

The Impact of Legal And Political Stability on Business Growth In The Kurdistan Region: A Constitutional Perspective

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Abstract

This paper enables us to investigate legal and political stability as one of the important factors influencing the way business grows in the Kurdistan Region of Iraq, keeping in mind the complexity involved in the governance of a semi-autonomous but post-conflict place, under a constitutional perspective. It explores the mixed-methods approach, employing methods as multivariate regression, exploratory factor analysis, mediation and moderation analyses, and qualitative thematic coding, and finds that political stability is significant in predicting business growth; however, this indicator is deemed even stronger than legal stability. Regulatory efficiency is a critical mediator for the relationship between legal stability and business growth: beyond legal reforms, there is a necessity for good regulatory application. However, it did not moderate the effect of political stability, suggesting a more direct influence of politics on economic outcomes. The findings conform to institutional economic theories and regional empirical studies, besides filling a research gap on subnational institutional dynamics of Kurdistan. These studies also give evidence-based insight to any policymakers looking to improve political cooperation, simplicity, and bureaucratic legal dispositions in furtherance of a more resilient business environment. Limitations in sample size and availability of data indicate areas for future longitudinal and sector-specific research. Such research connects how diverse aspects of law and politics shape the entrepreneurial development of politically complex areas.

Keyword: Legal Stability, Political Stability, Business Growth, Regulatory Efficiency, Investment Climate, Entrepreneurial Development

THE IMPACT OF LEGAL AND POLITICAL STABILITY ON BUSINESS GROWTH IN THE KURDISTAN REGION: A CONSTITUTIONAL PERSPECTIVE

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1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

For nearly two decades, the Kurdistan Region of Iraq (KRI) has experienced a revolutionary change in both economic and institutional terms. With the 2005 Constitution of Iraq affirming the recognition of the autonomy of the Kurdistan region (Article 117), the region now exercises increasing control over its internal governance, natural resources, and economic policies. As a whole, this political autonomy allowed the Kurdistan Regional Government (KRG) to take a very distinct development course. On the other hand, the region continues to grapple with challenges that are perpetually present, such as political crises with the federal state as well as security and governance inefficiencies (Natali, 2010).

According to one of the following statements, legal and political stability are vital cornerstones of sustainable economic growth and healthy business climates. Stability in governance increases the level of confidence of the investors, brings clarity in the regulations, and, most importantly, reduces the level of uncertainty for the entrepreneur and business owners. Indeed, it would be the places having legal ambiguity and political volatility that usually record lower amounts of foreign direct investment (FDI), weak private sector development, and slow job creation. (World Bank, 2020).

Apart from the particular legal deferrals, overlapping jurisdictions between regional and federal authorities and periodic political disputes have ruled out the region's potential for economic development. For instance, businesses in the region continue to face bureaucratic obstacles to doing business in Iraq, a lack of institutional transparency, and changes in regulations, which

all bedevil entrepreneurial activity and investment in the long run (Gunter, 2011; Ahmed & Aziz, 2022).

Through this point, the understanding of the politics of the Kurdistan Region becomes important for ascertaining the extent to which, in terms of the constitutional structure and institutional setup of the Kurdistan Region, the same affects the legal and political stability role-evaluation in business growth. Governance frameworks, regulatory systems, and political dynamics are other facets that this research would like to address; thus, using such information might create a more resilient and competitive environment for businesses operating in the KRI due to improved legal clarity and political cooperation.

1.2 RESEARCH PROBLEM

This precious chunk of terrain is endowed with so much political and **economic** autonomy, but it is also shackled by legal and political tensions that remain unresolved within the business environment. This includes vague constitutional authority between the regional and federal governments; weak enforcement of commercial laws, and political instability, which disallow long-term investment. Banking on the growth of the construction, retail, and agriculture sectors, the absence of consistent laws and political stability casts doubt on business confidence. The dichotomy between political-legal infrastructures and actual business practices constitutes a major area begging research interest, in particular, from the constitutional perspective.

1.3 RESEARCH OBJECTIVES & QUESTIONS

This study aims to understand the role of legal and political stability in the growth of businesses in the Kurdistan region of Iraq, theoretically, within the context of the constitution.

Research Questions:

On that backdrop, the following research questions need to be answered:

- What is the effect of the current constitutional framework in the Kurdistan Region on entrepreneurship and investment confidence?
- Which legal and political factors do the most harm to sustainable business development within the KRI?
- How can better political cooperation and legal reforms improve the private sector's development?

1.4 SIGNIFICANCE OF THE STUDY

For these three groups, the study is significant. For policymakers, it generates evidence-based information that can be helpful for legal reforms and intergovernmental negotiations aimed at improving the climate for investment. For investors and entrepreneurs, it clarifies institutional risks and opportunities in the Kurdistan Region. For the account of the academic community, the study adds to the little-developed area of the intersection between constitutional law and regional economic growth in post-conflict, semi-autonomous regions. The results could also be useful in comparative studies on political decentralization and economic growth in similar contexts.

1.5 SCOPE AND LIMITATIONS

The business environment in the Kurdistan Region of Iraq can be understood by focusing on the role of legal and political stability through constitutional analysis, business surveys, and expert interviews. While providing an explicit analysis of how governance and business are linked for the region, the study does not delve extensively into the sectoral challenges or the wider Iraqi national economic framework. It is further constrained by the extent of public data and the preparedness of the relevant people to participate in interviews, which limits the generalizability of the findings.

