

## PERCEIVED EASE OF DOING BUSINESS AND BUSINESS GROWTH MOTIVATION OF SMES

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**Abstract:** The aim of the study is to review the impact of Ease of doing Business Perception on growth motivation of small and medium enterprises. Available literature suggest that mostly academic researches regarding ease of doing business are based on doing business index of world bank. This study has been developed to explore perception about ease of doing business in a developing country by analyzing primary data collected directly from SME's. The philosophical approach for this study is based on positivism. Quantitative data about perceived ease of doing business and Growth Motivation was collected through Likert scale. PLS-SEM has been used for analysis for data. Findings of the study suggest that there is a significant association between perceived ease of doing business and growth motivation of SME's. Perception about ease of getting electricity, ease of paying taxes, ease of registering property, and ease of getting credit positively influences business growth motivation of business owners and managers.

**Key Words:** *SME, Growth Motivation, Perceived Ease of Doing Business, Institutional Theory, EODB, Entrepreneurship*

### INTRODUCTION

The advantages of Small and Medium-sized Enterprises (SME's) to development and economic growth have always been recognized and acknowledged. The role of SME sector is critical for overall performance and efficiency of an economy. due to this crucial role SME's in a country's development they are referred to as engines of growth for developing countries and emerging economies.

There is a higher possibility that SMEs would use labor-intensive technology, and resultantly lowering unemployment, especially in developing world (Muritala *et al.*, 2012). While in developed countries, SME's have always been champions of employment generation, driving innovation, and developing innovative product and services in advanced economies. This recognition of SMEs' tremendous contribution to economic growth has prompted governments worldwide to prioritize the SME sector for enhancing economic growth.

Lack of proper infrastructure for development of business, and financial problems are considered as major obstacles to growth of small business (Okpara, 2011). Earlier literature has mostly focused on small-company owners' perceptions of financial and business centered consequences of business development, such as personal finances and work environment, in affecting their desire to grow a small firm and their motivation for business expansion (Davidsson, 1989; Wiklund *et al.*, 2003). There is dire need for exploring factors which influences Business Growth Motivation (BGM) for small businesses.

World bank has been ranking world economies of bases of ease given to startups since 2004, but this term was extensively used in media when south Asian countries started to gaining points in recent years. The most prominent growth was made by India when the country grew by twenty-three ranks in global Ease of doing business index and rose to seventy-seven in ranking (Raghavan, 2018). Doing Business assesses various elements of the regulatory structures of concerned country which can influence the ease of functioning of businesses in the economy. The World Bank suspended the release of the Doing Business report in August 2020 due to several anomalies identified related data



manipulations in the Doing Business 2018 and Doing Business 2020 reports (Frost, 2020). Hence there is need for more diverse methodologies for assessment of perceived ease of doing business (PEODB) for more authentic and valid analysis.

The evolution of entrepreneurial ecosystem for any economy highly depends on the Growth Motivation of the individuals who are managing and owning businesses in that society. The purpose of reforms which are introduced for improving ease of doing business is to motivate entrepreneurs to take entrepreneurial actions and contribute to development of entrepreneurial culture. Just reforms and ease is not enough, if entrepreneurial actions are not taken. And entrepreneurial actions are highly dependent on motivation for business growth.

The core purpose of this study is evaluate whether or not facilitation in infrastructure of an economy influences the Business Growth Motivation of SME's in an economy. Despite all these improvements the fact cannot be denied that the most significant element in improvement of entrepreneurial environment is business development decisions which are highly dependent on Business Growth Motivation. There is dire need to study psychology of entrepreneurs. This study has been designed to fill the research gap regarding influence on Business Growth Motivation in an economy with change in perception about ease of doing business.

## LITERATURE REVIEW

### *Theoretical Background*

Traditionally, the Resource-Based View (RBV) theory of the firm developed by Barney (1991) has been one of the prominent theory in business development as availability of resources is vital for startup ventures to succeed. Although resources are obviously essential, with the passage of time it has become more obvious that other factors like culture of countries, legal environment of countries, traditional norms and organisational behaviors in an industry, play an critical role in growth of an industry and ultimately determines development and success rate of business ventures in an economy (Baumol *et al.*, 2009). Institutional theory has been found more relevant for providing a theoretical lens by means of which researchers of regulatory issues can detect and study the mentioned factors. This research has been based on institutional theory. The institutional theory reflects upon the courses through which structures, such as processes, rules, norms, and routines, becomes determinants for social behavior of individuals and organizations (Scott, 2010). This proposed study is more aligned to newly developed form of institutional theory known as neo institutional theory. This approach to institutional theory started with important work of two scholars in the field institutional theory regarding organizational theory.

