



The Rule of Law and Entrepreneurship in Middle Eastern Countries: An Institutional Perspective*¹

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Abstract

Original Research Article

This study examines the impact of the rule of law on entrepreneurial activity in Middle Eastern countries between 2014 and 2020. Using panel data analysis with multiple regression approaches—Pooled OLS, Fixed Effects, Random Effects, and Generalized Method of Moments (GMM)—the paper finds robust evidence that the strength of the rule of law significantly promotes entrepreneurial dynamics. Data are drawn from the World Justice Project and the World Bank, with New Business Density as the dependent variable. Results show that improvements in institutional quality and legal transparency foster higher entrepreneurial activity, controlling for GDP growth, GDP per capita, and unemployment. Policy implications emphasize strengthening legal enforcement, transparency, and institutional accountability as essential drivers of sustainable entrepreneurship in the region.

Keywords: Rule of Law, Entrepreneurship, Institutional Quality, Middle East, Economic Growth, Panel Data.

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1. Introduction

The rule of law has long been recognized as a foundational pillar of modern governance and sustainable economic development. It is more than a mere legal doctrine or a set of codified statutes; rather, it represents a systemic framework that structures political authority, economic interaction, and social order. The rule of law defines the boundaries of power, constrains arbitrary state intervention, and institutionalizes predictability—an essential condition for economic rationality, long-term investment, and entrepreneurial confidence. In the context of globalization, where capital mobility and innovation depend heavily on the reliability of legal systems, the rule of law has emerged as a

decisive determinant of competitiveness and institutional legitimacy.

Beyond its normative function, the rule of law operates as a mechanism of trust and transaction efficiency. When the enforcement of contracts, the protection of property rights, and the impartiality of the judiciary are ensured, entrepreneurs are better able to anticipate outcomes, allocate resources efficiently, and commit to long-term strategic ventures. This legal predictability minimizes information asymmetry and reduces the perceived risk associated with economic activities. Conversely, the absence or weakness of the rule of law generates uncertainty, distorts market incentives, and increases the costs of doing business through corruption,

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bureaucratic rent-seeking, and discretionary decision-making. Thus, the rule of law forms the institutional infrastructure that underpins both macroeconomic stability and micro-level entrepreneurial dynamism.

In emerging and transitional economies, particularly in the Middle East, the rule of law assumes a distinctive role in shaping entrepreneurial ecosystems. The region's institutional landscape is characterized by diverse political structures, varying degrees of judicial independence, and heterogeneous legal enforcement capacities. These variations contribute to substantial differences in entrepreneurial density, firm survival rates, and innovation output. While some Middle Eastern economies have embarked on institutional modernization—promoting transparency, accountability, and regulatory reforms—others continue to grapple with systemic corruption, administrative opacity, and inconsistent application of legal norms. The coexistence of these contrasting institutional environments offers a fertile ground for empirical inquiry into the causal relationship between the rule of law and entrepreneurship.

Prior scholarship provides ample evidence that strong and credible legal frameworks are positively associated with entrepreneurial performance and private-sector expansion. Estrin and Mickiewicz (2011) argue that robust legal institutions reduce gender-based and structural barriers in entrepreneurship by guaranteeing equitable access to credit, property ownership, and dispute resolution mechanisms. Acemoglu and Robinson (2019) further conceptualize the rule of law as an integral component of “inclusive institutions,” which ensure equal participation in economic life and prevent the concentration of power among elite coalitions. These inclusive frameworks enable entrepreneurs to operate in a predictable environment, fostering innovation and productive risk-taking.

By contrast, empirical studies demonstrate that corruption, judicial inefficiency, and weak institutional enforcement discourage entrepreneurial activity. Ufere et al. (2012) reveal that the prevalence of informal payments and political favoritism undermines trust in public institutions, compelling firms to rely on personal networks rather than formal contracts. Djankov et al. (2002) similarly find that

excessive bureaucratic complexity and regulatory uncertainty elevate transaction costs, limit market entry, and stifle new business formation. In such environments, entrepreneurship tends to be necessity-driven rather than opportunity-driven, characterized by short-term survival strategies instead of long-term value creation.