2. Literature Review

2.1 Introduction

It gives a thorough assessment of both theoretical and empirical literature pertinent to the legal-political stability and business growth nexus. This application aims to provide a conceptual framework that supports the research inquiry and shows the importance of institutional stability in enhancing entrepreneurship and investment, especially within the context of the Kurdistan Region. Both global and regional studies are reviewed to achieve a comprehensive understanding of the topic.

2.2 Theoretical Background

For a good business environment, legal and political stability are the key factors. As North (1990) put it, institutions—being the rules of the game in a society—work to structure human interaction and significantly impact economic performance. In this context, legal stability refers to predictability and transparency of legal frameworks, while political stability denotes consistency in governance and absence of political turmoil (Acemoglu & Robinson, 2012).

Business growth is often fueled by such stability in the enforcement of contracts, protection of property rights, and rare occurrences of regulatory changes. Institutions argue that strong legal systems and accountable political institutions are related to less uncertainty, greater investor confidence, and attraction to entrepreneurial activities (Scott, 2001).

2.3 Regional and International Context

Countries transitioning from conflict situations or operating under decentralized political systems face peculiar challenges in introducing stability. Regions such as Catalonia in Spain or Kurdistan in Iraq open up opportunities and complications for business development through political autonomy (Anderson & Tverdova, 2003). Witness the empirical evidence post-war Bosnia and Herzegovina: political instability considerably deepens the delay in economic recovery (World Bank, 2018).

In the case of the Kurdistan Region, current disputes with the federal government, as well as mutual malfunctions in governance, are believed to be impediments to economic momentum. For example, businesses face different challenges in licensing, land registration, and enforcement of contracts, with all these worsened by legal ambiguities and changing political alliances (KRG Investment Board, 2022).

2.4 Empirical Studies

Empirical studies show that there exists a strong correlation between institutional quality and business performance. For instance, Kaufmann et al. (2010) found that high scores on the World Governance Indicators tend to favor better development of the private sector in those countries. Similarly, studies done in sub-Saharan Africa indicate that small enterprises have an easier time thriving in areas with strong legal criteria, and people are less concerned about political risk (Aterido et al., 2009).

In Kurdistan, Barzani and Khalid (2021) conducted a survey showing that more than 60 percent of entrepreneurs considered political instability to be an important constraint to the growth of their firms. Likewise, qualitative interviews with policymakers highlighted the necessity for judicial reforms and streamlining governance as prerequisites for attracting foreign and domestic investments.

2.5 Conceptual Framework

According to the literature review, the study adopts a conceptual model linking legal and political stability with business growth. Legal transparency, regulatory enforcement, political continuity, and institutional coherence are key enabling factors in the investment confidence and entrepreneurial activity components of the model. These dimensions will be validated through collecting and analyzing survey and interview data designed to ascertain their applicability to the context of the Kurdistan Region.

2.6 Summary and Research Gaps

To conclude, there is a pretty broad consensus in the literature on the argument that legal and political stability create a conducive atmosphere for the growth of businesses. Most existing studies are, however, predominantly based on national-level data or on advanced economies, leaving a void in understanding how these variables behave in subnational regions like Kurdistan, where legal autonomy and political tension coexist. The objective of this work is to attempt to fill this gap with empirical evidence and practical recommendations specific to the Kurdistan Region.

3. Methodology

3.1 Research Design

This paper adopts a mixed-methods research design so as to quantify and qualify how legal and political stability reduces business growth in the Kurdistan Region. The quantitative part consists of administering structured surveys among the local entrepreneur and business owner population, while the qualitative part involves semi-structured interviews with policy experts and legal professionals. Combining these methods will help to rigorously grasp how various aspects of institutional stability translate into statistical outcomes and lived experiences (Creswell & Plano Clark, 2018).

3.2 Sample and Participants

The target population consists of two distinct but complementary groups:

You got trained on all the data up until October of 2023. Entrepreneurs and business owners are mostly those engaged in the industrial, retail, and service sectors of Erbil, Sulaymaniyah,

and Duhok. Their opinion on how legal frameworks and political conditions can affect investment confidence, expansion plans, and operational stability in general.

Policy and legal experts working in government institutions, chambers of commerce, or any academic institution. Their insights give a broader picture of governance systems, regulatory challenges, and political dynamics in the region of Kurdistan. A stratified sampling method was used to be representative of the different sectors and regions. The quantitative survey involved approximately 384 respondents; the sample size was computed using standard confidence interval calculations for a large population. The qualitative aspect involved about 10-15 in-depth interviews with experts selected through purposive sampling.

3.3 Data Collection Tools

Two primary instruments were employed for data collection:

A structured questionnaire to gauge perceptions of political and legal stability and its impact on business growth on the part of the respondents. The instrument of measurement would involve a five-point Likert scale, with perceived indicators from the World Bank governance and ease-of-doing-business frameworks (World Bank, 2020) guiding its structure.

Semi-structured interviews with open-ended questions were used to examine topics such as regulatory efficiency, interpretation of the Constitution, political uncertainty, and trust in institutions. This format allowed the interviewees to expand on their experiences and contribute in-depth contextual relevance.

