The effect of institutional constraints and business network on trust in government: an institutional perspective

Gentjan ÇERA[1], Maksim MEÇO[2], Edmond ÇERA[3], Sadik MALOKU[4]

Abstract: Determinants of trust in institutions have been investigated by scholars mostly at individual level by using different theoretical perspectives. However, the ways in which changes in institutional environment affect business trust in government have not received adequate attention from researchers. The current paper sets out to contribute to existing literature by examining closely the role of business enabling policies, institutional constraints, and business networks on institutional trust in the context of a transition country like Albania. The study adopts an institutional perspective and the analysis is administrated on a firm-level data collection. Stratified sample technique was applied in selecting the respondents. To test the proposed linkages an ordinal regression was performed on an original data-set comprising 210 small and medium-sized enterprises. The results revealed that business enabling policies positively influence trust in government, whereas institutional constraints such as courts and corruption, and tax and labor regulations–related constraints negatively affect it. Hence, the higher the institutional constraints, the lower the institutional trust. Moreover, being a member of a business association diminished trust in government. Nevertheless, an interesting finding was that old firms in business association were less skeptic toward government as compared to the other ones. This paper offers useful insights for scholars into the linkage between trust in governmental agencies and entrepreneurship in institutional transformation contexts, and it unquestionably adds to the knowledge on transition countries.

Keywords: public sector, trust in government, business enabling policies, institutional constraints, business network, ordinal regression, transition country

[1] PhD student, Tomas Bata University in Zlin, Faculty of Management and Economics, Zlín, Czech Republic; e-mail: cera@utb.cz

[2] Professor, PhD, Agricultural University of Tirana, Faculty of Economics and Agribusiness, Tirana, Albania; e-mail: mmeco@ubt.edu.al

[3] PhD student, Tomas Bata University in Zlin, Faculty of Management and Economics, Zlín, Czech Republic; e-mail: ecera@utb.cz

[4] Associate professor, PhD, University "Ukshin Hoti" Prizren, Faculty of Life and Environmental Sciences, Kosovo; corresponding author: sadik.maloku@uni-prizren.com

Introduction

It has become noticeable among scholars that countries possessing efficient institutions do manifest social and economic development patterns (Christensen & Lægreid, 2005; Paldam & Gundlach, 2008). However, institutions do not act into the void. In order to operate efficiently, both individuals and organizations need trust institutions from which they obtain services (Habibov, Afandi, & Cheung, 2017).

Trust reflects the systemic and general aspects, like legitimacy of the public system, and the more specific experiences with the governmental agencies in terms of what they offer along with their interaction (Christensen & Lægreid, 2005). Trust in institutions, including trust in government is seen from scholars as an ambiguous and a rather multi-faceted concept (Christensen & Lægreid, 2005). In democratic societies, citizens' sovereignty has been devolved to administrative institutions hoping that it will be handled in an appropriate way. On the other hand, functional democracies are characterized by skepticism towards or distrust in the interest of powerful governmental agencies.

According to the recent literature reviews in this field, gaining deeper insights into institutional trust is one of the most important issue on the research agenda (Bachmann, 2011; Welter, 2012) pointing to the linkage between entrepreneurship and trust. Therefore, the current research contributes by providing evidence on how institutional context shapes business trust in government in the context of transition countries like Albania.

1. Literature review

Trust is identified as an important factor for entrepreneurship. A recent literature review on entrepreneurship and trust emphasizes its importance at personal, organizational and institutional level (Welter, 2012).
Trust in institutions or institutional trust, known as 'system trust", is a term used to refer to "general trust in the functioning of the overall political, legal or economic framework and its informal rules" (Welter, 2012, p. 196).

At the firm-level, the determinants of institutional trust are within and outside the organization (Hudson, 2006). The outside factors are labeled as endogenous, and they cover the performance of institutions. Institutions perform better when trust in them is at high levels. The latter factors are known as exogenous, and they are related to individual-level like education and income, claiming that "mistrust is particularly based on ignorance" (Hudson, 2006, p. 59).

