

The Impact of Financial Regulations on Business Operations

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DOI: 10.5281/zenodo.10054895

ABSTRACT

Financial rules have a profound impact on the landscape of business operations, altering company behavior and market dynamics. This abstract digs into the significant impact of financial laws on business operations, providing insights into how rules influence financial decision-making, risk management, compliance efforts, and corporate governance. It delves into the many facets of regulatory regimes, from severe reporting requirements to capital adequacy rules, and considers the ramifications for organizations of all sizes and sectors. Furthermore, the abstract emphasizes the changing nature of financial laws in reaction to global economic upheavals and crises, underlining the importance of firms remaining watchful, adaptable, and proactive in navigating the regulatory landscape. This abstract emphasizes the complicated link between academic research and real-world instances through a synthesis of scholarly research and real-world examples.

Keywords: Artificial Intelligence (AI), Hiring Decisions, Promotion Decisions, HR Technology.

Cite as: Almira Keumala Ulfah, Ammad Shakeel, Dr. Ali Sajjad, Marmar Raazi, Sheza Riaz, & Sonia Ahsan. (2023). The Impact of Financial Regulations on Business Operations. *Journal of Management & Educational Research Innovation (JOMERI)*, 1(1), 17–32. <https://doi.org/10.5281/zenodo.10054895>

INTRODUCTION

The rules and legislation that control the financial system are known as financial regulations. They are intended to safeguard consumers, investors, and companies against fraud and abuse while also promoting financial stability. Financial laws, both favorable and bad, may have a big influence on how firms run.

Protect consumers and investors from fraud and abuse: By forcing firms to provide more information about their products and services and monitoring their actions, financial rules can

assist to protect consumers and investors from fraud and abuse. This can assist customers avoid losing money to scams or fraud, and it can also help investors make educated judgments about where to invest their money.

Financial laws can assist to foster financial stability by forcing corporations to maintain specific amounts of capital and liquidity and monitoring their operations. This can aid in the prevention of financial crises, which can be disastrous to the economy.

Level the playing field for businesses: Financial laws can assist to level the playing field for businesses by requiring them to follow the same norms. This can aid in preventing larger or more established companies from getting an unfair edge.

Encourage innovation: Certain financial restrictions can actually encourage innovation. Regulations requiring firms to reveal more information about their products and services, for example, can contribute to a more competitive market, which can lead to innovation.

enhance efficiency: Financial rules can also assist to enhance the financial system's efficiency. Regulations can assist to make the financial system more efficient and less expensive to operate by lowering the risk of fraud and abuse and increasing transparency.

Increased compliance costs: Financial laws can raise organizations' compliance expenses, reducing their profitability. This is due to the fact that firms must invest time and money to comply with rules, which can divert attention away from their primary business activity.

Reduced flexibility: Financial restrictions can limit a company's ability to function since it is compelled to follow particular processes or guidelines. This might make it difficult for organizations to react to market changes or capitalize on new possibilities.

Increased uncertainty: Financial rules can cause firms to be hesitant since they are unsure how the restrictions will be understood or implemented. This might make it difficult for firms to set long-term goals.

The influence of financial laws on business operations varies based on the legislation in issue and the type of firm. Financial rules, for example, may have little influence on a small firm that is not tightly regulated. However, a huge financial institution that is heavily regulated may be more severely harmed.

Overall, financial rules have a complicated impact on corporate operations, with both good and bad consequences. Before making decisions on how to run their company, companies must carefully assess the impact of financial rules.

In addition to the above-mentioned good and negative consequences, financial rules can have a variety of additional indirect effects on corporate operations. Regulations, for example, can



impact the availability of credit, the cost of capital, and the amount of market competition. These unintended consequences can also have a substantial impact on how firms run.

The effect of financial rules on corporate operations is a complicated and ever-changing problem. Businesses must remain current on the newest legislation and their implications in order to make educated decisions about how to run their operations. (Alumunawar, M. N., & Low, K. C. P. 2012).

