



Economic and political considerations of deregulation and its impact on entrepreneurship

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ABSTRACT

The purpose of this paper is to discuss the importance of deregulation in the development of entrepreneurship which unfortunately, our country is not good at it, and the kinds of laws and notes that we are witnessing their emergence day by day caused some problems for economic activists¹. Today, entrepreneurship is essential for the development and creation of a healthy economic environment in society and plays an important role in economic stability. Deregulation is the product of forsaking Cold War in politics, the entry of computer technologies in the field of economics and the expansion of services and information in the community. This study uses econometric technique and panel data model to investigate the effect of deregulation on indices of business environment. For this purpose, we investigated some of Ukraine's business competitor countries in West and East Asia that have had a proper performance in entrepreneurship development with Ukraine, using the most recent World Bank data over the period 2018- 2006. The results indicate the positive impact of indices related to deregulation on growth and development of entrepreneurship in these countries. The results show that reforming economic policies and laws and enhancing transparency and the rule of law by emphasizing software factors and components such as guaranteeing ownership, revising and improving the licensing process and stages, and strengthening the infrastructure and reforming the financing system are important components that improve and facilitate the business environment.

1. Introduction

The profound scientific and social development of the twentieth century, especially in the last decade, have placed the countries of the world in a new condition, as the process of globalization accelerated with the revolution of Internet communications and achievements and provided an unprecedented situation in the beginning of third millennium at the same time with the collapse of communism. In such conditions, countries were on a path of intense competition to promote their position in the global arenas. With this approach, international organizations rank countries each year to facilitate trade and detect appropriate investment environments in terms of countries' development.

Dividing countries and societies into two distinct groups of developed and developing, before anything, their economic performance and mainly their long-term economic growth, social systems and the desirable point is all efforts that is considered to regulate the economic affairs of the societies.

In the process of economic development of the developing countries in the 1791s, a significant effort was made to combat against the socio-economic backwardness that governments were as the most important factor in it. During this period, governments, as the most important development agent, entered economic developments and controlled many of the economic variables. If we refer to the statistics around 1791, we will find figures indicating the expansion of the public sector in developing countries. Totally, the weight of public sector institutions, except financial institutions reaches 86% of GDP. On average, these institutions have encompassed 47 percent of the industrial workforce in the formal (organized) sector and allocated 27 percent of the production investment. In addition, they have left a deficit of budget of 5.5 percent of GDP for their governments. The results of economic

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development, relying on publicizing the economy and directing the economy under the strong leadership of the government had contradictory results (Imani Rad, 1992).

The business environment of each country can be analyzed through various indicators. It should not be overlooked that these indicators are important in various dimensions in spite of the strengths and weaknesses of each of the indicators of the business environment.

1.1. Governmental Policies and Entrepreneurship Development

Entrepreneurship is one of the main priorities of governmental policymakers. But developing entrepreneurship policies in the early stages is the evolution of self. In order to be familiar with the entrepreneurship policies established by governments, a number of common patterns are introduced below.

1.2. Statement of the problem

Our main question is how does deregulation affect entrepreneurship according to its economic and political effects?

Our sub-question is how should be the role of the legislator and executer in facilitating the entrepreneurial process and its systematic promotion?

What will be discussed in this paper is the impact of deregulation on entrepreneurship development with a political economy approach. In today's world, entrepreneurship and tendency to it play an important role in the survival and development of organizations in turbulent and dynamic environments. Nowadays, the development of tendency to entrepreneurship to strength innovation, initiative and risk in organizations is one of the topics considered in economic literature.

Entrepreneurship and entrepreneurs are the source of the valuable works, referred in follows:

1. Creating employment, a close relationship between entrepreneurship and employment is in a way that researchers believe and the experience of different countries confirms that when entrepreneurial activities in a society to be slow, the unemployment rate of that society will be increased.
2. Entrepreneurship leads to an appropriate distribution of incomes and a reduction in social anxieties.
3. Entrepreneurship causes the use of resources and activates them for the development of the country.
4. Improving the quality of life, discovering needs, inventing and developing new products, and creating new services are among the characteristics of entrepreneurs.

It is very difficult to justify deregulation regarding the constitution. Constitution has been formulated and approved in a revolutionary atmosphere, and many principles of the constitution have assigned duties on the government that performing them are clearly inconsistent with following deregulation policies.

Every day, we see the issuance of various circulars and regulations by ministries that face economic activists with new dimensions of time-consuming and costly administrative complexities.

The annual report of World Bank about business indicates that business is still accompanied with lengthy and heavy processes of licensing and inspection in many developing countries and in transition stage. Getting licensing and inspections to build a simple warehouse sometimes takes more than a year in countries such as Bosnia and Herzegovina, Brazil, Cameroon, Ukraine, Nigeria, Russia and Zimbabwe. However, in industrialized countries it takes two to three months and in countries such as Jordan, Mauritania, Panama and the Baltic States, it only takes four to five months.

On the other hand, the executives of the country do not act honestly in the execution of this legal obligation, so that they refuse to declare their more important licenses to the deregulation board, or provide ineffective licenses for removal to the deregulation board or, unjustly, merge several licenses into one license. Therefore, licenses that take most of the time and energy from economic activists and involve them for months or perhaps years, remain in place and cause economic justification of performing an activity or the process to be removed from applicants of issuing license which unfortunately its results and statistics are not recorded anywhere. At the same time, the executives, while presenting proper statistics from their performance in removing unnecessary licenses, still retain their credentials caused by having tools of applying power and golden signatures by merging several licenses into one license.

