「한국사회와 행정연구」 제31권 제1호(2020. 5): 109~129

The Effect of Good Governance as Institutional Quality on Entrepreneurial Motivation in High- and Low-Income Countries*

Woo, Changbin**

This article aims to shed light on the differences in the effects of six constructed governance indices on entrepreneurial motivation. Using an unbalanced panel dataset of 86 countries over 2010-2018, the study finds that good governance as institutional quality measured by WGIs is positively related to a desirable entrepreneurial activity represented by the ratio of opportunity-driven to necessity-driven entrepreneurship. More importantly, relative differences in the importance of institutional quality are found between the two groups of countries, i.e., high-income countries and low-income countries. The study suggests that countries at different stages of economic development find appropriate strategies fit to their situations to improve institutional quality and build environments that foster desirable and productive entrepreneurship.

Key Words: institutional quality; entrepreneurial motivation; economic development; good governance

I . Introduction

Good governance has become a buzzword in the circles of both scholars and political decision-makers, especially in development and public policy today. It has grown rapidly in the developed countries and has become a major ingredient for economic and political

* This work was supported by the Ministry of Education of the Republic of Korea, the National Research Foundation of Korea (NRF-2018S1A3A2075117).

** Kyung Hee University, Research Professor (changbinwoo@gmail.com).

development. Simply defined as good quality of institution, good governance has often been argued as the key to understanding economic growth and to ensuring sustainable development in poor countries. Subsequently, it has gained importance across the globe as a key ideology for an effective and efficient state and the foundation of a developed and civilized society (Kahar and Nath, 2018).

Especially, good governance occupies an important place in the entrepreneurial literature as governance could affect the entrepreneurship, which is becoming a worldwide phenomenon of great importance in the recent years. Governance as institutional quality impacts on entrepreneurship positively or negatively, through the government's general role to provide institutions that underpin an effective rule of law and to create an institutional structure conductive to entrepreneurship. Understanding the link between governance quality and entrepreneurship has been an important domain for policy discussion (Kaufmann et al., 1999; Omri, 2020).

Conventionally, institutions representing 'the rules of the game' in societies are construed to be critical determinants of economic behavior, and to have both direct and indirect effects on entrepreneurship (Acs et al., 2006; North, 1990). Although many researches used to focus mostly on entrepreneurship in developed countries due to the lack of public data, they reported a strong and positive association between high degree of institutional quality and entrepreneurship as the engine of economic growth. For example, cross-country data provided by the Global Entrepreneurship Monitor (GEM), a research program initiated in 1999, shows that most studies recognize the influence of institutional quality on entrepreneurs, especially innovative entrepreneurs who can contribute to economic development (Yay et al., 2018).

Studies used varied sorts of governance factors as proxy as institutions, to analyze the effect of institutions on diverse business activities including entrepreneurship (Huynh et al., 2008; Fereidouni & Masron, 2012; Méndez-Picazo et al., 2012; Omri, 2020). However, previous studies have several drawbacks. First, studies often did not control for gross domestic product (GDP) or income, and they did not investigate further the differences between high-income countries and low-income countries, despite a wide variation in characteristics of entrepreneurship by the level of economic development. Second, most studies use only one or two dimensions of institutional quality, or integrate dimensions into one variable using the mean of institution indicators or through a factor analysis,

which makes it difficult to compare the many dimensions of institutions.

This study examines the differences in the effects of good governance as institutional quality measured by six constructed governance indices from World Bank on entrepreneurial motivation. Countries are split into high- and low-income groups using an unbalanced panel dataset of 86 countries over 2010-2018. The aim is to compare the effects of various dimensions of institutional quality on desirable entrepreneurial activity represented by the ratio of opportunity- and necessity-driven entrepreneurship in different economic development environments.

Ⅱ. Background Literature

1. Institutions and Good Governance

Numerous attempts have been made to understand economic growth and entrepreneurship vis-à-vis institutional factors. Many a scholar from interdisciplinary varied fields believes that better institutions lead to higher levels of economic growth. Institutions are properly construed to benefit all individuals located in the same geographic context as they represent public goods (North, 1990). Entrepreneurial decisions chosen by human behavior are expected to be influenced by institutional factors (Thornton et al., 2011). The application of institutional economics is especially constructive for research that investigates entrepreneurship as a mechanism for institutional factors to facilitate economic growth (Bruton et al., 2010).

Informal as well as formal institutions are vital for economic growth as "changing merely the formal rules will produce the desired results only when the informal norms are complementary to the rule change" (North, 1997, p. 6). Formal institutions indicate political and legal structures, written rules, the number of procedures involved in starting a business, and private coverage to obtain credit (Boettke & Coyne, 2009; Aparicio et al., 2016). Informal institutions include incorporating rules, norms, and beliefs beyond formal ones, indicating 'socially shared rules, usually unwritten, that are created, communicated and enforced outside of officially sanctioned channels' (Helmke & Levitsky, 2004, p. 727).

Institutions or 'rules of the game' provide business incentives to individuals to make a

difference across countries and regions. Economic inputs such as technology, skilled labor, and resources will only contribute to entrepreneurship and growth when institutions are favorable to productive entrepreneurship. In other words, institutions as the critical determinants of economic behavior have both direct and indirect effects on entrepreneurs (Acs et al., 2006; North, 1990). Moreover, entrepreneurial decisions are expected to respond more to informal factors than formal ones (Alvarez, 2014).