As mentioned earlier, institutional context affects the way entrepreneurs make their decisions, including even the decision whether to trust institutions or not (Bachmann, 2011). Thus, institutions can motivate or demotivate certain behaviors. Indeed, according to the institutional theory (North, 1990), institutions shape business behavior by means of rules, regulations and procedures to be followed in dealing with labor and taxes, social norms etc. These institutions can

be formal (written rules communicated through official channels) and informal (usually unwritten rules and communicated through unofficial channels). Institutional theory is largely used by scholars investigating different issues concerning entrepreneurship (Bazo, Cukanova, Markovicova, & Steinhauser, 2019; Ben Letaifa & Goglio-Primard, 2016; Chowdhury, Audretsch, & Belitski, 2019; Gohmann, 2012; Thai & Turkina, 2014; Young, Welter, & Conger, 2018). Moreover, it is used in explaining especially entrepreneurial activity and business growth (Aparicio, Urbano, & Audretsch, 2016; Chowdhury, Terjesen, & Audretsch, 2015; Hashi & Krasniqi, 2011; Krasniqi & Desai, 2016; Simón-Moya, Revuelto-Taboada, & Guerrero, 2014; Xheneti & Bartlett, 2012), business climate, risk, and failure (Cepel, Stasiukynas, Kotaskova, & Dvorsky, 2018; Çera, Belás, & Strnad, 2019; Çera, Belas, & Zapletalikova, 2019; Çera, Breckova, Çera, & Rozsa, 2019).

In this context, in accordance with prior critical reviews which claim an association between entrepreneurship and institutional trust (Bachmann, 2011; Welter, 2012), institutional theory can be used to explain business trust in government. For instance, Price (2012) found a positive association between trust in government and self-employment decision. Therefore, institutional context, where firms operate, affects business trust in another agency, including governmental agencies. It is assumed that heavily regulated procedures and rules diminish business trust in public institutions, due to the fact that they impede their activity. On the other hand, policies aimed at fostering entrepreneurship positively increase trust in government. Based on this discussion, two hypotheses can be proposed:

Hypothesis 1 (H1): *Business enabling policies positively affect trust in government.*
Hypothesis 2 (H2): *Institutional constraints negatively affect business trust in government.*

Scholars have demonstrated that firm performance can be improved by being part of business networks (Bai, Holmström-Lind, & Johanson, 2018; Brand, Croonen, & Leenders, 2018; Engel, Kaandorp, & Elfring, 2017; Idris & Saridakis, 2018). According to a study conducted by Karabag and Berggren (2014), group membership positively influences firm performance in emerging economies. Even a prior empirical study concluded that firm performance is positively affected by networking (Watson, 2007).

An important way of networking for firms is by joining business associations (Hashi & Krasniqi, 2011). By doing so, firms can benefit in terms of gaining general knowledge about how best to face different challenges in doing business since members share their experiences. Moreover, these firms may benefit even in terms of firm's technical assistance, access to training and other events and activities which a business association may organize (Brown, Earle, & Lup, 2005). In this context, trust is an important ingredient in exploiting business

opportunities, because entrepreneurs learn and facilitate their abilities as they are members of a network (Bergh, Thorgren, & Wincent, 2011). From the entrepreneurs' point of view joining a business network, offers the possibility to learn from each-other's knowledge and experience, when they are open to the others. In this context, trust in one-another is gradually built. This improves the information flow, thereby, firms in networks may manifest lower trust in public intuitions as compared to those firms outside the network. Business association may see government agencies as inefficient units. Based on this logic, a new hypothesis can be written:

Hypothesis 3 (H3): *Firms which are part of a business association have less trust in government, as compared to those that are not part of any business organization*.

Figure 1. The proposed model
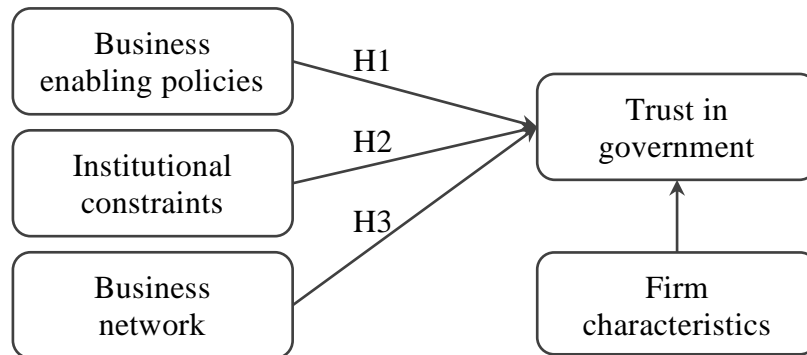
(*Source:* Authors, 2019)