In the common meaning, deregulation distances from the apparent description of the term, and the purpose of removing in addition to the regulation includes laws. Here, the original meaning and the apparent meaning are not only distant, but, it can be said, deregulation will be away from its apparent meaning. According to what is discussed in this paper, the purpose of deregulation is to remove the laws adopted by the parliament rather than the executive approved regulations. So it can be said that the common meaning is superior to the specific meaning.

Entrepreneurship is considered a necessity for the creation of a healthy economic environment and national growth, and the role of entrepreneurship in economic stability has been confirmed (Henry, 2002). Entrepreneurship is the establishment and management of a new company to use of innovative and unique opportunities to achieve rapid growth (Hindle, 2000).

In the last few decades, government policymakers in various societies have attempted to develop entrepreneurship policies for economic growth. Government policies are laws and strategies that the government develops to guide and manage economic, social, administrative programs, and so on. The goals of the policies developed by government policymakers are:

- Encouraging people to entrepreneurship and self-employment
- Helping entrepreneurs in the entrepreneurial process (Before start, start stage and growth stage)
- Creating opportunities and training new skills for entrepreneurs

Today, it is believed that economic and social development depends on a good government that apply institutionalized power legally and governs based on law in accordance with the principles of democratic participation. However, the rule of law has not been scientifically and adequately investigated despite the multiplicity of use in writings and statements as other concepts necessary for an interdisciplinary approach to issues in the political system.

1.3. Definitions and concepts

Deregulation: Deregulation is the action or process of removing or reducing governmental regulations. So this is the opposite of regulation, which its purpose is the process of governmental regulation on particular processes. The reason for this is the competition and more productivity as a result of reducing regulation and simplification of it. Its opponents call environmental pollution and monopoly.¹

Entrepreneurship: it refers to the process of creating a new value (material or spiritual) through a committed effort, considering the risks caused by it. The word entrepreneurship originates from the French word "Entrepreneurs" in meaning of "commitment". Entrepreneurship was considered by economists for the first time, and all economic schools since the 16th century have described entrepreneurship in their economic theories so far. Joseph Schumpeter (1934) calls the entrepreneurial process "creative destruction." In other words, the determining feature in entrepreneurship is to do new things or invent new ways in current affairs.¹

Peter Drucker, the father of management science, considers entrepreneurship as someone who starts an activity with his own economic capital, changes values and transforms in the environment around self and leads to being better.

Economic Growth: Economic growth implies on increasing production or national income per capita. If the production of goods or services by any means increases in one country, it can be said that economic growth has occurred in that country. In simple term, economic growth is the increase of production of a country in a certain year compared to its value in base year. At the macro level, the increase in GDP or GDP in the year discussed is considered economic growth relative to its value in a base year. The reason that the base year prices are used to calculate economic growth is that the calculated increase in GDP to be caused by an increase in productions and the effect of rising prices to be eliminated (inflation).²

Economic Development: This is economic growth with fundamental changes in the economy and increasing production capacities, including physical, human and social capacities. In economic development, quantitative growth in production will be obtained, but alongside that social institutions will be changed. In economic development, variables are considered qualitatively, so development reflects the qualitative changes of a society actually that its manifestation can be crystallized in growth. Economic development is the qualitative changes in the economic structure of a society and those fundamental changes that affect GDP. Thus, the two terms of growth and development are separated according to the above definitions.³

2. Theoretical foundations

Theoretical discussions in the late 20th Century based on previous research, the relationship between entrepreneurship and economic growth was examined from different perspectives that the most important of them was Schumpeter and Baumol's view. Schumpeter (1934) has introduced entrepreneurship as the engine of economic development. He believes entrepreneurship is a set of innovations and innovations that inject new energy into the economy for growth and success. He believes that the role of the entrepreneur is to re-allocate resources by disrupting existing equilibrium. Baumol (1990), like Schumpeter, investigates entrepreneurship with innovation vision. In his opinion, the entrepreneur has the creativity and initiative to find ways to increase his assets, his power and credibility. Neoclassics have considered entrepreneurship in the exogenous growth model, which is further explained in the Solo's (1956) growth model. Entrepreneurship does not exist directly in the solo model, but the role of entrepreneurship in economic growth is expressed through the presence of the knowledge factor. The knowledge factor in the model is not precisely defined and it is considered as an exogenous factor. The Austrian view has been considered in related studies. In this view, entrepreneurship is the process of identifying opportunities. According to Kirzner (1973), the entrepreneur is the one who creates new profitable opportunities in the market. He believes that the relationship between entrepreneurship and economic growth establishes when the entrepreneur receives the profits in the imbalance situation through improving the inefficient and inadequate markets. Another view that has a particular importance in the literature on entrepreneurship and economic growth is the institutional view. According to Nors (1990), the institutional framework will be the key determinant of the emergence of effective entrepreneurship on economic growth. In fact, growth emerges when organizations and institutions are efficient in the economy.

