

## The impact of doing business indicators on economic growth in emerging market economies: a cross-sectional analysis

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**Abstract.** *This study investigates the relationship between economic growth and Ease of Doing Business (EDB) indicators in emerging economies. By analyzing cross-sectional data from 30 emerging market economies, the study assesses the impact of EDB indicators (Doing Business 2020) on Gross Domestic Product (GDP) per capita. The findings indicate that Singapore has the most favorable business environment, while China exhibits the highest GDP level.*

*Through multiple regression analysis, the study reveals that changes in EDB indicators, particularly related to construction permits, credit availability, property registration, and cross-border trade, explain 81% of the total variation in economic growth. Dealing with construction permits and accessing credit have a negative impact on GDP, whereas property registration and cross-border trade have a positive influence. Among the selected emerging economies, cross-border trade and credit availability significantly affect GDP. The study concludes that a country's business regulations play a crucial role in determining economic growth, emphasizing the importance of identifying and implementing necessary reforms for fostering growth in emerging markets.*

**Keywords:** doing business indicators, economic growth, emerging market economies, gross domestic product, DTF scores.

**JEL Classification:** O11, O43, M1.

## 1. Introduction

The regulatory framework governing businesses plays a crucial role in stimulating economic development. A supportive business environment encourages innovation, attracts investment, and fosters entrepreneurship. This framework includes factors such as ease of business operations, regulatory efficiency, contract enforcement, access to financial resources, and market competitiveness. When businesses encounter fewer obstacles, streamlined regulations, and equitable conditions, they can prosper and significantly contribute to economic growth.

The World Bank's Doing Business index has been instrumental in motivating countries to adopt regulatory reforms that reduce the cost of doing business. However, the index has faced criticism recently due to data inconsistencies in the reports for 2018 and 2020. In response, the World Bank has decided to conduct a thorough review and evaluation of these data changes and has temporarily suspended the index's publication. Despite this, the report still plays a crucial role in shaping policies and regulations that promote the development and growth of small and emerging businesses.

Ease of Doing Business (EDB) refers to the challenges or support companies experience while adhering to governmental regulations at the national or local level. Since 2006, the World Bank has ranked 190 countries annually based on their business environments and the ease of conducting business. This ranking is derived from ten key indicators, including starting a business, dealing with construction permits, securing electricity, registering property, accessing credit, protecting minority investors, paying taxes, engaging in cross-border trade, enforcing contracts, and resolving insolvency (World Bank, 2020).

The primary objectives of the Doing Business Rankings are multifaceted. Firstly, the rankings encourage countries to undertake reforms by providing comparative benchmarks. Secondly, they guide the formulation of reforms by highlighting specific areas that require attention. Thirdly, the dataset enhances global efforts on development effectiveness by expanding the knowledge base on business environments. Lastly, the rankings promote a sense of competition among governments, as the countries making the most progress are acknowledged in the annual publications, which are widely disseminated online and through the media.

A higher EDB ranking is strongly associated with the growing influence of businesses in driving economic growth and development. Simplifying the process of starting and running a business can attract more investors, which, in turn, leads to greater employment opportunities. Furthermore, an enhanced EDB ranking can potentially attract foreign direct investment (FDI), which introduces greater competition in domestic markets. Increased competition can lower prices, thereby enhancing local purchasing power and boosting consumption. This, in turn, contributes to accelerated economic growth. Numerous studies have explored the significance of the private sector and a favorable business environment in promoting economic expansion (Djankov, McLiesh, and Ramalho 2006; Barseghyan 2008).

In parallel, a growing body of research has employed Doing Business indicators to analyze economic outcomes and identify successful reforms. Studies by Djankov (2009), Haidar

(2012), Ani (2015), and Hall and Jones (1999) have examined the causal relationship between the business environment and economic growth. These findings suggest that business regulations play a pivotal role in determining economic growth, and structural reforms can enable countries to improve their economic performance. Nevertheless, additional research is needed to confirm these findings.

Thus, this study seeks to examine the relationship between the business regulatory environment and economic growth. Once this connection is established, it can provide governments and policymakers with valuable insights for making informed decisions that contribute to broader objectives, such as poverty reduction and inclusive growth. Additionally, studying this relationship in emerging economies is particularly important, as there may be discrepancies between policies and their actual implementation (Jayasuriya, 2011).