Figure 1 gives a visual view over the research problem and the direction of the proposed hypotheses in the current paper. There are three main arrows pointing to trust in government, meaning that the latter is influenced by business enabling policies, institutional constraints and business network. As shown in the figure, along with these three influencer factors, firm characteristics are believed to affect trust in public institutions.

2. Method and procedures

As mentioned earlier, the objective of this paper is to test the effects of institutional environment and business network on trust in government in the context of a transition country like Albania. To achieve this aim, a questionnaire was initially designed and delivered to a selected number of firms operating in Albania. A list of all firms was provided by the General Directorate of Taxation business database, from which a total of 400 firms were selected following the criteria of counties, firm size (number of employees) and business sector

(manufacturing, service and trade). Only 210 respondents were valid to be included in the analysis.

Table 1. Sample profile

Variable	Sub-category	N	Percentage
Region	South	66	31.4%
	North	19	9.0%
	Central	25	11.9%
	Capital city (Tirana)	100	47.6%
Sector	Manufacturing	49	23.3%
	Services	78	37.1%
	Trade	83	39.5%
Firm age	Less than 5 years	63	30.0%
	More than 5 years	147	70.0%
Principal market	Local	114	54.3%
	National	80	38.1%
	International	16	7.6%
Network	Yes	36	17.1%
	No	174	82.9%
Trust	1 = Do not trust at all	40	19.0%
	2	38	18.1%
	3	84	40.0%
	4	36	17.1%
	5 = Completely trust	12	5.7%
Total valid		210	100%

(*Source:* Own determination, 2019)

Table 1 presents the final profile of the sample. Close to half of the firms were located in the capital city, 31.4% in the southern region, and the rest in central and northern regions of Albania. These figures are in line with firm distributions in Albania. Referring to sector classification, there is almost an even distribution between services and trade and just over 20% of firms were in the manufacturing sector. Seven out of ten firms had more than five years of operation in the market. More than half of firms operated in the local market with 38% of them operating in national market and the rest in international market. Only 36 firms were part of a business association. In terms of trust in government, the distribution of the responses across trust levels were not even. The first level was more probable than the last one.

Dependent variable in the current study is business trust in government. As proposed by Habibov et al. (2017), trust was measured by a single question reading: 'how much do you trust the government?' It is a five-point scale (1 = 'do not trust at all', to 5 = 'completely trust').

Independent variables were institutional environment and business network. Similar to prior studies (De Clercq, Danis, & Dakhli, 2010; Hashi & Krasniqi, 2011), business network was measured as a dichotomous variable (1 = member firms in any business organization, 0 non-member firms). Institutional environment was covered by two types of institutions: those that enable and those that constrain business. The business enabling policies variable was measured as the mean of the four following items: 'public investment in infrastructure has a direct and positive impact on your firm's operations'; 'public investment in the energy supply has a direct and positive impact on your firm's operations'; 'public investment in education has a direct and positive impact on your firm's operations'; 'public investment in health services has a direct and positive impact on your firm's operations'. These items were formulated as four-point scale (1 = 'no, not at all', 2 = 'somewhat', 3 = 'mostly', 4 = 'completely').

Constraint factors were measured by using ten statements dealing with the institutional constraints, as indicated by the institutional theory (North, 1990). The central question was: 'to what extent each of them poses a problem for your business/enterprise?' They were formulated as five-point type scale (1 = 'not a problem', 5 = 'severe problem'). Principal component analysis with Varimax rotation was employed to reduce the number of factors (Fabrigar & Wegener, 2011). The output of the analysis is shown in Table 2. Factors with eigenvalues higher than one were kept. The Kaiser-Meyer-Olkin value and Barlett's test indicated the appropriateness of the factor analysis (Hair, Black, Babin, & Anderson, 2010). Three factors emerged from the factor analysis, explaining 67.5% of the variance in the sample, namely, 'courts and corruption', 'tax and labour regulations', and 'infrastructure and unfair competition'. The factor loadings were nicely above Stevens's (2015) benchmarks (.40), indicating evidence of constructs convergent validity. In addition, the test of scale reliability demonstrated that two factors were above the conservative criteria of .70: 'courts and corruption' and 'tax and labour regulations', whereas the other's Cronbach's alpha was above .60, which is considered as minimum acceptable value in exploring studies (Hair et al., 2010).