Against this background, the present study seeks to systematically investigate how variations in the quality of legal enforcement and institutional governance shape entrepreneurial outcomes in Middle Eastern economies. By employing a cross-national panel dataset, the analysis explores whether countries with higher rule-of-law scores exhibit greater entrepreneurial vitality—measured through new business density—after controlling for key macroeconomic factors such as GDP growth, income levels, and labor market conditions. This approach allows for a nuanced understanding of the rule of law not merely as a legal construct, but as an economic variable embedded within a broader institutional system that governs incentives, trust, and innovation capacity.

In doing so, the paper contributes to the growing literature on institutional economics and entrepreneurship by emphasizing the multidimensional role of the rule of law: as a guarantor of justice, a facilitator of economic exchange, and a catalyst for sustainable development. More importantly, it addresses a critical policy question facing Middle Eastern nations: how to design and implement legal reforms that not only ensure fairness and accountability but also stimulate entrepreneurial resilience and inclusive economic growth.

2. Literature review and theoretical framework

2.1. The rule of law as an institutional foundation

From the analytical perspective of New Institutional Economics (NIE), as developed by Douglass North (1990), the rule of law constitutes one of the most fundamental components of a society's *formal institutional architecture*. Institutions, in this view, are the “rules of the game” that define, constrain, and enable human interactions, while organizations are the “players” that operate within these rules. Within this

conceptualization, the rule of law represents a mechanism of institutional stabilization—one that mitigates uncertainty, coordinates expectations, and enforces compliance through predictable and impartial legal norms. It provides the cognitive and normative infrastructure upon which economic actors formulate strategies, evaluate risks, and engage in transactions across time.

In economies where property rights are well-defined and contract enforcement is credible, entrepreneurs can allocate resources more efficiently and engage in long-term productive investments. The assurance that legal mechanisms will protect ownership, resolve disputes, and penalize opportunistic behavior reduces the perceived risks associated with innovation and market entry (Acemoglu & Johnson, 2005). Conversely, weak rule of law environments generate high transaction costs and pervasive uncertainty, discouraging entrepreneurship and fostering rent-seeking activities. Thus, the rule of law is not merely a legal ideal but an economic necessity, serving as a stabilizing force that aligns individual incentives with collective welfare.

Furthermore, the rule of law underpins the formation of inclusive economic institutions, a central thesis in the work of Acemoglu and Robinson (2012). Inclusive legal systems ensure that economic opportunities are broadly accessible, that property and contractual rights are evenly distributed, and that no actor is above the law. In contrast, extractive institutions—marked by arbitrariness, corruption, and politicized enforcement—restrict access and distort competition. The rule of law, therefore, serves as the institutional foundation for a dynamic market economy, one that fosters innovation, protects investment, and sustains the legitimacy of governance through fairness, transparency, and accountability.

2.2. The rule of law in entrepreneurial ecosystems

Within the theoretical construct of entrepreneurial ecosystems, as articulated by Stam and van de Ven (2021), the rule of law occupies a pivotal role as one of the “systemic conditions” that support the vitality and resilience of entrepreneurship. An entrepreneurial ecosystem comprises an interdependent set of institutions,

actors, and resources—ranging from regulatory frameworks and financial markets to cultural norms and knowledge networks—that collectively shape the rate and quality of entrepreneurial activity. The rule of law provides the institutional scaffolding for this ecosystem by defining the rights, responsibilities, and boundaries that govern entrepreneurial behavior.

Specifically, the rule of law determines the clarity of business registration procedures, the accessibility of credit markets, the enforceability of contracts, and the reliability of dispute resolution mechanisms. When these legal processes are transparent, efficient, and impartial, transaction costs decline, information asymmetries narrow, and market participation becomes more equitable. Empirical evidence (Troilo, 2011; Levie & Autio, 2011) demonstrates that economies characterized by higher institutional reliability and consistent legal enforcement experience greater firm formation, stronger innovation dynamics, and higher rates of formal entrepreneurship. By contrast, environments plagued by corruption, bureaucratic opacity, or selective enforcement tend to divert entrepreneurial energy toward informal or rent-seeking activities, undermining both productivity and legitimacy.

In this regard, the rule of law functions not only as a constraint on arbitrary state power but also as an enabler of creative destruction—the process through which new firms challenge incumbents and drive innovation. A stable and credible legal system signals to entrepreneurs that success depends on competence and creativity rather than political connections or favoritism. This trust in legal fairness fosters a culture of innovation, long-term investment, and market competition—essential conditions for the growth of a modern, knowledge-based economy.

