BUSINESS ACTIVITY IN LATVIA

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Abstract

The economic development of a country is a continuous process in which the increase of the people's welfare is an indicator of economic development. The main drivers of economic growth are businessmen who create products/services and pay taxes, which is expressed as an indicator of the country's gross domestic product and balance of trade. It is in the economic interests of every country to create such a business environment that its inhabitants and investors feel a desire to establish and develop enterprises. The study narrowed the concept of business activity, analysed the dynamics of company registration and liquidation in Latvia. The research authors describe the changes of the business activity in Latvia in the period from 1991 till 2018, emphasizing the dynamics of the liquidation and the registration numbers of enterprises, the indicators of the World Bank, summarizing the government developed measures for improving the business environment and the measures planned for improving the environment as reflected in the declaration of the government approved in 2019. According to Lursoft data, the balance of registration and liquidation of Latvian enterprises has been steady negative since 2015. In January 2019 the number of liquidated enterprises reaches 60% of the total number of enterprises liquidated in 2018, thus indicating to processes with an unfavourable trend. The information about the registration and liquidation of enterprises published in Lursoft database and the positive evaluation of Doing Business ranking indicate to contrary information. In January 2019 the new government of Latvia was approved. It developed its declaration about the need for improving various industries in order to increase the business activity.

Key words: *environmental issues, and changes, business activity*

1. INTRODUCTION

The indicator of business activity is directly linked with the economic growth. In the OECD report N.Ahmeds (2009), business activity is explained as an enterprising human activity leading to the creation of value or the dissemination of economic activity through the use and creation of new products, processes or markets. Business is a phenomenon linked to business activity (Ahmed, 2009). A number of researchers indicate to the existence of problems in business activity - Z.Gruzina, A.Zvirbule-Berzina (2012), T.Kulikova (2012), I. Vitola, A. Antonovs (2015), K.Ketners (2015), I.Kauskale, I.Geipele (2016). P. Borawski et al (2018) studied the conditions for business activity. However, the research has not considered the changes of the number of liquidated and registered enterprises over the last years in Latvia in order to understand why during the period of economic growth twice as many enterprises are liquidated than founded, upon the circumstance that the gross domestic product (GDP) is growing, export is decreasing and the indicators of *Doing Business* for Latvia are improving by some units. **Study hypothesis:** Changes in the number of companies registered in the company register reflect business activity. **Objective of the study:** Analysis of changes in the number of registered and liquidated companies in Latvia and regions. **Study tasks:** 1. summarize theoretical aspects of business activity problems. 2. to analyse changes in the number of registered and liquidated companies in Latvia and regions. **Subject of the study:** Business Activity Problems**. Subject of study:** company register data. **Study methods:** Contented analysis of literature and Internet sources, selected data processed and interpreted using methods of processing and interpreting statistical data. Secondary observation, grouping, graphic analysis, dynamic row analysis were used in the preparation of the scientific article. After the data was collected, a description of the absolute and relative changes in the row levels of the

dynamics of the results was carried out, compared, absolute, relative and average. **Sources of the study:** The publicly available information from the Central Statistical Bureau (CSP) data, the Enterprise Register data (Lursoft statistic), the results published by the World Bank's Doing Business in 2019, the planning and regulatory documents and the 2019 approved government declaration were analysed. Period to be analysed 1991 to 2018. Innovation of the study - no analysis of changes in the number of company registration and liquidation has been carried out in Latvia so far.

2. MATERIALS AND METHODS

The research analyses the changes of the business units within the context of registered – liquidated enterprises. Summarizing the theoretical aspects on the factors affecting business activities in Latvia, the following statements of authors can be distinguished:

