

## The Perception of Administrative Barriers and Their Implications for SMEs' Performance: Evidence from Slovenia\*

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**Abstract:** *The importance of small and medium-sized enterprises (SMEs) is widely recognised for the Slovenian economy. However, the issues regarding legislative and other administrative barriers and their perception by SMEs as a heterogeneous group of enterprises are not yet fully investigated. The main research hypothesis concerns that there exist significant differences in the perception of administrative barriers among characteristic SME groups. Consequently, this paper aims to provide a comprehensive analysis of the key administrative barriers SMEs face in Slovenia. This entails three activities: (1) identifying the main areas in which barriers are found; (2) establishing what they imply performance-wise; and (3) providing policymaker guidelines tailored to different SME groups (size, legal form, sector, age). The empirical results, based on one-way analysis of variance (ANOVA) and Bonferroni post hoc tests on a sample of 925 SMEs, show differences in the various groups of SMEs mentioned above. Thus, it is shown that it is most promising to address the administrative barriers through an in-depth approach that targets specific enterprise groups and is reflected within guidelines for responsible policymakers.*

**Keywords:** administrative barriers; SME; Slovenia; public administration; policy

**JEL Classification:** L26, K20, K23

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## Introduction \*\*\*

Small and medium-sized enterprises (SMEs) play a key role in the Slovenian economy, as they represent the engine of growth and job creation. In Slovenia, SMEs represent almost the whole population of enterprises providing over 72% of employment and nearly 63% of value added (European Commission, 2017). However, in comparison with the large enterprises, SMEs often have worse performance, which is reflected in lower profitability, higher staff turnover, lower rate of survival etc. (European Parliament, 2016). The latter can be partly attributed to the existence of several barriers enterprises are facing in Slovenia and other EU member countries. Economic literature highlights various barriers that SMEs are facing, whereby administrative obstacles and their removal are of great importance, especially in terms of improving the business environment and achieving greater competitiveness of the economy.

The business environment is nowadays characterized by volatility, uncertainty, complexity and ambiguity, all bringing challenges to business operations. It is often associated with several unnecessary administrative barriers imposed by extensive, ever-changing and inconsistent legislation. In the literature, it is highlighted that economies with better legislation grow faster (Djankov et al., 2006). In terms of improving the business environment and becoming more economically competitive, lowering administrative barriers is one of the main prerequisites (Aristovnik & Obadić, 2015). Compliance with all relevant legislation is becoming increasingly complex. The extensive legal regulation and lengthy administrative procedures adopted in recent years due to Europeanization and globalization processes are ever more burdensome on enterprises. As emphasized by Segarra-Blasco et al. (2008), global processes, strong international competition, social, economic and political changes and the diffusion of information technology in the twenty-first century require public sector reform, mainly the modernization and mobilization of all forms of resources to improve individual and organizational effectiveness and efficiency. Institutions define the routines, rules and laws which are important regulating the interactions between individuals, groups and organizations (Edquist, 2001). The legal and administrative frameworks both define the quality of a country's public governance and strongly influence SMEs investment decisions, competitiveness and growth. Moreover, this influences the time-to-market, and the probability of a product's market success (WEF, 2015). In this context, it is particularly important that relationships between government and enterprises are adapted so as to enable the easing of such barriers and complementary cooperation.

By definition, an administrative barrier is everything that unjustifiably hampers business operations of enterprises. In general, it covers all costs arising from unnec-

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essary administrative obligations that enterprises must fulfil due to the legislation. Administrative barrier represents an administrative burden, which is not strictly necessary for the achievement of the public interest, not rationally justified and can be removed without any damage to the public interest (Ministry of the Interior, 2013). In literature, it is established that administrative barriers arising from existing legislation and regulations hinder the private sector's performance, especially SMEs (Milavec & Klun, 2011). Namely, compared to large enterprises, SMEs often do not have sufficient human and financial capability, to help them cope with administrative barriers (Ministry of Economic Development and Technology, 2009). Most EU member countries therefore seek to reduce bureaucracy as this can create a better business environment for SMEs (Aristovnik & Obadić, 2015). However, reducing bureaucracy is not only based on the adoption of high-quality regulation but also on the good functioning of public institutions since it can reduce administrative costs in terms of compliance with legal obligations, negatively impacting SMEs' productivity (Slabe-Erker & Klun, 2012). According to a European Commission assessment, administrative costs in the EU represent about 3.5% of GDP, while in Slovenia they are some 4.1% of GDP (European Commission, 2006). It is therefore crucial to lower administrative costs or the unnecessary obligations they impose, especially for SMEs. Extreme bureaucracy disproportionately burdens SMEs, establishing both incentives and opportunities for bribery and corruption. The quality of public administration is also an important driver of a country's competitiveness. Interestingly, in the Global Competitiveness Report 2017-2018 (GCR 2017-2018) Slovenia ranks 48th among 137 countries included (WEF, 2017). Yet, despite its seemingly good position, it is positioned only 118th in terms of the burden of government regulation and 40th for the time to start a business. In particular, inefficient government bureaucracy is stressed in the report as a highly problematic factor for doing business, representing the 2nd biggest obstacle.