## 2. Literature Review

EDB has gained significant attention as a key determinant of economic growth and development. Numerous studies have focused on examining the impact of the EDB on various variables crucial for economic growth. This literature review aims to provide a comprehensive overview of two interconnected strands of research. Firstly, it examines studies focusing on the overall impact of the EDB on variables such as entrepreneurship, investment, regulatory reforms, and other crucial factors driving economic growth. Secondly, it explores studies that specifically investigate the relationship between individual EDB indicators and economic growth. This review seeks to combine findings from these two lines of research, highlight any knowledge gaps, and provide suggestions for future studies.

### 2.1. Studies investigating the EDB in general and its effect on key variables essential for economic growth

Klapper, Laeven, and Rajan (2004) examined how the business environment affects the entry of new firms into different economies. Utilizing cross-country data from the Amadeus database, which covers firms in Western and Eastern Europe, their study found that significant regulatory barriers inhibit firm entry, especially in sectors with naturally high entry costs, such as telecommunications and computer services. The authors posited that not all regulations equally impact firm entry, though excessive bureaucracy generally leads to negative outcomes.

Djankov et al. (2006) explored the relationship between business regulations and economic growth across various countries. Their analysis used the World Bank's 2004 Doing Business dataset, which assesses regulations in 135 countries. The study focused on the average annual GDP per capita growth from 1993 to 2002 as the primary outcome variable. Their results showed a strong, positive relationship between improved regulations and higher growth rates. Additionally, they found that factors like primary school enrollment, secondary education, government expenditure, and inflation had less of an impact on economic growth compared to business regulations.

In a World Bank study, Marek (2012) investigated the connection between Doing Business indicators, regulatory reforms, and economic growth. The paper emphasized the importance of implementing reforms to encourage private sector investment as a driver of economic development. While Marek cautioned against using Doing Business indicators as the sole measure, they do serve as a helpful starting point for policymakers. The research revealed that aspects of Doing Business related to cost reduction had the most substantial effect on explaining economic growth.

Haidar (2012) studied the impact of business regulatory reforms on economic growth across 172 countries between 2006 and 2010. His analysis used GDP per capita growth as the outcome variable, with the main explanatory factor being the total number of reforms enacted during this period. The results showed compelling evidence of a large, positive impact of regulatory reforms on economic growth.

Similarly, Ani (2015) focused on the role of the Ease of Doing Business (EDB) in driving economic growth in selected Asian countries in 2014. The study, which covered 29 countries from Southeast, East, and South Asia, found a significant overall influence of EDB on economic growth. Key improvements, such as in construction permits, credit access, property registration, and cross-border trade, contributed to a better business environment.

Vivek Moorthy and Jason A. Arul (2016) analyzed the macroeconomic effects of the World Bank's EDB rankings. Their key conclusions included a negative correlation between GDP per capita and EDB rank, along with a negative relationship between average growth over a decade and initial per capita income, largely attributed to labor supply factors.

In a similar study, Bosma et al. (2018) investigated the impact of EDB and corruption on economic growth within African Free Trade Zone (AFTZ) member states. Their findings showed that factors like corruption, cross-border trade, credit access, property registration, construction permits, business startups, insolvency resolution, and investor protection all significantly affect economic growth in the region. The study highlighted the need to address these areas to foster growth.

Vogiatzoglou (2016) evaluated how business regulations influence foreign direct investment (FDI) in ASEAN countries. By analyzing data from eight ASEAN nations—Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam—from 2003 to 2013, the research identified that an efficient regulatory environment is a crucial factor in attracting FDI, especially in promoting inward investments.

Gizaw, Getaye, and colleagues (2023) examined the role of business regulations on economic growth in East Africa, using World Bank data from 2010 to 2019. Their findings showed that factors such as handling construction permits, enforcing contracts, obtaining credit, accessing electricity, paying taxes, and protecting minority investors significantly influenced FDI inflows. Moreover, reforms in areas like enforcing contracts, obtaining credit, safeguarding minority investors, resolving insolvency, starting businesses, and cross-border trade were linked to higher economic growth. Each additional reform implemented during the study period was associated with a 2.24% rise in GDP in East African countries.

