

Problems typical of the business environment in Armenia (Using the example of the agricultural sector)

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Abstract: The business environment is the main guarantor of the economic and social stability of each country. Its development makes it possible to mitigate the economic and social difficulties characteristic of countries with economies in transition, creating stable conditions for further economic growth. Therefore, the development of the business environment affects the improvement of the quality of life in this country. The improvement of the business environment is primarily due to the processes taking place in the economy, the effective management of which contributes to increased business activity and economic development. At the same time, it is necessary to develop management mechanisms that affect the business environment, which, in turn, can lead to an increase in the number of business entities, the introduction of effective economic levers, and the formation of an effective state-business platform. As a tool for managing the business environment, the concept of a business environment administration system is discussed in the article. To increase business activity in the agricultural sector of Armenia, the article estimates the relationship between GDP, food exports, and tax burden using the least squares method and based on statistical data. The results of the model show that food exports have a positive impact on GDP; however, the tax burden has a negative impact. Therefore, this area has many problems associated with the insufficient development of state support mechanisms. The article proposes implementing targeted measures that will form a new platform for effective cooperation between the state, business, and civil society.

Keywords: Business environment, Exports, GDP, Management System, Regression, Tax Burden.

JEL Classification: M21; C51.

1. Introduction

Today firms, including those embracing entrepreneurial orientation are faced with complexities in Business Environments. The Business Environment (BE) is a combination of forces, situational factors and actors, which can be characterized by different criteria in which business is carried out and is the basis for the creation and development of business. The business environment is crucial for ensuring the economic and social stability of any country, the development of which makes it possible to create unified platforms for the formation of the business community, the state and civil society, however, it should be noted that there are still many problems between the business community and the state.

Increasing the level of business activity in the agricultural sector is very important because it provides solutions to important military tasks of economic development, such as food supply, reducing unemployment, and employment growth, which, in turn, can increase the level of economic activity and business activity.

The article is compiled in the following logical order: first, the literary sources are considered, the importance of the business environment for economic development is studied, then the main methods used for the analysis are described. In part of the discussion, the concept of business environment

management is presented in order to improve the efficiency of business environment management and also, in addition, the relationship between the indicators of gross domestic product, food exports and the tax burden was estimated using a regression model.

2. Literature Review

Various definitions of the economic concept of the "business environment" were given, the content of which seems to coincide [1]. Thus, sometimes the Business Environment is identified with the concepts of "business" or "entrepreneurship". But the "business environment" is a broader concept that covers all of these types. For example, according to Phil and Ashwin [2] the business environment is the totality of all the conditions, events that surround and affect the latter. According to another point of view, the business environment is everything that is related to business and affects this activity. And according to Fernando [3] for the effective implementation of economic policy, the business environment is a set of economic, social, political or institutional conditions.

According to Dollar, et al. [4] the business environment is the institutional, political and regulatory environment in which a commercial organization operates.

According to Saloman [5] the business environment is the behavior of entrepreneurs demonstrating entrepreneurial abilities as a result of the interaction of internal and external factors, which can contribute to increasing investment flows, creating new jobs, increasing tax revenues and contributing to economic development in the future.

Therefore, summarizing the existing definitions and formulations, the business environment can be characterized as a process that regulates the business abilities of an economic entity as a result of the interaction of internal and external factors, the purpose of which is to ensure maximum profit with minimal resources [6]. In addition, the business environment is a process that coordinates the economic, entrepreneurial, legal, social, and cultural values of entrepreneurs and describes entrepreneurial instability.

Numerous studies indicate the importance of analyzing the factors affecting the productive environment [7] the research also highlighted the importance of the problems of economic sector diversification in the Republic of Armenia in the context of the business environment [8].

3. Data and Methods

In the context of improving the business environment in agriculture, a regression formula was developed and proposed, which was calculated in practice for indicators of gross domestic product, food exports and tax burden

$$Y = a_0 + a_1EXa + a_2TB + \varepsilon_t \quad (1)$$

where`

Y – gross domestic product (AMD million)

EXa – the export of the food products (AMD million)

TB – tax burden (which was calculated as the ratio of tax incomes / GDP)

a_0, a_1, a_2 – the coefficient of elasticity of constant variable and independent variables

ε_t –the greatness of accidental error.