- The business environment creates a number of threats for entrepreneurs and a range of opportunities. P. Wetherly (2011), I.Pilvere et al. (2009), P. Borawski et al. (2018) put forward the main facilitators of the business activity – political and economic environment and its components – laws, tax rates, support programmes, government declarations. Support programmes for overcoming economic crises should be especially well thought over;
- I. Vitola, A. Antonovs (2015), K.Ketners (2015) state that a proportionate, predictable and well-structured state's taxation policy and system ensures the business activity; it directly impacts on the economic development and reduces social differences and market distortion;
- P. Wetherly (2011): enterprises should react and adapt to changes in their own and in the macro-environment, the country should plan measures to increase the business activity, provide equal competition, to eradicate the corruption risk. All societies should develop and agree on the rules and institutions that provide a system in which resources are allocated, i.e. rules that regulate business operations;
- Z.Gruzina, A.Zvirbule-Berzina (2012) propose the financial, consultative and educational support as facilitators of a business activity, which have a critical significance in the establishment and development of an enterprise, but access to a professional support is one of the problems. The types of support need to be diversified, based on the specific characteristics of the territory;
- T.Kulikova (2012) concludes that it is exactly the small country retail enterprises that need assistance and guidelines to improve their performance by applying the management approach;
- I.Kauskale, I.Geipele (2016) relate the business activity to a country's economic problems, social development, problems of the business environment, which directly affect the management and the existence of an enterprise;
- P Borawski et al (2018) links business activity to the number of companies - registration and liquidation figures, gross domestic product growth and export-related balance of imports, type of activity, size groups of companies, indirect investment, jobs, labour and activity, etc.

In summarising the views of the researchers, it can be concluded that business activity and the number of its results - company registration and liquidation - are affected by the legal environment - registration, tax policy, institutional environment - institutions that encourage business activity, organisations implementing business support programmes and business activity indicators - varied statistical indicators.

3. RESULTS

In Latvia, the institutional and legal environment has been established. The Ministry of Economics is the institution that supervises entrepreneurship in it, particular functions – to design and implement the structural policy of economy, the business development policy and other policies within the framework stipulated by laws and regulations. In 2017 a new strategy of the Ministry of Economics for 2017-2019

was developed. The strategic goal of one of the directions "Facilitating entrepreneurship" envisages: to provide an attractive business environment that is based on transparency of the legislation process, observing legal norms that do not burden operations of the enterprises, as well as a convenient to use and market oriented delivery of state administration services. On March 15, 2017, the Cabinet of Ministers (CM) approved a plan of "Measures for Improving the Business Environment", within the framework of which 46 measures were implemented in 2017, for the execution of which in the determined timelines various state institutions were responsible. (Par uznemejdarbibas vides*, 2017) (Ekonomikas, 2017). In 2019 a new government was approved in Latvia. Its declaration provides the common goal of the government – promoting business activity (Deklaracija, 2019)As the summary in Figure 1 reveals, the increase rate (%) of the gross domestic product Latvia and the indicators of the balance of trade during 2009-208 period are changing when compared across the quarters and seasonally adjusted. Although the gross domestic product demonstrates a significant increase, there are certain quarters when the growth is negative. Usually it is the first quarter each year, and the cycle is constant during the nine-year period. Starting with the second quarter of 2017, the indicators of the balance of trade are not related to the changes in the gross domestic product. Although the gross domestic product exhibits a growth trend, the export indicators are negative already in the second and the third quarter of 2017. In the second quarter of 2018 the import continues exceeding the export, reaching the highest import indicator over the nine-year period in the third quarter of 2018 (CSP, 2019).