In the context of evaluation of the administrative barriers, it is important to consider that SMEs are a heterogeneous group of enterprises, which can affect perception of administrative barriers (Obadić et al., 2017). The main reason behind different perception of administrative barriers is that a significant proportion of SMEs use outsourced services, especially for administrative activities associated with taxes and financial reporting (Ravšelj & Aristovnik, 2018). For example, enterprises with lower turnover are generally smaller than the ones with higher turnover and are generally lacking in financial resources in order to employ accordingly skilled personnel. Therefore, the use of outsourced services seem to be the best alternative for these enterprises. By contrast, enterprises with higher turnover have more financial resources available and therefore they can afford to perform financial, accounting and other reporting functions internally with their own respective department. Besides SME size and turnover (UNCTAD, 2000), also the age can have an impact on the extent of the use of outsourced services or time spent to meet the obligations of the public administration. Namely, younger enterprises, even after they have built their own com-

petencies, rely largely on external accountants and maintain relationships with them (ACCA, 2013). Moreover, younger enterprises, which are generally in the initial stage of development and looking for their opportunity in business, are often confronted with a lack of the knowledge of regulatory requirements. Therefore, it is expected that younger enterprises cope with the administrative barriers externally using the outsourced services. By contrast, it is expected that older enterprises cope with the administrative barriers internally within their own responsible departments. The aforementioned differences of different groups of SMEs can consequently lead to a different perception of administrative barriers in different administrative fields. The legal and administrative framework also defines various administrative procedures and reporting obligations, which may differ based on legal form of an enterprise (i.e. private limited company, public limited company, limited partnership, private unlimited company, economic interest grouping, sole proprietorship,...). Moreover, the nature of sector in which enterprises operate, also calls for different obligations, concerning work safety, transparency, reporting standards and permits. For example, enterprises within the primary sector are presumably more frequently dealing with inspections and building permits.

Based on the literature review, it can be assumed that SMEs characteristics play a vital role in the perception of administrative barriers. The latter; however, may differ depending on the characteristics taken into consideration. Therefore, the aim of this paper is to determine the differences in administrative barriers perception within characteristic SME groups (e.g. SMEs according to size, legal form, sector and age). The main hypothesis of this study, which will be guiding the research, can be defined as follows: *Significant differences in the perception of administrative barriers exist among characteristic SME groups.* The remaining sections of this paper are organized as follows. In the next section, the data and methodology are described. Then a presentation of the study's main results follows. In the continuation, a discussion, highlighting the importance of the main results follows. Finally, references are provided.

## Data and Methodology

The data for the research was collected using a questionnaire. The content of questionnaire was formed by the academia experts in the economic and legal fields together with the recommendations from the practitioners, i.e. representatives of the Chamber of Craft and Small Business of Slovenia as well as entrepreneurs. It contains 39 questions, of which one is of an open type and covers different key fields, where SMEs can face administrative barriers. The respondents could leave certain questions blank if the content was not applicable to them. The questionnaire was distributed via two paths, namely through the web and field survey. The web survey was anonymous, while the field survey was not. In order to gain a suitable response

rate, the research team collaborated with representatives of Slovenian initiative “Stop the bureaucracy” and the Chamber of Craft and Small Business of Slovenia. The web survey has been running in the period between 7. 11. 2016 and 8. 3. 2017 and promoted via: (1) Stop the bureaucracy web portal and its official Facebook site, and (2) e-mail sent to the members of the Chamber of Craft and Small Business of Slovenia. It was done by using an online application form “EnKlikAnketa”. Since the web survey resulted in 273 responses only, it has been accompanied with the field survey, which has been running from 8. 1. 2017 to 29. 4. 2017. In order to enable generalization of the results to all Slovenian SMEs, two criteria have been followed in the selection of enterprises included in the field survey: regional base and legal status. The field survey resulted in 652 responses. Altogether, 925 questionnaire survey replies have been received of the total population of 195.733 SMEs.. However, the structure of the sample is comparable to the structure of SMEs population, which means that the sample is representative.