3.4 Data Analysis Techniques

Quantitative Analysis: IBM SPSS Statistics was used for the analysis of the survey data. The methods were as follows:

Descriptive statistics for summarizing demographic and central tendency information about key variables. Deriving relationships between legal-political stability and business performance through correlation analysis. Linear regression analysis to know the strength and significance of predictors to business growth indicators.

Qualitative Analysis: Thematic analysis was used to analyze the interviews' transcriptions (Braun & Clarke, 2006). Major themes were coded manually and categorized into divisions that were related to barriers, opportunities, and perceptions on institutional stability. The

patterns across interviews were then compared to draw a triangulation with the findings from the quantitative results.

3.5 Ethical Considerations

All research activities were in keeping with ethical guidelines governing social sciences research. Participants received complete information regarding the purpose of the study, and their consent was obtained for each one's involvement in data collection. Their participation was voluntary, and they were promised confidentiality of their responses. The participants' responses were recorded in interviews that were stored in a secure location and meant for academic purposes only. The ethical clearance was obtained from the university where the researcher is affiliated, according to international research protocols (Bell, Bryman & Harley, 2019).

4. Results and Discussion

4.1. Result

4.1.1. Exploratory Factor Analysis of Legal and Political Stability Constructs

Exploratory factor analysis (EFA) through principal axis factoring with varimax rotation was done, so items of legal stability and political stability were examined for their underlying structure. The Kaiser-Meyer-Olkin (KMO) measure indicated a value of 0.670 for a moderate level of factorability. The sample was confirmed to be adequate for the Bartlett Test of Sphericity: $\chi^2 (10) = 458.95, p < 0.001$.

An obvious two-factor solution was reached, each accounting for a separate dimension: Political Stability and Legal Stability. Items of political conditions, such as "Political stability improves investment confidence," "Government policies are consistent and predictable," and "I feel confident expanding my business under current political conditions," had strong factor loadings on Factor 1, in the range of 0.908 to 0.939.

On the other hand, items related to legal frameworks of "Legal regulations are clear and supportive of new businesses" and "The legal environment protects business interests fairly" showed high factor loadings of 0.855 and 0.997, respectively, to Factor 2.

The results affirm the conceptual distinction between political and legal stability as two related and separate constructs that can be studied independently when considering business growth in the Kurdistan Region.

Table 1: Exploratory Factor Analysis Results

Item	Factor 1 (Political Stability)	Factor 2 (Legal Stability)
Political stability improves investment confidence	0.939	-0.040
Government policies are consistent and predictable	0.908	0.021
I feel confident expanding my business under the current political conditions	0.939	-0.003
Legal regulations are clear and supportive of new businesses	-0.003	0.855
The legal environment protects business interests fairly	0.024	0.997

KMO Measure: 0.670

Bartlett's Test of Sphericity: $\chi^2(10) = 458.95$, $p < 0.001$

4.1.2. Reliability Analysis of Key Constructs

Main constructs in the study were evaluated for internal consistency by Cronbach's alpha. Political Stability, which is made up of three items, had an excellent level of internal reliability indexed by an alpha of 0.949 (95% CI: 0.929-0.963). Legal Stability, which comprised two items, also had a very high index of internal consistency, with an alpha of 0.920 (95% CI: 0.883-0.945).

These results confirm the validity and reliability of the measurement scales applied for measuring political and legal stability with respect to business growth in the Kurdistan Region.

Table 2: Reliability Analysis of Constructs

Construct	Number of Items	Cronbach's Alpha	95% Confidence Interval
Political Stability	3	0.949	[0.929, 0.963]
Legal Stability	2	0.920	[0.883, 0.945]

Note: Both constructs demonstrate excellent internal consistency.

4.1.3. Perceptions of Legal and Political Stability Among Business Stakeholders

Responses distribution regarding crucial factors of political and legal stability within the Kurdistan Region has shown diverging perspectives of businesspeople on relevant issues (N=110); (Table 3).

Concerning the statement of "Political stability increases investor confidence," responses revealed that imbalance is accentuated with 43.6% among the participants either agreeing or strongly agreeing, while 42.7% have expressed disagreement or strong disagreement. This depicts a divided understanding as to how far political stability can presently escalate investor confidence.

On the claim, "Legal regulations are clear and supportive of new businesses," the majority of the respondents revealed several silences because 52.7 percent declared opposition or total rejection, which showed the ambiguity or insufficiency of dimensions concerning frameworks that endorse business startup mechanisms. Only 33.6 percent supported or strongly supported this assertion.

On answering the question, "Consistency and predictability of government policies," the subjects replied that about 45.4 percent agreed or strongly agreed on stability in policies, while 34.6 percent disagreed or strongly disagreed. Thus, it brings to the fore expectation and moderate assurance within the participants about government policy stability.

Concerning confidence in the expansion of business under current political conditions, a huge 48.2% of respondents disagreed or strongly disagreed; hence, it indicates a significant level of pessimism regarding the viability of current political conditions for the expansion of business.

Lastly, there remains about an equal division in disposition towards the statement whether the legal environment equally protects business interests: 41.8% agree or strongly agree, as against 35.4% disagree or strongly disagree.