However, informal institutions have received only limited attention, especially with regard to entrepreneurship. The importance of informal elements of institutions in entrepreneurship was first suggested by Baumol (1996), who provided an innovative way to explain entrepreneurship in synthesizing the distinct perspectives of formal institutions and informal institutions. Informal institutions become more influential in developing countries where formal institutions are weak. In addition, even bad informal institutions tenaciously survive as institutional change is often incremental (North, 1990).

Governance factors perceived by society are often-used proxy in varied studies to represent informal institutions, as they could encourage or discourage the business activities as well as the entrepreneurship (Aparicio et al., 2016). Yet, governance could mean a variety of things, such as institutions, norms, implementation procedures, and decision-making processes. Despite significant efforts by researchers and institutions, the definition and meaning of governance remains a contested concept. Rhodes (1996) identified six different meaning of governance: the minimal state, corporate governance, the new public management, 'good governance', a socio-cybernetic system, and self-organizing networks, but he did not provide a concise definition of governance.

Rhodes's original intention can be understood as an attempt to emphasize governing by network, in the background that the mode of governing the UK had changed and that it was no longer possible to speak of government by authoritarian direction (Colebatch, 2017). One of the reasons of the popularity of governance might be that the public problems facing each community and society are different and varied, and that the one-way problem-solving approach has become no longer valid (Kwon & Yoon, 2020). Governance does not simply adhere to government, including a range of diverse public actors and private firms (Kooiman, 1993).

Although governance clearly refers to something broader than government, the term governance has come to be widely used with widely varying meanings. Thus, governance

has changed from a particular way of governing by network to an umbrella term embracing all forms of governing: market governance, hierarchical governance, and network governance. Governance has become a catchall phrase, virtually a synonym for public administration or public management. Even some argue that governance becomes everything (Frederickson & Smith, 2018; Jang and Hong, 2010; Torfing et al., 2012). In fact, the concept of governance is often found to be applied in many different contexts with varying meanings.

In the field of global development, the notion of 'good governance' in comparison with 'bad governance' has been incorporated and developed by international development aid agencies and organizations, such as United Nations Development Programme (UNDP), Organisation for Economic Cooperation and Development (OECD), World Bank, etc. Especially, the concept of good governance outlined by the World Bank as the Worldwide Governance Indicators (WGIs) has been overwhelmingly influential as the World Bank, with its commanding position in the field of global development, asked developing countries good governance as a prerequisite for receiving aid.

The World bank defines good governance as "rules, enforcement mechanisms, and organizations" or more narrowly, "the traditions and institutions by which authority in a country is exercised" (Kaufmann et al., 2011). Gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms, WGIs summarize the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries (Helliwell & Huang, 2014).

The WGIs are composed of (a) Voice and Accountability (VA) and Political Stability and Absence of Violence/Terrorism (PS), as the process by which governments are selected, monitored and replaced; (b) Government Effectiveness (GE) and Regulatory Quality (RQ), as the capacity of the government to effectively formulate and implement sound policies; and (c) Control of Corruption (CC) and Rule of Law (RL), as the respect of citizens and the state for the institutions that govern economic and social interactions among them. The concept of each of the six components of WGIs are presented with other variable measurements in Table 1.

Currently, considerable controversy remains over the validity, comparability and ideological orientation of the WGIs. On the one hand, measured in more than 200

countries since 1996, WGIs data are informative of the broader concept of governance by combining the many individual data sources into six aggregate governance indicators (Kaufmann et al., 2011). On the other hand, the World Bank's good governance has been criticized for biases, lack of clear definition and validity, and its association with the Neo-Liberal ideology, reflecting basic neoliberal distrust of the state (Thomas, 2010; Chhotray & Stoker, 2008).

Although the definition of good governance by the World Bank is open to several important criticisms, no other reliable data are available on governance, covering as many countries and time series as WGI does (Arndt, 2008). In addition, as clarifying the definition of governance is not the main purpose of this study, it will focus on analyzing the effect of widely-utilized six components of the Worldwide Governance Indicators (WGIs), following the concept of governance defined by the World Bank.

2. Opportunity and Necessity Entrepreneurial Motivation

Creative individuals tend to attempt to start a new business in areas with good institutions based on productive entrepreneurship. Productive entrepreneurship is important to an economy because it is the fundamental source of economic growth. Explaining about one-third of the differences in national economic growth rates, entrepreneurial activities significantly impact economic activity through creating jobs, increasing incomes and wealth, and connecting to larger economy (Zacharakis et al., 2000; Henderson, 2002). We can expect entrepreneurial activities to be positively related to economic development, making it possible for developing countries to come out of poverty (Naudé, 2011).

However, more entrepreneurship is not always necessarily considered to be better. Entrepreneurial activity would be negatively related to development in some countries as most people would attempt to move from self-employment to wage employment in the early state of economic development. In fact, low-income countries have very high levels of self-employment and high levels of entrepreneurial activity, while high-income countries have much lower levels of entrepreneurial activity (Acs et al., 2008). Thus, there exist unproductive entrepreneurial activities which can be harmful to growth because they use resources that could be used by alternative productive entrepreneurs. Moreover,

in areas with bad institutions, creative individuals tend to engage more in unproductive entrepreneurship than productive entrepreneurship (Baumol, 1996; Murphy et al., 1991; Sobel, 2008).

