The comparison of the quality of business environment in the countries of Visegrad group

Martin Buno, Margareta Nadanyiova, Dagmar Hraskova

aUniversity of Zilina in Zilina, Department of Economic, Univerzitna 1, Zilina 010 26, Slovakia

Abstract

The business environment in the company covers economic, political, institutional, legal, technological and cultural conditions in which business process is implemented, ie, process of forming enterprises, and the implementation of their business activities. The quality of the business environment creates an elementary precondition for sustainable growth and long-term competitiveness of each global market economy. It creates the basic conditions for the development of small and medium-sized enterprises. In the last decade, in different countries many organizations concerned with measuring the quality of the business environment on the basis of different parameters have been created. Then compile rankings of economies and comparison of the positions of the countries at different time period. Indexes provide important information on the development of individual components of the competitiveness of countries. The article is the comparison of the quality of the business environment Visegrad countries, since these are with similar initial condition, with particular attention to the Slovak Republic. Countries will compared by two local indexes and four global indexes. The article will also determine the results of questionnaire on the quality of the business environment and the quality changes in the business environment of the Slovak Republic.

Keywords: performance, management, strategy, process, performance management, performance evaluation

1. Introduction

Business environment creates the conditions for sustainable economic growth. It is a prerequisite for long-term competitiveness of a state in the international market. It provides business development, the development of living...
standards, and economic freedom. Many institutions on yearly basis compare the quality of business environment. In this work we will compare the business environment of Visegrad countries. The first chapter will be about theoretical background, in the second chapter we will compares the results of various studies dealing with the business environment and the tax system. At the end of the second chapter, we will briefly present the results of our survey.

2. Theoretical basis

The business environment in a broader sense reflects the quality of the economic conditions of the state. The gradual improvement is the best way to support small and medium-sized enterprises. It just creates one of the fundamental motivation for business. Business environment consists of endogenous as well as exogenous aspects (political, economic, ethical, legal, technological, ecological, and many other conditions) [Kaderabkova, 2008]. The government should create the business environment (conditions) that will promote investment, job creation, increased productivity, and more. The fact is that good (healthy) functioning economy is the fundamental essence of quality business environment. Quality business environment is one of the ways of sustainable economic growth. Economic conditions includes, for example, the availability of credit, the tendency of population to savings and spending money, or the rate of the price level. As per the political conditions, we could diversify them to legislative and politological. This includes the tax system, for example, antitrust policy, foreign trade and other decisions [Viturka, 2010]. The business environment in the narrower sense consists of the entities, the enterprise is in the direct contact with. The main pillars of competitiveness of countries can include infrastructure, macroeconomic and microeconomic environment, level of education, level of corruption, bureaucratic efficiency, size, maturity and market efficiency, business sophistication, degree of innovation, etc. (Tiruneh, 2011).

In this work we will compare the quality of business environment of the Visegrad countries on the basis of several international indexes. The relevant comparison and evaluation of the quality of the business environment of different states is possible under compatible economies, ie economies, which are of the same type with similar geopolitical conditions (Belanova, 2009). The V4 countries are also post-socialist countries.

| Key indicators | Population (millions) | GDP (USD billions) | GDP per capita (USD) |
|----------------|----------------------|--------------------|----------------------|
| Czech Republic | 10.53                | 198                | 14,088               |
| Hungary        | 9.88                 | 133                | 11,430               |
| Poland         | 38.48                | 518                | 10,753               |
| Slovakia       | 5.41                 | 97.71              | 15,369               |

Tab. 1. Key indicators of V4 (Author, based on www.tradingeconomics.com)

The business environment we will compare by the three indices.

Global Competitiveness Index published annually by the World Economic Forum. This index assesses the ability of countries to achieve sustainable economic growth in the medium term, ensuring a high prosperity for its citizens. Index analyses the level of public institutions, infrastructure, macroeconomic stability, health and primary education, higher education, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, and level of innovation.