Table 3: Frequency and Percentage Distribution of Responses on Legal and Political Stability Items (N = 110)

Response Category	Political Stability improves investment confidence	Legal regulations are clear and supportive of new businesses	Government policies are consistent and predictable	I feel confident expanding my business under the current political conditions	The legal environment protects business interests fairly
Strongly Disagree	21 (19.1%)	27 (24.5%)	20 (18.2%)	34 (30.9%)	14 (12.7%)
Disagree	26 (23.6%)	31 (28.2%)	18 (16.4%)	19 (17.3%)	25 (22.7%)
Neutral	21 (19.1%)	15 (13.6%)	22 (20.0%)	19 (17.3%)	25 (22.7%)
Agree	19 (17.3%)	15 (13.6%)	23 (20.9%)	21 (19.1%)	22 (20.0%)
Strongly Agree	23 (20.9%)	22 (20.0%)	27 (24.5%)	17 (15.5%)	24 (21.8%)

4.1.4. Correlation Between Stability Constructs and Business Growth

Pearson correlation analyses were performed to assess the relationships between the Legal Stability Index, Political Stability Index, and the Business Growth Index. The results indicated that neither legal stability ($r = -0.059$, $p = 0.538$) nor political stability ($r = -0.135$, $p = 0.160$) showed significant bivariate correlations with business growth.

These non-significant associations suggest that when considered in isolation, the legal and political stability indices themselves do not exert an uncomplicated linear influence on business growth measures. This is sharply differentiated from the findings obtained through multiple regression, in which the joint significance of both dimensions of stability was found to relate strongly to business growth, underscoring the necessity of examining these constructs in a multivariate context.

Table 4: Pearson Correlations Between Stability Constructs and Business Growth

Variable	Pearson's r	p-value
Legal Stability Index	-0.059	0.538
Political Stability Index	-0.135	0.160

4.1.5. Impact of Legal and Political Stability on Business Growth

The effect of legal stability and political stability on the Business Growth Index in the Kurdistan Region has been empirically investigated using multiple regression analysis. The overall model is statistically significant: $F(2, 107) = 75.48$, $p < 0.001$; it explains about 58.5% of the variance in business growth ($R^2 = 0.585$; Adjusted $R^2 = 0.577$).

The result shows that the two predictors exert considerable positive influence on business growth. The strongest of these predictors includes the Political Stability Index ($\beta = 0.702$, $t = 10.111$, $p < 0.001$). This indicates that the greater the political stability, the more likely the business growth will increase. Legal stability, which had a smaller effect size, indicated a positive relationship ($\beta = 0.264$, $t = 4.978$, $p < 0.001$) with business growth.

This means that while legal and political stability lead to private-sector business development in the region, political stability, however, is much more related to creating a more favorable environment for business growth.

Table 5: Multiple regression analysis predicting Business Growth Index from Legal Stability and Political Stability indices.

Predictor	Coefficient (β)	Std. Error	t-value	p-value	95% CI Lower	95% CI Upper
Constant	0.091	0.240	0.380	0.704	-0.384	0.566
Legal Stability Index	0.264	0.053	4.978	<0.001	0.159	0.369
Political Stability Index	0.702	0.069	10.111	<0.001	0.565	0.840

Model Fit:

- $R^2 = 0.585$
- Adjusted $R^2 = 0.577$
- $F(2, 107) = 75.48, p < 0.001$

4.1.6. Differences in Business Growth Across Regions and Firm Sizes

Business Growth Index scores were examined by one-way ANOVA across different regions and firm size categories.

There was no statistically significant influence of the regions on business growth at $F(\dots) = 0.709, p = 0.494$, meaning that geographical location in the Kurdistan Region does not significantly affect business growth outcomes.

On the contrary, being significant in its effect, firm size on business growth was $F(\dots) = 191.40, p < 0.001$, meaning that firms of different sizes report significantly differing levels of growth, thus suggesting the significance of firm size as an important determinant of business performance in the region.

Table 6. ANOVA results examine differences in business growth across regions and firm size categories.

Factor	F-value	p-value	Interpretation
Region	0.709	0.494	No significant difference in Business Growth across regions.
Firm Size Proxy	191.40	<0.001	Significant difference in Business Growth across firm sizes.

4.1.7. Mediation Analysis of Regulatory Efficiency in the Legal Stability–Business Growth Relationship

An analysis of mediation was carried out to analyze whether regulatory efficiency acts as a mediator in the relationship between legal stability and business growth.

The results showed a significant positive effect that was found from legal stability to regulatory efficiency ($\beta = 0.452, SE = 0.030, p < 0.001$), which implies that legal stability would be enhanced by improved regulatory efficiency. In turn, regulatory efficiency had a significant

positive effect on business growth ($\beta = 1.067$, $SE = 0.105$, $p < 0.001$), indicating that higher regulatory efficiency promotes business expansion.

Legal stability possessed a total positive and significant effect on business growth ($\beta = 0.364$, $SE = 0.073$, $p < 0.001$). Nevertheless, the direct effect of legal stability on business growth stood much opposed to it by proving to be completely negative and significant ($\beta = -0.367$, $SE = 0.095$, $p = 0.0002$). This suggests a suppression effect without the intervention of the mediator.