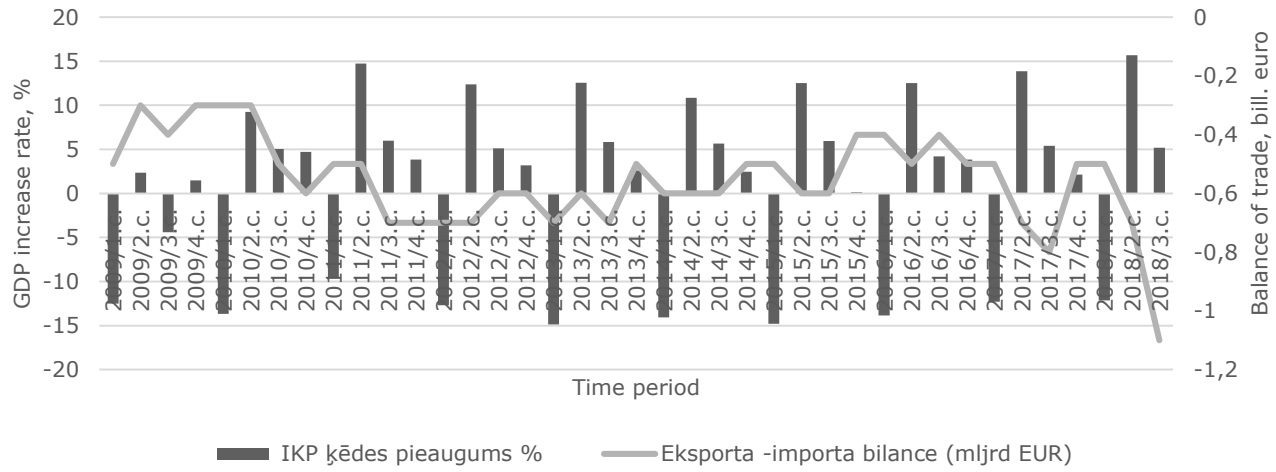

Fig. 1. Increase rate of the gross domestic product (%) and balance of trade indicators in Latvia, in 2009-2018, quarterly data

Source: authors' calculations, based on the data of Central Statistical Bureau

It needs to be concluded that the growth of the gross domestic product is linked with the activation of the internal market, the rise of the salary, which is not bad, but the decrease of the entrepreneurs' export capacity is worrying. According to S.Jekabsone, I.Curikina (2013), the competitiveness of export capacity reveals the population's quality of life, characterizes the internal processes in the country and indicates to what extent the current policy and the population structure guarantee long-term international competitiveness and welfare. Thus, it can be concluded that at present the level of welfare of the Latvian population and the country's competitiveness are decreasing.

In Latvia, the data of the Enterprise Register are processed by Lursoft in order to develop a unified review of the changes in the number of enterprises. According to Lursoft statistic of 2019, over the last ten years there have been changes in the data of enterprise registration and liquidation (Lursoft, 2019). From 1991 till February 1 of 2019, the number of enterprises registered in the Enterprise Register is 370.5 thous., out of which 54% are still active but 46% have been liquidated. Cyclical periods, when enterprises are registered more actively than they are liquidated, can be observed in Latvia. As the

information summarized in Figure 2 reveals, it is possible to compare more successful years when the number of established enterprises exceeds the number of enterprise liquidation. The largest activity in establishing enterprises can be observed in 1993. Based on the summarized information, economic crises can be observed in 1992/93 and from 2008-2009 when the number of established enterprises reduced during the crisis and the number of liquidated enterprises increased. The enterprise liquidation activities started in 2015, which still continue in 2019. As of February 1 of 2019, according to Lursoft data, 966 enterprises have been established whereas 7018 have already been liquidated. As a board member of the Latvian Chamber of Commerce and Industry Katrina Zarina explains, the corrections to the number of enterprises in databases are entered to marshal registers, which is done upon the recommendation of the State Revenue Service (Uznemumu skaits, 2018). The database review and marshalling registers over a period of three years should be considered a large period of time, therefore it is necessary to look for more serious reasons that have caused so fast increase in the number of liquidated enterprises – in 2018 the number of liquidated enterprises increased by ~ 13 times compared to 2017.



Fig. 2. The balance of liquidated and registered enterprises in Latvia from 1991 till 2019

Source: authors' calculations, based on Lursoft data

Summarizing the information about the activities planned by the institutional environment in Latvia (Par Uznemejdarbibas vides pilnveidosanas.., 2017) (Ekonomikas, 2017), it can be concluded that institutionally measures are planned to encourage the business, but the actual business activity indicates to insufficient actions for the balance of the number of enterprise registration – liquidation to be more optimistic. In 2008 a law "On Prevention of Legalisation of Proceeds of Crime and Financing Terrorism" was adopted in Latvia. The aim of the law is to prevent legalisation of proceeds of crime and financing terrorism (Noziedzigi iegutu lidzeklu, 2008). According to the law such enterprises that cannot substantiate their business operations, that are registered in the countries that do not demand to submit financial statements and that do not possess a place of business operations are considered to be shell companies. In 2018 the amendments to this law according to which the banks registered in Latvia will be prohibited to cooperate with shell companies and service their accounts. The final reading of the amendments to the law is planned to be adopted in April 2019 (Seima konceptuali atbalsta, 2018). The adoption of the amendments to the law should not serve as the only reason for so fast reduction in the indicators of enterprise activity, and theoretically it can be assumed that after 2015 more than 50% of enterprises are shell companies in Latvia, but this opinion would not be precise and justified.

