

READINGS

ON

**FINANCIAL SYSTEM, ENTREPRENEURSHIP AND
INSTITUTIONAL SUPPORT FOR INCLUSIVE AND
SUSTAINABLE GROWTH IN AFRICA**

Compendium of Research Papers to Mark the Tenure of Prof. Tomola M. Obamuyi,
as the First Substantive Dean, School of Management Technology, The Federal
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CHAPTER - 29

INSTITUTIONS OF DOING BUSINESS AND INVESTMENT IN WEST AFRICA: LESSON FOR NIGERIA

A. A. Kilishi and V. A. Akerele

29.1 Introduction

Investment plays noteworthy roles in the progress and prosperity of any economy, particularly in the area of job creation and production of goods and services. However, the decision to invest is highly dependent on the institutions of doing business or the investment climate. Ndungu and Muriu (2017) ascertained that good institutions lessen uncertainty, and cost of doing business. In line with this, the World Economic Forum (2015) stated that legal and institutions' framework within which economic agents interact determine the competitiveness, influences and choices of whether or not to invest and how benefits/costs associated with development strategies and policies are distributed/dispensed in an economy. Weak institutions remain one of the most important significant challenges affecting investment in sub-Saharan Africa as a whole (World Economic Forum, 2015).

On the other hand, the institutional setting largely determines the investment climate. Following North (1990), institutions in this chapter are considered the constraints designed to guide human interaction. In other words, they consist of the structure that humans impose in their dealings with one another. Institutions often determine the costs and benefits under which individuals take economic decisions. They empower and constrain actors differently and make them more or less capable of acting according to prescribed rules of appropriateness. Lehne, Mo & Plekhanov (2014) viewed economic institutions as the "rules of the game" in a society, such as law and order, control of corruption, property rights, or the way in which public services are

delivered vary vastly across countries. Countries with stronger economic institutions (effective rule of law, a good business climate, more secure property rights and market-friendly social norms) are better positioned to attract investment, participate in trade and utilise physical and human capital more efficiently, resulting in better growth performance over the long run and carried out a study on the determinants of quality of economic institutions.

To assess and track the institutional setting relating to business environment, the World Bank has developed the Doing Business Indicators (DBI) which gives information about important reforms to business regulations and the implementation of the regulatory processes. This DBI provides the basic information to understand and improve how small and medium-sized companies can operate efficiently within a specific business environment. Since inception, DBI serves as a source of relevant information to policymakers and reformers for changing business environment so as to significantly reduce the costs and risks of business activities. Hence, different countries including countries in West Africa made efforts to improve their performance in the DBI scores. However, the scores of most of the indicators in West Africa are not too impressive. For instance, the average score in dealing with construction out of 0 to 100 scale is 54.11. The average scores for enforcing contract, getting credit, getting electricity, paying taxes, protecting minority investors, registering properties, resolving insolvency, starting business, and trade across border were 49.09, 33.19, 46.76, 50.09, 40.09, 49.94, 24.88, 67.97, and 56.29 respectively. World Bank (2017) shows specifically that it still takes about 25 days to successfully register a business in Gambia, 19 days in Nigeria, 14 days in Ghana, and 11 days in Cape Verde and Sierra Leone.

The importance of DBI in promoting investment is well established in literature (Fonseca, Lopez-Garcia & Pissarides, 2001; Ciccone & Papaioannou, 2007; Klapper & Love, 2010). However, it is not clear which of the indicators matter the most. Thus, this chapter aims to investigate the relative importance of the different indicators of doing business in West Africa so as to draw lessons for Nigeria. This would allow us highlight specific policies and reform packages that policymakers can use to eliminate the constraints hindering private investment in the country and the West

African sub-region at large. The rest of the study is divided into five sections. Section 29.2 presents literature review; the empirical strategy is presented in section 29.3, the empirical results are in section 29.4, while lessons for Nigeria and the concluding remarks are in sections 29.5 and 29.6 respectively.

29.2 Conceptual Review

This sub-section provides brief conceptual clarification on the concept of doing business which is the main focus of this chapter.

Doing Business is a study which presents a detailed analysis of the costs, requirements and procedures that a small and medium-size domestic private firm is subject to in different countries, based on which the countries are ranked. At the inception stage, the project covered 133 countries and five indicators. The 2018 report includes a wide array of parameters to ascertain the regulatory environment laid out by governments, clubbed under ten areas of reform – starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The main objective of the project is to encourage economies to compete towards more efficient and optimal regulation, and it offers measurable benchmarks for reform.

