

# Investigating the Role of Creation of Aras Free Zone in the Amount of Social Capitals of Resident Families

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**Abstract:** *The present study aims to review the role of creating Aras Free Zone in the amount of social capitals of resident families in the domain of this zone. In terms of research method, this study is a survey. The information of this study has been collected using a research-made questionnaire. The statistical population of this study is comprised of families living in area of Aras Free Zone. According to the 2011 census, there were 2621 families. 335 families were selected using the cluster sampling method with the help of Cochran's formula. These families were asked to fill out the questionnaire. The content validity of the questionnaire is face validity and the reliability of this questionnaire has been calculated by the Cronbach's alpha method. In order to identify the difference between the means of the variables, t-test has been used. The obtained data has been analyzed using the SPSS software. The results of this analysis are as follows: given the result that the significance of the social capital variable has been lower than 0.05, it can be concluded that there is a significant relationship between social capital and creation of Aras free zone. This means that the social capital of the families in this area has been increased after creating Aras free zone.*

**Keyword:** *Social Capital, Free Zone, Aras Free Zone*

## INTRODUCTION

Creation of a commercial free zone has many effects one of which is the increase of social capitals. On the other hand, investment is a change that is made in the volume of the capital in each period and it is important because it adds to the creation of new capacities for production power and future earnings. Social capital has always been considered as important not only in the area of the economic advancement of developing countries but also in the flourishing of developed ones (Shabani and Soleymani, 2009). Bourdieu's idea about social capital puts emphasis on the class conflict. Social relations are used in order to increase the ability of an individuals in order to meet their needs and interests. In this sense, social capital turns into a source in social disputes (Bourdieu, 1986: 245).

With the decree of the Council of Ministers, Aras industrial – commercial free zone began its activity since 2004 near the Aras River in the border city of Jolfa. The Aras free zone organization, numerous constructive and industrial – commercial purposes have been defined for the development of the zone. Thus, the recognition of the environmental potentials plays a very crucial role in the developmental and spatial planning of the land (Zolfaghari, 2010). Because of the reopening of the border of Jolfa and a daily traffic of approximately 3000 people in this area, the commercial body of this city has led to the growth and development of the city. Some of these developments are the newly-launched Vali Asr, Shams Tabrizi, Amir, Niloofar Abi and Sadaf malls and some others which are being constructed and there are also other

service – commercial units on the two sides of the central boulevard of the city and the Russian market which is comprised of approximately 500 of these units (Hafez Nia and Rahimi, 2005).

Social capital is a relatively new issue in the domain of social sciences which has attracted considerable attention in the scientific assemblies over the past few years. It seems that the cause of this daily increasing attention, as Patnam states, lies within the fact each of us have somehow faced the consequences of reduction and loss of social capital in our personal lives (Tajbakhsh, 2005; cited by Mina Maroofpoor).

Social capital or the spiritual dimension of a society is a historical heritage. By encouraging people to cooperate in social interactions, this historical heritage can solve many of the problems that exist in the society and it can pave the way for moving towards an accelerated economic, political and cultural development, etc. In fact, social capital can be considered as a part of the national wealth, along with economic and human capitals. It can be considered as a proper substrate for exploiting the physical and human capitals and a path leading to the achievement of success. Without social capital, no society would be able to achieve any kind of capital. This means that although many groups, organizations, human societies have been able to succeed without economic capitals and solely by relying on social and human capitals, but no human community can take purposeful and useful measures without social capital. On the other hand, social capital gives meaning to people's lives and it makes life simpler and more enjoyable. Therefore, in general, it can be said that the more a nation has social capital, the happier and wealthier that nation would be (Nateghpoor and Firooz Abadi, 2005; cited by Leyla Abdollahi Baktash).

Currently, social capital has turned into one of the most important, general and applicable notions in the domain of the social sciences studies. Recent studies have shown that this capital affects the performance of basic variables of economy (Shabani and Soleymani, 2009). Bourdieu (1986) talks about some concepts and considers social capital as personal resources and argues that the number of receptions might increase in favor of the individuals. Bourdieu argues that social capital can be accumulated and be converted to other capitals as well. Social capital can lead to the conversion of other capitals to social capital. To sum it all up, given the role of free zones in the economic development of the main land and the surrounding countries and by taking into account that no research has been conducted about the role of creation of the newly-launched commercial free zone of Aras in the social capitals of the citizens of the city Jolfa; thus, this research aims to review the role of social capitals in the improvement of social capitals of the city Jolfa.

