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Business environment and foreign direct investments: the case of selected European emerging economies

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ABSTRACT

The globalisation process of the world economy has led to increase of international capital mobility. In the last two decades, the level of foreign direct investments (F.D.I.) was significantly raised and in 2017 was US\$1.8 trillion. The question occupying attention in economic literature is what the main motives and determinants of F.D.I. in certain countries are. This article aims to explore what are the linkages between business environment and inward F.D.I. The research was performed on the sample of five European emerging economies, located in Central and Eastern Europe (C.E.E.) – Poland, Slovenia, Bulgaria, Romania and Serbia. The research compared the main tendencies of F.D.I.s in selected economies, institutional framework and reforms during transition process, competitiveness and ease of doing business (E.D.B.). With the quantitative analysis and ordinary least squares (O.L.S.) regression authors tried to identify statistical significant linkages between inward F.D.I. and ease of doing business indicators, where control variables were G.C.I. pillars (relevant for business regulation and institutional framework), macroeconomic performances, market capitalisation and taxation. The results are identified factors of business environment relevant for attraction of F.D.I. and provided empirical model for each country respectively.

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1. Introduction

Foreign direct investments (F.D.I.) are specific forms of international capital movement, characterised by control mechanism in invested enterprise. That is more than international capital movement (Krugman & Obstfeld, 2009, pp. 153–163).

F.D.I. presents capital mobility combined with the control and other elements, as well as technology. Dunning and Lundan (2008a, p. 18) explained that F.D.I. are

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more than financial capital. Through the F.D.I. transfer of managerial and technical skills, as well as spreading the knowledge about entrepreneurship, regarding the research and development, technology, marketing knowledge and managerial skills are realised.

The commonly used explanation of F.D.I. is provided by international institutions, which follows the investments around the world. One of the definitions is: 'F.D.I. reflect the objective of obtaining a lasting interest by a resident entity in one economy ("direct investor") in an entity resident in an economy other than that of the investor ("direct investment enterprise")' (OECD, 1996, p. 7). Establishing a long-term oriented benefit indicates the long-term relationship between direct investor and the affiliated enterprise in the foreign country. Additionally, the significant level of control of this enterprise plays an important role. The longstanding benefit means acquiring at least 10% of shares of the company in the foreign country. These shares must have 'voting power in the invested enterprise' (IMF, 1993, p. 86).

The question what are the main motives that drive F.D.I., is mostly occupying the attention of the researchers in economic literature. It is the subject of numerous theoretical and empirical researches (e.g., Ašanin Gole, Maček, & Vukasovič, 2016; Popescua, 2013; Makuyana & Odhiambo, 2018; Peres, Ameer, & Xu, 2018; Kamal, Ullah, Zheng, Zheng, & Xia, 2019; Pietrucha & Źelazny, 2019; Jia, Han, Peng, & Lei, 2019). But on the other side, economic literature does not provide enough research on the topic of regulatory framework and F.D.I. inflows, particularly in Central and Eastern Europe ([C.E.E.] countries that are recognised as European emerging region).

The objective of this article is to explore the link between business environment (regulatory and institutional framework) in C.E.E. countries (Bulgaria, Poland, Romania, Serbia and Slovenia), measured by the ease of doing business (E.D.B.) indicators and inward F.D.I. in the period between 2006 and 2016. 'Business environment' is defined as a set of factors which are outside the enterprise and out of control of its management. In this approach, the business environment is divided into internal and external, and economic and non-economic. Observed from the macro aspect, the business environment means an external, economic and non-economic environment, and it refers to the prevailing system of values in society, the laws adopted by the state, the rules regulating the economy, the monetary policy adopted by the central bank, the fiscal policy controlled by the central and local government, institutional infrastructure, foreign trade policy, government position and foreign capital policies and enterprises. The business environment represents all factors that influence the decisions, results and organisation of the company. Bearing this in mind, an enterprise should carefully analyse all the components of the business environment so that it can function and develop normally.

In this article authors will compare F.D.I. inflows, business environment and regulatory framework according to E.D.B. The empirical data analysis will be performed on the following indicators: F.D.I. inflow, E.D.B. components and control variables (global competitiveness index pillars that are relevant for institutional and regulatory framework and macroeconomic indicators).

After introduction in [Section 1](#), literature review, which it is composed by secondary data is presented. After presenting the methodology and sample in [Section 3](#),

Section 4 discusses the results of an empirical analysis of factors that were the most relevant for the attraction of F.D.I. in C.E.E. countries. Section 5 draws conclusions.

2. Literature review

At the time of acceleration of internationalisation of production, the special consideration of economic scholars for 40 years has been on eclectic theory of internationalisation of production. Its essence is reflected in the attitude that domestic enterprises have different perspective of growth through horizontal or vertical diversification on the foreign market. The diversification could be achieved through new product lines, new activities, acquisition of domestic enterprises, as well as production of knowledge (Dunning, 1980). In the economic literature this theory is well known as the Ownership, Location and Internationalisation (O.L.I.) paradigm.

The actualisation of the O.L.I. paradigm in the early 1980s led to the fact that the theory was the subject of numerous researches through various empirical studies. The results of such testing showed that competitive advantage of enterprise is based on ownership advantage on the foreign market and location advantage where production is based. The research was performed on a sample of U.S. affiliates in seven different countries and 14 manufacturing industries during 1970 (Dunning, 1980, p. 13). Meyer (2015, pp. 61–62) researched the O.L.I. paradigm by investments in some emerging and developed economies.

In parallel with O.L.I. theory, neo-institutional theory has attracted the attention at the end of the twentieth century. The new approach emphasised the importance of institution factors for economic growth. Michael Todaro, professor of development economics, classified this theory as the component of new endogenous theory of economic growth (Todaro & Smith, 2015, p. 119). Douglas and North are considered to be the authors of neo-institutional theoretical direction. North differentiates between two approaches in research: formal rules and informal constraints. Formal rules of institutions are related to laws, regulation, constitutions, while informal constraints observe behaviour norms, convention, code of conduct, etc. (North, 1994, p. 360).

Later, at the beginning of twenty-first century, Dunning and Lundan tried to associate the institutional dimension with the three components of the O.L.I. paradigm in the explanation of internationalisation of global production (Dunning & Lundan, 2008b, p. 573). The institutional dimension should provide attractive investment climate and efficient regulatory environment for attracting inward F.D.I. in the host country. Thus, the regulatory framework of business has become an important determinant of internationalisation of production.

