sought for. The purpose behind the establishment of organizations such as credit associations, cooperative and Hey Cooperative Insurance and reliance insurances is to secure investment. Another purpose is also supple ion and provision of capital sources to maintain and develop the present businesses and to generate new employment opportunities. The strong point of cooperatives is their care for the social principles and values which is due to the increasing sense of cooperation and help among the members. All different kinds of cooperatives share one thing in common which is meeting the necessary needs of society.

6. Barriers to Investment

Negative views towards private and foreign investors are of cultural and social barriers to investment. The culture of dealers and intermediaries and immediate yield which has replaced production culture and low culture of investors are of other barriers. Lack of coordination between financial and monetary policies are the main defects of investment. Main dimensions of liberation and privatization policies liberation includes obliging reduction of tariffs, simplification of trade process and elimination of monopoly and shall follow privatization.[32].These dimensions are as follows: *Section A:* limiting the government to Article 44 of the constitution. *Section B:* Development of cooperative policies. *Section C:* Economic privatization. *Section D.* General policies of privatization. *Section E:* Policies imposing rules in which features such as

⁵- World Trade Organization

restricting government to the principles of 44, competing building for the government by the private sector, privatization of government activities, the monopoly bleaching of markets, develop cooperatives and development concept in them can be seen.

7. Risk

Generally in investment affairs the limitations on political risk show political power and stability in financial level and international relations. This phenomenon is assessed in the view of politics by means of war, social disorder, political violence, international criteria, corruption crime and etc. The amount of risk in each country is actually an indication of a country's political, economical and social conditions and shows to what extent investment in a country and the return of interest can be reliable. Of the main factors increasing risk in foreign investment in a country, the followings are pointed out: 1) *Economic Risk* . 2) *Political Risk*. 3) *Administrative problems of the laws*.

8. Cooperative , Investment and Profit Dictionary - View Detailed Dictionary

Especially in new generation cooperatives members have invested more than do traditional cooperatives. That is because the new generation cooperatives should be between 30 to 50 percent of its capital stock from the sale of their supply. Typically delivery for a limited membership rights shares are sold. So high is because their members invest a greater role than traditional cooperatives will. Based cooperatives based on mutual cooperation and creating profits for its members and society, while the main purpose of trade based on individual ownership, is only profit. Cooperative members, are involved in collaborative work and activities are controlled together in a cooperative and investment can also benefit both the individual and to ensure capital market. Members of the money they invested in the cooperative to thereby effectively meet consumer needs and also the organization that believes in its mission, providing support. The share capital must be limited to the amount of income to receive. Basis of this principle is that cooperatives, trade that provides services to members. Goal, making limited profits in the stock of capital and prevent investment objective is profit seeking. In domestic law Rachdy Cooperative Company (a pioneer cooperative) are: Users should not exceed investment earnings interest rates are common, dividends on stock volatility is not as cooperative buying and selling is not uncertain. Cooperative systems for which users have created investment, probably more for services providing its members.[16]

9. Result

Today's privatization and globalization organizations put no value on development which is without people's cooperation. Accordingly most of the countries use the cooperative section as one of the most important and effective ways to develop economy. Progress and development of cooperatives with the help of most of people lead to the fair distribution of money, and removal of poverty and social differences. In other words, advocating the culture of cooperation a money societies and countries, and people's participation in economic and social scenes plus their financial and mental cooperation are the best guarantees to increase a warrens, decrease losses increase usefulness of production and distribution, decrease false expectations and optimize the balance between needs and facilities. The purpose behind the establishment of some organizations such as credit associations and credit insurances is to secure people's investment. These policies shall be directed in a way to complete private sector so that the two sectors move towards the increase of welfare and benefits. In this case the foreign and domestic investors are attracted and their trust also increases in investment. Mean while, to attract domestic and foreign capitals and in order to develop capital market and strengthen stock market of the country in accordance with the general points of Article 44, there should be national and provincial investment committees to remove the barriers and facilitate the way for legal and lawful investment. Cooperatives as the complementary part of the private sector help attract capitals and their escape from country. This can be facilitated by strengthening banks and investment funds. The era of globalization is the era of competition, challenge and change. In such on atmosphere, cooperatives still play their roles in different social and economic scenes and this means application of more professional and effective strategies, and giving services and providing the customers with high quality and cheap goods. Otherwise, there would be no place for cooperatives. So, to prevent

monopoly and the power of pseudo governmental offices and reducing the size of government in its real case (privatization), first liberation and removal of the unnecessary rules shall be tried in the related organizations. By clarifying the information before and after transferring and also the use of up to date technology cause competition, increases trust and makes necessary motivation for cooperation in all the domestic and foreign institutes. The conditions to enter a global competition are provided by due consideration of the worlds dominant crises and attracting of wandering capitals to the country. This lead to national relation ship as well as an increase in benefit and usefulness however, the use of skilled experts and training of skilled workers shall not be ignored. Liberation plus privatization as well as change and reform in pricing and banking systems, stock market organization, labor law, reforming of business atmosphere, satisfaction, tax exemptions and encouragement of investors, cooperatives and investment companies all result in an increase in economic development, reduction in poverty, fair distribution of income, social welfare and above all provision of security, an increase in risk taking power, cooperation of all the members of society, employment and efficiency in all organizations and offices.

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11. References

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