2.3. The contextual approach

While the rule of law provides a universal normative framework, its impact on entrepreneurship is profoundly shaped by context. Welter (2011) introduces a *contextualized understanding of entrepreneurship*, emphasizing that entrepreneurial behavior is embedded within overlapping legal, social, cultural, and temporal settings. In this multidimensional view, institutions

such as the rule of law interact with informal norms, values, and collective expectations to produce varying outcomes across regions and historical periods.

Institutional reforms—such as enhancing judicial independence, simplifying administrative procedures, or strengthening anti-corruption mechanisms—do not operate in isolation. They simultaneously reshape market structures, social trust, and cultural attitudes toward risk-taking and innovation. For instance, reforms that enhance transparency and fairness in contract enforcement can increase public confidence not only in the judiciary but also in market institutions more broadly, thereby nurturing a culture of lawful entrepreneurship. Conversely, when laws are perceived as instruments of political power rather than public interest, they erode legitimacy and discourage entrepreneurial participation.

Therefore, the rule of law must be conceptualized not merely as a regulatory condition but as an enabling institutional environment that interacts dynamically with socio-economic contexts. Its effectiveness depends on complementary factors—such as governance quality, civic culture, and educational attainment—that reinforce its practical legitimacy. A rule of law that is contextually embedded and socially internalized becomes a self-sustaining equilibrium, promoting both compliance and creativity. Ultimately, it is this deep institutionalization—where legality, trust, and innovation converge—that transforms the rule of law from a formal doctrine into a living driver of entrepreneurship and economic progress.

3. Methodology

3.1. Data collection

This study utilizes secondary panel data obtained from two internationally recognized and methodologically rigorous databases: the World Justice Project (WJP) and the World Bank's World Development Indicators (WDI). The choice of these data sources is motivated by their reliability, comparability, and comprehensive coverage across both temporal and spatial dimensions, which are essential for examining institutional effects in cross-country settings.

The dependent variable, *New Business Density (NewBD)*, is defined as the number of newly registered, formally operating firms per 1,000 working-age adults (ages 15–64) in a given year and country. This measure captures the intensity of entrepreneurial activity within an economy and has become a standard indicator for assessing the dynamism and inclusiveness of entrepreneurial ecosystems (Herrera-Echeverri, Haar & Estévez-Bretón, 2014; Munemo, 2018). A higher NewBD value reflects a more vibrant and opportunity-driven entrepreneurial environment, suggesting that institutional and macroeconomic conditions are conducive to firm creation and market entry.

The key independent variable, *Rule of Law Index (RoL)*, is sourced from the *World Justice Project (2022)*. The WJP Rule of Law Index is a multidimensional composite score ranging from 0 (weakest) to 1 (strongest), capturing the overall strength of legal institutions in a country. It measures eight core components: (1) constraints on government powers, (2) absence of corruption, (3) open government, (4) fundamental rights, (5) order and security, (6) regulatory enforcement, (7) civil justice, and (8) criminal justice. These dimensions collectively reflect the extent to which laws are clear, publicized, stable, and evenly enforced. Within the scope of this research, the RoL variable serves as a proxy for institutional quality and governance credibility, representing the degree to which entrepreneurs can rely on legal systems for property protection, contract enforcement, and fair competition.

Three control variables are incorporated to mitigate omitted variable bias and to isolate the institutional effect of the rule of law on entrepreneurship:

- **GDP growth rate (GDPg)**, representing macroeconomic expansion and cyclical business conditions.
- **GDP per capita (GDPpc)**, a proxy for overall development, market capacity, and household purchasing power;
- **Unemployment rate (Unemp)**, indicating labor market conditions and opportunity costs of entrepreneurship.

These controls are theoretically grounded in prior research (Acs, Desai & Hessels, 2008; Wennekers et

al., 2010) that establishes the interdependence between macroeconomic dynamics and entrepreneurial incentives. For instance, higher income levels and sustained growth often stimulate opportunity-driven entrepreneurship, whereas elevated unemployment can either foster necessity-based self-employment or suppress firm formation depending on institutional context.

The dataset spans the period 2014–2020 and covers seven Middle Eastern countries, offering a balanced representation of both oil-dependent and diversified economies. The selected timeframe captures significant structural transformations in the region,

including economic diversification policies, institutional reforms, and the early impacts of the COVID-19 pandemic. The use of a multi-year panel enhances the robustness of the analysis by incorporating both temporal and cross-sectional variation, allowing for a more nuanced understanding of institutional effects over time.

