Poverty Reduction: Empowerment Approach through developing small businesses and entrepreneurship in the Imam Khomeini Relief Foundation

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Abstract

Nowadays poverty reduction and supporting the needy people is a social and economic necessity. The approach of Empowering the needy people by means of employment based on entrepreneurship and developing small businesses (through innovation and improving all aspects of personal and social life) is an effective approach to achieve durable development, poverty reduction and to create social-justice. This approach is popular among most countries. Imam Khomeini Relief Foundation is a supportive institution which is focused on empowerment and creating the willing for work and developing entrepreneurial culture among the clients. The empowerment and employment approach which is based on human dignity and self-respect is both highlighted in Islamic thoughts, the policies and rules of the Islamic Republic of Iran and in the recent recommendations of international institutions and the successful global experiences. The empowerment model used by the Imam Khomeini Relief Foundation is totally effective and included many employment plans such as preparing business context, consulting and examining the talents of the clients, training vocational and entrepreneurial skills, paying loans for jobs, implementing the stabilizing plan (including preparing raw materials, business environment, marketing, developing clusters and production chains, etc.) and it created business opportunities for the target society. Implementing such a model can help achieving the goals such as improving the social, cultural and economic awareness of the clients, improving technical knowledge and vocational skills of the clients, preparing the context for realizing the talents of the clients and improving economic condition of the clients until they become self-sufficient. In this paper first some views about poverty and empowerment, entrepreneurship and developing small businesses are represented and then client empowerment through entrepreneurship and improving employment in the Imam Khomeini Relief Foundation based on the research in 2011 are discussed.

Keywords: poverty reduction, empowerment, small businesses, entrepreneurship.

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1- Introduction

Reducing poverty and supporting the needy people is a social and economic necessity. Even in the systems where creating wealth is put first, reducing absolute poverty – at least for preventing from violations and social damages – is considered a necessity (Karimi et al., 2011).

Empowering the society is a dynamic and comprehensive process. The main objective of empowerment is making appropriate changes in all aspects of the life of people, families, and social groups. In fact one of the main preconditions of creating and developing permanent development is having policies, plans and multi dimension interventions to empower people, groups and societies to activate them in realizing the long-term and mid-term economic, social and cultural development (Ajili et al., 2011).

The empowerment model used by the Imam Khomeini Relief Foundation is totally effective and included many employment plans such as preparing business context, consulting and examining the talents of the clients, training vocational and entrepreneurial skills, paying loans for jobs, implementing the stabilizing plan (including preparing raw materials, business environment, marketing, developing clusters and production chains, etc.) and it created business opportunities for the target society and has recently been welcomed by many domestic and overseas organizations and institutions. Implementing such a model can help achieving the goals such as improving the social, cultural and economic awareness of the clients, improving technical knowledge and vocational skills of the clients, preparing the context for realizing the talents of the clients and improving economic condition of the clients until they become self-sufficient.

2- Concepts and definitions

In recent years empowering needy people and its different aspects has gained the especial attention of the governments and policymakers. One of those aspects is economic empowerment of the needy people through creating small businesses and developing entrepreneurial plans, which has officially been accomplished since 1985 through self-sufficiency and employment plan to support the clients and has made more than 300000 clients self-sufficient.

To have the same understanding, some concepts and terms related to poverty, empowerment and entrepreneurship and other terms (in the literature of the activities of the Imam Khomeini Relief Foundation) are defined here:

Poverty:

Poverty definition, social experts have used two concepts to define poverty: extreme poverty and modest poverty. Extreme poverty which is known as livelihood (destitution) poverty too is “deprivation and inability of the people to provide the basic human needs
such as nutritious food, clothing and house which are necessary for healthy life”. This concept implies lack of accessing to the necessities of life. Lack of these necessities can endanger the people’s life. The modest poverty is the condition of having much less income than people with median income within the same society or country (Cheraqi, 1996). The clients are usually suffering from modest poverty and rarely suffer from extreme poverty, both have low incomes. Poverty gap in these families is at maximum and the pension provided by supportive institutions can only satisfy a small part of their needs. Most of the clients are jobless and to go out of the extreme situation some of them accept some conditions which are not acceptable by the Islamic republic of Iran. Clearly increasing the pension itself is not a suitable solution and in some way might have inappropriate outcomes (the Fifth development plan draft, self-sufficiency and employment department, February 2010).