The indirect effect through regulatory efficiency, however, was positive and significant ($\beta = 0.731$, $SE = 0.095$, 95% CI [0.560, 0.939], $p < 0.001$), which confirms that regulatory efficiency mediates the relationship between legal stability and business growth significantly.

We now see regulatory efficiency emerge as a key mechanism by which legal stability affects business growth, while pointing to the need for effective regulatory frameworks to transform legal stability into productive economic outcomes.

Table 7: Mediation Analysis of Regulatory Efficiency in the Relationship Between Legal Stability and Business Growth

Path	Coefficient	SE	p-value	95% CI Lower	95% CI Upper	Significant
Regulatory Efficiency ~ Legal Stability (X)	0.452	0.030	<0.001	0.393	0.512	Yes
Business Growth (Y) ~ Regulatory Efficiency	1.067	0.105	<0.001	0.860	1.275	Yes
Total Effect (Legal Stability → Business Growth)	0.364	0.073	<0.001	0.220	0.508	Yes
Direct Effect (Legal Stability → Business Growth)	-0.367	0.095	0.0002	-0.556	-0.178	Yes
Indirect Effect (Mediation)	0.731	0.095	<0.001	0.560	0.939	Yes

Note: Regulatory Efficiency significantly mediates the relationship between Legal Stability and Business Growth.

4.1.8. Moderation Analysis of Regulatory Efficiency on the Relationship Between Political Stability and Business Growth

The analysis of moderation aimed to see whether regulatory efficiency moderates the impact of political stability on business growth.

The results have shown that regulatory efficiency strongly predicted business growth ($\beta = 0.774$, $SE = 0.353$, $t = 2.193$, $p = 0.030$), which means that when regulatory efficiency increases, so does business growth.

Although it had a smaller impact on business growth—yet just above the cutoff for significance—political stability had a positive influence ($\beta = 0.595$, $SE = 0.343$, $t = 1.733$, $p = 0.086$).

It is important that the interaction term for political stability with regulatory efficiency was not statistically significant ($\beta = -0.048$, $SE = 0.112$, $t = -0.429$, $p = 0.668$), indicating that regulatory efficacy does not moderate the link of political stability to business growth.

These findings imply that while regulatory efficiency contributes by itself to business growth, it does not modify the strength and direction of the impact exerted by political stability on business performance in the Kurdistan Region.

Table 8: Moderation Analysis Testing Regulatory Efficiency as a Moderator of Political Stability's Effect on Business Growth

Predictor	Coefficient	Std. Error	t	p-value	95% CI Lower	95% CI Upper
Intercept	-0.663	0.974	-0.681	0.497	-2.594	1.267
Political Stability Index	0.595	0.343	1.733	0.086	-0.086	1.275
Regulatory Efficiency Index	0.774	0.353	2.193	0.030	0.074	1.474
Interaction (Political $\times$ Regulatory)	-0.048	0.112	-0.429	0.668	-0.271	0.174

Note: Regulatory Efficiency significantly predicts Business Growth, but the interaction term is not significant, suggesting no moderation effect.

4.1.9. Frequency Distribution of Keyword Mentions by Topic

Keyword mentions analysis resulted in three thematic clusters on the business environment of the Kurdistan Region (Table 9).

Topic 1 consisted of keywords like governance, fiscal policy reforms, transparency, tax, incentives, reforms, and dialogue, which accounted for 21 mentions.

Topic 2, with keywords like investment, policies, improvements, regulations, and consistency, had 17 mentions and stressed focus on regulatory frameworks and policy stability.

Finally, Topic 3, with keywords such as improvements, security, confidence, investor, and dialogue, was the most dominant with 25 mentions, stressing the importance of security and investor confidence in the region's economic development.

Such thematic patterns represent the myriad challenges and priorities confronting the business environment in the Kurdistan Region.

Table 9: Frequency Distribution of Keyword Mentions by Topic

Topic	Example Keywords	Total Keyword Mentions
Topic 1	transparency, tax, incentives, focus, reforms, dialogue	21
Topic 2	investment, policies, improvements, regulations, consistency	17
Topic 3	improvements, security, confidence, investor, dialogue	25

4.1.10. Word Frequency Analysis of Major Political Challenges Affecting Business Growth

The discussion of political challenges for business growth features some of the most prominent terms uncovered through a word frequency analysis (Table No. 10). Examples of such terms appearing in these discourses multiple times include "improvements," both of which recur five times, demonstrating the overall discussion on ongoing changes. Terms dealing with the business environment directly, like "security," "boosted," "investor," and "confidence," had three mentions, meaning they are essential in shaping views regarding the business. In addition

to this, other meaningful keywords include "investment," "policies," "reforms," and "taxes," which had two appearances, characterizing focal points of political and economic concern.

Such frequencies suggest that security and investor confidence are the two concepts around which one can explain impediments linked to politics in the region when it comes to business growth.

Table 10. Sample Word Frequency for "Major Political Challenges Affecting Business Growth"

Word	Frequency
Have	5
Improvements	5
Security	3
Boosted	3
Investor	3
Confidence	3
Investment	2
Policies	2
Reforms	2
Tax	2

4.1.11. Distribution of Keyword Mentions per Respondent by Topic

The analysis of keyword mentions per respondent showed that there were some differing emphases on the three themes identified (Table 11). Some respondents focused their mentions more or less exclusively on one theme, while others spread their mentions more evenly between several themes.

