

# Private Sector Investment in Economic-Artistic Development (Case Study: Tabriz)

## Introduction

In today's world, urbanization in all dimensions is expanding rapidly; hence, administrators, given the expansion of urbanization and the need for safe, green and clean cities, attempt to meet the expectations of citizens and organizations and to organize and plan city management in today's changed environment (Sadeghi and Sobhkhiznozi, 2015: 154). But an important point in the discussion of financing and reforming the economic resources of municipalities is the sustainability of revenue sources. So that these revenues, in addition to being reliable and sustainable, should not be a threat to a maintainable urban development (Firoozi, 2016: 4). The attitude of the country's municipalities, which is derived from the Municipalities Law, is based on the revenue and expenditure system. This law sees the main sources of income through the collection of tolls and prices for municipal services and related issues. This approach, which was progressive at the time of the law on municipalities, has gradually lost its efficiency as a major part of municipal revenue with the introduction of new parameters in the field of economy and urban management and the complexity of its components and constituent elements (Rajaei, Khorasani, 1394). 211). From this perspective, the entry of municipalities into the field of local economic development is of particular importance. In specific, according to modern scientific and practical perspectives, cities, especially metropolises, are now considered as engines of growth and development of the national economy. In any case, economic globalization has had a significant impact on the methods of governing cities as well as the role of urban governments, and the investment guarantee agreement is completed at the local level of cities (Ershadmanesh, 2018: 410). Currently, one of the main approaches in the field of urban management in the country is to reduce dependence on government grants and tolls and move towards identifying sustainable revenues and new methods and tools of financing in urban management, such as attracting domestic and foreign investors, issuing participation bonds and the use of banking facilities; henceforth, the success of municipalities and villages in this field requires up-to-date laws and regulations (Hibati and Ahmadi, 2009: 43). The results of studies show that the implementation of privatization programs, to a large extent, deviate from the initial goals and intentions and slow down the privatization programs since they are unbalanced and face unforeseen obstacles (Komijani, 2003: 29). Given that privatization and private sector participation is a new and complex process, the experience gained shows that privatization efforts have often faced two obstacles: 1. Executive issues and problems. 2. Economic and political barriers. The outcome of these two obstacles has slowed down the privatization process and also reduced the effects of this policy on economic efficiency (Sadeghi and Sobhkhiznozi, 2015: 154).

The metropolis of Tabriz has undergone significant development in recent years under the shadow of investment and private sector participation, and the continuation of this process requires proper urban planning and management. Accordingly, the need to identify, strengthen and introduce investment capacities in the field of urban management is vital and necessary. In general, private sector investment in the field of urban management is the basis and axis of the leap and sustainable development of Tabriz. Supporting domestic investment at the community level can play an irreplaceable role in the field of

economic prosperity and provide suitable economic conditions for financial and artistic growth and development to create many incentives for human resources and investors. The development of economic activities will not be possible without providing the conditions for increasing capital formation in these activities. There is no doubt that this requires the practice and active participation of the private sector in the investment process. Considering the venture opportunities in the field of industry, mining, agriculture, trade and tourism in the city of Tabriz, today there is no doubt that the use of private sector investment resources and stockholders, both domestic and foreign, can be one of the main strategies for economic and artistic development of this city since it is not possible to depend on traditional and classical solutions to provide resources to meet the growing needs of public services in the metropolis of Tabriz. Considering the prominence and necessity of private investment, this study deals with the role of private sector investment in economic and artistic development in the city of Tabriz.

