

## 2008 World Bank Group Entrepreneurship Survey The Impact of Modernized Business Registries

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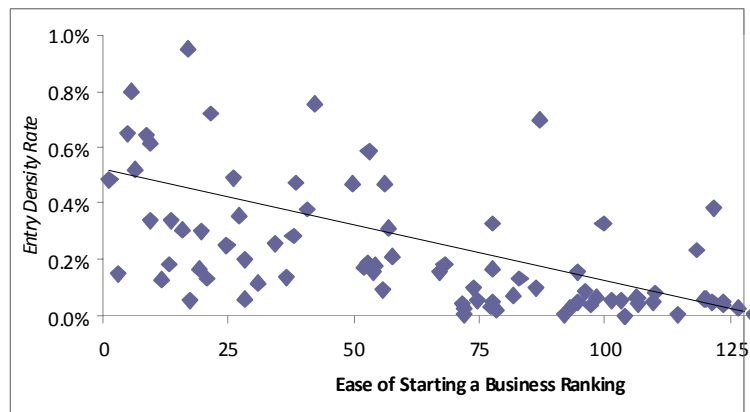
*In its third year, the 2008 World Bank Group Entrepreneurship Survey (WBGES) continues to show that a good regulatory environment can boost entrepreneurial activity in developing countries. New data collected on business registry modernization, and in particular electronic Business Registries (e-BRs), suggests that automation is associated with shorter incorporation time and markedly lower cost of entry, thus reducing barriers to formal business formation and entrepreneurial activity, and leading to relatively higher business entry rates.*

**T**he first step for entrepreneurs joining or transitioning to the formal sector is to register their business at the registrar of companies. Therefore, a quick, efficient, and cost-effective business registry is critical to enabling entrepreneurial activity.

The 2008 World Bank Group Entrepreneurship Survey (WBGES 2008) includes new data on the impact of modernization of business registries on business creation. It gathers extensive data on the functioning and structure of business registries in 71 countries from the registrar of companies, as well as complementing data on the number of total and newly registered businesses in over 100 countries.<sup>2</sup>

The new empirical evidence suggests that greater ease in starting a business and better governance are associated with increased entrepreneurial activity. After controlling for economic development (GDP per capita), higher entrepreneurial activity is significantly associated with cheaper, more efficient business registration procedures (as measured by the *Doing Business 2009* “Starting a Business” indicators) and better governance (as measured by Kaufmann and others, 2008).<sup>3</sup> Figure 1 highlights the relevance of such efforts, showing a strong relation between the ease of starting a business (*Doing Business 2009*) and higher entrepreneurial activity.

**Figure 1: The Relationship between a Better Regulatory Environment and Entry Density Rates**



Source: WBGES (2008) and *Doing Business 2009*.

<sup>1</sup> World Bank, the Development Research Group – Finance and Private Sector, Latin America & Caribbean – Public Sector, and Global ICT Department – Policy Division, respectively.

<sup>2</sup> The complete entrepreneurship and business modernization databases are available online: <http://econ.worldbank.org/research/entrepreneurship>

<sup>3</sup> *Doing Business 2009*. Washington, DC: World Bank. [Order Report](#) | [Download Overview](#)

While the degree of progress in the modernization of business registries varies greatly, countries usually have a common goal to evolve from a paper-based business registry to a one-stop, automated, web-enabled registry capable of delivering products and services online via transactions involving authenticated users and documents. The implementation of such an electronic business registry (e-BR) has a positive impact not only in the ease of creating a business, but also in other aspects of the business cycle (Table 1).

**Table 1: Potential Uses of an Electronic Business Registry**

Potential Users of an e-BR	Potential use of e-BR services
A business owner ...	... registers a new business, lists the board of directors of his/her firm, makes changes to the business contact details, or files annual financial statements.
A loan approval officer at a financial institution ...	... confirms the financial health and history of a potential borrowing firm and owners.
A potential customer ...	... confirms historical information on the operations and management of the firm.
A potential supplier ...	... confirms the financial health of a potential buyer in making trade credit decisions.
A lawyer or notary ...	... signs in to validate information.
A government official (e.g., a tax, customs, pension, VAT or social security authority official)	... verifies a firm's active business status.

Source: Lewin and others (2007).

### **Well-functioning e-BRs have considerable time- and cost-efficiencies compared with paper administrations**

Streamlining registry processes and removing the hurdles of in-person visits reduces transaction time and costs for both businesses and government. In Latvia, for example, reforming and automating the business registry reduced processing time from weeks to (with a rush-charge) four hours. These efficiencies include the extension of service availability to 24 hours, 7 days a week through online transactions; real-time access to registry updates; facilitation of anti-corruption efforts where needed by removing middle persons; providing full transparency of information; and improving data accuracy. In Bologna (Italy), for example, the e-BR reduced the average time for correcting errors (“suspended registrations”) from 10 days to a half day. Advanced e-BRs can also aggregate and analyze data, which can provide an important tool for market surveillance and business monitoring, such as attracting foreign direct investment.