Doing Business presents results for two aggregate measures – the distance to frontier score and the ease of doing business ranking:

Distance to Frontier Score: An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. The distance to frontier score benchmarks economies concerns regulatory best practise, showing the absolute distance to the best performance on each Doing Business indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms.

Ease of Doing Business Ranking: The ease of doing business ranking compares economies with one another, and can only show how much the regulatory environment has changed in relation to other economies. The indices of the ease of doing business measure the difficulty, costs and time it

would take a standardised mid-sized company to start the business, deal with construction permits, register property, get credit, pay taxes, import and export goods, enforce contracts and complete the bankruptcy process. It also measures the level of protection for investors. Inappropriate ease of doing business decreases the rate of investment because it increases production cost, increases the risk of starting a new business, causes inappropriate size of the company, reduces the interactions between companies and reduces financial participation.

29.3 Brief Literature Review

There is a huge literature which examined the nexus between different components of DBI and investment. For instance, Fonseca, Lopez-Garcia, and Pissarides (2001) examined the effect of cost of starting a business in the Organisation for Economic Co-operation and Development (OECD) countries and they found that high start-up costs reduce the rate at which new enterprises are established. Benjamin (2009) showed that the Doing Business indicators have a significant positive relationship with investment and economic growth. His evidence showed that countries with Better Doing business indicators attract more investment and grow faster. Kiichi (2012) showed that macroeconomic factors could not largely explain the slowdown of corporate investment in India, hence, suggesting the crucial role of business environment.

A number of studies also examined the link between property rights and investment incentives. Besley (1995) found the enforcement of property right a major determinant of investment decision in Ghana. Cull and Xu (2005) got similar findings in China. Dixit (2009) found that Security of property rights gives incentives for individuals to invest because it assures investors that they will bear the fruits of their investments. Besley and Ghatak (2010) argued that property rights provide incentives to investors because it gives assurance that the returns of investment will accrue to the investor. They further explained that there are three channels of the incentives. First, property right minimises expropriation risk or the risk that investors would not bear the fruit of their investments. Second, it reduces protection cost. Third, property rights assist in realising gains from trade. Some other studies such as Ciccone and Papaioannou (2007) and Klapper and Love (2010) among others examined the

effect of procedure of starting a new business on investment. The findings show that cost of starting business, days and procedures required to register a business are important determinants of investment behaviour.

Fisman and Svensson (2007) and World Bank (2013) focused on the impact of taxes on investment. Their findings showed evidence of negative association between tax rates and firm growth as well as investment. Djankov et al. (2010) in similar vein found that high tax rates are associated with the lower foreign direct investment (FDI), lower total investment, less entrepreneurial activity, and more significant informal sector. World Bank (2013) further showed that protection of investor's interest is important for firm and investment growth. This is especially important for firms with minority shareholders.

On investigating the impact of quality of institutions, Fiodendji (2016) opined that the quality of institutions are important in attracting investments of productive capital. Thus, countries need to continue to endeavour to create institutions which allow national as well as international companies to carry on their activities in a productive and profitable way. Ndungu and Muriu (2017) also showed that performance of government in creating conducive business environment is crucial to motivating productive activities. They declared further that to attract long-term investment, private investors need to be assured that rule of law will prevail and the right to property ownership will be protected and respected by the present and future government in power. This assurance is extremely important because of the adverse effect on transaction cost of the firm which will later be transferred to consumers through higher prices and thereby result in reduction in sales. This may eventually lead to shutting down of the firms' operations and preventing new investors in an economy.

29.4 Empirical Strategy

The empirical model in this study is derived from the flexible accelerator theory which argued that investment is determined by expected aggregate demand (which represents accelerator) and cost of capital. However, studies such as Dehn (2000), Erden and Holcombe (2005), Shih, Kraemer and Dedrick (2007) and Twine, Kiiza and Bashaasha (2015) among others have argued that the flexible accelerator model is suitable for analysing investment

behaviour in developing countries because it allows investments to vary with other relevant variables, including business environment and institutional setting.