First important work is Rowan & Meyer (1977), who have introduced concept of mythical status of institutions. This contextual web of institutions consists of many, policies, programs, institutions and professions, which collectively serve as dominant myths for these businesses and Organisations. And the pattern set by these structures are followed by Organisations dedicatedly. The second formative contribution of DiMaggio & Powell (1983), consists of three prominent isomorphic processes i.e. coercive isomorphism, mimetic isomorphism, and normative isomorphism.

Institutional theory can also be a determinant for influencing intensions of entrepreneurs regarding business decisions (Wicks, 2001). The process decision making of entrepreneurs is greatly influenced by formal an informal structures determined by institutional theory. An entrepreneur reacting to the opportunities embedded in the institutional framework is the agent of change (Milgrom *et al.*, 1990).

### *Business Growth Motivation (BGM)*

Individual traits, organisational characteristics, relations and environmental characteristics, strategy development and planning, and organisational development are all variables that influence business growth. The motive for business growth is driven by the entrepreneur's values and approach (Street and Cameron, 2007). Literature shows that many small business owners are reluctant in pursuing business growth, and therefore it's vital to examine the importance of growth motivation while analyzing business growth of small businesses. (Davidsson, 1989; Gundry and Welsch, 2001).

The persuasive reasoning of others influences people's beliefs (Ajzen, 1991). So by providing adequate information and expertise, it is quite possible to influence small business managers' ideas about expansion of business. Wiklund *et al.* (2003) investigated the links between implications of expected business growth on the one hand and general view regarding growth on the other. They discovered that noneconomic considerations, rather than anticipated financial gains, may be more relevant in driving overall behavior toward growth. This concern may be a source of ongoing confusion for small company owners when deciding on a future course of action for their companies. The perceptions of small-company managers regarding the implications of expansion have offered insights into why they believe expanding their firm is a good or negative thing. Managers who feel that growth will improve the work environment are more inclined towards business growth, while others who

believe that expansion would degrade the overall work environment, have a hostile perception toward growth.

Entrepreneurial motivation research tends to concentrate on certain stages of the firm development process, such as venture creation, growth, and exit. This concept has provided several insights into why entrepreneurs behave the way they do in these distinct phases (Murnieks *et al.*, 2020). Entrepreneurs' motives might shift during the course of business operations. For example, Entrepreneurs like Microsoft co-founder Paul Allen and Patagonia owner Yvon Chouinard have experienced change in their aspirations during different phases of their venture development (Chouinard, 2016). Entrepreneurship focuses on how people identify, analyse, and capitalize on opportunities. (Shane and Venkataraman, 2000), which spans the spectrum from beginning a firm to developing it and ultimately exiting it (e.g., Fisher *et al.*, 2016).

Profitability of business and its access to loan are considered as major determinants of business growth for SME's. However, research suggest that small businesses are more interested in short-term loans instead of long-term loans for fueling their growth (Kachlami and Yazdanfar, 2016). Furthermore, Opportunity oriented small and medium business managers are considered as more inclined towards firm growth than necessity based business managers (Berner *et al.*, 2012; Verheul and Van Mil, 2011). Which implies the driving force of business owners for growth motivation may be traced back to their entrepreneurial motives.

#### *Perceived Ease of Doing Business (PEODB)*

Facilities required for production and perception of business owners are basic determinants for relocation of business units in an economy (Yang, 2016). The stronger performance of Asian-Pacific developing economies in the Global Opportunity Index is directly related to the perceived ease of doing business in such regions. The data shows that the high scores on contractual agreement security and legal resolution from effectiveness of rule of law are particular elements reflected by the time to resolve insolvency and the time necessary to enforce contracts variables. Such issues are critical for investors who are typically cautious of investing in places or nations where there is a lack of legal certainty (Wilhelmus, 2017).

Investment and a favorable corporate culture is essential for economies for improving perception about ease of doing business. Consistent policy that improves an economic competitiveness can help to consolidate improvement in GDP, and improve perceived ease of doing business (Poufinas *et al.*, 2018). Ease in regulatory environment increases entrepreneurial motivation. Research shows improvement in perceived ease of enterprise registration and perceived ease of doing business in any economy increases entrepreneurial motivation significantly (Kallas and Parts, 2020).

