

**Research Article**

## **FACTORS CONTRIBUTING TO SUCCESS OF RURAL CORPORATIONS OF URMIA**

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### **ABSTRACT**

Today, corporation is considered as an appropriate lever for economic and social development which can be effective in optimal productivity of life conditions, work and production and improvement of income level and social conditions. Rural corporations can play a pivotal role in employment in agriculture sector as well as rural entrepreneurship due to strong statute, extensive utilities in rural regions and having experienced workforces. Present paper intends to investigate factors contributing to success of rural corporations in Urmia during 2011-13. Method of research is descriptive – survey. Statistical population of the work includes members of active corporations of the Urmia. To analyze and investigate the relationship, linear regression by means of SPSS is used. Results of the data which survey the factors contributing to success of rural corporations by 8 main and 15 secondary hypotheses, demonstrate that economic, political, agricultural, personal and behavioral factors are the most important factors, respectively and all of these factors have a positive and significant effect on success of rural corporations which is in agreement with five main hypotheses of the research. However, managerial factors (experience, age, educational level, residence and number of employees) have no significant effect on the sales growth, assets return and net operational profit and hypotheses 6-8 are not approved.

**Keywords:** *Economic Factors, Social Factors, Political Factors, Personal and Behavioral Factors, Agricultural Factors, Managerial Factors, Rural Corporations*

### **INTRODUCTION**

Corporation is an autonomous organization based on voluntary alliance of people for meeting general economic, social and cultural needs through a common ownership controlled by the company. The important principle in corporation is the partnership of members for achieving a common goal. In this way, members are users in the corporation's structure not an investor (James, 2003).

In western countries, corporations are considered as intermediate between public and private sectors and in socialistic countries, as a way for reducing government's interferences. Developing countries consider corporations as a tool for ensuring and generalizing ownership and facilitation of people access to modern economic activities. In addition to eliminating the role of intermediates and dealers in villages, corporations help villagers working in handicrafts, livestock and agricultural industries. Before land reforms in Iran, feudal and major owners preempted the lands and agriculture and these reforms ended these conditions and caused entrance of public and private organizations such as rural corporations and other organizations into the field of agriculture of villages (Safi, 1975).

Rural corporations are established in the past for the sake of serving laboring and producing population of the villages and according to their statute, play a significant and important role in development of villages including:

1. Purchasing and supplying living and professional materials and utilities for villagers and members
2. Performing collection, maintenance, classification, packing, shipment and marketing operations of members and villagers products
3. Providing services for life and professional issues of members such as procurement of agricultural machineries and common usage, transportation utilities for members, housing, drinking and agricultural water, health and educational prediction for common usage, electricity power distribution, telephone line establishment, artificial fertilization of livestock and fighting plant plagues and collaboration with relevant organizations

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4. Collective and common utilization of lands
5. Establishment of livestock, poultry, aquatic, bees and silkworm complexes and activities toward collective and common utilization by members and villagers
6. Providing credits and loans required by members by the help of relevant organizations

According to what stated above and due to importance of rural corporations, in this paper, it is tried to investigate factors contributing to success of rural corporations in Urmia city.

### **MATERIALS AND METHODS**

Appearance of corporations as legal organizations during 1954-5. The first rural corporation was established in Davar Abad, Garmsar in 1935 and two others were established in 1939. In 1953, a law in 14 articles was legislated as corporation law. However, development of rural and agricultural corporations occurred during land reforms in 1961 (Feiz, 2008).

Today, corporation is considered as an appropriate lever for economic and social development which can be effective in optimal productivity of life conditions, work and production and improvement of income level and social situations of the society. Experience of developed countries show that corporations are the best organizations which are successful in accumulation of such disperse and at the same time talented and motivated forces. In general definition, corporation means collaboration and in specific and economic definition, it means a type of economic or social organization which has been developed all around the world, from developing to developed countries (Fareghi, 2008).