### **Degree of modernization of business registries around the world**

One finding is that, while almost 80 percent of high- and upper-middle income countries require firms to file annual financial statements, only about half of lower-middle and low-income countries require their firms to do so. Moreover, while most countries have regulations compelling business to notify the business registry if the business ceases operations, few countries can enforce such an obligation. As a result, most developing countries do not have accurate records on businesses that have ceased to exist.

An important indicator to measure the degree of modernization of a business registry is its level of automatization. Multiple elements can achieve this goal. For example, registries in developing countries might start by offering entrepreneurs the ability to retrieve information on a

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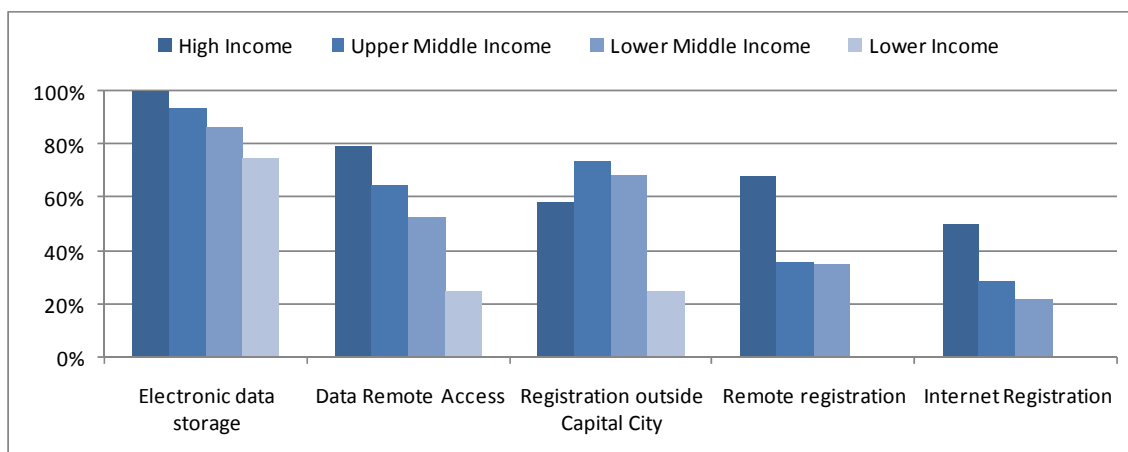
Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi. 2008. [Governance Matters VII: Aggregate and Individual Governance Indicators, 1996-2007](#). World Bank Policy Research Working Paper 4654, June.

web site (such as laws and regulations), download registration forms (but not necessarily to submit them on-line), and check available firm names.

Governments may need to provide a centralized interface for a regional system, such as by merging local courts' business registries into a central registry database. Countries that already have a centralized registry but are still paper-based need to digitize historical and automate new data entries by using networked computers and online forms. Registries that are already automated need to implement secure, legal authentication methods, such as digital signatures, to remove the last vestiges of in-person or in-paper requirements. Registries that aim to benefit from further time and cost-savings would interlink the e-BR with other e-Government services, such as e-Tax, e-Customs or e-Procurement applications.

Figure 2 shows that the percentage of countries beginning the automation process (electronic data storage) is similar regardless of their stage of economic development. The differences begin to rise gradually in the next steps of the automatization process, resulting in a wide gap between industrialized and developing countries in the latter steps; for example, none of the low-income countries in the survey have implemented remote or internet registration, in comparison to 50 percent of high-income countries.

**Figure 2: Business Registry Automatization**

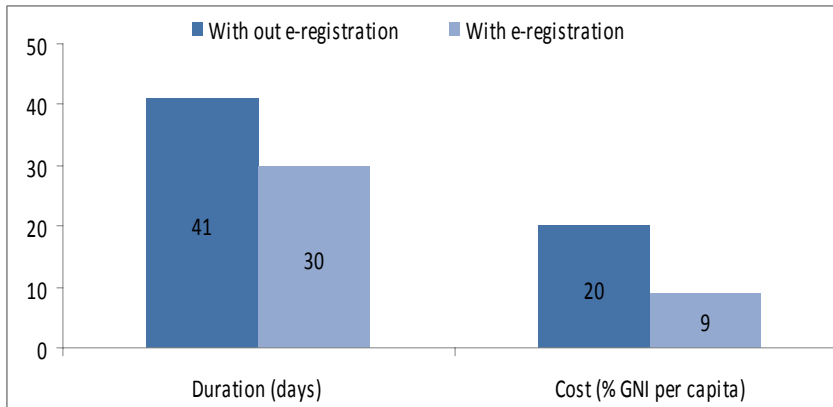


Source: WBGES (2008) and *Doing Business 2009*.

