

ABSTRACT

Lower middle-income countries have been struggling with multiple governance-related issues, such as corruption, terrorism, and the lack of the rule of law. At the same time, lower middle-income countries have been struggling to improve their business environment, proven by their low score in the Ease of Doing Business Index compared to the global standard. This research explores how good governance impacts the business environment in lower middle-income countries. Using panel data analysis, this research uses the Worldwide Governance Indicators to measure good governance and the Ease of Doing Business Index to measure the business environment. The results show that in lower middle-income countries, the Political Stability and Absence of Violence, Regulatory Quality, and Voice and Accountability variables significantly impact the Ease of Doing Business. However, the Political Stability and Absence of Violence and Regulatory Quality variables have positive coefficients towards the Ease of Doing Business. In contrast, the Voice and Accountability variables negatively affect the Ease of Doing Business. On the other hand, three variables have no significance towards the Ease of Doing Business in lower middle-income countries. Those variables are Control of Corruption, Government Effectiveness, and Rule of Law. The results are further explained following the context of lower middle-income countries.

Keywords: Governance, Doing Business, Market Reform, Regulation