Empowerment:

Empowerment is a process that improves the capabilities and assets of the people to be selected and leads the selection toward the favorite results and activities (Alosp & Heinsohn, 2005), full cooperation of people in decisions and processes that controls their lives (Human Development report, 1995). Empowerment includes three aspects: access controlling the resources, representativeness (the capability to use the resources to create new opportunities), and achieving social incomes (Kabeer, 1999).

Client: there are different definitions for client which are based on the services provided by each supportive organization. In general a client is a person who is not able to sole their problem in their own and needs help. In Imam Khomeini Relief Foundation a clients is a person who is not able to provide their necessary costs of life and needs real time, short term and long term supports.

Client self-sufficiency: creating the situation in which the client can satisfy the basic needs of themselves and their families and they can have a normal life.

Entrepreneurship: entrepreneurship concept has been considered from different perspectives and different technical fields. Economists consider the functional roles of entrepreneurship. Sociologists and psychologists consider the cultural and social aspects and the effects of the environment on the people and their characteristics. Hence there exist different definitions about entrepreneurship (Ahmadpour, 2009). Entrepreneurship is a process in which taking the risk an entrepreneur starts a business, firm and new or innovative organizations through new or creative ideas or through recognizing new opportunities and mobilizing the resources. The process finally introduces a new product or service to the society. Appropriate conditions are needed for entrepreneurship. The factors that affect the development of entrepreneurship are called entrepreneurship environment which is one of empowerment factors (Spiling 1998. P59).
3- The importance of small businesses and entrepreneurship

Small businesses besides having desirable effects on the people and the society, (since they put a big part of the people in the working situation) can make changes or develop the economy of a country. Recent studies of the World Bank presented that small industrial units in the developing countries have had outstanding effects on the national employments and incomes, therefore they played a main role in “fair and distributed growth”. The governments of the developed countries and some of the developing countries have defined certain plans and institutions to support these units (industrial zones and small industries organization 2004). Small jobs have many advantages and besides the personal, social and economic advantages they have, they can be the incubation centers for training new entrepreneurs and help teaching them economic and technical skills, finally they can help the industrial and economic development of the countries. These advantages can be outlined as: more freedom of action and independency, higher flexibility, lower risk, possibility to perform in different geographical areas, no need for complicated technical knowledge, no need for high asset, appropriate employment, satisfying local/regional and national needs, preventing from migration from the villages to the cities and sometimes encouraging for migrating from the cities to the villages, less dependence on bank loans, the possibility to create clusters and to join main industries, improving GDP and self-sufficiency, creating job opportunities for the people with lower incomes through increasing their access to the job market and improving their cooperation in decision making processes and improving their capabilities.

The interesting point in this area is that employment percentage created by the small businesses and self-employments differs in different countries and is a function of the economic situation, industry structure and the social characteristics of the country. Based on the reports of the World Bank the aforementioned percentage in 2008 for Iran is %48.6, for Indonesia %67.4 and for the South Korea %31.5 and for other countries it is different, it is for Japan %13, Italy %25, France %10.4 and the USA %7 (World Bank 2012).

4- Economic empowerment through entrepreneurship and developing small businesses by the Imam Khomeini Relief Foundation

The entrepreneurship and developing the small businesses plan in the IKRF which is aimed at economically empowering the clients is defined as a project and before defining there have done possibility becoming. In this step examining the talents and possibility are the two main factors. The second step in developing employment plans is preparation which basically includes vocational training and job consultation. The third step is implementation which is normally started with paying loans to the actors (followed by monitoring by the experts) and the next step which is known as stabilizing tries to establish, complete and develop the employment plans.
The methods and the processes of this model are available as work processes and non-written knowledge in this institute.

