
The New Factors Determining on Attract Foreign Direct Investment in the Sports Industry of Iran

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International Journal of Sport Management Recreation & Tourism, Vol.15, p.1-12, 2014

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To link to this article: <http://dx.doi.org/>

DOI: 10.5199/ijsmart-1791-874X-15a

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Abstract

The aim of this study was to investigate factors determining, including: economic, support, encouragement, political and diplomatic on attract foreign direct investment in the sport industry of Iran. Current study was an applied research in terms aims, and descriptive - analytical in terms methods of data collection, which was conducted as fieldwork. The statistical population was all board members of the 12 federations and 3 investment companies in the sports industry of Iran (N≈127). 100 subjects were determined based on Cohen's tables and questionnaires were distributed among them. Research' measuring tool was questionnaire including 30 questions by researcher made. The questionnaire provided during a preliminary study by using Delphi method, which the reliability of the questionnaire was determined using the method Cronbach's alpha statistic 92%. After collecting the questionnaires, it was found that the data have not normally distributed by using Kolmogorov–Smirnov test. Thus Kruskal-Wallis and Friedman tests and factor analysis with SPSS software were used for determine the contribution of each factor on attract foreign direct investment. The results showed that the privatization factor in the country's sports industry among the economic factors, the factor of government support of investor in sports among the support and encouragement factors, and trying to remove economic sanctions against Iran among the political factors had the greatest impact on attracting foreign direct investment on sports industry of Iran.

Keyword: Sports industry; foreign direct investment; economic; support and encouragement; political and diplomatic factors

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Introduction

One of the recent branches of economics is business management which includes other fine branches such as economics of sport. Since 1960s economics and sports have interacted with each other through multimedia development and the process called commercialization of sports has taken new look. This interaction brought about reciprocal benefits for both, sports and economics. On one hand, public and private institutions invest on sports for the purpose of earning money and profits and on the other hand, sports has effective role in various aspects of economic development. For this reason, sport industry has been commercialized rapidly and its scope has been extended. Sport is considered as one of the effective factors on national productivity of each country and has effect on economic prosperity. Investing on manufacturing of sport products and other sport services affects gross national product from one hand and job creation on the other hand. Therefore, investing in sport industry should also be unique, according to its input and output data; it is shown that it is able to bring about changes in economic fields. Financial resources encounter great limits in the field of investing in sports through national resources and are not able to satisfy society's needs. Thereupon, basic approach to solve this problem is using great resources of foreign direct investment (which is one of the types of foreign investment). But the matter that under which circumstances we can fulfill this important task, requires more research and investigation. Today, developing countries and most of the countries around the world have a tendency toward attracting foreign investment due to abundance of their national resources for investment and increase in production of economic system (Mahdavi, 2006). The issue of financial supporters and investment attraction has been constantly attracted researchers attention due to its significant effects in economic development of sport industry. Henry (2000) introduces cheap work force, geographical factors and natural resources of traditional factors of foreign direct investment attraction and recent effective factors as political stability and economical, supporting or encouraging factors. Moradi (2009) has observed positive and significant relation among economical, management and human resources, political, diplomatic, supporting, encouraging, information science, marketing factors and foreign investment attraction in sport industry.