The literature gives a variety of perspectives on the impact of financial rules on business operations. Some academics contend that rules can impede a company's operational aspects (Jalilian et al., 2007; Poel et al., 2014), but others contend that laws can both assist and strengthen business operation. Some researchers emphasize their ability to serve as accelerators for technology adoption (Mayson et al., 2014; Peck et al., 2018), while others emphasize the burden of excessive compliance (Jalilian et al., 2007; Poel et al., 2014). When viewed in perspective, worldwide regulatory responses have shown remarkable variety. Financial rules, backed by numerous regulatory instruments, have the capacity to dramatically affect and shape corporate activities. These rules establish new frameworks for performing commercial activities and transactions. Corporations to comply to tight reporting, compliance requirements and encourage innovation by giving incentives and guidelines for certain industries. A well-structured regulatory framework, ideally, should stimulate technology innovation while protecting against fraudulent acts. However, as regulatory contexts change, new issues emerge in digital marketplaces throughout the world. Some restrictions disturb established corporate structures and procedures, making adaptation within the present regulatory framework difficult. They eliminate the need for trusted intermediates, complicating regulatory efforts even more. While there are different sorts of laws, this study concentrates solely on financial restrictions. This decision is prompted by the fact that finance and financial services are important to many significant corporate activities. Furthermore, because numerous commercial processes include the transfer of value, they may fall within the scope of financial rules. Even non-financial business operations in several nations are subject to financial rules and inspections when obtaining operational permits. The major goal of this article is to explore the attitudes of small to medium-sized business owners or managers about financial laws. In today's complicated economic landscape, financial rules play a critical role in determining corporate operations and behavior. Governments and regulatory agencies enact these policies to safeguard the stability, openness, and integrity of financial systems. They seek to safeguard investors, customers, and the economy as a whole from potential risks and errors. Because businesses operate in a regulated environment, financial regulatory compliance has become an important component of their operations. This article investigates the influence of financial rules on business operations, concentrating on risk management, corporate governance, and financial reporting.

The Effect on Risk Management:

Financial rules require organizations to implement strong risk management strategies. Regulations such as capital adequacy ratios, stress tests, and risk assessment frameworks force





organizations to have strong risk management methods. Compliance with these requirements assists organizations in identifying, monitoring, and mitigating a wide range of risks, including credit risk, market risk, operational risk, and liquidity risk. Businesses can strengthen their resilience to financial shocks, increase investor confidence, and protect the financial system's stability by following regulatory rules (Mishkin, 2016).

The Effect on Corporate Governance:

Financial restrictions have a significant influence on corporate governance procedures as well. Regulatory frameworks, such as the Sarbanes-Oxley Act in the United States, provide norms and standards for corporations to encourage openness, accountability, and ethical behavior. The creation of independent boards of directors, audit committees, and internal control systems is required under these rules. Financial rules seek to prevent fraud, safeguard shareholders' interests, and improve the overall efficacy of decision-making processes by supporting strong corporate governance standards (Klapper & Love, 2016).

The Effect on Financial Reporting:

Financial rules have a considerable impact on how organizations prepare and report financial information. Standardized reporting standards are imposed by regulations such as the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles (GAAP). These standards improve financial statement comparability, accuracy, and dependability, allowing stakeholders to make informed decisions. Businesses may improve their reputation, attract investors, and promote efficient capital allocation by guaranteeing clear and consistent financial reporting (Barth, 2018).

Background

The junction of financial rules and corporate operations, on the other hand, is fraught with difficulties. The fast growth of technology frequently outpaces regulatory framework adaption, resulting in a climate of ambiguity and compliance challenges. This inconsistency is visible in the many classifications and tax treatments of financial assets, emphasizing the importance of regulatory clarity and coherence.

Additionally, organizations in regulated financial areas, such as banking and investing, confront practical challenges relating to compliance, taxation, and client due diligence. These challenges have a direct impact on corporate operations and may influence market participation and development prospects. The pursuit of a consistent definition, classification, and taxing system for financial assets potential approach for improving regulatory consistency and encouraging economic development.

The impact of financial laws on corporate operations is a complicated topic that is heavily impacted by the dynamic interaction of emerging technology and regulatory environments. Within the framework of this research seeks to clarify the effects of financial laws on firms and to propose ideas for striking a balance between regulatory scrutiny and commercial facilitation.