Table 2. Rotated component matrix

Component name and its items	Component		
	1	2	3
Courts and corruption			
Courts	.853		
Corruption	.832		
Crime, theft and disorder	.801		
Customs and trade regulations	.761		
Tax and labour regulations			
Frequent changes in legislation & tax administration procedures		.837	

Component name and its items	Component		
	1	2	3
Clarity and understanding of tax legal framework and tax administration procedures		.830	
Labour regulations		.703	
Infrastructure and unfair competition			
Road infrastructure			.837
Other infrastructure (including water, sewerage, etc.)			.694
Informal/illegal competition			.617
Eigenvalues	4.225	1.329	1.197
Explained variance (total = 67.5%)	28.9%	21.2%	17.4%
Cronbach's alpha	.865	.742	.638
Note: Extraction method: Principal component analysis. Rotation: Varimax with Kaiser normalization. Rotation converged in 5 iterations. Kaiser-Meyer-Olkin Measure of sampling adequacy = .840. Sig. Bartlett's test < .001. Correlation matrix's determinant = .019; Coefficient loading displayed > |0.4|.			

(*Source:* Own determination, 2019)

The firm characteristic variables such as firm age, business sector, principal market and region have been found to have an important role in business activity (Abdixhiku, Krasniqi, Pugh, & Hashi, 2017; Bauke, Semrau, & Han, 2016; Reddick & Roy, 2013). These demographic variables were included as control variables in the analysis to avoid potential causal influence on online shopping behaviour.

Similar to prior studies (Hudson, 2006; Price, 2012), to explore the impact of institutional constraints and network on trust in government, ordinal regression was performed. It is a method used to predict ordinal level of the output variables with a set of independent variables. Output variable is an ordinal variable (trust in government) and independent variable can be continuous or categorical. There are five types of ordinal regressions: logit, probit, negative log-log, complementary log-log and cauchit (Harrell, 2015). The nature of the dependent variable determines which of them to use. Our dependent variable resulted to have more probable the lower levels than the higher ones, implicating the use of negative log-log function. The analyses are executed by using computer statistical software SPSS 23. Its form can be written as below:

Function form $\quad P(\gamma) = e^{-e^{-(\beta_0 + \beta_{1i} X_{1i})}}$

Inverse form $\quad -\ln(-\ln \gamma) = \beta_0 + \beta_{1i} X_{1i}$

3. Results

In Table 3 are shown the mean and standard deviation of our main independent variables. The mean of business enabling policies had a positive trend across the trust levels, from 1.64 to 2.18 from the lowest to the highest level.

Nevertheless, institutional constraints reflected a negative trend across the trust levels. Based on these trends in the data, it was expected that ordinal regression results will give a positive relationship between business enabling policies and trust, and a negative one between institutional constraints and trust in government.

Table 3. Mean of institutional factors across the trust levels

Institutional variable	Trust level				
	1	2	3	4	5
Business enabling policies	1.64 (0.70)	1.76 (0.55)	1.99 (0.65)	2.04 (0.77)	2.18 (0.87)
Courts and corruption	0.22 (0.94)	0.05 (0.95)	0.07 (1.01)	-0.32 (1.07)	-0.41 (0.93)
Tax and labour regulations	0.23 (0.94)	0.15 (1.13)	0.06 (1.02)	-0.34 (0.88)	-0.64 (0.45)
Infrastructure and unfair competition	0.24 (1.15)	-0.05 (1.06)	0.04 (0.92)	-0.06 (0.92)	-0.76 (0.74)
Note: Trust (1 = 'do not trust at all', 5 = 'completely trust'). Standard deviation in parentheses.					