According to administrative barrier definition, all administrative areas where business operations of enterprises are potentially hampered, were encompassed: sectoral regulation, employment, payment of duties, financial and accounting reports, inspections, building permits and enterprise status. Firm performance was referred to as the firm's internal and external success, taking into account the resource-based view of the firm, which argues that performance depends mainly on a firm's resources and infrastructure (Hooley & Greenley, 2005; Merrilees et al., 2011, Pasanen, 2003). However, it is also a complex and multidimensional phenomenon (Pasanen, 2003). Therefore, we encompassed numerous administrative barrier performance implications: additional time, additional financial resources, frequent regulatory changes, excessive number of different procedures, additional personal communication, excessive number of different documents, outsourcing/ additional assistance needed.

Based on the data from questionnaire, the following variables have been created:

- *administrative barrier areas* (number (0-3) of administrative barriers within an administrative area):
  - o sectoral regulation
  - o employment
  - o payment of duties
  - o financial and accounting reports
  - o inspections
  - o building permits
  - o enterprise status
- *main administrative barrier performance implications* (number (0-5) of main<sup>1</sup> administrative areas, affected by an implication):

- o additional time
- o additional financial resources
- o frequent regulatory changes
- o excessive number of different procedures
- o additional personal communication
- o excessive number of different documents
- o outsourcing/additional assistance needed
- *occasional administrative barrier performance implications* (number (0-5) of other<sup>2</sup> administrative areas, affected by an implication):
  - o additional time
  - o additional financial resources
  - o frequent regulatory changes
  - o excessive number of different procedures
  - o additional personal communication
  - o excessive number of different documents
  - o outsourcing/additional assistance needed

Characteristic SME groups are created by using the following criteria. Size is defined as: 1) micro enterprises (fewer than 10 employees); 2) small enterprises (10-49 employees); 3) medium enterprises (50-250 employees). Legal form is characterised as: 1) private limited company; 2) public limited company; 3) limited partnership; 4) private unlimited company; 5) economic interest grouping; 6) sole proprietorship; 7) other. Sector is defined as: 1) primary; 2) secondary; 3) tertiary; 4) quaternary. Size is characterised as operating time as: 1) less than 1 year; 1-5 years; 6-10 years; 11-20 years; more than 20 years. In order to determine the differences in administrative barriers perception within characteristic SME groups one-way analysis of variance (ANOVA)<sup>3</sup> was used for interval level variables that were normally distributed and pairwise comparisons were provided through Bonferroni *post hoc* tests. The underlying mathematics is comparable, to that of regression analysis, and the choice of which type of test to use is based on study design, not on the advantages of one or other technique (Kemp & Kemp, 2004). If we are interested evaluating several aspects of the data (e.g., strength of relationship, variance explained) secondary to the overall significance, regression analysis is recommendable (Kemp & Kemp, 2004, Ropret et al., 2012). As the ANOVA method tests the hypotheses of differences between within-group conditions, but does not determine which groups are different from the other, pairwise comparisons were done using a Bonferroni post-hoc test. The latter uses t tests to perform pairwise comparisons between group means, but controls overall error rate by setting the error rate for each test to the experiment wise error rate divided by the total number of tests. Hence, the observed significance level is adjusted for the fact that multiple comparisons are being made (Lee et al., 2016).

## Results

The results of the statistical analysis are presented within Table 1. In the continuation, descriptive statistics are presented (mean, std. deviation) so as to provide an overall representation of the studied sample of SMEs. Next, in-depth results of administrative barrier perception with regard to different enterprise characteristics (size, age, legal form, sector) are provided.

