The Economic Impact of Islamic Azad University, Firoozkuh Branch on the Sustainable Development of Firoozkuh Economy

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Abstract: The aim of this paper is to estimate the economic impacts of Islamic Azad University, Firoozkuh Branch (IAU-Firoozkuh Branch) as a private and non-profit organization on sustainable development of Firoozkuh economy. We have used an accounting method to estimate the economic impact of the University on the city. The results show that IAU-Firoozkuh Branch has a very tangible impact on Firoozkuh economy. The University with a student body of nearly 8400 and more than 500 and staffs, is a large employer of local labor and is an engine that pumps nearly $20 million into the urban economy each year supporting a wide variety of local businesses and people. However, considering the indirect employment creating effects and the velocity of paid money by IAU-Firoozkuh Branch and its students, staff and faculty then its average real economic impact will be more than $30 million a year. Additionally, it also provides social and cultural development for the local community.

Key words: University impact, Firoozkuh Islamic Azad University, Sustainable development.

INTRODUCTION

The purpose of this paper is to identify and measure the economic impact that IAU-Firoozkuh Branch has on Firoozkuh economy. For this reason, at first the role of IAU-Firoozkuh Branch in sustainable development of Firoozkuh is explained. Then, in state of problem, we will explain that the presence of the university in Firoozkuh has several advantages on the local economy. For example, creation of new jobs, spending in local stores, attraction of students and their families who contribute as consumers in the local retail market are just few direct positive impacts. Then the review of related studies will be pointed in briefly. Finally the paper findings and conclusions will be explained.

II. The Role of IAU-firoozkuh Branch in Sustainable Development of Firoozkuh:

Firoozkuh is one of the cities in Tehran province. It is located at the easternmost of this province in Iran. IAU-Firoozkuh Branch provides educational opportunities to students from all over the Tehran province, other provinces and Firoozkuh too. The expansion and development of IAU-Firoozkuh Branch in the last few years made it one of the most important universities in the province.

Generally, nowadays, higher education institutions play a key role in the economic landscape in community. Hence, IAU-Firoozkuh Branch strengthens the Firoozkuh economy by producing various short and long run benefits as follows:

1. In the short run, Firoozkuh Branch activities create a multiplier effect that significantly contributes to the vitality of the local economy. Currency injected by the university, its students and staff generates income for the local firms and residents, which subsequently lead to further spending and income via an economic ripple effect.

2. In the long run, IAU-Firoozkuh Branch represents an investment to develop human capital of the province as well as the city of Firoozkuh itself. This investment is considered as one of the best strategy regarding sustainable economic development. The reason is that it produces the knowledge and technological advances, and, also increases productivity and earning of educated workforces, and therefore, improves general quality of life.
3. When the university students, faculties, and staff deposit money in Firoozkuh's banks they expand the pool of funds available for loans to local consumers and firms. Generally speaking, IAU-Firoozkuh Branch plays a key role as an engine of growth and development on Firoozkuh economy. The primary goal of this study is to estimate the IAU-Firoozkuh branch short run impact on the economy of Firoozkuh using the data for the 2009 fiscal year. Unfortunately, due to lack of long run data and difficulties to estimate the benefits no attempt has been made so far to measure the long run impacts of IAU-Firoozkuh Branch on the local as well as regional economy.

IAU-Firoozkuh Branch is a significant driver in the sustainable development of Firoozkuh economy. The presence of the university in Firoozkuh have several advantages such as the creation of new jobs, spending money in local shops, attraction of students and their families who contribute as consumers in the local retail market.

Vital and key role of IAU-Firoozkuh Branch in the sustainable development of Firoozkuh economy is represented in the form of following cases:
1. The expenditure by IAU-Firoozkuh Branch
2. The expenditure by the students, staff and faculties.
3. The expenditure by visitors to Firoozkuh attracted by the university
4. The creation of credit creation by the university, its students, staff and faculties for loans to local residents
5. Tax and insurance Payments by the university's faculties, staff and contractors.
6. The number of jobs that the IAU-Firoozkuh Branch supports directly and indirectly
7. Increasing the public literacy level in direction of conservation of environment

IAU-Firoozkuh Branch also provides vocal education and training necessary to sharpen the skill sets of Firoozkuh workforce and generally, investment in public education benefits all people. It is necessary to mention that IAU-Firoozkuh Branch has never received any kind of grants and governmental transfers and even private donations or aids. Therefore, tuition income is the only source of the University revenue. However, IAU-Firoozkuh Branch is cognizant of its responsibility to serve as a guardian of the state's natural resources-not only as a consumer of these resources but also as an institutional leader.

In 2009, IAU-Firoozkuh Branch had 8384 students. The university is clearly considered as a major segment of the total Firoozkuh population estimated to be around 40 000. Therefore, it has a considerable role in Firoozkuh economy

III. Review of Literatures:
Studies related to estimating the impact of universities on local, regional and even national economies have been increasing over the last few decades. The related studies indicated that universities had played a dominant role in process of development role in process of economical development in every country.

California State University (2010) has declared that this university provides a significant source of benefit to the California economy by generating revenues and creating jobs throughout local economies.