(*Source:* Own determination, 2019)

According to the negative log-log link function's output (see Table 4), business enabling policies positively affect trust in government supporting H1, ($W = 27.99$, $p < .001$). This means that when government enforces policies that enable business, then firms reflect higher level of trust in government. However, this is not true in the case of institutional constraints. Indeed, trust in government diminishes as there are noticeable increases in constraints when dealing with 'courts and corruption' ($W = 22.041$, $p < .001$), and 'tax and labor regulations', $W = 6.497$, $p < .05$. These findings emphasized the logic that the higher the level of institutional constraints, the lower the trust in government. However, infrastructure and unfair competition–related constraints did not influence trust, ($W = 1.762$, $p > .10$). Therefore, H2 was partly supported. According to the results, being part of a business network diminished the trust in government, ($W = 3.953$, $p < .05$), supporting H3.

The main effects of firm characteristics were found to be insignificant: both business sector and firm age, $W = .101$, $p < .10$. However, the region where firms had their headquarters, did influence trust in government. Thus, businesses from south ($W = 4.693$, $p < .05$) and north ($W = 11.330$, $p < .01$) regions had lower trust, as compared to the region of the capital city.

Table 4. Parameter estimates

	Variable	Estimate	SE	Wald	df	Sig.
Continuous	[Trust = 1]	.447	.439	1.036	1	.309
latent variable	[Trust = 2]	1.075	.446	5.823	1	.016
	[Trust = 3]	2.588	.473	29.960	1	.000

	[Trust = 4]	4.158	.541	59.156	1	.000
Institutions	Business enabling policies	.729	.138	27.990	1	.000
	Courts & corruption	-.454	.097	22.041	1	.000
	Tax & labor regulations	-.227	.089	6.497	1	.011
	Infrastructure & unfair competition	-.114	.086	1.762	1	.184
Network	Business network	-3.557	1.789	3.953	1	.047
Firm characteristics	Firm age	-.064	.201	.101	1	.751
	Sector Manufacturing	-.086	.214	.160	1	.689
	Sector Services	.136	.190	.511	1	.475
	Sector Trade	0ᵃ	.	.	0	.
	Region South	-.428	.197	4.693	1	.030
	Region North	-1.205	.358	11.330	1	.001
	Region Central	.069	.262	.070	1	.791
	Region Capital city	0ᵃ	.	.	0	.
Interactions	Firm age x Network	1.906	.935	4.157	1	.041
	Local x Network	-.200	.776	.066	1	.797
	National x Network	-.318	.734	.188	1	.665
	International x Network	0ᵃ	.	.	0	.

Note: Function: Negative Log-log. a. This parameter is set to zero because it is redundant.

(*Source:* Own determination, 2019)

To get a better view of the problem in this study, the interaction effect of different variables on trust in government were investigated. In the current research, the interaction of network with firm size and principal market were explored. Although two interactions were tested, only one of them resulted statistically significant. Evidence revealed that interaction of network with firm age was found to have a positive impact on business trust, $W = 4.157$, $p < .05$. This finding stresses out that firms having more than five years of operating experience and being part of a business association had a higher trust in government as compared to the other firms.

Table 5 summarizes the statistics of the model fit. The analyses indicate that the overall model was significant, $\chi^2(14, n = 210) = 61.745$, $p < .001$. Furthermore, according to Pearson criterion there was a good model fit on the basis of the employed covariates, $\chi^2(822, n = 210) = 837.33$, $p < .10$. Additionally, the slope coefficients in the model were the same across dependent variable categories (and lines of the same slope were parallel), as the parallel lines assumption was not violated, $\chi^2(42, n = 210) = 48.067$, $p < .10$. Pseudo R-square of the model was .255, .269 and .101, according to Cox and Snell, Nagelkerke and McFadden statistics. The above statistics demonstrate that the results of the applied ordinal regression do not mislead. Consequently, the interpretation of the results could be done.

Table 5. Model fit, goodness-of-fit and test of parallel lines

Criteria	Statistics				Pseudo R-square		
	-2 LL	Chi-square	df	Sig.	CS	Ng	McF
Model fitting	550.445	61.745	14	.000			
Test of parallel lines	502.378	48.067	42	.241			
Goodness-of-fit	Pearson	837.330	822	.347	.255	.269	.101
Note: LL = Log likelihood, CS = Cox & Snell, Ng = Nagelkerke, McF = McFadden.							