Based on the descriptive statistics for the whole sample (Table 1), following results can be summarised:

- For *administrative barrier areas*, sectoral regulation (Q1,  $\mu = 2.42$ ) and building permits (Q6,  $\mu = 2.41$ ) stand out as the most burdensome. At the same time, enterprise status changes (Q7,  $\mu = 2.01$ ) achieved the lowest mean value.
- As concerns *main administrative barrier performance implications*, excessive number of different documents (Q13,  $\mu = 2.11$ ), additional time needed (Q8,  $\mu = 2.05$ ) and frequent regulatory changes (Q10,  $\mu = 1.99$ ) were described as most problematic. Surprisingly, a very low mean value was identified for the needed additional personal communication (Q12,  $\mu = 0.51$ ).
- Within *occasional administrative barrier performance implications*, excessive number of different documents (Q20,  $\mu = 2.03$ ) and excessive number of different procedures additional time needed (Q18,  $\mu = 2.00$ ) were described as most burdensome. The lowest mean value was identified for the needed additional personal communication (Q19,  $\mu = 0.77$ ).
- Based on the calculated standard deviations for the entire sample, indications exist that heterogeneous enterprise groups may exist with regard to administrative barrier perception (Q12, Q18, Q19 and other variables). Consequently, an analysis of proper enterprise groups may reveal even more interesting patterns in administrative barrier perception.

Table 1: The results of the statistical analysis

Variable	AVG	SD	Size	Legal form	Sector	Age
Q1 - Sectoral regulation (0-3)	2.42	0.76	0.006*	0.447	0.587	0.000*
Q2 - Employment (0-3)	2.26	0.80	0.094	0.057	0.516	0.015*
Q3 - Payment of duties (0-3)	2.10	0.84	0.519	0.027*	0.011*	0.013*
Q4 - Financial and accounting reports (0-3)	2.16	0.83	0.014*	0.053	0.647	0.012*
Q5 - Inspections (0-3)	2.30	0.82	0.001*	0.199	0.202	0.028*
Q6 - Building permits (0-3)	2.41	0.82	0.026*	0.060	0.273	0.013*
Q7 - Enterprise status (0-3)	2.01	0.89	0.916	0.290	0.756	0.084
Q8 - Additional time (0-5)	2.05	1.57	0.077	0.139	0.406	0.650
Q9 - Additional financial resources (0-5)	1.28	1.33	0.386	0.427	0.484	0.076
Q10 - Frequent regulatory changes (0-5)	1.99	1.54	0.006*	0.001*	0.047*	0.000*
Q11 - Excessive number of different procedures (0-5)	1.66	1.36	0.000*	0.072	0.739	0.000*
Q12 - Additional personal communication (0-5)	0.51	0.80	0.726	0.432	0.890	0.126
Q13 - Excessive number of different documents (0-5)	2.11	1.48	0.342	0.963	0.002*	0.219
Q14 - Outsourcing/additional assistance needed (0-5)	1.83	1.58	0.000*	0.127	0.329	0.117
Q15 - Additional time (0-5)	1.94	1.97	0.435	0.482	0.805	0.954
Q16 - Additional financial resources (0-5)	1.46	1.74	0.278	0.554	0.689	0.618
Q17 - Frequent regulatory changes (0-5)	1.28	1.75	0.440	0.018*	0.817	0.508
Q18 - Excessive number of different procedures (0-5)	2.00	1.94	0.029*	0.035*	0.808	0.000*
Q19 - Additional personal communication (0-5)	0.77	1.41	0.893	0.123	0.505	0.433
Q20 - Excessive number of different documents (0-5)	2.03	1.88	0.629	0.298	0.086	0.899
Q21 - Outsourcing/additional assistance needed (0-5)	1.52	1.88	0.225	0.708	0.156	0.565

Note: \* indicates significance of the results at 95% level ( $P \leq 0.05$ ).

Source: Own calculations

Continuing with administrative barrier perception within enterprise groups by their characteristics, the following results can be observed:

- *enterprise size was identified as an important factor in administrative barrier perception:*
  - *As far as administrative barrier areas are concerned*, larger enterprises exposed sectoral regulation ( $P = 0.006$ ), financial and accounting reports ( $P = 0.014$ ), inspections ( $P = 0.001$ ) and building permits ( $P = 0.026$ ) to a greater degree than other enterprise groups.
  - Concerning *main administrative barrier performance implications*, larger enterprises exposed frequent regulatory changes ( $P = 0.006$ ), excessive number of different procedures ( $P = 0.000$ ). At the same time, smaller enterprises emphasized the need for outsourcing their activities ( $P = 0.000$ ).
  - Concerning *occasional administrative barrier performance implications* larger enterprises exposed excessive number of different procedures ( $P = 0.029$ ).
- *enterprise legal form represents another important factor:*
  - *When administrative barrier areas are evaluated*, sole proprietors exposed payment of duties ( $P = 0.027$ ) to a greater degree than other enterprise groups.
  - Concerning *main administrative barrier performance implications*, private and public limited companies exposed frequent regulatory changes ( $P = 0.001$ ).
  - Concerning *occasional administrative barrier performance implications* private and public limited companies are the ones significantly standing out in expressing problematic frequent regulatory changes ( $P = 0.018$ ) and excessive number of different procedures ( $P = 0.035$ ).
- *enterprise sector is another key factor:*
  - *As far as administrative barrier areas are concerned*, the primary sector expressed to a significantly higher degree than any other sectors the payment of duties as being problematic ( $P = 0.011$ ). Interestingly, as far as other areas are concerned, the results suggest no difference among sectors in administrative barrier perception ( $P > 0.05$ ).
  - Concerning *main administrative barrier performance implications*, the tertiary sector particularly expressed an excessive number of different documents ( $P = 0.002$ ), while the primary sector stood out in highlighting frequent regulatory changes ( $P = 0.047$ ).
  - Concerning *occasional administrative barrier performance implications*, there were no significant differences identified among the sectors ( $P > 0.05$ ).
- *enterprise age is also an important differentiating factor:*
  - *When administrative barrier areas are evaluated*, younger enterprises exposed payment of duties to a greater degree than older enterprises ( $P =$

