

## Investigating Effect of the Regulation and Economical/Industrial Development on the Export Rate

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### ABSTRACT

Following export development pattern, prospering to the incomes of foreign exchanges resulted in some advantages such as exchanging for national economy, growing the foreign exchange income and proportional with it growing the importing potential, enjoying from technical knowledge of the world, increasing the standard of living in welfare for people, creating the new job opportunities, prospering the investment, upgrading the quality of products and finally constant economical growth. The main purpose of this research was to investigate the effect of regulation and economical development on the export rate in the exporting companies in Tabriz. Statistical society of this research consisted of 135 active exporting companies in Tabriz which the sample mass was estimated using Morgan table of 100 companies and the questionnaire was used to collect data. Spss software was used to analyze data at the descriptive and inferential statistic department and then confirming or rejecting the hypotheses of the research's test was done using Pearson correlation coefficient and regression.

**KEY WORDS:** regulation, industrial development, export, environmental conditions.

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### 1. INTRODUCTION

Nowadays, the marketing environment is continuously changing and moving towards more complexity and instability. The influential factors and environmental characteristics have increased, on one hand, and the behavior of the environment has been unpredictable, the process of required information of companies has been growing and competitive environment has been moving towards dynamism and instability, on the other hand. External environment includes political, physical, cultural and economical aspects which effect the management, behavior and exporting performance of the company. Exporting companies rarely can influence this environment and in the many situations, they should consider these macro parameters as the definitive obstacles and pressures [1]. Marketing environment of the company is composed of two micro and macro environments. Micro environment means those powers which are in close connection with the company effecting company's abilities in ways of offering services to customers (examples are company, suppliers of primary materials, organizations which define marketing channels, customer-oriented markets, rival companies and people). Macro environment means greater social powers which affect the whole of the micro environment (examples are composition of population; economical, natural, technical, political and cultural powers) [2]. Competitive economic environment can be considered in two levels, macroeconomics and microeconomics. The former environment has the background which determines the main characteristics and effects the whole organization. Factors include taxation, government spending and interest rates as well as performance and effect of the commercial blocks such as Europe Union and European Free Trade Union. Environment of microeconomics is related to the structure of the personal market. The most precise description of information market is exclusivist competing condition. This term points to the economical pattern in which there are many rivals in market; however, each of them has products which are more different of the others products, but each product is unique in its kind, because there is no direct alternative. But like any marketing situation, this situation maybe is subject to change and challenge. Legal/political effects include rules and codes, regulations and practical codex of national governments, Europe Union, local government, supervisory organizations and business associations. In the recent years, national governments have been responsible for privatization or marketing the important industries which formerly activated in monopoly of government. Related regulations of marketing relationships widely differ among countries and striking activities with the Europe union to change this situation is in the progress. In Britannia, supervisory organization on accuracy of advertisements runs Britannia's practical codex of advertisement and practical codex of promotion of sale [3]. In this respect, economical development of many countries of the world (like Japan, South Korean, and Singapore) primarily depends upon their export development and by which they could be placed among the world's richest countries. In our country,

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consideration to several factors such as single productivity of country, heavy dependency of economics to the oil revenues, sooner and later joining to the World Trade Organization, currency needs for various applications including compensation of the shortage of domestic supply and prevention of inflationary pressures emerged from excess demand, entrance of technology and industry modernization etc. and also export and penetrating in new markets have got special significance. Although taking into account the relative stagnation of world economic, saturation of markets of developed countries, rushing to the markets of other countries, increasing the expectations of consumers and achieving to the export markets in the all of its sections required providing preparations, special facilities and abilities. In the section of industrial products, because of its features and sensitivities, export prerequisites being doubled. Considering that buyers of industrial products are often manufacturing companies or interfaces who finally offer these products to manufactures, these buyers are seeking to find buyers that can make long terms relations with them and enjoy from smooth manufacturing process. Ability of supplier in offering high quality products with price and speed beyond its competitors is the integral part of this relation. Of course, achieving to this position is possible, though countries like Turkey, India and Malaysia have the similar structure to our country not so far in the past, now they achieved to considerable export in the industrial product section. Iran's economy also has been able to make several business partners and to achieve even small share in export of industrial products. Industrial export quota despite of its high quota in non-oil exports has devoted low amount compared to total export of country. However, the majority of country's export is composed of oil export. Since it is impossible to continue current trend because of the global development, it is necessary to consider more efficient arrangements in the increasing of non-oil exports, especially export of industrial products. Statistics related to primary products, in particular export of non-oil part, indicates little development in foreign trading and its dependence to traditional and primary products. Remarkable part of country's export is related to oil, gas and petroleum products which in average covers up to 85 percent of total country's export. While majority of non-oil export is related to traditional goods such as carpet, pistachio and saffron and somehow factory consumer products. It is clear that in such situation, products related to industrial products are not noticeable, too. This disproportionate ratio in structure of country's export indicates dependency of country's economy to exporting primary materials and non-industrialization of export. In 2004, Iran with 38<sup>th</sup> rate from the viewpoint of value of goods export has devoted only 5 percent of the world export to itself. From this amount, only about 9 percent is related to manufacturing goods. Also, according to foreign trade statistics in recent years, importing volume of country is gradually increasing compared to export volume of the country which it can be point of concern if this trend continues. And ultimately leads to exit of currency and fail of the domestic industries. In today's world, the increasing pressure of competition in the most of manufacturing and service areas, directs the attention of the companies and the owners of industries towards this point that achieving to appropriate position in market requires a change in the attitude of their position in the value chain of their products. In the past decade, most of the companies and organizations in dealing with necessity of rapid reducing of costs along improving quality and keeping flexibility in response to market needs and shortening the period of the product development, have felt the necessity of main changes in their mental pattern to achieving the above results.