2.1. Practical issues

Galindo Martin et al. (2010) examined the impact of entrepreneurship on economic growth in 25 selected countries during the period (2006-2006). Those who used the Total early-stage Entrepreneurial Activity (TEA) as an entrepreneurial index concluded that entrepreneurship through private sector investment boom had an indirect positive effect on economic growth by estimating regression models with the fixed effects method. Lee et al. (2009) examined the relationship between entrepreneurship and economic growth in China by considering patents as an entrepreneurial criterion. They analyzed this relationship using panel data and GMM 1 estimator for 29 Chinese provinces in a 20-year period (1983–2003) and concluded that entrepreneurship had a significant and positive impact on Chinese economic growth during the period under study. Van Stell et al. (2004) examined the impact of entrepreneurship on economic growth in 36 countries in the period 1999-2003. They considered the Total early-stage Entrepreneurial Activity (TEA) as the entrepreneurship index and concluded that entrepreneurship affects economic growth after estimating the regression model with GMM method, but this effect depends on the per capita income level of countries. In other words, there is a negative relationship between total level of entrepreneurial activities and economic growth in poor countries, while the relationship for rich countries with high per capita income is positive. Accordingly, it was claimed that the impact of all entrepreneurial activities on economic growth is complex and the impact of different types of entrepreneurship should be examined separately to investigate the role of entrepreneurship in economic growth. Using the time series data related to 23 countries of OECD member, Blancheflor (2000) examined the impact of entrepreneurship on the economic growth of these countries during the period (1966-1996). The researcher considered self-employment as a criterion for entrepreneurship, and concluded that there was no significant relationship between self-employment and economic growth by estimating the model. Najarzadeh Noushabadi (2012) in an article entitled "The Role of Productive and Non-Productive Entrepreneurship in Economic Growth" investigated the role of productive and non-productive entrepreneurship in the economic growth of countries through two indices of self-employment as an indicator for non-productive entrepreneurship and innovation as an indicator for productive

entrepreneurship. The results for 60 selected developed and developing countries for the period (1996-2008) show that self-employment has a negative impact and innovation has a positive effect on economic growth.

Aghajani (2012) in an article entitled "Providing a Conceptual Model of GEM Indicators in Entrepreneurship" provided suggestions including developing a strategic document of the development of entrepreneurship in the country and the establishment of entrepreneurship development centers for the better implementation of the Global Entrepreneurship Monitor plan in all cities of the country while reviewing the literature on providing a conceptual model from the role of entrepreneurship in the growth of national economy based on the Global Entrepreneurship Monitor Model and explaining the components of the payment model. Rabiee (2009) studied the effect of entrepreneurship and innovation on the economic growth of Iran during the period of 1968-2004 by using the Romer endogenous growth model and concluded that intermediate goods, labor force, human capital, physical capital and machinery imports increase production in the Iranian economy. Maddah (2008) investigated the role of entrepreneurship in the economic growth of 14 selected countries by presenting a model titled higher education, entrepreneurship and economic growth. He concluded that correlation coefficient between entrepreneurship and economic growth is 0.79 by calculating the linear correlation coefficient between the growth rate of start-up companies as an alternative index of entrepreneurial activities and the economic growth rate in 14 countries.

Lunderstom & Stevenson pattern

Stevenson and Lunderstom (2001) have divided governmental policies related to entrepreneurship into four main categories: SME development, focus on specific groups, establishment of a new company, and holistic policy. Each of these policies differs in terms of purpose, emphasis, approach, and structure, and creates a set of constraints or challenges (Lunderstom & Stevenson, 2002; Stevenson & Fellow, 2002).

SME Development In this policy, activities is performed to support new business owners and startup entrepreneurs that complement the services and programs of small and medium enterprises. Such services are mainly performed locally by "business support organizations" and "economic development organizations such as renovation organization and expansion of industries". These policies include self-employment training, consulting in the field of business plan and startup companies, local awards, or support for startup risk activities.

3. A model for supporting and encouraging entrepreneurship and dynamic small and medium-sized companies

This model is introduced based on the experiences of Turkey and some other countries. The policies in this model are as follows (OECD, 2004; OECD, 2005; Napier, 2004).

3.1. Establishing a legal context

The creation of a supportive legal context is needed in order to create a desirable environment to entrepreneurship for small and medium-sized companies. The government should establish legal relationships with small and medium-sized companies, because small and medium-sized companies, like large companies, cannot easily communicate with the government and to meet their need.

3.2. Special policies of companies

Specific policies should be used to help small and medium-sized companies. Some of the most important policies are as follows:

A) Encouraging companies' registration and establishing formal departments

Laws and regulations, legal and managerial responsibilities, taxation and social security directs small entrepreneurial companies towards unofficial and avoiding the acceptance of management and legal responsibilities. Therefore, governments should help to the formalization and registration of companies by facilitating conditions.

B) Governing today's competitive world environment requires transparent, honest, and open-minded management and governments must avoid pessimism about the private sector and civil institutions. So a fair and network and non-hierarchical relationship should be established between government and the private sector and civil institutions.

C) Helping bankrupt small and medium-sized companies in a dynamic and growing economy, some companies will be bankrupt that considered an obstacle to entrepreneurship. So facilitating liquidation conditions helps to promote entrepreneurship in case of a bankruptcy.

D) Defining and protecting intellectual property of protecting patents, designs, copyrights, and trademarks helps to grow entrepreneurship for small and medium-sized companies.