Sam Houston State University (2000) has showed that the impact of this university on the local retail economy during 1998-99 amounts to almost $99 million. Of this amount $80 million is the result of off-campus expenditures by students, faculty and staff. $3.5 million is the result of people coming to town to visit local students, faculty, and staff. $5 million is the result of spending by people who come to visit various the university related attractions and $10 million is the result of spending by the University Local Goods and services.

There are a few related studies that have been accomplished in relation to the subject of this paper in IAU-Firoozkuh Branch. But none of them has noticed to the problem at details and precisely as this paper.

IV. Methodology:
Considering that the purpose of this paper is to determine the impact that IAU-Firoozkuh Branch has on the local economy, the methodology is bounded to some accounting operations. During, 2009 winter Semester, interviews were accomplished with 240 students in IAU-Firoozkuh Branch regarding their daily expenditures in Firoozkuh. Aso, all documents related to amounts paid by the university for purchasing as well as payroll were gathered. Also, according to the macroeconomics theories, each dollar injected in economy has a velocity in circulation and one should consider it's so called- multiplier effect. In this paper the concept of velocity of money in circulation of currency, means, the number of times that a dollar paid by the university, its students and stuff and faculty, changes hands before leaving Firoozkuh. Therefore, in the present study both retail economic impacts as well as the multiplier effect are estimated to show the real economic impact of the IAU-Firoozkuh Branch.
Considering the related studies and on the base of ideas of most economists, in such cases the velocity of money circulation in a city is about 1.7. Thus, in the core of the present research three scenarios A, B and C are introduced with three different velocities of 1.5, 1.7, and 2 respectively. In calculating money paid by the university and its students, staff and faculties, the number of months for local faculties and staff is considered 12, while for students living locally 10.5.

By calculating total students expenditures during 2009 via the average expenditure per day per student in Firoozkuh, the university expenditures and the amount of total payroll to the native staff and faculties and by producing the total amount obtained by the multiplier effect in the above scenarios, the economic impact of the university has been estimated.

V. Findings and Concluding Remarks:
The findings of the present study regarding the economic impacts of IAU-Firoozkuh Branch on the sustainable economic development of Firoozkuh are clustered as follows:

1. Economic impact of the Expenditures by IAU-Firoozkuh Branch:
   According to the documents in office of financial affairs in IAU-Firoozkuh Branch, this university has spent $6 195 665 on equipment expenditures, food stuff, structure materials, working services, and so forth, in Firoozkuh market.

2. Economic impact of the Expenditures by Students:
The students have spent about $9 873 695 for housing in Firoozkuh, consumer commodities, transportation services and other goods and services.

3. Economic Impact of the Expenditures by Staff and Faculties:
   During the surveyed year, $2 144 826 totally paid payroll to the staff and faculties.

Table (1). depicts the monetary impact of IAU-Firoozkuh Branch on Firoozkuh economy in the form of money injected to Firoozkuh market.

Here, the important point is the velocity of money in relation to paid expenditures. As mentioned earlier, according to consumer and monetary theories in macroeconomics, every payment has a circular flow in society. Therefore, in this paper the velocity of money in circulation as a multiplier effect has not been ignored. Table (2) shows the total economic impacts of IAU-Firoozkuh Branch during 2009 fiscal year.

Therefore, the real total economic impact of IAU-Firoozkuh Branch on Firoozkuh economy in the form of money injection to Firoozkuh market based on the above scenarios is estimated to be between $27 267 282 and $36 356 376. Comparing this amount with with total current budget of Firoozkuh in 2009 fiscal year which is around $30 million, it is clear that IAU-Firoozkuh Branch plays a key role on Firoozkuh economy.

In addition to the above impact as the results of presence the university in Firoozkuh, this university has a considerable impact on job creation and improving the quality of life which in turn avoids emigration from Firoozkuh to Tehran and other cities. It has been estimated that the university creates 255 jobs directly for local residents and over 1000 jobs indirectly in Firoozkuh.

IAU-Firoozkuh Branch provides educational opportunities to students from all over the country and especially the province of Tehran.

Regarding the considerable economic impacts of IAU-Firoozkuh Branch estimated in the present study the followings are the concluding recommendations:

The people of Firoozkuh and policy makers and all authorities should recognize the key role played by IAU-Firoozkuh Branch in Firoozkuh economy in the process of sustainable economic development. Therefore it is necessary that they support the university to expand and improve its educational as well as research capacity in order to sustain its role in the economic development of the region.

Table 1: Total expenditure of IAU-Firoozkuh Branch and its students, staff and faculties in Firoozkuh during 2009.

<table>
<thead>
<tr>
<th>Expenditure source</th>
<th>Economic impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAU-Firoozkuh Branch</td>
<td>$6 195 665</td>
</tr>
<tr>
<td>Students</td>
<td>$9 873 695</td>
</tr>
<tr>
<td>Staff and faculty</td>
<td>$2 144 826</td>
</tr>
<tr>
<td>Total economic impacts</td>
<td>$18 178 188</td>
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</table>

Source: Authors calculations.
<table>
<thead>
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<th>Scenario</th>
<th>Economic impact</th>
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<tbody>
<tr>
<td>A</td>
<td>$27,267,282</td>
</tr>
<tr>
<td>B</td>
<td>$30,902,920</td>
</tr>
<tr>
<td>C</td>
<td>$36,356,376</td>
</tr>
</tbody>
</table>

Source: Authors calculations.

REFERENCES