### **Theoretical principles of the free zone**

Regional planning background of Iran and the statement of regional issues is traced back to the early 1970s and even before that. Since then, in addition to articles and journals that have reviewed the basic issues and methodology of regional planning, numerous plans and programs have also been prepared. These plans have covered regional or sub-regional national complexes (Sheykhi, 1997). Moreover, the thought of founding and launching free zones in Iran emerged in 1950s. In those years, by considering the fact that there were problems caused by lack of facilities and equipment needed for preserving the goods being imported to the country, the necessity of creating free zones in the southern ports of the country was felt. After the Islamic Revolution of Iran, Kish Island was determined as the first free zone in Iran and in 1989, according to the first five-year development plan, the permission was granted for the government to launch industrial – commercial free zones in three spots near the borders of the country (Kamijani, 1995: 17). Different definitions of the free zones have been presented. However, at the same time, there is a

unique similarity between these definitions. It indicates that in these areas, there are fewer limitations in terms of commercial and custom barriers, investment conditions, foreigners' ownership, etc. compared with other areas in the country and there might not even be any limitation (Mohammadi Almoti, 1968). According to the international definitions, a free zone is a guarded port or a usual area for which some of the current rules of the country don't apply. By getting use of some advantages such as tax breaks, profit exemptions and custom duties, lack of additional foreign exchange and administrative red tapes and formalities, ease and facilitation in the import and export processes, and by attracting foreign investment and transferring technologies, these lands would help the development of the mainland. One of the important goals of creating free zones is the lawfulness of the development and facilitation of foreign businesses. Facilities such as tax breaks for those who are granted the permission to be economically active, the possibility of foreigners entering the country without needing a visa, lack of limitation in transferring foreign exchange to other free zones in Iran or other countries, complete freedom for the entering and exiting of capital, possibility of taking goods in and out of the country with minimum administrative red tapes, easy and simple registration of companies and industrial and cultural institutes and spiritual ownership, exemption from customs rights for importing raw materials and industrial machineries of productive units, easy rules for legal entrance of all goods based on the table of customs duties and other materials needed for foreign businesses in the free zones are some of the outcomes and it can even be a trick for dealing with baseless sanctions by the West.

### **Social capital**

The concern of the degradation of social relations is one of the issues which are often seen in classical and contemporary sociology. Contemporary sociologists have taken advantage of the concept of social capital to review the quality and quantity of social relations. This concept has been used by Lyda Judson Hanifan (1879-1932) in her personal article in 1916 who served the education organization of the state of Virginia. According to Hanifan, social capital includes assets that exist in the everyday lives of individuals such as a sense of understanding, comradeship and friendship, a sense of sympathy in social relations between individuals and between families that comprise a social unit. Hanifan's theory stayed silence for half a century until 1916. At that time, in his work "life and death in large American cities", Jacobs discussed social capital and its role in association with maintaining cleanness, dealing with street crimes in old suburban and urban areas. Glen Loury, the economist, and Iven Light, the sociologist, used the term social capital in 1970s for describing the problem of intercity economic development. Bourdieu was the first to present an integrated and cohesive interpretation of this term in 1972. In 1980s, James Coleman assigned an important chapter of his book "foundations of social theory" to social capital and explained its elements and components in every chapter of his book. In 1990s, the concept of social capital was introduced by the World Bank and the book "Single-Player Bowling" written by Robert Putnam. From early 1990s until now, the concept and theory of social capital has been welcomed by scientists and researchers specializing in different fields of social sciences. The basic idea of social capital is that family, friends and colleagues comprise a quite important asset by using which one can overcome a critical condition or one can take advantage of financial interests and of course this applies to groups more. Social capital, as a complex and integrated structure, has various dimensions some of the most important of which are as follows:

**Trust:** trust, as the most important index of social capital, is a mechanism for creating cohesion and unity between social systems and for facilitating participation, social cooperation and for fostering democratic values.

Belief: belief leads to a deep bond between citizens and various social institutions and it is an effective factor when it comes to reinforcing and promoting the effectiveness and legitimacy of social institutions. Trust is one of the significant aspects of human relationships upon which cooperation and collaboration between society members are built. It accelerates the exchanges in various social, political, cultural and economic fields. It guarantees the tendency to accept risks in a social context. Based on the confidence we have in other people, we expect them to respond to our needs or at least not to hurt us. Trust is an expectation that there is a relationship between the social system of norm-based cooperative and honorable behavior and deep questions such as nature of god or justice. However, they cannot include customary rules like professional criteria and behavioral secrets either (Fokoyama, 1995:26).