This approach was caused by the empirical research, which recognised the regulatory framework for business entities as the crucial determinant during start-up business activities (Djankov et al., 2002, pp. 1–37). More specifically, the differences in regulation of the business activities are closely correlated to the location, where business activity will be realised. Thus, it affects the investment decision of multinational companies during the process of selection of the location among potential host countries.

All these have led to the conclusion that adequate and regulated business environment should enforce and attract the F.D.I. In addition, a recently formed theoretical research have clarified that institutional and regulatory framework in host country are significant location factor in F.D.I. decision and strategy of multinational company (Peng, Wang, & Jiang, 2008, pp. 920–936).

In recent years, numerous empirical studies investigated the effects of regulatory environment, institutions and application of law, in order to attract F.D.I. inflows in the economy (Herrera-Echeverri, Haar, & Estévez-Bretón, 2014, pp. 1921–1932; Sánchez-Martín, de Arce, & Escribano, 2014, pp. 279–299; Zhang, 2014; Godinez & Liu, 2015, pp. 35–42). In most of these studies, bureaucratic procedures, institutional voids and corruption are indicated as limiting factors for attracting F.D.I.

Additional incentive to the elaboration of a regulatory framework and importance for F.D.I. inflows has been provided by the World Bank's 'Ease of Doing Business' project. In fact, many scholars were focused on research of the linkages between the components which are relevant for business regulation in E.D.B. ranking and attracting the F.D.I. (Bayraktar, 2015; Corcoran & Gillanders, 2015; Mahbuba & Jongwanich, 2019). This research has drawn attention, despite the fact that the E.D.B. indicators are related to the typical local company, not to the multinational company, which invest in the host country.

The empirical researches have also shown that regulatory framework, measured with the rank on the E.D.B. list and sub-indicators grouped in various fields, play an important role in dynamics of F.D.I. (Jayasuriya, 2011; Jeong, 2014, pp. 475–95; Bayraktar, 2015, pp. 24–50; Corcoran & Gillanders, 2015, pp. 103–126; Dellis, Sondermann, & Vansteenkiste, 2017; Li, Huan, & Dong, 2019). Most studies use the aggregated measure of E.D.B. to investigate the influence of regulatory framework in the host country and dynamics of F.D.I. A small number of articles have investigated the effects of sub-indicators in certain fields of E.D.B. to the F.D.I. dynamics in the observed host country (Morris & Aziz, 2011, pp. 400–411).

The link between regulatory framework and F.D.I. dynamics in ex-transitional economies (nowadays some of them are E.U. members and emerging European countries) are investigated by various authors (e.g., Peres et al., 2018; Sondermann & Vansteenkiste, 2019). The research could be classified into three groups. First, the authors who have investigated and proved that new E.U. members depend on inward F.D.I. (Bohle & Greskovits, 2006, pp. 3–25; Nölke & Vliegenthart, 2009, pp. 670–702; Carril-Caccia & Pavlova, 2018). Second, research investigated and proved that economic growth in these countries is caused by F.D.I. growth (emerged as the requirements for institutional framework creation in order to attract the foreign investors) (Hansmann & Kraakman, 2000, pp. 439–468; Lane, 2007, pp. 13–39). At the end, the third group of authors have shown that the collapse of the communist system in these countries has created pre-requirements for radical changes in the economic and political systems (Vaughan-Whitehead, 2003).

To conclude, F.D.I. literature is clear that traditional location advantage factors (for example labour costs, natural resources, etc.) are necessary, but are not the only condition for investment decisions in the host country. As the sufficient condition quality of institutions and adequate business regulatory framework in the host

country are mentioned. The findings in the literature show, that in C.E.E. countries, entrepreneurial orientation, friendly environment (mostly focus on location) and efficient business regulation were important by attracting F.D.I. (realised by multinational companies). All of these factors were key to the competitive advantage of the country (Berg & Cazes, 2007, pp. 1–31). Unfortunately, there are insufficient and small numbers of empirical studies in C.E.E. countries that confirm the mentioned statement. Furthermore, these studies are focused on administration, political and cultural determinants (Bandelj, 2002, pp. 411–44; Carstensen & Toubal, 2004, pp. 3–22). More specifically, the importance of a comprehensive institutional environment is stressed, but there is a lack of information about certain determinants that explain the efficiency of regulatory environment and E.D.B. in the country. Additionally, the project ‘Doing Business’ started to measure regulatory framework in 2005. This article will try to identify which components of the E.D.B. are significant for F.D.I. inflows.

3. Methodology and sample

The aim of this article is to explore the linkages between a business environment (regulatory and institutional framework) and inflow of F.D.I. The research will be performed on the sample of different C.E.E. countries (Poland, Slovenia, Romania, Bulgaria and Serbia) in period 2006–2016. Some of these countries have become E.U. members in the meantime, while others negotiate for the membership. The article compares the F.D.I. inflow, business environment and regulatory framework according to E.D.B. The empirical data analysis is performed on the following indicators: F.D.I. inflow, E.D.B. components and control variables (global competitiveness index pillars that are relevant for institutional and regulatory framework and macroeconomic indicators). The regression analysis should test the hypothesis and identify which components are significantly attracting the F.D.I. inflow. The final result is the empirical model which quantifies these components.

For the research, secondary data and official databases of international organisations, official reports, as well as national statistical databases were used. The following sources were used:

- U.N.C.T.A.D. Database – F.D.I. statistics (UNCTAD, 2017),
- Doing Business Reports and E.D.B. database (The World Bank, 2017a)
- World Economic Forum and G.C.I. database (World Economic Forum, 2018)
- The World Bank Indicator database (The World Bank, 2017b),
- Eurostat statistical database (Eurostat, 2017),
- National statistical databases.

For our sample five different countries was chosen. Authors wanted to research the diversity, therefore the sample is created to compare one big and one small country, for example, Poland and Slovenia, Bulgaria and Romania. The first two countries entered the E.U. in 2004, while Bulgaria and Romania entered the E.U. in 2007. For the fifth country we chose Serbia, which started negotiations for joining the E.U. in 2013. All countries had an obligation to adapt and reform institutional framework

Table 1. Selected economic indicators of the selected economy.