(*Source:* Own determination, 2019)

4. Discussion

This paper has demonstrated useful findings concerning the determinants of trust in government. By adopting an institutional perspective, the current research revealed that institutional environments and business networks significantly influenced business trust in government. The findings of the study are interesting enough because they represent the case of a developing country.

To follow rigorous procedures regarding methodological aspects of research, numerous indicators covering institutional constraints were initially grouped by performing principal component analysis with Varimax rotation. The three emerged factors were named courts and corruption–, tax and labor regulations–, and infrastructure and unfair competition–related business constraints. Four other indicators were used to compose the factor labeled business enabling policies. Next, the effect of the above factors along with business network and firm characteristics were tested on trust in government employing ordinal regression as a statistical method. Finally, the interaction of networking with firm characteristics provided some interesting insights.

When government applies business enabling policies, business trust in public administration increased. This is in line with prior studies which emphasize that policies aimed at boosting entrepreneurship are associated with a better perceived business climate (Belas, Belas, Cepel, & Rozsa, 2019; Çera, Breckova, et al., 2019; Dobeš, Kot, Kramoliš, & Sopková, 2017; Virglerova, Dobes, & Vojtovic, 2016). However, our finding contradicts Nunkoo and Smith's (2013) results. On the other hand, in accordance with the literature in the field of entrepreneurship (Krasniqi & Desai, 2016; North, 1990; Xheneti & Bartlett, 2012), the current research showed that institutional constraints diminished trust in government. Deterioration in courts and corruption– and tax and labor regulations–related business constraints led to lower levels of trust in government. As Yang (2017) demonstrated, firms tend to score higher performance when the court system is perceived to be fair, impartial and uncorrupted.

Being part of business associations turned out to be a significant factor in predicting trust in government. Furthermore, the evidence support the fact that older members of business networks were less skeptic towards governmental agencies when compared to other firms. This led to the result that young firms manifested high level of distrust in or are more skeptic toward public agencies

(government). Thus, older entrepreneurs were more tolerant by scoring higher in institutional trust.

In a transitional country context, trust in institutions, including trust in government, is a relatively new concept. Being a post-communist country, Albania needs to build trust-based relationships (Aaltio, 2008, p. 87). During the time of centralized economy, the above discussed issues were not applicable. Instead, distrust, bureaucracy, and dispersed organizations stood higher chances of being present in the environment. Currently, Albania is a young democracy with free market economy. In this context, entrepreneurs operating in developing countries should change their mindset of doing business and adopting the best experiences from Western countries.

5. Conclusions

The current article aimed to investigate factors that influence business trust in government in the context of a post-communist transition country by adopting an institutional perspective. According to the recent critical literature reviews (Bachmann, 2011; Welter, 2012), finding determinants of institutional trust is an issue that scholars should pay attention to or put high in their agenda. In this regard, the current paper provides useful insights into how trust in government is affected by institutional factors, such as business enabling policies and business constraints, along with business network.

The evidence supported that trust in government is affected by institutional environment and business network. Indeed, business enabling policies and positively influenced trust in government. On the other hand, as it was expected, institutional constraints reflected a negative effect on trust in government. Hence, factors such as courts and corruption-related constraints, and tax and labor regulations-related constraints significantly diminished trust in government. These findings are in line with the institutional theory (North, 1990).

Besides factors originated from the institutional environment, business network was found to be a significant factor for trust in government. Thus, the data supported the linkage between networks and institutional trust. Firms being part of a business association (business network) manifested lower trust in government. However, it was found that older firms in such organizations had significantly higher trust in government as compared to the other firms.

The research has its own limitations mainly in terms of the generalization of the findings in other contexts, since the current article focused only on Albania. It is to be expected that this limitation will be overcome by further research into or by replicating the proposed model in this paper in other contexts.

Authors Contributions
The authors listed have made a substantial, direct and intellectual contribution to the work, and approved it for publication.

Conflict of Interest Statement

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Acknowledgements

References

Aaltio, I. (2008). Management education as an identity construction: the case of Estonia and its transition economy background. *International Journal of Entrepreneurship and Small Business*, *5*(1), 83–99.