3.3. Infrastructure development

The development of transport infrastructure, telecommunications, information technology and other industrial infrastructure has a positive impact on entrepreneurship growth.

The following activities can be performed to support entrepreneurs and small and medium-sized companies:

A. Simplifying administrative rules and procedures: To achieve this goal, governments can help entrepreneurs by simplifying the procedures for starting a new business, establishing a health banking system and accounting system.

B) Access to information: The government can help entrepreneurs and small and medium-sized companies in developing entrepreneurship by improving the access of entrepreneurs and small and medium-sized companies to the information required by establishing specific systems and information flows between support agencies.

3.4. A review of literature

Serres et al (2006) in an article entitled "Rules of Financial System and Economic Growth" examines the rules and regulations that lead to more competitive and efficient financial systems have a significant and positive impact on sector production and productivity growth. For this purpose, 25

OECD countries have been used. The results showed that the indicators expressing regulations of financial system for economic growth have statistical and economic concept.

Haji Heidari and Sayyed Javadin (2011) investigated "Developing and Changing a Business Model Using a Systems Dynamics Approach". In this review, the possibility of business modeling has been designed in a dynamic and flexible way. In this regard, after reviewing the background of the subject, Business Model Ontology (BMO) is designated as the selected model by determining the level of review appropriate to the purpose and approach of this research. Then, this model was designed using the systems dynamics approach and its structure was confirmed by experts' opinion. These studies indicate the important fact that the distribution of value created in the chain depends on several factors such as the reaction of the elements affecting system and the overall dynamic behavior of the elements despite the value creation caused by cost reduction or quality improvement.

Hosseini and Fahimifar (2010), in an article entitled "The Role of Financial System Development and Improvement of Business Space on Economic Growth", using panel data method during the 2009-2006 period, found that improving financial conditions and the business environment is affecting economic growth, so that by increasing 1% in the volume of bank assets and bank credits, 39.0% and 11.0% is added to the economic growth of countries. Vali Beigi and Panahi (2010) examined Iran's position in the world economy compared to selected countries (from the perspective of human development indicators, economic freedom and business environment). According to Ukraine's rank and the status of the indices, Ukraine is evaluated among the countries with a neutral and deterrent business environment and perhaps the scale is more towards deterrent. The findings of this study show that the most important factors affecting the business environment of the country that should be considered are: political environment, macroeconomic environment, market opportunities, facilitating absorption process of foreign capital, reducing export and import procedures of country and currency control, improving the status of the tax system, financing exports and imports, the labor market and infrastructure. It seems that the business environment of the country can be directed to create a competitive environment by reforming the economic structure of the country based on the above factors.

Ahmadi (2010) by a comparative study of the business environment in Iran and the world states that: undoubtedly, one of the challenges of the labor market is the indoor, unchanged and non-release space of laws and regulations governing this market, which caused the demand of market to be inflexible and faced with problem. This issue caused the country to lose its former position in the business arena and faced with rate decline in the world competition every year. Fortunately, proper measures have been taken in 2008 to facilitate business environment in the country, while these measures are commendable, but they are not sufficient. Certainly, it can improve and organize the conditions of labor market and employment by removing barriers of production and investment (by organizing the business environment in the country), reducing investment risk by providing economic and political security and coordinating between the education system and labor market needs.

Mehrara and Talakesh Naeini (2009) in an article entitled "Investigating the Relationship between Financial Development and Economic Growth in Selected Countries by Dynamic Integrated Data Method (1979-2003)" investigated the impacts of development of financial markets and stock exchange market and banking system on GDP growth using panel data of 40 developed and developing countries based on the generalized torque method. For this purpose, variables of activity ratio, credits, government expenditures, and average years of education, inflation rate and degree of openness were used based on the dynamic panel data method. The results of this paper show that the development of the banking system has a significant impact on the level of GDP only in the long term and none of the indicators of financial development has a significant impact on the economic growth rate.

Morad Hasel, Mazini and Paryab (2008) in a paper titled "The Impact of Information and Communication Technology on the Business Environment" used data related to two groups of developed and developing countries in the period 2000-2008 and using the generalized least squares method concluded: The business environment and the foreign trade sector are one of the components of forming a country's economic environment that can be well influenced by ICT capabilities. The results of the paper indicate the significant impact of ICT on the business environment and trade facilitation in developed countries and the uncertainty of this effect in developing countries. It means that developed countries have been able to use the capabilities and benefits of ICT in their growth path, while in developing countries, the impact of ICT on business environment and business facilitation is not tangible.

4. Audretsch pattern

Audretsch et al. (2001) presented a pattern for analyzing the determinants of entrepreneurship that helps to understand how to use public policy to promote entrepreneurship. The pattern has provided five types of governmental policies affecting entrepreneurial activity.

4.1. Presenting entrepreneurship

Intervention of government has a direct impact on the type, number and access to entrepreneurial opportunities. This policy includes revenue policy and policies to encourage, develop technology, or policy of competition and regulations of establishing company.

4.2. Entrepreneurial demand

Intervention of government has a direct impact on the demand of potential entrepreneurs. This policy includes immigration policy, regional development policy, financial aids, and more.