As entrepreneurship types can either be beneficial or detrimental to economic development, two distinct types of entrepreneurship can exist: productive or opportunity entrepreneurship, and unproductive or necessity entrepreneurship (Acs, 2006). GEM questionnaire distinguishes opportunity from necessity entrepreneurship by the question: "Are you involved in this start-up [this firm] to take advantage of a business opportunity or because you have no better choices of work?". Opportunity entrepreneurship represents a voluntary and active choice to start a new business based on the perception that a business opportunity exists. However, necessity entrepreneurship indicates that individuals decide to become an entrepreneur because there is no better option.

Subsequently, the ratio of opportunity and necessity entrepreneurship is affected by the institutions through the payoffs associated with each type (Coyne et al., 2010). Necessity-driven entrepreneurship is quite common in developing countries. A positive relationship was found to exist between the ratio of opportunity entrepreneurship to necessity entrepreneurship and income level, indicating that countries where more entrepreneurship is motivated by an economic opportunity than by necessity have higher levels of income (Acs et al., 2008).

To summarize, institutions provide the general rules of the game which facilitate economic, social, and political interactions, and they create incentives for certain entrepreneurial activities in doing so. Specifically, it is assumed that productive or opportunity entrepreneurship has a positive and significant effect, while unproductive or necessity entrepreneurship does not have effect or has negative one on economic development. Thus the motivation index, that is, the ratio of opportunity and necessity entrepreneurship indicates the overall productive entrepreneurial activities and desirable entrepreneurship as an engine of economic growth in a country (GEM, 2018).

This study aims to explore the effect of good governance from global development policy perspective, under the current situation that the number of international and comparative administration studies are relatively small, compared to that of domestic policy studies or urban and local studies (Chai, 2013). Especially, it attempts to investigate the effect of the each of six sub-indicators of WGIs on entrepreneurial motivation

measured as the ratio of opportunity and necessity entrepreneurship. Governance factors, especially good governance is the prior condition to establishing a favorable business environment (Klapper et al., 2009). As the risk premium incorporate in any investment project is influenced by them, changes in governance, institutions, and government policy can affect entrepreneurial behavior and transactional trust among business parties (Fereidouni & Masron, 2012).

Moreover, this study considered the level of economic development by dividing countries into high- and low-income groups. There is a wide variation in characteristics of entrepreneurship, as shown by the observation that low-income countries typically observe more necessity-driven entrepreneurship, and vice versa (Acs et al., 2006). In addition, governance indicators are often highly correlated with GDP, which means high-income countries are likelier to have better institutions than low-income countries. Therefore, it is necessary to estimate the effect of institutions on entrepreneurial motivations based on income levels. Furthermore, if there are differences in institutional quality between high- and low- income countries, policymakers will reach different conclusions in different contexts.

Ⅲ. Research Methods and Data

Following Sambharya and Musteen (2014) and Bowen and De Clercq (2008), following model is estimated:

$$\text{Entrepreneurial motivation}_{i,t} = \alpha + \beta\text{Institutional Quality}_{i,t-1} + \delta X_{i,t-1} + \varepsilon_{it} \qquad \text{Equation (1)}$$

Where i,t refers to country i and time t. Entrepreneurial motivation is assumed to be determined by institutional quality and a set of control variables in vector X. All variables on the right side are lagged by one year compared to the dependent variables. Eit denote the error term.

The characteristics of unbalanced panel data require examination of serial correlation and heteroscedasticity. The Wooldridge test is employed to test autocorrelation in panel

data, but the results showed no autocorrelation problems. Then the Breusch-Pagan test is used to detect heteroscedasticity. The results showed evidence of heteroscedasticity in all models; to correct this, panel corrected standard errors estimation was applied, which is an accurate estimator in the presence of panel heteroskedastic errors (Beck & Katz, 1996).

Equation (1) is estimated by separating countries into high- and low- income groups, based on the annual World Bank Analytical Classification by income level. Following this classification, countries above annual thresholds are categorized as high-income countries, and the others classified as low-income countries.

The dependent variable is entrepreneurial motivation (ENT), measured by the motivation index—the percentage of opportunity-driven entrepreneurs divided by the percentage of necessity-driven entrepreneurs among those aged 18-64 years who are either nascent entrepreneurs or owner-managers of new businesses (GEM, 2018).

Independent variables are the six indicators of institutional quality collected by Worldwide Governance Indicators (WGIs): voice and accountability (VA), political stability and absence of violence (PS), government effectiveness (GE), regulatory quality (RQ), control of corruption (CC), and rule of law (RL).

Based on Millan et al. (2014), some control variables was considered to reflect country-specific environments that can affect entrepreneurial motivation: population density (POP), GDP per capita income (GDP), patent (PAT), education (EDU), and unemployment (UNEMP). Variable measurements with data sources and descriptive statistics are presented in Table 1.