Corporations provide employment for about 100 million people and by supplying food, house, credits and a great volume of consuming services, have significant economic effects in many countries (Soleimani, 2005). Investigation of the factors contributing to success of rural corporations using questionnaires and attitudes of members in various cities of Iran is already performed. However, since majority of researchers are from fields that are not familiar with financial bills, it prompted us to carry out a research in this context so that in addition to using questionnaires and asking attitudes of members, managerial factors can be studied using analysis of financial bills. According to above, recognition of factors contributing to success of rural corporations is of significant importance. If such factors are not recognized, strengths and weaknesses of corporations are not realized and we will witness the disappearance of corporations and loss of benefits expressed above. For this purpose, questionnaire and financial bills of rural corporations of Urmia are used. Therefore, variables such as government supporting policies, economic social, personal and agricultural factors and managerial factors including educational level, age, experience, residence in village and number of employees are measured as the most important factors in success of rural corporations of Urmia. Due to importance of the research topic and gap of the villages after land reforms and elimination of owners for which government decided to establish the rural corporations, in this paper, we attempt to find the answer for the question that which factors lead to success of rural corporations in Urmia city?

#### *Literature Review*

Dolter *et al.*, (2008) in a research entitled “study of the factors of success and failure of agricultural corporations in African countries”, showed that various factors such as making corporations public, weak management and lack of financial resources are the most important factors in this regard.

Briscoe (2010) in a paper entitled “investigation of factors contributing to success and failure of corporations” states that negligence of personnel training, lack of sympathy and emotional relationship, ignoring agricultural products marketing and lack of a dynamic leadership by management board are effective barriers in the way of Production Corporation’s success.

Xin and Xu (2010) studied the conditions of food products and their quality in China and found out that for improving food security and standardizing the quality, rural corporations must be developed.

Masoumi (2006) studied the revolution of rural environment and emphasized the role of rural agricultural production corporations and discovered that corporations could interact with environment for optimization of water consumption, preventing water and soil pollution and economic development of villages to help improving the situations.

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Bouzarjemehri and Bazzaz (2013) in a study entitled analysis and investigation of systems contributing to development of rural production corporations of Khorasan Razavi from experts' point of view concluded that corporations have a weak performance and obviously necessary contexts and infrastructures in fields such as reviewing regulations and modifying and applying policies by government can be an appropriate field for eliminating barriers and limitations and suitable usage of internal capabilities and external opportunities.

### **Research Hypotheses**

Research hypotheses are as follows:

- 1<sup>st</sup> hypothesis: economic factors contribute to success of rural corporations.
- 2<sup>nd</sup> hypothesis: social factors contribute to success of rural corporations.
- 3<sup>rd</sup> hypothesis: political factors contribute to success of rural corporations.
- 4<sup>th</sup> hypothesis: personal and behavioral factors of farmers contribute to success of rural corporations.
- 5<sup>th</sup> hypothesis: agricultural and rural factors contribute to success of rural corporations.
- 6<sup>th</sup> hypothesis: managerial factors contribute to ratio of sales (ROS) growth.
- 7<sup>th</sup> hypothesis: managerial factors contribute to assets return.
- 8<sup>th</sup> hypothesis: managerial factors contribute to net operational profit.

### **Research Methodology**

Recent paper is a descriptive – survey research and with respect to goal, it is applied and from data collection' point of view, it is a field study.

In this research, for collecting data, library method is used. Moreover, rural corporations of Urmia are referred to and based on available information and by reasoning and statistical techniques as well as questionnaires provided by researcher; factors contributing to success of rural corporations of Urmia are studied in research period.

### **Research Pattern**

Independent variables used in this paper are economic, social, supporting political, personal and behavioral, agricultural and managerial factors whose contribution to dependent variables of success, ratio of sales and net operational profit of rural corporations of Urmia are investigated.

## **RESULTS AND DISCUSSION**

### **Test of Variables Normality**

Level of significance for Kolmogorov – Smirnov test for all dependent variables is higher than 0.05 which illustrates that null hypothesis of the test is not rejected.

In other words, dependent variables of success of rural corporation's are ratio of sales growth, ratio of assets return and net operational profit.

### **Results of Hypotheses Test**

#### **1<sup>st</sup> Hypothesis Test**

Economic factors contribute to success of rural corporations.

For this hypothesis, value of determination factor for regression model is 0.441. Value of Durbin – Watson statistic is 1.900. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.000 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression equation of the relationship between dependent and independent variables is as follows:

success= 56.848+0.664×economic factors

As a result, it can be said that economic factors have significant and positive effect on success of rural corporations.

#### **2<sup>nd</sup> Hypothesis Test**

Social factors contribute to success of rural corporations.

For this hypothesis, value of determination factor for regression model is 0.4661. Value of Durbin – Watson statistic is 1.795. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.000 lower than 0.05. Hence, it can be

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concluded that regression is significant in 0.05 level. In conclusion, regression equation of the relationship between dependent and independent variables is as follows:

$$\text{success} = 78.059 + 0.683 \times \text{social factors}$$

As a result, it can be said that social factors have significant and positive effect on success of rural corporations.

