



Study of Business Law Shortcomings in Development of Social Capital

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ABSTRACT

Capital can be physical, cultural, human or social. Progress and growth in developed nations is guided by different capitals, but in the meantime, social capital is key to solving the puzzle and the most important criterion for the development of societies. Social capital consists of norms and networks that enable public participation in collective action in order to obtain mutual benefit and is measured by methods such as measurement of the level of social trust, public participation level, honesty and a sense of sacrifice and cooperation between members of the community.

This paper tried to study business law shortcomings in the development of social capital and for such purpose, five factors were studied, which included first, merger institution by which the sense of collaboration and partnership can be raised and on the other hand companies can be made powerful. Another factor is good faith and fair dealing which should be provided for in contracts as a basic principle and guaranteed with firm sanctions. Another is regulatory institutions, which are expanding in quantity in Iran, which has led to the decline of social capital. Finally confidentiality rules are weak in business law and thus the legislator must pay more attention to them and strengthen them. Further, in terms of tax affairs, legislator must encourage people to pay taxes and blocks ways of tax evasion so to prevent injustice and mistrust epidemic and prevent it from spreading. This paper studied business law shortcomings as an illustration and five cases and establishes finally the necessity of legislation more than ever.

Keywords: social capital, merger, principle of good faith, taxes, confidentiality

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INTRODUCTION

Chapter One: Social Capital

This chapter introduces the generalities of social capital and its measurement method and finally provides its definition so as to use it as a tool to identify business law shortcomings. It seems that knowledge of social capital is very necessary because it is an economic entity because although it may be well-known in economics but unfamiliar in institutional business law, this is why social capital must be known before proceeding to analytical identification of the shortcomings of commercial law.

Title I: Generalities

Under this title, the social capital will be discussed and defined. Further, the importance of social capital is discussed and finally ways to measure social capital are provided so that upon knowledge of the concept of commercial law shortcomings in this regard can be identified.

First Discussion: Foundations of social capital

It took years for some of the economists to find out that efficiency was an important measure for increasing productivity in the process of economic growth. Scrutiny on developed countries gives rise to question what the roots of the differences in productivity are. Many factors are involved

in this including divine blessings that are there in the territory of each country as well as physical capital and human resources and the level of production of knowledge and expertise, manpower etc. are among the most important factors that have been effective in increasing the efficiency of human capital. With further reflection on the human capital, economists admitted that human capital itself cannot in itself provide growth and development and increased productivity. Some economists attributed such growth to social capital and thus social capital was introduced into economic and economic growth discussions. According to many experts in this field, now social capital plays a much more important the role compared to physical and human capital. According to them, such increase of productivity is so much so that in the absence of social capital, other factors to increase efficiency lose their effectiveness and social capital can have a significant role in the cultural and economic development.

In recent years the importance of social capital as an intangible asset of organization has drawn attention of organization and management researchers. The fact that most organizational researchers have discussed this issue and quantitative evidence suggest undeniable role of social capital in the success of organizations that wish to survive in today's turbulent environments (Rahmanseresht , 2007).

As said about its importance and will be stated in detail, improving of efficiency has been much stressed by politicians and economists so much so that Productivity Museum was established in October 1993 and promoting of productivity was first introduced in Note 35 to the Second Development Program. Given the importance and the role of it as it can be an

indicator of a developed country and increase production growth, it has been less discussed in practice whether in business law, budget law, or direct taxes.

Second Discussion: Necessity of social capital

Having provided preliminary discussed of social capital, before knowing it exactly, we would seek to understand the importance of social capital. It should be noted that here we seek to discuss the necessary of social capital and its importance.

Social capital in society today is much more important than physical and human capital. Nowadays, for development, we need social capital more than the economic, physical and human capitals. Without this capital, other capital will not be used optimally. In a society that lacks sufficient social capital, other capitals remain inefficient and are wasted. Given these two issues, the social capital is a fundamental necessity for achieving sustainable development. Governments and politicians are considered successful when they can launch required policies and provide proper solutions in relation to community to achieve higher production and developed social capital(Mobasheri,2009).

Some believe that social capital is regarded as a sociological phenomenon. In their view, social capital is closely related with level of trust and the larger the trust within a social group, the higher the social capital will be and in turn the higher the level of cooperation and mutual trust between group members(Mobasheri).

Today the role of social capital in organizations and communities is very more important than physical and human capital and networks of collective and group relationships consolidate the relations between humans, between humans and organizations as well as inter-organizational relations. In the absence of social capital, other capitals lose their effectiveness and ways of taking cultural and economic development become uneven and difficult(Mobasheri and etal,2006).