Ahmadi (2007) classifies factors which affect foreign direct investment attraction process, to three common groups of economic factors, supporting and encouraging factors, structural and organizational factors. He regards the total system and economic, political, social and cultural structures as the reason of foreign investment attraction. Manzenreiter and Horne (2005), said financial supporters examine various variables such as economic, political, and social atmosphere of investment centers for investment and financial support of sport events. Gerrard (2006), said one of the five crucial factors in economic development of football industry is investing on development and growth of football industry. Besides, he has pointed out the effect of economic structure of countries on investment attraction and financial support. Yu (2006), regards the economic systems and conditions of countries as important factor in financial supporter`s attraction of sports, he also regards the competitive structures existence in economy of countries as the instigative factor for financial support development in sports. Abdel-Rahman (2002), has represented in research under the heading "determinants of foreign direct investment in Saudi Arabia, that determinants of foreign direct investment process in Saudi Arabia are economic , political and social factors and the level of economic activities along with variables related to capital turn structure, degree of openness of economy and economical atmosphere are regarded as effective factors on foreign direct investment. Gross national product has significant effect on foreign direct investment and imports and exports have reversed and significant performance on it. National investment has also significant effect on foreign direct investment space. The effects of social- political risks are basically significant and have been decreased by increasing the risk of foreign direct investment process. Also, according to strategic document of comprehensive scheme of physical education and sport of country, application of foreign direct investment is one of the foreign exchange reserves that are required in physical education department. But according to official statistics, foreign investments` movement toward Iran especially toward sports is too slow. Elahi, Sajadi, Kheibari, and Abrishami (2009), reports the low level of foreign direct investment as one of the obstacles of income development which is gained by financial support of country`s sport industry. Why Iran`s sport has got zero out of this particular income source? Before answering to this question, new factors of determinants of foreign direct investment attraction should be identified in sport industry of the country and problems ahead should be solved according to them. By taking all above mentioned deficiencies in to consideration, it is certain that by considering high effects of foreign direct investment on countries` industry

and as a matter of course on their economic system, we will deal with examining of present situation and determining factors of foreign direct investment attraction in sport industry.

Methodology

The statistical population was all board members of the 12 federations and 3 investment companies in the sports industry of Iran ($N \approx 127$). 100 subjects were determined based on Cohen's tables and questionnaires were distributed among them. With respect to main purpose of this research which is examining new factors of foreign direct investment attraction's determinants in sport industry, the most suitable method to do this research was recognized as Analytical - Descriptive Method. By considering the point that researcher regards identification necessary, definition and determination of the scope of determinant factors of foreign direct investment attraction is for the purpose of promoting present situation and certain questionnaire has been offered to statistical population to poll public opinion. In the course of internal validity increase of present research, an interview with six involved individuals had been carried out to play a complimentary role for quantitative data. In this way, after examining literature of research, first clarity of the research and its framing have been done by implementing two observation and interview methods and then the aforementioned questionnaire is provided after assistant professor's approval. To ensure the consistency of the questionnaire after considering ideas, test-retest method was used. Questionnaires were first distributed among ten financial affairs managers of physical training organization then they were collected after completion, finally correlation among questionnaire scores was calculated and test-retest coefficient of the questionnaire was obtained 0.88. The test-retest coefficient proved that questionnaire had had consistency. Furthermore, in order to calculate internal consistency, Cronbach Alpha method was used and the internal consistency coefficient for questionnaire was 0.92; then, the certain questionnaire was distributed among subjects and acquired data was used for statistical analysis. In this research, Descriptive and inferential statistics were used for organizing, précising, and classifying raw scores and descriptive statistics was used for describing sample size. Usage of Kolmogorov-Smirnov statistic test proved that data was not standard. Thus Kruskal-Wallis and Friedman tests and factor analysis with SPSS software were used for determine the contribution of each factor on attract foreign direct investment.

Research variables

Economic factors: Economic situation is the most important determinants in attracting foreign direct investment. In this variable some factors such as risk levels, market size, privatization structure in sports industry consideration and will be discussed (Moradi, 2009).

Encouraging and supporting factor: Besides economic, financial and technological motives, foreign investment depends on encouraging and supporting factors. On the one hand, these factors are related to insurance laws/ principles and supporting conditions of domestic and foreign capitals and on the other hand they are concerned with financial and capital markets and economic system`s efficiency. Supplying financial guarantee for foreign investors against noncommercial risks is one the ways of preparing environment for investment. Therefore, in order to accelerate investment process, most of developed countries have provided national insurance programs to boost investment guarantee against noncommercial risks (Haddadi, 2000). The more, Intermediary Financial Institutions required for foreign investors, enjoy customs exemption, the more will be foreign investment process (Rahbar, 2008; Abbasi, 2004). Taxes and tariff obstacles are one the most influential factors on foreign investment process. According to Dargahi (2007), countries which have reward policies such as tax and customs exemption, have top priority for investment.

