

The Construct Effects of Governance Indicators and Its Implication on Doing Business in Africa: Expatriates Perception. Using PLS-SEM Approach

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Abstract

There are many factors that entrepreneurs might consider before venturing into business. In the case of Africa, Africa's expatriates usually consider factors such as control of corruption, peace, stability, and other control indicators are necessary conditions for building one's confidence in venturing into doing business. Developing and implementing appropriate regulatory policies are excellent approaches to attracting business-oriented ex-pats. This will enhance business effectiveness and efficiency to boost economic growth in Africa. The study used the PLS-SEM approach to determine which variables had a significant impact on the ease of doing business in Africa. Findings make a significant contribution to existing knowledge on doing business. The research is in support of the United Nations Sustainable Development Goal 8. The results back country-specific policies to impel doing business and economic growth in Africa.

Keywords

Governance Indicators, Expatriates Perception, Control of Corruption, Democracy, Peace and Stability, Absence of Violence/Terrorism, Ease of Doing Business, PLS-SEM, Africa

1. Introduction

Good governance at all levels is fundamental to economic growth, political stability, and security: a key factor for stability and business safety. Good governance leads to improved economic benefits in a globalized world. It quickens

economic transitions. Affirmatively, in transforming economic growth, depends largely on the business environment and opening-up the economy in term of doing business to accelerate economic development. Given this, international investors and expatriates are more concerned about doing business in specific locations that are business-friendly with many improvements in regulatory reforms as espoused by (Besley, 2015; Clement et al., 2021a; Haidar, 2012) coupled with other moderating variables that propel business growth and performance. Business-oriented entities are craving to connect in doing business under a conducive environment that is conflict-free, quality bureaucracy, healthy population, democratic credentials, as well as corruption-free (Alesina, Özler, Roubini, & Swagel, 1996; Farooq, Shahbaz, Arouri, & Teulon, 2013). The improvement of business environments will bring foreign direct investment leading to economic growth, providing jobs, and further reducing poverty (Akpan, 2014; Alesina et al., 1996; Alvarez, Barney, & Newman, 2015). Also, improving the business environment will promote investor and business-oriented individual confidence in both domestic and foreign firms.

However, extensive research has been done on the ease of doing business and the economic growth of countries (Andoh & Cantah, 2020; Banerjee, Boly, & Gillanders, 2022; Besley, 2015; Bonga & Mahuni, 2018; Djankov, McLiesh, & Ramalho, 2006; Eifert, 2009; Haidar, 2012; Korutaro & Biekpe, 2013; Messaoud & Teheni, 2014; Nageri & Gunu, 2020; Sooreea-Bheemul, Rasool, & Sooreea, 2020; Svobodová & Hedvičáková, 2015). But most of the researchers relied on quantitative data published by the World Bank (Bank, 2007) Doing Business to establish its significance and impact on economic growth (Bétilla, 2021). It is, therefore, important to get primary (qualitative) data to back the ease of doing business. In the quest of pursuing economic agenda, perceptions and opinions matter in leveraging support as well. Hence, getting people's perceptions and views and factoring them into policies is a means to improve the business environment. But it requires facilitating dialogue between the private sector and the government through institutional mechanisms. This will make the business environment conducive and will automatically attract people to do business (Unctad, 2006).

Our study, therefore, filled in the research gap by improving on the previous work of (McLymont, 2018; Mishra, Akman, & Mishra, 2014; Sebuttemba, 2020), exploring and strengthening support for two dominant theories namely endogenous growth theory and Keynesian economic growth theory. The study delves deeper into the specific-indirect and total effect of some construct variables classified as governance indicators and their implication on ease of doing business and established a novelty without relying on panel data. We collected primary data for the study using closed-ended questions as a guide in soliciting responses from business-oriented Africans (expatriates) living abroad. Basically, the survey questionnaires were designed in google form and administered online to gain responses regarding expats opinions and perception of doing business. Hence, a novelty in business research to ascertain the reality of doing business in Africa.

The following indicates the structure of the remaining chapter. Chapter two provides literature underpinning for the work, then provides a framework for chapter 3 which was the methodology, chapter 4 was focused on the presentation of findings and we concluded with chapter 5 with a discussion and providing relevant recommendations for future research.

2. Review of Literature and Related Theories, and Hypotheses

The main theoretical contribution of this work demonstrates the resourcefulness of all theories in supporting the identification of variables that are either directly or indirectly related to business operations and economic growth. In terms of theoretical support, the endogenous growth theory suggests that economic growth comes from within the economy rather than from external sources, while Keynesian economics believes that government should be heavily involved in economic growth and that economic recovery requires policy intervention. This means that economic growth is within. Hence, the responsibility of country-specific governments to take up the necessary actions in terms of policy regulations and reform to regulate people's negative behaviour and actions to make the business environment conducive to attracting investors doing business. The institutional theory and its application give deeper and more resilient features of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, can be established as authoritative guidelines for shaping social behaviour, actions and inaction within institutions or countries as a whole. This will help shape the behaviour of people in doing healthy business within specific countries that will inure to economic growth and development.

2.1. The need for Doing Business and Economic Development

It is necessary to develop an economic development strategy to attract business support. Domestically, market-oriented economic policies are critical to creating a favourable business climate. Competitiveness in the domestic market can be increased with the use of cutting-edge technologies and international engagement. A study done by [Kelsey and le Roux \(2018\)](#) has established that Business is best done in economic environments with less complexity, to increase exports, living standards, GDP, and per capita GDP as well as balanced development, wealth sharing, and creation ([Adu-Gyamfi, Kuada, & Asongu, 2018](#)).

Doing business can improve a country's living conditions because Entrepreneurs create ideas in the business world that improve the quality of life for their employees, customers, and other community stakeholders [Alvarez et al. \(2015\)](#) and reduction of poverty ([Bruton, Ahlstrom, & Si, 2015](#)). Growth in Gross Domestic Product (GDP), as well as GDP per capita, is unavoidable byproducts of doing business. In essence, doing business increases collective investments, consumption, and exports, all of which contribute to GDP. Furthermore, doing business necessitates the use of labour, land, and money to produce value-added

items and services that increase national income, national product, and, by extension, GDP per capita, particularly when the national product is distributed evenly among the people.

Recent research on the knowledge economy and entrepreneurship supports these positive economic externalities of running a firm (Asongu, Nwachukwu, & Orim, 2018; Tchamyou, 2017). Similarly, new enterprise rules could be tailored to address concerns about regional development imbalances by incentivizing entrepreneurs to establish and expand businesses in underdeveloped areas and regions. Transportation infrastructure improvements, such as roads, rail links, and airports, provide job opportunities. Some of the positive development externalities associated with the establishment of new businesses can contribute to balanced regional economic development. The usefulness of entrepreneurship in community development is supported by current research in education, health-care, training, and public goods (Qian & Jung, 2017).