Social capital is often considered as leading to sustainable development in the field of social development and this approach has been stressed in economic issues. On the other hand, social capital is based on social and cultural factors and the identification of it as a type of capital, whether at the macro-economic management level and development of countries or in the management of organizations and firms can provide a better knowledge of the new socio-economic systems and improve performance in the areas of macro policies and the division of society(Shirkhani,2011).

Title II: Definition and measurement of social capital

Having provide an introduction on social capital and the necessity to understand it and causes of its importance, an inclusive definition of social capital and social capital measure are discussed below.

Discussion One: The concept of social capital

After understanding the importance and the necessity of social capital, now its definition is provided. It should be noted that definition in this regard are very technical, therefore, we seek definitions that facilitate understanding of this economic institution.

Some researchers define social capital in terms of trust and norms of social participation while others define it based on

cultural values such as compassion, altruism, forgiveness and tolerance and others emphasize institutions, the quality and quantity of cooperative life(Aghanasiri,2010).

Some believe that social capital consists of "norms and networks that enable public participation in collective action in order to provide mutual benefit" and is measured by methods such as measurement of the level of social trust (Tajbakhsh,2003).

According to Francis Fukuyama, social capital is defined as a series of informal norms or values shared by group members who cooperate with each other. In other words, the researcher believes that participation in social values and norms by itself does not produce social capital because these values may be negative ones. These norms should create and increase cooperation in group, so they are related to the traditional virtues such as honesty, faithfulness and promise keeping, trustworthiness in fulfilment of duties, mutual relations and the like. He believes that higher trust in society results in the emergence of a more efficient economic because it reduces costs of surveillance and control. In other words, the more the social capital is improved, the more the regulatory institutions reduce and consequently its cost is also reduced(Cited in Aghanasiri) Social capital is created when individuals in families, workplaces, neighborhoods, local partnerships and in their formal and informal meetings show interaction on each other. However, social capital is not a clear and precise concept. The capital (social capital) results in the integration of employees and employers and creates value by facilitating successful collective action and is a resource that can benefit managers and employees. Such capital characterizes social interactions in a company and can rival other physical, financial and human resources.

According to James Coleman, social capital is a socio-structural resource that constitutes the asset of people; it is not a single object because it shares the features of the social structure or enables members of society to easily involve in social interaction. This type of capital provides for the opportunity to achieve certain goals which are unattainable in its absence(Coleman,1988).

In 1998, social capital was assessed by the World Bank and finally its definition was released stating that social capital in a given society includes the institutions, relationships and values that rule the interactions of people and contribute to economic and social development. But social capital is not a simple collection of institutions that constitute the society but is like a mortar binding the said institutions together. Social capital also includes shared values and norms for social behavior which are in reflected in personal relationships, in their trust in each other and in common sense of civic responsibility, which is what makes the community more and beyond the simple collection of individuals(Mostafavi,2008).

Third Discussion: Dimensions of social capital

Nahapiet and Ghoshal consider three dimensions for social capital(Bolino, Mark and etal ,2002): structural, cognitive and relational (Krause et al., 2007: 531).

1- Structural dimension of social capital: This is the general pattern of relationships that are found in organizations. That is, this dimension comprises the extent to which people in the organization are connected to each other (ibid, 506).

Structural dimension of social capital includes the links in the network, shape and composition of the network and organizational fit(Nahapiet and etal ,1998).

Structural dimension of social capital results from structural configuration, diversity, centrality and spanning role of participants in the network (Krause and et al, 2007).

2- Relational role of social capital:

This dimension comprises the nature of relationships in an organization. In other words, while structural dimension focuses on whether the employees in an organization are connected or not, relational dimension focuses on the nature and quality of such relation (for example, whether such relationships are characterized by trust, intimacy, love, and so it is clear or not. This dimension includes trust, norms, obligations and identification. The relational dimension refers to personal relationships which are developed through the process of interaction, that is, the extent to which trust, commitment and mutual relations exist between groups.

3- Cognitive dimension of social capital:

This dimension includes the participation of individuals within a social network in terms of a common view or understanding among them and like relational dimension deals with the nature of relationships between people in an organization (Bolino, Mark and et al, 2002) and includes the following:

- 1) Language and common codes
- 2) Common narratives

Cognitive dimension of social capital refers to resources that provide groups with systems of meanings, interpretations, and common terms. They also suggest that the shared meanings such as common values and goals are developed through continuous participation in the sense making process as groups develop common understanding.