#### *3<sup>rd</sup> Hypothesis Test*

Supporting political factors contribute to success of rural corporations.

For this hypothesis, value of determination factor for regression model is 0.475. Value of Durbin – Watson statistic is 1.974. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.000 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression equation of the relationship between dependent and independent variables is as follows:

$$\text{Success} = 55.267 + 0.689 \times \text{political factors}$$

As a result, it can be said that supporting political factors have significant and positive effect on success of rural corporations.

#### *4<sup>th</sup> Hypothesis Test*

Personal and behavioral factors contribute to success of rural corporations.

For this hypothesis, value of determination factor for regression model is 0.565. Value of Durbin – Watson statistic is 1.847. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.000 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression equation of the relationship between dependent and independent variables is as follows:

$$\text{Success} = 59.104 + 0.752 \times \text{personal and behavioral factors}$$

As a result, it can be said that personal and behavioral factors have significant and positive effect on success of rural corporations.

#### *5<sup>th</sup> Hypothesis Test*

Agricultural factors contribute to success of rural corporations.

For this hypothesis, value of determination factor for regression model is 0.623. Value of Durbin – Watson statistic is 1.973. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables.

Value of significance of F-test is 0.000 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression equation of the relationship between dependent and independent variables is as follows:

$$\text{Success} = 57.423 + 0.789 \times \text{agricultural factors}$$

As a result, it can be said that agricultural factors have significant and positive effect on success of rural corporations.

#### *6<sup>th</sup> Hypothesis Test*

Managerial factors contribute to ratio of sales growth.

Note that managerial factors including educational level, age, residence, number of employees and experience each of which can be expressed in a secondary hypothesis. It must be kept in mind that for basic hypothesis, based on various levels of managerial factors, following secondary hypotheses can be introduced:

##### *1<sup>st</sup> Secondary Hypothesis Test*

Educational level contributes to ratio of sales growth.

For this hypothesis, value of determination factor for regression model is 0.134. Value of Durbin – Watson statistic is 2.445.

Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.093 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Consequently, it can be said that educational level has no effect on ratio of sales growth.

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### *2<sup>nd</sup> Secondary Hypothesis Test*

Age of managers contributes to ratio of sales growth.

For this hypothesis, value of determination factor for regression model is 0.01. Value of Durbin – Watson statistic is 2.149. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.695 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Consequently, it can be said that age of managers has no effect on ratio of sales growth.

### *3<sup>rd</sup> Secondary Hypothesis Test*

Experience of managers contributes to ratio of sales growth.

For this hypothesis, value of determination factor for regression model is 0.004. Value of Durbin – Watson statistic is 2.158. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables.

Value of significance of F-test is 0.785 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. Hence, regression is not significant in 0.05 level.

Consequently, it can be said that experience of managers has no effect on ratio of sales growth.

### *4<sup>th</sup> Secondary Hypothesis Test*

Residence of managers contributes to ratio of sales growth.

For this hypothesis, value of determination factor for regression model is 0.09. Value of Durbin – Watson statistic is 2.09. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.175 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Consequently, it can be said that residence of managers has no effect on ratio of sales growth.

### *5<sup>th</sup> Secondary Hypothesis Test*

Number of employees contributes to ratio of sales growth.

For this hypothesis, value of determination factor for regression model is 0.001. Value of Durbin – Watson statistic is 2.101.

Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.914 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Consequently, it can be said that number of employees has no effect on ratio of sales growth.

And finally, according to results of secondary hypotheses, we can find the result of 6<sup>th</sup> hypothesis of research; that is, managerial factors contribute to ratio of sales growth.

### *Test of 7<sup>th</sup> Research Hypothesis*

Managerial factors contribute to assets return.

### *1<sup>st</sup> Secondary Hypothesis Test*

Educational level of managers contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.033. Value of Durbin – Watson statistic is 1.804. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.42 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that educational level of managers has no effect on assets return.

### *2<sup>nd</sup> Secondary Hypothesis Test*

Age of managers contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.022. Value of Durbin – Watson statistic is 1.786. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.514 lower than 0.05. As a result, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Consequently, it can be said that age of managers has no effect on assets return.

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### *3<sup>rd</sup> Secondary Hypothesis Test*

Experience of managers contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.051. Value of Durbin – Watson statistic is 1.852. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.312 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that experience of managers has no effect on assets return.