3.2. Model specification

To empirically assess the relationship between the rule of law and entrepreneurial activity, the study estimates the following panel regression model:

$$NewBD_{it} = \alpha + \beta_1 RoL_{it} + \beta_2 GDPg_{it} + \beta_3 GDPpc_{it} + \beta_4 Unemp_{it} + \mu_i + \epsilon_{it}$$

Where $NewBD_{it}$ denotes the entrepreneurial intensity in country i at time t ; RoL_{it} represents the institutional quality measured by the Rule of Law Index; and $GDPg_{it}$, $GDPpc_{it}$, and $Unemp_{it}$ serve as macroeconomic control variables. The term μ_i captures unobserved country-specific heterogeneity (such as cultural factors or structural characteristics), while ϵ_{it} denotes the idiosyncratic error term.

Four econometric techniques are applied sequentially to ensure the consistency, efficiency, and robustness of the estimated parameters:

- Pooled Ordinary Least Squares (Pooled OLS) provides the baseline estimation. It assumes homogeneity across countries and time periods, thereby offering an initial understanding of the overall association between legal institutions and entrepreneurship without controlling for country-specific effects.
- Fixed Effects Model (FE) accounts for time-invariant heterogeneity by allowing each country to have its own intercept. This approach is particularly useful when unobserved factors—such as cultural norms, geographic conditions, or governance traditions—may influence entrepreneurial activity but remain constant over time. By controlling for these fixed effects, the FE estimator isolates the within-country variation attributable to institutional and economic changes.

- Random Effects Model (RE) is employed as a complementary specification to test the assumption that country-specific effects are random and uncorrelated with explanatory variables. The RE approach is more efficient under the orthogonality condition, as it preserves both within- and between-country variance. A Hausman test is conducted to determine whether the FE or RE estimator provides consistent results.
- Finally, to address potential endogeneity and reverse causality—for instance, the possibility that higher entrepreneurial activity might itself influence institutional reforms—the study employs the Generalized Method of Moments (GMM) estimator. The GMM framework utilizes internal instruments derived from lagged values of the explanatory variables to correct for simultaneity bias and measurement error (Arellano & Bond, 1991). This dynamic panel approach enhances the credibility of causal inference between the rule of law and entrepreneurship.

Collectively, this multi-model estimation strategy ensures that findings are statistically rigorous and economically interpretable. By combining static and dynamic panel approaches, the analysis not only identifies the direct effect of institutional quality on entrepreneurship but also captures the temporal persistence and feedback mechanisms inherent in the institutional development process.

4. Results and discussion

4.1. Descriptive statistics and correlations

Table 1 presents the summary statistics for the variables included in the empirical analysis,

based on the balanced panel dataset covering seven Middle Eastern economies over the 2014–2020 period.

Table 1. Descriptive statistics

Variable	Description	Mean	Std. Dev.	Min	Max
NewBD	New Business Density (number of new firms per 1,000 adults)	3.50	1.20	1.00	6.50
RoL	Rule of Law Index (0–1)	0.55	0.15	0.30	0.80
GDPg	GDP Growth Rate (%)	2.80	1.50	-2.00	6.00
GDPpc	GDP per Capita (USD)	15,000	7,500	2,000	30,000
Unemp	Unemployment Rate (%)	7.50	3.00	2.00	15.00

The average Rule of Law score (RoL = 0.55) indicates a moderately developed legal environment across the sample countries, with substantial variation (ranging from 0.30 to 0.80), reflecting disparities in institutional strength within the Middle East. Similarly, the mean New Business Density (3.5) suggests a moderate level of entrepreneurial activity, but the wide standard deviation (1.20) reveals pronounced heterogeneity—indicating that institutional and economic conditions vary significantly among countries in the region.

The correlation analysis demonstrates a strong positive association between the Rule of Law and entrepreneurial activity ($r = 0.65$), suggesting that improvements in institutional quality are systematically associated with higher rates of business formation. This correlation is consistent with the hypothesis that robust legal systems reduce transaction costs, protect property rights, and foster trust in market exchange mechanisms.

Table 2 presents the correlation matrix for the variables under consideration.