The period from 1997 to 2023 was considered for the analysis. annual official statistics on gross domestic product, food exports and tax burden. In the presented econometric model, the statistical series are 26, which means that the hated values are almost close to reality.

The specified model was evaluated using the least squares method using the Eviews 9 software: an appropriate regression analysis was performed, however, before evaluating the model, it is necessary to align the data, therefore, for this purpose, we logarithmed the data to avoid obtaining a false multivariate linear regression.

The results obtained as a result of evaluating the regression model are reflected in Table 1, which presents the coefficients a_0 , a_1 , a_2 , the coefficients obtained as a result of the evaluation, and their statistical properties: the probability of state t, the probability of state F. They allow us to test the hypothesis about the statistical value of the estimated coefficients or, what is the same thing, about the presence of a linear relationship between dependent and independent variables.

To check the value of the estimated coefficients (in the case of the Student's t-state), a null hypothesis is established that this linear regression coefficient is zero, for example, $H_0: \beta^1=0$. competing hypothesis: $H_1: \beta^1 \neq 0$: The hypothesis is verified by comparing the calculated value of the state t with the critical value of a random variable with the Student's distribution at the value level α . if the case is: $|t| > t_{n-p, 1-\alpha/2}$ (In a model with a significance level of $n=22$, $p=3$, $n-p=19$, $\alpha=0.05$ $V=1-\alpha/2$ $v = 0.975$, the desired critical value of a random variable with a Student distribution is 2.09), then H_0 is rejected with a given error probability α (5%) at the value level. Means β^1 is significant at the level of the α value, that is, it differs significantly from zero, and the corresponding β explains the change in the dependent variable. Otherwise, the H_0 value cannot be rejected at the specified level of the α value (error probability is 5%). Note that here, $t_{n-p, 1-\alpha/2}$ is the critical value of a random variable with a Student's distribution for the value level α with a degree of freedom of $n-p$ (where n is the number of observations, and p is the number of estimated parameters/coefficients). To get the critical value of a random variable with a Student's distribution in Eviews, in the command line of its main window, you can enter: `=@ttdist(v, n-p)`, where: $v=1-\alpha / 2$, and $n-p$ is the degree of freedom. After pressing the Enter button, an entry will appear in the status bar of the main window: `Scalar=...`, which is the desired critical value of a random variable having a Student distribution (In a model with a significance level of $n=22$, $p=3$, $n-p=19$, $\alpha=0.05$ $V=1-\alpha/2$ $v = 0.975$, the desired critical value of a random variable with a Student distribution is 2.09).

Using state F, the statistical value of the entire regression equation is checked, or the hypothesis that all regression coefficients (except the free term) taken together are zero. by comparison. The null hypothesis is put forward: $H_0. \beta_1 = \beta_2 = \dots = \beta_{B-1} = 0$ when checking the value of the F state by comparing the f_{krit} value of a random variable with the Fisher distribution. The latter is characterized by the value level α and degrees of freedom ($p-1, n-p$), where p is the number of estimated parameters/coefficients, and n is the number of observations. If $F > F$ is critical, H_0 deviates at a given level of α , which means that the regression equation has a value, that is, the independent variables explain the change in the dependent variable. To get the critical value of a random variable with a Fisher distribution in Eviews, you must enter: `=@qfdist(v, k1, k2)` in the command line of its main window, where $v=1-\alpha$, $k1=p-1$, $k2=n-p$. after pressing Enter in the status bar of the main window an entry will appear: `Scalar=...`, which is the desired critical value of a random variable with a Fisher distribution (In a model with a significance level of $n=22$, $p=3$, $\alpha=0.05$ at $v=0.95$ $k1=2$, $k2=19$, the desired critical value of a random variable with a Fisher distribution is: $F_{krit} = 3.52$). In addition, to understand the qualitative characteristics of the model, the following indicators are given: R^2 , adjusted R^2 .