#### **Research Model and Hypotheses**

The framework of the study has been based on dependent variable (Business Growth Motivation) and seven Independent variables of Perceived Ease of Doing Business (PEODB). Various studies have contributed to construct of business growth motivation (Delmar and Wiklund, 2008; Prasastyoga *et al.*, 2021; Wiklund and Delmar, 2003). World bank uses ten indicators for ease of doing business (Besley, 2015). Shah *et al.*, (2021) have developed construct of PEODB which is inspired from world bank ease of doing business methodology, and has been refined as per recommendations of expert panel. Their suggested construct for PEODB is based on seven indicators which are more relevant to small business environment of small and medium businesses of developing countries. The developed construct is based on indicators; Perceived Ease of Dealing with Construction Permits (PEODCM), Perceived Ease of Getting Electricity (PEOGE), Perceived Ease of Registration of Property (PEOROP), Perceived Ease of Enforcing Contracts (PEOEC), Perceived Ease of getting Credit (PEOGC) for the Business, Perceived Ease of Paying Taxes (PEOPT), Perceived Ease of Trading Across Borders (PEOTAB).

Some businesses aspire for growth while others are not motivated towards growth. Exploration of reasons for this disparity in attitude is vital to entrepreneurial and small business economics studies. The review of literature suggests the notion that the motivation of the new firm's manager would impact the firm's strategic management, determination, and intensity of intension for action. As a result, new businesses with managers who are growth oriented are expected to expand more than firms with managers who do not have such ambitions (McKelvie *et al.*, 2017). There is dire need to analyse factors which influence Business Growth Motivation of Managers of small and medium enterprises.

**Hypothesis 1 (H1):** Perceived Ease of Doing Business is positively related to Growth Motivation of SME's

The construction permit is amongst the most effective instrument in construction order legal system, and so it continues to serve as a central instrument for government agencies granting permits to use

all of the specifically designed by legal system to inspect the permissibility of construction objects and their conformity with the prevailing urban planning system (Churghulia, 2019).

Gaur & Padiya (2017) by assessing the reforms for ease of getting construction permit in India have concluded that reforms can maximize compliance ease by shortening the procedures and time required to get a construction permits. Churghulia (2019) further stated that the most important element of construction law, the building permit, must maintain construction order, which is the major focus of construction laws reform.. Hence impact of perceived ease of dealing with construction permit on growth motivation needs to be analyzed.

**Hypothesis 2 (H2):** Perceived Ease of Dealing with Construction Permits is positively related to Growth Motivation of SME's

Inadequate power supply not only has a negative impact on company productivity, but it also has a negative impact on the investments made by enterprises in various operations (Allcott *et al.*, 2016; Fisher-Vanden *et al.*, 2015). Unreliable electricity could be one reason due to which, small businesses are underrepresented in industries which highly rely on energy. The overall economic costs caused by lack of reliable electricity could be disastrous for economies (Alby *et al.*, 2013).

Findings of World Bank Enterprise Surveys (2006-2010) of 108 countries, suggest that managers around the world reveal that electricity is the most crucial hindrance to business growth of their firms. Businesses perform in terms of revenue generation improve in countries where getting electrical connection is easier and less costly (Geginat and Ramalho, 2018). Findings of survey carried out in Nigeria, reveal that businesses in areas connected to the electricity grid have been profitable than others. The survey also discovered that small business owners are well aware of the significance of energy availability to success of their business (Akpan *et al.*, 2013). Importance of electricity for businesses is obvious, so following hypotheses is proposed by this research.

**Hypothesis 3 (H3):** Perceived Ease of Getting Electricity is positively related to Growth Motivation of SME's

Some places make it highly difficult to transfer property, whilst others provide just minimal possession protection. The right to ownership and the right to transfer have differing effects on urban form, both theoretically and empirically. Incentives to develop better houses or own more land are reduced when possession rights are weak. Data suggests that quality of regulatory institutions have a significant impact on economic results, particularly in the context of urban land distribution. Based on data research, institutions have improved dramatically during the last two decades (Djankov *et al.*, 2020). Owners who have their titles appropriately registered are generally more interested in investment in the local economy. Effective land registration systems improve land value and leads to more efficient use of land. In Nicaragua, having a legal title not only boosted the likelihood of owners investing, but also raised land values by almost thirty percent (Deininger and Chamorro, 2004). Due to importance of ease in registering property hypothesis H4 is proposed or the study.