Furthermore, doing business helps to create and distribute wealth in a society. This is because entrepreneurs must raise funds from a variety of sources, including banks, the general public, and investors, to start a business. Doing business not only mobilises public resources but also allows investors to reap the benefits of transforming innovative ideas into manufacturing processes with a fresh pool of funds. Finally, the company's growth process generates revenue that is distributed to shareholders and stakeholders.

The literature on the relevance of institutions in improving business circumstances supports the idea that firm expansion has a positive externality George, Rao-Nicholson, Corbishley, and Bansal (2015), particularly advantageous financial access institutions, as well as politically and economically beneficial institutions (Autio & Fu, 2015). Doing business and entrepreneurship essentially provides an enabling environment for employment. The primary goal of doing business is linked to human capital, which is expressed through job creation. As a consequence, it's feasible that both direct and indirect job creation will be achievable. Doing business involves the supervision of at least one employee or entrepreneur, which is a straight path to self-employment. Multiple job seekers can be hired in the indirect framework if the newly formed business has complex organizational and value-generating frameworks.

2.2. Challenges Faced in Doing Business

Africa has experienced unique levels of economic liberalization and policy implementation aimed at improving the business environment (Amavilah, Asongu, & Andrés, 2017). The continent, on the other hand, has a reputation for being distinct from other parts of the world when it comes to doing business, which has clear implications for Agenda 2063 and the post-2015 development agenda's lofty goals of unleashing the continent's potential (DeGhetto, Gray, & Kiggundu, 2016). A slow export economy and a large youthful population both seek new business opportunities and strategies to develop existing ones. As a result, changes must

be made to address the resultant commercial concerns. In this part, the hurdles to conducting business are addressed in four general areas: the cost of starting and running a firm, energy and electricity shortages, lack of access to financing, high taxation, and poor cross-border commerce. The concerns are explored in chronological sequence.

Operating a business in Africa can be costly, not only because of the numerous regulations to follow but also because the process of starting a business can occasionally involve unethical behaviour. There are numerous registration and licensing procedures due to the high start-up costs (Abor & Quartey, 2010). This position is also supported by the broad literature on entrepreneurship in Africa (Eifert, Gelb, & Ramachandran, 2008; Tchamyou, 2017). Costs associated with a business start-up procedure, contract enforcement procedures, business registration procedures, the time required to build a warehouse, the time required to enforce a contract, the time required to register a property, the time required to start a business, the time required to prepare and pay taxes, and the time required to resolve insolvency are all examples of related business issues (Asongu, Nwachukwu et al., 2018). Improved institutional and economic governance can address the fundamental difficulties that arise throughout the formation and maintenance of a corporation.

Additionally, digitizing the process of establishing a business, as well as the activities associated with it, would significantly reduce the time required to improve and apply the aforementioned business dynamics. The cost of obtaining electricity, as well as the electrification procedures required, is exorbitant. Even when power is available, power outages that last several days impede the efficient operation of commercial operations. Research conducted by Asongu, Le Roux, and Biekpe (2018), has established that energy management in Africa has proven poor. Because power is still available to only about 5% of the population in Sub-Saharan Africa, the authors believe that the energy crisis will be a major policy concern in the development agenda.

Furthermore, the sub-energy region's consumption is 17 per cent lower than the global average, which is comparable to the total energy consumed by a single US state like New York. This narrative of Africa's energy and power challenges is consistent with research on energy management and efficiency (Akpan, Akpan, & Policy, 2012; Asongu, Le Roux et al., 2018).

Primary research, on increasing green energy production, and use, and discouraging fossil fuel consumption are all viable options for addressing energy and electricity shortages across the continent. Payments, loans, corporate and private insurances, and information asymmetry between lenders and borrowers are all issues that contribute to Africa's lack of access to finance (Enowbi-Batuo & Kupukile, 2010) and doing business. The reasons for a lack of financial access are consistent with a growing body of research on African financial institutions' excess liquidity (Asongu, 2014). The development of information exchange offices or credit reporting organizations has been suggested as a means of ad-

dressing the underlying asymmetric information (Kusi & Opoku-Mensah, 2018). Furthermore, as information and communication technology advances, mobile banking services have enabled previously unbanked individuals to gain access to financial services (Asongu & Odhiambo, 2019).

Furthermore, high taxes and a lack of cross-border commerce are significant impediments to doing business in Africa. According to Verhagen (2017), almost every African fiscal system levies a large tax on capital flows out of the nation. In contrast, Western countries only tax interest, royalties, and dividends at the point of collection. Inadequate economic integration and insufficient infrastructure have impeded cross-border commerce in Africa in recent decades, among other reasons (Akpan, 2014). The Continental Free Commerce Area is expected to enhance cross-border trade. The Continental Free Commerce Area is a continent-wide trade agreement signed in Kigali, Rwanda in March 2018 by 44 of the African Union's out of 55 member countries. It's worth emphasizing that the fundamental cause of poor cross-border trade is a lack of product diversity. As a result, unless adjacent nations' underlying items have scarcity, high pricing, or poor quality, there is no motivation to trade across borders if their products are similar.

2.3. Theoretical Concept: Ease of Doing Business, Business Environment, and Economic Growth.

According to the United Nations, the current and future political, economic, institutional, and behavioural environment determines investment profitability and risk (2014). The term business environment refers to variables that can help enterprises invest, create jobs, and grow by providing an enabling environment to gain a comprehensive understanding of the ease of doing business in Africa and the potential for corporate growth. The research is based on the New Growth theory, and institutional theory, which holds that governments must intervene to help economies recover from recessions.

A prominent example is a worldwide pandemic (Covid-19) that impact significantly on economies across the globe. The notion is based on the boom-and-bust economic cycles that characterize free-market countries, and it positions the government on check and balance to moderate the severity of these crises. Most importantly doing business in specific countries, one needs to understand country-specific policies, coupled with the performance of ease of doing business indicators, readily available technology, cost of doing business, and availability of labour. This will set the grounds and prepare investors' minds for doing business in specific locations in Africa. However, investors' interests rest solely on the conduciveness of the business environment since every investor is profit-motive.

The goal is to better understand the interactions between ease of doing business and other exogenous and endogenous variables like government effectiveness, political stability, and the absence of violence/terrorism. Other exogenous and endogenous variables like regulatory quality, rule of law, and voice and accountabili-

ty also play a role in ensuring economic growth and prosperity. The concept of doing business is a cross-edge approach to sustainable development. The whole idea is to echo support for ease of doing business and conceptualized as a means to attract foreign investors to developing regions in Africa for business purposes and thereby complementing and serving as a crucial driver for the economic and social development of regions by these international investors' and expatriates'.