To explain the reasons for the reduction of the business activity, further on, the indicators of enterprise registration – liquidation in the planning regions of Latvia were compared. Data about the years 2015-2018 were compared (Table 1).

Planning region	2015			2016			2017			2018		
	Reg.	Liq.	Bal.	Reg.	Liq.	Bal.	Reg.	Liq.	Bal.	Reg.	Liq.	Bal.
Pieriga	9489	5343	4146	7656	7630	26	6657	11371	-4714	7026	16170	-9144
Latgale	704	925	-221	649	1030	-381	643	1152	-509	586	852	-266
Zemgale	992	1209	-217	896	1160	-264	858	1311	-453	948	1108	-160
Kurzeme	889	1156	-267	769	1071	-302	812	1211	-399	804	1159	-355
Vidzeme	1077	1370	-293	937	1208	-271	943	1237	-294	990	1214	-224

Table 1. The balance of the number of registered and liquidated enterprises in the planning regions of Latvia in the period of 2015 - 2018

Source: authors' calculations, based on Lursoft

When the activity of enterprises since 1991 is compared, a similar trend can be observed in all planning regions – the number of liquidated enterprises in 1997 and 1998 increased over the number of established enterprises, which is related to the reregistration of the enterprise equity capital because the requirements for the statutory capital changed, from EUR 142 (according to the euro exchange rate) to EUR 2840. The next period when a larger number of enterprises was liquidated than established in the planning regions is the year 2005, which can be explained with the crisis of the Russian market.

As it can be seen in the calculations presented in Table 1, in Pieriga planning region only in 2017 the number of liquidated enterprises exceeds the number of the registered; in 2018 the liquidation balance increases twice. The large indicators can be explained by the large number of inhabitants in Pieriga region as 52% of the total population of Latvia are concentrated there; there are 198 economically active enterprises in the market sector per 1000 inhabitants, which is twice more than in the other regions. In the other planning regions of Latvia, it was already the year 2015 that exhibited a trend of the positive balance when there were by 23% enterprises more liquidated than established in Latgale and Vidzeme planning regions. In 2016 the planning regions a bit changed places as the largest number of liquidated enterprises increases the number of established enterprises by 28% in Kurzeme planning region. The year 2017 marks the largest number of liquidated enterprises over the registered ones, which is in the borders of 23-44%. In 2018 in Pieriga planning region the liquidation of enterprises continues – it is 56%. As Z. Elksnina- Zascerinsa (FICIL, 2019) explains, the role of Riga in the overall country's development has not been determined by the state, but the economic development of Latvia is concentrated exactly in Riga. The question on what the place of Riga is in the competition with other metropoles of Nordic countries, what the development and the potential of business activities are has not been clarified yet. Summarizing the above stated, the activity of enterprise liquidation continued in 2018 and is also going on in 2019.

There are demographic problems in Latvia, as the numbers of population and working-age population decreases, the population continues aging and migrates from rural areas to cities. As shown in Table 1, since 2013 the number of working-age pulation has decreased by 5%, which means that labour availability for rural businesses is constrained. A comparison of the regions (Table 2) reveals that since 2013 the largest "losers" of the population have been the regions of Vidzeme (7%), Kurzeme and Zemgale (6%). The population in Pieriga region has not changed in the five-year period, and 14% of the total enterprises of Latvia were registered in this region. A comparison of structural changes in the working-age population among the regions allows concluding that the residents of this age migrated to the regions of Riga and Pieriga, where job opportunities are better.

Regions	Number of the working-age population, mln.					Number of enterprises, thou.				
	2013	%	2017	%	Change in period, %	2013	%	2017	%	Change in period, %
Latvia	1.27	100	1.21	100	-5	166.7	100	184.6	100	9
Riga	0.41	32	0.4	33	-2	68.2	41	76.9	42	11
Pieriga	0.23	18	0.23	19	0	27.7	17	32.3	17	14
Vidzeme	0.13	10	0.12	10	-7	16.4	10	17.7	10	7
Kurzeme	0.16	13	0.15	12	-6	19.2	12	21.5	12	10
Zemgale	0.16	13	0.15	12	-6	15.9	10	17.1	9	7
Latgale	0.18	14	0.17	14	-5	19.3	12	19.1	10	-1