Political and diplomatic factors: Political situation of investment location is regarded as one of the most important criteria for international investors. So that, the more is stability, the more the investment security and the less will be the capital flight (Zenouz, 2010). Policy making, passing laws and taking necessary steps to prevent tensions and bring about political security will be helpful for creating motivation. On the other hand, the more active is diplomatic and international relations, the more will be the capital mobility (Rahbar, 2008). It is certain that if a country wants to attract foreign investment, it should enjoy requirements such as political and social stability inside and outside (Zareh, 2006).

Results

Economic factors

As you can see in Table 1, economic has the most remarkable influence on privatization of sport industry in the country. Then, sport clubs' stock selling at stock market, Upgrading of economic system which dominates sport industry, increasing Iran's

professional leagues` credit score, making Iranian sport clubs` logos exclusive, giving public sport centers and facilities to stock exchange members, facilitating capital and its gained profits transaction, reduction of investment risks, encouraging and facilitating activities of trans -national corporations, trade balance stability, an attempt to reduce government`s role in economics and foreign debt deduction have respectively the most influence on sport industry.

Table 1. Friedman test related to economic factors

Factors of attract economic	Mean \pm SD	Total rating
The privatization on the sports industry	4.48 \pm 0.54	828.50
Shares sports clubs on stock market	4.35 \pm 0.60	755.50
Updates economic system governing the sport of the country	4.28 \pm 0.63	720.50
Improve the credibility the professional leagues of Iran	4.26 \pm 0.61	703.50
Exclusive property right for sports clubs of Iran	4.21 \pm 0.67	673.00
Assignment of sport facilities and places of public to individuals in the stock market	4.14 \pm 0.65	639.00
Facilitate to capital and profit transfer	4.10 \pm 0.62	621.00
Reduce investment risk	4.07 \pm 0.66	608.50
Encourage and facilitate the activities of transnational corporations	4.07 \pm 0.67	602.00
Stability and the trade balance	4.07 \pm 0.63	600.50
Efforts to reduce government involvement in the economy	3.91 \pm 0.71	526.00
Reduce external debt	3.88 \pm 0.67	522.00
Friedman chi-square		105.06
Significance level		0.0001

Encouraging and supporting factors

According to Table 2, government encouragement and support has the most remarkable influence on investment in sport section. Then, insurance coverage grant, original capital and its gained profits` guarantee, promotion of related industries such as tourism and hotel management, granting bank advance/facility to foreign investors, granting tax, trade and customs exemption to foreign investors, granting cheaper infrastructure facilities (electricity, etc.) and public services, gross national product index and creation of free zones (such as Kish and Qeshm Islands) for investment have respectively the most remarkable influence on investment in sport industry.

Table 2. Friedman test related to encouraging and supporting factors

Encouraging and supporting factors	Mean ± SD	Total rating
Government support of investor in sports	4.49 ± 0.57	589.50
Granting insurance cover and guaranteed principal capital and its profits	4.14 ± 0.60	481.50
Promotion of related industries such as tourism and hospitality	4.12 ± 0.60	472.50
Granting banking facilities to foreign investors	4.10 ± 0.65	472.00
Granting tax breaks, trade and customs to foreign investors	4.06 ± 0.67	455.00
Granting the cheaper infrastructure facility (electricity, etc.) and public services (rail, etc.)	3.98 ± 0.60	425.00
GDP ¹ indicator	3.83 ± 0.66	375.50
Creating free zones for investment (such as Kish and Qeshm)	3.66 ± 0.75	329.00
Friedman chi-square	111.29	
Significance level	0.0001	

1- Gross National Product

Political and diplomatic factor

According to Table 3, politics has the most remarkable influence on terminating economic boycotts against Iran. Then, an attempt to reduce internal and external political tension, expanding recreational sports of the country, having desirable political relations with other countries, investment security guarantee, Asking for large commercial enterprises` permission to establish departments such as Puma, and economic liberalization and privatization on behalf of government have respectively the most remarkable influence on terminating economic boycotts against Iran.