In this chapter, growth of Gross Domestic Product (GDP) is used as proxy for aggregate demand, while interest rate represents cost of capital. Ten different indicators of doing business are then controlled so as to address the main aim of the chapter. Thus, the estimable model is specified as:

$$INV_{it} = \beta_0 + \beta_1 GRGDP_{it} + \beta_2 INTR_{it} + \beta_3 DwCP_{it} + \beta_4 EFC_{it} + \beta_5 GC_{it} + \beta_6 GE_{it} + \beta_7 PTX_{it} + \beta_8 PMI_{it} + \beta_9 RP_{it} + \beta_{10} RI_{it} + \beta_{11} SB_{it} + \beta_{12} TAB_{it} + \varepsilon_{it}$$

where *INV* is Private Investment as ratio of GDP, *GRGDP* is Growth Rate of Gross Domestic Product, *INTR* is Interest Rate, *DwCP* is Dealing with Construction Permit, *EFC* is Enforcing Contract, *GC* is Getting Credit, *GE* is Getting Electricity, *PTX* is Paying Tax, *PMI* is Protecting Minority Investors, *RP* is Registering Property, *RI* is Resolving Insolvency, *SB* is Starting a Business, *TAB* is Trade Across Borders, subscripts *i* and *t* stand for individual country and time respectively, while ε_{it} is the error term.

29.5 Data Sources and Estimation Technique

This research work utilises a panel data covering 15 countries in West Africa over a period of 2006 to 2018. The countries covered are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Private investment, GDP and interest rate data are collected from World Development Indicator (WDI) while data on doing business indicators are sourced from the World Bank annual Doing Business Report. Each of the indicators is score from 0 to 100; the closer to 100, the better the business environment.

The study employed a one-way error component model and two estimation methods, viz, fixed effect and random effect GLS (Generalised Least Squares) are considered for the estimation. The Hausman specification test is used to choose between the two alternative methods.

29.5.1 Panel Homogeneity Test

Before estimating the panel model, it is essential to conduct the homogeneity test, so as to be sure that the panel is not a mere bringing together of homogenous groups. Table 29.1 presents the individual homogeneity test results for all the models. The results indicated rejection of the hypothesis that individual countries in the panel are homogenous. So, the uses of methods of handling panel homogeneity such as the fixed and random effects models are required.

Table 29.1: Test for Panel Homogeneity

Model	Statistic	P-Value	Remarks
Model 1: Model with all the Doing Business Indicators	43.98	0.0000	Reject
Model 2: Model with Dealing with Construction Permit	72.07	0.0000	Reject
Model 3: Model with Enforcing Contracts	69.23	0.0000	Reject
Model 4: Model with Getting Credit	72.23	0.0000	Reject
Model 5: Model with Getting Electricity	70.47	0.0000	Reject
Model 6: Model with Paying Tax	78.11	0.0000	Reject
Model 7: Model with Protecting Minority Investors	77.75	0.0000	Reject
Model 8: Model with Registering Property	51.44	0.0000	Reject
Model 9: Model with Resolving Insolvency	67.88	0.0000	Reject
Model 10: Model with Starting a Business	80.55	0.0000	Reject
Model 11: Model with Trade across Border	73.67	0.0000	Reject

Source: Computed by Authors

29.5.2 Hausman Specification Test

Hausman specification tests were conducted to choose between Fixed Effect and Random Effect models for each of the estimation. The results are presented in Table 29.2. The results indicated non-rejection of the null hypothesis which shows that Random Effect Model is preferred to Fixed Effect Model. Therefore, only the Random Effect GLS result is presented in the next section.

Table 29.2: Hausman Specification Test

Models	Chi-Square Statistic	P-Value	Remarks
Model 1: Model with All Ten Doing Business Indicators	4.05	0.9825	Do not reject
Model 2: Model with Construction Permit	1.95	0.5821	Do not reject
Model 3: Model with Enforcing Contracts	1.35	0.7165	Do not reject
Model 4: Model with Getting Credit	2.78	0.4268	Do not reject
Model 5: Model with Getting Electricity	2.21	0.5300	Do not reject
Model 6: Model with Paying Tax	2.24	0.5247	Do not reject
Model 7: Model with Protecting Minority Investors	2.51	0.1337	Do not reject
Model 8: Model with Registering Property	7.58	0.0555	Do not reject
Model 9: Model with Resolving Insolvency	3.25	0.3541	Do not reject
Model 10: Model with Starting a Business	1.43	0.6982	Do not reject
Model 11: Model with Trade Across Border	1.47	0.6882	Do not reject