Indicator		Bulgaria	Poland	Romania	Serbia	Slovenia
Population (millions)	2006	7.6	38.1	21.2	7.4	2.0
	2016	7.2	38.0	19.9	7.1	2.1
GDP growth	2006	6.8%	6.2%	8.0%	9.7%	5.6%
	2016	3.9%	3.1%	4.8%	3.3%	3.1%
Inflation rate in 2016	2006	7.3%	1.28%	6.56%	11.72%	2.46%
	2016	−0.80%	−0.66%	−1.54%	1.12%	−0.005%
Unemployment rate in 2016	2006	8.9%	13.8%	7.3%	20.8%	5.9%
	2016	7.6%	6.2%	5.9%	15.9%	8.0%
FDI inflows (billions of USD)	2006	7.87	21.47	11.00	4.26	0.69
	2016	1.56	18.32	6.25	2.35	1.45
GCI 2017 (1/138)	2006	72	48	68	87	33
	2016	50	36	62	90	56
CPI index (rank)	2006	64	62	70	82	27
	2016	75	29	57	72	31

Source: World Bank, W.E.F., O.E.C.D., U.N.C.T.A.D., National Institute of Statistics – Romania. (2019), Republic of Bulgaria National statistical institute (2019), Republic of Slovenia Statistical Office (2019), Statistical Office of the Republic of Serbia (2019), Statistics Poland (2019).

during the joining process according to E.U. legislation and principles. Regarding the fact that authors wanted to analyse two countries that became E.U. members in 2004, two countries that entered the E.U. in 2007 and one country that negotiates for membership, it was not possible to define the sample that has homogeneous exchange rates. Authors are aware that exchange rates can influence the total amount of F.D.I. (Mackton, Odondo, & Nyongesa, 2018; Adekunle, Abdulahi, Gbadebo, & Fakunmoju, 2019). According to the previous literature one set of researchers supports a negative relationship between exchange rate and F.D.I. (e.g., Krugman & Obstfeld, 2009; Ellahi, 2011), the second finds a positive relationship between exchange rate and F.D.I. (Phillips & Ahmadi-Esfahani, 2008, pp. 505–525; Nyarko, Nketiah-Amponsah, & Barnor, 2011, pp. 277–286; Omorokunwa & Ikponmwosa, 2014, pp. 146–154).

Furthermore, some control variables are subjectively determined, for example, market capitalisation which is in some countries only a matter of decision of the major shareholders to put their companies in the official stock exchange list.

Research refers to the period from 2006 to 2016. Within this period there was a global financial crisis. According to Alfaro and Chen (2010); Poulsen and Hufbauer (2011); Dornean, Işan, and Oanea (2012, pp. 1012–1017); Stoddard and Noy (2015, pp. 387–399) financial crises had a strong negative effect on inward F.D.I. The crisis certainly influenced the F.D.I., but regarding the fact that authors researched a 10 year period and that financial crises occur about once every decade, there would be impacts of the crisis on F.D.I. in each period. Some of the most relevant indicators for each economy are presented in the following Table 1.

Table 1 shows the most important economic indicators for selected countries. It can be seen that countries are very different according to their size, economic stability, F.D.I. inflows and selected indices.

Variables and analytical framework

The variables used in this research could be classified as: (i) dependent variable; (2) independent variables; and (3) control variables.

The dependent variable is inward F.D.I. at current prices in U.S. dollars. Data was taken from the U.N.C.T.A.D. database. Inward F.D.I. means inflows of F.D.I. in economy (investment equity flow).

The independent variables are E.D.B. indicators: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency. Data was taken from the 'Doing Business Database'. The measure of each indicator is D.T.F. score, which measures the quality of performance. Values of these indicators are numerically expressed in terms of the D.T.F. score method that represents a score between 0 and 100 (100 is the best result, thus, this is the target point and 0 means the weakest result and refers to the worst performance) and it indicates the distance of a country in relation to the country that experiences the best results (performance) in some area of the business environment in the observed period.

The control variables are: (1) global competitiveness indicators (pillars of G.C.I. index); (2) macroeconomic performance indicators; (3) market capitalisation; (4) tax rates; and (5) fertility rate.

Global competitiveness indicators (G.C.I.) uses 12 pillars of competitiveness (some of them measure regulation and institutional framework). For this article the following pillars were used: institutions, infrastructure, macroeconomic environment, goods market efficiency, Labour market efficiency, financial market development, technological readiness, market size, business sophistication. All these indicators are measured by the rank on the G.C.I. list. Data was taken from the Global Competitiveness Report database by the World Economic Forum.

Macroeconomic indicators measure the economic performance of the country and for the variables we chose four most relevant indicators: G.D.P. growth, inflation rate, unemployment rate and balance of payment (measured by current account balance as % of G.D.P.). The indicators were taken from the World Bank database, Eurostat and national statistical databases.

Market capitalisation of listed domestic companies is recognised as market value. The indicator is measured in current prices in U.S. dollars. These indicators show the development of the financial market. Data was taken from the World Bank database. *Tax rates* are corporate income tax rates (measured in %), while the *fertility rate* means the total birth per woman. Data was taken from the Eurostat database, as well as the World Bank database.

According to the problem statement and identified research gap, the following research question was defined:

Which factors of business regulation framework are key determinants of F.D.I. inflows in C.E.E. countries in the period between 2006 and 2016?

According to the theoretical research, where it is shown which factors influences F.D.I. inflow (e.g., Alguacil, Cuadros, & Orts, 2011; Becker, Fuest, & Riedel, 2012; Bellak & Leibrecht, 2009; Blyde & Molina, 2015; Busse, Nunnenkamp, & Spatareanu, 2011; Cuzovic, Sokolov Mladenovic, & Cuzovic, 2014; Donaubauer, Meyer, &

Nunnenkamp, 2016; Egger & Winner, 2005; Ghinamo, Panteghini, & Revelli, 2010; Pruefer & Tondl, 2008) and chosen variables the following hypothesis were formed:

H0: There is no relation between variables published in the Doing Business Database and F.D.I. inflows in C.E.E. countries in the period between 2006 and 2016.

H1: There is a relation between variables published in the Doing Business Database and F.D.I. inflows in C.E.E. countries in the period between 2006 and 2016.

H0: There is no relation between regulatory and institution related variables published in G.C.I. report and F.D.I. inflows in C.E.E. countries in the period between 2006 and 2016

H1: There is a relation between regulatory and institution related variables published in G.C.I. report and F.D.I. inflows in C.E.E. countries in the period between 2006 and 2016.