In terms of objectivity, the important is Swiss research institute IMD, which annually examines the competitiveness of 60 countries in the project The World Competitiveness. Objectivity guarantees not only a small number of countries, but also the number of criteria on which the table of competitiveness is compiled. Number of criteria are 327. They are divided into four areas: economic growth, efficiency of enterprises, infrastructure, and government effectiveness.
Doing business study published every year by the World Bank. It compares the quality of the business environment in 185 countries. The study compares various criteria for business. For example, the difficulty of starting a business, registering property, enforcement of contracts, protecting investors, the amount of taxes and levies. The basic assumption of the study Doing Business argument is that economic activity requires good quality rules.

3. Comparison of indices and tax burden

The Global Competitiveness Report assesses the competitiveness of 144 countries. Various aspects of the competitiveness of the country are divided into 12 basic pillars: Institutions, Infrastructure, Macroeconomic environment, Health and primary education, Higher education and training, Goods market efficiency, Labor market efficiency, Financial market development, Technological readiness, Market size, Business sophistication, Innovation.

Slovak Republic, when it comes to the evaluation of the competitiveness, it moved to 75th place from 78th place (2013/2014) among the countries. This results comes from the study of global competitiveness index, which assesses the ability of states to ensure sustainable economic growth and quality of the business environment.

| Country Economy   | Rank (out of 144) | 2013/2014 rank |
|-------------------|-------------------|----------------|
| Switzerland       | 1                 | 1              |
| Singapore         | 2                 | 2              |
| United States     | 3                 | 5              |
| Finland           | 4                 | 3              |
| Germany           | 5                 | 4              |
| Czech Republic    | 37                | 46             |
| Poland            | 43                | 42             |
| Hungary           | 60                | 63             |
| Slovakia          | 75                | 78             |

Tab. 2. The Global Competitiveness Index 2014–2015 rankings (Author, based on Schwab, 2014)

From Table 2 we see that the Slovak Republic was ranked in last place among the countries of the Visegrad.

From the table we can also see, that the most competitive country is Switzerland. The top 10 countries dominate the western and northern Europe, where other places are being occupied by Netherlands (8) United Kingdom (9) and Sweden (10). The Slovak Republic is ranked as the third worst among EU states where only Croatia and Greece are considered worse.
World Economic Forum reported that the biggest competitive disadvantage of the Slovak Republic especially Diversion of public funds (130th place), Judicial Independence (130th place) Burden of government regulation (137th place), Efficiency of legal framework in settling disputes (137th place), or Hiring and firing practices (131 place).

The World Competitiveness analyzes the ability of nations to create and maintain an environment in which enterprises can compete. This study analyses the four main sectors

- Economic Performance
- Government Efficiency
- Business Efficiency
- Infrastructure

The total amount of analysed requests is more than 300. 2/3 of which are hard data (eg. GDP), 1/3 consists of soft data (eg Availability of Competent managers). Institute evaluates the competitiveness of THE countries on the basis
of an evaluation of the IMD. According to this study the most competitive economy is the one of USA (1st place), Switzerland (2nd place), Singapore (3rd place), Hong Kong (4th place) and Sweden (5th place). From figure 3 (see below), we see that the Czech economy is the most competitive in V4. From the figure we can see as well a linear relationship between the development of the competitiveness of the Slovak Republic and Hungary with global financial crisis in 2008. Surprisingly, the opposite direction has developed competitiveness of Poland that despite the financial crisis reached high walls.

![Fig. 3. The World Competitiveness of V4 (Author, based on IMD)](image)

According to Doing Business Index 2014, the Slovak Republic is at the 49th place in the competitiveness of countries (2013 46th place), in the second place among the V4 countries. Poland is at the 45th place (2013, 55th place), Hungary at the 54th place (2013, 54th place) and the Czech Republic at the 75th place (2013, 65th place). Slovak Republic decreased especially for increase taxes on corporate income tax from 19% to 22% of the new rules for the establishment of a limited liability company and others.