### **The modernization of the business registry is only a part of broader regulatory reform to enhance entrepreneurship**

It is difficult to isolate the causality between the implementation of electronic registration, improvements in the business environment, and the creation of new businesses. Nevertheless, the data collected by the WBGES 2008 suggest that business registry modernization provides a more favorable business environment for starting a business and facilitates the business creation process. Figure 3 shows that on average, countries with remote registration (including internet, phone, and kiosks) require over 30 percent less time to start a business, and that costs are reduced by 50 percent, as measured by the *Doing Business Report*.

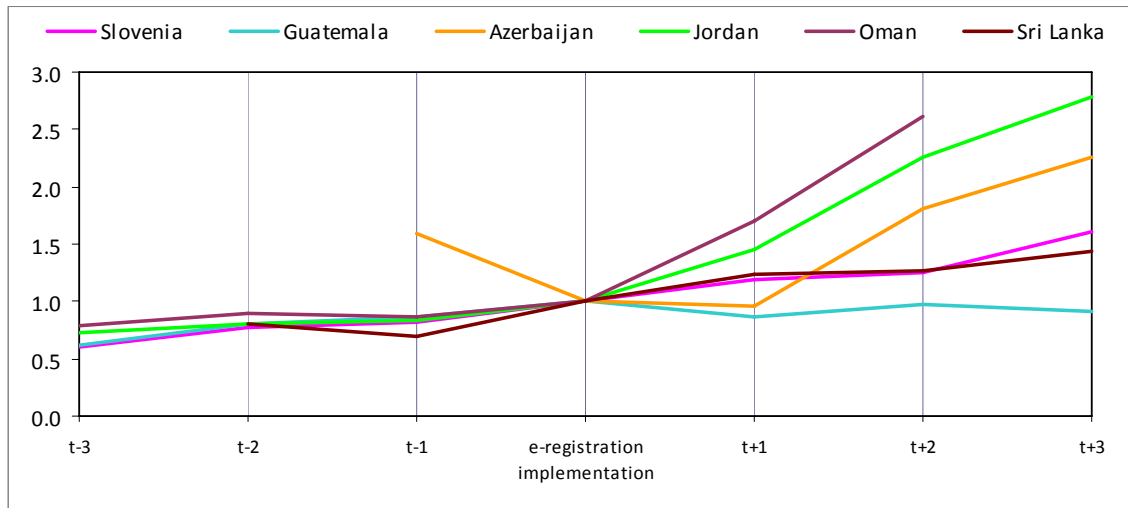
**Figure 3: E-Registration and the Doing Business Indicators for Starting a Business**



Source: WBGES (2008) and *Doing Business 2009*.

Moreover, the data collected by the WBGES 2008 suggest a relation between the implementation of electronic registration and an increase in the number of new businesses registered. Countries like Slovenia, Guatemala, Azerbaijan, Jordan, Oman, and Sri Lanka had increases of more than 30 percent in new density rates after the full implementation of electronic registries (Figure 4).

**Figure 4: Electronic Registries and New Business Density**  
(Normalized to the year of e-registration implementation)



Source: WBGESurvey (2008).

These increases cannot be attributed solely to the improvements in the countries' business registries, but it can be stated that the modernization of their business registries was the culmination of a successful implementation of regulatory reforms and when taken together, produced a significant and positive impact in the ease of doing business in these countries.

## **The survey reveals sharp differences between industrial and developing countries in the modernization of business registries**

With new topics and broader coverage of developing countries, the 2008 World Bank Group Entrepreneurship Survey and future surveys will continue to support a deeper and more comprehensive understanding of conditions that encourage entrepreneurship, and serve as a policy tool to measure the impact of policy reforms aimed at creating new firms and stimulating economic growth.

### **Further Reading**

Klapper, Leora, Raphael Amit, and Mauro Guillen, Forthcoming. "Entrepreneurship and Firm Formation Across Countries." NBER Volume on *International Differences in Entrepreneurship*.

Klapper, Leora, and Juan Manuel Quesada Delgado, 2007. "Entrepreneurship: New Data on Business Creation and How to Promote It." Viewpoint Series, Note 316. Financial and Private Sector Vice Presidency, World Bank, Washington, DC.

Lewin, Anat, Leora Klapper, Bruno Lanvin, David Satola, Sophie Sirtaine, Richard Symonds, and Cara Zappala, 2007. "Implementing Electronic Business Registry (e-BR) Services: Recommendations for Policy Makers Based on the Experience of EU Accession Countries." Processed.

World Bank, 2005. [Doing Business in 2005: Removing Obstacles to Growth](http://www.doingbusiness.org). Washington, D.C. <http://www.doingbusiness.org>.