**Hypothesis 4 (H4):** Perceived Ease of Registering Property is positively related to Growth Motivation of SME's

Access to credit is critical for the survival, growth, and expansion of SME's. However owners of these enterprises consider hurdles in getting bank loans as one of the most critical obstacles they encounter (Carbó-Valverde *et al.*, 2016; Duygan-Bump *et al.*, 2015). An examination of legislative reforms reveals that credit increases with improvements in creditor rights (Djankov *et al.*, 2007). Loan based financing is important to the success of the firm at various stages of its lifecycle. Start-ups businesses are mostly self-funded. Credit was mostly used for corporate expansion. This might imply that loan demand is expanding parallel to business expansion and firm size (Kuzilwa, 2005). This discussion leads to the following hypothesis.

**Hypothesis 5 (H5):** Perceived Ease of Getting Credit is positively related to Growth Motivation of SME's

Complicated tax regulations raises tax compliance costs for the tax payers, however in middle-income countries, developed tax accounting software and e-filing tend to result in major cost reductions for tax compliance (Coolidge, 2012). Research suggests that taxpayers' compliance enhances with the usage of e-billing (Sentanu and Budiarta, 2019). Firm tax reforms can result in a significant increase in business dynamism and overall economic activity. The rise in dynamism is due to the indirect impacts connected with the tax rate reduction. In theory, the tax cut raises firm valuations, which stimulates entrepreneurial activities (Sedlacek and Sterk, 2019). This notion resulted in the following hypothesis.

**Hypothesis 6 (H6):** Perceived Ease of Paying Taxes is positively related to Growth Motivation of SME's

International trade significantly impact economic growth of a country (Yussuf *et al.*, 2020). Changes in the global economy have provided small and medium enterprises with both constraints and



opportunities (Dominguez and Mayrhofer, 2017). Trading across borders significantly impact economic growth (Sebayang and Febrina, 2021). Internationalization is considered as most effective strategy for growth of small and medium businesses (Safari, 2020). SME's from emerging nations that compete in the same industry and have a competitive advantage should focus on expanding business to developed countries for accelerating their growth (Misati *et al.*, 2017). Hence following hypothesis is suggested.

**Hypothesis 7 (H7):** Perceived Ease of Trading Across Borders is positively related to Growth Motivation of SME's

One of the most important determinant of state capability is contract enforcement in modern world, which enables the government bodies to manage the market dynamics, and ultimately enables the businesses to enhance and utilize sources of business development (Besley and Persson, 2009). Legally speaking countries with better contract enforcement system, have more effective business indicators for improving business performance, and hence it is vital to evaluate the relation between government enforcement capability and strength of institutional framework (Qiang *et al.*, 2021). Effective contract enforcement is crucial to the establishment and growth of business ventures (Chakraborty *et al.*, 2019).

**Hypothesis 8 (H8):** Perceived Ease of Enforcing Contracts is positively related to Growth Motivation of SME's

## RESEARCH METHODOLOGY

Philosophical approach for this study is based on positivism. To test the conceptual model and associated hypotheses, perception based data was collected from 385 managers of SME's of Pakistan with survey questionnaire (Cochran, 1963). Business growth motivation as a phenomena has been named differently by various researches (Delmar & Wiklund, 2008). Some researchers have mentioned it as attitude towards growth (Wiklund *et al.*, 2003); others have called it growth aspiration (Wiklund & Shepherd, 2003b); and growth intension (Kolvereid & Bullvag, 1996). Most researchers have assumed it as business growth willingness (Davidsson, 1989; McKelvie, 2007). The construct and scale for this study has been adapted from (McKelvie, 2007). For measuring construct of perceived ease of doing business a measurement developed by Shah *et al.*, (2021) was adopted.

The instrument was displayed to some target respondents and their opinions were gathered to undertake face validity (Sekaran, 2003). Furthermore, content validity was determined which is based on engaging specialists to determine the appropriateness of items to depict the construct (Hair *et al.*, 2007). A panel of experts was consulted in making a decision on the suitability of the items which were selected to be measured through the scale. Five qualified and experienced specialists confirmed validity of the questionnaire after review.

## Results and Discussion

### Measurement Model

The measurement model depicts the degree to which the items are linked to the constructs. Furthermore, the outer model analysis confirms that the survey questions measure the constructs that were supposed to be measured through the scale. And hence validity and reliability of the measurement scale is verified.

### Reliability

The reliability test assures that the construct measurement instrument employed in the study is accurate and free from error to a reasonable degree (Ariyaratne, 2014). The range of co-efficient of reliability is ranged between 0.00 and 1.00. Higher co-efficient value indicates higher the level of reliability for the instrument. Internal consistency is often considered as to meet a minimum threshold of 0.70 (Nunnally, 1978).