Malaysia's financial system is governed by many authorities, including the Bank Negara Malaysia (BNM), the Securities Commission Malaysia (SC), and the Ministry of Finance. (Alumunawar, M. N., & Low, K. C. P. 2012; Bank Negara Malaysia.2023). These organizations were formed to safeguard consumers, investors, and companies against fraud and abuse, as well as to promote financial stability. The BNM is Malaysia's central bank, and it is in charge of the financial system's overall stability. The Securities Commission is in charge of regulating the securities market, while the Ministry of Finance is in charge of the government's overall financial policy.(Securities Commission Malaysia.2023). Malaysia's financial legislation have been phased in during the last few decades. The Banking Act of 1989, which formed the BNM and gave it the responsibility to oversee the banking industry, was the first important piece of legislation. The Securities Industry Act of 1983, which formed the SC and granted it jurisdiction to oversee the securities market, was also approved in 1983.

In Malaysia, there has been a renewed emphasis on financial regulation in recent years. This is due, in part, to the 2008 global financial crisis, which emphasized the significance of effective financial laws. In recent years, the BNM has adopted a number of additional rules, including capital requirements, liquidity restrictions, and stress testing requirements.

Overall, the influence of financial rules on Malaysian corporate operations is multifaceted and can have both good and bad consequences. Before making decisions on how to run their company, companies must carefully assess the impact of financial rules.

- Capital requirements have been set by the BNM for banks and other financial organizations. These regulations compel banks to keep a specific amount of capital in reserve. This can lower bank profits while also preventing them from taking on too much risk.
- Liquidity requirements: In addition, the BNM has imposed liquidity requirements on banks and other financial organizations. These regulations compel banks to have a specified amount of liquid assets on hand, such as cash and treasury notes. This can assist to save banks from going bankrupt if they encounter a large withdrawal of money.
- Requirements for reporting: The BNM expects banks and other financial institutions to submit extensive information about their financial operations. The BNM can use this information to monitor banks for regulatory compliance and to detect possible concerns.
- Banks and other financial institutions are required by the BNM to have their financial accounts audited by an independent auditor. This can assist to guarantee that banks disclose their financial data appropriately.

Objective

Protect consumers and investors from fraud and abuse. Financial regulations are designed to ensure that businesses are transparent about their financial dealings and that they do not engage in unfair or deceptive practices. This helps to protect consumers from losing money to scams or fraud, and it helps investors make informed decisions about where to put their money.



Promote financial stability. Financial regulations are also designed to prevent financial crises. By requiring businesses to maintain certain levels of capital and liquidity, and by monitoring their activities, regulators can help to ensure that the financial system is resilient to shocks.

Level the playing field for businesses. Financial regulations can help to level the playing field for businesses by ensuring that they all have to comply with the same rules. This can help to prevent larger or more established businesses from gaining an unfair advantage.

Promote innovation. Some financial regulations can stifle innovation, but others can actually promote it. For example, regulations that require businesses to disclose more information about their products and services can help to create a more competitive market, which can lead to innovation.

Improve efficiency. Financial regulations can also help to improve the efficiency of the financial system. By reducing the risk of fraud and abuse, and by promoting transparency, regulations can help to make the financial system more efficient and less costly to operate (Smith, A., & Jones, B. 2023).

LITERATURE REVIEW

Background Theory

The capture theory of regulation: This theory posits that regulators may be captured by the industries they are supposed to regulate. This can happen when regulators have close ties to the industry, or when the industry has a lot of power and influence. When this happens, the regulators may be more likely to make decisions that benefit the industry, rather than the public interest. (Stigler, G. J. 1971 ; Peltzman, S. 1976).

The normative theory of regulation: This theory argues that regulations should be designed to achieve certain objectives, such as promoting financial stability or protecting consumers. The normative theory also argues that regulations should be efficient and effective, and that they should not impose unnecessary costs on businesses. (Posner, R. A. 1974 ; Laffont, J. J., & Tirole, J. 1993).

The agency theory: This theory argues that managers of businesses may not always act in the best interests of their shareholders. This can happen when managers have their own interests at heart, or when they are not properly incentivized to act in the best interests of shareholders. The agency theory suggests that regulations can be used to align the interests of managers with the interests of shareholders. (Jensen, M. C., & Meckling, W. H. 1976; Fama, E. F., & Jensen, M. C. 1983).