Table 1 Variable Measurements and Data Sources

Variable	Measurements	Data Sources
Motivation Index (ENT)	The percentage of opportunity-driven entrepreneurs divided by the percentage of necessity-driven entrepreneurs among those aged 18-64 years who are either nascent entrepreneurs or owner-managers of a new businesses	GEM
Voice and Accountability (VA)	Perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media. The estimate gives the country's score on the aggregate indicator in units of a standard normal distribution, that is, ranging from approximately -2.5 to 2.5.	World Bank
Political Stability and Absence of	Perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism. The estimate	World Bank

Violence/Terrorism (PS)	gives the country's score on the aggregate indicator in units of a standard normal distribution, that is, ranging from approximately −2.5 to 2.5.	
Government Effectiveness (GE)	Perceptions of the quality of public services, quality of civil service and degree of its independence from political pressures, quality of policy formulation and implementation, and credibility of the government's commitment to such policies. The estimate gives the country's score on the aggregate indicator in units of a standard normal distribution, that is, ranging from approximately −2.5 to 2.5.	World Bank
Regulatory Quality (RQ)	Perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. The estimate gives the country's score on the aggregate indicator in units of a standard normal distribution, that is, ranging from approximately −2.5 to 2.5.	World Bank
Control of Corruption (CC)	Perceptions of the extent to which agents have confidence in and abide by the rules of society, particularly the quality of contract enforcement, property rights, police, and courts, as well as the likelihood of crime and violence. The estimate gives the country's score on the aggregate indicator in units of a standard normal distribution, that is, ranging from approximately −2.5 to 2.5.	World Bank
Rule of Law (RL)	Perceptions of the extent to which agents have confidence in and abide by the rules of society, particularly the quality of contract enforcement, property rights, police, and courts, as well as the likelihood of crime and violence. The estimate gives the country's score on the aggregate indicator in units of a standard normal distribution, that is, ranging from approximately −2.5 to 2.5.	World Bank
Population density (POP)	Ln (number of population divided by land are in square kilometers)	World Bank
GDP per capita (GDP)	Ln (annual GDP/number of population)	World Bank
Patent (PAT)	Number of patent/1,000 labor force	WIPO & World Bank
Education (EDU)	Enrollment rate in tertiary school	World Bank
Unemployment (UNEMP)	Percentage of unemployed in labor force	World Bank

Ⅳ. Data Analysis and Results

Figure 1(a)–(e) illustrates that, overall, the indicators are positively related to the motivation index. It is notable that the slopes of high-income countries are higher than those of low-income countries, which implies that these institutional qualities are more

positively associated with the motivation index in high-income countries.

Figure 1. Individual Institutional Quality and Motivation Index by Income Levels.

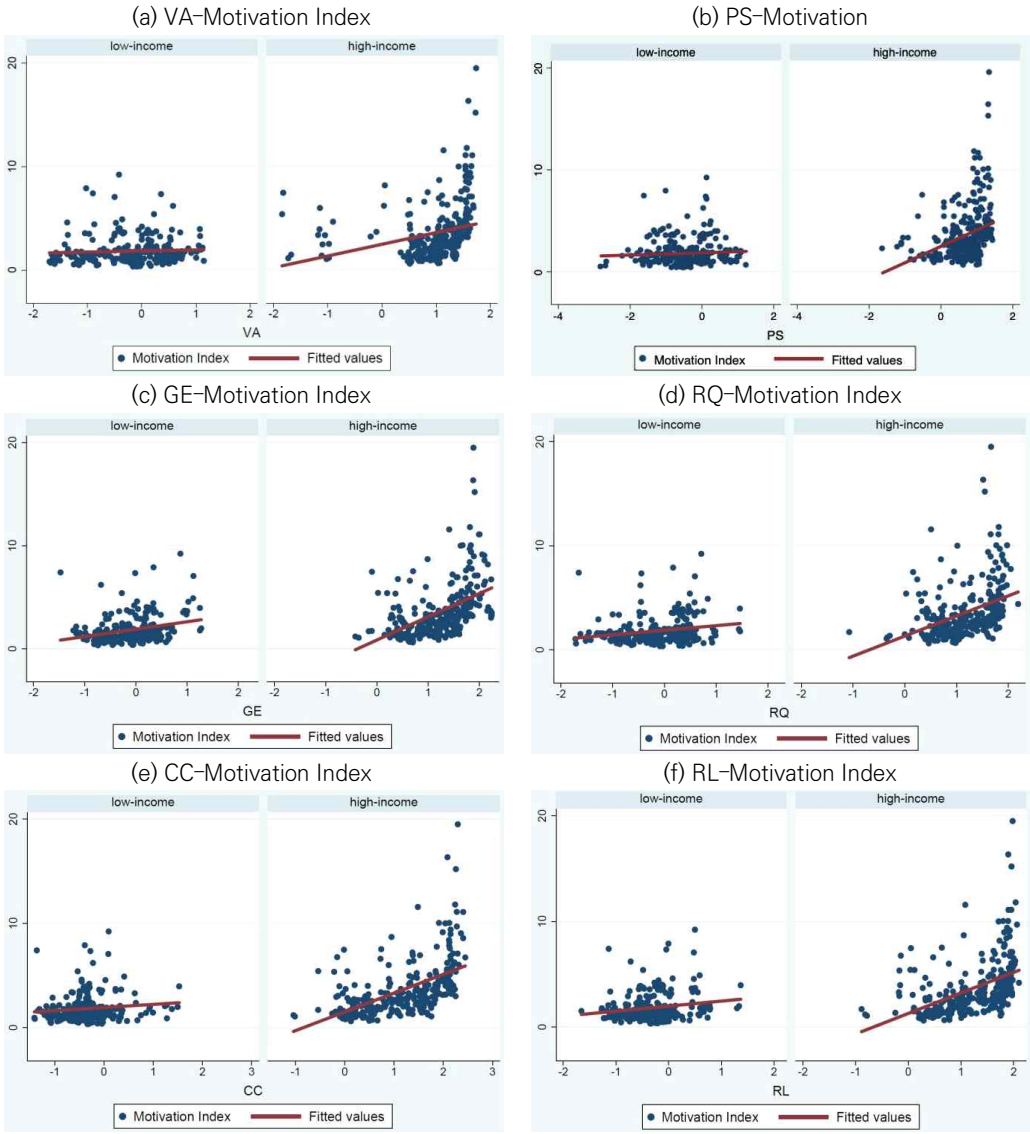

Table 2 shows the estimation results for the model in Equation (1). Models 1-6 specify the different institutional qualities and compare the estimates between high- and low-income countries. The overall estimates of WGIs are positive and significant, which is in line with previous studies that emphasize the effect of institutional quality on

entrepreneurial motivation. However, the statistical significance of several institutional qualities show differences between high- and low- income countries, as expected.