Nahapiet and Ghoshal state that an organization can provide the institutional environment that constructive for the development of social capital. They state that combination and exchange of knowledge is facilitated when people are connected (structural capital), have the strong and positive relationships with each other (relational capital) and have the ability to understand and apply their knowledge (cognitive capital) (Mat Isa and et al, 2007) (Mat Isa & Ameer, 2007: 248).

Coleman believes the factors that cause and expand social capital include:

1. Help: People seeking help from each other will increase the amount of social capital.
2. Ideology: Beliefs such as necessity to help each other or acting in favor of the other create social capital. Therefore, those religious beliefs that emphasize the need for help and to act in favor of others are an important factor in social capital formation.
3. Information: One of the means through which information can be obtained is the use of social relations and information that is obtained through such relationship will facilitate action.
4. Norms: If social groups hold effective and powerful norms that individual must leave personal interest and act in favor of community, there will be social capital formed (Coleman, 1988).

According to Islam et al., social capital consists of the following four types:

1. Structural; social networks density with patterns of civil participation.

2. Cognitive perception of the level of trust, sharing and mutual relations between individuals.

3. Horizontal; social capital creating bridges between people, causing bonding social capital between individuals.

4. Vertical; unequal relationship or hierarchy due to differences of power or position.

1. Structure; social networks density patterns of civil participation.

2. Cognitive; individuals' perception of the level of trust, sharing and bilateral relations between individuals.

3. Horizontal social capital and creating bridges between people, social capital causing bonding between individuals.

4. Vertical; unequal relationship or hierarchy due to differences of power or position (Islam and et al, 2006).

Third Discussion: Measuring social capital

Due to its importance, social capital should be measured and calculated in every society and governments should measure it so to be able to take steps to enhance it and also by analyzing it, to remove its weaknesses and improve its strengths. Measuring social capital is difficult and extremely hard but as stated earlier, social capital is an economic institution and to measure it, we inevitably should refer to economics. In economics, there are many measures for it, but some researchers in the said field had made measurement a little easier, among the most famous of them being Fukuyama.

Fukuyama argues about the alternative method of measuring social capital that in societies that have no measure, social deviations must be calculated. Instead of measuring social capital as a positive value, lack of social capital can be examined. In the other words, social deviations such as crime rates, divorce, drug abuse, litigation, suicide, tax evasion and the like can be measured by conventional methods. Assuming that social capital reflect existence of behavioral norms based on cooperative action, social deviations will be an actual reflection of the lack of social capital (Fukuyama and et al, p.23).

Others have considered another index to measure social capital such as trust including tendency to take risks in society based on sense of trust in others. Others also respond based on our expectation and act based on mutually supportive approaches or at least not intend to do harassment. Trust is a fragile thing and takes a long time to build.

Rule of law and legislation system are another component of social capital and establishment of social justice and inclusive democratic government are other consequences of the rule of law which is considered as an important factor in strengthening social capital. Corruption is another factor of measurement of social capital. Improving of social capital results in further observance and popularity of the norms, while low social capital increases corruption, crime and theft (ghanasiri, p.130).

Social capital has been considered by legislators in applicable laws and in Article 95 of the Fourth Development Plan, legislator has approved laws to increase social capital and solutions in Article 98 have been specifically designed to improve the performance of social capital as follows:

"Article 95 - The state shall, in order to establish justice and social stability, reduce social and economic inequalities, reduce

distance of income deciles and ensure equitable distribution of income in the country as well as reduce poverty and empower the poor, use efficient and targeted allocation of social resources and subsidy payments, prepare and implement comprehensive programs for poverty alleviation and social justice with the following focuses and within six months after the adoption of this law, shall revise the regulations and prepare bills to implement the following policies:

(A) Spreading and deepening of comprehensive social security system, in terms of comprehensiveness, universality and effectiveness.

(B) Applying tax policies, with the goal of equitable distribution of income.

(C) Defining the poverty line, and defining proper empowerment programs and reforming the system of social support services, for complete coverage of the population below the absolute poverty and the social security system to cover the population between absolute poverty and relative poverty line and continuously track and record the effects of the economic and social programs on the poverty line status, population below poverty line, as well as the income status of the three lower income deciles and the poverty gap and offset the effects of socio-economic on the three lower income deciles by increasing their purchasing power.