Access to knowledge and financial resources for potential entrepreneurs, the goal of government intervention is to overcome knowledge gap and financial problems by increasing information and financial resources. These policies provide relevant business information (counseling) and entrepreneurship education in schools by encouraging the capital market to risky activities as well as direct financial support.

4.3. Forming entrepreneurial values in culture

Intervention of government leads to the formation of a positive mentality from entrepreneurship and investigates this issue by introducing the principles of entrepreneurship in the education system and paying attention to entrepreneurship in media. This set of policies requires an extensive role from the government and includes an education system and cultural overlapping.

4.4. Strengthening risk-taking for entrepreneurship

Intervention of government is to influence people's decision-making process and their occupational choices. These policies include tax policy (impact on business income, social security), employment laws of labor market (increasing business flexibility and starting or continuing a business) and bankruptcy policy.

5. Peng and Lee pattern

Peng and Lee (2002) has referred to a number of policy areas that indicate the level of entrepreneurial effort in a country. These areas are as follows:

5.1. Maximizing benefits

This category of policies encourages people for entrepreneurship and helps to establish small businesses. In other words, these policies removes the barriers of starting an entrepreneurial process and they are as follows:

- A) Developing entrepreneurship by facilitating entry of start-up countries and competition between them and reducing barriers to entry industry.
- B) Executing anti-trust laws and encouraging entrepreneurship by developing competition in an industry.
- C) Policies of government deregulation and entrepreneurship development by removing cumbersome regulations.

5.2. Minimizing loss

These categories of policies that help bankrupt entrepreneurs to quickly liquidate their businesses with less loss are:

- A) Executing bankruptcy laws and facilitating the process of liquidation for owners of bankrupt companies.
- B) Developing entrepreneurship by reducing risk and expanding entrepreneurial values in society.

6. Nili pattern in the industrial development document of the country

Nili et al. (2004) have provided policies and strategies in the document of industrial development strategy of the country as a guideline for industrial development. According to Nili and colleagues, government should use policies to help to grow entrepreneurship, remove barriers and facilitate the growth process of small and medium-sized enterprises, increase exports and create industrial clusters.

6.1. Removing obstacles and facilitating the growth process of small and medium-sized industries

The following strategies have been suggested to achieve this goal according to the experiences of other countries:

- A) reforming the financial structure and creating specific capital markets of small and medium-sized enterprises;
- B) Helping to the creation of non-governmental support institutions for the provision of consulting, technical, marketing, management and banking guarantees services;
- c) Reforming laws to facilitate the growth process.

6.2. Promoting the productivity of small and medium-sized companies

The following policies have been proposed to improve the productivity of small and medium-sized companies:

- A) Training human resources;
- b) Helping to technology promotion;
- c) providing educational incentives in the field of technology education and promotion;

Help to enhance contracting relationships between small and medium-sized companies with large companies and form industrial clusters

Some of the policies proposed to achieve this goal include:

- A) Help to promote quality management systems;
- b) Introducing companies to each other and appropriate information on market conditions;
- C) Providing tax incentives to the industrial and small-scale clusters of contractors and the large companies of contract party;
- (d) Adopting appropriate rules for contracting activities.

6.3. Growth of small and medium-sized companies on knowledge

One of the most important factors affecting in creating knowledge units is the existence of entrepreneurs that in addition to proper education, have the necessary strength and power to create an industrial unit.

Therefore, entrepreneurship education as an effective strategy should be considered. Policies and strategies to achieve this goal include:

- A) Entrepreneurship development by providing entrepreneurship training and developing trade plan in universities, encouraging and introducing successful entrepreneurs,
- B) Establishing and expanding growth centers to assist the growth of knowledge-based units and the provision of consulting and information services (Nili, 2004).

Table 1. Comparing governmental policy patterns in entrepreneurship development

Line	Pattern	Components of model	Strengths	Weaknesses
1	Lunderstom & Stevenson, 2001	<ul style="list-style-type: none"> - Development of small and medium enterprises - Focus on specific groups - Establishing a new company - Holistic 	<ul style="list-style-type: none"> - Pay attention to expert groups for entrepreneurship - Paying attention to specific groups and minorities 	<ul style="list-style-type: none"> - Not paying attention to facilitating the process of liquidation of companies - Not paying attention to the entrepreneurial infrastructure - Lack of process and systemic attitude
2	Supporting and encouraging entrepreneurship in dynamic SMEs (2005)	<ul style="list-style-type: none"> - Terms and Conditions - Special policies of companies - Infrastructure development - Culture - supportive - Training and communication with industry - Financial aids 	<ul style="list-style-type: none"> - Pay attention to the issue of governance - Definition and protection of intellectual property - Training and communication with industry 	<ul style="list-style-type: none"> - Not paying attention to the issue of technology and the provision of knowledge resources - Lack of process and systemic attitude
3	Model of Organization of economic cooperation and development (2004)	<ul style="list-style-type: none"> - Access to financial resources - Facilitating entry and exit - Supportive plans 	<ul style="list-style-type: none"> - Investing in risky activities - Facilitate entry and exit of companies 	<ul style="list-style-type: none"> - Not paying attention to the entrepreneurial infrastructure - Not paying attention to culture and education - Lack of process and system attitude
4	Global model of entrepreneurship (1999)	<ul style="list-style-type: none"> - General conditions - Entrepreneurial special conditions 	<ul style="list-style-type: none"> - Categorizing entrepreneurship topics into general conditions and special conditions 	<ul style="list-style-type: none"> - Not paying attention to formulating appropriate laws for entrepreneurship - Lack of process and systemic attitude
5	Audretsch (2002)	<ul style="list-style-type: none"> - Entrepreneurial supply - Entrepreneurial demand - Access to knowledge and financial resources - Values of entrepreneurship in culture - Strengthening risk-taking for entrepreneurship 	<ul style="list-style-type: none"> - Enhancing risk-taking for entrepreneurship - Focus on entrepreneurship from a supply and demand perspective 	<ul style="list-style-type: none"> - Not paying attention to the process of liquidation and establishment of the company - Lack of systemic and process attitudes
6	Peng and Lee (2002)	<ul style="list-style-type: none"> - Maximizing resources - Minimizing loss 	<ul style="list-style-type: none"> - Classification based on economic index of cost of benefit 	<ul style="list-style-type: none"> - Not paying attention to the entrepreneurial infrastructure - Just focus on economic indicators - Lack of process and system attitude
7	Document of Industrial Development Strategy (2004)	<ul style="list-style-type: none"> - Removing obstacles and facilitating the process - The growth of small and medium industries - Improving corporate productivity - Helping to proper contracting relationships - The growth of small and medium-sized companies 	<ul style="list-style-type: none"> - Paying attention to contracting relationships 	<ul style="list-style-type: none"> - Lack of process and system attitude