## **2.2. Studies focusing on the relationship between individual *EODB Indicators* and economic growth**

The literature concerning the relationship between individual Ease of Doing Business (EODB) indicators and economic growth predominantly emphasizes one critical area: access to credit. A consensus has emerged from recent studies by Levine (2005) and Beck and Demirguc-Kunt (2008), which highlight the significant impact of financial development on fostering economic growth. Research indicates that enhanced access to credit can catalyze investment and entrepreneurial endeavors, subsequently leading to increased economic growth rates. Moreover, a robust financial system and improved access to finance have been shown to positively affect several vital factors, including innovation (Meierrieks, 2014), foreign direct investment (Kinda, 2010), optimal taxation (Gupta, 2005), trade advantages (Beck, 2002), and the reduction of income inequality (Bittencourt, 2010).

Another significant EODB indicator examined in depth is the enforcement of contracts and the quality of institutions. Acemoglu, Johnson, and Robinson (2001) provided compelling evidence of a positive relationship between institutional quality and per capita income by analyzing data from former European colonies. The theoretical framework established by Aghion (2004) illustrates that the institutional environment is a vital driver of entrepreneurship, which ultimately fosters business formation and promotes economic growth. Additionally, Rodrik, Subramanian, and Trebbi (2004) empirically demonstrated that the quality of institutions influences both income and productivity.

Ardagna and Lusardi (2009) constructed a harmonized microdata set using Doing Business surveys to analyze how contract enforcement regulations, financial development, and entry barriers impact entrepreneurial engagement and employment levels in newly formed businesses across various nations.

The substantial economic progress seen in East Asian nations has been significantly bolstered by trade, highlighting the importance of reducing trade barriers. This relationship has been explored in studies by Hoekman and Nicita (2011), Portugal-Perez and Wilson (2012), and Moise and Sorescu (2013). When examining tax-related issues, existing research has mainly concentrated on tax rates rather than tax administration's effect on specific indicators. The World Bank's Enterprise Survey identified tax administration as a primary challenge for businesses, with tax rates being one of the top constraints (World Bank, 2013). Djankov et al. (2010) established a link between high tax rates and diminished investment, entrepreneurship, and foreign direct investment (FDI). In line with this, research by Lee and Gordon (2005) and Scully (1988) concluded that elevated tax rates negatively correlate with economic growth. Conversely, several studies suggest that robust investor protection positively impacts economic growth, with Castro, Clementi, and MacDonald (2004) finding that safeguarding investor interests contributes to overall growth.

Access to credit is pivotal for countries aiming to encourage entrepreneurial activity (Álvarez and Urbano, 2011). Strategies to enhance access include lowering capital requirements, building a solid financial framework, increasing bank credit availability, and maintaining low-interest rates. A favorable credit environment and smaller government sizes positively influence the creation of new ventures, particularly in innovation-led

countries (Díaz-Casero et al., 2013; Van Stel, Storey, and Thurik, 2007). Chowdhury et al. (2019) identified entrepreneurial capital availability as a significant factor positively affecting both the quantity and quality of entrepreneurial activities.

The influence of bank regulations and local laws on entrepreneurial success is substantial (Nawaser et al., 2011). Weak credit regulations and fragile financial systems can impede entrepreneurial ambitions, often leading entrepreneurs to refrain from seeking financial assistance, which hinders the realization of their business ideas (Ghosh, 2017). Fonseca, Lopez-Garcia, and Pissarides (2001) empirically demonstrated that increased start-up costs correlate with a decline in the number of entrepreneurs and new businesses. However, they also noted that administrative costs related to time and procedures did not significantly impact firm creation.

Conversely, Klapper and Love (2010), utilizing data from the Ease of Doing Business Report, arrived at a different conclusion, indicating that time and procedural costs are indeed linked to reduced firm creation. They also provided evidence that substantial reforms in business registration could enhance firm creation rates.

### 3. Research Questions and Objectives

What is the true potential of EDB-inspired regulatory reform to improve economic performance? The main questions of interest are if the *Doing Business* 2020 report's institutional indicators explain the worldwide differences in economic growth, their relationship, which is the area most significant in affecting growth and development, and if the conclusions are the same between advanced economies and emerging market economies. Fundamentally, the study proposes to examine how variations in economic growth are explained by *Doing Business* indicators for selected emerging economies, in particular, which indicators are essentially important.