Abdixhiku, L., Krasniqi, B., Pugh, G., & Hashi, I. (2017). Firm-level determinants of tax evasion in transition economies. *Economic Systems*, *41*(3), 354–366.

Aparicio, S., Urbano, D., & Audretsch, D. (2016). Institutional factors, opportunity entrepreneurship and economic growth: Panel data evidence. *Technological Forecasting and Social Change*, *102*, 45–61.

Bachmann, R. (2011). At the crossroads: Future directions in trust research. *Journal of Trust Research*, *1*(2), 203–213.

Bai, W., Holmström-Lind, C., & Johanson, M. (2018). Leveraging networks, capabilities and opportunities for international success: A study on returnee entrepreneurial ventures. *Scandinavian Journal of Management*, *34*(1), 51–62.

Bauke, B., Semrau, T., & Han, Z. (2016). Relational trust and new ventures' performance: the moderating impact of national-level institutional weakness. *International Entrepreneurship and Management Journal*, *12*(4), 1007–1024.

Bazo, L., Cukanova, M., Markovicova, L., & Steinhauser, D. (2019). The Impact of Institutional Environment on Slovak Enterprises and the Institutional Hysteresis Effect. *Journal of Competitiveness*, *11*(3), 35–52.

Belas, J., Belas, L., Cepel, M., & Rozsa, Z. (2019). The impact of the public sector on the quality of the business environment in the SME segment. *Administratie Si Management Public*, *2019*(32), 18–31.

Ben Letaifa, S., & Goglio-Primard, K. (2016). How does institutional context shape entrepreneurship conceptualizations? *Journal of Business Research*, *69*(11), 5128–5134.

Bergh, P., Thorgren, S., & Wincent, J. (2011). Entrepreneurs learning together: The importance of building trust for learning and exploiting business opportunities. *International Entrepreneurship and Management Journal*, *7*(1), 17–37.

Brand, M. J., Croonen, E. P. M., & Leenders, R. T. A. J. (2018). Entrepreneurial networking: a blessing or a curse? Differential effects for low, medium and high performing franchisees. *Small Business Economics*, *50*(4), 783–805.

Brown, J. D., Earle, J. S., & Lup, D. (2005). What Makes Small Firms Grow? Finance, Human Capital, Technical Assistance, and the Business Environment in Romania. *Economic Development and Cultural Change*, *54*(1), 33–70. Retrieved from http://hdl.handle.net/10419/20613

Cepel, M., Stasiukynas, A., Kotaskova, A., & Dvorsky, J. (2018). Business environment quality index in the SME segment. *Journal of Competitiveness*, *10*(2), 21–40.

Çera, G., Belás, J., & Strnad, Z. (2019). Important factors which predict entrepreneur's perception in business risk. *Problems and Perspectives in Management*, *17*(2), 415–429.

Çera, G., Belas, J., & Zapletalikova, E. (2019). Explaining business failure through determinist and voluntarist perspectives. *Serbian Journal of Management*, *14*(2), (in print).

Çera, G., Breckova, P., Çera, E., & Rozsa, Z. (2019). The Effect of Business Enabling Policies, Tax Treatment, Corruption and Political Connections on Business Climate. *Acta Polytechnica Hungarica*, *16*(4), 113–132.

Chowdhury, F., Audretsch, D. B., & Belitski, M. (2019). Institutions and Entrepreneurship Quality. *Entrepreneurship Theory and Practice*, *43*(1), 51–81.

Chowdhury, F., Terjesen, S., & Audretsch, D. (2015). Varieties of entrepreneurship: institutional drivers across entrepreneurial activity and country. *European Journal of Law and Economics*, *40*(1), 121–148.

Christensen, T., & Lægreid, P. (2005). Trust in government: The Relative Importance of Service Satisfaction, Political Factors, and Demography. *Public Performance & Management Review*, *25*(4), 487–511.

De Clercq, D., Danis, W. M., & Dakhli, M. (2010). The moderating effect of institutional context on the relationship between associational activity and new business activity in emerging economies. *International Business Review*, *19*(1), 85–101.