7. Ukraine's position in the ease of doing business index

According to the past years, World Bank has ranked 190 countries in terms of ease of doing business index in its recent report. The index, which consists of ten sub-indices, is investigated based on different dimensions and the countries' corrective measures are considered in each of the criteria for calculating it.

The recent report of World Bank indicates the 4-step fall of Ukraine in terms of ease of doing business index compared to last year.

However, Ukraine's distance from the leading indicator has been decreased compared to the previous year. This report investigates the important points of this report. Given that every year, minor or major changes are applied in the World Bank methodology to calculate ease of doing business sub-indicators, it should be noted that the report ranks are compared to be adapted to the new World Bank methodology. In a recent report, the World Bank only has announced the rating of countries in last year on the basis of new methodology, in this report, rank of countries in last year on the basis of corrective ratings announced has been calculated by the World Bank and compared to the current year.

Table 2. Status of Ukraine in terms of ease of doing business index 2017 and 2018 and related criteria

Description	Rank 2017 DB	Rank 2018 DB	Changes	Distance from leading index (2017 DB)	Distance from leading index (2018 DB)	Changes
ease of doing business index	120	124	4	43.78	43.52	0.26-
Starting a business	96	97	1	14.95	14.84	0.11-
Terms and conditions of taking a construction license	21	25	4	21.5	21.93	0.43
Access to electricity	95	99	4	30.85	21.57	0.72
Ownership registration	86	87	1	35.83	35.84	0.01
Getting credits	107	90	17-	55	50	5-
Supporting micro investors	169	170	1	66.67	66.67	0
Ease of paying taxes	148	150	2	43.43	43.43	0
Cross-border trade	165	166	1	53.89	53.89	0
Execution of contracts	76	80	4	40.93	40.93	0
Bankruptcy and debt payment	154	160	6	74.75	76.07	1.32

Source: Bank November 1, 2017

India's successful experience in improving position of this country in the World Bank's ease of doing business index is one of the most important and reflective issues despite declining economic growth perspective in 2018. Right determining goals and strategy, as well as the correct plan for implementing economic reforms while trying and following them, is the most remarkable and admirable characteristics of the Indian government. Undoubtedly, choosing a long-term approach in a government's corrective action plans, preferring long-term sustainable benefits instead of temporary ones and not satisfying with low-durable high growths is including the cases that indicate and support lag of other economies against cohesive economies that govern on economic logic with improving welfare of society and the real improvement of their status in international societies.

A new report of World Bank on the status of the business environment shows that Ukraine's rank has declined with a 4-step fall from 120 to 124. However, according to the report of the international economic organization, Ukraine's business ranking in 2016 was 117.

Taking a look at the numbers shows that the situation in Ukraine has been deteriorated, but this is a superficial receiving from the World Bank report and the figures that examine the business environment of the countries.

The decline in ranking of Ukraine does not mean that our situation has been deteriorated, but the decline in ranking shows that other countries are doing better than us in improving the business environment; In the report of 2018, of 100 scores that taken to 10 items, we gained 56.54 while, this number was 56.22 in the report of previous year. It means that our overall score on the indicators of World Bank has increased to 0.26. We improved on indicators like building permits and bank credit. In the field of cross-border trade, we took a better score according to positive steps of customs, but we gained a low score in bankruptcy and protection of micro-shareholders' rights; our score in the index of executing contracts is not good and Ukraine's score has not changed in the field of tax.