4. Results and Discussion

4.1. Business Environment Administration System

The business environment management toolkit is a business management conception, which involves a combination of methods that enable effective business management, analyze complex issues and, accordingly, make appropriate strategic decisions, that is, business administration management is the organization's mechanism management consist of these

- Business environment management principles are the set of rules, that are based on the company's activities,
- Business environment management functions are the key part of the management system

that identifies management content. It gives the opportunity to divide the activities of the management system staff,

- Business environment management methods allow for the development of targeted impacts on group or individual employees. Methods differ from each other by their motivational attributes and are thus divided into administrative, economic, socio-economic and socio-psychological,
- The style of management is the technique most common to the head, the latter applies to relationships with the subordinates (Figure 1).

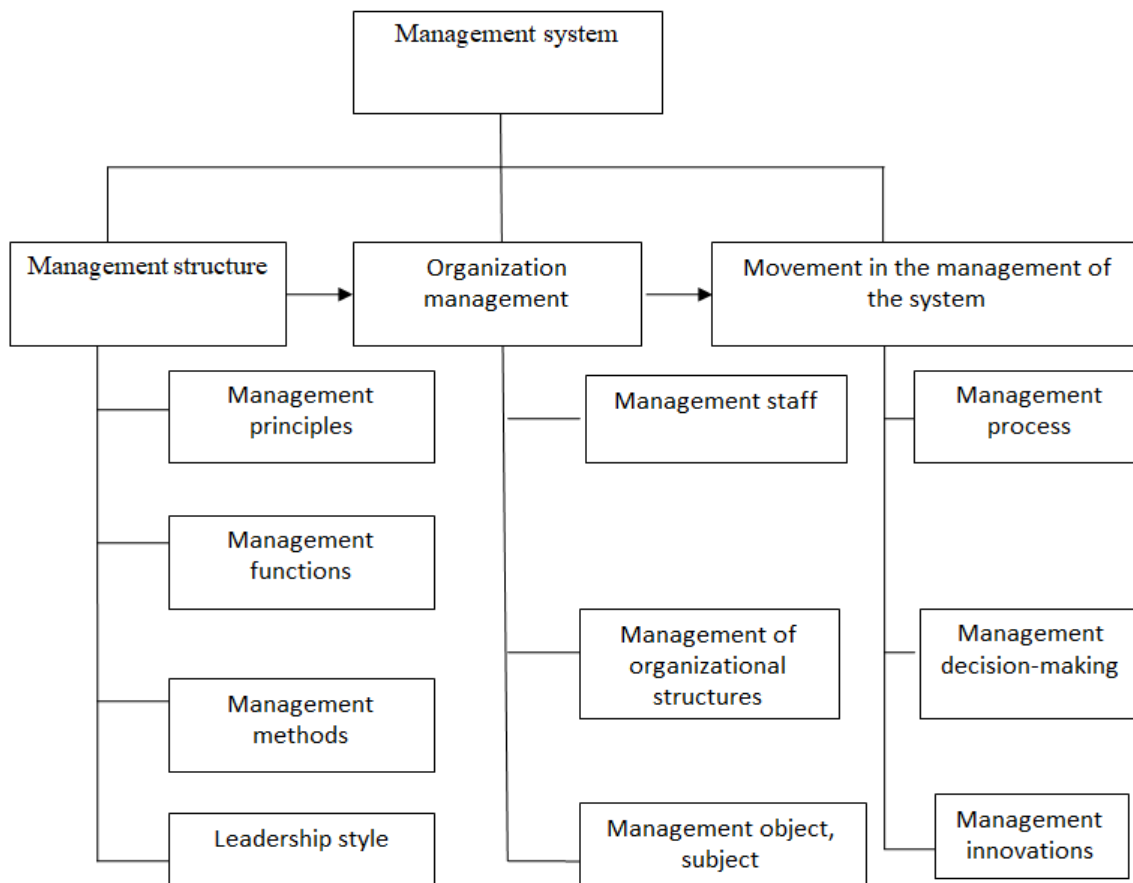


Figure 1.

The administrative system of the business environment.

Source: http://www.elib.bsu.by/bitstream/123456789/28321/3/03_BisAdm_PresLec-2012.pdf.

