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# The Impact of Economic Fragility on Ease of Business Environment(Generalized Method of Moments Approach)

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**EXTENDED ABSTRACT**

**INTRODUCTION**

One of the most important macro-economic goals of countries is to create the necessary conditions to promote continuous and stable economic growth, and the ease of doing business can be considered as one of the most important parts in order to achieve this goal.

The components that lead to the inefficiency of the business environment include: macroeconomic stability, policies, laws and regulations, and property rights security. In this way, changes in macroeconomic policies, laws and regulations and the weakening of the security of property rights create a turbulent environment for economic enterprises. On the other hand, macroeconomic instability, continuous and unpredictable changes in laws and regulations, and the weakening of the security of property rights are greatly affected by environmental shocks and crises.

Also, in countries where the economy is fragile, the process of political, economic and social changes is associated with uncertainty. For this reason,

various countries seek to improve macroeconomic stability and reduce the continuous and unpredictable changes in laws and regulations, and strengthen the security of property rights, and in other words, improve the business environment by increasing the power of flexibility, resilience and reducing the fragility of their economy. .

Therefore, reducing economic fragility can provide a good way for ease of business environment. To reduce economic fragility, its components can be examined, the most important of them are reduction of recession and poverty, prevention of brain drain and labor force, and balanced economic development. Strengthening these components will lead to the creation of a suitable environment for a safe investment and business.

## **METHODOLOGY**

This study intends to investigate the impact of economic fragility on the ease of business environment with using the Generalized method of moments (GMM) in selected countries during the period 2019-2006.

## **FINDINGS**

The results show that the components of economic fragility (economic recession and poverty, unbalanced economic development and brain drain and labor force) have a negative and significant impact on the ease of doing business in the selected countries. The results also show that the variables of financial development and rule of law have a positive and significant effect on the ease of business environment and the variable of government effectiveness has not a significant effect on the ease of business environment.

## **CONCLUSION**

To improve the ease of doing business in selected countries, the following suggestions are provided:

- Reducing the fragility of the economy by reducing the variables of stagnation and poverty (increasing per capita income, GDP, reducing unemployment and inflation, reducing the level of debt, increasing the volume of domestic and foreign trade and reducing the class gap)
- Reducing the fragility of the economy through improving the variable of balanced development (reducing economic inequality, increasing access to employment and education opportunities)

- Reducing the fragility of the economy by reducing the brain drain variable (reducing the economic impact of human displacement (for economic or political reasons)
- Reducing the fragility of the economy in order to reduce extreme economic fluctuations and increase confidence in the stability of the macro economy to start new businesses.
- Improving the rule of law by increasing people's trust in the laws, increasing the predictability of the judicial system, reducing the existence of organized crimes and increasing the probability of success in complaints against the government, and eliminating regulations, instructions and redundant and inhibiting procedures and parallelism in executive systems.
- Increasing credit to production sectors and new businesses through improving financial development

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