7.1. Ease of doing business in selected countries

The results of ranking countries show that the position of countries such as the United Arab Emirates, Indonesia, Turkey, and Saudi Arabia in the Business Ease Index have been improved significantly. These countries' position has been upgraded by 6, 7, 2 and 9 steps, respectively, compared to last year, and their distance from the leading index has been decreased. The significant improvement of ranking of United Arab Emirates is through measures that this country has performed to control bankruptcy and pay debt, quality of construction, electricity supply, facilitate credit by providing information of customers' credit rating to banks and credit institutions. Upgrading the position of Arabia has been due to its actions in the field of cross-border trade (reducing the time of compliance of export and import documents by reducing the number of documents required for customs clearance), paying taxes and starting a business. In Indonesia in most business sub-indicators, a corrective action has been carried out, including the action of this country in the field of

simplification of executing contracts by establishing specific procedures for small claims and processes to accelerate electricity supply. Turkey has also taken steps to reduce the cost of transferring ownership, obtaining credit of bankruptcy and paying debts.

Table 3. rank of selected countries in terms of ease of doing business index 2017 and 2018

Countries	Rank		
	DB2017	DB2018	Changes
Ukraine	120	124	4
United Arab Emirates	27	21	6-
Turkey	62	60	2-
Saudi Arabia	101	92	9-
Republic of Korea	4	4	0
Indonesia	79	72	7-
Malaysia	23	24	1

Source: World Bank, November 1, 2017

The report of ease of doing business of World Bank in 2018 indicated the improvement of 0.26% of Ukraine and Ukraine by gaining point 56.48 has overtaken Brazil, Egypt, Lebanon and The report of ease of doing business index of World Bank investigates the business environment in 190 countries by evaluating 10 indicators in the legal, executive and judicial fields. The overall performance of these indicators has improved the overall index score, but the position of country is placed in rank 124 due to better performance of other countries. Changing Ukraine's score on each of the 10 indicators of business ease is as follows:

Table 4. Ukraine 's ranking in indicators of doing business report

Title	review 2014	review 2015	review 2016	2017	2018
Total rank	132	119	117	120	124
Starting business	70	82	97	102	97
taking a construction license	161	98	27	27	25
Access to electricity	119	94	90	94	99
Ownership registration	159	89	85	86	87
Getting credits	86	90	97	101	90
Supporting micro investors	143	149	166	165	170
Paying tax	118	122	99	100	150
Cross-border trade	135	166	171	170	166
Execution of contracts	67	62	69	70	80

Source, World Bank Report

According to the latest report of ease of doing business of World Bank (2018 db) released by the World Bank's Business sector, the country's rating has improved from 56.22 to 56.48. The report shows that despite the increase in rating, the speed of reforms in the country has been slower than in other countries, and it caused the country's international position to be declined 4 ratings and declined from rating 120 to rating 124 in 190 countries.

The following figure shows the status of Ukraine in the indicators of entrepreneurship in comparison with the countries of the region and this diagram shows that Ukraine's most serious competitors in the Russia have always tried to remove the barriers of entrepreneurship and created more distance with Ukraine.

8. Methodology and model specification

8.1. Model methodology

This study uses econometric technique and panel data model to investigate the effect of deregulation on indicators of business environment. Data related to this study were extracted from the World Bank and database of business environment. For this purpose, we have examined some of Ukraine's business competitive countries in West and East Europe and Asia that have had a proper performance in entrepreneurship growth and development with Ukraine in the period 2018-2006.

8.2. Model specification

The following function has been used to examine the effect of deregulation in different parts of the country on improving the business environment:

$$Y_{it} = C + \alpha DL_{it} + \beta GC_{it} + \gamma PI_{it} + \delta PT_{it} + \theta EC_{it} + e_{it}$$

In the above model, Y represents the ease index in starting a business, DL is the index of ease in getting licenses, GC is getting banking facilities and credit, PI is judicial protection from investors, PT is payment tax, EC is the index of executive guarantee of contracts and e is error sentence.

8.3. Investigating the reliability of variables

First, we examine the reliability of the variables to investigate the effect of law evasion on entrepreneurship index in the countries under study. The hypotheses in the reliability of the variables are as follows:

H: $\alpha = 0$

H₁: $\alpha < 0$

Table 5. Investigating validity of the model variables

Variable	Levin, Lin & Chut	Im, Pesaran and Shin W-stat	ADF - Fisher Chi-square	PP - Fisher Chi-square
(Y)	-9.29 (0.000)	-1.766 (0.028)	119.87 (0.0061)	208.029 (0.000)
(PT)	-12.399 (0.000)	-1.509 (0.065)	115.15 (0.026)	170.72 (0.0035)
(DL)	-31.92 (0.000)	-4.074 (0.000)	142.26 (0.000)	163.65 (0.000)
(GC)	-10.39 (0.000)	0.4507 (0.000)	77.506 (0.7320)	154.14 (0.3388)
(PI)	-11.66 (0.000)	-1.0085 (0.1566)	100.38 (0.0314)	122.543 (0.000)
(EC)	-112.978 (0.000)	-34.272 (0.000)	380.89 (0.000)	415.156 (0.000)

Source: present study

The null hypothesis of the test indicates the existence of a single root. According to the results of the table, the null hypothesis is rejected and all variables are at reliable level. Then, the Hausman test is used to determine the type of model. Hausman test is estimated based on the presence or absence of the relationship between the regression error and the independent variables of model has been formed. The null hypothesis in the Hausman test is the use of random effects method and the opposite hypothesis is the use of fixed effects method.