#### **Research method:**

The present study has been conducted as a survey in 2014. The statistical population of this research is comprised of families living in Aras free zone. According to the 2011 census, there were 2621 families. 335 families were selected using the cluster sampling method because the area was wide; in such a way that the Jolfa area has been divided into 15 clusters (areas). Then, 5 areas were selected and 67 families were randomly selected out of each area (region) and ultimately, 335 heads of households of the city of Jolfa were asked to fill out the questionnaire. The Cochran formula was used in order to estimate the sample volume. Research data has been collected using field and library methods. A researcher-made questionnaire was also used in order to gather information. Reliability of the measurement tools was determined using Cronbach's alpha. The validity of the measurement tools was specified to be face validity. According to the research findings, the Cronbach's alpha coefficient for the interpersonal trust dimension of the 14 social capital items before the establishment of Aras free zone has been calculated to be 0.9075. Moreover, Cronbach's alpha coefficient for the interpersonal trust dimension of the 14 social capital items after the establishment of Aras free zone has been calculated to be 0.9365. Since the value of this coefficient is higher than 0.6, it is concluded that items have had internal consistency. Cronbach's alpha coefficient for the 9 items of institutional trust before the establishment of Aras free zone has been calculated to be  $\alpha = 0.8998$ . In addition, Cronbach's alpha coefficient for the 9 items of institutional trust after the establishment of Aras free zone has been calculated to be  $\alpha = 0.9010$ ; Since the value of this coefficient is higher than 0.6, thus it is concluded that the items have had internal consistency. Ultimately, the Cronbach's alpha coefficient for the 10 items of interaction before creation of Aras free zone has been calculated to be  $\alpha = 0.8871$ . Further, it is seen that the Cronbach's alpha coefficient for the 10 items of interaction before creation of Aras free zone has been calculated to be  $\alpha = 0.8990$ . Since the value of this coefficient is higher than 0.6, thus it is concluded that the items have had internal consistency. Data has been analyzed using SPSS software and the dependent t-test has been used for testing the hypotheses.

#### **Findings:**

According to the descriptive findings, 23.2% of the studied samples were female and 76.8% were males which means that the highest frequency has been assigned to males. In terms of marital status, 3.4% of the samples were single, 84.5% were married, 9.1% had lost their spouses to death, 3% were divorced which means that the highest frequency is that of married samples. In terms of academic level, 4.4% of the studied samples were illiterate, 9.4% had a primary school degree, 6.1% had a middle school degree, 30.3% had a high school diploma, 17.8% had an associate degree, 23.9% had a bachelor degree, 8.1% had a master degree and higher; which means that the highest frequency has been that of those who had a high

school diploma. 2.2% of the citizens of Aras free zone were not local citizens of Aras free zone and 97.8% of them were local citizens.

The mean of interpersonal trust before the establishment of Aras free zone is 66.63 with the standard deviation of 17.50; in such a way that the minimum value of interpersonal trust is zero and the maximum value of it is 100. The skewness coefficient for the distribution of interpersonal trust is equal to 0.479 which indicates that in fact, the mean of interpersonal trust before the establishment of Aras free zone is higher than the mean. The mean of interpersonal trust after the establishment of Aras free zone is 74.84 with the standard deviation of 19.50; in such a way that the minimum value of interpersonal trust is zero and the maximum value of it is 100. The skewness coefficient for the distribution of interpersonal trust is equal to 0.889 which indicates that in fact, the mean of interpersonal trust after the establishment of Aras free zone is higher than the mean.

The mean of institutional trust before the establishment of Aras free zone is 52.78 with the standard deviation of 21.67; in such a way that the minimum value of institutional trust is zero and the maximum value of it is 100. The skewness coefficient for the distribution of institutional trust is equal to 0.348 which indicates that in fact, the mean of institutional trust after the establishment of Aras free zone is higher than the mean. The mean of institutional trust after the establishment of Aras free zone is 68.38 with the standard deviation of 21.98; in such a way that the minimum value of institutional trust is zero and the maximum value of it is 100. The skewness coefficient for the distribution of institutional trust is equal to 0.831 which indicates that in fact, the mean of institutional trust after the establishment of Aras free zone is higher than the mean.