Previous Studies

According to the findings of this study, financial rules in Malaysia have had a mixed influence on corporate operations. On the one side, the restrictions have aided in the protection of



consumers, investors, and enterprises from fraud and abuse. The Financial Services Act 2013 (FSA), mandates Malaysian financial institutions to provide more information about their goods and services and to monitor their actions. This can assist customers avoid losing money to scams or fraud, and it can also help investors make educated judgments about where to invest their money. On the other side, the restrictions have increased the expenses of compliance for firms. The FSA, mandates that financial institutions have their financial accounts audited by an independent auditor. This may be an expensive procedure, particularly for small firms. According to the report, the influence of financial laws on corporate operations varies based on the individual legislation in existence. Some restrictions, may have a higher impact on small firms than on large businesses. (Alumunawar, M. N., & Low, K. C. P. 2012).

This paper from Malaysia's central bank offers an overview of the Malaysian financial system and explores the influence of financial laws on the system. According to the research, financial laws have contributed to Malaysia's financial stability. For example, the BNM's capital requirements have helped to keep financial institutions from taking on too much risk. According to the research, financial laws have also helped to protect consumers in the financial system. The FSA, for example, forbids anti-competitive behaviors such as price fixing and market allocation. This can assist to guarantee that when customers utilize financial goods and services, they have a fair opportunity of receiving the best bargain (Bank Negara Malaysia. 2023).

Malaysia's securities regulator presents an overview of the Malaysian securities market and explores the influence of financial rules on the market. According to the research, financial laws have aided in the protection of investors in the securities market. The SC, for example, compels publicly traded corporations to publish more information regarding their financial activity. This can assist investors in making educated selections about where to put their money. Financial laws have also aided in promoting market integrity in the securities market. Insider trading and market manipulation, for example, are prohibited by the Supreme Court. This can help to guarantee a fair and orderly securities market. These are only a handful of the prior studies on the influence of financial rules on Malaysian business operations. These studies' conclusions indicate that financial rules may have both beneficial and negative effects on corporate operations. The particular impact of regulations will vary based on the legislation in existence, the size and complexity of the business, and the operational environment of the firm. (Securities Commission Malaysia. 2023).

Previous research has looked at the complex interaction between financial rules and business operations, giving insight on the many variables at work in this environment. While much of the available research does not expressly focus on a particular sector or technology, it does give significant insights into the overall impact of financial rules on firms.

Prior study has focused on the impact of financial rules on compliance costs and regulatory burdens for enterprises (Deli, 2015). According to Deli's research, strict regulatory requirements can result in higher compliance costs and administrative difficulties for firms, thereby hurting their competitiveness and operational efficiency.

Another important area of research is the influence of financial rules in influencing risk management strategies inside firms (Barth, Caprio, & Levine, 2004). According to research, regulatory frameworks have a substantial impact on firms' risk management strategies since compliance requirements frequently entail the deployment of risk mitigation measures and capital adequacy norms.

Furthermore, research have been conducted to investigate the influence of financial laws on innovation and entrepreneurship (Baker & Wurgler, 2007). Baker and Wurgler's research reveals that regulatory limitations might alter resource allocation inside organizations, possibly affecting their innovation projects and entrepreneurial activity.

Conceptual Framework

Building on prior research findings, the conceptual framework for this study on "the impact of financial regulations on business operations" includes many critical dimensions:

Compliance Costs and Administrative Burden:

This dimension dives into the costs that firms face in order to comply with financial requirements. It investigates how regulatory requirements place administrative costs on firms, possibly impacting operational efficiency and cost structures (Deli, 2015).

Risk Management and Capital Adequacy:

The framework takes into account the influence of financial rules on risk management practices and capital adequacy criteria in enterprises. It investigates how regulatory frameworks impact enterprises' risk mitigation and capital allocation strategies (Barth et al., 2004).

Innovation and Entrepreneurship:

This component investigates the link between financial rules and firms' innovation and entrepreneurial efforts. It examines how regulatory limitations might influence company resource allocation, possibly influencing innovation projects and entrepreneurial activity (Baker & Wurgler, 2007).

Competitiveness and Operational Resilience:

The framework also covers the larger consequences of financial rules on the competitiveness and operational resilience of enterprises. It explores how organizations' capacity to adapt to changing market conditions and sustain their competitive advantage is influenced by regulatory compliance.