Specifically, the research seeks to explore and investigate the following:

1. To examine the impact of individual indicators of *Doing Business* on economic growth.
2. To identify and compare the effect of *Doing Business* on economic growth among select emerging economies.
3. To suggest measures aimed at improving the *Ease of Doing Business*.

### 4. Methodology

The importance of institutions' quality in affecting the economic growth in a country can be verified through the empirical analysis, which analyzes the relationship between the indicators of the *Doing Business* 2020 report and the economic growth for each selected country.

#### 4.1. Data description

The sample consists of a group of selected 'Emerging Market' economies. The concept of emerging markets was introduced by Antoine Van Agtmael in the 1980s and has since gained prominence in the field of economics and finance. Emerging markets are characterized by certain features that distinguish them from developed markets while

acknowledging their potential for future development. These markets are typically in a transitional phase, exhibiting some traits of developed economies but not meeting the full criteria.

China and India are often cited as the largest emerging markets due to their significant populations, rapid economic growth, and expanding middle classes. They possess substantial potential for further development and play crucial roles in the global economy. The BRIC countries—Brazil, Russia, India, and China—are considered the four largest emerging economies by either nominal or purchasing power parity (PPP)-adjusted GDP (Van Agtmael, A. 2008). These countries represent diverse regions and have experienced significant growth and development in recent decades. Apart from the BRIC countries, there are other notable emerging markets. South Korea, Mexico, Indonesia, Turkey, and Saudi Arabia are among the largest emerging markets, each with unique economic characteristics and growth potential.

Additionally, many countries in Africa, Eastern Europe, Latin America, the Middle East, Russia, and Southeast Asia are recognized as emerging markets. (Van Agtmael, A. 2008) These countries may exhibit varying degrees of economic development, but they share common characteristics such as rapid growth, structural reforms, and increasing integration into the global economy.

**Table 1.** Top 30 Emerging economies based on GDP (US \$)

China	Argentina	Chile
India	Thailand	Egypt, Arab Rep.
Brazil	United Arab Emirates	Czech Republic
Russian Federation	South Africa	Vietnam
Korea, Rep.	Singapore	Peru
Mauritius	Hong Kong SAR, China	Greece
Indonesia	Malaysia	Qatar
Saudi Arabia	Colombia	Hungary
Turkey	Philippines	Kuwait
Poland	Pakistan	Mexico

**Source:** Morgan Stanley Capital International Emerging Market Index (MSCI Index 2023).

#### 4.2. Description of the Variables

The study examines the correlation between *Doing Business* indicators and GDP. *Ease of Doing Business* (EDB) can be assessed using two overall measures: EDB ranking and Distance to Frontier (DTF) score (World Bank, 2013) The EDB ranking enables a comparison between different economies, while the DTF score evaluates economies based on regulatory best practices, indicating the absolute gap between performance and optimal benchmarks for each indicator. Additionally, changes in EDB ranks reflect relative improvements in EDB performance, while changes in DTF scores can serve as a measure of the actual progress made by a country over time. If a country's DTF score increases from one year to the next, it signifies an enhancement in its Ease of Doing Business.

Hence, DTF is an absolute measure of doing business that, unlike the rankings, does not depend on the performance of other countries. Since the study's objective is to analyze the relationship between EDB and economic growth and thus compare the results for different economies, DTF is a better choice as the Independent Variable (IV). As for the Dependent

Variable (DV), economic growth proxied by Gross Domestic Product is taken. Gross Domestic Product is the market value of all final goods and services produced within an economy in a given time. It is a single statistic for capturing how well the economy is performing.

**Table 2.** Variable Description

Variable	Description
Dependent Variable: Annual rate of growth of GDP per capita	It will be used as a proxy for economic growth. GDP represents the total worth of all finished goods and services produced within an economy during a specific time frame. It is a single statistic for capturing how well the economy is performing.
Independent Variable Ease of Doing Business	Indicators of <i>Doing Business</i> being utilized by the World Bank include: Starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency (World Bank, 2020)

