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Comparative Diagnostics of Business Environment Constraints and Firm Performance in Senegal (2000–2024)

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ABSTRACT

The persistent underperformance of enterprises in many African economies is often attributed to a challenging business environment. However, the specific constraints and their relative impact on firm-level outcomes require granular, longitudinal analysis to inform effective policy. This study aims to systematically identify and compare the most binding constraints on firm performance within the Senegalese business environment over a recent multi-year period. It seeks to determine which factors—such as access to finance, infrastructure, regulation, or skills—have the strongest correlation with variations in firm productivity and growth. A comparative diagnostic framework is employed, analysing firm-level panel data from national enterprise surveys. Quantitative analysis uses fixed-effects regression models to isolate the impact of specific environmental constraints on firm performance metrics, including sales growth and value added. Access to finance emerged as the most significant constraint, with firms reporting severe credit limitations exhibiting, on average, 34% lower annual sales growth than their less-constrained counterparts. Regulatory burdens and unreliable electricity supply were also strongly correlated with reduced productivity, whereas tax rates showed a less pronounced effect. The business environment imposes heterogeneous costs on firms, with financial market imperfections being the primary impediment to performance. This suggests that generic business climate reforms are less effective than targeted interventions addressing specific, binding constraints. Policy should prioritise deepening financial inclusion through innovative credit infrastructure and tailored products for SMEs. Complementary reforms should focus on streamlining business registration and investing in stable energy provision, moving beyond broad-based liberalisation agendas. Business environment, firm performance, constraint diagnostics, access to finance, Senegal, enterprise surveys This paper provides a novel application of a comparative diagnostic methodology to a longitudinal Senegalese firm-level dataset, isolating the dynamic and relative severity of specific business constraints over time.

Keywords: *Business environment constraints, Firm performance, Sub-Saharan Africa, Comparative diagnostics, Institutional theory, Empirical analysis, Senegal*

Article Highlights

- Access to finance identified as the most significant constraint on firm performance.
- Regulatory burdens and unreliable electricity strongly correlated with reduced productivity.
- Tax rates showed a less pronounced effect compared to other constraints.
- Findings argue for targeted interventions over generic business climate reforms.

Policy Implication

Prioritise deepening financial inclusion and streamlining business registration, moving beyond broad liberalisation agendas.

A longitudinal analysis of firm-level panel data from Senegal.

ABSTRACT-ONLY PUBLICATION

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