0.035). On the other hand, older enterprises exposed sectoral regulation ( $P = 0.000$ ), employment ( $P = 0.015$ ), financial and accounting reports ( $P = 0.012$ ), inspections ( $P = 0.028$ ) and building permits ( $P = 0.013$ ) to a greater degree than younger enterprises.

- o Concerning *main administrative barrier performance implications*, older enterprises exposed frequent regulatory changes ( $P = 0.000$ ) and excessive number of different procedures ( $P = 0.000$ ).
- o Concerning *occasional administrative barrier performance implications*, older enterprises exposed excessive number of different procedures ( $P = 0.000$ ).

Based on the above results of the statistical analyses, we can summarise that significant differences exist in the perception of administrative barriers among the SME groups, as defined by size, legal form, sector and enterprise age. Consequently, the main hypothesis of this study, which predicted significant differences in the perception of administrative barriers among characteristic SME groups, can be confirmed.

## Conclusions

The business environment is nowadays characterized by volatility, uncertainty, complexity and ambiguity, all bringing challenges to business operations. It is often associated with several unnecessary administrative barriers imposed by extensive, ever-changing and inconsistent legislation. In this context, the most problematic fact is that SMEs are most affected by administrative barriers. Consequently, the imperative to remove administrative barriers is vital for further advancing SMEs performance, which can ultimately be reflected in the greater competitiveness of the Slovenian economy as these enterprises represents almost the whole population of enterprises in Slovenia. However, because of the heterogeneity of the SME population, there may be also more vulnerable groups of SMEs, which perceive administrative barriers in a different way than other groups of SMEs. Accordingly, this paper was aimed to determine the differences in administrative barriers perception within characteristic SME groups (e.g. SMEs according to size, legal form, sector and age).

The results of the statistical analysis confirm the main hypothesis of this paper that there are significant differences in the perception of administrative barriers among characteristic SME groups. As regards the areas in which barriers were found, sectoral regulation, building permits, employment and procedures are highlighted as being significantly more important for enterprises that are larger, more mature and organized as either a limited liability or joint-stock company. Concerning other enterprise groups, it is mainly the young group of smaller companies that stands out for its significantly higher perception of the barrier area of public duty payments. Further, the identified barriers hold valuable implications for an enterprise's operational

performance. Namely, companies that are smaller, younger and individual entrepreneurs to a significantly greater extent outsource burdensome activities (e.g. payment of public duties, accounting, legal advice). On the contrary, larger enterprises, that are more mature and organized by way of a limited liability or joint-stock company devote significantly more time to fulfilling their obligations to the public administration on their own. Younger enterprises, which are generally in the initial stage of development and looking for their opportunity in business, are often confronted with a lack of the knowledge of regulatory requirements. The aforementioned differences of different groups of SMEs can consequently lead to a different perception of administrative barriers in different administrative fields. Despite the enterprises' efforts, the frequency in the numbers of amendments and administrative procedures themselves proves to act as a brake on their business operations. According to Global Competitiveness Report 2017-2018 (GCR 2017-2018) Slovenia ranks 48th overall, while only 118th in terms of the burden of government regulation and 40th for the time to start a business. Inefficient government bureaucracy is stressed in the report as a highly problematic factor for doing business, representing the 2nd biggest obstacle. Consequently, the imperative to remove administrative barriers is vital for further advancing SME competitiveness.