For the analysis multiple linear regression model (O.L.S. regression) was used. This method aims to explore the linkages between variables and to quantify the statistical significance of certain variables. The regression model is a stochastic model that shows average composition of variation of investigated occurrence. Before all the assumptions (no multicollinearity, heteroskedasticity and autocorrelation) for the model were tested. Multiple regression model has the following equation (Wooldridge, 2013, pp. 68–76):

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \dots + \beta_k x_k + u \quad (1)$$

where x - means independent variable, y - dependent variable, β - regression parameter and u is residual. The aim of regression analysis is to predict some values of y (dependent variable, in this research F.D.I. inflows), for certain value of x (independent variable, in this research E.D.B. indicators).

Ordinary least square (O.L.S.) method minimises squares sum residual in order to estimate the unrecognised parameters in the sample. The O.L.S. regression model with k estimated variables could be written as follows:

$$y^2 = \beta_0^2 + \beta_1^2 x_1 + \beta_2^2 x_2 + \beta_3^2 x_3 + \dots + \beta_k^2 x_k + u \quad (2)$$

where $\beta_0^2, \beta_1^2 \dots \beta_k^2$ are estimated values of $\beta_0, \beta_1 \dots \beta_k$. Furthermore, the O.L.S. method estimates and minimises the sum of squared residuals.

The estimation of β_1^2 and β_2^2 have ceteris paribus interpretation, that y (dependent variable) could be predicted with the change of x_1 and x_2 .

The reliability of the model was accepted on the p -value and R square (adjusted R square). The p -value should be less than 0.05 (in some estimation the level could be higher - 0.10 or 0.15). Higher value of adjusted R square means that model is more reliable (Wooldridge, 2013, pp. 68–76).

4. Results of the quantitative analysis

In order to find out which factors of the business regulatory environment influence the volume and dynamics of F.D.I. inflows in the five selected countries in C.E.E. most significantly, appropriate regression models (O.L.S. regression) for each country have been constructed. We focused on the period between 2006 and 2016. On the

Table 2. Results of the regression analysis for European emerging economies – evidence period 2006–2016.

Independent variable:	Serbia	Romania	Poland	Slovenia*	Bulgaria
Starting a business DTF				-70,3162** (-2,7168)	0,00264133** (3,4582)
Labour market efficiency				28,2608* (2,0599)	0,0543494*** (5,1107)
Fertility rate total births					-4,57531* (-2,3139)
HICP inflation rate annually					0,166804*** (10,0254)
Trading across borders DTF				43,6858** (2,6154)	
Getting electricity DTF		0,0701454*** (-7,5077)	0,0951611*** (5,2964)		
Enforcing contracts DTF			-0,155385*** (-5,8144)		
Goods market efficiency			0,0504792** (3,4346)		
Paying taxes DTF			-0,0305055* (-2,2729)		
Dealing with construction permit		0,151035*** (4,8952)			
Technological readiness		0,0342893* (-2,2511)			
Unemployment by sex and age		-0,756422** (-3,1830)			
Getting creditDTF	-0,0255131** (-2,8089)				
Market capitalisation of listed domestic companies	1,47067* (2,2271)				
Constant	8,49177*** (11,2203)	6,45383** (3,0086)	11,8648*** (8,4358)	748,881 (0,5010)	10,8536** (3,5328)
Number of observation	11	11	11	11	11
R ²	0,57	0,94	0,89	0,63	0,96
Dependent variable: FDI Inward US Dollars at current prices in millions					

Note: Absolute value of t-statistics is in the brackets; *, **, *** denote statistical significance at the 15%, 5%, and 1% level.

Source: Authors' calculations.

basis of previous assumptions, multiple regression models are set, and their results are shown in Table 2.

4.1. Findings for Bulgaria

The results of regression analysis for Bulgaria are presented in Table 3.

The results of O.L.S. regression provides the following model:

$$\begin{aligned}
 FDI \text{ inward } USD &= 10,8536 + 0,00264133 (\text{Starting a business DTF}) \\
 &+ 0,0543494 (\text{Labor market efficiency}) \\
 &+ 0,166804 (\text{HICP inflation rate Annually}) \\
 &- 4,57531 (\text{Fertility rate total births})
 \end{aligned} \tag{3}$$

The obtained results indicate that the inflows of F.D.I. in Bulgaria in the period between 2006 and 2016 was significantly influenced by the indicators that measures

Table 3. Results of O.L.S. regression, using observations 2006–2016 ($T = 11$), Bulgaria.

	Coef.	Std.Error	t-ratio	p-value	
const	10,8536	3,07224	3,5328	0,01233	**
Starting a Business DTF	0,00264133	0,000763793	3,4582	0,01350	**
Labour market efficiency	0,0543494	0,0106345	5,1107	0,00220	***
HICP inflation rate annually	0,166804	0,0166382	10,0254	0,00006	***
Fertility rate total births	-4,57531	1,97729	-2,3139	0,05995	*
Mean dependent var.	7,994137		S.D. dependent var.	0,873565	
Sum squared resid.	0,302629		S.E. of regression	0,224584	
R-squared	0,960343		Adjusted R-squared	0,933905	
F(4, 6)	36,32436		p-value(F)	0,000242	
Log-likelihood	4,153966		Akaike criterion	1,692068	
Schwarz criterion	3,681544		Hannan-Quinn	0,437982	
rho	-0,378288		Durbin-Watson	2,620437	
GQ (F = 6,8)	3,024742		VIF	1,005061	

Dependent variable: FDI Inward US Dollars at current prices in millions

Note: *, **, *** denote statistical significance at the 15%, 5%, and 1% level.

Source: Authors' calculations.

Starting a Business, H.I.C.P. – Inflation rate, Labour market efficiency and Fertility rate, because the variations of these four variables explain 93% of the total variations (Adjusted R-squared = 0.933905) in the F.D.I. inflows in Bulgaria in the period between 2006 and 2016.

The biggest influence on the F.D.I. inflows in Bulgaria has an indicator that measures the H.I.C.P. – inflation rate, and is expressed through the annual average rate of change (%). The influence of this indicator is statistically significant (p is less than 0.01). The positive value of the coefficient indicates that the growth of this indicator, with unchanged values of other variables, can positively affect the inflows of F.D.I. in Bulgaria. The positive relationship between F.D.I. and inflation rate is a little unexpected as numerous studies show negative relationship between both variables (Twimukye, 2006; Asiedu, 2006, pp. 63–77; Aijaz, Siddiqui, & Aumeboonsuke, 2014, pp. 59–70). On the other hand, positive correlation between inflation and F.D.I. can also be found in numerous studies (e.g., Anitha, 2012; Ali, 2015, pp. 17–24; Ali, Ibrahim, & Omar, 2017, pp. 25–37). The argument for that result can be that inflation is a pull factor in terms of providing a conducive environment for both foreign and local investments (Mishkin, 2007, pp. 317–334; Batini & Laxton, 2006). Furthermore, Sayek (2009, pp. 419–443) also proved that increased domestic inflation rates normally increases F.D.I. through changes in the international consumption trend of the host country as it may reduce the cost of F.D.I. operations.