In order to have exact perception of the situation of world markets and to predict their future trend to offer goods and services and also to attract consumer satisfaction, there should be enough knowledge of market situations, customers, competitors, suppliers as well as environmental determinants including economical, political, cultural factors and other factors like these which consequently make it inevitable establishing expertise and training professional persons in related area, i.e. marketing area [4]. Following export development pattern and prospering the incomes of foreign exchanges resulted in some advantages such as exchanging for national economy, growing the foreign exchange income and proportional with it growing the importing potential and enjoying from technical knowledge of the world, increasing the standard of living in welfare for people, creating new jobs opportunity, prospering the investment, upgrading the quality of products and finally constant economical growing. Hence, with changing policy of economical development from replacing import which has been considered in Iran in two recent decades and hiring all executive determiner institution (both public and private), it is possible to provide favorable background for developing exports [4]. Siosa and Bradly classify environment factor to variables of marketing and communicating substructures, technical requirements, regulations and industrial/economical development which effect the performance of the exporting companies.

Regulation means collecting and approving developed official rules or imposing duties and specified responsibilities which might be established through primary rights or through assembly of structure of selected rules and would be measurable using specified tax indexes, specified certificates, importing shares of the aim country and commercial controls [5].

Professor Block believes that economical development is attaining a number of optimal goals and objectives of modernization such as increasing production output, providing economical and social equalities,

acquiring new knowledge, technique and skill, improving situation of institutions, attitudes or logically gaining a well-balanced and proportional system of different policies which can remove undesirable conditions of a social system [6]. And industrial development is stable and compatible development in future ([www.iiacnf.com](http://www.iiacnf.com)). In this research, industrial/economical development is measured with economical brightness indexes, welfare of society and industrialization of target country. The main purpose of this research was to investigate the effect of regulation and industrial/economical development on export rates in export companies settled in Tabriz and also it sought to determine the effect of each independent variable on the dependent variable.