4-1- the goals of empowerment based on developing small businesses and entrepreneurship in the Imam Khomeini Relief Foundation

- Improving clients’ social, economic and cultural awareness
- Improving clients’ vocational skills and technical knowledge
- Preparing the context for realizing the unrecognized creativities of the clients
- Improving economic power of the families until they get self-sufficient
- Creating work and try culture among the clients for having a better life
- Protecting the family structure and the national, family and personal dignity and respect
The economic empowerment model of the Imam Khomeini Relief Foundation based on developing small businesses and entrepreneurship

As the empowerment process includes four steps:

Step 1: when the clients come to the IKRF, the registration and reception process starts. In this step the supportive services and empowerment is in a way that at first their vital problems and needs are processed and then the context for empowerment plans is prepared. The main measures in this step include:

a) Consultation and supporting services
b) Pensions and life helps
c) Help in providing a house
d) Medical and hygiene helps
e) Educational supports and cultural services
f) Providing legal comradeship

These measures are in fact the preconditions and introduction for implementing empowerment model through employment and if these preconditions are not provided implementing empowerment strategy in employment and self-sufficiency area will not be
effective enough and finally the client will not be able to save themselves and their families and will return to poverty again.

Step 2: in this step a relative improvement is achieved in the family’s conditions and it is appropriate to do the talent examining plan and some vocational consultation and provide vocational and technical trainings to encourage the families to make more income and make living. The services included:

a) Assessing business environment – collecting and analyzing different information about the business environment which leads to recognizing vocational and economic capabilities, investment priorities, business clusters, and main needs of the market and the potential and real resources and facilities.

b) Vocational consultation is performed through doing interviews and different tests, the conditions of the applicant in terms of talents, interests, experiences, education, facilities and environmental and family opportunities, and defining personal characteristics. Finally the most suitable guidance is provided to perform the empowerment in the best way possible.

c) Providing vocational, technical and entrepreneurial training through long-term courses (basic and complementary), entrepreneurial trainings, short-term trainings, etc.

d) Implementing business plans

Business plans are (personally or in a group or a family) implemented by means of loans to improve employment and self-sufficiency of the clients.

Step3: in this step after creating a job opportunity the family reaches a level of income that is helpful for the living and the economy of the family. In this step the supportive measures that stabilize the employment such as engineering and technical services, developing vocational and professional insurance and providing supplementary training etc. are needed.

Imam Khomeini Relief Foundation has taken the following measures to stabilize the employment and fasten the self-sufficiency process:

- Implementing employment plans in the form of clusters and regional business networks
- Connecting the implemented plans with the main industries
- Supporting home businesses
- Holding supplementary training courses
- Helping the executors of the plans to join the vocational leagues and syndicates
- Supporting in providing raw materials and tools
- Supporting in marketing and selling the products of the plans
- Supporting in providing insurance for the executors of the plans
• Supporting in providing insurance for the facilities
• Providing technical and professional supervisions in order to: 1) lead and guide the clients to execute the plans in a better way (supervision before and during executing the plan) 2) providing technical and economic consultation for the executors to improve their incomes 3) receiving feedback from the executors of the employment plans (clients) in order to reform and improve the policies, plans and the empowerment model 4) continuous assessment of the executed plans and recognizing the self-sufficient clients 5) concentrating the monitoring and controlling systems on qualifying and increasing the job opportunities 6) taking preventing measures.

Referring to the authorities about %84 of the small and medium sized firms (can be generalized to small businesses and self-employment) break down in five years because of a) not knowing the market 2) not having enough credit 3) not having high sales and finally 4) competition problems. So supporting these jobs is highly important especially in the first years. It should be mentioned that in 2008 stabilized entrepreneurship indicator (the percentage of entrepreneurs working more than 42 month) in Iran is %6.77 (25th out of 41 countries). This indicator that indicates the stability of the businesses is low in Iran (Yadolahi et al, 2010)

Step (4): in this step, supporting services must be terminated because the client has reached the status that has earned income from employment plan and there is no need for receiving pension or other financial aids. Hence, they are independent. In this step by employing some arrangements like establishing the club of independent clients, the possibility of experiment exchange of successful people and entrepreneurs and actions for industrial cluster formation will increase. Holding Ceremonies and seminars for noble entrepreneurs also must be considered.