Source: computed by authors

29.5.3 Random Effect GLS Regression Results

The regression results are presented in Tables 29.3a, 29.3b and 29.3c. The first model consists of the ten Doing Business Indicators so as to see the joint effects of these indicators on investment in West Africa. Dealing with construction permit is controlled for in the second model while enforcing contract, getting credit, getting electricity, paying tax, protecting minority, registering property, resolving insolvency, starting business and trade across border are controlled for in model 3 to 11 respectively.

The theoretical variables, viz, Growth Rate of GDP (GRGDP) and interest rate (INTR) are statistically significant in all the models. The coefficients of the two variables are positive. The coefficient of growth conforms to a priori expectation and confirms findings in previous studies such as Bosco and Emerence (2016) who found significant positive effect of GDP growth on Private Investment in Rwanda. On the other hand, the positive sign displayed by coefficient of real interest rate contradicts the theoretical expectation which states that higher interest rate discourages private investor. However, this finding is similar to the finding of Bosco and Emerence (2016) who argued that higher interest rates on deposits attract more real balances, which allows the economy to finance more investments. The evidence presented in this

chapter is that higher economic growth and real interest rate would attract more investments in the West African sub-region.

On average, one percentage point increase in growth will increase investment as ratio of GDP by 0.725 point. However, when all the ten Doing Business indicators are controlled for, a one percentage point increase in growth induces about 0.81 point increase in investment. This implies that the impact of growth on investment is higher with better business environment.

We expect a positive relationship among all of the ten indicators of doing business and investment since an increase in the score of doing business would mean improvement in the business environment. Improvement in the indicators signals that the obstacles or restrictions to starting a new business and accruing the profit from the business are removed or at least reduced significantly. In the first model where all the Doing Business indicators are controlled for, seven of the indicators are statistically significant, while three are not statistically significant. The insignificant variables are enforcing contract, paying tax and registering property. Among the significant indicators, dealing with construction permit, getting electricity, protecting minority investors and starting a business have positive signs as expected. On the other hand, getting credit, resolving insolvency and trade across border show negative signs which are contrary to expectation.

Relatively, protecting minority investors exerts more influence on investment with coefficient of 0.233 which implies that if a country moves one point upward in her score of protecting minority investors, investment as ratio of GDP would rise by 0.233 point. Next to protecting minority investors is dealing with construction permit with coefficient of 0.185, while one point increase in the scores of getting electricity and starting a business would induce an increase in investment as ratio of GDP by 0.148 and 0.095 points respectively. However, all the indicators except three are not statistically significant when the indicators are controlled for one after the other in models 2 to 11. The three significant indicators are trade across border which is significant at 5%, and getting credit and starting business which are significant only at 10%. Only starting business has correct sign while the remaining two have incorrect signs.

Evident in the results is that the effect of doing business indicators on investment is interwoven and reinforces one other such that if a government focuses on just one of them while ignoring others, the one focused on may not be able to influence investment significantly. Therefore, to attract significant investment in West Africa, policymakers and reformers in the sub-region should make conscious efforts to change the narrative in all the doing business indicators particularly dealing with construction permit, getting electricity, protecting minority investors and starting a business. Based on the results in this study above these are the only indicators that influence investment positively. The significant negative coefficient of getting credit may be due to the fact that most financial institutions especially the commercial banks in the sub-region do not often give loans to small and medium-sized firms or the real sector at large. The inability of local firms (local investors) to favourably compete with foreign firms which are mostly operating at economy of scale may be responsible for the significant negative sign of trade across border. Thus, reducing the time and cost of trading across border will allow an inflow of foreign goods which displace domestic products in the market.