Table 3. Friedman test related to Political and diplomatic factors

Political and diplomatic factors	Mean ± SD	Total rating
Trying to remove economic sanctions against Iran	4.40 ± 0.71	455.00
Efforts to resolve domestic and international political tensions	4.22 ± 0.76	396.50
Development of recreational sports in the country	4.20 ± 0.73	403.50
Good political relations with other countries.	4.20 ± 0.75	393.00
Secures investment	4.19 ± 0.69	390.00
Allow the formation of branches of major commercial firms such as: Puma	4.18 ± 0.75	385.00

The process of economic liberalization and privatization by the government	4.15 ± 0.73	377.00
Friedman chi-square		13.98
Significance level		0.0001

Discussion and Conclusion

Sport industry is in dire need of financial resource supply in the world's modern competitive field and we can dare say that foreign direct investment attraction is one of the most influential strategies ahead, which not only transfers capital and foreign exchange but also it transfers modern methods of management, administrative reform and superior technology to host country. According to findings of research, an attempt to terminate economic boycotts against Iran, investment security guarantee, granting bank advance/ facility, privatization facilities, reducing administrative bureaucracy, news transmission, expansion of marketing agencies' activities, respecting copy right rules have the most influence on foreign investment attraction. These findings correspond with Moradi, (2009) and Elahi, Sajadi, Kheibari, and Abrishami (2009), findings. Meanwhile we can prepare the ground for attraction of several investors in sport industry by taking actions such as effective marketing management, establishment of professional marketing agencies, passing laws which guarantee copy rights and considering particular supporters for investors.

For attracting foreign investments we need multilateral efforts of government to provide suitable political and legal conditions and private sectors to prepare the ground for human resource and economical fields. The most effective economic factor on foreign direct investment attraction is sport industry's privatization. These findings correspond with findings gained from Al-Khaja (2001) and Moradi, (2009), experiments. Whereas privatization is the first step in the course of foreign investment attraction, this subject should be discussed in a special manner in sport structure. And according to economic evaluation carried out in 2007 by Heritage institute in Turkey, foreign direct investment flow has been increased during recent years. Therefore, the amount of these investments has reached to 9.7 billion dollars which is more than its historical average amount. This task was mainly carried out due to effective integration, structural change and privatization programs such as privatization of services and educational sections. Reforming economical structures can promote foreign investment and financial supporters' attraction. Furthermore, according to findings of this research, sport industry

has been deprived of additive effects of foreign investment due to high risk of investment in sport industry, governmental state of sports club, absence of sport clubs in the list of stock exchange, markets` being small and low brand validity of sport associations. Generally, we can achieve success in attraction of foreign direct investment by transferring from closed and governmental economic system to economy with performance of market mechanism and private section.

On the other hand, granting insurance coverage, original capital and its gained profits` guarantee is the most influential supporting and encouraging factor on foreign direct investment attraction. The results of the research concerning amenability of foreign direct investment from supporting and encouraging factors such as commercial and customs exemptions and taking incentives in to consideration, correspond with the Dargahi (2007), finding. Yu (2006), in his research, regards maintenance and promotion of present economical situation in sport industry of China as a result of expanding facilities and incentives determined on behalf of government for foreign investors and cooperating with foreign corporations for investment. Political stability, political structure of society, type of government, power of government and taking decision for foreign investment attraction are of foremost importance. A country as a host of foreign investment, cannot be a good and reliable place for foreign investment when from the managerial, structural and political point of view it is not stable although, from the view point of foreign direct investment attraction it is in best condition. Political stability will definitely be one of the distinctive factors among several investment options of foreign investment. In this section the results of research showed that the more is the relationship between corporation and foreign/domestic enterprises, the more will be attraction of foreign direct investment in sport industry. These findings correspond with Moradi, (2009) and Elahi, Sajadi, Kheibari, and Abrishami (2009), in which it is regarded as one the backwardness factors of Iran`s sport industry, observation of communication principles and provocative factor of football associations and financial supporters.

Also these findings correspond with results gained by Ngowi (2001), concerning foreign investment attraction`s affected by political factors and diplomatic relations on an international level. Generally, it can be said that for taking steps in the course of foreign investment attraction development and because of importance of sport industry`s role in world trade and economic potentials of the country, serious need for this section seems obvious. Generally, in order to attract foreign direct investment we need multilateral effort

of government to provide appropriate political and legal situation and private section to provide human resources and economic fields.

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