4-3- the features of economic empowerment model through entrepreneurship and business development in IKRF

1) Comprehensiveness( attention to empowerment in psychological, social, cultural and economic aspects process based view and relieve the compulsion of family before empowerment plan in order to efflorescence the talents and abilities of individuals and also implementing employment plans step-by-step from small plans (work motivation) toward the bigger ones( potential synergies and self-sufficiency).
2) Linkage (link between IKRF empowerment operational plans with national plans and policies.
3) Concentrating on action(implementing all expected plans for target group)
4) Solidarity( coordination among different sections of IKRF for empowering target group)
5) Disciplined (considering the sequence and relationship between internal and external factors)
6) Realism (considering the data and real information, gathered from business environment scanning all over the country, talent examining and etc.)
7) Regulation (the model is on basis of law and regulation requirements)
8) Time consuming (existence of exact period of time for implementing operational plans)
9) Goal oriented (expected achievements are clear and explicit)
10) Financial resources (considering the internal resources, private and public sector aids)
11) Structural requirements (considering specific organizational structure such as employing official and unofficial human forces)
12) Flexibility (considering the plans constraints and obstacles)
13) Special attention to education (meeting the arrangements for social, cultural and vocational education of target groups)
14) Considering the capabilities of target group (humanitarian view to clients as a man with the growth and sublimity potential and the potentials of families)
15) Control and supervision (technical supervision on progress of employment plans)
16) Using altruism and philanthropic feeling of society for enhancing the plans

4-4- turnover of entrepreneurial and SME development plans in economic empowerment of IKRF clients

The economic empowerment plan through SME development has started since 1985 and due to increase in the amount of financial loans in recent years has grown. Therefore the performance of employment plans for the last 6 months of current year is shown as table below:

<table>
<thead>
<tr>
<th>Plan category</th>
<th>Implemented plan in IKRF</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Agriculture</td>
<td>64,500</td>
<td>6</td>
</tr>
<tr>
<td>2 Animal husbandry</td>
<td>452,512</td>
<td>38</td>
</tr>
<tr>
<td>3 Fishery</td>
<td>4,521</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>4 Services</td>
<td>421,852</td>
<td>35</td>
</tr>
<tr>
<td>5 Industrial production</td>
<td>185,214</td>
<td>15</td>
</tr>
<tr>
<td>6 Carpet and crafts</td>
<td>81,246</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>1,209,845</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Statistical database of IKRF (2013)

4-5-the results of executing the employment plans in IKRF

- Improving financial status of clients
- Enhancing the entrepreneurial culture among family members
- Resulting self-esteem and self-dignity in families

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Reinforcement of happiness and life expectancy among clients
Credit creation as an opportunity versus social problems
Helping economic development of country
Increasing GNP and the per capita income
Decreasing the financial aids provided by IKRF for clients
Prevention from social abnormalities

5-Review of a study by examining the effectiveness of economic empowerment model of IKRF

5-1- Statistical population: the statistical population constitutes of IKRF clients who have received the employment loans in 2011(1432 persons). the data gathering of research variables is via library study with using of a questionnaire.

5-2- Demographic variables of clients:

The results of research shows that 40.4% of examined employment plans were services, 10.6% agricultural, 26.6% animal husbandry, 11.7% handcrafts and only 2% were industrial. 63.3% of population are between 20 to 40 years old and 29.6% were between 40 to 60. 66.1% were men and 32.1% were women. 68.4% were married. 22.8% had elementary level education. 22.1% had secondary level education. Therefore 24.7% had under diploma education. 83.1% of clients have received between 50 to 100 million Rial loans and 43.7% of clients have received IKRF employment loans. 43.6% of population have received bank loans. 50.2% were rural resident and 49.8% were in urban areas.

5-3- The questions of research are according to the model below:
5-4-Results:

A-1-Spatial planning

The study of impairments of scanning business environment from clients view shows that the minimum problems are related to selective employment plans which mean the plans have already history in region and involving aboriginal knowledge. The maximum problem occurs due to lack of export of production which shows the inappropriate planning for product export to other countries and only for local usage.

A-2- Talent examine

The results of talent examine section shows that the minimum problem are related to importance of a convenient job for clients and the maximum is due to relation between job selection and education which mean there is no congruence between job and education.

A-3- Education

The study in education section shows the minimum problem is related to proportionality of receiving education and training and the job selection. The maximum is related to the effect of education on production quantity increase.
A-4- Loan

The study of loans shows that the minimum problem occurs when clients are properly guided (guidance on guarantee, installment return…) and the maximum is due to the times of payment (according to the progress of employment plan).

