

How does government-business interaction affect the perceived business environment?

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Introduction

- Business environment and firms
 - Business environment as source of organizational contingencies for opportunities and threats (Ward et al. 1995)
 - Entrepreneurs' perception of the environment as a determinant for firms' success in the long term (Analoui and karami 2002)
 - Affects firms' location decision



Introduction

- Business environment and local government
 - Government officials being evaluated by local economic growth
 - Promoting the development of local industry
 - Attracting external investment



Research questions

- How can government improve firms' perception of the business environment?
- Whether interaction between government and industry improve perceived business environment?



Theoretical framework

- Government transparency
 - Transparency and political accountability (Piotrowski and Ryzin 2007)
 - Principal-agent model (Ferejohn 1999)
 - Increased transparency, lower uncertainty
 - Transparency and public trust (Alt 2002)



Theoretical framework

- Public participation
 - Participation and tolerance (Barber 1984; Warren 1992)
 - Public participation and political trust (Kettering Foundation 1991; Rowe and Frewer 2000)
 - Public participation and government responsiveness (Lauber and Knuth 1999)



Hypotheses

- Firms' perception of business environment could be improved by the level of public participation:
 - Level 1: Awareness of policy decisions
 - Level 2: Participation in policy making
 - Level 3: Government responsiveness



Data

- Lien foundation survey of businesses in China
 - 2011-2012
 - Telephone survey
 - Random selection
 - 2011 yellow book business directory
- 196 private firms in Shanghai



Variable description

| Variable | Description |
|----------------|---|
| PBE | Managerial perceived business environment |
| Awareness | Businesses are informed when policies are amended or reminded of annual inspection or tax payment |
| Participation | Businesses are involved in local public policy making through consultation and public hearing. |
| Responsiveness | Business' opinions are reflected in local public policy. |
| Service | Service industry dummy |
| Manufacturing | Manufacturing industry dummy |
| Age | Number of years in the city |
| Size | Number of employees |



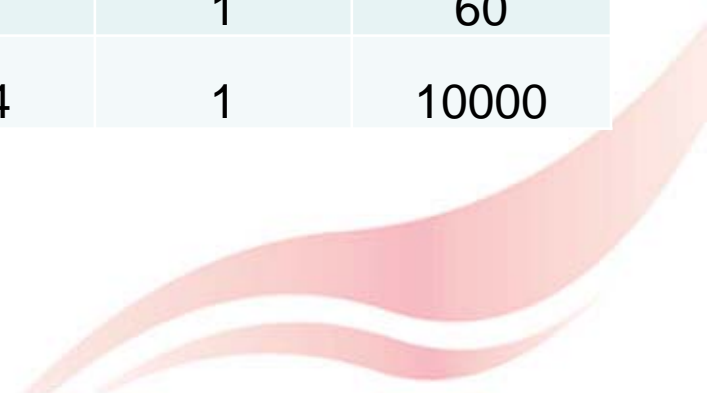
Measure of PBE

- How do you rate the city in the following aspects?
 - Enterprise registration and annual inspection
 - Taxation
 - Intellectual property protection
 - Access to loan
 - Logistics
 - Contract enforcement
 - Harmony among residents
 - Trust among businesses
 - Government support for business investment



Summary statistics

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|----------------|-----|-------|-----------|-----|-------|
| PBE | 196 | 7.1 | 1.3 | 3.2 | 9.9 |
| Awareness | 196 | 3.5 | 0.8 | 1 | 5 |
| Participation | 196 | 3.1 | 1.0 | 1 | 5 |
| Responsiveness | 196 | 2.9 | 0.9 | 1 | 5 |
| Service | 196 | 0.6 | 0.5 | 0 | 1 |
| Manufacturing | 196 | 0.3 | 0.5 | 0 | 1 |
| Age | 196 | 5.1 | 5.7 | 1 | 60 |
| Size | 196 | 142.2 | 914.4 | 1 | 10000 |



Statistical analysis

| PBE | Coef. | Std. Err. | t | P>t |
|----------------|----------|-----------|-------|-------|
| Awareness | 0.288** | 0.113 | 2.54 | 0.012 |
| Participation | 0.066 | 0.094 | 0.71 | 0.481 |
| Responsiveness | 0.442*** | 0.103 | 4.29 | 0 |
| Service | -0.026 | 0.269 | -0.1 | 0.922 |
| Manufacturing | 0.181 | 0.287 | 0.63 | 0.53 |
| Age | 0.034** | 0.015 | 2.22 | 0.027 |
| Size | 0.000 | 0.000 | -0.73 | 0.465 |
| _Cons | 4.371 | 0.523 | 8.36 | 0 |

No. = 169; F (7, 188) = 6.44; Prob > F = 0.0000; R-squared = 0.1934; Adj R-squared = 0.1634

Findings

- Effective communication with government has a positive impact on firms' perceived business environment.
 - Problem with successful participation (King et al 1998)
- The longer a firm stays in a city, the better perceived business environment.



Measure of PBE

- 您认为所在城市以下方面可以打几分？
 - 工商登记年检服务
 - 税收服务
 - 知识产权保护情况
 - 获得信贷的便利程度
 - 物流配送服务的便利程度
 - 企业合同执行的法制保证
 - 市民间文明友善程度
 - 企业间诚实守信程度
 - 政府对企业投资经商的支持程度

