



### **Business-friendly?**

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THE RISING prices of fuel and electricity are major roadblocks to investors who may want to do business in the country.

Without a doubt, there is correlation between business creation and the ease and cost of doing business. Indicators for the cost of doing business are prices of electricity, water, diesel, amount of minimum wage, and cost of land or rental of business space. On the other hand, indicators for ease of doing business could be the number of processing days in getting a permit for a new business, number of steps in securing a permit, number of days and steps for business permit renewal, and number of days and steps in getting a building permit.

According to the study “Firm Creation and the Ease and Cost of Doing Business” by the Philippine Institute for Development Studies, the lower cost of doing business is a stronger driver of business creation than the ease of doing business. For instance, high prices of electricity and fuel are a huge barrier to foreign investments, not to mention our current situation of a higher-than-expected inflation rate.

When business creation is difficult at the local level, it discourages entrepreneurship, which is a critical component of inclusive development.

The findings of the study also suggested that potential business owners are “discouraged more by high operating costs than by cumbersome processes of regulatory compliance in running and starting a business”.

How should the government address these?

To encourage business creation in cities and municipalities, policymakers are urged to implement policy reforms that will decrease the cost of doing business such as legislations that will lower the cost of electricity, water, and land or business space rental.

Also, a business-friendly environment for investors in the power industry should increase power production that will address the high cost of electricity.

This is one of the biggest challenges that the Marcos administration faces today.