

ROLE OF GOVERNMENT POLICY IN ENTREPRENEURSHIP DEVELOPMENT**Haris Abrar Kashmiri****Rubeena Akhter****Department of Social Work, University of Kashmir****ABSTRACT**

This paper aims to analyze and examine the role the government policies play in the development of entrepreneurship and its impact on economic development. The study builds on existing literature on entrepreneurship, economic development and government policy as it relates to entrepreneurial practices. For the reason that entrepreneurship is a part of economic development strategy employed by several countries globally to achieve macro-economic benefits. The framework provides a starting point for researchers and practitioners to further examine entrepreneurship policies and practices. For researchers, the framework clarifies the determining attributes of entrepreneurship, government policy and economic development dimensions and their proposed relationships. For practitioners, the framework can be used to gain an understanding of the role of government policy on entrepreneurship development as well as economic development.

Keywords: Entrepreneurship, Economic Development, Development Strategy, Entrepreneurs, Government Policy, Moderator

Introduction

The importance of entrepreneurship development in several economies globally cannot be overemphasized; as such majority of countries worldwide have established programmes to support entrepreneurship within their communities. One of the support schemes that spur entrepreneurship development is the business incubator and the policy tool to achieve this is the business incubation initiative. Economic development has been defined by Busler. M. as the method of creating wealth by the gathering of human, financial, capital, physical and natural resources to produce marketable goods and services. Rice and Matthews reported that the main goal of business incubation initiative is entrepreneurship development. In other words an incubator's main goal is to produce successful firms that will leave the programme financially viable and freestanding.

The success of an enterprise also depends on the support provided by its State. By its regulations it can create an attractive and easier climate for business enterprises on the one hand, while on the other hand the state can be a major limiting factor for the establishment and development of enterprises. In the entrepreneurial economy the state is not an entrepreneur, it is rather supposed to protect, with all its legal force, every business venture. The State, its institutions and officials do not act as executive authorities, but are seen as a necessary administrative service for successful business. Their responsibilities are to provide a stimulating business environment and development support to SMEs, by stimulating legislation, improving institutional capacities, rendering adequate measures of economic policy, and establishing the necessary infrastructure.

Developed countries have long-standing experience and good strategies to support entrepreneurship, while the underdeveloped and developing countries make beginner's steps in the development of strategies which are of great importance for the development of this sector. Therefore, the development of enterprises depends largely on institutional, physical and financial infrastructure that a country has. The higher level of infrastructure development, the easier factor it represents in the development of entrepreneurship in the country and vice versa.

Literature Review

It has been established that entrepreneurship is a very vital ingredient for job creation as well as economic development as the success of income generation for the major group of both rural and urban inhabitants without recognized paid job highly depends on entrepreneurship (Friedman B.A. 2011). The relationship between entrepreneurship and economic development has been studied extensively both at the local, state and federal levels (Minniti M. 2008). Kumar and Liu (2005) study reveal that entrepreneurial sector contribution to employment and GDP is on the increase. For this reason suggested that governments should minimize the constraints on entrepreneurship (Acs Z. et.al 2004).

In the case of government support policies, it is assumed that since government is in the lead for entrepreneurial development, it should provide the much needed resources within its capability. Such resources include provision of environment conducive to business that will highly promote entrepreneurship. Government policy in this context is any course of action which aims at regulating and improving the conditions of SMEs in terms of supportive, implementation and funding policies by the government. Based on this definition, government policy as it relates to entrepreneurial practice is targeted at encouraging entrepreneurship by making a favorable environment for the entrepreneurs. This, it does through enactment of guidelines that will regulate entrepreneurial activity generally for the reason that entrepreneurship is the bedrock of a nation's path to industrialization. Furthermore, government needs to enact policies that would be user friendly to the entrepreneurs. Pals.S. (2006) argued that there is a need for government policies as they relate to entrepreneurship to be successfully implemented irrespective of which administration is in power in order to achieve the goals of the guideline which often times is always lacking.