Attracting investors depends on the performance of the ease of doing business indexes and the business environment. This normally determines the behaviour and interest of investors investing their resources in specific regions to boost economic growth (Bikas & Saponaité, 2018). Therefore seeing the significant role played by International investors and expatriates on economic development, hence a need for further testing of variables, and establishing its significant effect on country-specific to fully embrace its management practices to ensure its economic growth and development to ensure it continual attraction of foreign direct investors. Thereby placing and marshalling doing business on a sustainable development scale to ensure the economic prosperity of nations. Accurate and timely reforms and regulations are prerequisites for a conducive business environment. This will boost the confidence of international investors and expatriates to make informed decisions to invest. Hence, a need to investigate and establish the relationship between democracy, control of corruption, and political stability on ease of doing business to leverage support for doing in Africa.

More crucially, having acknowledged and echoed the key purpose of the control of corruption, an environment devoid of Violence/Terrorism, Political Stability toppled with effective democracy, and the government effort in promoting ease of doing business, we complement government effort by researching and designing mediating pathways on ease of doing business concept to safeguard and propel business in Africa and across the globe, emphasizing on complete business regulatory reforms and implementation to that triggers conducive environment to boost investors' confidence to invest in promoting economic growth and prosperity leading to job creation, high rise in income levels, increase in revenue, bridging the inequality gap between developed and developing nations and poverty reduction in Africa. The significance of this work is to launch support for ease of doing business and economic prosperity. The findings of this research aid the economic survival and promotion of businesses to grow into multinational companies. This scholarly study is an addition to the body of literature on ease of doing business. Geographically, the research covered Africa.

This is an area where resources in terms of both human and capital resources have to be channeled to accelerate development to bridge the gap between developed nations and developing countries where various challenges including the high cost of doing business, corruption, and lengthy bureaucratic or democratic processes, absence of peace and stability and fear of losing one's business persist. This has contributed to the swift failure of most businesses in Africa. The main objective was to find out the impact on the ease of doing business in Africa.

Nonetheless, policymakers will have a starting point. The data reveal that prospective investors' and expatriates' components that focus on doing business in a conducive environment have the greatest impact on growing their businesses and maximizing profit and expanding businesses.

The study views control of corruption, Political Stability, Absence of Violence/Terrorism, and democratic principles as critical variables that will drive economic progress.

We embark on this study, to highlight how governance indicators such as control of corruption, Political Stability, Absence of Violence/Terrorism, and democracy impact doing business and draw government attention to keep monitoring and evaluating these variables, since it affects doing business, economic development and management. This research is novel in scientific research because no primary data has been retrieved and analyzed by establishing a scientific effect of these governance indicators on ease of doing business to supplement secondary data to that effect.

This research is set to guide policy and control. After testing the hypotheses, the following observations were established:

Hypothesis 1: Control of corruption is positively related to ease of doing business.

Hypothesis 2: Democracy is positively associated with control of corruption.

Hypothesis 3: Democracy is insignificantly associated with ease of doing business.

Hypothesis 4: Democracy is positively associated with Peace and Stability.

Hypothesis 5: Peace and Stability are significantly associated with corruption.

Hypothesis 6: Peace and Stability are positively associated with the ease of doing business.

3. Modeling, Methodological Approach, and Variable Definition

3.1. Model Specification and Method

The study investigated the perceptions of expatriates studying abroad who are willing to do business in Africa based on the governance indicators as construct variables of determination. This was an exploratory study that took the form of a survey design. The authors employed strictly closed-ended questions, in a Likert scale format (1 - 5) to gain responses. Where Strongly disagree is represented as [1], Disagree indicated as [2], Uncertain symbolized as [3], Agree signified as [4] and Strongly agree is represented as [5].

3.1.1. Sample Frame

The study population comprises African students studying abroad in diverse academic disciplines that are business-minded and have an interest in governance, development economics and management. These expatriates are African students who are in business and economics fields, willing to start up their busi-

nesses or channel their business ideas to Africa after acquiring expertise in their fields of learning.

3.1.2. Sample Size Determination

The Cochran formulae for determining a large sample size as cited by [Kotrlik and Higgins \(2001\)](#) in the case of a survey design approach was adopted. This was used to determine a sample size of 1127 randomly selected to prove that the sample size used is the ideal sample size and they can represent the targeted population.

These respondents will be purposively selected to represent the entire population of Africa in terms of doing business. A representative sample was determined using the Cochran formulae below;

$$n_o = \frac{Z^2 pq}{e^2}$$

where; e is the desired level of precision (i.e. the margin of error), p is the (estimated) proportion of the population which has the attribute in question, q is $1 - p$.

Given that:

$$\begin{aligned} n &= ? \\ z^2 &= 1.96 \\ p &= 0.0733(15375) \\ q &= 0.001 \\ e^2 &= 0.0005 \\ 0.0733 &= \frac{1127}{n} \\ p &= \frac{x}{n} \quad n = \frac{1127}{0.0733} = 15375.17053 \\ &\text{approximately} = 15375 \\ n &= \frac{1.96^2 (0.0733)(0.001)}{(0.0005)^2} \\ n &= 1126.35712 \\ &\text{approximately} = 1127 \end{aligned}$$

3.1.3. Construct Variable Definition/Selection

In this article, the Governance indicators which are usually known as control variables were investigated to establish their construct and significant impact on Doing Business in Africa. Generally, the conduciveness of the business atmosphere largely depends on these variables. Here additional hypotheses were introduced to ascertain its impact on propelling the business environment for doing business because [Drury, Kriekhaus, and Lusztig \(2006\)](#) positioned changes in other variables such as Control of Corruption, Political Stability and Absent of Violence/Terrorism and Democracy. Based on this, we determine the construct effect of Control of Corruption, Political Stability and Absent of Violence/Terrorism and Democracy and its

impact on easing the business environment for Doing Business using PLS-SEM. Hence, a need to determine its construct impact on doing business and economic growth by assessing future and business-orientated expatriates' perceptions.

