An Analysis of the Effects of the Subsidies Targeting on Rural Communities
(Case Study: Binalood County)

Maryam Ghasemi1, Samaneh Abdollahi2, Hadise Khakshor3
1- Assistant Prof., Geography and Rural Planning, Ferdowsi University of Mashhad, Mashhad, Iran
2- MSc. Student in Geography and Rural Planning, Ferdowsi University of Mashhad, Mashhad, Iran
3- MSc. Student in Geography and Urban Planning, Islamic Azad University, Shirvan branch, Iran

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Extended Abstract

1. INTRODUCTION
Poverty continues to be one of the main challenges of our time; there are 1.4 billion (one in four) people worldwide who live in poverty as they can hardly provide their basic needs such as food, housing, clothing and healthcare. The reported data reveals a higher level of deprivation in rural communities throughout the world. Similarly, in our country, a huge number of deprived people live in rural areas. In this regard, according to the latest unofficial statistics from Statistical Centre of Iran (1384), 11 percent (5.5 million) of rural population live below the poverty line. It was also reported that more than 26 percent of the rural population is below the poverty line. Ther is an unequal distribution of subsidies among urban and rural areas. Before the 1979 Iranian revolution, about 70 percent (on average) of subsidies were assigned to urban areas, and only 30 percent was allocated to rural areas, and although the total share of urban populations from government subsidies reduced to about 63 percent after the revolution, and the share of rural have been raised up to 37 percent, substantial difference is still noticeable. In addition to the uneven geographical distribution of subsidies in the past, economical imbalance was found in the distribution of different deciles of households, so before the implementation of the plan, 70 percent of the subsidies were assigned to the three top deciles, while this plan was fundamentally established in order to support vulnerable people and to decrease the gap between rich and poor. In this regard, subsidy targeting plan was initially performed by Iranian government on 27 December 2010, according to geographical distribution of subsidies. Accordingly, the subsidy was paid in cash to the heads of households. The present study was mainly conducted in order to examine the effects of subsidy targeting on rural families. This paper seeks to answers the following questions: What general category can be used to investigate the effects of subsidy targeting? And whether it is possible to define a number of identified indicators together in the form of a hidden variable or characteristic.

2. METHODOLOGY
According to the research topic and objectives, the descriptive-analytic method was found to be appropriate. The required data have been collected using field researches (family questionnaires) and documents. Ten sample villages were randomly selected, including 20 percent of rural settlements. The survey sample including 5133 households were living in ten villages in the area of study. Sample households in each village were determined regarding the apportionment ratio. The scale of the questionnaire was ordinal. The scale reliability was assessed with Cronbach's alpha (0.87). The questionnaire contains 31 questions (29 variables) about identified effects of subsidy targeting on rural households. Since there was no other similar research in the literature, the authors extracted the variables to develop a questionnaire through exploratory studies. The effects of subsidy targeting were identified based on open interviews with a number of villagers and the village headman and a number of staffs that have been employed in the Binalood governor. Given the large size of variables (effects) identified in this study, factor analysis was used to precisely analyze the data and to achieve to a more scientific and practical results.

3. DISCUSSION
In this study, 224 questionnaires were filled out by the residents of Ten villages. In this review we are looking to find out which variable can be introduced as a hidden variable and whether the effect can be represented by a global variable?. After using factor analysis method, nine factors were extracted; the factors were rotated using
Varimax method— from first factor to the ninth—which comprised 72.67% of the variances altogether. The first factor with eigenvalues of 8.6 involves only 29.78% of the variance explained, therefore it is introduced as the most important factor. In the meantime, the economic impacts (insurance, attending in skill share classes, self-sufficiency of the households, etc.) with 29.78% of the variance, agriculture impacts (use of inputs, providing tools and etc.) with 10.8% of the variance, cultural effects (luxury-oriented and laziness) with 6.75% of the variance, impact on purchasing power of the households (purchasing power, reducing the income gap, etc.) with 15.6 percent, the impact on housing (per capita level of infrastructure and housing quality) by 5.57 percent, effect on the rate of utilization of services (public services and communication equipments and etc.) with 4.58% of the variance, social effects (self-esteem and communicating with relatives) with 4.25%, impact on mechanization (mechanized irrigation) with 3.83 percent and lastly, the impact on liquidity (inflation and savings) with 3.62% of the variance were identified as tabloid effects of subsidy targeting on rural households.

4. CONCLUSION

In the present study, the factor analysis, a multivariate technique, and SPSS software program were used to interpret the relationships among 29 variables and to categorize them into 9 significant factors. Based on the results of factor analysis, the identified effects explained 72.675 percent of the variance, which is high enough and also acceptable. The first and the most important factor, the economic impact, has been estimated to account for 50 percent of all agents. This indicates the importance of the first factor compared with others. Agricultural impacts, acquired 11.15% of the total factors and took second place, and third place allocated to cultural impact, with 29.9 percent. The literature review revealed that the research conducted by Khalid Siddiq (2014) in Nigeria, to some extent is similar to the present study; hence, the oil subsidy was eliminated in both countries to achieve positive economic and social effects. It should be noted that the purposive approach in the field of social security policies and protection of vulnerable groups, meant to reduce the share of high-income people, and increase the share of low-income categories from subsidies paying by government. The most important part is the targeting payment of subsidies. Experts believe that the objectives of government will enhance in view of welfare, security and social justice if the subsidy reaches the real target groups (poor and vulnerable people), otherwise, in addition to disrupting the price system, payment of subsidy alters the fair distribution of income. Besides, subsidies not only do not positively affect the welfare and income of vulnerable groups, but also its benefits go mostly to high-income groups, and supportive goals failed to be achieved.

Key words: Targeted subsidies, Binalood County, socioeconomic impacts, rural

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