**Table 1**  
*Construct Reliability and Validity*

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
BGM	0.875	0.931	0.903	0.651
PEODCM	0.82	0.902	0.862	0.555
PEOEC	0.947	0.973	0.959	0.822
PEOGC	0.874	0.923	0.908	0.666

PEOGE	0.888	0.896	0.918	0.692
PEOPT	0.815	0.827	0.87	0.573
PEORP	0.891	0.898	0.922	0.705
PEOTAB	0.832	0.894	0.876	0.589

Table 1 shows that Cronbach Alpha reliability coefficients were from 0.815 to 0.947, which is considered acceptable as it met the condition that a Cronbach Alpha of higher than 0.7 is suitable (Hair *et al.*, 2010). As a result, the study's reliability is believed to be within accepted limits.

#### Construct Validity

The degree to which the scale items measure the concept that they were supposed to measure is referred to as construct validity. Convergent and discriminant validity tests were used to establish construct validity (Taherdoost, 2016).

#### Convergent Validity

The average variance extract (AVE), is the mostly used determine convergent validity of the model at the construct level. The AVE score should always be 0.50 or greater, indicating that more than fifty percent of the variance in the indicators is explained by latent variables in the scale (Fornell and Larcker, 1981; Hair *et al.*, 2010). Table 1 shows that all AVE values are higher than 0.50. Moreover, the values of Cronbach's Alpha and Composite Reliability as mentioned in Table 1 also confirm the validity of the overall model and measurement scale.

#### Discriminant Validity

Discriminant validity confirms that items of scale are not measuring anything else other than the desired construct unexpectedly. This study has adopted (Fornell and Larcker, 1981) method for confirming discriminant validity. As indicated in Table 2 square root of AVE for each latent variable is greater than values of correlations among latent variables.

**Table 2**  
Discriminant Validity

	BGM	PEODCP	PEOEC	PEOGC	PEOGE	PEOPT	PEORP	PEOTAB
BGM	<b>0.807</b>							
PEODCP	0.201	<b>0.745</b>						
PEOEC	0.123	0.145	<b>0.907</b>					
PEOGC	0.277	0.235	0.277	<b>0.816</b>				
PEOGE	0.325	0.353	0.082	0.279	<b>0.832</b>			
PEOPT	0.316	0.363	0.205	0.459	0.387	<b>0.757</b>		
PEORP	0.195	0.156	0.608	0.197	0.144	0.176	<b>0.840</b>	
PEOTAB	0.14	0.332	0.598	0.359	0.244	0.405	0.537	<b>0.767</b>

#### Structural Model

With the help of structural model collinearity, path coefficients ( $\beta$ ), the coefficient of determination ( $R^2$ ), effect size and predictive relevance were analyzed. Further to review significance of relationships standardized path coefficients, standard errors and t-value were derived with the help of Bootstrapping with 500 resamples by SmartPLS. (Hair *et al.*, 2016).

#### Multi-collinearity Test

The multi-collinearity test is carried out with the help of variance influence factor (VIF) analysis. The level of acceptance for VIF value is below than 5. (Hair *et al.*, 2014). In Table 3 shows that VIF values are from 1.202 to 4.835, which are all less than 5.0, so there is no issue of collinearity among the variables.

**Table 3**  
Variance Inflation Factor

Items	(VIF)	Items	(VIF)
GM1	3.044	PEGE1	2.827
GM2	2.849	PEGE2	3.175
GM3	2.993	PEGE3	2.727
GM4	2.254	PEGE4	2.113
GM5	1.664	PEGE5	1.693

PEDCP1	1.202	PEPT1	2.498
PEDCP2	2.272	PEPT2	2.41
PEDCP3	2.378	PEPT3	1.653
PEDCP4	1.794	PEPT4	1.833
PEDCP5	1.689	PEPT5	1.659
PEEC1	2.341	PERP1	1.288
PEEC2	4.835	PERP2	3.429
PEEC3	4.825	PERP3	3.989
PEEC4	4.271	PERP4	3.388
PEEC5	4.546	PERP5	3.102
PEGC1	1.487	PETAB1	1.991
PEGC2	2.721	PETAB2	2.226
PEGC3	3.163	PETAB3	2.289
PEGC4	3.705	PETAB4	2.379
PEGC5	1.925	PETAB5	1.253