In the following, we will describe the researches that have been done in common fields with our research. In their study, Lotfi Jordan and Halkum (2010) examined the framework of the neoclassical growth model for developing countries using panel data. This study shows that public investment leads to the completion of private investment. Hatano (2010) in his research states that for Japan there is a positive relationship between private and public investment. In this study, which was performed in the form of an error correction model, in fact, the effect of forced replacement was rejected. Yode (2011) in a study examining public spending, public investment and agricultural sector growth in Nigeria. The results of this study show that the increase in public spending has a positive effect on the growth of the agricultural sector. Therefore, it is recommended that policymakers implement both private and public investment in a combined policy to ensure that both in the short and long term, agricultural productivity is not undermined. Kaplan and Giovanni (2011) in a study examined a model for consumption response to stimulus payment using the classical Baumol-Tobin money demand model. In the framework of this model, it is stated that the household can use two types of cash and non-cash assets. The optimal life cycle pattern shows that wealthy households maintain low cash and large non-cash assets, and wealthy individuals are more inclined to use transient incomes for consumption. Kim and Nguyen (2012) acknowledged the relationship of forced substitution in the US economy during the period 1980-2006 and concluded that this relationship is realized not through interest rates or tax rates, but through the labor force channel. Ling and Wei (2013) in a study examined the nonlinear effects of fiscal policies on private consumption using the Markov Switching model in China. The results of the study indicate that with fiscal policy in China, government consumption has a strong non-Keynesian nonlinear effect on private consumption during 1980-78 and 1997-84. During this period, the effect of non-Keynesian taxation is not significant and the effect of government investment is linearly asymmetric. They conducted another test for the reasons for the nonlinear effects, which shows that in China the initial financial condition and the degree of financial stabilization are not related to the nonlinear effects of fiscal policy, and the government should pay close attention to the characteristics of the commodity market and labor to identify conditions and regimes. Have nonlinear effects. Belger and Khan (2014) hypothesized that private sector investment in developing countries depended on three important factors: cyclical economic conditions, access to credit resources, and the level of government investment. They distinguished between government infrastructure and non-infrastructure investment, concluding that government infrastructure investment complements private sector investment, and that government investment in

non-infrastructure competition competes with private sector investment, which represents the effect of forced substitution. Kaya and Sen (2015) also studied private consumption taxes and expenditures in Turkey in a study using the SVAR structural model and quarterly data for the period 2003-2003. The results show that the effects of tax shocks on the components of consumption expenditures in the short and long term are different and in the short term, all taxes have a significant effect on the components of consumption expenditures, while in the long run only two types of taxes (VAT and VAT). Personal income) are effective. Turki and Farahani (2013) evaluated the effect of inflationary uncertainty on investment in developing countries. For this purpose, the regression model was estimated by panel data related to the selected developing country in the period 1357-1387. The results showed that uncertainty significantly reduces domestic investment linearly. Turki Samaei and Ahmadi (2014) using aggregate models and error correction, examined private investment behavior with respect to macroeconomic uncertainty and government spending in Iran's industrial sector. According to the results, public spending on government has stimulated private investment, while the effect of current spending has been negative. Macroeconomic uncertainty has also negatively affected private sector investment in the long run. Ansari Nasab and Torab (2015) in an article have studied the short-term and long-term effects of consumption tax and income tax on private consumption in the Iranian economy using the autoregressive model with distributed intervals (ARDL). Analysis of variance shows that the effect of income tax on private consumption is almost twice that of consumption tax, so that the coefficient of variable income tax in the long run is 0.249 and the coefficient of variable consumption tax is 0.116. Wahhabi et al. (2016) examined government debt on private sector consumption in OPEC member countries. In this study, the nonlinear effects of government debt on private sector consumption in OPEC member countries for the period 2000-2012 were investigated using a mild panel transfer regression model. The results of the model estimate indicate a strong nonlinear relationship between the studied variables and suggest a dual-mode model with a threshold of 7%.