Using this conceptual framework, the research seeks to give a thorough knowledge of how financial rules impact all aspects of business operations, therefore bringing significant insights to the field of regulatory studies and business management.

METHODOLOGY

This method involves surveying businesses to collect data on their experiences with financial regulations. The survey can be conducted online or in person, and it can ask questions about the specific regulations that businesses face, the impact of these regulations on their operations, and their overall views on financial regulations. (Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. 2010 ; Pallant, J. 2016).

This method involves studying a specific business or industry to understand the impact of financial regulations on its operations. The case study can be conducted by interviewing key stakeholders, reviewing documents, and observing the business in action. (Yin, R. K. 2014 ; Stake, R. E. 2013).

This method uses economic models to analyze the impact of financial regulations on business operations. The models can be used to simulate the effects of different regulations on different businesses, and they can help to identify the factors that are most likely to affect the impact of regulations. (Pindyck, R. S., & Rubinfeld, D. L. 2017 ; Greene, W. H. (2012).

This method combines two or more of the methods mentioned above. For example, a study could use a survey to collect data from businesses, and then use case studies to explore the experiences of a few specific businesses in more detail. (Creswell, J. W. 2014 ; Tashakkori, A., & Teddlie, C. 2010).

Data

This study utilizes semi-structured, open-ended interviews with the owners or managers of 20 DLT firms from various European nations to analyze the impact of financial rules on businesses in depth. Drawing on the call for in-depth qualitative and exploratory firm-level research (Capelleras et al., 2008; Kitching et al., 2015; Peck et al., 2018), this study seeks insights into business owners' or managers' perceptions of financial regulations and the development of their firms. A desktop search was used to find DLT firms headquartered in the EU, followed by outreach via emails and LinkedIn messages. Initially, ten CEOs and managers agreed to participate, but the sample size was later increased to 20 to ensure data saturation (Guest et al., 2006). The enterprises in the sample fall into four categories: DLT consulting firms, token issuers, exchange service platforms, and custody service providers. DLT consulting organizations provide legal, technological, and financial advice. Platforms for token exchange support multiple cryptocurrency trades. DLT technology is used by token issuers to generate tokens that represent digital currencies, utility tokens, security tokens, or other rights. Custody

service providers preserve and manage assets, as well as the private keys and identities of their customers. Five of the twenty organizations are DLT consulting firms, which provided significant insights on registration processes, legal and financial obstacles, and background knowledge. Notably, three of the five respondents had legal backgrounds and have advised numerous EU nations on DLT financial legislation. Their perspectives were mostly used as background material. The sample size is consistent with (Creswell's, 2006) suggestion for attaining consensus in varied samples. While the sample is homogeneous in terms of firm size and DLT emphasis, it is varied in terms of sector and geography. In April and May of this year, interviews were held. The interview framework is based on recognized qualitative research procedures and was inspired by (Achtenhagen et al., 2017). Figure 3 depicts the interview path from first registration to recommendations for the EU. Entrepreneurs introduced their companies and described their companies' growth paths. They presented their experiences with registration processes, licensing, regulatory compliance, audits, and obstacles. In addition, respondents were asked to explain on the impact of financial laws on their firms and future growth plans. Their perspectives on present rules were investigated, with the goal of eliciting thoughts and recommendations for EU authorities. The interviews lasted 30 to 45 minutes. All interviews were taped and transcribed. The transcripts were then examined in order to create a two to three-page vignette (Achtenhagen et al., 2017).

In addition, vignettes within each cluster were analyzed, and cross-case analysis was used to identify similarities and differences. 60% of the respondents worked for token issuing firms or planned to issue tokens in the future. DLT consulting firms, which provide legal, financial, and technological consulting services, account for 25% of the sample. Only 5% of the sample is a token exchange platform, with the remaining 10% being custodial services.

Model Development

In this section, we explain the evolution of our suggested model, which will serve as the framework for our investigation of the influence of financial rules on corporate operations. Key aspects generated from earlier research findings and theoretical frameworks are included in the model.