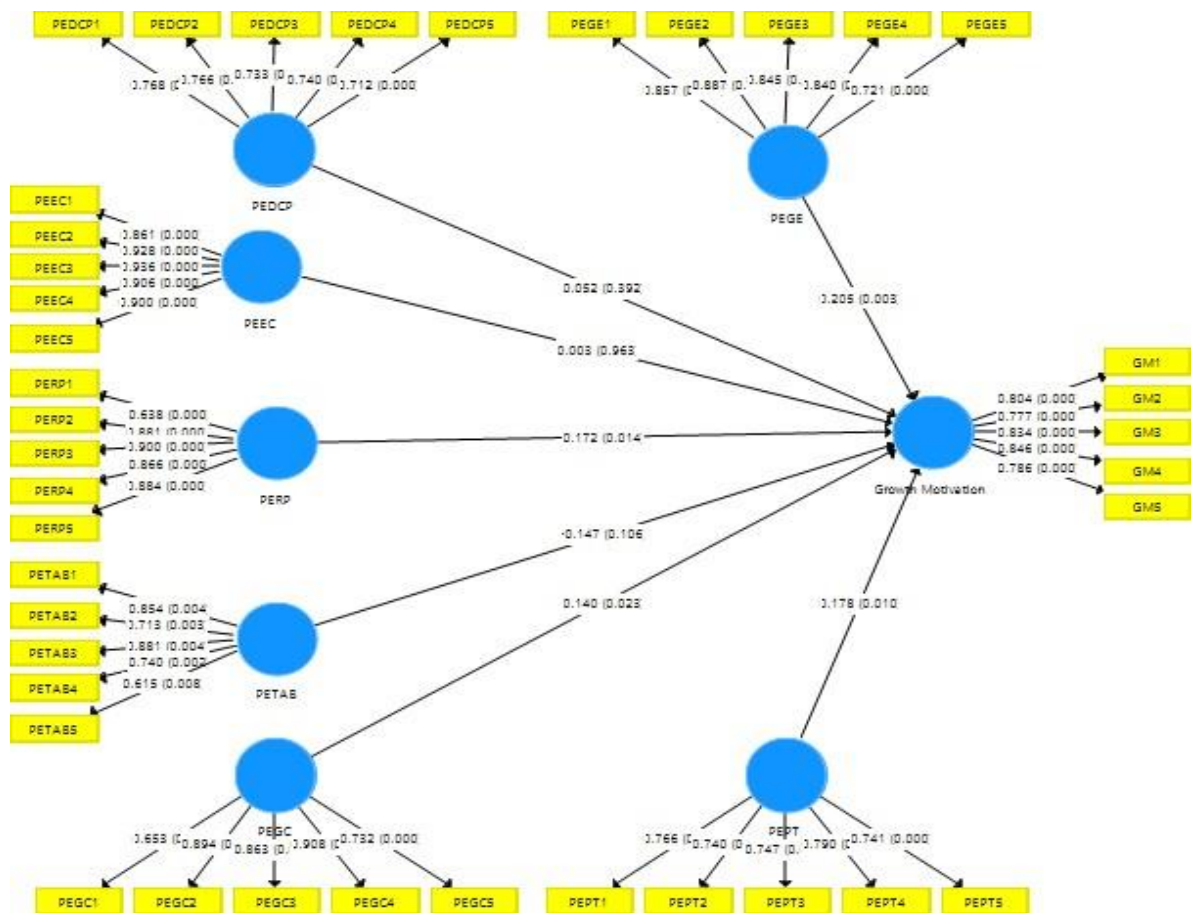


Figure 1 Structural Model

**Coefficient of Determination ( $R^2$ )**

Co-efficient of determination ( $R^2$ ) of endogenous latent variables are also mostly used in analysis of model (Hair *et al.*, 2013, 2016). ( $R^2$ ) value of less than 0.19 is considered as weak (Chin, 1998 as cited by Hock & Ringle, 2006). However, other authors have suggested that ( $R^2$ ) value of even as low as 0.10 can be accepted in some cases, as the determination of value of ( $R^2$ ) in structural equation modeling depends on nature of research and context of the study (Hair *et al.*, 2021). Table 4 suggest

(R<sup>2</sup>) values is 0.188. which means that 18% variance in the endogenous variables is explained by the exogenous variables.