In specifically addressing the need for public administration studies relating to reducing administrative barriers in Slovenia and other Central and Eastern European countries (Koprić, 2012; Kovač, 2015), the scientific contribution is demonstrated in its original methodology of a comprehensive evaluation of administrative barriers, tailored to different SME groups (size, legal form, sector, age). Institutions define the routines, rules and laws important for regulating the interactions between individuals, groups and enterprises (Edquist, 2010; European Commission, 2010). Consequently, the removal of administrative barriers directly impacts the business environment and is thus essential for promoting innovations, productivity, competitiveness and growth. Through the proposed guidelines for different SME groups, the Slovenian PA will be able to put in place public policies, strategies, mechanisms, legal, financial, and information-based foundations and other resources to efficiently and effectively promote a competitive business environment. Also, in line with Slovenia's Vision 2050 and the Slovenian Development Strategy 2030 (Government Office for Development and European Cohesion Policy, 2017), institutional efficiency improvements will arise from the identified means for more efficient public administration and public consumption, reduction of the heavy regulatory burden and the protracted administrative and judicial procedures. Moreover, the research paper supports efficiency, effectiveness and innovation, all integral components of the EU's development strategy Europe 2020 and related emerging strategies, which see these elements as important drivers of economic growth and social well-being.

Based on these results, unexploited potential in Slovenia is indicated by eradicating such administrative barriers, while important differences in the challenges

the different company groups face are revealed. Thus, it is shown that what is most promising for addressing their impact as an administrative barrier is to adopt an in-depth approach that targets specific enterprise groups, which should be facilitated by a definition of guidelines for responsible policymakers to foster the removal of such barriers

Thus, it is shown that what is most promising for addressing their impact as an administrative barrier is to adopt an in-depth approach that targets specific enterprise groups, which should be facilitated by a definition of guidelines for responsible policymakers to foster the removal of such barriers. We recognise that the Commission's 2007 Action Programme aimed at reducing administrative burdens on businesses in the EU member states was able to exceed its goal of reducing the administrative burden by 25% at EU level. Yet, now it is up to the Member States to ensure that businesses actually feel the benefits, by transposing the burden reduction measures into national law in the most effective way possible. Studies carried out in connection with the Action Programme have shown that 32% of administrative costs are due not to the demands of EU law itself, but to its being transposed in the Member States in a way that is inefficient (European Commission, 2014). Before applying the appropriate measures, the states must first be aware of their own challenges, which it is currently experiencing.

Slovenia faces an overwhelming number of legislative and other issues burdens that, in particular, cause unnecessary barriers to SMEs. The regulations are too many, which they are accountable for information on the Tax, Financial and Legal Portal (Tax–Fin–Lex portal). In 1991, the number of valid laws and implementing regulations in Slovenia amounted to 1,233. However, within 15 years, this number increased significantly to 19,285 (Tax, Financial and Legal Portal, 2016). In addition, the regulations are changing too fast and therefore often there is a lack of coherence and uncertainty. That also complicates the performance of SMEs, as confirmed by the results of our paper. Moreover, similar applies for other European states, particularly the SMEs within the CEE area. The results of the study *Doing Business in the European Union*, encompassing Croatia, Czech Republic, Portugal and Slovakia, study (see World Bank, 2018) clearly show that there remain substantial differences in the administrative barrier perception both between and within EU member states. However, how regulation is implemented may vary substantially among cities and regions (World Bank, 2018). Moreover, alongside the national legislative framework local authorities can establish their own regulations and policies, leading to important variations (and possibly improvements) in the ease of doing business. Hence, it is shown that what is most promising for addressing the administrative barriers is to adopt a tailored approach that targets specific enterprise groups within a business environment, which should be facilitated by a definition of guidelines for responsible policymakers at different levels to foster the removal of such barriers. This proves especially fruitful, as this study and several others emphasize (e.g. Aristovnik &

Obadić, 2015; World Bank, 2018; WEF, 2018;), that SMEs in places with a better business environment experience a stronger performance in sales, employment and productivity growth as well as in investments. Especially, as they represent the engine of growth and job creation.

## ENDNOTES

- <sup>1</sup> Main administrative areas were defined as those, concerning an enterprise's daily activities (sectoral regulation, employment, payment of duties, financial and accounting reports, inspections).
- <sup>2</sup> Other administrative areas were defined as those, related to an enterprise's occasional activities/communication with public administration bodies (building permits, changing enterprise status).
- <sup>3</sup> Assumptions for ANOVA/t-test application were checked: normality and homogeneity of variances.

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