While RQ in low-income countries is statistically significant, that in high-income countries is not. This is consistent with studies that show the positive and significant effect of regulatory quality on entrepreneurship in developing countries (Manolova et al., 2008; Munemo, 2012). This result can be explained by the fact that proper regulatory quality can provide effective business environments that increase economic performance. Therefore, developing countries are advised to improve institutional environments to ensure people are aware of the rules, sanctions, and necessity for compliance, which will increase the number of opportunity-driven entrepreneurs (Azmat & Samaratunge, 2009).

In contrast, VA and PS in low-income countries are statistically insignificant, while those in high-income countries are statistically significant. This could indicate that civil participation in politics and public policies may not have a significant effect on entrepreneurial motivation in low-income countries, but they are important to cultivating productive entrepreneurship in high-income countries. Hence, governments in high-income countries should concentrate on creating institutional settings that drive the value-creation process through legal authority to steer the economy and market through collaboration with entrepreneurs, customers, and public organizations (Klein et al., 2013; Preuss, 2011). The results for PS illustrate that uncertainty—caused by threats of terrorism, trade sanctions, and internal and external conflicts (Fereidouni & Masron, 2012)—is more important in high-income countries than low-income countries. Therefore, high-income countries are advised to reduce uncertainty to increase their proportion of opportunity-based entrepreneurship.

Meanwhile, GE, CC and RL, are statistically and positively related to the motivation index regardless of the extent of economic development. Government effectiveness, represented by competent bureaucracies, would help entrepreneurs by providing information and advice, thereby stimulating increased investment and economic growth (Evans & Rauch, 1999). Control of corruption is significant for entrepreneurial motivation, as corruption typically increases the level of uncertainty and ambiguity by raising transaction costs (Anokhin & Schulze, 2009). Rule of law is assumed to have positive effects on economic growth because property rights and support of private contractual arrangements determine the incentives available to individual entrepreneurs with

innovative ideas (Haggard et al., 2008). These results support the fact that higher institutional quality can impede necessity-based entrepreneurship and foster opportunity-based entrepreneurship.

Table 2 Estimation Results

	Model 1		Model2		Model3		Model4		Model5		Model6	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
VA	0.586* (0.326)	0.247 (0.170)										
PS			0.470* (0.260)	0.260 (0.160)								
GE					1.232*** (0.448)	1.340*** (0.336)						
RQ							0.307 (0.307)	0.536*** (0.162)				
CC									1.178*** (0.307)	0.954*** (0.336)		
RL											0.833** (0.352)	0.957*** (0.255)
Dens	-0.000 (0.000)	-0.001 (0.001)	-0.000 (0.000)	-0.001* (0.001)	-0.000 (0.000)	-0.004*** (0.001)	-0.001 (0.000)	-0.002** (0.001)	-0.000 (0.000)	-0.002** (0.001)	-0.000 (0.000)	-0.002** (0.001)
GDP	1.885*** (0.331)	0.649** (0.269)	2.055*** (0.316)	0.723*** (0.224)	1.343*** (0.472)	0.098 (0.214)	2.016*** (0.402)	0.470** (0.204)	1.092** (0.460)	0.578 (0.204)	1.546*** (0.455)	0.542*** (0.191)
Pat	-0.408*** (0.095)	-0.087 (0.453)	-0.381*** (0.097)	-0.397 (0.388)	-0.424*** (0.097)	-0.592* (0.338)	-0.428*** (0.097)	-0.122 (0.416)	-0.213*** (0.101)	-0.382 (0.360)	-0.411*** (0.096)	-0.321 (0.363)
Edu	0.019** (0.009)	-0.017** (0.007)	0.023** (0.009)	-0.018*** (0.006)	0.018*** (0.009)	-0.015** (0.006)	0.023** (0.009)	-0.015** (0.007)	0.018* (0.009)	-0.018*** (0.006)	0.019** (0.009)	-0.019*** (0.006)
Unem	-0.208*** (0.030)	-0.089*** (0.013)	-0.191*** (0.031)	-0.086*** (0.013)	-0.182*** (0.003)	-0.089*** (0.012)	-0.198*** (0.034)	-0.087*** (0.012)	-0.156*** (0.035)	-0.901*** (0.015)	-0.187*** (0.034)	-0.097*** (0.013)
Obs	229	137	229	137	229	137	229	137	229	137	229	137
Group	41	45	41	45	41	45	41	45	41	45	41	45
R^2	0.362	0.255	0.372	0.223	0.400	0.292	0.382	0.337	0.367	0.225	0.371	0.310

Notes: High and low refer to high- and low-income countries, respectively; heteroskedastic panels corrected standard errors in parentheses; ***p < 0.01, **p < 0.05, *p < 0.10.