### *4<sup>th</sup> Secondary Hypothesis Test*

Residence of managers contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.083. Value of Durbin – Watson statistic is 1.927. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.195 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that residence of managers has no effect on assets return.

### *5<sup>th</sup> Secondary Hypothesis Test*

Number of employees contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.062. Value of Durbin – Watson statistic is 1.885. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.264 lower than 0.05. Therefore, it can be said that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that number of employees has no effect on assets return.

And ultimately, according to results of secondary hypotheses, it can be concluded that managerial factors have no effect on assets return.

### *Test of 7<sup>th</sup> Research Hypothesis*

Managerial factors contribute to assets return.

### *1<sup>st</sup> Secondary Hypothesis Test*

Educational level of managers contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.033. Value of Durbin – Watson statistic is 1.804. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.42 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that educational level of managers has no effect on assets return.

### *2<sup>nd</sup> Secondary Hypothesis Test*

Age of managers contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.022. Value of Durbin – Watson statistic is 1.786. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.514 lower than 0.05. As a result, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Consequently, it can be said that age of managers has no effect on assets return.

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Therefore, it can be said that experience of managers has no effect on assets return.

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Residence of managers contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.083. Value of Durbin – Watson statistic is 1.927. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.195 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that residence of managers has no effect on assets return.

#### *5<sup>th</sup> Secondary Hypothesis Test*

Number of employees contributes to assets return.

For this hypothesis, value of determination factor for regression model is 0.062. Value of Durbin – Watson statistic is 1.885. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.264 lower than 0.05. Therefore, it can be said that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that number of employees has no effect on assets return.

And ultimately, according to results of secondary hypotheses, it can be concluded that managerial factors have no effect on assets return.

#### *Test of 8<sup>th</sup> Research Hypothesis*

Managerial factors contribute to net operational profit.

##### *1<sup>st</sup> secondary hypothesis test*

Educational level of managers contributes to net operational profit.

For this hypothesis, value of determination factor for regression model is 0.01. Value of Durbin – Watson statistic is 1.815. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.663 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that educational level of managers has no effect on net operational profit.

##### *2<sup>nd</sup> Secondary Hypothesis Test*

Age of managers contributes to net operational profit.

For this hypothesis, value of determination factor for regression model is 0.037. Value of Durbin – Watson statistic is 1.717. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.393 lower than 0.05. As a result, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Consequently, it can be said that age of managers has no effect on net operational profit.

##### *3<sup>rd</sup> Secondary Hypothesis Test*

Experience of managers contributes to net operational profit.

For this hypothesis, value of determination factor for regression model is 0.076. Value of Durbin – Watson statistic is 1.728. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.215 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

Therefore, it can be said that experience of managers has no effect on net operational profit.

##### *4<sup>th</sup> Secondary Hypothesis Test*

Residence of managers contributes to net operational profit.

For this hypothesis, value of determination factor for regression model is 0.015. Value of Durbin – Watson statistic is 1.902. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.584 lower than 0.05. Hence, it can be concluded that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level.

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Therefore, it can be said that residence of managers has no effect on net operational profit.

#### *5<sup>th</sup> Secondary Hypothesis Test*

Number of employees contributes to net operational profit.

For this hypothesis, value of determination factor for regression model is 0.021. Value of Durbin – Watson statistic is 1.902. Since the value of this statistic is 1.5-2.5, it can be said that there is no correlation between variables. Value of significance of F-test is 0.523 lower than 0.05. Therefore, it can be said that regression is significant in 0.05 level. In conclusion, regression is not significant in 0.05 level. Therefore, it can be said that number of employees has no effect on net operational profit.

And ultimately, according to results of secondary hypotheses, it can be concluded that managerial factors have no effect on net operational profit.

### **Conclusion**

In this paper, by emphasizing on factors such as political, economic, social, personal and behavioral, agricultural as well as managerial factors, these factors are studied in rural corporations of Urmia. According to results of hypotheses, based on priority, economic, political, agricultural, personal and behavioral and finally, social factors have positive and significant relationship with the success of rural corporations. Results of this work are compatible with Zar *et al.*, (2010), Rahmani (2010), Aghajani (2001), Bouzarjemehri and Hadi (2013), Ghanbari *et al.*, (2000), Briscoe (2010) and Anushirvani and Taha (1993). Furthermore, results revealed that there is a positive and significant relationship between managerial factors and ratio of sales growth, assets return and net operational profit.

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