Table 2. Numbers of the working-age population and enterprises in the period 2013-2017 in Latvia and the regions

Source: authors' calculations, based on Central Statistic Bureau

A comparison of changes (Table 2) in the number of enterprises revealed that in the analysis period, it decreased in Latgale region by 1%, whereas in the other regions it rose from 7 to 14%. In 2017 compared with 2013, the number of enterprises in Latgale region decreased by 2 %-points and in Zemgale region by 1 %-point, whereas in Riga region it rose by 1 %-point. In Latvia, as shown in Table 1, there are demographic problems not only on a national scale but also a local and a regional scale, and the disparities among municipalities and the regions get larger. The populations continues migrating to cities or their vicinities where jobs are available.

4. DISCUSSION

According to expert Liga Mengelsone, head of the Employers' Confederation of Latvia, labour emigration to the other EU Member States and the low birth rate are still problems. According to the policy think tank CERTUS, entrepreneurs raise the alarm about the availability of labour in Latvia. Besides, the Foreign Investors' Council in Latvia is also concerned about the demographic problem in the country (Informativais, 2019). In 2019, at a conference on demographic and migration challenges, sociologist Arnis Kaktins forecasted that "emigration will continue, and in the nearest years individuals will leave Latvia in larger numbers than they return back to Latvia". The experts also pointed out that the return of emigrants is possible only if they can get secure jobs, as well as have homes and good opportunities to educate their children.

A discussion with entrepreneurs, held by the Latvian Chamber of Commerce and Industry in October 2018, stressed that in order to contribute to the availability of labour, a number of measures have to be taken – changes in labour taxes have to be made, the working-age population have to be involved and retrained and unemployed individuals have to be reintegrated into the labour market. Table 2 shows changes in the numbers of enterprises in Latvia and the regions. In the five-year period, the number of enterprises in Latvia rose, on average, by 9%. The number of enterprises in the regions of Pieriga and Riga increased the most – in the range of 11-14%, while in Kurzeme region it rose by 10%. In contrast, business activity contracted in Latgale region – the number of enterprises decreased by 1%. The number of working-age population has decreased in Latvia, whereas the total number of enterprises has not decreased, which indicates that individuals have founded more than one enterprise.

As pointed out by G. Kuliesis and L. Pareigiene (2011), population density determines business activity, in the domestic market in particular. A summary of data on the density of working-age population in Latvia and the regions (Table 3) reveals that it annually decreased by 3%.

Regions	Population density, people per km^2			Number of enterprises per 1000 capita			Ratio of enterprises to working-age population			GDP per capita a year, thou. EUR		
	2013	2017	Change in period, %	2013	2017	Change in period, %	2013	2017	Change in period,%	2013	2017	Change in period,%
Latvia	31	30	-3	77	90	14	0.13	0.15	13	11.3	12.8	11.4
Riga	2117	2110	0	99	115	14	0.17	0.19	10	18.9	21.1	10.3
Pieriga	37	36	-2	70	83	15	0.12	0.14	14	9.3	10.4	10.7
Vidzeme	14	13	-7	75	88	14	0.13	0.15	13	6.9	8.4	17.5
Kurzeme	19	18	-5	68	82	17	0.12	0.15	20	8.7	9.5	8.8
Zemgale	23	22	-4	60	69	13	0.10	0.12	16	7.1	8.0	12.3
Latgale	20	19	-5	63	68	7	0.10	0.12	16	6.0	6.5	7.6

Table 3. Population density, the number of enterprises per 1000 capita, the ratio of enterprises to working-age population and GDP per capita in Latvia and the regions in the period 2013- 2017

Source: authors' calculations, based on Central Statistic Bureau

The fastest decrease in the analysis period (Table 3) was reported in Vidzeme region with 7%, followed by the regions of Kurzeme and Latgale with 5%. The population density in Zemgale region decreased a lower rate, as the population had the most favourable conditions to work in the regions of Riga and Pieriga. In Riga region, the density did not change, which means that Riga as a place for residence and work was still popular. Even though Pieriga region was economically more active than the other regions of Latvia, the population density in it decreased by 2%. The changes in population density affect not only business activity, irreversible changes also occur in the provision of various social services.