Table 29.3a: Random Effects Regression Result

Variables	Model 1			Model 2			Model 3			Model 4		
	No. of Observation = 102			No. of Observation = 102			No. of Observation = 102			No. of Observation = 102		
	Coeff.	T-Stat.	P-Value	Coeff.	T-Stat.	P-Value	Coeff.	T-Stat.	P-Value	Coeff.	T-Stat.	P-Value
GRGDP	0.810	10.22	0.000	0.717	8.40	0.000	0.699	8.18	0.000	0.728	8.59	0.000
INTR	0.363	6.40	0.000	0.322	5.10	0.000	0.330	5.31	0.000	0.349	5.57	0.000
DwCP	0.185	2.43	0.015	0.060	0.88	0.378	-	-	-	-	-	-
EFC	-0.022	-0.17	0.865	-	-	-	0.134	1.31	0.190	-	-	-
GC	-0.142	-3.12	0.002	-	-	-	-	-	-	-0.090	-1.88	0.060
GE	0.148	2.12	0.034	-	-	-	-	-	-	-	-	-
PTX	-0.067	-0.99	0.322	-	-	-	-	-	-	-	-	-
PMI	0.233	2.08	0.037	-	-	-	-	-	-	-	-	-
RP	-0.089	-1.44	0.151	-	-	-	-	-	-	-	-	-
RI	-0.264	-3.71	0.000	-	-	-	-	-	-	-	-	-
SB	0.095	3.32	0.001	-	-	-	-	-	-	-	-	-
TAB	-0.098	-2.55	0.011	-	-	-	-	-	-	-	-	-
Constant	10.121	1.17	0.243	14.736	3.05	0.002	11.403	1.92	0.055	20.715	6.04	0.000
F-statistic	172.76	-	0.000	99.87	-	0.000	102.08	-	0.000	104.83	-	0.000
R-squared	0.6811	-	-	0.5339	-	-	0.5570	-	-	0.5481	-	-
F-test	43.98	-	-	72.07	-	-	69.23	-	-	72.23	-	-

Table 29.3b: Random Effects Regression Result

Variables	Model 5			Model 6			Model 7			Model 8		
	No. of Observation = 102			No. of Observation = 102			No. of Observation = 102			No. of Observation = 102		
GRGDP	0.714	8.40	0.000	0.718	8.40	0.000	0.717	8.26	0.000	0.716	8.12	0.000
INTR	0.331	5.32	0.000	0.334	5.31	0.000	0.330	5.27	0.000	0.334	5.17	0.000
DwCP	-	-	-	-	-	-	-	-	-	-	-	-
EFC	-	-	-	-	-	-	-	-	-	-	-	-
GC	-	-	-	-	-	-	-	-	-	-	-	-
GE	0.075	1.40	0.163	-	-	-	-	-	-	-	-	-
PTX	-	-	-	-0.043	-0.69	0.492	-	-	-	-	-	-
PMI	-	-	-	-	-	-	0.013	0.16	0.870	-	-	-
RP	-	-	-	-	-	-	-	-	-	0.034	0.57	0.568
RI	-	-	-	-	-	-	-	-	-	-	-	-
SB	-	-	-	-	-	-	-	-	-	-	-	-
TAB	-	-	-	-	-	-	-	-	-	-	-	-
Constant	14.533	3.66	0.000	20.038	4.49	0.000	17.318	3.43	0.001	16.238	4.05	0.000
F-statistic	101.95	-	0.000	99.61	-	0.000	99.58	-	0.000	93.72	-	0.000
R-squared	0.5394	-	-	0.5360	-	-	0.5330	-	-	0.5295	-	-
F-test	70.47	-	-	78.11	-	-	77.75	-	-	51.44	-	-

Table 29.3c: Random Effects Regression Results

Variables	Model 9			Model 10			Model 11		
	No. of Observation = 129			No. of Observation = 129			No. of Observation = 129		
GRGDP	0.707	8.26	0.000	0.727	8.65	0.000	0.723	8.67	0.000
INTR	0.342	5.43	0.000	0.314	5.06	0.000	0.353	5.69	0.000
DwCP	-	-	-	-	-	-	-	-	-
EFC	-	-	-	-	-	-	-	-	-
GC	-	-	-	-	-	-	-	-	-
GE	-	-	-	-	-	-	-	-	-
PTX	-	-	-	-	-	-	-	-	-
PMI	-	-	-	-	-	-	-	-	-
RP	-	-	-	-	-	-	-	-	-
RI	-0.082	-1.53	0.126	-	-	-	-	-	-
SB	-	-	-	0.042	1.73	0.083	-	-	-
TAB	-	-	-	-	-	-	-0.076	-2.12	0.034
Constant	19.763	6.12	0.000	15.161	4.10	0.000	22.025	5.80	0.000
F-statistic	101.33	-	0.000	105.76	-	0.000	108.46	-	0.000
R-squared	0.5390	-	-	0.5489	-	-	0.5542	-	-
F-test	67.88	-	-	80.55	-	-	73.67	-	-