**Table 4**  
*R Square*

	R Square	R Square Adjusted
Growth Motivation	0.188	0.173

#### **Assessment of Predictive Relevance (Q<sup>2</sup>)**

Stone and Geisser's (Q<sup>2</sup>) test is mostly used for assessment of predictive relevance in the model. This tests assume that the endogenous latent construct indicators must be predicted by the inner model (Hair et al., 2011; Reinartz et al., 2009). Moreover, the (Q<sup>2</sup>) value should be larger than 0 for the model to be predictively relevant (Fornell and Cha, 1993; Hair et al., 2013). Table 5 shows (Q<sup>2</sup>) value to be greater than 0.

**Table 5**  
*Predictive Relevance*

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
BGM	1925	1727.333	0.103
PEODCP	1925	1925	
PEOEC	1925	1925	
PEOGC	1925	1925	
PEOGE	1925	1925	
PEOPT	1925	1925	
PEORP	1925	1925	
PEOTAB	1925	1925	

#### **Path coefficients**

**Table 6**  
*Path Coefficients*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics  O/STDEV	P-Values
PEODCP --> BGM	0.052	0.066	0.061	0.856	0.392
PEOEC--> BGM	0.003	-0.004	0.064	0.046	0.963
PEOGC --> BGM	0.14	0.14	0.062	2.274	0.023
PEOGE --> BGM	0.205	0.194	0.068	3.016	0.003
PEOPT --> BGM	0.178	0.174	0.069	2.598	0.01
PEORP --> BGM	0.172	0.171	0.069	2.477	0.014
PEOTAB --> BGM	-0.147	-0.12	0.091	1.621	0.106

#### **Development of higher order Construct**

The two-stage approach for development of high order construct has been used in the study (Sarstedt et al., 2019). Table 7 shows that Q<sup>2</sup> is higher than 0 so inner model is able to predict the endogenous latent construct indicators. Table 8 suggests (R<sup>2</sup>) is 0.183 which is acceptable (Hair et al., 2021).

**Table 7**  
*Predictive Relevance (Q<sup>2</sup>)*

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Growth Motivation	1925	1727.035	0.103



Perceived Ease of Doing Business

2695

2695

Table 8  
(R<sup>2</sup>)

	R Square	R Square Adjusted
Growth Motivation	0.183	0.181

Table 9  
Path Coefficients (Second Order)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics  O/STDEV	P-Values
Perceived Ease of Doing Business -> Growth Motivation	0.428	0.452	0.047	9.031	0

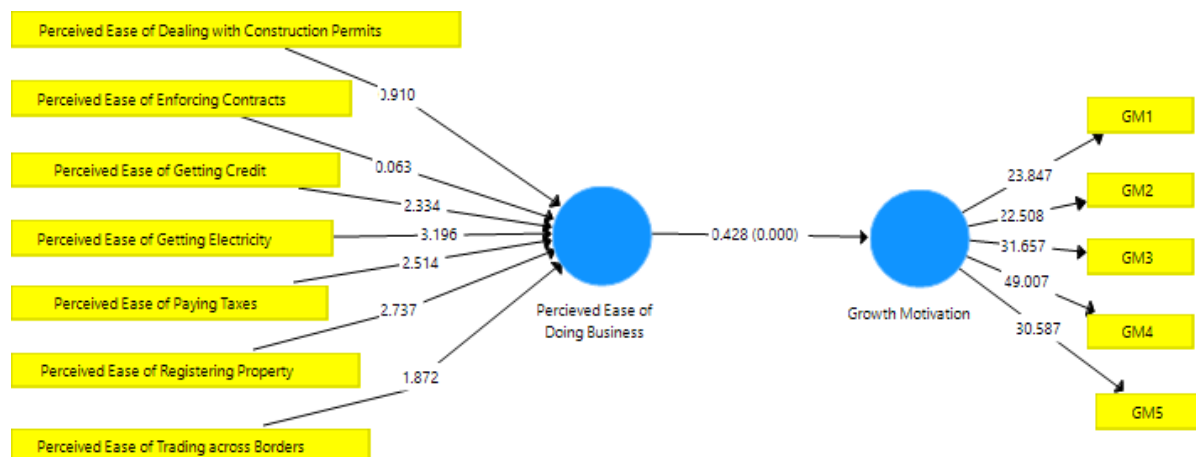


Figure 2 Structural Model (Higher-Order)

### Hypotheses Testing

The direct relationship model was assessed to test hypotheses. The size of the path coefficient was estimated using the PLS approach. While using the PLS-SEM bootstrapping approach to generate 500 sub samples, the direct association between independent and dependent variables was investigated (Hair *et al.*, 2011).