3.1.4. Data Collection Procedures

The survey period spanned December to May 2022. Though we looked into variables that will influence expatriates (students studying abroad) who intend to set up businesses in their home country (Africa) after schooling abroad and gaining expertise. We collected data from African student unions categorized into five (5) geopolitical zones namely Southern Africa, Northern Africa, West Africa, Central Africa, and Eastern Africa. These participants are individuals who are willing to engage in business in Africa. The number of selected respondents per zone is stated as follows: West Africa 338 (30%); Central Africa 311 (28%); Southern Africa 207 (18%); Eastern Africa 162 (14%), and Northern Africa 109 (10%) see **Figure 6**. Regarding questionnaire administration, in principle not all respondents will answer your questions, hence the disparities in the percentage of respondents we had across each geopolitical zone. Purposively, we determined expats' perception of doing business and its long-term impact on economic advancement based on the data gathered on the field. The questionnaire was developed by adapting examples of similar studies in the literature (Clement et al., 2021b; Krejcie & Morgan, 1970; Mintah, Gabir, Aloo, & Ofori, 2022) and (Johnkingsley Onyedikachi, Clement, & Kehinde Funmilayo, 2022). The questionnaire application was designed in Google forms to allow participants from diverse backgrounds to participate across Africa. This research is novel in scientific research because no primary data has been retrieved and analyzed by establishing a scientific effect of these governance indicators on ease of doing business to supplement secondary data.

3.1.5. Data Processing and Cleaning

Responses were retrieved directly from Google Forms in excel sheet format, cleaned and coded, processed, and analyzed using Smart PLS software version 3.0. According to Hair, Risher, Sarstedt, and Ringle (2019), SmartPLS tool will assist the researcher in interpreting the responses of the research participants, in order to draw reliable and cohesive conclusions. This assertion has been supported by (Funmilayo et al., 2022; Ofori et al., 2023). We analyzed this by, checking for the relationship between the construct variables (Control of Corruption, Political Stability and Absent of Violence/Terrorism and Democracy). The authors included the above construct variables (Control of Corruption, Political Stability and Absent of Violence/Terrorism and Democracy) and excluded other construct variables termed as governance indicators such as Governance Effectiveness, Regulatory Quality, Rule of Law, Voice and Accountability, Trade, and Foreign Direct Investment. We analyzed the included variable of the construct by, checking for the relationship between them. We processed the data by

checking for factor loading results (see **Table 1**), bootstrapping results (see **Table 3**), Cronbach's alpha and composite reliability test (see **Table 1**), correlations and discriminant analysis (see **Table 2**), mediation analysis (see **Table 4**), and total effect (see **Table 5**) respectively. The investigation followed a well-established pattern. We calculated descriptive statistics for variables in this article. Below is the general rule of our empirical model:

$$\text{EODB} = f(\text{CC}, \text{PS}, \text{DEMO}) \quad (1)$$

$$\text{EODB} = \alpha_0 + \beta_1 \text{CC} + \beta_2 \text{PS} + \beta_3 \text{DEMO} + \varepsilon \quad (2)$$

where;

EODB = Ease of Doing Business

α = Trend/Constant

β = Coefficients

CC = Control of Corruption

PS = Peace and Stability

DEMO = Democracy

ε = Term of error

3.1.6. Ethical Approval

The work was ethically approved by the Sichuan Agricultural University Institutional Review Board (SCUIRB/SEM/2023/107). Authorities and participants were informed about the goal of the study and other details. Oral consent was sought from participants before the study started. The participants were not paid or forced to participate in the study. They were informed that their participation was entirely optional.

4. Socio-Demographic Characteristics of Respondents

4.1. Empirical Results

The socio-demographic results of our respondents are as follows. Males made up 57 per cent of our responses, while females made up 43 per cent, according to the data we obtained (see **Figure 1**). This suggests that the vast majority of males want to do business in Africa and is likely to do so. Again, 45 per cent of our respondents were aged 31 to 40, 18% were aged 41 to 50, and 37 per cent were aged 20 to 30. Our research focused on the energetic population and prospective future investors of African origin who are over the age of 20 (see **Figure 2**).

Within the continent, the vast majority of potential businessmen and women were chosen as our respondents. As a result, valid data was gathered from the respondents to serve as the research's foundation and justification. Of the respondents, 47 per cent of the respondents are pursuing a master's degree, followed by 28 per cent who are pursuing a PhD, and 25 per cent who are pursuing a bachelor's degree (see **Figure 3**). This indicates that a bigger percentage of respondents receiving their education outside of Africa are interested in establishing businesses in Africa following graduation.

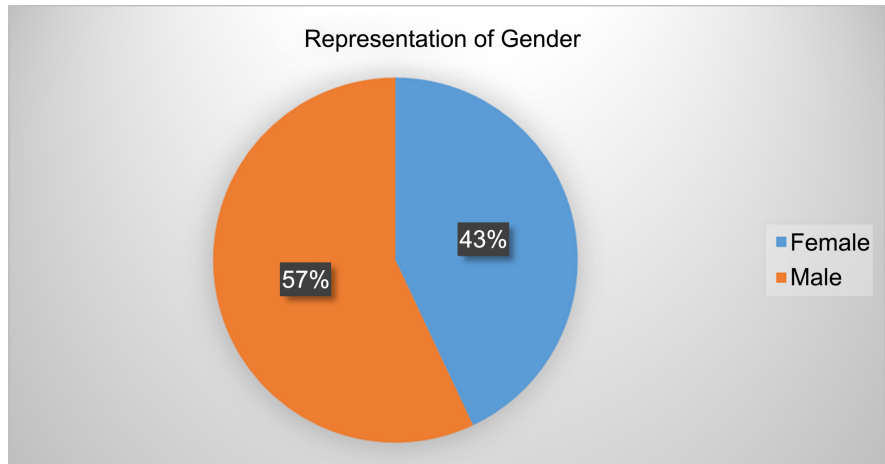


Figure 1. Gender. Field survey, (2022).

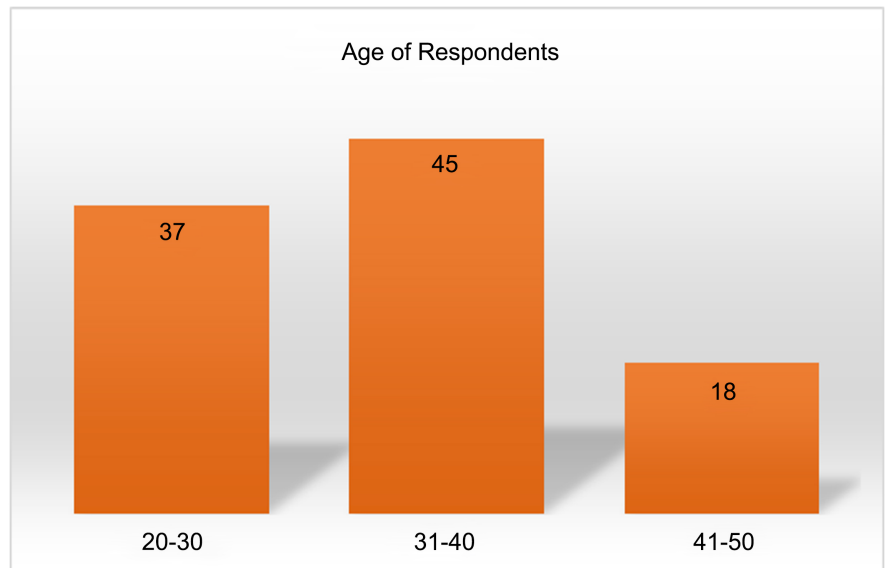


Figure 2. Age of respondents. Field survey, (2022).