Source: computed by authors Note 1: Coeff. means Coefficients; and T-Stat. means T-Statistics

29.6 Lessons for Nigeria

In the 2020 edition of Doing Business report, Nigeria had relatively high scores in six of the indicators, viz, starting business (86.2), getting credit (85.0), dealing with construction permit (73.6), protecting minority investors (72.0), enforcing contract (61.5) and to a less extent paying taxes (53.7). The score in getting electricity is 47.4, resolving insolvency is 30.6, registering property is 29.5 and trading across border is 29.2. In terms of ranking among 190 countries, the country is ranked 15, 28, 55, 73, 105, 148, 159, 169, 179

and 183 respectively in getting credit, protecting minority investors, dealing with construction permit, enforcing contract, starting a business, resolving insolvency, paying taxes, getting electricity, trading across border, and registering property.

Though Nigeria's score in starting business is impressive, the ranking of the country is still far below many countries. Each of the 104 countries that are ranked above Nigeria has more potential of attracting more investment. Since each country is competing in a global investment market, investors would prefer to take their investment to countries where it is easier to start a business. According to the report, there are 7 procedures a potential investor will go through before getting legal approval to start a business in the country, while in some countries, it is just one procedure. Also, the cost of starting a business minus bribe is as high as 26.1% of income per capita. Thus, irrespective of the high score obtained in starting business, there is the need to take appropriate measures to reduce the number of procedures, time required and cost of starting a business to the barest minimum.

Obviously, conscientious effort is required in the areas of resolving insolvency, paying taxes, getting electricity, trading across border, and registering property. More specific attention should be given to getting electricity which shows significant positive influence on investment in our regression result. Currently an investor would go through 7 different procedures to get connected to the electrical grid and it takes about 110 days to get connected. The cost of getting connected is about 296.4% of income per capita. The cost, time required and number of procedures are high to discourage potential investors.

Other areas of improvement are payment of taxes, dealing with construction permit, registration of property, resolving insolvency and enforcing contract. According to the current Doing Business report, firms make on the average about 48 different payments and the firm need over 343 hours per year to pay taxes. Presently, taxes constitute about 34.8% of firm's profit. Obviously, the number of different taxes, the time required to pay taxes and the cost of tax are at the high side and could discourage investors. In terms of dealing with construction permit, there are minimum of 15 procedures involved and it takes

about 105 days to complete the procedure. In the case of registering property, there are 12 procedures and it takes an average of 92 days. Also, it takes an average of 2 years to resolve insolvency issue and it cost about 22% of estate. Finally, it takes an average of 399 days to enforce contract and it cost about 38.9% of claim value.

Generally, the number of procedures needs to be reduced to a reasonable minimum number and the costs of all the procedures should be reviewed downward. All the different tax payments should be harmonised to a single payment per year and the procedure of payment should be automated such that it does not time much time to pay.

29.7 Concluding Remarks

This chapter paper examined the relative impact of ten Doing Business Indicators on investment using a sample of fifteen West African countries over the period of 2006 to 2018. A static one-way panel model was specified and two estimation methods, viz, fixed and random effects model were considered to gauge the model. With the help of the Hausman specification test, a random effect model was chosen and was used to analyse the data. The results reveal that economic growth, dealing with construction permit, getting electricity, protecting minority investors, and starting a business have a positive and significant influence on investment in West Africa.

It is concluded, therefore, that economic progress in terms of the increasing growth rate of GDP is crucial to attracting more investment in West African sub-region; and the regulatory institutions of businesses are generally important. More specifically, progress in the areas of dealing with construction permit, getting electricity, protecting minority investors, and starting a business are pivotal to investment in the sub-region. The findings also show that the Doing Business indicators reinforce one another, thus, focusing on one or some and ignoring others will not be sufficient to attract significant volume of investments.

It is, therefore, recommended that policymakers in West Africa should make conscious efforts to reduce the number of procedures, time required and cost of starting a business, getting construction permit, and getting connection to electricity grid. Efforts should also be made to protect the interest of minority investors.

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