

Basic challenges in iran's economy essay

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In contrary of developed and developing countries, small businesses, started up by Iranian young and educated entrepreneurs, have increasingly been involved in economic, political, and cultural problems. According to the annual economic statistics issued by the World Bank in 2013, the time required to start-up a business in Iran is 16 days that is 4 times more than the USA, and this country has been ranked as the 52nd country among 181 countries in the world in 2013. The USA is put at 4th in this ranking. While more than 20% of financial bills which cost more than \$15 billion never passed in 2012, the beneficiaries were not supported illegally by the government (The annual economic report of Iran, the Central Bank of Iran, 2013). As an obvious result, more than 70% of new established small businesses will fail in first three years and almost can't survive more than 5 years (dodone- equequatescoCom These circumstances have been affected surviving of small businesses in this country, and consequently, young entrepreneurs are not interested to invest and start-up new small businesses in their motherland.

The influential factors on the small businesses' life-curve in Iran can be categorized into three groups: economic, political, and cultural factors (Basic Challenges in Iran's Economy, MaMishmashesALLinkage2012). Although these groups of influential issues are closely related to each other, each one can lonely exploit a small enterprise. Unbelievable growing of inflation rate and dramatically rising up the exchange rate of Rial (national currency of Iran) in comparison to foreign currencies are two main economic factors. According to the World Bank, the annual inflation rates in three years ended by 2013 were 21.6%, 27.

4%, and 39.3%. In addition, the exchange rate of the Iranian Rial against the US Dollar has been increased from 12250 in 2011 to 34550 Rials per one US Dollar in 2014. These two unstable rates not only strongly impact the worth of enterprises' assets but also inevitably increase the prices of merchandises. In addition, according to the Central Bank of Iran the minimum interest rate for commercial loans in governmental and private banks has been raised from 16% in 2008 to 22% in 2013. It is noticeable that the interest rates in Japan, USA, Canada, and South Korea are between 1.4% and 5.

4% (the World Bank). Furthermore, some serious political and economic issues are influencing economic activities. According to the Ministry of Economic Affairs and Finance (MEMAF) the government's share in the internal and external economy of Iran has increased to almost 90% in 2013. It means that 90% of cash flow in Iran's economy is related to the government.

Consequently, official corruption has incredibly been increased. For example, most of tenders and auctions are assigned to particular companies unfairly. Meanwhile, special permissions for importing and exporting significant merchandises are given to a limited number of enterprises. In this unfair atmosphere, small businesses wouldn't compete against strong corporations. According to Transparency International website (A non-profit international organization against corruption) Iran is the 141st country among 177 countries in corruption ranking in 2013. In addition to national political troubles the Iranian small enterprises are involved in, some serious international limitations affect their activities. The main international limitation

is international sanctions that have been enforced since 1978, the year that Iran's revolution occurred. Although the target of these financial and political sanctions, started by the USA and Europe, have affected Iranians' public lives and also their domestic and international trade.

According to MEMI the economy growth of Iran, have been declined from 8.1% in 1978 to -5. % in 2012. Besides economic and political causes, some traditional and cultural issues have been concerned by business experts. The first and most effective issue is that despite of some rudimentary and incomplete laws related to the copy right, almost always nobody respects this essential right of the authors, inventors, and entrepreneurs. For instance, when a musician publishes a new album, less than 5000 original copies would probably be sold. Meanwhile, more than 5 to 7 million illegal copies would be distributed just in one or two months (Wang's study). Most of Iranians are not persevering enough to pass the troubles. For example, when a young entrepreneur faces to a financial trouble, prefers to leave the business instead of being patient and solving it.

In recently decades, young people have been approached to find a governmental job with a secure salary instead of starting up a new challenging career. Unfortunately, while Japanese are known as diligent people, Iranians have usually been known as luxurious and lazy people during these centuries. Two painful characteristics of Iranians, which they clearly confess, are lying and noncommittal. Iranians usually lie easily and sometimes fraud others for financial profits.