| Aspects of Doing Business | Poland | Slovak | Czech Republic | Hungary | First position |
|---------------------------|--------|--------|----------------|---------|----------------|
| Dealing with construction permits (rank) | 137    | 110    | 139            | 103     | Hong Kong      |
| Enforcing contracts (rank)   | 52     | 55     | 37             | 20      | Singapore      |
| Getting credit (rank)        | 17     | 36     | 23             | 17      | New Zealand    |
| Getting electricity (rank)   | 64     | 100    | 123            | 162     | KOREA, REP.    |
| Paying taxes (rank)          | 87     | 100    | 119            | 88      | Qatar          |
| Protecting minority investors (rank) | 35     | 100    | 83             | 110     | New Zealand    |
| Registering property (rank)  | 39     | 11     | 31             | 52      | Georgia        |
| Resolving insolvency (rank)  | 32     | 31     | 20             | 64      | Finland        |
| Starting a business (rank)   | 85     | 77     | 110            | 57      | New Zealand    |
| Trading across borders (rank) | 41     | 71     | 68             | 72      | Singapore      |

Tab. 3. The results of Doing Business 2014 (Author, based on Doing Business)
According to the Doing Business index, Slovak business environment is the second most powerful among the V4 countries. According to The World Competitiveness, the Slovak Republic is in the third place of the V4 countries. The worst results obtained by Slovak business environment, are in the context of global competitiveness index, which is ranked among the worst in the European Union.

4. Comparison of the tax burden

Taxes provide several functions. It represent the largest income component of the state budget, it is an instrument of economic policy, which the government can use to have influence on the economic situation of the country. The optimal tax system should lead to the stimulation of growth and expansion of the economic activities within the state. Taxes may also act against the stimulatory effect [Schultzova, 2011]. At very high tax rates, it increases the risk of undeclared work, or leakage of funds to countries with lower tax rates, or the so-called. tax havens.

One of the most common methods of measurement tax rate represents the proportion of total government revenue at the GDP. The resulting value indicates which part of the annual production collected by state and then redistributes.

Figure 1 highlights the fact that the tax rate of the Slovak Republic in the V4 countries IS THE lowest. However, it points out that the tax rate in our country is growing, since 2007 has increased by more than 3%. The World Bank annually publishes Paying Taxes study, which compares the tax systems and tax burden in 189 countries. The study mainly focuses on four components:

- Time to comply,
- Number of payments,
- Total Tax Rates,
- Easy of payments.

The total tax rate amounts to 47.2% in Slovakia according to Paying Taxes. 7% of which consists of direct taxes, indirect taxes 39.6% and 0.6% other taxes. According to the time of completion, we pay taxes 207 hours, including 42 hours of direct taxes, indirect taxes 62 hours and 103 hours other duties. Number of payments which the legal entity have to carry out is 20. Simplicity payments Slovak Republic ranked 102 place among the 189 countries.
The results of the Slovak Republic in the study Paying Taxes in the V4 looks quite favorably. However, we can see that we are lagging behind compared to the average of the EU and EFTA countries. The Slovak Republic is compared to so-called old members, relatively weak economy. This is one of the reasons for which we position in the business environment, and thus the tax system should be continuously optimized.

According to the Doing Business, Slovakia was placed in the quality and efficiency of the tax system at the 3rd place among the V4 countries. Among the 189 countries included in the study, the Slovak Republic was ranked at the 100th place.

In the questionnaire, we asked business entities at the year on year improvement of 23 aspects of the business environment. The result of the survey is comparable to the international indices. The survey of more than 80% of respondents said that they feel strongly stumbling block in these areas:

- Legislation regulating taxes, fees, investments,
- Legislation regulating contributions,
- The principle of equality before the law,
- The clarity, usability, stability legislation,
- The clarity, usability, stability legislation,
- Enforcement of laws, judicial effectiveness,
- Bureaucracy, delays in proceedings before the Office,
- The level of corruption in offices,
- Efficiency of state economy.

Conversely, entrepreneurs felt improvement in a few areas:
1. Regulation of foreign trade,
2. Stability and predictability value of the EUR,
3. Access to finance.
5. Conclusion

In conclusion the job performance management and evaluation has an impact on the whole performance and future orientation and development of every company. It is necessary to emphasize the difference of job performance management from the manager perspective and staff perspective and also in evaluation of job performance. The methods outlined in this article create the space for optimization of job performance in practice not only in conditions of Slovak republic.

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