V. Discussion and Conclusion

Overall, good governance as institutional quality in high-income countries is more positively associated with the motivation index than that of low-income countries, indicating that entrepreneurial motivation in high-income countries in general is more sensitive to the institutional quality represented by WGIs. It emphasizes the importance of informal as well as formal institutions, by showing that entrepreneurial decisions respond

to institutional quality even more in high-income countries where the quality of formal and informal intuitions is deemed to be relatively well established than low-income countries. Entrepreneurial activities should be accompanied with a positive environment that promotes the entrepreneurial motivation. The quality of formal institutions alone might not be sufficient to enhance or improve entrepreneurship regardless of the extent of development.

Next, the six components of WGIs can be discussed further categorized as three: (a) VA and PS; (b) GE and RQ; and (c) CC and RL (Kaufmann et al., 2011). First, VA and PS were only statistically significant in high-income countries but not in low-income countries, which suggest that high-income countries are more concerned about these institutional qualities than low-income countries. Some emphasize the conceptual distinction of these two, i.e., VA and PS with the other four aspects of WGIs, putting them 'democratic' quality or democracy and the others 'technical' quality or delivery quality of governance (Ott, 2010; Helliwell and Huang, 2008). The results indicate that entrepreneurial motivation in high-income countries are more responsive to the democratic quality of intuitions, especially represented by VA, and more vulnerable to political risks and uncertainties, shown in PS. On the other hand, people in low-income countries might be adapted to the kind of situations as those risks such as terrorism and varied conflicts occur more often there. Enterprise motivation often flourish under extreme adversity, as recurrent disruption are associated with strong economic motivations (Branzei & Abdelnour, 2010).

Secondly, GE, which is related to public services, quality of civil service and degree of its independence from political pressures by definition is statistically correlated to desirable entrepreneurial motivation both in high-income and low-income countries. Yet, RQ is statistically significant only in low-income countries, suggesting that these countries are more responsive to the quality of government to formulate and implement sound policies and regulations that permit and promote private sector development. The reason why people in low-income countries are more easily affected by RQ than in high-income countries may be further explored in future research. In general, proper regulatory qualities may provide effective business environment and increase more productive and active entrepreneurs, by evoking their motivations. Previous studies also found that the effects of specific regulations are contrasting in developed and developing countries

(Alvarez et al., 2014), and that substantial differences in relation to the effect of regulations exist between the determinants of opportunity entrepreneurship and those of necessity entrepreneurship (Van Stel et al., 2007).

Finally, CC and RL are statistically and positively related to the motivation index regardless of the level of economic development, i.e., in both low-income and high-income countries. It has been widely believed that institutional qualities like these facilitate economic growth by reducing inefficiency and rigidity in institutions. Rule of law was necessary in achieving higher entrepreneurial activities, and control of corruption was found to be the most significant among six sub-indicators of governance indicators that can improve the level of entrepreneurial activities (Fereidouni & Masron, 2012). However, some authors contend that especially corruption as an institutional quality might increase efficiency by speeding up the process, improving the quality of public services, and allocating licenses more efficiently (Bardhan, 1997; Leff 1964; Méon & Sekkat, 2005). According to them, corruption might be beneficial under certain conditions such as the "second best" world because it may reduce distortions driven by bad institutions and inefficient regulations. The results of this study refute their arguments as corruption along with RL is positively associated with the productive entrepreneurial motivation regardless of the extent of economic development.

In conclusion, this study finds that good governance as institutional quality is positively associated with entrepreneurial motivation. The results show that most of six components of WGIs are significantly correlated with a desirable entrepreneurial activity represented by the ratio of opportunity-driven to necessity-driven entrepreneurship, unlike the previous study which found that entrepreneurship was associated with only three of the six measures: VA, PS, and RL (Huynh et al., 2008). However, relative differences in the importance of good governance as institutional quality are also found between the two groups of countries, i.e., high-income countries and low-income countries. Accordingly, it is suggested that countries at different stages of economic development find appropriate strategies fit to their situations to improve institutional quality and build environments that foster desirable and productive entrepreneurship.

References

Acs, Z. (2006). How is entrepreneurship good for economic growth?. *Innovations*, 1(1), 97-107.

Acs, Z. J., Desai, S., & Hessels, J. (2008). Entrepreneurship, economic development and institutions. *Small Business Economics*, 31(3), 219-234.

Alvarez, S. A., & Barney, J. B. (2014). Entrepreneurial opportunities and poverty alleviation. *Entrepreneurship theory and practice*, 38(1), 159-184.

Álvarez, C., Amorós, J.E. and Urbano, D., 2014. Regulations and entrepreneurship: Evidence from developed and developing countries. *Innovar*, *24*(SPE), pp.81-89.

Anokhin, S., & Schulze, W. S. (2009). Entrepreneurship, innovation, and corruption. *Journal of Business Venturing*, 24(5), 465-476.

Aparicio, S., Urbano, D., & Audretsch, D. (2016). Institutional factors, opportunity entrepreneurship and economic growth: Panel data evidence. *Technological Forecasting and Social Change,* 102, 45-61.

Arndt, christiane. 2008. The politics of governance ratings. *International Public Management Journal*, 11(3): 275-297.

Azmat, F., & Samaratunge, R. (2009). Responsible entrepreneurship in developing countries: Understanding the realities and complexities. *Journal of Business Ethics*, 90(3), 437-452.

Bardhan, P. (1997). Corruption and development: a review of issues. *Journal of economic literature,* 35(3), 1320-1346.