Another indicator that significantly influences the inflows of F.D.I. in Bulgaria is an indicator that is an integral part of the G.C.I. and measures Labour market efficiency (the level of productivity of the labour market). The influence of this indicator is statistically significant (p is less than 0.01), and the positive value of the coefficient shows the importance of allocating a country's human resources as valuable organisational resources (Veingerl Čič, Mulej, & Šarotar Žižek, 2016), to its most productive sectors. Skilled employees are valuable organisational resources. The model predicts, if the country makes further low rank, the F.D.I. inflows will still stay positive – because the country is becoming attractive for efficiency seeking

F.D.I. The model predicts this relation in the case of unchanged values of other variables ('ceteris paribus').

A positive impact on the F.D.I. inflows in Bulgaria has an indicator that measures Starting a Business. It is a Doing Business indicator that is calculated by the D.T.F. method. The impact of this indicator is statistically significant (p is less than 0.05), and the positive value of the coefficient shows that further reduction of Bulgaria's lagging in Starting a Business area, with unchanged values of other variables, will positively affect the F.D.I. inflows. One of the reasons for this result is the relatively low ranking of Bulgaria in the world according to this indicator (for example, 82nd place out of 190 countries). The number of points which Bulgaria has (85.83 points out of 100 maximum) gives a lot of room for improvement in this area, thus easing the conditions for starting a business and improving Bulgaria's attractiveness as a preferred destination for foreign investment.

Unlike the previous three indicators whose growth positively influences the F.D.I. inflows, the growth of the fourth indicator negatively influences the inflows of F.D.I. in Bulgaria. It is an indicator that measures Fertility rate and whose statistical dependence is still significant (p is less than 0.15). Fertility rate growth may have a negative impact on F.D.I. inflows, as it reduces the number of women in the labour market during pregnancy and childbirth, increases the cost of their engagement (sick leave, additional training costs) and reduces the flexibility of the labour market. Additional reason could be that F.D.I. is not looking for labour intensive industries, where the human capital plays an important role.

Based on the results obtained from the previously analysed F.D.I. inflows model, it can be concluded that the most important factors leading to a larger inflow of F.D.I. in Bulgaria are: Starting a Business, H.I.C.P. – Inflation Rate and Labour market efficiency. Unlike these factors, factors like Fertility rate can reduce F.D.I. inflows in Bulgaria.

4.2. Findings for Poland

The results of regression analysis for Poland are presented in Table 4.

Table 4. Results of O.L.S. regression, using observations 2006–2016 ($T = 11$), Poland.

	Coef.	Std. Error	t-ratio	p -value
const	11,8648	1,40647	8,4358	0,00015***
Getting Electricity DTF	0,0951611	0,017967	5,2964	0,00184***
Enforcing Contracts DTF	-0,155385	0,0267241	-5,8144	0,00114***
Goods market efficiency	0,0504792	0,0146973	3,4346	0,01389**
Paying Taxes DTF	-0,0305055	0,0134214	-2,2729	0,06341*
Mean dependent var.	9,389116		S.D. dependent var.	0,434413
Sum squared resid.	0,200474		S.E. of regression	0,182790
R-squared	0,893769		Adjusted R-squared	0,822949
F(4, 6)	12,62019		p -value(F)	0,004413
Log-likelihood	6,418998		Akaike criterion	-2,837996
Schwarz criterion	-0,848520		Hannan-Quinn	-4,092082
rho	-0,241279		Durbin-Watson	2,126264
GQ (F = 2,8)	1,721054		VIF	1,003554
Dependent variable: FDI INWARD US Dollar at current price				

Note: *, **, *** denote statistical significance at the 15%, 5%, and 1% level.

Source: Authors' calculations.

The results of O.L.S. regression provide the following model:

$$\begin{aligned}
 FDI \text{ inward USD} = & 11,8648 + 0,0951611 (\text{Getting Electricity DTF}) \\
 & - 0,155385 (\text{Enforcing Contracts DTF}) + 0,0504792 (\text{Goods market efficiency}) \\
 & - 0,0305055 (\text{Paying Taxes DTF})
 \end{aligned}
 \tag{4}$$

The obtained results indicate that the inflows of F.D.I.s in Poland in the period between 2006 and 2016 was affected by three variants of Doing Business indicators (Getting Electricity, Enforcing Contracts and Paying Taxes), as well as an indicator that measures Goods market efficiency, since variations of these four variables explain 82% of the total variations (Adjusted R-squared = 0.822949) in F.D.I. inflows in Poland for the period between 2006 and 2016.

The indicator which measures Getting Electricity, has a statistical significance (p is less than 0.01) and positive impact on the inflow of foreign investments. In the case of Poland, the obtained results show that growth of the value of this indicator positively influences the F.D.I. inflows, which was expected, as it reflects the quality of the basic infrastructure that can greatly facilitate and reduce the costs of doing business in an economy.

A statistically significant impact (p is less than 0.05) on the F.D.I. inflows in Poland has also an indicator that measures Goods market efficiency. It is an indicator that is an integral part of the Global Competitiveness Index and measures the efficiency of using the factors of production, or the intensity of competition and the distortion of fiscal policies and regulations. A positive sign indicates that the improvement in the Goods market efficiency has a positive impact on attracting F.D.I.s in Poland, which is in accordance with expectations.

The biggest impact on F.D.I. inflows in Poland has an indicator that measures Enforcing Contracts. The impact of this indicator is statistically significant (p is less than 0.01), and the negative value of the coefficient shows that further decrease in Poland's lagging behind compared to the best countries in the world, with unchanged values of other variables, can negatively affect the inflows of F.D.I. investments in Poland. Poland's attractiveness as a preferred investment destination, especially for multinational companies that often go to countries where the rule of law is not at its highest level, because they are often in a privileged position in such situation. This situation is typical for Greenfield investments. When the procedures in court disputes are high, the domestic companies that are waiting for the executive solutions have a big problem with the profitability and market value. Because of the obligations, the domestic companies were usually offered to foreign investors under the market price. Further improvement in this field could not be interested in F.D.I. and this type of investment.