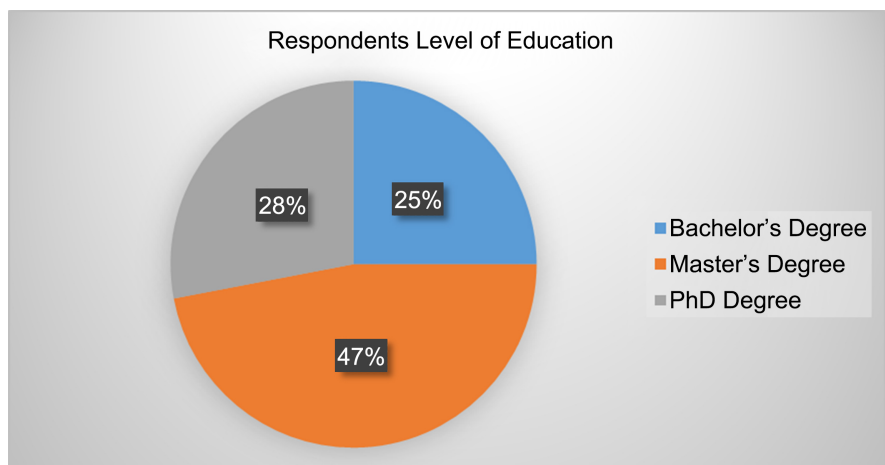


Figure 3. Level of education. Field survey, (2022).

According to the descriptive statistics, a bigger number of our respondents are not married (single), accounting for 45 per cent, 37 per cent are married, and the remaining 18 per cent have not openly declared their marital status (see **Figure 4**). More crucially, the research reveals that a majority of business-oriented expatriates' (75%) want to manage their start-up enterprises themselves, whereas 25% took an entrenched position that they are unable to do so (see **Figure 5**). Because business management requires specialized knowledge and training. Furthermore, to get the desired sample to generalize, respondents from the five geopolitical zones in Africa were allowed to participate in the survey exercise. The data reveals a higher percentage of 30% of respondents from West Africa; 28% from Central Africa; 18% from Southern Africa; 14% from Eastern Africa, and as low as 10% of respondents from Northern Africa (see **Figure 6**). The results show that the research did not exclude any part of Africa in terms of representation. Hence, the opportunity was given to individuals who have the intention of doing business in Africa to participate freely.

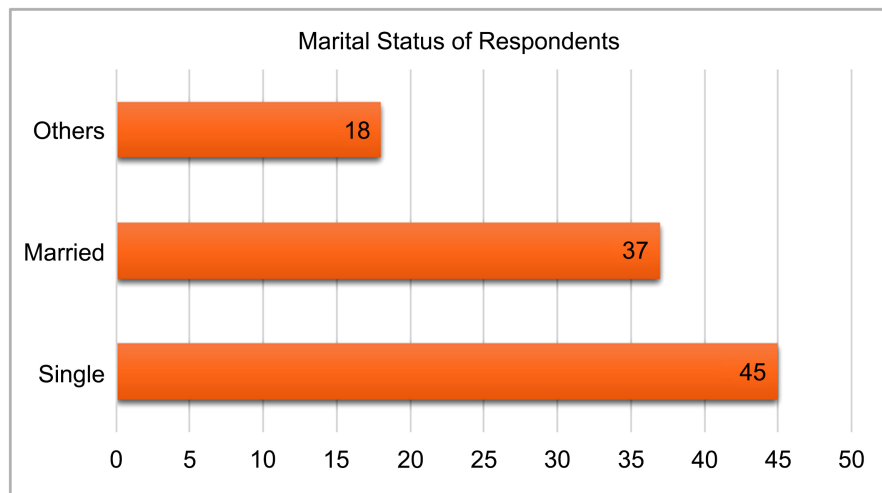


Figure 4. Marital status. Field survey, (2022).

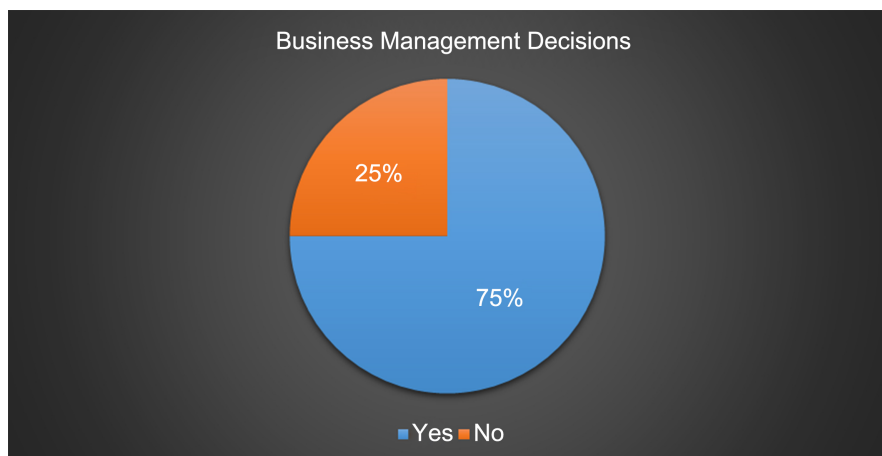


Figure 5. Decision to manage the business. Field survey, (2022).

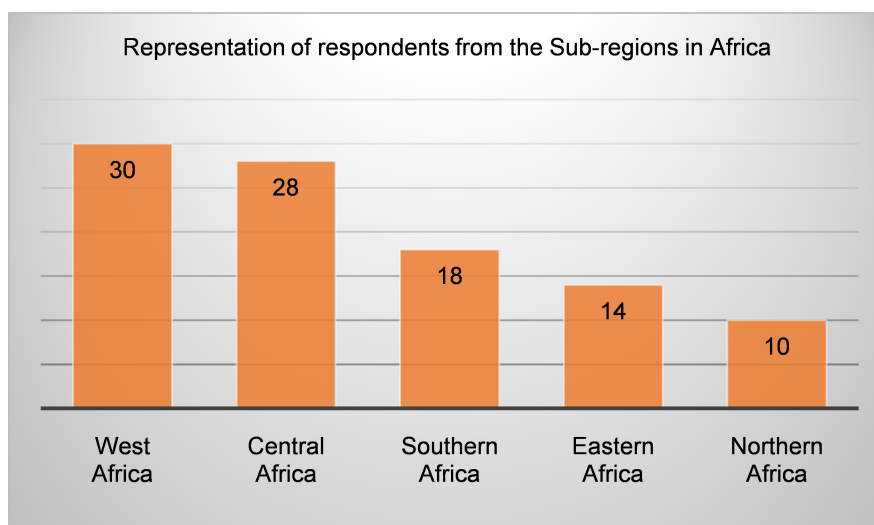


Figure 6. Geopolitical zones in Africa. Field survey, (2022).