## **2. STATEMENT OF THE PURPOSE**

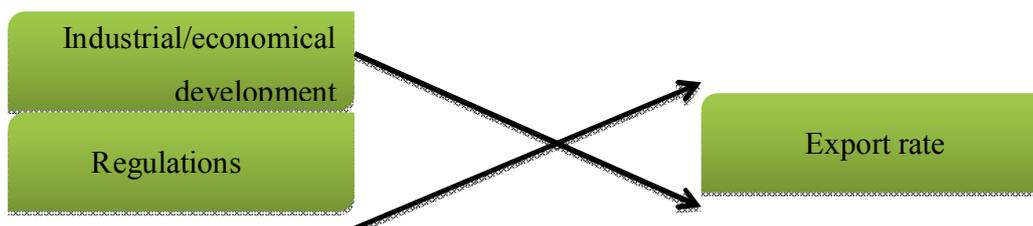
Nowadays, no country lives in complete separation from other countries. Any country with starting international exchange applies its production factors which have more outputs and exchanges these products with those of other countries. Even those countries who decided to operate exclusively in their domestic markets deal with international competitive challenges. In these conditions, export is propounded as a critical and basic strategy to ensure the growth and the survival the companies [7]. This continuity comes from environmental changes and instability of market condition which create necessity of price adjustments. Lack of appropriate price for offering to the market and lack of the appropriate guidance have caused that many companies decant their goods and technologies to the market which are not in conformity with the favored price of the market. Since price is one of the effective factors which influences consumer (customer) purchase decisions, determination of inappropriate price in some cases, leads to irreversible effects on businesses, reducing profitability, reduction of market share and decreasing credibility of the business. Consultants of McKinsey Company reported that in the 2462 companies which they reviewed, 1 % price improvement increased the benefit to 11/1 in average. In addition, pricing decisions in the international markets has been effected by internal and external factors [8]. Internal factors are organizational characteristics like company and product, whereas external factors often are considered to be foreign market characteristics. The degree of matching of these factors with marketing strategy of company determines the level of performance [9]. On the other hand, despite of existence of requests for research on pricing, moving forward is little. Two reasons maybe noted to this shortcoming: first reason is the complex nature of international pricing and reluctance and unwillingness of the managers to discuss this area [9]. Second reason refers to the lack of the appropriate international pricing theories. Numbers of the markets also plays important role on the price matching and export performance and itself is effected by exporting environment. For this reason, Cavusgi land colleagues have expressed that globalization makes it more difficult to companies to use price discrimination strategies in the different international markets. The lack of theoretical guidance might encourage managers to use internal prices as the inappropriate basis for international prices. In addition, this problem finds more perspective with recognizing that pricing in exporting business can play critical role in achieving to higher performance, and maybe an essential element in reaching the stable competitive advantages in international markets [10]. Also, reviewing literature related to the exporting performance implies that the wide range of unknowns and uncertainties exists which makes it difficult to produces a reliable and valid prediction for successful performance. In our country, considering that there is no special strategy for developing of the export, Iran has also limited presence in the target markets. Among problems and obstacles of export development in our country, we can point to the lack of the understanding of the requirements of the global market, non-specialization of the export activities, weakness in designing and implanting the training requirements of exporters.

Iran's customs reported that non-oil exports of the Iran during 8 months of the current year reached to 15,631,870,000 dollars regarding gas liquidities compared to the same period in the last year which had 8.29 percent reduction. Information unit of economist in most recent report expressed that Iran's share from world export (with counting oil incomes) in 1392 will reduce to 58 percentage and in 1393, Iran's share from world export will reach to minimum rate during predicted period (1384 to 1393) and 46 % figure will be registered to this index and this is the indicator of the very little share of our country from world business. On of the reasons of weakness in the export status is the lack of the attention to or lack of the familiarity with the effective matters on exporting performance such as environment ( environmental differences between internal and external market) and price comparing ( based on environmental differences in international area) in the export market. Considering this fact that exports causes to develop occupation opportunity, to earn money to buy many of foreign goods that can not be produced in the country and to achieve the advanced technology, it can be said that exports plays the main role in the developing of the countries and it is for these reasons that it has been chosen as the subject of the research. Therefore, the main question of the research is "Is there any relation between regulation and industrial/economical development with the export rate in exporting companies settled in the Tabriz?"

### 3. THE IMPORTANCE OF RESEARCH

Exporting activity in the view point of nations and companies is important. In the regional governments' view, exporting activity is critical because exporting activity assists to the economical development of nations. Exporting activities while form the public perceptions from local competitiveness, but effect the foreign exchange rate and also effect on the level of the importing potential of the country. In addition, export promotes social welfare, helps to develop the domestic and internal industries, to improve the productivity and to create new jobs. Moreover, exports expands availability rate of consumers to various goods and services and improves quality of life. From the view point of surface, the exporting company through improving the market provides the opportunity for companies in order to reach little dependency in the internal market. It is possible for companies to reach to low costs and thrift of scale through servicing to new foreign customers while producing higher efficiency products. Companies also might become a stronger competitor in home country through using international experience. In addition, companies in abroad might move toward seeking new foreign markets and involve in international activities such as granting, joint investigation or direct investigation in abroad with learning from international competition. Totally, it can be said that export plays a significant role in the companies as a tool by which reduce production costs, confirm cyclical demand, achieve to new markets and earn experience to other forms of internationalization [11]. Nevertheless, while export is still one of the fast-growing economic activities and it is necessary to both companies and nations, still there is not a strong framework to investigate phenomena of the export activity. One possible explanation is that researchers live in the world in which sentiments and rewards tend to be given to those theories that look for some factors to improve export performance. As a result, they focus on determinants of the performance and tend to ignore reactive behavior of companies [11]. Declining trend of oil rate as the terminable source, on one hand, and unfavorable political condition of this strategic product dominating in the world markets, undesirable perspective and fluctuations of revenues resulted in its exporting which is mainly the most important source of foreign exchange income, on the other hand, have caused the non-oil export to be proceed as the inevitable matter. Accordingly, one of the general goals of economic program without reliance on incomes led to oil export is developing non-oil export which has been considered for obtaining the aforesaid goals of policy and course of actions which among them can be referred to the using of the comparative advantages of the country in producing and exporting of the goods, especially exporting industrial goods. Regarding the industry section in economical-social development programs is so important which exporting the industrial products has significant consequences. For developing countries, exporting causes to develop job opportunities, to earn incomes for buying many of foreign goods which do not produce in the country and to achieve advanced technology. Since industrial products create high value added, their export can be counted as the main source of the energy supply which plays an important role in promoting investment potential and increasing production capacity and can increase occupation level in the country [12]. In Iran's economy regarding the importance of reducing dependency to the exchange incomes resulted in petroleum export, the role of the non-oil export in the reducing of this dependency as well as its position in the economical development programs, the investigating determinants of non-oil export and offering necessary solutions for its development have special importance.