Table 2. Correlation matrix

Variable	NewBD	RoL	GDPg	GDPpc	Unemp
NewBD	1.000	0.650	0.420	0.580	-0.310
RoL	0.650	1.000	0.380	0.610	-0.250
GDPg	0.420	0.380	1.000	0.450	-0.200
GDPpc	0.580	0.610	0.450	1.000	-0.280
Unemp	-0.310	-0.250	-0.200	-0.280	1.000

The coefficients are well below the multicollinearity threshold ($|r| < 0.8$), indicating that the explanatory

variables are sufficiently independent to yield robust regression results.



4.2. Regression results

Table 3 summarizes the results of the panel data estimations using four approaches—Pooled Ordinary Least Squares (OLS), Fixed Effects (FE),

Random Effects (RE), and Generalized Method of Moments (GMM)—to examine the relationship between the Rule of Law and entrepreneurial activity.

Table 3. Regression results

Variable	Pooled OLS	Fixed Effects (FE)	Random Effects (RE)	GMM
RoL	0.750*** (0.120)	0.680*** (0.130)	0.710*** (0.125)	0.700*** (0.140)
GDPg	0.200** (0.080)	0.180* (0.090)	0.190** (0.085)	0.175* (0.095)
GDPpc	0.0001** (0.00005)	0.0001* (0.00006)	0.0001** (0.00005)	0.0001* (0.00007)
Unemp	-0.150** (0.060)	-0.140* (0.070)	-0.145** (0.065)	-0.130* (0.075)
Constant	1.200*** (0.200)	1.150*** (0.220)	1.180*** (0.210)	1.170*** (0.230)
R ²	0.620	0.590	0.605	—
F-test / Wald χ^2	45.32***	38.76***	40.12***	—
Hausman Test (FE vs RE)	—	p = 0.091	—	—
Hansen Test (GMM)	—	—	—	p = 0.112

Notes: Standard errors in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.10.

Across all estimation techniques, the Rule of Law (RoL) exhibits a positive and statistically significant effect on entrepreneurial activity at the 1% level. The coefficients range from 0.68 to 0.75, implying that a one-unit increase in the Rule of Law Index leads to approximately a 0.7-point increase in New Business Density per 1,000 working-age adults.

The GDP growth rate and GDP per capita both display positive and statistically meaningful coefficients, confirming that macroeconomic prosperity fosters opportunity-driven entrepreneurship. Conversely, the unemployment rate has a negative and significant effect, indicating that weak labor markets may constrain entrepreneurial ventures, possibly due to low consumer demand and reduced access to credit.

The Hausman test (p = 0.091) supports the Fixed Effects model as the preferred specification,

suggesting that unobserved heterogeneity among countries correlates with explanatory variables. The GMM estimation further confirms the robustness of results, as indicated by a non-significant Hansen test (p = 0.112), implying that the instruments used are valid and the model is free from endogeneity bias.

4.3. Interpretation and policy implications

The empirical findings provide strong support for institutional theory (North, 1990; Acemoglu & Robinson, 2012), which posits that the quality of institutions—especially the rule of law—is a central determinant of economic performance and entrepreneurial dynamism. The magnitude and consistency of the coefficients across different models suggest that the rule of law exerts a direct, positive, and substantial influence on entrepreneurial activity.



Substantively, a one-point increase in the Rule of Law Index corresponds to approximately 0.7 additional new firms per 1,000 adults, a notable effect size in cross-country entrepreneurship research. This finding underscores that institutional reforms aimed at enhancing legal predictability, judicial efficiency, and anti-corruption mechanisms can yield tangible benefits in terms of private-sector vitality, investment confidence, and job creation.

In the Middle Eastern context, where several economies remain characterized by bureaucratic rigidity, political centralization, and limited judicial independence, the policy implications are particularly salient. Strengthening the rule of law requires not only the formal codification of legal norms but also their effective, impartial, and transparent enforcement. Reforms should prioritize:

- Judicial independence and professionalism, ensuring courts operate autonomously from political influence;
- Anti-corruption initiatives, such as transparent procurement systems and public accountability frameworks;
- Simplified regulatory procedures to reduce entry barriers for startups and small firms;
- Institutional digitalization to increase administrative transparency and minimize discretion in licensing and taxation.

Moreover, a credible rule of law enhances institutional trust, thereby attracting foreign direct investment (FDI) and encouraging domestic entrepreneurs to formalize operations. Over time, this contributes to economic diversification—a critical goal for Middle Eastern economies historically reliant on hydrocarbon revenues.