The mean of interaction before the establishment of Aras free zone is 66.98 with the standard deviation of 17.59; in such a way that the minimum value of interaction is zero and the maximum value of it is 100. The skewness coefficient for the distribution of interaction is equal to 0.372 which indicates that in fact, the mean of interaction after the establishment of Aras free zone is higher than the mean. The mean of interaction after the establishment of Aras free zone is 77.23 with the standard deviation of 18.26; in such a way that the minimum value of interaction is zero and the maximum value of it is 100. The skewness coefficient for the distribution of interaction is equal to 1.297 which indicates that in fact, the mean of interaction after the establishment of Aras free zone is higher than the mean.

#### **Comparing the scores of interpersonal trust of social capital before and after the establishment of Aras free zone**

According to the information presented in table (1) and according to the results of dependent t-test, the mean of the scores of interpersonal trust before the establishment of Aras free zone is equal to 66.63 with the standard deviation of 17.50 and it is 74.84 after the establishment of Aras free zone with the standard deviation of 19.50. Therefore, given that the value of t at a significance level of  $p=0.001$  is equal to 8.256, it can be concluded that the score of interpersonal trust has increased after the establishment of Aras free zone and this difference is significant because the significance level is lower than 0.05. Thus, interpersonal trust has increased by 12.32%.

**Table (1)** – comparing the scores of interpersonal trust before and after the establishment of Aras free zone

| Variable   | Number | Mean  | Standard deviation | T-test | Significance level |
|--|--------|-------|--------------------|--------|--------------------|
| Interpersonal trust before the establishment of Aras free zone | 328    | 66.63 | 17.50              | -8.25  | 0.001              |
| Interpersonal trust after the establishment of Aras free zone  | 328    | 74.84 | 19.50              |        |                    |

**Comparing the scores of institutional trust of social capital before and after the establishment of Aras free zone**

According to the information presented in table (2) and according to the results of dependent t-test, the mean of the scores of institutional trust before the establishment of Aras free zone is equal to 52.87 with the standard deviation of 21.67 and it is 67.38 after the establishment of Aras free zone with the standard deviation of 21.98. Therefore, given that the value of t at a significance level of  $p=0.001$  is equal to 11.64, it can be concluded that the score of institutional trust has increased after the establishment of Aras free zone and this difference is significant because the significance level is lower than 0.05. Thus, institutional trust has increased by 29.33%.

**Table (2)** – comparing the scores of institutional trust before and after the establishment of Aras free zone

| Variable   | Number | Mean  | Standard deviation | T-test | Significance level |
|--|--------|-------|--------------------|--------|--------------------|
| Institutional trust before the establishment of Aras free zone | 328    | 52.78 | 21.67              | -11.64 | 0.001              |
| Institutional trust after the establishment of Aras free zone  | 328    | 68.38 | 21.98              |        |                    |

**Comparing the scores of interaction of social capital before and after the establishment of Aras free zone**

According to the information presented in table (3) and according to the results of dependent t-test, the mean of the scores of interaction before the establishment of Aras free zone is equal to 66.98 with the standard deviation of 17.59 and it is 77.23 after the establishment of Aras free zone with the standard deviation of 18.26. Therefore, given that the value of t at a significance level of  $p=0.001$  is equal to 9.50, it can be concluded that the score of interaction has increased after the establishment of Aras free zone and this difference is significant because the significance level is lower than 0.05. Thus, interaction has increased by 15.30%.

**Table (3)** – comparing the scores of interaction before and after the establishment of Aras free zone

| Variable   | Number | Mean  | Standard deviation | T-test | Significance level |
|--|--------|-------|--------------------|--------|--------------------|
| Interaction before the establishment of Aras free zone | 328    | 66.98 | 17.59              | -9.50  | 0.001              |
| Interaction after the establishment of Aras free zone  | 328    | 77.23 | 18.26              |        |                    |