A very similar situation is with an indicator that measures Paying Taxes, where the indicator is statistically significant (p is less than 0.15). As Doing Business indicator, it is calculated by the D.T.F. method, and the negative impact on the F.D.I. inflows can be explained by the efforts of foreign investors to have a privileged position in the economy when it comes to the tax discipline and taxation. The variation

Table 5. Results of O.L.S. regression, using observations 2006–2016 (T = 11), Romania.

	Coef.	Std. Error	t-ratio	p-value
const	6,45383	2,14511	3,0086	0,02374**
Dealing with Construction Permit	0,151035	0,0308534	4,8952	0,00272***
Getting Electricity DTF	0,0701454	0,0093431	-7,5077	0,00029***
Technological readiness	0,0342893	0,0152324	-2,2511	0,06534*
Unemployment by sex and age	-0,756422	0,237646	-3,1830	0,01900**
Mean dependent var.	8,476014		S.D. dependent var.	0,583657
Sum squared resid.	0,207417		S.E. of regression	0,185929
R-squared	0,939112		Adjusted R-squared	0,898521
F(4, 6)	23,13553		p-value(F)	0,000862
Log-likelihood	6,231736		Akaike criterion	-2,463472
Schwarz criterion	-0,473996		Hannan-Quinn	-3,717558
rho	-0,677276		Durbin-Watson	3,224055
GQ (F = 16,58)	12,585943		VIF	1,009822

Note: *, **, *** denote statistical significance at the 15%, 5%, and 1% level.

Source: Authors' calculations.

could be explained by the lower wave of investments in the period after the world economic crisis. Poland had two ways of calculating F.D.I. since 1991. An intensive period of F.D.I. inflows was five years after 1991 and the second wave was after entering the E.U. Continuously improvement of the taxation system is not followed by the significant variation of F.D.I. in the country.

Based on the results obtained from the previously analysed F.D.I. inflow model, it can be concluded that the most important factors that lead to higher F.D.I. inflows in Poland are the Goods market Efficiency and Getting Electricity. Unlike these factors, factors such as Enforcing Contracts and Paying Taxes can reduce F.D.I. inflows in Poland.

4.3. Findings for Romania

The results of regression analysis for Romania are presented in Table 5.

The results of O.L.S. regression provides the following model:

$$\begin{aligned}
 FDI \text{ inward USD} = & 6,45383 + 0,151035 (\text{DealingwithConstructionPermitsDTF}) \\
 & + 0,0701454 (\text{GettingElectricityDTF}) + 0,0342893 (\text{Technologicalreadiness}) \\
 & - 0,756422 (\text{Unemploymentbysexandage})
 \end{aligned}
 \tag{5}$$

The obtained results show that inflows of F.D.I. in Romania in the period between 2006 and 2016 was influenced by two Doing Business Indicators (Dealing with Construction Permits and Getting Electricity), as well as indicators that measure the Technological Readiness and Unemployment by sex and age, because variations of these four variables explain 90% of the total variations (Adjusted R-squared = 0,898521) in F.D.I. inflows in Romania in the period between 2006 and 2016.

The biggest impact on F.D.I. inflows in Poland has an indicator that measures Dealing with Construction Permits. The impact of this indicator is statistically significant (p is less than 0.01), and the positive value of the coefficient indicates that the

reduction of Romania's lagging behind in this area in relation to the best countries in the world, with unchanged values of other variables, can positively affect the inflow F.D.I. investment in Romania. One of the reasons for this is the relatively low ranking of Romania according to this indicator (95th place out of 190 countries). Another reason is the fact that there is a large space (58.09 points out of 100 maximum) for further progress in this area.

Another important factor influencing the F.D.I. inflows in Romania is also Doing Business indicator that measures Getting Electricity. This indicator, too, has a large statistical significance (p is less than 0.01), and a positive influence on the inflow of foreign investments. As in the case of Poland and Romania, the obtained results show that the growth of the value of this indicator positively influences the inflows of F.D.I., especially if one takes into account Romania's lagging in comparison with the best countries – according to this indicator Romania is low in rank compared to other countries (134th place out of 190 countries) and there is a significant space (53.23 points out of 100 maximum) for further progress in this area and for attracting F.D.I. on this basis.

The third indicator that significantly influences the inflows of F.D.I. in Romania is an indicator that is an integral part of the G.C.I. and measures the Technological Readiness, or Technological adoption. The influence of this indicator is statistically significant (p is less than 0.15). The positive value of the coefficient indicates that Romania will be interested destination for F.D.I. inflows if exists technological disadvantage of the country (the rank will be higher and position of the country lower), with unchanged values of other variables. This comes from the fact, that a lot of multinational companies are looking for countries where could export own technology. The characteristics of these markets are a lack of technology and a need for foreign capital.

Unlike the previous three indicators whose growth positively influences the inflows of F.D.I., the growth of the fourth indicator has a negative impact on the F.D.I. inflows in Romania. It is an indicator that measures Unemployment by sex and age – annual average and whose statistical dependence is significant (p is less than 0.05). The increase in unemployment has a negative impact on the F.D.I. inflows, as it reduces the purchasing power of the population and, consequently, the size of the domestic market and domestic demand, it increases social tensions and society's cohesion, and it increases the pressure on macroeconomic stability due to the increasing demands for social benefits.

Based on the results obtained from the previously analysed F.D.I. inflows model, it can be concluded that the most important factors leading to a larger inflow of F.D.I. in Romania are Dealing with Construction Permits, Getting Electricity and Technological Readiness. Unlike these factors, factors such as Unemployment by sex and age can reduce F.D.I. inflows in Romania.

4.4. Findings for Serbia

The results of regression analysis for Serbia are presented in [Table 6](#).

Table 6. Results of O.L.S. regression, using observations 2006–2016 (T = 11), Serbia.