Baumol, W. J. (1996). Entrepreneurship: Productive, unproductive, and destructive. *Journal of Business Venturing*, 11(1), 3-22.

Beck, N., & Katz, J. N. (1996). Nuisance vs. substance: Specifying and estimating time-series-cross-section models. *Political analysis*, 6, 1- 36.

Boettke, P. J., & Coyne, C. J. (2009). Context matters: Institutions and entrepreneurship. *Foundations and Trends® in Entrepreneurship*, 5(3), 135-209.

Bowen, H. P., & De Clercq, D. (2008). Institutional context and the allocation of entrepreneurial effort. *Journal of International Business Studies*, 39(4), 747-768.

Branzei, O., & Abdelnour, S. (2010). Another day, another dollar: Enterprise resilience under terrorism in developing countries. *Journal of International Business Studies*, *41*(5), 804-825.

Bruton, G. D., Ahlstrom, D., & Li, H. L. (2010). Institutional theory and entrepreneurship: where are we now and where do we need to move in the future?. *Entrepreneurship theory and practice,* 34(3), 421-440.

Chai, W. H. (2013). An Analysis of Comparative Studies Published in Korean Public Administration Journals. *Korean Society and Public Administration(KSPA),* 24(2), 319-338.

Chhotray, Vasudha, and Gerry Stoker. 2008. *Governance theory and practice: A cross-disciplinary*

approach. Springer.

Colebatch, H. K. (2017). The idea of policy design: Intention, process, outcome, meaning and validity. *Public Policy and Administration*, 33(4), 365-383.

Coyne, C. J., Sobel, R. S., & Dove, J. A. (2010). The non-productive entrepreneurial process. *The Review of Austrian Economics*, 23(4), 333-346.

Evans, P., & Rauch, J. E. (1999). Bureaucracy and growth: A cross- national analysis of the effects of "Weberian" state structures on economic growth. *American sociological review,* 64(5), 748-765.

Fereidouni, H. G., & Masron, T. A. (2012). Governance matters and entrepreneurial activities. *Thunderbird International Business Review*, 54(5), 701-712.

Frederickson, H. G., Smith, K. B., Larimer, C., & Licari, M. J. (2018). *The public administration theory primer*. Routledge.

Global Entrepreneurship Monitor. (2018). 2018/2019 Global Report. Available from https://www.gemconsortium.org/report.

Haggard, S., MacIntyre, A., & Tiede, L. (2008). The rule of law and economic development. *Annual Review of Political Science*, 11, 205-234.

Helmke, G., & Levitsky, S. (2004). Informal institutions and comparative politics: A research agenda. *Perspectives on politics,* 2(04), 725-740.

Helliwell, John F., and Haifang Huang. (2008). How''s your government? International evidence linking good government and well-being. *British Journal of Political Science*, 38: 595-619. Perspectives on Politics, 6(2), 267-277.

Henderson, J. (2002). Building the rural economy with high-growth entrepreneurs. *Economic Review-Federal Reserve Bank of Kansas City*, *87*(3), 45-75.

Helliwell, J. F., Huang, H., Grover, S., & Wang, S. (2014). *Good governance and national well-being.*

Huynh, K. and Jacho-Chávez, D. (2009) Growth and Governance: A Nonparametric Analysis. Journal of Comparative Economics, 37, 121-143

Jang, J. and Hong, J. (2010). Governance Research Trends in South Korea: Based on a Classification as Government, Market, and Citizen, *Korean Society and Public Administration(KSPA),* 21(3), 103-133.

Kahar R, Nath P (2018) Good Governance: Ethos and Ethics. *Journal of Political Science and Public Affairs*, 6: 342.

Kaufmann, D., Kraay, A., & Zoido-Lobato, P. (1999). ''Aggregating Governance Indicators.'' World Bank Working Paper, No. 2195.

Kaufmann, D., Kraay, A., & Mastruzzi, M. (2011). The worldwide governance indicators: methodology and analytical issues. *Hague Journal on the Rule of Law*, *3*(2), 220-246.

Klapper, L. (2006). Entrepreneurship: how much does the business environment matter?. *Viewpoint series, Note*, 313.

Klein, P. G., Mahoney, J. T., McGahan, A. M., & Pitelis, C. N. (2013). Capabilities and strategic entrepreneurship in public organizations. *Strategic Entrepreneurship Journal*, 7(1), 70-91.

Kooiman, J. (Ed.). (1993). *Modern governance: new government-society interactions*. Sage.

Kwon, H. W. & Yoon, Y. G. (2020). A Study on the Classification of Co-production(or Co-creation) Cases for Solving Public Problems: Focus on Social Innovation. *Korean Society and Public Administration(KSPA),* 30(4), 1 ~ 26.

Leff, N. H. (1964). Economic development through bureaucratic corruption. *American behavioral scientist*, 8(3), 8-14.

Manolova, T. S., Eunni, R. V., & Gyoshev, B. S. (2008). Institutional environments for entrepreneurship: Evidence from emerging economies in Eastern Europe. *Entrepreneurship Theory and Practice*, 32(1), 203-218.

Méndez-Picazo, M. T., Galindo-Martín, M. Á., & Ribeiro-Soriano, D. (2012). Governance, entrepreneurship and economic growth. *Entrepreneurship & Regional Development*, *24*(9-10), 865-877.

Méon, P. G., & Weill, L. (2010). Is corruption an efficient grease?. *World development*, 38(3), 244-259

Millan, J. M., Congregado, E., Roman, C., Van Praag, M., & van Stel, A. (2014). The value of an educated population for an individual's entrepreneurship success. *Journal of Business Venturing*, 29(5), 612-632.

