

Ease of Doing Business and Best Countries Rank in Asia and Europe

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**EASE OF DOING BUSINESS AND BEST COUNTRIES RANK IN ASIA
AND EUROPE**

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Abstract

This paper analyzes the relationship between the Ease of Doing Business (EDB) and Best Countries Rank (BCR) of 42 countries in Asia and Europe regions. The EDB will realize economic gains, reduce corruption, and encourage SMEs to flourish. The scores of EDB are based on World Bank (2019), while the BCR scores based on usnews.com.

The sample selected base on the purposive sampling method. The highest rank of EDB is Singapore (2 out of 190), and the score is 85 (out of 100). The highest level of BCR is United Kingdom (1 out of 80), and the score is 10 (highest rating). The results of correlation analysis show that the correlation between Rank Number of BCR and EDB is 0.455 significant at α 1% and the relationship between Overall Score of BCR and the EDB is 0.453 significant at α 1%. These suggest that the better the rank number of BCR, the higher the score of EDB and means that the easier of doing business.

The result of single regression shows that there is a positive impact of the best countries score to the EDB that is significant at α 1%. The other single regression is between the region, proxied by a dummy variable (0 for Asia and 1 for Europe). This study indicates that there is a positive impact of dummy variable and EDB. The regression results suggest that the higher the BCR, the higher the EDB and the Europe region have higher EDB score than Asia Region.

Keywords: Ease of Doing Business, Best Country Rank Number

INTRODUCTION

Ease of Doing Business (EDB) is an index published by the World Bank (www.doingbusiness.org). The index is an aggregate figure that includes different parameters which define the EDB in a country. EDB computed by aggregating the distance to frontier scores of different economies uses the 'regulatory best practices' for doing business as the profit. EDB ranking for each country calculated from 10 indicators in the largest city or the two largest cities using certain assumptions, criteria, and methodologies. Each index has an assessment of the number of procedures, time, and costs. Ten (10) indicators include processes for business incorporation, getting a building permit, obtaining an electricity connection,

transferring property, getting access to credit, protecting minority investors, paying taxes, engaging in international trade, enforcing contracts and resolving in solvency. The higher the score, the better the ranking of the country.

The increasing rank number of a country is expected to have a positive impact on increasing investment, especially Foreign Direct Investment (FDI). Some studies support this argument (Corcoran and Gillanders (2013), Hintošová (2016), Bayraktara (2013), Hossain et al. (2018), Clement et al., (2018)). Corcoran and Gillanders (2013) examine the effect that a country's business regulatory environment has on the amount of foreign direct investment it attracts based on the World Bank's Ease of Doing Business ranking to capture the costs that firms face when operating in a country. Several interesting results emerge. Firstly, the Doing Business rank is highly significant when included in a standard empirical FDI model estimated on data averaged over the period 2004-2009. Secondly, the significance of the overall Doing Business driven by the Ease of Trading Across Borders component. Thirdly, the relationship is significant for middle-income countries, but not for the World's most impoverished region, Sub Saharan Africa, or the OECD. Finally, no evidence that the ease of doing the business of nearby countries has an effect on the FDI that a country gets in general.

Bayraktara (2013) investigates the link between FDI and "ease of doing business" indicators, as one possible source of the changing direction of FDI. The initial results show that countries which have better records of "doing business" tend to attract more FDI. The improvement in "ease of doing business" indicators in developing countries can have partial explanatory power in determining higher FDI flows to these countries. Hintošová (2016) supported Bayraktara (2013) and found that better global competitiveness of the country leads to a higher volume of inward FDI in the country receives. Based on correlation and regression analysis, it concluded that the business environment matters significantly for FDI inflows; however, the direction and strength of dependence differ according to analyzed factors.

Another study in EDB and FDI, Hossain et al. (2018) investigate the impact of Ease of Doing Business¹³ Inward FDI over the period from 2011 to 2015 across the globe. This study measures ease of doing business using starting a business, getting credit, registering property, paying taxes, and enforcing contracts. The study found that ease of doing business indicators 'Enforcing Contracts' was found to have a significant positive impact on Inward FDI. Nevertheless, 'Getting Credit'⁷ and 'Registering Property' were found to have a significant adverse effect on Inward FDI. However, 'Starting a Business' and 'Paying Taxes' have no significant impact on Inward FDI in the studied timeframe of this research. The findings of the study suggested that the ease of doing business enables inward FDI through better contract enforcement, getting credit, and registering property.