Results of Hausman test

Chi-sq. Statistics	74.59246
Prob	0.0000

9. Model estimation

After performing the Hausman test and selecting the fixed effects model to estimate the model, we evaluate it and show its results in the following table:

Table 5. Model Estimate

Variable	Coefficient	T static	Significant
C	6.774	24.919	0.000
(PT)	0.15530	5.5260	0.000
(DL)	0.0846	1.0691	0.2869
(GC)	0.08867	4.8120	0.000
(PI)	0.3669	10.0965	0.000
(EC)	0.1527	6.260	0.000
اماره F	286.83	Probability	0.000
Coefficient of determination 0.8680			

Source: the present study

Ease of entry of economic activists into the business environment expands the formal sector of the economy and improves economic performance.

Cumbersome laws and regulations discourage economic activists and directing to the wrong path to obtain a license, so the ease of obtaining a license can make it easier to enter the business space and help expand the formal sector of the economy. Index of getting license (DL) has become meaningless in the period studies.

Meaningless of this index could be due to the financial crisis and the inefficiency of laws and regulations and increasing corruption which has created many problems for entrepreneurs and investors. Clarification of laws and regulations to support small shareholders increases their confidence for investing and trying to advance goals. The appropriateness of the investment environment and the confidence of investment location and the required laws to support investors increases the volume of investment, by increase the amount of investment, production and employment will be increased and economic growth increased, too.

Index of getting credit (GC) is one of the most important indicators of business environment because access to financial resources is the most important factor for economic growth. Increasing access to financial resources and credits led to improvement in production and allows manufacturers to use advanced technologies. Expanding firms and increasing production reduces costs and increases employment and causes economic growth and development. The index has had a positive effect on entrepreneurship of the countries surveyed at 99% confidence level with a coefficient of 0.08.

Executing contracts of EC is a key factor in the business environment because we believe that laws and regulations are considered a key element in improving the business environment. Index of executing contracts at 99% confidence level and with coefficient of 0.05 has become significant. Index of supporting shareholder has had the highest effect on entrepreneurial growth at 99% confidence level with a coefficient of 0.36.

10. Operational Solutions

- ❖ Identifying laws, regulations and directives that disrupt production and investment in the country and eliminate complex and redundant rules and regulations (guidelines, directives, approvals) in accordance with the obligations of Article 76 of the Fifth Development Plan Act.
- ❖ Reducing wide and long administrative and governmental bureaucracies
- ❖ Establishment and operational implementation of investment unit window at national and provincial level
- ❖ Reforming and reviewing the process of issuing investment and construction licenses in executives
- ❖ Accelerating the processes of doing affairs and economic activities through the development of electronic and mechanized systems in executives, providing services through the strengthening and development of new communication and electronic technologies in various fields, taking licenses, registering companies, paying taxes, clearance in customs and ...
- ❖ Reforming the structure of the country's judicial system and efficiency of it to improve and facilitate the judiciary-related indicators
- ❖ Reforming the country's financial system and updating and efficiency of financing through reforming the structure of banking and insurance system and strengthening the role and position of the capital market in the country.
- ❖ Reforming the structure of the tax system of the country in the form of implementing the transformation plan of the tax system and comprehensive system of tax information
- ❖ Reforming the structure of the customs and commercial system of the country in the form of the implementing the transformation plan of customs system.
- ❖ Reforming the country's administrative and statistical system to increase the efficiency of the administrative system

11. Conclusion and suggestion

Business in any country requires the provision of an appropriate and secure institutional environment in that country. Capital owners will invest their capitals in a country where the signs of economic security are well visible. Policymakers and planners of every society should continually measure and control the economic security and investment position in that society and, based on its results, take the necessary measures to attract foreign capitals and prevent the escape of domestic capitals. But the available statistical evidence indicates that our country is failing in these two areas and suitable contexts are not provided for creating a safe environment of investment and business in the country.

It is important to note that in the field of business environment, we have seen proper laws and regulations in various sectors in recent years. From Article 7 of the Code of executing general policies of Article 44 of the Constitution to the articles and provisions of the fifth development law and finally to the law on continuous improvement of the business environment, which unfortunately not well implemented.; in other words, the legal problem and the legal vacuum is not felt at all, but the main problem is understanding the law and its correct execution.

-One of the most important duties of the government is to make trust in the business arena. Creating credible commitments to the interests of business partners and explaining clear and explicit behavioral patterns in the interactions of government components with each other and the government with the private sector in case of persistence and sustainability can lead to strength a sense of security among investors.

-In an environment that the political stability is governed, unexpected changes in policies and laws is little, brokers are confident that the government will be adhered the policies and laws that it or the previous government has stipulated and announced. Any changes in policies and laws will be informed to beneficiaries quickly and more importantly, economic brokers are involved in the process of changes in policies and laws.

- Certainly, the necessary steps and complementary reforms to improve the business environment depend on the reform of laws such as labor and social security, tax laws, and especially trade law, with all transparency and precision.

- According to the necessity of improving the business environment and its relation to the development process, in addition to reform the laws, making necessary reforms in infrastructure (such as water supply, electricity, communications, health, transport, etc.) is one of the country's priorities. In fact, in addition to producing efficient policies and regulations, providing all infrastructure required by economic activists that the private sector doesn't have the

power or incentive to provide them, is the government's hardware task to prepare the institutional business environment. Obviously, business and investment in a society that does not have the necessary standards in these affairs will not be very effective and attractive even by existing proper laws and the security of property rights and political stability.

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