### 4. CONCEPTUAL MODEL OF THE RESEARCH



#### Research hypotheses

Considering conceptual model of the research, following hypothesis can be stated:

- 1- There is a meaningful relation between industrial/economical development and export rate in the exporting companies.
- 2- There is a meaningful relation between regulation and export rate in the exporting companies.

**Research questions**

- 1- Is there any meaningful relation between industrial/economical development and export rate in the exporting companies?
- 2- Is there any relation between regulation and export rate in the exporting companies?

**RESEARCH METHOD**

This research was an analytical and descriptive research from the view point of applied purpose and research method. Since, in addition to describing status quo, it considered hypothesis test in terms of relations based on prediction and sought to define the effectiveness of variables using inferential statistical method, especially regression. Moreover, from this aspect that it's expected results can be used to improve exporting performance and ways to enter to the export market for exporting companies, was an applied research. Statistical society of this research consisted of 135 active exporting companies in Tabriz which its list has been received from the chamber of commerce, industries and mines and customhouse of Tabriz. According to accessible data which there is any particular classification and categorization and list of the exporting companies was available, Morgan table was used to define sample mass. Sample mass equal to Morgan table was estimated 100 companies. Researcher's self-made questionnaire was used to collect data in which structures related to research variables are available in research of Siosa and Bradly, 2008. Initially, pre sampling from desired society was performed with 20 questionnaires to ensure stability of the questionnaire and after ensuring high stability of the questionnaire (87%), 110 questionnaires were distributed which after collecting, hundred of them were analyzed. Spss software was used to analyze date in the inferential and descriptive statistics section. In descriptive and inferential sections, data was analyzed using mean, standard deviation (SD), Pearson correlation coefficient test and regression, respectively.

**Research hypothesis test**

In this research, results obtained form data analyzed first with using descriptive statistics and then using inferential statistics. Considering table (1), maximum score for regulation variable was 5, its minimum score was 3, average score in this variable was about 4.12 and its standard deviation (SD) was 6.1. Maximum score for industrial/economical development variable was 5, its minimum score was 2.75, average score in this variable was 3.87 and standard deviation was 0.64.

Table (1) Description of research variable

Descriptive Statistics								
	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
<b>Industrial/economical development</b>	100	2.75	5.00	3.8788	.64188	.412	-.012	.295
<b>Regulations</b>	100	3.00	5.00	4.1212	.61779	.382	-.047	.295

In this study because measure is special, Pearson regression and correlation coefficient test was used to test statistical hypothesis.

**Theorem1.** There is a meaningful relation between regulation and export rate in exporting companies.

$$\left\{ \begin{array}{ll} H_0: r_{x,y} = 0 & \text{There is no relation between regulation and export rate.} \\ H_1: r_{x,y} \neq 0 & \text{There is relation between regulation and export rate.} \end{array} \right.$$

Considering table (2), it can be seen that the value is sig=/000</05. Hence, H<sub>0</sub> was rejected and H<sub>1</sub> was confirmed with 95% validity and this relation was meaningful. Also, according to this table, it can be said that correlation intensity between variables of regulation and export rate was +44.3% which indicates direct relation between variables. From the other side, determination coefficient between two variables of marketing substructures and export rate was 0.196 which indicates that independent variable up to 19/6 can predict a dependent variable.