The previous studies described before support the argument that the EDB of a country is expected to have a positive impact on increasing investment, especially FDI. This study

analyzes EDB to the other variable, The Best Countries Rank (BCR) of 42 countries in Asia and Europe regions. The samples are selected based on purposive sampling method, the countries in Asia and Europe regions that were listed in the EDB rank and also in the BCR. The

objectives of this study are to analyze the correlation between EDB and BCR and to analyze the impact of GDP to EDB, BCR to EDB and the impact of dummy region (Asia and Europe) to EDB. The scores of EDB are based on World Bank (2019), while the BCR scores based on usnews.com. This study gives further information about the relationship between EDB and BCR in the Asia and Europe region.

1. EASE OF DOING BUSINESS

This study uses EDB that was published by the World Bank (2019). The World Bank (2019) announced a database of ease of doing business 2018 in 190 countries in the world. The indicators consist of Starting a business, Getting a location, accessing finance, dealing with day-to-day operations, operating in a secure business environment. Doing Business 2019 measures the processes for business incorporation, getting a building permit, obtaining an electricity connection, transferring property, getting access to credit, protecting minority investors, paying taxes, engaging in international trade, enforcing contracts and resolving insolvency. World Bank (2019) describes that the name of the Doing Business distance to frontier score has been changed to “ease of doing business score” to reflect better the main idea of the measure a score indicating an economy’s position to the best regulatory practice ([HTTP:// www.doingbusiness.org](http://www.doingbusiness.org)).

Nevertheless, the process for calculating the score remains the same. The score combines measures with different units such as time to start a company or procedures to transfer a property. The score captures the gap between an economy’s current performance and a measure of best regulatory practice set in Doing Business 2015 across the entire sample of the same 41 indicators for 10 Doing Business indicator sets used in previous years. For example, according to the Doing Business, database, across all economies and over time, the last time needed to start a business is 0.5 days, while in the worst 5% of cases it takes more than 100 days. Half a day is, therefore, considered the best performance, while 100 days is the worst. Higher scores show absolute better ease of doing business (the best rating set at 100), while lower scores show absolute poorer ease of doing business (the worst performance set at 0). The percentage point scores of an economy on different indicators can be averaged together to obtain an aggregate score. Table 1 shows the EDB indicators and sub-indicators.

Table 1. Ease of Doing Business Indicators

EDB Indicators	Sub Indicators	
1). Starting a Business	(1).For men and women: (2). Procedures (3). Time	(4).Cost (5).Paid-in minimum capital
2). Dealing with Construction Permits	(1).Procedures (2).Time	(3).Cost (4).Building quality control index
3). Getting Electricity	(1).Procedures (2).Time (3).Cost	(4). Reliability of supply and transparency of tariff index
4). Registering Property	(1).Procedures (2).Time (3).Cost	(4).EXTENSION: Quality of the land administration index expanded to cover equal access to prope ¹² rights
5). Getting Credit ¹²	(1). Strength of legal rights index expanded from 10 points to 1 ¹⁵	(2). Depth of credit information index grew from 6 points to 8
6). Protecting Minority Investors	(1). The extent of conflict of interest regulation index	(2). Area of shareholder governance index
7).Paying Taxes	(1).Payments (2).Time (3).Total tax rate	(4).NEW: Post filling index
8). Trading across Borders	(1).Time to export (2).Documentary compliance (3).Border compliance (4).Cost to export (5).Documentary compliance (6).Border compliance	(7).Time to import (8).Documentary compliance (9).Border compliance (10).Cost to import (11).Documentary compliance Border compliance
9).Enforcing Contracts	(1).Time (2).Cost	EXTENSION: Quality of judicial processes index expanded to cover the weight of women's testimony in court
10). Resolving Insolvency	(1).Recovery rate	(1). Strength of insolvency framework index

1. BEST COUNTRIES RANK

Best Countries Rank (BCR) is a ranking of survey results issued by US News and World Report, in collaboration with Y & R's BAV Consulting and the Wharton School of the

University of Pennsylvania. This rating is the result of a community assessment of the image of a country. Assessment includes the criteria of economy, population, and quality of life that can help determine the success of a country as a modern country.

BCR is in the form of a country's score that is compared with other countries to form a ranking. Countries included in the assessment numbered 80 countries. The score obtained from the results of a community assessment survey spread throughout the world. There are 65 assessment attributes in BCR. These 65 attributes grouped into ten categories, with different weights or proportions and parameters (Table 2). The following are ten categories and weights for each classification used by US News and world report. (<https://www.usnews.com/news/best-countries/articles/methodology>).

Table2. Best Countries Rank Categories, Proportion, and Parameter.