4.2. Measurement of Reliability and Validity

Cronbach's alpha and composite reliability values were calculated in **Table 1** to determine the scale's validity and reliability for the research; Cronbach's alpha values exceeded the required value of 0.7. This implies that the scale is suitable for assessing the research items. The scale objects in the measurement model made a significant contribution to this investigation by specifying the corresponding loadings, which ranged from 0.766 to 0.976. This depicts excellent internal reliability see **Table 1** (Bagozzi & Yi, 1988). Inferring from Fornell and Larcker (1981), he argued that convergent validity is best obtained when the average variance is greater than 0.50. All variables' Average Variance Extracted (AVE) met the minimum criterion, with the lowest being 0.753 and the greatest being 0.9. The rho A and composite reliability (CR) scores confirm the reliability and internal consistency of all variables or constructs.

The lower triangle in **Table 2** displays the Fornell-Larcker criterion result. With HTMT, the square roots of the extracted average variance are shown in diagonal elements. An asterisk denotes 85 findings in the upper triangle. **Table 2** also demonstrates that the tests are both valid and reliable. The Heterotrait-Monotrait Ratio (HTMT) is a new metric for determining discriminant validity in variance-based measurement models like partial least squares (PLS). To be safe, despite Henseler's presentation of the most recent method, HTMT, which outperforms the standard Fornell-Larcker criterion, it is best to combine both testing methods to determine reality (Henseler, Ringle, & Sarstedt, 2015). The pairwise correlations between the other latent components were compared to the square roots of the AVE values using the Fornell-Larcker criterion. Discriminant validity is determined when the square root of the AVE is greater than the pairwise correlations for each construct of the measurement model, as was the case with the data corroborated by rho A and CR values.

Table 1. Variable measurement and descriptive statistics.

	Variables	Factor loading	Cronbach's Alpha	rho_A	C. R	AVE
1) C. Corruption	CC1	0.775	0.833*	0.831	0.901	0.753
	CC2	0.899				
	CC3	0.922				
2) Democracy	DEMO1	0.961	0.946*	0.995	0.964	0.9
	DEMO2	0.929				
	DEMO3	0.956				
3) Ease of Doing Business	EODB1	0.976	0.954*	0.955	0.967	0.881
	EODB2	0.973				
	EODB3	0.855				
	EODB4	0.945				
4) Peace & Stability	PS1	0.871	0.813*	0.814	0.89	0.729
	PS2	0.798				
	PS3	0.89				

Field survey, (2022).

Table 2. Means, standard deviations, correlations, and discriminant analysis results tests.

Variables	Mean	SD	1	2	3	4
C. Corruption	4.258	0.793	0.854	0.446*	0.46*	0.687*
Democracy	4.147	0.858	0.460	0.949	0.224*	0.355*
Ease of Doing Business	4.084	0.850	0.570	0.221	0.938	0.521*
Peace and Stability	4.139	0.880	0.327	0.327	0.46	0.854

Field survey, (2022). Note that the symbols *, **, and *** signify 1%, 5%, and 10% significant levels.

4.3. Hypothesis Result and Consistent PLS

The partial least squares structural equation modelling is shown in **Table 3**. We used the PLS-SEM approach to investigate the proposed hypotheses because we are confident in the in-depth results that PLS-SEM suggests (Hair, Ringle, & Sarstedt, 2011). PLS-SEM is recommended by Hair for studies that involve the development of an emergent classical model. Because the current study model is an African adaptation of Bang's model, it is permissible to analyze Lin's technique using PLS-SEM rather than covariance-based structural equation modelling.

Furthermore, rather than using regular PLS, this study evaluated our proposed model using consistent PLS-SEM (Benitez, Henseler, Castillo, & Schuberth, 2020; Dijkstra & Henseler, 2015). Smart-PLS 3 assesses the construct validity of the metric model and checks the structural model's parameters.

4.4. Empirical Results on the Relationship between the Construct Items

We used the standardized root mean square residual to evaluate the model's appropriateness (SRMR) by Henseler et al. (2014), which was 0.041, suggesting that the model is fit for the purpose and therefore credible, as it is less than the 0.08 parameter which should not be crossed (Henseler et al., 2014; Henseler & Sarstedt, 2013). R² values were also presented in Table 3. Each structural path was evaluated using the R² value for the appropriate variable; in general, the R² values were acceptable, therefore the research model's explanatory power was all generally acceptable: since it falls within the needed limit. This finding suggests that all of the constructs in the study have a mutual link. As a result, Q² was higher than 0. The predictive validity of the endogenous constructs is confirmed by the results of Q². The fact that the Q² value is greater than zero indicates that the model is predictive.

Table 3. Bootstrapping results (Path Coefficients) based on the hypotheses.

	Path Coefficient β	T Statistics	P Values	0.025%	0.975%	Remarks
H1. C. Corruption -> Ease of Doing Business	0.223	2.917	0.004**	0.075	0.371	significant
H2. Democracy -> C. Corruption	0.25	3.807	0*	0.118	0.384	significant
H3. Democracy -> Ease of Doing Business	0.023	0.357	0.721	-0.116	0.158	Not significant
H4. Democracy -> Peace and Stability	0.327	4.731	0*	0.191	0.468	significant
H5. Peace and Stability -> C. Corruption	0.49	7.318	0*	0.349	0.621	significant
H6. Peace and Stability -> Ease of Doing Business	0.325*	4.322	0*	0.183	0.468	significant
Residual Statistics	R ²	Q ²				
C. Corruption	0.529	0.526				
Ease of Doing Business	0.294	0.287				
Peace and Stability	0.132	0.13				

Field survey, (2022). Note that the symbols *, **, and *** signify 1%, 5%, and 10% significant levels. 1) C. Corruption, 2) Democracy, 3) Ease of Doing Business, 4) Peace and Stability.

Table 4. A mediation analysis.