**Table (2) Pearson correlation coefficient for Regulations variable**

		Regulations	Export
Regulations	Pearson Correlation	1	.443**
	Sig. (2-tailed)		.000
	N	100	100
Export	Pearson Correlation	.443**	1
	Sig. (2-tailed)	.000	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Beta coefficient was used as a measure of relative importance of variables. Therefore, with comparing 0.196 for regulation variable and 0.080 for industrial/economical development variable, it is possible to find out the significance of regulation variable in predicting related variable changes than that of industrial/economical development variable.

Table (3) regression test for regulation variable

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.443 <sup>a</sup>	.196	.188	.48952		
a. Predictors: (Constant), Regulation						
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.767	.331		8.369	.000
	Regulation	.388	.079	.443	4.893	.000
a. Dependent Variable: a						

Regarding obtained results from regression and considering the regression coefficients, greatest coefficient belonged to regulation variable. Therefore, calculated 0.196 of regulation variable shows that 19.6% of changes of the variable of export rate were related to regulation.

**Theorem2.** There is a meaningful relation between industrial/economical development and export rate in exporting companies.

$$\left\{ \begin{array}{l} H_0: r_{x,y} = 0 \quad \text{There is no relation between industrial/economical development and export rate.} \\ H_1: r_{x,y} \neq 0 \quad \text{There is a relation between industrial/economical development and export rate.} \end{array} \right.$$

Considering table (3) it can be seen that the value was sig=.000</05. Hence, H<sub>0</sub> was rejected and H<sub>1</sub> was confirmed with 95% validity and this relation was meaningful. In addition, according to this table, it can be said that correlation intensity between two variables of industrial/economical development and export rate was +28.3% which indicates a direct relation between two variables. From the other side, determination coefficient between two variables of marketing substructures and export rate was 0.080 which indicates that independent variable up to 8% can predict dependent variables.

Table (4) Pearson correlation coefficient for industrial/economical development variable

**Correlations**

		industrial/economical development	export
industrial/economical development	Pearson Correlation	1	.283**
	Sig. (2-tailed)		.004
	N	100	100
export	Pearson Correlation	.283**	1
	Sig. (2-tailed)	.004	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Considering tables (3 and 5), with comparison of 0.196 for regulation variables and 0.080 for industrial/economical development variables, it can be realized that regulation variable was more important in predicting the changes of dependent variables than industrial/economical development variables.

Table (5) regression test for industrial/economical development variable

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.283 <sup>a</sup>	.080	.071	.52369		
a. Predictors: (Constant), industrial/economical development						
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.381	.341		9.912	.000
	industrial/economical development	.243	.083	.283	2.924	.004
a. Dependent Variable: a						

Determination coefficient indicates the change percent explained from the changes of dependent variable by an independent variable. Therefore, calculated 0.080 for industrial/economical development variables shows that 8 percent of the changes of export rate variables were related to industrial/economical development variables.

## 5. CONCLUSION AND RECOMMENDATIONS

In these conditions, export is suggested as a critical and basic strategy to ensure the growth and the survival of the companies.

Nowadays, no country lives in complete separation from other countries. Any country with starting international exchange applies its production factors which have more outputs and exchanges of these products than those of other countries. In this research, investigating the effect of regulation and the industrial/economical development on export rate in exporting companies defined that the independent variable of regulation has the greatest effect on the export rate in exporting companies. Also, obtained results from Pearson correlation coefficient showed that there was a direct relation between two variables of regulation and the industrial/economical development with export rate. The results of this research are in agreement with those of Siosa and Bradly, 2008. With comparison of 0.196 for the regulation variable and 0.080 for the industrial/economical development variable, it can be realized that regulation variable was more important in predicting changes of the dependent variable than the industrial/economical development variable. Also, obtained results from descriptive statistics indicate that the regulation variable and the industrial/economical development variable have more effect on export rate in exporting companies in Tabriz. Finally, some recommendations are introduced as follows:

- It is better for officials and those involved in the economy to consider environmental macro factors influencing the export rate in their decision making and policy making and take those decisions which lead to increase in country's export rate.
- Exporters' effort to understand and to satisfy customers causes that partners believe that the exporter is qualified to perform his obligations and acts in order to attract best interests of importing partner. Hence, the importing partners more possibly rely on contributing with exporters and they will be committed to it.
- It is proposed that the country's businesses consider a qualitative relationship with importers in order to improve exporting performance and for this purpose they should take advantage of the model presented in this study.

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