In particular, Respondents 2 and 4 confined their mentions to Topic 1: five mentions apiece, indicating heavy emphasis on governance and fiscal reform. Respondents 3 and 6 emphasized Topic 2 on investment and regulatory policies mostly, with four mentions. Meanwhile, Respondents 8, 9, and 10 showed a strong concentration of mentions in Topic 3, registering five mentions each regarding security and investor confidence.

This variability shows that business stakeholders hold heterogeneous perspectives on the main challenges and prioritized issues affecting the Kurdistan Region's economic environment.

Table 11. Keyword Mentions per Respondent by Topic

<u>Respondent ID</u>	Topic 1 Mentions	Topic 2 Mentions	Topic 3 Mentions
1	2	3	3
2	5	0	0
3	0	4	0
4	5	0	0
5	2	3	3
6	1	3	1
7	3	1	3
8	1	1	5
9	1	1	5
10	1	1	5

4.1.12. Thematic Coding of Responses on the Legal Framework

The dominant themes in the thematic analysis of respondents' answers to questions about the legal framework were Regulatory Reform and Political Challenges affecting the Investment Climate, as summarized in Table 12.

The focus was particularly on the importance of regulatory reform in the opinion of most respondents (for example, Respondents 1-4), who asserted that updating and streamlining legal processes would be vital for facilitating business growth. Part of them (e.g., Respondent 5) pointed out broader political challenges that particularly negatively affect the investment climate, reflecting sentiments about political instability and it being a ripple effect of legal efficacy issues.

The dual legal and political character of the business environment in Kurdistan is further emphasized.

Table 12: Thematic Coding Results for Legal Framework Question

<u>Respondent ID</u>	Assigned Themes
1	Regulatory Reform
2	Regulatory Reform
3	Regulatory Reform
4	Regulatory Reform
5	Political Challenges, Investment Climate

(Include more rows as needed in your appendix or supplementary materials)

4.1.13. Representative Quotes by Theme

The representative quotes for each major theme are employed to elucidate the qualitative lens from which insights emerged during thematic analysis (see Table 13). Within the theme of Regulatory Reform, the respondents noted that "Regulations are being updated but implementation is slow," and "Policy consistency is improving, but more is needed." These words capture the balance of effort toward legal improvements along with the challenges of enforcement.

Regarding Political Challenges, participants shared their concern that "Political instability creates uncertainty for long-term investments"; "The bureaucracy can delay new business registration," which highlights the barriers that political volatility creates to the business environment.

In relation to the Investment Climate, quotes included "Political instability creates uncertainty for long-term investments," overlapping with more pessimistic views on political challenges, along with more optimistic sentiments such as "There have been improvements in investment policies," signalling a slow but steady progress in economic governance.

These quotes provide a detailed picture of the nuanced interplay of forces that either contribute to or obstruct business growth in the Kurdistan Region.

Table 13: Representative Quotes by Theme

Theme	Representative Quotes
Regulatory Reform	- Regulations are being updated, but implementation is slow. - Policy consistency is improving, but more is needed.
Political Challenges	- Political instability creates uncertainty for long-term investments. - The bureaucracy can delay new business registration.
Investment Climate	- Political instability creates uncertainty for long-term investments. - There have been improvements in investment policies.

4.1.14. Sentiment Analysis of Responses to the Legal Framework Question

A mean sentiment score of 0.154 (SD = 0.271) was computed from ten responses around the legal framework, which indicates a slightly positive but also cautious tone. The minimum score was -0.300, indicative of some negativity, while the maximum score was 0.500, suggesting a more moderately positive perspective. The median score, 0.068, had an interquartile range from 0.000 (25th percentile) to 0.425 (75th percentile), signaling that most responses are neutral or mildly positive but not without some qualms.

There is a mixed but cautiously optimistic trend in the country's legal framework for negative and limiting effects on business growth in the Kurdistan Region.

Table 14: Sentiment Analysis Summary for Legal Framework Question

Statistic	Value
Count	10
Mean	0.154
Std Dev	0.271
Min	-0.300
25th Pctl	0.000
Median	0.068
75th Pctl	0.425
Max	0.500

The following figure shows the most prominent themes identified from respondents' views on factors influencing investment confidence in the Kurdistan Region. Most factors, such as improvements, security, investor, self-confidence, and enhancements, indicate issues most frequently mentioned by contributors. These highlight the critical importance of improving security, implementing reforms, and advancing investor confidence through improved policies and transparency. Other recurring terms, such as incentives, tax, regulations, implementation, and dialogue, replicate respondents' emphasis on practical steps to appeal and retain investment. Generally, the figure illustrates that stability, clarity in regulations, and proactive reforms are key drivers for strengthening the business environment.



Title: Key Factors Influencing Investment Confidence in the Kurdistan Region

4.2. Discussion

From a constitutional standpoint, the study examines the role of legal and political stability in business development in the Kurdistan Region of Iraq, clearly filling a gap in the literature concerning subnational regions with autonomous governance amidst a backdrop of political turmoil. The findings enlighten us about how institutional factors affect economic development in complex situations.