Table 9 suggests that association of Perceived Ease of doing business and Growth Motivation is significant. The value of standardized beta ( $\beta$ ) is 0.42, which suggests that one standard deviation change in perceived ease of doing business change growth motivation of SME by 0.42 standard deviation. Hence Hypothesis (H1) is accepted. Furthermore, Table 6 suggests that P-values for impact of perceived ease of dealing with construction permit, perceived ease of enforcing contracts, and perceived ease of trading across border are higher than 0.05 hence are insignificant. So hypotheses (H2), (H7) and (H8) stands rejected.

The beta value ( $\beta$ ) for impact of perceived ease of getting credit is 0.14, which suggests that one standard deviation change in ease of getting credit will cause 0.14 standard deviation change in growth motivation of SME, so hypotheses H5 is accepted. The beta value ( $\beta$ ) for impact of Perceived Ease of Getting Electricity is 0.20, which suggests that one standard deviation change in Perceived Ease of Getting Electricity will cause 0.20 standard deviation change in growth motivation of SME, so hypotheses H3 is accepted. The beta value ( $\beta$ ) for impact of Perceived Ease of Paying Taxes is 0.17, which suggests that one standard deviation change in Perceived Ease of Paying Taxes will cause 0.17 standard deviation change in growth motivation of SME, so hypotheses H6 is accepted. The beta value ( $\beta$ ) for impact of Perceived Ease of Registering Property is 0.17, which suggests that one standard

deviation change in Perceived Ease of Registering Property will cause 0.17 standard deviation change in growth motivation of SME, so hypotheses H4 is accepted.

## CONCLUSION

The findings of the study suggest that there is significant impact of perception about ease of doing business in an economy on motivation for growth in small and medium size enterprises of that economy. The impact is reasonably high for a perception based study. It can be inferred that the major determinant for business growth motivation of small business managers is their perception about ease of doing business. The government agencies of developing countries must work for creating ease of doing business in the economy and also make those changes visible to the stakeholders.

A deeper analysis of results leads to exposition of more complex structure of perception of managers regarding ease of doing business and its impact in the economy. As *Table 6* shows that the impact of perceived ease of trading across border, perceived ease of dealing with construction permit and perceived ease of enforcing contract is not significant as per findings of the study. Hence it can be inferred that these factors have less effect on overall attitude of SME managers in taking business growth decisions.

Perceived ease of getting electricity has the largest impact of business growth motivation. The importance of electricity becomes more highlighted when electricity supply is not consistent and stable in an economy. Electricity is major component of the production process, so it is natural that it is valued highly by managers. A stable and low cost electricity system can lead to business growth in the industries and overall growth of economy. The results also show that perceived ease of paying taxes and perceived ease of property registration have significant impact of business growth motivation. Irrelevant and oppressive regulations of taxation and property registration discourage investors in the economy. The modern concept of economic efficiency is based on deregulation.

The ease of getting of credit is also important for growth seeking firms. As established firms have more experience in handling resources so it is more feasible for them to look for external sources of finance. Hence the availability of easy loans can have significant impact on growth motivation of established businesses. The overall findings of the research suggest that business owners and managers cannot be persuaded towards business growth by providing ease in single determinant of growth motivation. The overall business environment must be enhanced for crating ease of doing business for entrepreneurs.

## RESEARCH LIMITATIONS

Although this study is based on very robust research methodology and almost all minimum criteria of good research methodology have been met, but there still are some areas in which further improvements could be made. Firstly, this study is based on cross-sectional data, the longitudinal data might give a much deeper insight into the business growth motivation of managers and business owners over a period of time. Secondly, the research has been carried out on the small and medium size businesses of Pakistan. The study can be carried out in more countries for a much deeper understanding of perception of managers regarding ease of doing business and business growth motivation.

### Practical Implications

The study provides good insight into the motivating factors determining growth decisions of businesses. This study can have very important implications for government agencies and policy makers. The findings of the study can highlight the issues more relevant to business environment of the country. Specially those government departments which are working for development of small and medium enterprises can explore the reasons which can enhance growth of small and medium businesses in the economy.

### Social Implication


The socioeconomic status in any country is nurtured with economic activities, and for growth of economy the growth of industries is crucial. The findings of the study suggest that growth of small and medium industries is dependent on favorable business infrastructure in the country. The growth of small businesses reduces poverty in developing countries (Green *et al.*, 2006). The study is focused on small and medium enterprises of a developing country, and the realization of importance of perceived ease of doing business for the economy can ultimately lead to better business environment for small business owners.

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