### 4.3. Model specification

As mentioned in the previous section, this study used a cross-sectional dataset consisting of 30 countries for the year 2019. The year 2019 is taken because it is the latest year for which the EDB rankings are available for the sample countries through the *Doing Business* 2020 report. The general econometric equation required to estimate the relationship between economic growth and EDB can be described as:

$$Growth_i = \alpha + \beta_1 SB + \beta_2 DCP + \beta_3 GE + \beta_4 RP + \beta_5 GC + \beta_6 PI + \beta_7 PT + \beta_8 TAB + \beta_9 EC + \beta_{10} RI + \varepsilon$$

Where Growth = Gross Domestic Product

$\alpha$  = slope

$\beta$  = regression coefficient

SB = Starting a Business

DCP = Dealing with Construction Permit

GE = Getting Electricity

RP = Registering Property

$\varepsilon$  = Error (other factor affecting *Doing Business*)

GC = Getting Credit

PI = Protecting Investors

PT = Paying Taxes

TAB = Trading Across Borders

EC = Enforcing Contracts

RI = Resolving Insolvency

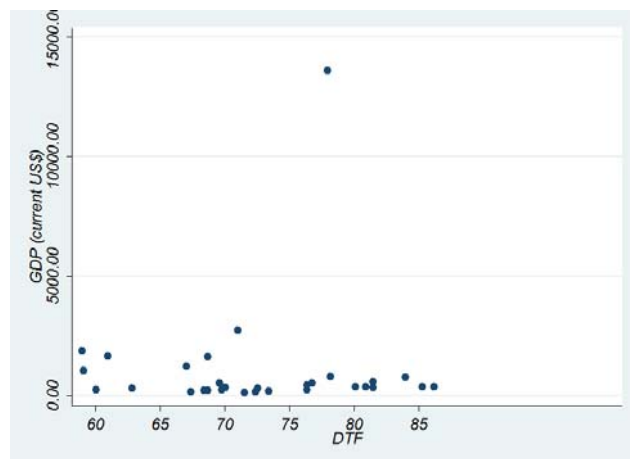
The parameters of interest are  $\beta$  values, which are the response of growth to ease of *Doing Business*.

## 5. Results

Figure below provides a graphical representation of the relationship between GDP per capita and the World Bank's *Ease of Doing Business* overall Distance to Frontier (DTF) measure for 30 countries for the year 2019. The overall Distance to frontier is the aggregate DTF averaged across all indicators for an economy.

The y-axis is the GDP per capita (in billion US \$) in 2019, while the x-axis is the *Ease of Doing Business*'s overall Distance to Frontier (DTF). This graph does not indicate a clear-cut correlation between GDP per capita and the Distance to Frontier (DTF). However, countries with higher overall DTF seem to be less prone to negative GDP growth.



**Figure 1.** Relationship between GDP and DTF scores

Source: Author

## 5.2 Descriptive Statistics

In this section, the researcher analyzes the descriptive statistics. Compared to other economies, the best regulatory performance in terms of overall DTF score was of Singapore (86.1981), and the lowest is of Argentina (58.96151). In terms of individual indicators, Singapore was easiest in Starting a Business (98.2); Hong Kong (91.2) in terms of Dealing with Construction Permits; UAE (100) in terms of Getting Electricity; UAE (89.6) in terms of Registering Property; Mexico and Colombia (90) in terms of Getting Credit; Malaysia (88) in terms of Protecting Investors; Hong Kong (99.7) in terms of Paying Taxes; the Czech Republic and Poland (100) in terms of Trading Across Borders; Singapore (84.5) in terms of Enforcing Contracts; and Czech Republic (80) in terms of Resolving Insolvency.

Looking at the GDP (in billion\$), the economy with the highest GDP level was China, with 13608.15 billion USD. Next was India (2718.73 billion USD), and the third was Brazil (1868.62 billion USD). The economy which produced the lowest GDP was Mexico, with 117.92 billion USD.