The state shall identify and place all households below the absolute poverty line no later than the end of the second year of the program in full under coverage of the social security system and institutions.

(D) Designing special programs for employment, empowerment of attraction of social assistances, job skills and life skills training, especially the country's three lowest deciles.

(E) Promotion of the participation of non-governmental organizations and charities in the poverty alleviation programs and identifying orphans and families below the poverty line in all regions of the country by regional administrations and providing social, economic and cultural protection for the said people by them and by the agencies and institutions responsible for the social security system.

(F) The ability to provide safe and adequate food and in line with desirable nutritional basket, and ensuring free of charge health services and rehabilitation services and the provision of affordable housing, and also ensuring that the populations under eighteen years are covered by free public education for households located in three low-income decile, through displacement and efficient allocation of subsidies resources.

(G) The provision of legal support, social counseling and social work to defend the individual, family and social rights of poor people.

(H) Adoption of local empowerment and participation approach, based on the pattern of basic development requirements and identification of the need to provide social services by local communities, through the incentive system for small development projects, according to local capacities through the exercise of the above at the local level and with public assistances.

(I) Designing necessary methods to increase productivity and income of the villagers and nomads, creating employment opportunities especially in periods outside the planting and harvesting seasons with participation of villagers and nomads,

and support from the Development of Rural Employment Interest-Free Funds and Needy People Employment Fund."

In addition, Article 98 of the law has also states: "The government shall, in order to maintain and improve social capital, improve public satisfaction and the ensure development of civil society, do the following actions during the first year of the fourth development plan:

(A) Preparation of evaluation mechanisms to measure social capital.

(B) Providing the annual report on the country's social capital and enumerating the causes and factors affecting it.

(C) Approval of the administrative apparatus necessary to increase social capital such as public trust, social cohesion, rule of law and individual and social conscience.

(D) Evaluation of the public satisfaction on an annual basis and publishing its changes due to general performance of government.

(E) Drafting and adoption of a comprehensive plan to empower and protect women's rights in legal, social and economic aspects and implementation thereof by the relevant authorities.

(F) Developing of a comprehensive plan and monitoring the participation of people, organizations, NGOs and councils in the country's sustainable development and enabling quantitative and qualitative expansion of civil society, by applying incentive policies."

Chapter two: Shortcomings of business law and the development of social capital

In this chapter, having known social capital, and understood its fundamentals and how to measure it, we aim to identify factors considered by legislator to reduce or increase social capital. So in this chapter, merger, the principle of good faith, regulatory bodies, confidentiality laws and tax evasion are examined.

First discussion: Business law and social capital development

Here, the shortcomings of business law will be discussed in improving social capital and some institutions whose social capital could be increased if the legislator of business law would made minor changes and acculturation.

Title I: Merger

Merger is one of the emerging institutions that is rarely taken into consideration in the rules adopted by the legislator. However, the legislator in recent bill of Commercial Code has provided in detail for the conditions and its effects. There are different motivations for merger such as the willingness of companies to improve technology and increase market share. Since one of the most important goals of merger is establishment of participation and this criterion is also a measure of social capital; in other words, social capital is increased by increasing the participation in society, and merger is one of institutions that can be established to increase the participation.

In explanation of the relationship between partnership and merger, it is necessary to consider the following:

Partnership and cooperation is one of the simplest theories that be used by two companies that are looking forward to

make a merger, and a basis for the decision to start merger. Partnership can be fruitful in two respects.

First partnership in operation and second partnership in fiscal targets

First: Partnership in operation:

In this type of partnership, reducing wear and tear of equipment, ensuring more production and concluding contracts with companies whose products are close to the products of the company, the parties can reduce their actual cost, as a result of which the greater profit will be earned by both sides, thus, if an automotive assembly company assembles 10 cars per day, 240 cars is produced and if the cost per day is assumed to be one million, then the average fixed cost to build each car is USD 4.167, now imagine the company has increases instruments and equipment and assembles 20 cars per hour and 480 cars per day, then the average cost to build each car is 2.083, and if the current costs such as wage do not increase, and the selling price also remains unchanged, significant profit will be earned by producers after a year of increased production.

A combination of several production lines produces a much less expensive final product and compared to when production lines are separated, taking into account the transportation costs, multi-line production can dramatically reduce costs, like Honda's engine production in case of lawn mowing or snow removal machine.

Second: Partnership in financial goals:

When two companies merge, their working capital and funds increase, as a result, they have more liquidity than before, now thereby investment opportunities increase and the capital value rises (DePamphilis and etal, 2011).