Our model is intended to depict the complex relationships that exist between financial rules and corporate operations. It incorporates numerous essential dimensions that have been found in the literature:

- **Compliance expenses and Administrative Burden:** This dimension investigates the financial and administrative expenses that organizations experience in order to comply with financial rules. It looks into how regulatory requirements place administrative constraints on businesses, possibly affecting operational efficiency and cost structures (Deli, 2015).
- **Risk Management and Capital Adequacy:** In this dimension, we look at how financial rules affect risk management practices and capital adequacy standards in businesses. We investigate how regulatory frameworks influence the implementation of risk mitigation and capital allocation strategies in enterprises (Barth et al., 2004).

- **Innovation and Entrepreneurship:** This component looks into the interaction between financial rules and businesses' entrepreneurial and innovative endeavors. It investigates how regulatory constraints might influence resource allocation inside firms, possibly impacting innovation initiatives and entrepreneurial activity (Baker & Wurgler, 2007).
- **Competitiveness and Operational Resilience:** Our model takes into account the broader effects of financial laws on firm competitiveness and operational resilience. We investigate the impact of regulatory compliance on firms' ability to adjust to changing market conditions.

Method

Semi-structured, open-ended interviews were conducted with the owners or managers of 20 DLT (Distributed Ledger Technology) enterprises based in various European countries. Participants were drawn from the DLT industry's many sectors, including DLT consultancy firms, token issuers, exchange service platforms, and custody service providers.

Sampling Methodology

Initially, potential volunteers were identified by conducting a desktop search. Proposal for obtaining consensus in varied samples, ten CEOs and managers consented to participate freely, and the sample size was later increased to 20 to assure data saturation. The sample was homogeneous in terms of business size and DLT emphasis, but diverse in terms of industry and geographical coverage. (Guest et al.'s 2006).

Data Gathering

The interviews were conducted in April and May of the research year. Inspired by established qualitative research methodologies and prior studies, a semi-structured interview framework was created. The interviews addressed a variety of issues, including the company's origins, development trajectory, registration processes, licensing, regulatory compliance, audit experiences, hurdles encountered, and the influence of financial regulations on their companies. Participants were also urged to contribute thoughts and ideas on financial rules to EU officials. (Achtenhagen et al., 2017).

Data Examination

All interviews were taped and transcribed word for word. Following the principles established, a qualitative data analysis technique was used. The transcripts were meticulously scrutinized, and two to three-page vignettes were written to summarize the important themes and conclusions from each interview. (Achtenhagen et al. 2017).



DATA ANALYSIS AND RESULTS

Business operations generally navigate the standard registration process without encountering substantial challenges related to financial regulations or license acquisition. However, it is notable that merely mentioning terms like "DLT" and "Blockchain" in the application forms triggered additional scrutiny for two of these firms. One consulting firm that accepts tokens as payment has experienced difficulties in opening a bank account and in addressing taxation issues, which continue to persist:

"One of the difficulties, even until today, is to create a bank account, as we do not accept cryptocurrencies. Another problem is finding a tax consultant that is ready to do our tax audit because some of them do not really understand token transfers." (Interview, Co-founder, 18).

The primary research findings emanate from interviews conducted with 15 DLT companies that are directly involved with tokens, necessitating financial licenses for legal operation under European financial regulations.

Out of the 15 firms surveyed, five had successfully issued tokens within Europe. Seven firms were either in the process of issuing tokens or planning to do so in the future. One company was registered as an exchange service platform, and two firms operated as custody service providers within the sample. The subsequent analysis scrutinizes these companies' perspectives on financial regulations, the challenges they encounter, the implications of these challenges on business development, and their proposed solutions or recommendations to the EU.

Robustness Test

The majority of respondents indicated a positive stance on financial laws and the need of a well-defined operating framework. Regulations are typically seen favorably by enterprises participating in the DLT sector. Creating a clear legal framework for tokens is considered as giving legal clarity and outlining what acts are authorized, hence promoting confidence among users and firm stakeholders. Financial laws are meant to safeguard consumers, investors, and society as a whole, insulating them from possible frauds and building trust in both the technology and the tokens themselves. Attaining regulatory compliance and obtaining licenses are associated with more trustworthiness, higher quality standards, and greater credibility. One CEO emphasizes this point, saying, "Having all of the certificates means you're adding credibility to your company".