Munemo, J. (2012). Entrepreneurship in developing countries: is Africa different? *Journal of Developmental Entrepreneurship,* 17(01), 1250004-1-1250004-14.

Murphy, K. M., Shleifer, A., & Vishny, R. W. (1991). The allocation of talent: Implications for growth. *The quarterly journal of economics*, 106(2), 503-530.

Naudé W. (2011). Entrepreneurship is not a binding constraint on growth and development in the poorest countries. World Development, 39(1): 33-44.

North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge: Cambridge University Press.

North, D. C. (1997). *The contribution of the new institutional economics to an understanding of the transition problem* (No. 1). Unu/Wider.

Omri, A. (2020). Formal versus informal entrepreneurship in emerging economies: The roles of governance and the financial sector. *Journal of Business Research*, *108*, 277-290.

Ott, Jan c. (2010). Good governance and happiness in nations: technical quality precedes democracy and quality beats size. *Journal of Happiness Studies*, 11(3): 353-368.

Preuss, L. (2011). On the contribution of public procurement to entrepreneurship and small business policy. *Entrepreneurship & Regional Development*, 23(9-10), 787-814.

Rhodes, R. A. (1996). The new governance: governing without government1. *Political studies*, 44(4): 652-667.

Sambharya, R., & Musteen, M. (2014). Institutional environment and entrepreneurship: An empirical study across countries. *Journal of International Entrepreneurship*, 12(4), 314-330.

Sobel, R. S. (2008). Testing Baumol: Institutional quality and the productivity of entrepreneurship. *Journal of Business Venturing*, 23(6), 641-655.

Thomas, Melissa A. (2010). What do the worldwide governance indicators measure? *The European Journal of Development Research*, 22(1): 31-54.

Thornton, P. H., Ribeiro-Soriano, D., & Urbano, D. (2011). Socio-cultural factors and entrepreneurial activity: An overview. *International small business journal*, 29(2), 105-118.

Torfing, J., Peters, B. G., Pierre, J., & Sørensen, E. (2012). *Interactive governance: Advancing the paradigm.* Oxford University Press on Demand.

Van Stel, A., Storey, D. J., & Thurik, A. R. (2007). The effect of business regulations on nascent and young business entrepreneurship. *Small business economics*, *28*(2-3), 171-186.

Yay, T., Yay, G. G., & Aksoy, T. (2018). Impact of institutions on entrepreneurship: a panel data analysis. *Eurasian Economic Review*, 8(1), 131-160.

Zacharakis, A., Bygrave, W. D., & Shepherd, D. A. (2000). *Global entrepreneurship monitor: national entrepreneurship assessment, United States of America: 2000 executive Report*. Kauffman Center for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation.

Appendix 1: Correlation matrix

	Ent	VA	PV	GE	RQ	CC	RL	Dens	GDP	Pat	Edu	Unem
Ent	1											
VA	0.3824*	1										
PS	0.3960*	0.7180*	1									
GE	0.5351*	0.7451*	0.7578*	1								
RQ	0.4733*	0.7956*	0.7169*	0.9180*	1							
CC	0.5526*	0.7797*	0.7829*	0.9404*	0.8881*	1						
RL	0.5136*	0.7984*	0.7822*	0.9586*	0.9297*	0.9602*	1					
Dens	0.1132*	−0.0151	0.1231*	0.2059*	0.1784*	0.1755*	0.1552*	1				
GDP	0.4892*	0.6685*	0.6842*	0.8605*	0.8017*	0.8144*	0.8309*	0.1210*	1			
Pat	0.1175*	0.1875*	0.1915*	0.3775*	0.3063*	0.3020*	0.3433*	0.2255*	0.3454*	1		
Edu	0.2079*	0.5291*	0.4443*	0.5666*	0.5226*	0.4781*	0.5557*	0.0284	0.6735*	0.3426*	1	
Unem	−0.3199*	0.0629	−0.0932*	−0.1698*	−0.1090*	−0.1392*	−0.0949*	−0.1229*	−0.1057*	−0.2459*	0.1953*	1

Notes: *p 〈 0.05.

〈논문접수일: 2020.4.13. / 심사개시일: 2020.4.20. / 심사완료일: 2020.5.20.〉

고소득과 저소득국가에서 제도의 질로서 굿거버넌스가 창업동기에 미치는 영향

우창빈

본 연구는 세계은행의 거버넌스지표(WGIs)의 6개 구성요소가 창업동기에 미치는 영향을 분석하고 그 차이를 밝히고자 하였다. 연구는 2010년부터 2018년에 걸친 86개국의 패널 자료를 이용하여 제도의 질로서 세계은행의 굿거버넌스(good governance)가 기회창업동기와 필요창업동기의 비율로 측정된 바람직한 창업동기에 긍정적인 영향을 미침을 확인하였다. 나아가 고소득국가와 저소득국가의 두 집단 사이에 다양한 제도적 질의 영향력과 그의 상대적 중요성에서 차이가 나는 것을 밝혔다. 연구는 경제발전의 상이한 단계에 따라 그 상황과 맥락에 적합하도록 제도의 질을 개선하고 바람직한 창업동기를 촉진시키는 환경을 구축해야 할 필요가 있다는 정책적 함의를 지닌다.

주제어: 제도의 질; 창업동기; 경제발전; 굿거버넌스 (good governance)