Merger has been less common in Iranian law and lawyers also have had a quick look at this institution, which can be due to many reasons. However, some lawyers have provided a general definition of merger and considered it as opposed to disintegration, they have defined merger as: "Merger of two or more companies is achieved either when a company integrates another company in the former or when two or more companies are integrated in each other, to create a new company while disintegration is the product of the separation and division of assets between two or more companies already existing or newly created." (Rabia, 2008, p.56).

However, the legislator has in recent bill on Commercial Code made provisions to fix the deficiencies of law as regards merging companies intentional or unintentionally to increase social capital. Articles 590 to 616 of the said law is dedicated to merger, but due to the lack of ratification and entry into force thereof, it may not be relied upon.

Title II: Principle of good faith and fair dealing

This involves the principle of good faith and fair dealing in agreements. Given the foregoing, it can be viewed as factors which has helped to improve social capital. As we saw in definition of social capital that concepts and virtues like honesty and good faith and fairness combine with physical and human and social capital to create social capital.

One of the important principles in the domestic law of many countries and two documents of "Convention on the International Sale of Goods" and "Principles of International Commercial Contracts", at conclusion of which long discussions

between lawyers were held about its nature and quality, is the principle of "good faith and fair dealing in the contract". The said principle must be considered in general rules of contract but this title is rarely used in legal resources and laws. The essence of this concept, however, repeatedly appears in the jurisprudential and legal books of as well as in the law, especially in many cases the legislator has laid down rules with one of their bases or main principles being good faith¹.

In Roman law there was no consensus on the definition of good faith and these definitions were divided into several categories: 1. adhering to a pledge: a person must adhere to his commitment. From the perspective of good faith and fairness, agreements must be respected and adhered to.

2. Avoiding deception and promoting fairness: Among the meanings that medieval jurists and commentators Roman law have noted for good faith and are very close to the current concept of good faith is the fact that according to the lawyers, good faith and fairness means that neither of parties should mislead and deceive the other parties nor benefit from such deception. For example, sale of property, without there being easement rights to it, is inconsistent with good faith. Also it is essential to avoid fraud. Seller who has knowingly sold property of the other and has excluded his responsibilities as regards possession of the property by the other shall be responsible to buyer. Overall, medieval jurists concluded that good faith means that there should not be any deception and misrepresentation (Abbasi, 2007).

As said earlier, goodwill is not much considered in business law rules. First of all, good faith brings about honesty and lack of deception and lies. Some still believe in the principles of good faith in the law and jurisprudence, among which are principles of misrepresentation, no harm and pride (Mousavi Bojnordi, 2007). However, good faith here refers to encouragement of faith keeping as well as enhancing of its culture through legislation rather than its being inferred from the spirit of the laws. Given the importance of social capital, it seems that the legislator should seek to enhance the culture of good faith and fair dealing to be able to take steps up in promoting social capital.

Third discussion: Regulatory institutions

As mentioned in the first discussion, the rate of regulatory bodies can represent the level of social capital, which means that the less the regulatory institutions the more the social capital, because in a society where social capital is high, since community members have good faith and trust in each other, existence of such a regulatory body is meaningless and they not only reduces social capital but also will involve high costs.

Regulatory bodies inter alia include Medical Disciplinary Board, the Disciplinary Proceedings Board for violations by faculty members and research and higher education institutions, Unions Violations Proceeding Board, the lower court and the court of appeals for violations by notary and notary's assistant, the Commission on Article 100 of the Municipal Act, violations of administrative staff proceedings board, the advisor of the court of audit, Council on competitiveness, the Supreme court, courts of first instance and appeals court and disciplinary courts of judges, etc.

¹ See Articles 69, 263, 325, 391, 438 of Civil Code and Articles 337 349 370 391, 426 490, and 500 of Commercial Code.

The said institutions result in reduced trust and the result will be increasing loss of social capital.

Third Discussion: Laws of confidentiality and tax evasion

Here, we aim to study the relationship between confidentiality and social capital as well as evaluating of tax regulations to find out if it is possible to use them to have a better performance in improvement of social capital.

First Discussion: Confidentiality

Keeping secrecy of information can be considered as cases directly or indirectly increasing the effective development of social capital while the legislator of business law has paid little attention to this.

Explaining this, it should be noted that in developed countries, confidentiality is included in contracts as necessary and there are strong sanctions about it, while rarely any significant compensation can be obtained for breach of confidentiality in Iran.