If they find out that their commitment may have some difficulty for themselves, they would revoke it illegally might act in a fake way. Although there is not any clear statistics about these factor according to some historic itineraries written by recent globe travelers like Edward Granville Browne, Iranians used to lie as an easy solution for their troubles (A Year Among the Persians, Edward Granville Brown, 1893). Above mentioned economic, politics, and cultural reasons have dramatically bee affecting the businesses, especially small businesses in Iran. Increasingly rising in the rate of financial failures directly impacts the public lives and careers. AcAccordingo Global Finance Magazine, unemployment rate has been increased from 10. 3% in 2004 to 14.

1% in 2012. Although the real statistics often is concealed by Iranian governors, one member of Iran's parliament has recently been revealed that the re neemploymentate was almost 30% in 2013 (www. nsNonagenariansorOrg Consequently, poverty has been dramatically pervaded in people lives. As one member of the parliament has pointed out, more than 15 million of Iranians live under poverty lilinewnwoman'. aElfirIR Drain brain is a new consequent of falling small businesses in Iran. While a huge number of educated and smart entrepreneurs can't easily start-up their businesses in their motherland, they prefer leaving their own country and immigrating to a foreign territory to implement their ideas. In 2006, the InternationalMonetary Fund (IMMIFFranked Iran the highest in brain drain among 90 countries (both developed and less developed countries), " with over 180, 000 people leaving each year due to a poor Job market and oppressive social conditions". Although this statistics issued more than 6

years ago, the Minister of Science, Research and Technology of Iran confirms that the disadvantage of these emigrations is more than \$150 billion annually.

In addition to human resources, huge amount of capital investments exit the country each year. A survey, conducted by PaParisianank (a non-governmental omimmemorialank in Iran) shows that, the outgoing capital of Iran is almost 85 times more than incoming capital. According to this study, more than \$1500 billion have been invested by Iranian entrepreneurs in the United Arab Emirates just during 5 years ended by 2012. While the impacts of mamarginaliahe small businesses has dramatically been increased in Iran, some national and international economists have been considering to find solution to survive these vital parts of micro economy. The government has a significant role in facilitating some initial foundations. Enforcing the copy right rules ndNDstablishing related organizations to follow the rights of inventors, writers, entrepreneurs, researchers, singers, film producers, and all other fields of revenue, especially individual businesses, can be the first step. According to DoDoyenne- EgEggheadsagazine, almost \$1580 billion will be added to the total GDGAPf Iran if people respect to copy right.

Another step is that the government should approach to the Capitalism. It means Iran has to respect personal investment, either national or international. Most of Iranians, who have considerable economic activities out of Iran, end to come back their motherland and help their country develop. Furthermore, Iranian governors should change their international

policies and approach to extend political and economic relationships with developed and developing countries. In internal policies, one of the best solutions to decline the corruption would be to let all media free.

According to AmMartyreSeenthe Indian economist awarded the 1998 Nobel Prize in the economics), the moderate incidence of corruption in democratic countries is meaningfully lower than countries with authoritarian regimes (wrwryrtArticlesecEconomistsndImmediatecoCom Monetary policies should be modified to lead the economy toward a low and stable inflation rate. A reasonable and constant inflation rate would help the entrepreneurs start-up more trustfully and accomplish their plans successfully. One of the most important steps to survive small businesses is Job training. Despite having increased the portion of graduations in recent decades, the practical Job trainings regarding to start-up or manage a micro enterprise haven't been developed. Finally, beside the government, people should change some their awful behaviors, such as easily lying.

Iranians, who had been known as truthful people before the Islam dominated the country (Histories of Herodotus, Herodotus (c. 484 - 425 BC BCC Translated by George RaRawlins858), should retrieve their admired characteristics and traditions. In addition, they should teach the new generation to be hardworking, perseverance, punctual, and patient. Summing up, the undeniable evidence shows that Iranian small enterprises are struggling in a trtroublesnvironment. Many strong financial, political and cultural issues, which are fed of government and society, have been impacted these economic pioneers.