	Coef.	Std. Error	t-ratio	p-value
const	8,49177	0,756821	11,2203	<0,00001***
Getting Credit DTF	−0,0255131	0,00908306	−2,8089	0,02288**
Market capitalisation of listed domestic companies (current US\$)	1,47067e-010	6,60341e-011	2,2271	0,05655*
Mean dependent var.	7,923908		S.D. dependent var.	0,479123
Sum squared resid.	0,976825		S.E. of regression	0,349433
R-squared	0,574478		Adjusted R-squared	0,468097
F(4, 6)	5,400209		p-value(F)	0,032786
Log-likelihood	−2,290938		Akaike criterion	10,58188
Schwarz criterion	11,77556		Hannan-Quinn	9,829425
rho	−0,646285		Durbin-Watson	3,274577
GQ (F = 16,58)	2,910576		VIF	1,000008

Dependent variable: FD IINWARD US Dollar at current price

Note: *, **, *** denote statistical significance at the 15%, 5%, and 1% level.

Source: Authors' calculations.

The results of O.L.S. regression provide the following model:

$$\begin{aligned}
 FDI \text{ inward USD} = & 8,49177 - 0,0255131 (\text{GettingCreditDTF}) \\
 & + 1,47067e-010 (\text{Marketcapitalizationoflist}) \quad (6)
 \end{aligned}$$

The obtained results indicate that the inflows of F.D.I. in Serbia in the period between 2006 and 2016 was significantly influenced by Getting Credit D.T.F. and Market capitalisation, and variations of these two variables explain 47% of the total variations (Adjusted R-squared = 0.468097) in F.D.I. inflows in Serbia in the period between 2006 and 2016.

The biggest impact on F.D.I. inflows has an indicator that measures Getting Credit. The impact of this indicator is statistically significant (p is less than 0.05), and the negative value of the coefficient shows that the further reduction of Serbia's lagging behind in the field of Getting Credit in relation to the best countries in this area, with unchanged values of other variables, will negatively affect F.D.I. inflows. The difficulties for domestic companies to get credit could be an opportunity for foreign direct investors. When the domestic company (which needs capital) is not able to access the loan, then the potential source for financing further business activity is F.D.I. On the other side, foreign direct investors do not depend on the loans of Serbian banks, due to the fact that they had required capital.

Unlike indicators that measure Getting Credit, the impact of indicators that measure Market capitalisation of listed domestic companies on the inflow of foreign investments is positive and statistically significant (p is less than 0.15). In the case of Serbia, the obtained results show that the growth of the value of this indicator positively influences the inflows of F.D.I.

Both indicators showed that financial market played important role in attracting the F.D.I. inflows in Serbia.

Based on the results obtained from the previously analysed F.D.I. inflows model, it can be concluded that the most important factors that lead to higher inflows of F.D.I.

Table 7. Results of O.L.S. regression, using observations 2006–2016 (T = 11), Slovenia

	Coef.	Std. Error	t-ratio	p-value
const	748,881	1494,92	0,5010	0,63177
Starting a Business DTF	-70,3162	25,8817	-2,7168	0,02990**
Labour market efficiency	28,2608	13,7196	2,0599	0,07838*
Trading across Borders DTF	43,6858	16,7030	2,6154	0,03464**
Mean dependent var.	652,8278		S.D. dependent var.	633,5986
Sum squared resid.	1488489		S.E. of regression	461,1305
R-squared	0,629219		Adjusted R-squared	0,470313
F(4, 6)	3,959691		p-value(F)	0,060899
Log-likelihood	-80,59290		Akaike criterion	169,1858
Schwarz criterion	170,7774		Hannan-Quinn	168,1825
rho	-0,223074		Durbin-Watson	2,409259
GQ (F = 16,58)	1,956475		VIF	1,000643
Dependent variable: FD IINWARD US Dollar at current price				

Note: *, **, *** denote statistical significance at the 15%, 5%, and 1% level.

Source: Authors' calculation.

in Serbia are the development of domestic enterprises, that is, Market capitalisation of listed domestic companies. On the other hand, strengthening the role of the banking sector, measured through indicators Getting Credit can have a negative impact on the F.D.I. approach in Serbia.

4.5. Findings for Slovenia

The results of regression analysis for Slovenia are presented in Table 7.

The results of O.L.S. regression provides the following model:

$$\begin{aligned}
 FDI \text{ inward USD} = & 748,881 - 70,3162 (\text{Starting a Business DTF}) \\
 & + 43,6858 (\text{Trading across Borders DTF}) \\
 & + 28,2608 (\text{Labour market efficiency})
 \end{aligned} \tag{7}$$

The obtained results indicate that the inflows of F.D.I. in Slovenia in the period between 2006 and 2016 was significantly influenced by the indicators that measure Trading across Borders, Labour market efficiency, and Starting a Business. Variations of these three variables explain 47% of the total variations (Adjusted R-squared = 0.470313) in the inflows of F.D.I. in Slovenia in the period between 2006 and 2016.

The greatest impact on F.D.I. inflows has an indicator that relates to Starting a Business and belongs to the Doing Business Indicator group, and thus, it is measured by the D.T.F. method. The impact of this indicator is statistically significant (p is less than 0.05), and the negative value of the coefficient shows that further improvement of business environment (in starting a business) will not attract inflows of F.D.I. Slovenia had the biggest variation in the recent period and negative values of F.D.I. inflows in 2009 and 2013. The explanation could be that disinvestment will be greater than investment and that the capital of foreign companies will be repatriated.

Unlike the indicators that measure Starting a Business, the impact of indicators that measure Trading across Borders D.T.F. and Labour market efficiency on the inflow of foreign investment is positive. Trading across borders has a statistical

significance (p is less than 0.05), and the obtained results show that the growth of the value of this indicator positively influences the F.D.I. inflows.

The situation is similar with the Labour market efficiency indicator (p is less than 0.15), because the improvement in this area positively affects the F.D.I. inflows in Slovenia. The model predicts that further rank increasing of Labour market efficiency could stimulate F.D.I. inflows. The explanation could come from the fact that Slovenia is not attractive for foreign investors because of cheap labour, but because of other motives, such as efficiency seeking. This relation is valid under the 'ceteris paribus' interpretation.

Based on the results obtained from the previously analysed F.D.I. inflows model, it can be concluded that the increase in F.D.I. inflows in Slovenia will positively affect improvements in the areas of Trading across Borders D.T.F. and Labour market efficiency, but further easing of conditions for Starting a Business can have negative influence on the F.D.I. inflows due to the effect of excessive deregulation in this area.