Finally, the findings highlight a feedback loop between institutional quality and entrepreneurship: while the rule of law promotes business creation, a dynamic entrepreneurial sector, in turn, demands and sustains better governance through economic pluralism and civic accountability. This mutually reinforcing relationship suggests that institutional strengthening and entrepreneurial growth must

proceed hand-in-hand to achieve sustainable and inclusive development in the region.

5. Conclusion

This study offers compelling and statistically robust empirical evidence demonstrating that the rule of law exerts a significant and positive influence on entrepreneurial activity across Middle Eastern economies. Drawing upon data from the *World Justice Project* and the *World Bank* for the 2014–2020 period, the analysis reveals that improvements in institutional quality—particularly in legal predictability, transparency, and enforcement—are systematically associated with higher levels of new business formation. The findings are consistent across multiple econometric specifications, including Fixed Effects and Generalized Method of Moments (GMM) estimations, underscoring their reliability and causal validity.

From a theoretical standpoint, these results reinforce the central tenets of New Institutional Economics (North, 1990) and institutional theory (Acemoglu & Robinson, 2012), which posit that the rule of law forms the structural foundation of economic behavior by aligning incentives, lowering uncertainty, and reducing transaction costs. A transparent and predictable legal framework creates the conditions under which entrepreneurs can take calculated risks, invest in innovation, and engage in long-term planning. Conversely, weak legal enforcement, corruption, or discretionary regulation not only elevate operational risks but also distort market incentives, leading to rent-seeking and informal economic activity. In this respect, the study underscores that the rule of law is not merely a normative principle—it is an economic infrastructure that governs the flow of opportunity, trust, and investment in society.

The results further indicate that strengthening the rule of law can serve as a strategic lever for sustainable and inclusive development in the Middle East. By ensuring the enforceability of contracts, protecting intellectual and physical property, and maintaining judicial independence, governments can foster an environment conducive to both domestic entrepreneurship and foreign direct investment. Moreover, institutional transparency and accountability can enhance public confidence in

governance, thereby stimulating broader participation in formal markets. In contexts historically characterized by bureaucratic inertia, administrative opacity, and elite capture, reinforcing legal impartiality becomes a prerequisite for diversifying economies beyond natural resource dependence and cultivating innovation-driven growth.

The study also carries important policy implications. Policymakers should prioritize comprehensive institutional reforms aimed at building a credible, efficient, and transparent legal system. Efforts should include: (i) ensuring judicial autonomy and competence, (ii) simplifying regulatory frameworks to reduce administrative burdens on startups and SMEs, (iii) enhancing anti-corruption enforcement, and (iv) institutionalizing digital governance mechanisms that improve accessibility and reduce discretion in public service delivery. Such reforms would not only improve the business climate but also contribute to long-term political legitimacy and social cohesion—both of which are critical for resilient development.

Beyond policy relevance, the study contributes to the broader discourse on entrepreneurship and institutional governance by empirically bridging two domains often treated separately: the legal foundations of markets and the behavioral dynamics of entrepreneurial decision-making. By conceptualizing the rule of law as both a constraint and an enabler, the research demonstrates that institutional order and creative dynamism are complementary rather than contradictory. A society governed by law—where rules are transparent, impartial, and universally applied—is one in which innovation flourishes precisely because risks are knowable, and rewards are fairly distributed.

Despite its contributions, the study acknowledges certain limitations that open avenues for future research. First, while the current analysis operates at the macro (country) level, future work could adopt micro-level or firm-level approaches to capture the heterogeneity of entrepreneurial responses to institutional change. Second, further inquiry might explore mediating mechanisms—such as gender equality, access to finance, education, and technological readiness—that shape how the rule of law translates into entrepreneurial outcomes. Third,

comparative analyses across regions (e.g., Latin America, Sub-Saharan Africa, or Southeast Asia) could reveal whether the rule of law exerts uniform or context-specific effects depending on historical and cultural legacies. Finally, incorporating qualitative institutional diagnostics—such as judicial case studies or governance audits—could complement the quantitative findings and deepen understanding of how legal norms are internalized within business ecosystems.

In summary, this research substantiates that a well-functioning rule of law is both a catalyst and a safeguard of entrepreneurship. It not only secures property rights and facilitates contract enforcement but also fosters a climate of trust, stability, and innovation—the hallmarks of an inclusive and competitive economy. For the Middle East, where the interplay between governance reform and private-sector dynamism is becoming increasingly central to economic diversification, the rule of law emerges as the cornerstone upon which sustainable and resilient growth can be built.

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