**Table 3.** Descriptive Statistics

Variable	N	Mean	Std. dev	Max	Min
GDP(billion us \$)	30	1061.184	2448.024	13608.15	117.92
SB	30	86.23	6.519422	98.2	69.3
DCP	30	72.04667	10.87267	91.2	49.3
GE	30	82.84667	12.99726	100	43.1
GC	30	64.66667	15.02488	90	35
RP	30	69.77333	13.0621	89.6	42.8
PI	30	68.33333	13.28814	88	28
PT	30	74.2	15.95159	99.7	34.4
TB	30	76.70667	15.18704	100	42.2
EC	30	61.35	13.00023	84.5	34.3
EC	30	61.35	13.00023	84.5	34.3
RI	30	55.84667	17.1606	83	0

Source: Author

### 5.3. Estimation Results

The analysis employed multiple regression techniques, from which an econometric model was formulated. Various tests were conducted on the regression model, including assessments for normality, multicollinearity, heteroskedasticity, autocorrelation, structural stability, and overall model stability. In evaluating the distribution of errors, the researcher incorporated the Jarque-Bera test, yielding a p-value of 0.421613. Since this value exceeds the significance level of 0.05, the study concluded that the errors are normally distributed.

To assess multicollinearity within the model, a correlation matrix was utilized. The Breusch-Godfrey Serial Correlation LM Test was implemented to check for autocorrelation. The resulting probability value for the F-statistic was 0.7641, which is above the 5 percent significance threshold, leading to the acceptance of the null hypothesis indicating the absence of autocorrelation. Furthermore, the study investigated the presence of heteroskedasticity using the White Heteroskedasticity Test (without cross-terms). The F-statistic probability value of 0.6034, exceeding the 5 percent significance level, indicated that heteroskedasticity was not present in the model.

Lastly, the specification of errors was assessed through the Ramsey RESET Test to determine the model's applicability for policymaking. The F-statistic p-value from this test was 0.073534, which is greater than 0.05, suggesting that no specification errors exist and that the model is suitable for policymaking purposes. The following table presents the regression results concerning the impact of Ease of Doing Business indicators on economic growth.

**Table 4.** *Impact of Ease of Doing Business Indicators on Economic Growth*

Variable	Coefficient	Std. error	t-Statistic	Prob.
C	16.79631	3.62193	1.545783	0.0351**
LOGDCP	-4.274664	2.33214	-7.65483	0.0432**
LOGEC	0.312091	2.172032	1.492713	0.7261
GC	-0.06847	0.038173	-3.68236	0.0637*
GE	-0.03678	0.083521	-2.92167	0.2417
PI	0.043581	0.175422	0.762415	0.8363
PT	-0.006238	0.036682	-0.08144	0.5144
RI	0.003576	0.057314	0.221873	0.8162
RP	0.087935	0.071632	3.284561	0.093*
SB	0.018604	0.045621	0.954132	0.3153
TAB	0.214573	0.032671	3.764328	0.0073***
R-squared	0.817651			
Adjusted R squared	0.642813			
S.E of regression	1.127502			
F-statistic	3.841733			
Prob(F- statistic)	0.023161			

\* p<0.1 \*\* p<0.05 \*\*\* p<0.01

Source: Author

The table illustrates that the p-value for the F-statistic is 0.023161, which is below the significance threshold of 0.05. This indicates that the overall model is statistically significant and that the Ease of Doing Business has a notable impact on economic growth. Regarding the standard error, a lower value reflects greater accuracy in the regression results. The model's standard error stands at 1.127502, which is relatively close to zero, suggesting high precision in the model's estimates. Additionally, the R-squared value of

0.817651 indicates that the model is a reasonably good fit, as it exceeds the benchmark of 0.50. This means that 81 percent of the variation in economic growth can be accounted for by variations in Ease of Doing Business indicators, specifically concerning construction permits, credit acquisition, property registration, and cross-border trading. Using the coefficient of the variables, the research came up with the econometric model which is:

$$\text{LOGGDP} = 16.79631 - 4.274664 \text{ LOGDCP} - 0.06847 \text{ GC} + 0.087935 \text{ RP} + 0.214573 \text{ TAB} + 1.127502$$

Concerning the constant in the regression model, the p-value is 0.0351, which is below the 5 percent significance level, indicating a high level of significance for the constant term. The intercept coefficient is 16.79631, suggesting that if the distance to the frontier for the Ease of Doing Business indicators—including dealing with construction permits, obtaining credit, registering property, and trading across borders—is zero, the Gross Domestic Product (GDP) would be valued at 16.79631 billion US dollars.