5. Discussion

Empirical part compared five European emerging economies by F.D.I.s, institutional reforms in transition period, competitiveness and E.D.B. Poland was an absolute leader in attracting the F.D.I. and the largest amount was recorded in this country. Additionally, Poland was the best ranked country in the sample by competitiveness in 2017 (rank 36 out of 138 countries). Slovenia had the best rank for E.D.B. in 2017 (rank 17 out of 190 economies). Nevertheless, all countries were faced with numerous administrative and bureaucratically problems that could be a limitation in attracting the F.D.I. While the taxation regulation is the biggest problem in Poland, Serbia and Slovenia – Bulgariàs problem is the corruption and Romania struggled with the access to finance. Quantitative analysis, based on O.L.S. regression, identified the most relevant business fields' regulation that influenced the F.D.I. inflow.

This article provided qualitative comparison of the countries and presented the empirical models, based on statistical analysis. These models present the relations between variables and predict the F.D.I. inflow with 'ceteris paribus' interpretation for each country respectively.

Based on the results obtained from the previously analysed F.D.I. inflows model, it can be concluded that the most important factors leading to a larger inflow of F.D.I. in Bulgaria are starting a business, H.I.C.P. – inflation rate and Labour market efficiency. Unlike these factors, factors like fertility rate can reduce F.D.I. inflows in Bulgaria.

The most important factors that lead to higher F.D.I. inflows in Poland are the goods market efficiency and getting electricity while factors such as enforcing contracts and paying taxes can reduce F.D.I. inflows in Poland.

According to the analysis the most important factors leading to larger inflows of F.D.I. in Romania are dealing with construction permits, getting electricity and technological readiness, while factors such as unemployment by sex and age can reduce F.D.I. inflows in Romania.

In Serbia the most important factors that lead to higher inflows of F.D.I. are the development of domestic enterprises, that is, market capitalisation of listed domestic companies. On the other hand, strengthening the role of the banking sector, measured through indicators getting credit can have a negative impact on the F.D.I. approach in Serbia.

The increase in F.D.I. inflows in Slovenia will positively affect improvements in the areas of trading across borders D.T.F. and Labour market efficiency, but further easing of conditions for starting a business can have negative influence on the F.D.I. inflows due to the effect of excessive deregulation in this area.

Results from our research are in line with some other research. Carlin and Seabright (2008, pp. 123–125) exposed that physical infrastructure, the legal system, the financial system, various aspects of micro and macroeconomic policies (for example, taxation and regulation), macroeconomic stability and social factors (such as the prevalence of crime and corruption) are the main key factors for attracting foreign investments. For Desbordes (2007, p. 734) the quality of government in the country is particularly important for attracting foreign investors. Also the prevalence of corruption (Egger & Winner, 2005, pp. 932–952), economic instability and high inflation rate can greatly affect the decisions of potential foreign investors (Alguacil et al., 2011, p. 494; Pruefer & Tondl, 2008, p. 19; Zvezdanović, Maček, & Ovin, 2014).

Furthermore, numerous authors have stressed that well-developed infrastructure is a crucial element for foreign investors and doing a business in host country (Wheeler & Mody, 1992, p. 71, Limao & Anthony, 2001, p. 470; Kalotay, 2008; Cuzovic et al., 2014, p. 18; Blyde & Molina, 2015, p. 329; Bitzenis & Zugic, 2016; Donaubaauer et al., 2016, p. 240).

The companies lean toward host countries where the protection of labour rights exists and where the labour rights are regarded (Busse et al., 2011, pp. 151–152). Lack of financial capital, inefficiency of banking system and non-developed financial market could be important barrier for attracting the F.D.I.s (Hermes & Lensink, 2003, p. 158; Azman-Saini, Law, & Ahmad, 2010, p. 213).

Lower tax rates, introduced by government have significantly influence on F.D.I.s (Becker et al., 2012, pp. 1495–1511; Bellak & Leibrecht, 2009, pp. 2691–2703; Ghinamo et al., 2010, pp. 532–555).

6. Conclusion

This article researched the importance of business environment in attracting the F.D.I.s. According to identified research gap and elaborated problem statement, the research question of this article was focused on investigation of which factors of business regulation are the key determinants of F.D.I. inflows in C.E.E. countries. The research was performed on the sample of five European emerging economies (Bulgaria, Poland, Romania, Serbia and Slovenia) in the period between 2006 and 2016.

The empirical results of the regression analysis for five European emerging economies – countries evidence from the period from 2006 to 2016, indicate that the inflows of F.D.I. is influenced by a large number of different factors and that the impact varies between the observed countries.

The survey showed that the factors of business regulation framework have a significant impact on F.D.I. inflows in all observed countries, but that this effect varies by both the type of factor and the intensity of impact. Considering all these elements, out of 10 factors that measure the E.D.B. in a country, a significant impact on F.D.I. in selected countries is related to six factors (Starting a Business, Trading across Borders, Getting Credit, Getting Electricity, Enforcing Contracts, Paying Taxes) and factors that measure 'Start a Business' and 'Getting Electricity' have a higher statistical significance in two different countries (Slovenia and Bulgaria, or Poland and Romania).

In addition to the factors of business regulation framework, the results of regression models show that other factors have an impact on F.D.I. inflows. Out of the factors that have the role of control variables, a significant impact on F.D.I. inflows have factors that measure: Labour market efficiency, Market capitalisation, Goods market efficiency, Dealing with Construction Permits, Technological readiness, Unemployment by sex and age, H.I.C.P. inflation rate Annual and Fertility rate total births, and the indicator which measures Labour market efficiency has a statistically significant impact in two countries, in Slovenia and Bulgaria.

The results of regression analysis identified statistically significant factors of business regulation that are related to F.D.I. inflows. Because of that we rejected the null hypotheses and accepted alternatives – the F.D.I. inflows is related with regulatory indicators measured by 'Doing Business', as well as regulatory and institution related variables published in 'Global Competitiveness Report' report.

This research was performed on the small sample and it is relevant for selected countries in defined period. It was not possible to provide the common model for all countries due to the big differences between economies: population, capacity of economy, size and economic performance. This article did not identify the common business regulation factors for emerging economies, but highlighted a country's specificity. Different factors are identified for each economy. Another limitation was a short period of observation; due to the availability of data (the indexes that were used are available for recent 10 years). An additional argument is that the world economic crisis had a very strong effect on F.D.I. in 2008 and 2009. Due to that countries needed a couple of years to recover.

Further research could be extended with more countries in the sample, as well as observed real inflow of F.D.I., that increased the country's productivity. Due to the fact that there is no unique approach for measuring business regulation, further researches could be focused on developing a comprehensive approach to this topic.

Disclosure statement

No potential conflict of interest was reported by the authors.

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