Improving the efficiency of the organization's management leads to an increase in both the financial performance of the organization as a whole and the motivation of staff to new approaches. One of the best ways to motivate IT companies in developed countries: an ordinary employee, in addition to depending on the form of payment for his work, is also a shareholder of this company. It turns out that if the effectiveness of his work is highly appreciated by a higher authority, the higher authority makes him its shareholder, and the dividends received from the shares are added as a bonus system to the salary received. Management of organizational structures is a very urgent task today, the latter is the management of departments and in the modern world is carried out in the form of outsourcing, that is, an organization may have a non-specialized area in this area, for example, accounting, creating automated programs, it is transferred to another country or another organization, which allows you to reduce costs, reduce the tax burden and specialize for a company in an area that works cheaper and more

efficiently than all others. A management entity is a body that directly carries out management in the form of accredited managers who can be rehired by a foreign company. International companies also have the best corporate governance experience, and the penetration of the latter into the Armenian market leads to an increase in corporate governance culture, clarification of management responsibilities, normalization of relations, and clearer definition of contracts, and the object of management is the management of this subject in this area, which can be both a separate division of the company and a separate management process, which leads to movement in the management of the system, the latter is a bio-period through which innovations are created in the process of managing the organization and making these decisions, this is important and depends on which management structure the company has "adopted", as well as on the type of management of the organization, that is, which direction of management the company considers as a priority, for example, motivation or interest of personnel, evaluation of the effectiveness of individual structures in terms of costs, in the form of outsourcing, in the form of trust management, the latter will lead to an increase in the effectiveness of the management movement in the direction of empathy. A more correct organization of this process will make it possible to make decisions more effectively depending on changes in the situation, which may be affected by both internal crises of the organization and external crises, the latter may arise from international organizations and supply markets. Therefore, at the heart of all this, ultimately, are managerial innovations, and the creation of a new thought brings a new direction to the business, which will lead to an increase in the efficiency of the business environment.

4.2. Empirical Results

This means that in the case of 93% of GDP fluctuations can be explained by the influence of the factors we are considering, and the adjusted coefficient of deterministic (adjusted R^2) it is equal to 0.92, i.e. 92%, which shows what effect the correction coefficient of determination had on the coefficient of determination, and since the adjusted coefficient of determination in the evaluation model is close to the coefficient of determination, therefore, this means that we have a "qualitative" regression analysis

Table 1.

Model evaluation results.

Ratio	T-status	Prob.	R^2	Adjusted R^2
7.723782	15.99415	0.0000	0.933193	0.926161
0.589499	16.24291	0.0000		
-0.365368	-2.898582	0.0092		

The t-state condition, which checks the value of the estimated coefficients, is also fulfilled. The required critical value of the t-state random variable is 2.09, as well as with equation 2, it should be noted that $\beta^0 \beta^1 \beta^2$ value: at the level of the α value (error probability 5%), because $\beta^0=15.99415i>2.09$, $\beta^1=i16.24291i>2.09$, $\beta^2=-2.898582 I>2.09$.

The desired critical value of a random variable having $F_{krit}=3.52$ and $F=132.7014$, that is, $F_{krit}<F$, the latter means that the equation has a value at the level of the α value (the probability of error is 5%).

$$Y=7.723782+0.589499EX_a-0.365368TB \quad (2)$$

As a result: (2) using an econometric model and mathematical tools, an economic justification can be given.

1. In agriculture, export volumes (EX_a) are increasing by 0.58 percentage points to gross domestic product (GDP).

2. Of the presented independent variables, the tax burden (TB) had a negative impact on gross domestic product (GDP) in the amount of 0.36 percentage points, the negative impact of the latter is explained by the fact that the agricultural sector faces a number of problems related to the insufficient development of state support mechanisms.

