

The Effect of Corruption and Taxes on Entrepreneurship Activity: Across Country Study

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Abstract : One of the vehement debates nowadays is about the effect of taxation and economic growth. From one side, taxes are an essential factor to absorb the unemployment, improve the stander of living and achieve a high level of economic growth. On the other hand, they consider it as the main reason to lose the growth ground. The primary goal of the present study is to provide a cross-country evidence of the relationship between taxes and entrepreneurship. There are several important areas where this study makes an original contribution to Entrepreneurship literature. Our paper will use a combination of macro and micro data to present more accurate evidence of the relation. Our study considers large cross sections of countries for the period from 2008 to 2014 for 59 countries. In addition to that and most importantly, our study examines the effect of corruption on the relation between taxes and Entrepreneurship as the corruption is a very important dimension that can explain international entrepreneurship. The importance of this study can be seen from several perspectives: By investigating the taxes effect on entrepreneurship motivation, it is important for the policy makers as well as scholars. Governments and regulators who consider changing in the entrepreneurship sector as an important determinant of economic growth can benefit also from this research. Also, countries who are considering improving their growth level. Scholars also can get insights from this research to gain insights regarding the validity of the Environmental Determinism the institutional theory in the entrepreneurship contest. In addition, it also highlights the obstacles of corruption in developing countries.

Keywords : taxes, corruption, entrepreneurship, across countries

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