Categories	Proportion	Parameter
Adventure	2%	friendly, fun, pleasant climate, scenic, sexy
Citizenship	15.88%	cares about human rights, cares about the environment, gender equality, progressive, religious freedom, respects property rights, trustworthy, well- distributed political power
Cultural Influence	12.96%	culturally significant in terms of entertainment, fashionable, happy, has an influential culture, modern, prestigious, trendy
Entrepreneurship	17.87%	connected to the rest of the world, educated population, entrepreneurial, innovative, provides easy access to the capital, skilled labor force, technological expertise, transparent business practices, well- developed infrastructure, well-developed legal framework
Heritage	1.13%	culturally accessible, has a rich history, has great food, many cultural attractions
Movers	14.36%	different, distinctive, dynamic, unique
Open for Business	11.08%	bureaucratic, cheap manufacturing costs, corrupt, favorable tax environment, transparent government practices
Power	7.95%	a leader, economically influential, politically influential, strong international alliances, active military
Quality of Life	16.77%	a good job market, affordable, economically stable, family friendly, income equality, politically stable, safe, well-developed public education system, well- developed public health system

2. DESCRIPTIVE STATISTIC

Table 3 shows the descriptive statistics in this study. The samples in this study are 42 countries represent Asia region and Europe region. The results of descriptive statistics are as follows.

- BCR Number

The best BCR number is United Kingdom (Rank number 1 out of 80) while the worst is Serbia (rank number 77 out of 80).

□ BCR Overall Score

The lowest BCR overall score is 0.30 (Serbia), and the highest is 10 (United Kingdom), while the mean is 4.50

- GDP per capita

The mean of GDP per capita is US\$ 34,154.71, the lowest is US\$3070 (Slovakia), and the highest is US\$105,148 (Denmark)

- GDP

The mean of GDP is US\$1,006,833,333,333.33, the lowest is 1,006,833,333,333.33 (China) and the highest is 12,200,000,000,000 (Estonia)

- Population

The mean of the population is 103,064,505.76. The highest is 12,200,000,000,000 (China) and the lowest is 25,900,000,000 (Luxembourg)

- EDB Rank Number

The highest of EDB rank number Singapore (rank number 2) and the lowest EDB rank number is 171 (Myanmar).

- EDB Score

The highest of EDB score is Singapore (85.24), and the lowest score is Myanmar (44.72), and the mean is 74.2962.

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Table3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
BCR Number	42	1	77	34.26	23.019
BCR Overall Score	42	0.30	10.00	4.5024	3.33609
GDP per capita	42	3070	105148	34154.71	23252.268
GDP	42	25900000000	12200000000000	1006833333333.33	2072309110414.200
Population	42	599449	1386395000	103064505.76	290197732.097
EDB Rank Number	42	2	171	44.67	36.016
EDB score	42	44.72	85.24	74.2962	8.14925
Valid N (listwise)	42				

3. CORRELATION ANALYSIS

Table 4 shows the result of statistically significant correlation analysis. There is a correlation between EDB and BCR and also GDP per capita. The results are as follows.

□ EDB Rank Number

○ With BCR Number

The correlation is 0.460, significant at $\alpha 1\%$. This number suggests that there is a positive correlation between the EDB rank number and the BCR rank number. The higher the EDB rank number, the higher the BCR number.

○ With the BCR Score

The correlation is negative, -0.462, significant at $\alpha 1\%$. This number suggests that there is a negative correlation between the EDB rank number and BCR score. The higher the EDB rank number, the lower the BCR score.

○ With the GDP per capita

The correlation is negative, -0.520, significant at $\alpha 1\%$. This number suggests that there is a negative correlation between the EDB rank number and GDP per capita. The higher the EDB rank number, the lower the GDP per capita.

● EDB Score

○ With BCR Number

The correlation is negative, -0.462, significant at $\alpha 1\%$. This number suggests that there is a negative correlation between EDB score and BCR Number. The higher the EDB score, the lower the BCR Number.

○ With the BCR Score

The correlation is 0.468, significant at $\alpha 1\%$. This number suggests that there is a correlation between EDB score and BCR Score. The higher the EDB score, the lower the BCR Score.

○ With the GDP per capita

The correlation is 0.522, significant at $\alpha 1\%$. This suggests that there is a correlation between EDB score and GDP per capita. The higher the EDB score, the lower the GDP per capita.