Specific indirect effects	Indirect effects β	T Statistics	P Values
Democracy -> Peace and Stability -> C. Corruption	0.16	3.529	0*
Democracy -> C. Corruption -> Ease of Doing Business	0.056	2.201	0.028**
Peace and Stability -> C. Corruption -> Ease of Doing Business	0.109	2.686	0.007***
Democracy -> Peace and Stability -> Ease of Doing Business	0.106	2.767	0.006***
Democracy -> Peace and Stability -> C. Corruption -> Ease of Doing Business	0.036	2.135	0.033**

Field survey, (2022) on specific indirect effects. Note that the symbols *, **, and *** signify 1%, 5%, and 10% significant levels.

4.5. Results of Hypotheses (H1, H2, H3, H4, H5, and H6)

The proposed test of the relationship between models yielded six distinct results, five of which were supported. The study's findings indicate a positive and meaningful relationship between Control of Corruption and Ease of Doing Business (H1. Control of Corruption → Ease of Doing Business: $\beta = 0.223$, $t = 2.917$, $p < 0.004$). We also tried to investigate the relationship between Democracy and Control of Corruption. The result shows that there exists a significant relationship (H2. Democracy → Control of Corruption: $\beta = 0.25$, $t = 3.807$, $p = 0.000$). The relationship between Democracy and Ease of Doing Business as predicted is not statistically significant (H3. Democracy → Ease of Doing Business: $\beta = 0.023$, $t = 0.357$, $p = 0.721$).

Also, H4 evaluated the relationship between Democracy, Peace and Stability. The relationship also reveals that the assertion is supported (H4. Democracy → Peace and Stability: $\beta = 0.327$, $t = 4.731$, $p = 0.000$). There exists a negative relationship between Peace and Stability, and Control of Corruption (H5. Peace and Stability → Control of Corruption: $\beta = 0.49$, $t = 7.318$, $p = 0.000$).

Again, the assessment of H6 (Peace and Stability and Ease of Doing Business) established that there is a positive relationship between the construct items: H6. Peace and Stability → Ease of Doing Business $\beta = 0.325$, $t = 4.322$, $p = 0.000$.

In **Table 4**, we used a mediation study to show how independent factors influenced independent variables, as well as to determine their effects without a mediator by looking at their overall effects (without) mediation. Regarding, the indirect effects of H1, H2, H3, H4, and H5 were all significant (H1: $\beta = 0.16$, $t = 3.529$, $p = 0.000$), (H2: $\beta = 0.056$, $t = 2.201$, $p = 0.028$), (H3: $\beta = 0.109$, $t = 2.686$, $p = 0.007$), (H4: $\beta = 0.106$, $t = 2.767$, $p = 0.006$), (H5: $\beta = 0.036$, $t = 2.135$, $p = 0.033$). None of the P-Values under the mediating analysis revealed insignificant values. This is an indication that all the construct variables have an interdependent relationship with each other with significant impact.

Following the mediation analysis, we conducted a second test in **Table 5** to determine the total effect of construct components on the independent variable

Table 5. Total effect.

	Effect (β)	T Statistics	P Values
C. Corruption → Ease of Doing Business	0.223	2.917	0.004**
Democracy → C. Corruption	0.41	6.528	0*
Democracy → Ease of Doing Business	0.221	3.778	0*
Democracy → Peace and Stability	0.327	4.731	0*
Peace and Stability → C. Corruption	0.49	7.318	0*
Peace and Stability → Ease of Doing Business	0.434	5.453	0*

A field survey, (2022) reported on the total effects. Note that the symbols *, **, and *** signify 1%, 5%, and 10% significant levels, accordingly.

to comprehend the overall or total influence played by all interdependent variables on the independent variable. The result clearly shows that all the construct items (H1: $\beta = 0.223$, $t = 2.917$, $p = 0.004$), (H2: $\beta = 0.41$, $t = 6.528$, $p = 0$), (H3: $\beta = 0.221$, $t = 3.778$, $p = 0$), (H4: $\beta = 0.327$, $t = 4.731$, $p = 0$), (H5: $\beta = 0.49$, $t = 7.318$, $p = 0$) and (H6: $\beta = 0.434$, $t = 5.453$, $p = 0$) have a total significant effect on ease of doing business in Africa.

5. Discussion of Result

We established six hypotheses to study expatriates' perceptions of doing business in Africa. To better understand the importance of young expatriates' perceptions of ease of doing business, we conceptualized ease of doing business and positioned it as a means of propelling and attracting expatriates in doing business because the good and positive performance of governance indicators offers business-focused and future entrepreneurs/investors a competitive advantage. Therefore, creating the enabling business environment offers a win-win situation for prospective entrepreneurs/investors and the country and the quest of pursuing country-specific economic agenda.

Secondly, it is worth noting that the suitability of the business environment will aid infant businesses or firms to survive, expand and grow. Hence, a business-friendly environment that is free of corruption, violence/terrorism, political instability, and government effectiveness will entice expatriates to do business in any location as in the case of Africa.

These research findings serve as a means to strengthen countries to beef-up regulatory policies and reforms to build investors' confidence and interest in doing business because a business climate that is free of corruption, violence/terrorism, political stability, and government ineffectiveness is invariably essential to economic success. Institutional regulatory reforms, on the other hand, are a significant determinant of wealth and long-term growth (Acemoglu, Johnson, & Robinson, 2001; Botero, Djankov, & Porta, 2004; Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2002; Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008; Djankov et al., 2006; Hall & Jones, 1999), having recognized the potential contribution of the Ease of Doing Business (EODB) to the growth of Africa's economy in a wider perspective (Ani, 2015; Anyebe, 2020; Bajra, Halili, & Berisha, 2020; Besley, 2015; Bétilla, 2021) and its importance to job creation, government revenue generation, and poverty alleviation.

Measures that promote a business-friendly climate must not be disregarded to impede and constrain the growth of business and expatriate investors, as well as the flow of foreign direct investment and interest in doing business on the African continent. As a result, the requirement for rapid implementation and control of corruption, as well as successful democracy, peace, and stability, are crucial economic governance indicators of control since they affect the ease of doing business (Banerjee, Boly, & Gillanders, 2022).

Evidence suggests that business regulatory reforms and economic develop-

ment are driven by the performance of both exogenous and endogenous factors (Bajra & Čadež, 2020; Das & Drine, 2020; Kneller, 2005; Liu & Bi, 2019). However, an interdisciplinary approach to business regulatory reforms that may also contribute to economic growth has been adequately addressed and emphasized in this research, which includes a combination of exogenous and endogenous factors as well as economic governance and control variables such as corruption control, effective democracy, and peace and stability. The findings of this study add to the body of knowledge on economic practices related to EODB and their impact on mobilizing support for a favourable business environment, enhancing expatriates' and investors' confidence in doing business.