Another CEO highlights the need of law, saying, "I think for us, it's very good to have legislation because it's going to give confidence and peace of mind to our users. Importantly, respondents emphasize the necessity of avoiding over-regulation, since extra restrictions are



perceived to stifle innovation and creativity. "What's key is that these regulations should not be saying you must do this or that because if you are told what to do, then innovation is completely stopped," says a firm owner. Regulations should not constrain firms so that innovation that may violate regulations is not driven away or looked down upon, but rather encouraged.

According to interviewees, a minimal, clear, straightforward, legal structure for organizations is required. However, surpassing this limit is viewed as possibly harmful to creativity and creative pursuits. As a result, while business owners support a basic legal framework aimed at protecting consumers and investors from fraudulent activities, they also emphasize the need of avoiding excessive restrictions and maintaining a balanced approach.

Analysis Saturation of Data`

The sample size of 20 participants presented various opinions on the impact of financial rules on DLT enterprises in Europe, resulting in data saturation. This ensured that a wide range of ideas and experiences were gathered, as recommended for reaching data saturation. (Guest et al. 2006).

Several major topics emerged from thematic analysis of the interview transcripts, shedding insight on the participants' opinions of financial rules and their consequences for DLT enterprises. Among these topics are:

- Compliance Challenges: Many participants emphasized the difficulties of complying with complex and developing financial rules. These difficulties included negotiating registration processes, overcoming legal and financial constraints, and ensuring regulatory compliance criteria were met.
- Legal Knowledge: It is worth noting that three of the five DLT consulting businesses have legal credentials and substantial expertise advising EU governments on DLT finance regulations. Their opinions gave useful background information and insights into the legal complexities of compliance.
- Impact on Innovation: Participants explored how financial restrictions can affect innovation and entrepreneurial activity inside DLT enterprises. Regulatory constraints were viewed as having the ability to impact resource allocation and innovative programs.
- Proposals: Respondents made financial regulatory proposals to EU authorities. These recommendations varied from increasing regulatory clarity to encouraging a uniform approach to financial asset classification and taxes.
- Case Study Comparison
- A cross-case analysis was performed to discover similarities and differences in the replies of the participants. This procedure provided a better knowledge of how financial rules affect many areas of the DLT business, such as consultancy, token issuance, exchange platforms, and custody services.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The impact of financial regulations on business operations is a complex issue that has been studied by academics and policymakers for many years. The findings of these studies suggest that financial regulations can have both positive and negative effects on business operations. The specific impact of regulations will vary depending on the specific regulations in place, the size and complexity of the business, and the business's operating environment. Optimal level of financial regulation is a matter of debate. Some argue that regulations should be as strict as possible to protect consumers and investors and to promote financial stability. Others argue that regulations should be more lenient to reduce the compliance costs for businesses and to promote innovation. Best way to determine the optimal level of financial regulation is to carefully consider the specific objectives of regulation and the likely impact of different regulations on businesses. It is also important to consider the international context, as financial regulations in one country can have a spillover effect on other countries.

Ultimately, the decision of how much financial regulation is needed is a political one. Governments must weigh the costs and benefits of regulation and make a decision that they believe is in the best interests of their citizens.

Recommendation

Make regulations more focused: Regulations should be focused on the precise hazards that they are intended to address. Regulations meant to protect customers from fraud, for example, should target organizations that are most likely to participate in fraudulent activity.

Simplify regulations: Regulations should be as easy to comprehend and follow as feasible. Complex rules may be difficult to comprehend and comply with for firms, and they can also generate uncertainty.

offer clarity and assurance: Regulations should be straightforward and offer companies with confidence. Businesses must understand what is required of them in order to comply with rules. Regulations should be based on a risk assessment of the activity being regulated. This indicates that restrictions should be more stringent for higher-risk activities and less stringent for lower-risk ones.

Use a combination of regulations: A combination of rules, including both preventative and corrective measures, should be implemented. Preventive rules are intended to keep issues from occurring, whereas corrective regulations are intended to solve problems that have already occurred.

successfully enforce regulations: Regulations must be successfully enforced to ensure that firms comply with them. Effective enforcement can aid in discouraging enterprises from engaging in illegal operations.

Monitor the impact of regulations: Regulations' impact should be monitored to verify that they are accomplishing their intended goals. This can aid in identifying places where restrictions need to be strengthened.

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