An analysis of the number of enterprises per 1000 capita in the analysis period revealed that it increased in Latvia by 14%; in Kurzeme region the increase was the highest, at 17%, whereas in Latgale region it was the lowest, only 7%, which represented half of the average in Latvia. An analysis of the number of entrepreneurs as a percentage of working-age population revealed that the situation was more positive, and this indicator rose in all the regions in the range of 10-20%. This means that even though the working-age population decreased, the business activity of the population increased. Among the regions, the leader was Kurzeme where the increase was the highest, at 20%, in the five-year period.

Changes in GDP per capita reflect regional disparities in economic growth, and it could be considered a macroeconomic indicator for the standard of living. As shown in Table 2, in 2017 the highest GDP per capita was reported in Riga – it was from two- to three-fold higher than that in the other regions. In the five-year period, the standard of living in Latvia rose, on average, by 11%, while among the regions the best performer was Vidzeme region with 17.5%. The lowest increase rates were reported in Latgale and Kurzeme, 7.6% and 8.8%, respectively.

According to University of Latvia researcher S. Kristapsone (2018), a high standard of living might not be sustainable if no strong social capital is available in a territory for business and entrepreneurship. R. Garleja (2006) classifies human resources into human capital and social capital. Social capital represents the life quality of individuals – their education, health, culture and social integration. According to L.Jankova et al. (2017), if no strong social capital is provided in a territory, it negatively affects the attractiveness of the territory as a place of residence, business activity, revenues for local governments and investor interest. According to S. Iyer et al. (2005), a causal association could be observed – the higher the knowledge level, the higher the social potential and the stronger the wish of the public to be entrepreneurs (Iyer S. et al., 2005).

The research compared the social potential of the population with the educational attainment of it, which is an important factor for business and entrepreneurship (Table 4). In 2017 in Latvia, 1.23 mln. population had some level of education: 30% had higher, 29% – vocational or secondary vocational, 26% – general secondary and 15% – primary education. In 2017 compared with 2013, only small changes have occurred – the number of individuals with higher education rose by 3 %-points, the number of those with vocational or secondary vocational decreased by 1 %-point and the number of those with primary education decreased by 2 %-points. Overall, the level of educational attainment tended to rise, yet territorial disparities could be observed.

Regions	Population with higher education, %			Population with vocational education, %			Population with secondary education, %			Population with primary education, %		
	2013	2017	Change in period, %p	2013	2017	Change in period, %p	2013	2017	Change in period, %p	2013	2017	Change in period, %p
Latvia	100	100	0	100	100	0	100	100	0	100	100	0
Riga	45	45	0	27	29	2	31	31	0	19	20	1
Pieriga	19	20	1	17	17	0	19	19	0	18	20	2
Vidzeme	7	6	-1	12	13	1	9	9	0	13	13	0
Kurzeme	9	9	0	13	13	0	14	14	0	18	17	-1
Zemgale	9	9	0	12	12	0	13	14	1	15	15	0
Latgale	11	11	0	18	18	0	14	13	-1	16	15	-1

Table 4. Population educational attainment in Latvia and the regions in the period 2013- 2017

Source: authors' calculations, based on Central Statistic Bureau

As shown in Table 4, the population with higher education have concentrated in Riga region (45% of the total), followed by Pieriga region with 20%; in the other regions, it was in the range of 6-11%. In the period 2013-2017, the population with higher education decreased in Vidzeme region by 1 %-point (Table 4). The highest concentration of the population with vocational or secondary vocational education (Table 4), just like that with higher education, was reported in Riga region, where it rose by 2 %-points in the analysis period. The population with general secondary education changed less – in Zemgale region it rose by 1 %-point, whereas in Latgale region it decreased by 1 %-point. The population with primary education increased by 2 %-points in Pieriga region, while in the other regions it changed from - 1 %-point to +1 %-point.