Table 4. Correlation

*** significant at $\alpha 1\%$

		EDB Rank Number	EDB scores
BCR Rank Number	Pearson Correlation	0.460***	-0.462***
	Sig. (2-tailed)	0.002	0.002
	N	42	42
BCR Score	Pearson Correlation	-0.462***	0.468***
	Sig. (2-tailed)	0.002	0.002
	N	42	42
GDP per capita	Pearson Correlation	-0.520***	0.522***
	Sig. (2-tailed)	0.000	.000
	N	42	42

1. REGRESSION ANALYSIS

This section describes the regression results to analyze the impact of GDP on EDB, BCR to EDB, and the impact of the dummy region (Asia and Europe) to EDB. The three models of single regressions implemented in this study, subject to data limitation, as follows. $EDB = \alpha_0 + \beta_1 GDP + \epsilon$ (1)

$EDB = \alpha_0 + \beta_1 Score + \epsilon$ (2) $EDB = \alpha_0 + \beta_1 DRegion + \epsilon$ (3) Where:

EDB= Ease of Doing Business Score GDP= Gross Domestic Product per capita Score=BCR overall score

DRegion= Dummy variable 0 for Asia Region and 1 for Europe Region

Table 5 shows the result summaries of regression analysis.

Table 5. Single regression results.

Model 1: $EDB = \alpha_0 + \beta_1 GDP + \epsilon$, Model 2: $EDB = \alpha_0 + \beta_1 Score + \epsilon$, Model 3: $EDB = \alpha_0 + \beta_1 DRegion + \epsilon$, *** significant at $\alpha 1\%$.

Model	Dependent Variable	Independent Variable	F value	Sig	T value	Sig	Coefficient	R ²
1	EDB	GDP per capita	14.569***	0.000	3.817***	0.000	0.000181	0.262
2	EDB	BCR Overall Score	10.572***	0.002	3.252***	0.002	1.110008	0.205
3	EDB	Dummy Region	8.715***	0.005	2.952***	0.005	7.161	0.175

The regression results for each model are as follows.

□ Model 1

- The F value of model 1 is 14.568, significant at $\alpha 1\%$, while the t value is 3.817, significant at $\alpha 1\%$. This number means that the GDP per capita influences the EDP. The

positive sign of t value means that the higher the GDP per capita, the higher the EDB. The result of this regression suggests that to increase the EDB, the country could increase the GDP per capita.

□ Model 2

- The F value of model 1 is 10.572, significant at $\alpha 1\%$, while the t value is 3.252, significant at $\alpha 1\%$. This number means that the BCR Overall Score influences the EDP. The positive sign of t value means that the higher the BCR Overall Score, the higher the EDB. The result of this regression suggests that to increase the EDB, the country could increase the BCR Score.

□ Model 3

- The F value of model 1 is 8.725, significant at $\alpha 1\%$, while the t value is 2.952, significant at $\alpha 1\%$. This number means that the dummy region influences the EDP. The positive sign of t value means that Europe Regions (dummy 1) have higher EDB than Asia Region (dummy 0).

4. CONCLUSION

This study gives the empirical evidence about the correlation between EDB and BCR, the impact of GDP on EDB, BCR to EDB, and the effect of the dummy region (Asia and Europe) to EDB. The scores of EDB are based on World Bank (2019), while the BCR scores based on usnews.com. This study gives further information about the relationship between EDB and BCR in the Asia and Europe region, since some previous studies analyze about the EDB and FDI (Corcoran and Gillanders (2013), Hintošová (2016), Bayraktara (2013), Hossain et al. (2018), Clement et al., (2018))

The aim of this Doing Business report of the World Bank is to help the developing countries in making regulatory reforms, so that accelerate the economic growth of nations. The regulatory overhaul could promote and motivate foreign as well as local investor, government around the world are introducing reforms through amendment and legislative changes, tax reforms, banking reforms, liberalize economic and trade policies which helps the economy to grow. The results of this study suggest that base on the regression results, EDB could be influenced by Gross Domestic Product per capita and also BCR overall score. These indicate that EDB could be increased by increasing the Gross Domestic Product per capita and also BCR overall score.

Further study may analyze the EDB and BCR with other variables to give more evidence and more comprehensive explanation, such as good governance (Avram, 2014) or further explaining, such as causality (Nirma, 2016). Avram (2014) investigates the relationship between good governance, measured through six clusters of governance developed by the World Bank, and the quality of the business environment, captured through the ranking on the ease of doing business, also assessed by the World Bank. The findings show the significant influence of some governance indicators such as 'government effectiveness' or 'regulatory quality' with the ease of doing business, for all countries, while 'the rule of law' and 'control of

corruption' are very determining factors for the business environment especially for countries classified in high-income categories. While Nirma (2016) examines the patterns across significant states of India, to judge the ease of doing

business in these states. An attempt is made to study the causality between the ease of doing business and productivity.

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