In the process of conducting this research, in the first step, based on the sampling method, expert groups and businesses were identified. Furthermore, library and field methods were used simultaneously to collect information. In the library method, content analysis methods and review of statistics and documents and in the field method and questionnaire methods has been used. Also, the statistical population of the present study is based on managers, planners and experts related to the research topic who have an effective role in the field of study. In order to collect data, 400 questionnaires were distributed among the statistical population, of which 390 questionnaires were collected by the questioner. Also, 6 questionnaires were removed due to incompleteness. Thus, 384 questionnaires were obtained in this study, the data of which were used in the analysis. Then, based on Cochran's formula, the sample size of the statistical population of this study was calculated with a 5% error of 384 people. To evaluate the reliability of the questionnaire, first the questionnaire was given to 30 experts and then Cronbach's alpha test showed that all factors had an acceptable value. In data analysis method, factor analysis and exploratory factor analysis were used. Then, based on the SWOT strategic matrix model framework, a questionnaire was designed and distributed among these groups, and finally the data were obtained to develop strategies to attract private sector participation in economic and artistic development projects in Tabriz.

## Conclusion

The attitude of the country's municipalities, which is derived from the municipal law, is based on the revenue and expenditure system. This law sees the main sources of income through the collection of tolls and prices for municipal services and related issues. This attitude, which was effective at the time of the enactment of the municipal law, has now lost its effectiveness as a major part of municipal revenue with the introduction of new parameters in the field of economy and urban management and the complexity of its factors and constituent elements. In this regard, the dependence of the municipality and the city on revenue sources, which is heavily influenced by periods of economic prosperity and recession, has caused municipalities to lack decision-making power in investing, planning and implementing actions in various areas and is strongly influenced by the market and its factors; in some cases, they are not even able to pay their current expenses and pay their staff salaries with long delays. The economic problems caused by the lack of income generation in recent years, such as the recession in land prices and the decline in construction within cities, along with the reduction of liquidity, is one of the most difficult periods for the country's municipalities. On the other hand, in order to reach the decision-making point for investing, an investor must ensure the profitability of his activity and the right of ownership and non-encroachment on his capital. The investor also examines his future profits and losses before allocating his capital to the investment; Hence, he decides what activities to devote his resources to that have the maximum efficiency throughout the project. From this perspective, economic components affect the type of investment. This means that if the future perspective indicates the security of capital and economic stability, the investor will move towards physical and long-term investment, and in the absence of investment security and economic instability, service investments, hoarding and trading will be formed.

On the other hand, although the amount of private sector investment in urban economic and artistic growth and development has not been significant, but the study of private sector investment in developing countries shows that the main reason for the slowdown in economic growth is the decline in investment rates. In particular, it has been private sector investment. One of the most important sectors in which the private sector can be effective through investment is the financing of economic and artistic development projects by municipalities. Although the municipalities and Islamic councils in our country have been declared financially and revenue-wise independent of their non-governmental nature and legal personality, in accordance with the law of 1983, two decades ago, by preserving Islamic and Iranian principles and foundations. No exact implementation was achieved to achieve this strategic goal. In other words, the necessary preconditions for financial and income independence and the provision of non-governmental sources of funding from non-governmental organizations have not been provided. Although in the current situation, the main source of income for municipalities in order to perform public services is the approval of tolls and prices of services using the authority of Islamic councils, but the fact is that this source and solutions are not enough and in the future and if no serious measures are taken Development of revenue sources, municipalities and Islamic councils will face serious problems in the economic and artistic development of cities. Examining the experienced models and the way of activity and providing credit and providing services to municipalities and villages, it seems that these institutions should adopt new methods and support investment, both domestic and foreign. The mentioned cases

show the importance and necessity of this research. In addition, considering that the Tabriz Metropolitan Municipality has considered the following as a strategy in the field of investment and participation, we present our research suggestions:

- 1- Investigating the use of economic potentials in the region, especially in order to increase the quality of urban economic and artistic projects.
- 2- Investigating the causes of administrative bureaucracy and parallel systems in the city of Tabriz and identifying its main roots.
- 3- Presenting an urban model based on geographical zoning.
- 4- Organizing and managing the issuance of business licenses in the economic and artistic fields.
- 5- Forming committees to improve the business environment in all related agencies.
- 6- Continuous monitoring of the business environment with the cooperation of private sector organizations in order to rationally improve the ranking of the province and its center.

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