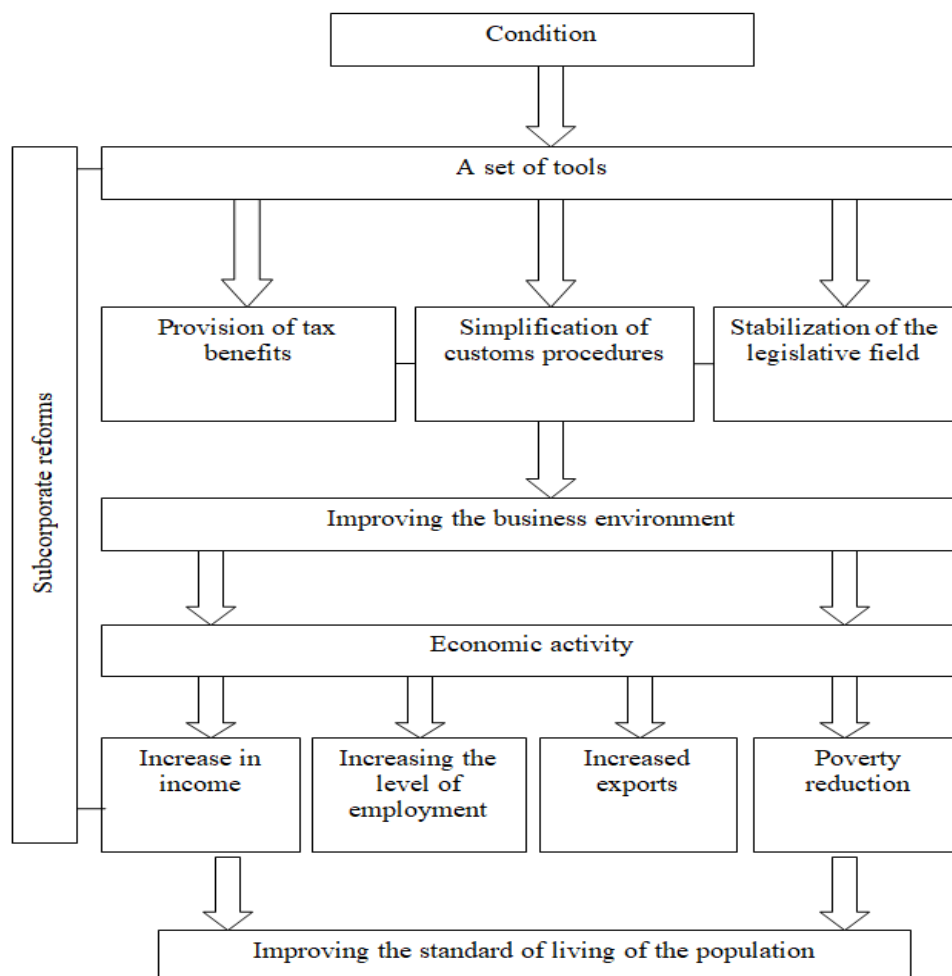
Thus, the results of the analysis carried out in the work were systematized in Table 2.

Table 2.

Impact of food exports and tax burden on gross domestic product.

Gross domestic product	
Positive impact	Food exports
Negative impact	Tax burden
Related risks	1. The existence of insufficient state support mechanisms, 2. Underdeveloped infrastructure, 3. Masslessness of agricultural collectives, 4. Unavailability of financing mechanisms, 5. Climatic conditions, 6. absence or high cost of insurance conditions
Preventive measures	1. Provision of tax benefits, 2. Simplification of customs procedures, 3. Stabilization of the legislative field

According to Table 2 food exports have a positive impact on GDP, but the tax burden has a negative impact, so there are many problems in this sector. In this regard, it was proposed to implement targeted measures that will form new platforms for effective cooperation between the state, business and civil society, these measures are presented in Figure 2.

**Figure 2.**

The mechanism of cooperation between the state-business-civil society.

5. Conclusion

Thus, the business environment is the main guarantee of the economic and social stability of each country, the development of which makes it possible to mitigate the economic and social difficulties characteristic of countries with economies in transition. The results of the regression analysis show that food exports had a positive impact on the gross domestic product in Armenia, while the tax burden has had a negative impact. The latter is due to the fact that there are many problems in agriculture, which are related to the insufficient development of state support mechanisms: the lack of agricultural collectives, unavailability of financing mechanisms, climatic conditions, and lack of insurance conditions. In order to increase business activity, it was proposed to implement measures (provision of tax benefits, simplification of customs procedures, stabilization of the legislative field), the effective functioning of which will ensure effective cooperation between the state, business, and civil society. This will also lead to an increase in economic activity: an increase in income, an increase in employment, an increase in exports, and a reduction in poverty.

Transparency:

The author confirms that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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