A-5-Stabilization

The study of stabilization of plans shows that the minimum problem is when the business plan is already implemented and the maximum happens when the products are new and diverse.

A-6-Monitoring and supervision

The study of monitoring and supervision shows that the minimum problem is related to the client satisfaction of plans supervisors and the maximum is because of access to the reports of supervisors.

A-7- Other findings

The pathology of empowerment model of IKRF elements shows that there is a positive and significant relationship among need assessment, talent examines, education, loans, stabilization and monitoring at the degree of 99% which mean the pathology of empowerment model elements shows the relationship among the elements and also one dimension affects another.

Examining the relationship between demographical and professional traits of clients by Spearman's correlation coefficient shows that there is a negative and significant relationship at the degree of 99% which means having a higher level of education shall make the scanning of business environment more negative. Also there is a positive and significant relationship between age and business environment scanning which means getting older will make the scanning of business environment more positive but there is a negative relationship between age and monitoring& supervision at the level of 99% and its relationship is negative with stabilization at the level of 95% which means being older make the monitoring and supervision more impair. No relationship was seen between the amount of loans received by clients and the impairments of the model.

Comparing the client’s point of view about the impairments and problems of empowerment model of IKRF shows that the client’s point of view in different provinces has significant difference at the degree of 99% which means their points of view are convergent.
Comparing the client's point of view in various employment plans in business environment scanning, talent examine and stabilization are significant at the level of 99% which means the clients have different views which about education is 95%.

Classifying the impairments of empowerment model of IKRF by factor analysis, eight factors including education, supervision, monitoring, talent examine, local potentials, guidance for receiving loan, the features of loans and market are the problems of empowerment model of IKRF.

![Empirical model of research](image)

6- Conclusion and recommendations:

Iran has enormous resources that due to different reasons are being used inefficiently or unused. The human capital is the primary resource in all developing countries for creating competitive advantages. Making arrangements for enhancing the human resource abilities alongside utilizing potential and real opportunities can increase efficiency and effectiveness of human resources in a country and develop occupational opportunities and consequently economic development and poverty reduction.
Small businesses are like incubators which can lead to entrepreneurship development and enhancing individual's business abilities in the country and can result as an axis of sustainable economic development and growth, poverty reduction, opportunity creation in market and totally export of products and services. Hence, these businesses are factors of empowerment of poor people and the ground for reinforcement and evolution of domestic industries which shall compete with foreign industries and shall bring currency to the country. In other words, these businesses are the factor of economic development, social welfare in society.

On basis of IKRF actions for empowerment of deprived people through small business approach, the presented model of IKRF shall be one of successful models of the country which could lead to development of occupational opportunities for society. Therefore by evaluation and reinforcement of strong points and reducing the impairments, it would be generalized. We believe that economic, social and industrial development and unemployment reduction is achieved merely through entrepreneurship and development of small businesses alongside large industries so we recommend:

1. Entrepreneurial culture: paying attention to a public opinion in the society, considering the role of Entrepreneurship in economic, industrial development of country.
2. Entrepreneurship education: considering the education at all levels such as high schools, vocational centers, colleges, universities for Entrepreneurship development
3. Supporting the research and development(R&D): supporting of R&D and paying attention to the role of entrepreneurs, new product development and new production processes in order to enhance grounding for the creative Entrepreneurs and individuals
4. Small business development centers (SBDC): Serious effort of development organizations with financial aid approach and cooperation with universities for formation SBDCs and creation of entrepreneurship core in these centers.
5. Financial aids for Entrepreneurs: growth of financial centers, supporting entrepreneurs all over the country (provision of low interest loans, venture capital formation and creation of technological development centers).
6. Regulation grounding for entrepreneurs: Entrepreneurial activities supportive regulation.
7. Entrepreneur's non financial aid: supporting and respecting entrepreneurs and considering making wealth through entrepreneurship valuable norm in society and presenting noble entrepreneurs via seminars and ceremonies.
8. Contribution of NGO's, local and private sector: provision legal, juridical grounding for facilitating and contribution of NGO's, local and private sector.
9. Specific attention to empowerment via entrepreneurship and small business formation
10. Allocation of interest-free loans for small business developments with priority of supported clients of IKRF.
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