Examining the specific Ease of Doing Business indicators, the p-value for dealing with construction permits is 0.0432, which is less than 0.05, indicating a significant effect on GDP. The coefficient for dealing with construction permits is -4.274664, which implies that a 10 percent increase in this indicator among the selected emerging economies corresponds to a decrease of 4.274664 billion US dollars in GDP. Consequently, the researchers concluded that dealing with construction permits negatively impacts GDP.

For the indicator of getting credit, the p-value is 0.0637, also falling below the 5 percent significance threshold. This leads to the rejection of the null hypothesis, signifying a significant relationship between credit access and GDP. The coefficient for getting credit is -0.06847, indicating a negative impact on GDP; specifically, a 1 percent increase in credit access corresponds to a decline of 0.06847 billion US dollars in GDP. When it comes to registering property, the p-value is 0.093, which is still below the 5 percent significance level, allowing the study to reject the null hypothesis. The coefficient of 0.087935 for registering property shows a positive effect on GDP, meaning that each 1 percent increase in this indicator results in an increase of 0.087935 billion US dollars in GDP.

The indicator for trading across borders has a p-value of 0.0073, significantly below 0.05, indicating a strong effect on GDP. With a coefficient of 0.214573, this suggests that a 10 percent increase in trading across borders leads to an increase of 0.214573 billion US dollars in GDP. Thus, the researchers concluded that trading across borders positively influences GDP.

In contrast, other indicators of the Ease of Doing Business, such as enforcing contracts, obtaining electricity, protecting investors, paying taxes, resolving insolvency, and starting a business, have p-values exceeding 0.05. This indicates that these factors do not have a significant effect on GDP, suggesting that ease of business under these indicators does not impact GDP based on the year covered in the study.

#### **5.4. Individual Indicators significantly affecting Gross Domestic Product**

To achieve this objective, the study employed backward stepwise regression. The results of this analysis are displayed in Table 5. According to the findings, both getting credit and trading across borders have a significant impact on GDP. Specifically, the p-value for

trading across borders is 0.03719, while the p-value for getting credit is 0.02672. Since both values are below the 0.05 significance level, it can be concluded that getting credit and trading across borders significantly influence Gross Domestic Product.

**Table 5.** *Individual Indicators greatly affecting Gross Domestic Product*

Variable	Coefficient	Std. error	t-Statistic	Prob.
C	1.38511	1.64367	0.784912	0.38651
GC	0.032175	0.024674	1.756943	0.02672
TAB	0.042867	0.015333	3.431536	0.03719

Source: Author

## 6. Conclusion

The findings of this study indicate that Singapore stands out as the most favorable environment for conducting business among the selected emerging economies, demonstrating exceptional regulatory performance. In contrast, China exhibits the highest Gross Domestic Product (GDP) among these nations. Importantly, the analysis reveals a significant relationship between the Ease of Doing Business (EODB) indicators and economic growth, with approximately 81% of the variability in economic growth attributable to changes in EODB indicators, particularly those related to construction permits, credit accessibility, property registration, and cross-border trade.

When the Distance to Frontier (DTF) for these indicators is zero, the estimated GDP is approximately 16.79631 billion US dollars. Notably, the indicators of dealing with construction permits and getting credit are found to have a detrimental effect on GDP, while registering property and trading across borders contribute positively. Thus, both trading across borders and access to credit are critical drivers of GDP in the context of the examined emerging economies.

In summary, this study underscores the need for caution in implementing reforms aimed at enhancing specific EODB indicators across various countries. It appears that improvements in certain areas may inadvertently yield counterproductive outcomes, particularly in economies where simplifying business procedures could divert resources from more productive ventures. Such shifts may lead to diminishing returns from reforms. Therefore, these findings highlight crucial considerations for the design and execution of regulatory reforms in the business sector.

The evidence suggests that the regulatory environment is a relative factor influencing economic growth, and not every reform will necessarily yield beneficial outcomes. Policymakers must strategically prioritize the identification and implementation of essential reforms within growth strategies to ensure a tangible increase in economic growth.

For future research, it would be beneficial to expand the scope to include additional developing economies beyond those categorized as emerging based on the MSC "Emerging Economies Index." Future studies could also consider using national rankings as variables for each EODB indicator, rather than relying solely on DTF values. Furthermore, exploring alternative measures of economic growth, aside from GDP, could provide deeper insights. A longitudinal study examining the relationship between EODB and economic growth over an extended timeframe could also yield valuable information.

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