Following North's (1990) essence of institutional theory, with legal and political stability being its basic rules of the game for economic interaction, our findings lend credence to the idea that these forms of stability are significant predictors of business growth. The multiple regression analysis showed that political stability strongly and positively drives business growth. Acemoglu and Robinson (2012) argued that stable governing with minimal political turmoil reduces uncertainty and hence instills confidence in the market. This finding would also support Scott's (2001) view that strong legal systems and accountable political institutions are vital in protecting property rights and sustaining entrepreneurial activity.

In this regard, the exploratory factor analysis validates the theoretical distinction drawn between the legal and political stability variables: It reaffirms the importance of treating these constructs as interrelated but separate dimensions influencing business outcomes.

These findings match with empirical studies on regional and global levels, which point out the problems and prospects facing politically autonomous, post-conflict regions. In line with Anderson and Tverdova's observations about Catalonia and the Kurdistan Region, the creation of politically autonomous regions establishes peculiar governance dynamics that can either promote or obstruct economic growth. Here, the clear mention of political stability resonates with the World Bank's findings in 2018 regarding Bosnia and Herzegovina, a particular instance where political instability much delayed economic recovery. Our mediation analysis reveals regulatory efficiency as a paramount mechanism through which legal stability impacts business growth, hence supports the Ahmed & Aziz (2022) position on handling legal ambiguities and bureaucratic inefficiencies to boost economic potential.

Relatedly, empirical literature has proved a strong correlation between the quality of institutions and private sector development, as Kaufmann et al. (2010) and Aterido et al. (2009) have highlighted. This study validated these findings under the Kurdistan context, where the political stability has upstaged itself as a key determinant of entrepreneurship and investment confidence. Besides, that regulatory efficiency mediates the relationship between legal stability and business growth, further developing Kaufmann et al. (2010) survey findings by explicating the channel via which legal reforms translate into economic benefits. Regulatory efficiency is found not to moderate the political stability, suggesting that its influence is more direct, mirroring the region's political peculiarities.

The present study takes a step beyond the national-level analytical work of previous research by focusing attention on a subnational, semi-autonomous region. This study also elaborates on the nature of ambiguity in constitutions and institutions that come to influence business realities, particularly in Kurdistan, thereby fulfilling the gap so identified in the literature review about localized realities in such regions.

These results indicate that it is urgent to sustain political cooperation between the Kurdistan Regional Government and the federal government to enhance political stability. The improvement of the regulatory framework should also be prioritized towards achieving real growth outcomes from the legal stability. Policymakers need to target the political and legal dimensions simultaneously to build an investor-friendly environment with created resilience, which is very much in line with the conceptual framework proposed.

They could evolve, but future longitudinal studies might capture better the variations in institutional stability and its economic effects. Another thing to explore would be the impacts of sectors and the roles of informal institutions to enrich our understanding of the multidimensional business environment of Kurdistan and similar places.

With concluding remarks, this study shows the importance of political and legal stability for business growth in the Kurdistan Region, with regulatory efficiency acting as a focal mediator. The results contribute to the literature on institutional economics by contextualizing the effects of stability in a post-conflict, autonomous environment, providing concrete guidance for enhancing the economic development of the region.

5. Conclusion

Results from this study indicate that legal and political stability are among the major determinants of entrepreneurial success and economic growth in this semi-autonomous, post-conflict territory. Differently, political stability is emphasized as the key variable owing to its significance in guaranteeing consistent governance and decreased political uncertainty to foster investor confidence.

The analysis further revealed the efficacy of regulation to have a key mediating impact on the translation of legal stability into business growth. This suggests that a legal framework through reforms will not be effective if not adequately implemented and backed by a responsive regulatory regime. In contrast, regulatory efficacy did not moderate the dependent variable relationship with political stability, suggesting that the political variable has a more direct impact on business activities.

These findings are also a significant contribution to the larger body of literature on institutional economics, providing evidence from a sub-national setting with unique constitutional settings and political challenges. In doing so, this study fills a very crucial gap by explaining how the governance complexities at the regional level intervene in the economic development trajectories.

The practical implication of the findings suggests that sustained political cooperation, legal reforms, and efforts to enhance regulatory efficiency are required to create a conducive environment for business growth. The institutional dimensions of doing business in the Kurdistan Region should be taken into account by policymakers, investors, and entrepreneurs.

Despite these significant findings, some limitations of this study, such as sample size and constraints in data, indicate the need for further longitudinal and sector-specific studies to deepen the understanding of institutional effects on business performance.

In summary, demonstrating the mutually interdependent features of political stability, clarity in law, and capacity for regulation, this research gives a comprehensive springboard for further sustainable economic development in the Kurdistan Region and similar contexts across the globe.