Our result established that H1, H2, H4, H5, and H6 have a significant impact on the ease of doing business growth, according to the findings whereas H3 was tested as insignificant to impact on the ease of doing business. The hypotheses (H1, H2, H4, H5, and H6) indicate that a business environment where democracy is effective, and corruption controlled will minimize political conflict. This gives the signals that expatriates and international investors are at ease doing business without fear of losing their investment. In cases where the business atmosphere is not conducive, coupled with high levels of corruption, the existence of ineffective democracy, and violence/terrorism will certainly scare investors and impact negatively on economic development. But in our case, the construct variables have established a positive significant impact on the Ease of Doing Business which are preconditions for boosting expatriates' and international investors' confidence in doing business. Since P-values in the hypothetical scenarios are statistically significant.

The results demonstrate that the efficiency of doing business in a particular location depends on the prevailing business environment, which is a keen investor interest and consideration for investment. Second, the hypothesis (H3) is statistically insignificant. This indicates that instances where a change in government results from democracy will certainly impact the ease of doing business since each governmental regime is coupled with policy changes and reforms which can also alter the business environment, thereby affecting ease of doing business and investors' interest in doing business its impact on the long-term viability of the economy.

The test statistics have revealed that the mediating effect of democracy through peace and stability, and control of corruption coefficient values were significant to impact on Ease of Doing Business. A follow-up test conducted on the total effect of construct items (democracy, peace and stability, and control of corruption) also proved to be statistically significant on the Ease of Doing Business in Africa. This shows that continuous country-specific regulatory policies and reforms on providing the enabling environment for doing business will succeed, support, and bolster expatriates' and international investors' interest, and confidence in the business field. This approach will help sustain economic growth and prosperity (Bajra et al., 2020; Banerjee et al., 2022; Besley, 2015; Béti-

la, 2021; DeGhetto et al., 2016; Djankov et al., 2006; Garikai, 2017). This research is in support of the United Nations Sustainable Development Goal 8.

Governments and business-oriented agencies should see business regulatory reforms and governance performance indicators as influential factors and a means of attracting international investors and expatriates to start a business because no one will want to incur costs in doing business in an unfriendly-business environment. We, therefore, support the idea that governments must continue to monitor and evaluate economic performance and governance indicators, and regulate and implement policy reforms in support of their economic agenda. Since the implementation of favorable business and economic policies is a supporting move for boosting and attracting foreign direct investments.

The above-tested hypotheses established proof that democracy, peace and stability, and control of corruption improve the long-term viability of ease of doing business. We then support the idea that there should be constant monitoring and assessment of these variables that were investigated coupled with other controlled variables to establish their impact on the ease of doing business and internally design policies to ease doing business to ensure that the business environment is conducive to attract investments, expansion and sustain economic growth.

In this study, we, therefore, accept hypotheses (H1, H2, H4, H5, and H6) due to their positive impact on leveraging support for ease of doing business. Here, we reject the hypothesis (H3) for the reason that instances, where changes in government occur, may also directly or indirectly affect the ease of doing business prospects. Again, policy changes and reforms under each government regime can also alter the business atmosphere, thereby affecting the ease of doing business and investors' interest in doing business, and the long-term viability of the economy. Hence, specific knowledge management is required in achieving business success (Clement et al., 2021b).

5.1. Managerial Implications and Conclusion

Practicing quality democracy, and ensuring quality control of corruption, and as well as maintaining constant peace and stability within countries are all means to enhance doing successful business. However, this depends on the effort of government officials and proper economic policy implementation in the African region. Expatriates' and international investors' interest in doing business rests heavily on a favorable and conducive business environment. The favorability of these governance indicators will assure potential business-oriented entities of making informed choices as to whether the prevailing business environment is conducive enough to grow their businesses or not, as to whether the investor will lose or maximize profit in specific areas of doing business. But it all depends on how well corruption is being controlled, the effectiveness and efficiency of existing democratic principles, and how well peace and stability are maintained within a particular business area in Africa. The outcome of this work is a big

motivation for governments to undertake business reforms to sustain economic growth and development.

The findings of the research work are consistent with Keynesian economic theory, which states that government intervention is required to help economies grow. Nonetheless, positive performance of these indicators will attract domestic and foreign investors to do business in country-specific regions because market viability is dependent on the existence and efficiency of institutions that are essential to the smooth operation of a business, which will consequently prepare the business environment, propel economic and sustainable development. The type of information available on governance economic indicators will determine whether or not investors are confident and interested in doing business.

In conclusion, the effort of government officials and policy implementation on control of corruption, effectiveness, and efficiency of existing democratic principles, and how well to maintain peace and stability are necessary conditions for ease of doing business in specific countries to attract foreign direct investment and further economic success.

Finally, in the literature, other construct variables such as telecommunication, HIV/AIDS, climate change, remittances, and education (Bonnell, 2000; Fayissa & Nsiah, 2010; Gyimah-Brempong, Paddison, & Mitiku, 2006; Lee, Levendis, & Gutierrez, 2012; Roson & Van der Mensbrugghe, 2012) need to be considered when it comes to policies and regulatory reforms on ease of doing business in Africa. This study is innovative because it establishes a scientific influence of these governance indicators on ease of doing business, complementing secondary data to that effect, which can then be used to guide economic development, business, and management policy.

5.2. The Limitations and Further Research

It is a common occurrence that, every study endeavor with the primary goal of discovering facts is never completed without some intrinsic elements that may make the findings tough. The following were anticipated and indeed encountered during the courses of accessing data for the study: financial constraint, lack of cooperation from respondents, the possibility of some research questions not being answered. The cost involved in getting internet to support data curation and, data collection, information processing, and material creation cannot be overlooked in the course of doing this research. Another problem is a lack of time, as respondents have limited time to devote to in answering questions, while some will pay no attention at all. The researchers, on the other hand, make every effort to engage respondents and elicit their best opinions on the subject matter. In terms of the findings and conclusions, future research might be conducted to assess additional explanatory variables that were not significant and were not included in the variables investigated, such as government effectiveness, business rules and regulations to determine if it has an impact on doing business. This is because not all of the factors assessed were statistically signifi-

cant. As a result, the private sector requires increased attention base on its research contributions and replication effects on economic growth and wealth creation in Africa.

Authors' Contributions

Conceptualization by: SY, QS and MC.

Data curation was done by: SY, and MC.

Formal analysis was performed by: SY, QS and MC.

Investigation: SY, and MC.

Methodology: SY, QS and MC.

Resources: SY.

Software by: SY.

Supervision by: QS.

Validation by: SY, QS and MC.

Visualization: SY.

Writing original draft by: SY, QS and MC.

Writing review & editing by: SY, and MC.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper. We all agree to the content of this document to be published.

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