Chapter 13

An Analysis of the Effect of e-Government Readiness on Business Climate, Corruption Perception, and the Rate of New Entrepreneurs

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ABSTRACT

This research aims to understand the relationship between e-government, business climate, corruption perception and its impact in the entrepreneurial activity. Data was collected from various databases, for the years 2008, 2010 and 2012, using panel data. The reports used were The Doing Business Report from World Bank, E-Government Survey from the United Nations, Corruption Perception Index by Transparency International and entrepreneurship data from Global Entrepreneurship Monitor. After joining the databases, correlation analysis and panel least squares regressions were performed. The results indicate that when a country is more “e-gov” ready, it may have a more dynamic business sector and less perception of corruption. The probable causes of the relationships are discussed, including suggestions for an integrative approach to allow developing countries to diminish the gap of e-government readiness. Future research to understand the difference of impact of e-government in developed and developing countries are also suggested.

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INTRODUCTION

E-Government is not considered a management fad anymore. It came to stay! With the worldwide availability of the Internet, first as a platform to conduct research, then evolving to more widespread use to conduct business, and later used by the governments as a source of information for its taxpayers and citizens, it has become a de facto platform of interaction (Morgesson & Mithas, 2009; West, 2000).

We can consider that e-government research is still in its initial stages. Although the volume of publications is growing, the first articles only appeared in the 90’s, and did not receive much importance until the early 2000’s, with the consolidation of the Internet and a more widespread use to conduct business, first in the private sector, being then followed by the governments as a source of information for its taxpayers and citizens (Morgesson & Mithas, 2009; West, 2000).

E-government is the most commonly cited term according to literature findings, but other terms like e-governance, online government, digital government, one-stop government, and electronic government, among others have been used interchangeably, although some authors point conceptual difference between them (Layne & Lee, 2003).

There are multiple definitions of what e-government means. West (2005) presents e-government as “public sector use of the Internet and other digital devices to deliver services, information, and democracy itself” (p. 1). Lau, Aboulhoson, Lin, and Atkin (2008) define it as the process of connecting citizens digitally to their government so it becomes possible to use information and services offered by government agencies.

Howard (2001) defines e-government as the application of the tools and techniques of e-commerce to build the government interface with its stakeholders, focusing on cost reduction, efficiencies and gains of scale.

The e-government is being considered as a viable platform to improve business, making easier to perform procedures that are related with the government. The services provided by a consistent e-government structure can be very useful for its citizens that have the convenience to request services from the government anytime, without waiting times that are typical of traditional bureaucratic paper-based services provided by local, state and federal governments.

These services tend to be good to business as well, with shorter times to start a firm, to obtain a construction permit, to hire and fire people, to import and export goods. Business can potentially benefit from a fast, responsive and complete e-government strategy. Those characteristics are known as enablers for enterprise creation and maintenance, as measured by The Doing Business Report (World Bank, 2007; 2009; 2011).

The Doing Business Report provides a quantitative measure of regulations for starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing business—as they apply to domestic small and medium-size enterprises (World Bank, 2011).

The indicators are usually composed by a combination between number of procedures, time needed to perform some crucial tasks like registering and closing business, exporting and importing, paying taxes, obtaining credit, dealing with labor costs and many other tasks. Most of those indicators, in theory, could be improved with a well-developed e-government strategy, by means of reduction of the time required, and the overall cost (Gil-Garcia & Pardo, 2005).

A better e-government strategy could, in theory, diminish the corruption perception via added transparency and accountability of governmental transactions (Xenos & Moy, 2007) and provide easier access to services to start or operate a business, avoiding chances for corruption, since