Information is one of the main foundations of any economic activity so that it can be considered to have financial value and to be property. Necessity of prevention of disclosure of secrets relating to manufacturing or other economic matters has made business professionals to resort to general legal rules and contractual obligations to protect such information. But even one can include terms of compensation for damages due to disclosure of information in agreements based on principle of voluntarism, it will not be possible to rely on firm sanctions in this regard.

The issue of protection of confidential information is propounded in the Electronic Commerce Act, adopted on January 7, 2004. However, although the confidentiality agreements are one of the effective methods to protect confidential information and knowhow of companies, given that the claims about sanctions on breach of confidentiality agreements pose many problems to claimant in terms of question of fact and question of proof including proof of a breach of data protection and proof that information is obtained from the alleged provider, as well as proof of losses, it would be wrong to view confidentiality agreement as a perfect guarantee instrument (Sadeghi Moghadam, 2012).

Second Discussion: Tax evasion

Tax levels or the ratio of tax revenues to GDP declined after the Islamic Revolution, as it fell from 8.42% in 1971 to 3.97% 1995. Perhaps the most prominent feature of Iran's tax system is low tax levels. In addition, in the current tax system, complete and documented information on tax sources are not available. The unavailability of such documented data causes administrative and managerial problems that prepare grounds to evade taxes. Reforms have been made to the Iranian taxation system. An example is found in International Monetary Fund report on the reform of the tax system of the Islamic Republic of Iran dated September 20, 1991 (Emadzadeh, 2012).

The tax payers' rights against the tax system and the said duties have some deficiencies including: the right to fair treatment as one of the fundamental rights of tax payers, which plays a role in persuasion and cooperation of tax payers. But this right is not provided for under the tax code. Although Article 90 of the Law on Civil Service Management, Customer-Oriented Regulations, Code of Ethics of the State Taxation Affairs Organization and Code of Ethics and Administrative Affairs of State Employees refer to such right, such provisions

do not guarantee awareness of tax payers of this right and due to lack of awareness of taxpayers of such rules and regulations, their right to be violated.

Collection of information and asking for explanation on tax assessment method can build trust among taxpayers. Although this right is provide for in Article 237 of Direct Taxes Act whereby providing of the necessary information is established as mandatory for signatories of tax assessment sheet, the lack of sanctions for violation of such duty can disturb the observance of this right of tax payers (Emadzadeh, 2012).

As mentioned in the definition of social capital by Fukuyama, in the measurement of social capital, rather than its positive effect, the lack of social capital such as crime rates, divorce, tax evasion, etc. can be measured. Here, tax evasion was discussed because the only thing that is relevant to the business and its laws is tax evasion and legislator must provide for rules in order to improve the situation and prevent tax evasion. The absence of tax evasion can very much help improve social capital.

CONCLUSION

Social capital is considered as the most important factor in the development and progress of developed societies. However, the growth of technology and skilled manpower and the benefits and blessings of God are also available. However, all of the above said items are ineffective in absence of social capital and in some cases may even be harmful; for example, if a group forms and commits illegitimate acts and even makes sacrifice to this end, it may not be considered as social capital due to its illegitimate purpose, with examples of the latter case being the Italian mafia and terrorist groups that commit suicide attacks.

In the meantime the economy and it is an integral part, the business law, have acted poorly to improve social capital and have a long way to go. In this paper, 5 factors were considered as examples and indicators to improve the role of social capital were considered and scrutinized.

Among items to be addressed by business law more than before is institution of merger, to enable powerful companies to expedite production using participation of empathic honest expert workforce. In recent bill of Commercial Code, provisions have been made in this regard, but since the said bill has not yet passed, merger is still subject to transitional and temporary rules.

The principle of good faith and fair dealing can be effective in improving the performance of social capital but this principle is only perceived from the spirit of the laws and although the principle is referred to indirectly and ambiguously, it seems that emphasis on and encouragement of the said principle is ever more necessary and inevitable.

There are various regulatory institutions in Iran, which would involve high costs; as stated earlier, based on mutual trust, the concept of trust must be widely popularized first to and then it must be sought to eliminate regulatory institutions to increase mutual trust in society.

Confidentiality laws and sanctions are very weak and no firm confidentiality agreement can be concluded based on existing laws.

Taxes are low in Iran and tax payer even evade such law tax, resulting in the decline of social capital and loss of integrity

and trust; the legislator should seek to encourage citizens to pay taxes and also to pass complementary legislation to close loopholes.

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