Dobeš, K., Kot, S., Kramoliš, J., & Sopková, G. (2017). The Perception of Governmental Support in The Context of Competitiveness of SMEs in the Czech Republic. *Journal of Competitiveness,* Vol. 9, Issue 3, pp. 34-50.

Engel, Y., Kaandorp, M., & Elfring, T. (2017). Toward a dynamic process model of entrepreneurial networking under uncertainty. *Journal of Business Venturing*, *32*(1), 35–51.

Fabrigar, L. R., & Wegener, D. T. (2011). *Exploratory Factor Analysis*. New York, NY: Oxford University Press.

Gohmann, S. F. (2012). Institutions, Latent Entrepreneurship, and Self-Employment: An International Comparison. *Entrepreneurship Theory and Practice*, *36*(2), 295–321.

Habibov, N., Afandi, E., & Cheung, A. (2017). Sand or grease? Corruption-institutional trust nexus in post-Soviet countries. *Journal of Eurasian Studies*, *8*(2), 172–184.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate Data Analysis* (7th Editio). Harlow: Pearson Education Limited.

Harrell, F. E. (2015). *Regression Modeling Strategies: With Applications to Linear Models, Logistic and Ordinal Regression, and Survival Analysis* (2nd ed.).

Hashi, I., & Krasniqi, B. A. (2011). Entrepreneurship and SME growth: evidence from advanced and laggard transition economies. *International Journal of Entrepreneurial Behavior & Research*, *17*(5), 456–487.

Hudson, J. (2006, February). Institutional trust and subjective well-being across the EU. *Kyklos*, Vol. 59, pp. 43–62.

Idris, B., & Saridakis, G. (2018). Local formal interpersonal networks and SMEs internationalisation: Empirical evidence from the UK. *International Business Review*, *27*(3), 610–624.

Karabag, S. F., & Berggren, C. (2014). Antecedents of firm performance in emerging economies: Business groups, strategy, industry structure, and state support. *Journal*

of Business Research, *67*(10), 2212–2223.

Krasniqi, B. A., & Desai, S. (2016). Institutional drivers of high-growth firms: country-level evidence from 26 transition economies. *Small Business Economics*, *47*(4), 1075–1094.

North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge University Press.

Paldam, M., & Gundlach, E. (2008). Two views on institutions and development: The grand transition vs the primacy of institutions. *Kyklos*, *61*(1), 65–100.

Price, G. N. (2012). Race, Trust in Government, and Self-Employment. *The American Economist*, *57*(2), 171–187.

Reddick, C. G., & Roy, J. (2013). Business perceptions and satisfaction with e-government: Findings from a Canadian survey. *Government Information Quarterly*, *30*(1), 1–9.

Simón-Moya, V., Revuelto-Taboada, L., & Guerrero, R. F. (2014). Institutional and economic drivers of entrepreneurship: An international perspective. *Journal of Business Research*, *67*(5), 715–721.

Stevens, J. P., & Pituch, K. A. (2015). *Applied Multivariate Statistics for the Social Sciences: Analyses with SAS and IBM's SPSS* (6th ed.). Routledge.

Thai, M. T. T., & Turkina, E. (2014). Macro-level determinants of formal entrepreneurship versus informal entrepreneurship. *Journal of Business Venturing*, *29*(4), 490–510.

Virglerova, Z., Dobes, K., & Vojtovic, S. (2016). The perception of the state's influence on its business environment in the SMEs from Czech Republic. *Administratie Si Management Public*, *2016*(26), 78–96.

Watson, J. (2007). Modeling the relationship between networking and firm performance. *Journal of Business Venturing*, *22*(6), 852–874.

Welter, F. (2012). All you need is trust? A critical review of the trust and entrepreneurship literature. *International Small Business Journal*, *30*(3), 193–212.

Xheneti, M., & Bartlett, W. (2012). Institutional constraints and SME growth in post-communist Albania. *Journal of Small Business and Enterprise Development*, *19*(4), 607–626.

Yang, J. S. (2017). The governance environment and innovative SMEs. *Small Business Economics*, *48*(3), 525–541.

Young, S. L., Welter, C., & Conger, M. (2018). Stability vs. flexibility: The effect of regulatory institutions on opportunity type. *Journal of International Business Studies*, *49*(4).