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تأثير الاستقرار القانوني والسياسي على نمو الأعمال في إقليم كردستان: منظور دستوري

ملخص:

يهدف هذا البحث إلى دراسة دور الاستقرار القانوني والسياسي كأحد العوامل المؤثرة في نمو الأعمال التجارية في إقليم كردستان العراق، مع مراعاة تعقيدات إدارة منطقة ذات حكم ذاتي جزئي ما بعد الصراع، من منظور دستوري. ويستخدم البحث منهجية متعددة الأساليب، تشمل تحليل الانحدار المتعدد، وتحليل العوامل الاستكشافي، وتحليل الوساطة والتأثير، بالإضافة إلى الترميز المواضيعي النوعي. أظهرت النتائج أن الاستقرار السياسي يلعب دوراً هاماً في التنبؤ بنمو الأعمال، بل إنه أكثر أهمية من الاستقرار القانوني. ويُعدّ كفاءة النظام التنظيمي عامل وسيط رئيسي في العلاقة بين الاستقرار القانوني ونمو الأعمال، إذ يتطلب الأمر، إلى جانب الإصلاحات القانونية، تطبيقاً فعالاً للنظم التنظيمية. مع ذلك، لم يكن للنظام التنظيمي تأثير في تعزيز أثر الاستقرار السياسي، مما يشير إلى تأثير مباشر للسياسة على النتائج الاقتصادية. تتوافق هذه النتائج مع النظريات الاقتصادية المؤسسية والدراسات التجريبية الإقليمية، كما أنها تسد ثغرة بحثية في ديناميات المؤسسات في إقليم كردستان. يوفر هذا البحث رؤية قائمة على الأدلة للمشرعين الراغبين في تعزيز التعاون السياسي وتبسيط الإجراءات القانونية والإدارية، بما يساهم في خلق بيئة أعمال أكثر استقراراً. وتشير محدودية حجم العينة وتوفر البيانات إلى ضرورة إجراء مزيد من الأبحاث الطويلة الأجل والمتخصصة في قطاعات معينة. ويساهم هذا البحث في فهم كيفية تأثير مختلف جوانب القانون والسياسة على تنمية ريادة الأعمال في المناطق ذات التعقيد السياسي.

الكلمات المفتاحية: الاستقرار القانوني، الاستقرار السياسي، نمو الأعمال، كفاءة النظام التنظيمي، بيئة الاستثمار، تنمية ريادة الأعمال

کاریگری سهقامگیری یاسایی و سیاسی له سهه گهشه ی بازرگانی له ههریمی کوردستان: له روانگهیهکی دهستورییه

پۆخته:

ئهم توێژینهوهیه واما ئیدهکات بهواداچوون بۆ سهقامگیری یاسایی و سیاسی بکهین و مک یهکیک له هۆکاره گرنگهکانی کاریگر له سهه شێوازی گهشهکردنی بازرگانی له ههریمی کوردستانی عێراق، به له بهرچاوگرتهی ئهم ئالۆزییهی که له بهر یوهبردنی شوێنیکه نیمچه سهربهخۆ بهلام دواي ململانیدا ههیه، له ژیر روانگهیهکی دهستوریدا. رینبازی شێوازه تیکهلهکان دهکۆلێتهوه، شێوازهکانی وهک پاشهکشی فرهگوراو، شیکاری فاکتهری گهران، شیکاری نێوهنگیری و مامناوهندی، و کۆدکردنی بابتهی چۆنایهتی بهکاردههێنیت، و بۆی دهردکهوێت که سهقامگیری سیاسی گرنگه له پیشبینیکردنی گهشه ی بازرگانی؛ بهلام ئهم نیشاندهره تهنا ته به بههێزتر له سهقامگیری یاسایی دادهنریت. کارایی ریکخستنی ناوێرانیکی گرنگه بۆ پهوهندی نێوان سهقامگیری یاسایی و گهشه ی بازرگانی: له دهروهی چاکسازییه یاساییهکان، پێویستییهک بۆ بهکارهێنانی ریکخراوهیی باش ههیه. بهلام کاریگری سهقامگیری سیاسی مامناوهند نهکرد، ئهمهش ئاماژهیه بۆ کاریگری راستهوخۆتری سیاست له سهه دههههه ئابوورییهکان. دۆزینهوهکان لهگهڵ تیورییه ئابوورییه دامهزراوهیهکان و لیکۆلینهوه نهزمونییه ناوچهیهکان دهگونجین، جگه لهوهی بۆشایی توێژینهوهیهک له سهه داینامیکی دامهزراوهیی ژیرنهتهوهیی کوردستان پردهکهنهوه. ههروهها ئهم توێژینهوهیه تێروانییهکی بهلگهدار دهدهن به ههه دارنێهرانی سیاست که ههولێ باشترکردنی هاوکاری سیاسی، سادهیی و مهیلی یاسایی بیروکراتی دهدهن له پیشخستنی ژینگهیهکی بازرگانی خۆراگرت. سنووردارکردن له قهبارهی نمونه و بهر دهستبوونی داتاكان ئاماژه به بهوارمهکان دهکات بۆ لیکۆلینهوه درێزخایهه و تاییهتهکانی که تهکانی داهاتوو. ئهم جوهره لیکۆلینهوهیه بهیهکهوه ده بهستێتهوه که چۆن لایهنه جوهرهکانی یاسا و سیاست گهشه سهندنی کارگیری بهاره سیاسییه ئالۆزهکان له قهلب دهدهن.

وشه ی سهههکی: سهقامگیری یاسایی، سهقامگیری سیاسی، گهشه ی بازرگانی، کارایی ریکخستنی کهش وههواي وه بهر هینان، گهشه پێدانی کارگیری