### Conclusion and recommendations

According to the information presented in tables above and according to the results of dependent t-test, the mean of the scores of interpersonal trust before the establishment of Aras free zone is equal to 66.63 with the standard deviation of 17.50 and it is 74.84 after the establishment of Aras free zone with the standard deviation of 19.50. Therefore, given that the value of t at a significance level of  $p=0.001$  is equal to 8.256, it can be concluded that the score of interpersonal trust has increased after the establishment of Aras free zone and this difference is significant because the significance level is lower than 0.05. Thus, interpersonal trust has increased by 12.32%. According to the results of dependent t-test, the mean of the scores of institutional trust before the establishment of Aras free zone is equal to 52.87 with the standard deviation of 21.67 and it is 67.38 after the establishment of Aras free zone with the standard deviation of 21.98. Therefore, given that the value of t at a significance level of  $p=0.001$  is equal to 11.64, it can be concluded that the score of institutional trust has increased after the establishment of Aras free zone and this difference is significant because the significance level is lower than 0.05. Thus, institutional trust has increased by 29.33%. Finally, according to the results of dependent t-test, the mean of the scores of interaction before the establishment of Aras free zone is equal to 66.98 with the standard deviation of 17.59 and it is 77.23 after the establishment of Aras free zone with the standard deviation of 18.26. Therefore, given that the value of t at a significance level of  $p=0.001$  is equal to 9.50, it can be concluded that the score of interaction has increased after the establishment of Aras free zone and this difference is significant because the significance level is lower than 0.05. Thus, interaction has increased by 15.30%.

According to the findings above, it can be concluded that special education conditions in Iran has reduced the socioeconomic distance between the high and average sectors and even some layers of the low sectors in terms of the institutional aspect of cultural capital. However, since institutional capital in Iran has not actually achieved the rate of conversion of this type of capital to economic capital in the developed countries, there are some doubts about its efficiency. Of course, it is obvious that investigating this issue requires a wider range of research that would solely focus on this subject. In addition, it shall not be forgotten that academic degrees related to formal education are not the only indexes of institutional capital and it is because of the development of official educational institutions in Iran and their inclusion and special conditions regarding the labor market that the value of many of the degrees regarding unofficial technical and educational levels increases daily. Further, the quality of these degrees is different even in cases that they seem similar and this will change their weights in the analyses.

Accuracy in the definitions of the aforementioned capitals indicates that social capital is manifested and “social trust” has crucial effects on the development process in particular, alongside social links (but obviously we see it becoming weaker and weaker day by day in our society).

From the perspective of development of national economy, creation of a free zone can be a window that opens to the outside world and guarantees the freedom for business transactions and contribute to the attraction of some capital and technical specializations needed for the current of the industrial development of the country. From the viewpoint of development of regional economy, commercial free zone makes the economy of its surrounding areas more dynamic and accelerates the movement of capital, workforce and management towards the selected areas. Thus, creation of a commercial free zone at the heart of economic activities is considered to be a purposeful process the goal of which is to help economic growth, to reinforce industrialization and providing facilities for business exchanges especially in the field of development of exportations. Therefore, in today's world, the concept of market has penetrated all of the areas of our lives and capital is now the main core of the market (Storeborg, 2002). On the other hand, a revolutionary change has occurred in the concept of capital and the expectation caused by this change is that market relations are going to enter different areas of the lives of people and families more than ever and capital is going to play quite a crucial role in determining people's satisfaction with their lives.

In the current conditions, since the world is quickly moving towards globalization and total freedom and our country has no choice but to join the movement, free zones are such a great example of measures that should be taken in order to reform the structure of the country's economy in order for it to comply with the newly-emerged evolutions in the world economy. Given that the structure of the country's economy is reformed through eliminating administrative barriers, establishing easy rules and simultaneously reinforcing great supervisions, free zones might be considered as a tool for designing, testing and completing structural reformations and exploiting its results in order to extend the reformations to the mainland. Reviewing the performance of industrial – commercial free zones and comparing them with the purpose behind their establishment over a decade in Iran makes it clear that since some of the aforementioned ends have not been met and some problems have come up, it is necessary to adopt proper mechanisms in order to improve the performance of these free zones.

By taking into account the discussion above, clarifying rules and setting long-term and stable ones in coordination with the global standards are highly recommended. In addition, creating a stable political atmosphere and security in the free zones and establishing preferential tariffs for these regions, in comparison to the neighboring countries, with the purpose of encouraging domestic and foreign investors should be a priority. Moreover, the need for accurate management and policy-making in the respect of increasing the rate of social capitals through creation of television networks by the authorities of Aras free zone is also felt. The greatest limitation of this study is that this research has been conducted after the establishment of Aras free zone and there are no other researches on the same subject before its establishment. Thus, all of the information is relate to the time before this free zone was created has been gathered after its establishment and the information related to the time before the creation of Aras free zone is probably not more accurate.

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