On January 1, 2018, the taxation reform implemented by the Ministry of Finance set in force, as a result of which the law demands for the Corporate income tax (CIT) were changed. (Uznemumu ienakuma, 2018). The CIT rate was changed from 15% to 20% upon the condition that 20% CIT application in addition to the calculated dividends is that neither physical persons nor legal entities pay the income tax in Latvia. Tax payer categories, payment periods, tax advance payment terms a.o. are determined. It can be assumed that the performed taxation reform as well as changes in the CIT law have facilitated the entrepreneurs' decision about terminating their business operations or activity. I.Leibus (2014), M.Juruss et al. (2017) have conducted research on the problems in optimum tax application, which impacts directly on the entrepreneurs' activity, and they conclude that the tax regime is regularly changed in Latvia, but positive outcomes have not yet been reached in the changes. The tax regime of small and medium enterprises should include the following principles: simple application; social guarantees for employees; support to the owners of new enterprises; support to small (lifestyle, family) business; preventing unfair competition, which is the matter of will of the government approved in 2019.

A member of the Foreign Investors' Council in Latvia Z. Elksnina- Zascerinsa (FICIL, 2019) has emphasized the problems related to the business activity. In 2018 the amount of foreign investment reduced. Investors explain their reserved activity in investments with the situation in Latvia – the corruption risk in the public sector is high, the quality and unavailability of the labour force, the problem with the accessibility of the state administration, uncertainty of taxes and laws and shadow economy, the need for reforms in higher education, the available labour force, its quality, the inefficient operation of the healthcare system a.o.

Indicator	Latvia	Lithuania	Estonia
Global indicator of the favourableness of business circumstances	19	14	16
Establishment of the enterprise	24	31	15
Receiving construction permissions	56	7	14
Connecting to the power supply system	53	26	46
Property registration	25	3	6
Terms for receiving loans	12	44	44
Protection of minority investors	51	38	83
Tax burden	13	18	14
International trade	26	19	17
Terms of the contract execution	20	7	13
Permission for the insolvency process	54	85	47

Table 5. Comparison of Doing Business 2019 indicators for the Baltic countries

Source: authors' calculations, based on *Doing Business, 2019*

The opinion that shadow economy exists in Latvia has been studied by T. Putnins, A. Sauka (2015) at the same time, and their recommendations for reducing the shadow economy within the context of the business activity are measures for improving the business environment, especially the regulatory documents and the taxation system.

The business environment is continuously being improved in the world and in Latvia. The World Bank analyses business indicators in 189 countries, including Latvia, using Doing Business indicators. The last Doing Business indicators of 2019 summarize the information about the period from June 2, 2017 till May 1, 2018. Countries (Table 5) are ranked based on how simple or complicated the establishing and management of an enterprise is, what rules, laws and regulations for entrepreneurship there exist in the country. Since 2013 Latvia has demonstrated positive changes in Doing Business ranking, which indicates to the improvement in the business environment, which should also be reflected in the registration – liquidation indicators of enterprises. The ranking takes into consideration formal procedures that enhance the business activity, as well as those that restrict it. The country rating for the favourableness of business circumstances is from 1 to 190, where 1 is the best indicator. Based on the data summarized in Table 5, it can be concluded that although the total global indicator for the favourableness of business circumstances is 19, Latvia has to implement a range of measures to improve the business environment in certain positions, especially when compared with the indicators of Estonia and Lithuania.

5. CONCLUSIONS

1) The analysis of the theoretical literature of the study shows that the problems of business activity are related to the following factors: State policy, cycles, number of company registration and liquidation, economic development, business environment, tax policy, system and reform. An active business brings a number of positive benefits to the public.

2) Business activity can be assessed from two viewpoints - as statistical indicators - in terms of number, size, industry, GDP, labour, number of jobs and the willingness of entrepreneurs to cooperate actively.

3) According to the data of the Enterprise Register, the balance sheet for the registration and liquidation of the number of companies in Latvia shall be negative from 2017. Comparing the regions, the largest company liquidation was found in the Pieriga region, eliminating 2.3 times the number of companies than registered. In other regions, liquidation is 1.2 to 1.5 times higher than registration. The liquidation of companies is explained by the clarification of company register data, the changing tax regime and other external environmental factors.

4) Measures are planned in Latvia in institutional terms to boost business activity, the results of the World Bank's Doing Business in 2019 provide information on favourable changes in the business environment, a tax reform in 208 aimed at improving business activity. The measures have not been sufficient to ensure that the number of establishments registered does not exceed liquidation. The most active companies have concentrated in Riga and Pieriga.

5) The study hypothesis shows that the changes in the number of companies registered and liquidated in the company register reflect business activity, which depends on a variety of influencing factors - State policy, tax system, shadow economy, corruption, government declarations.

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