Government of most countries especially developing countries have in the past invested so much efforts and resources in establishing policies intended to uplift entrepreneurship (Oni and Daniya 2012). Cases in point are in China, Brazil, Saudi Arabia, Malaysia and Nigeria (World Bank 2010). The Chinese government has made concerted efforts through policies and resources on the development of high technology businesses (Cullan, Calitz and Chandler 2014). The Brazilian entrepreneurship movement has established very fast as a result of government policies geared towards developing the low-tech businesses as well as high technological oriented firms (Etzkowitz. H. 2002). In a recent study, (Salem. M. 2014) reported that the Kingdom of Saudi Arabia in 2010 established a ten year entrepreneurship efforts and innovation. The intention was a strategy to put the Kingdom at equal pedestal with high economic competitive nations globally. In the context of Malaysia, in its bid to develop Malaysia through the growth of technology entrepreneurship, the government has guided in setting up of various technology funding organizations with the aim of giving full support to technology businesspersons. This include the establishment of venture capital firms by the government with the intent of encouraging investments in high growth firms for the reason that they find it difficult to raise adequate financing at the early stage growth (Ajagbe and Ismail 2014). Literature from several studies has shown that government policy is positively related to entrepreneurship (Greene.F. 2012). On the contrary, other studies also found government policy to be negatively related to entrepreneurship. Consequently, the above show that a contradiction in the role of government policy towards encouraging entrepreneurship especially in the developing countries. Therefore government policy moderated the relationship between Entrepreneurship

and Outcome. From the foregoing discussions, it is pertinent to note that there is still gap in the literature related to entrepreneurship and economic development. This study contributes to the body of knowledge by using government policy to moderate the relationship between entrepreneurship and economic development.

Van Praag and Versloot (2007) have identified four economic benefits of entrepreneurship: job generation, innovation, productivity and growth. SMEs are now recognized by researchers, analysts and policymakers as central to economies across the world, through their contributions to wealth creation, income generation, output and employment (OECD 2011). Also, there are numerous studies and scientific papers that confirm the positive correlation between entrepreneurship and economic growth (Naude 2008), (Wennekers, Van Stel, Carree and Thurik 2007). However, some authors such as Baumol (1990) believe the opposite. He claims that there are different forms of entrepreneurship that could adversely affect economic growth in some countries, such as entrepreneurial forms of unproductive and destructive character. Many authors have documented the existence of a positive relationship between the rate of entrepreneurship and economic growth and development (Thurik and Wennekers 2004).

Methodology

A qualitative method using Focused Group Discussions (FGD's) was conducted among 50 young aspiring entrepreneurs receiving Entrepreneurship Training at Jammu & Kashmir Entrepreneurship Development Institute (JKEDI), State's premier entrepreneurship development institute, in the age group of 17-25 years. The information was obtained into a specific theme which included "Role of Government in Entrepreneurship Development". The researcher approached JKEDI to seek permission for conducting the discussion. Five (5) rounds of discussion were conducted with the aspiring entrepreneurs within the premises of JKEDI.

Role of Government in Promoting Entrepreneurship

Following inferences were driven from the Focused Group Discussions with aspiring entrepreneurs;

1. **Provide a fair legal system:** The Government should provide a fair legal system with strong property rights and contract law, and an orderly bankruptcy system that reassures lenders and enables failed entrepreneurs to get back on their feet.
2. **Streamline business registration:** The average time it takes to open a small business varies dramatically around the globe. New Zealand wins, with an average half-day and one official procedure to register a business. In Venezuela, it takes 114 days and seventeen procedures—seventeen opportunities for delay and corruption. The U.S. ranks twentieth, averaging five days and six procedures. However, in India, it takes years to register a business as corruption is rampant in India in every department and same is the case with Kashmir Valley as one faces many hurdles in seeking permission to register a business.
3. **Encourage a diverse funding universe:** Entrepreneurship experts say it's more important to have multiple money streams than one giant pipeline. Government can encourage development of new capital sources—such as equity crowd funding and peer-to-peer lending. The 2012 JOBS Act, for example, provided new exemptions that enabled small businesses to use crowd funding to raise money.
4. **Enforce strong intellectual property laws:** Government as well as private organizations need to enforce strong intellectual property laws for paving a way for entrepreneurs to start up their ventures. For

example: Microsoft might never have succeeded if IBM hadn't licensed the fledgling company's operating system—a deal made possible by intellectual property law.

5. **De- Stigmatize business failure:** Countries that do so experience higher rates of business formation. The European Commission Competitiveness Council reports: “Failed entrepreneurs are a precious resource. Due to experience, failure rates of second start-ups are lower. We should support entrepreneurs and give them a second chance.”
6. **Invest in education:** Development experts agree that government investment gets the biggest bang for the buck in education. Over a third of America's universities are now partnering with small-business incubators to generate new businesses. In addition, we should provide entrepreneurship education to our high-school students.
7. **Simplify tax laws:** Countries that offer favorable tax rates, simplify procedures, and provide entrepreneurial support will enjoy high numbers of start-ups. Therefore, it is need of the hour to simplify tax laws to enable individuals to start their own ventures.
8. **Reform immigration and open borders.**

Role of Entrepreneurship in Economic Growth and Development

Entrepreneurship plays an influential role in the economic growth and standard of living of the country. As a startup founder or small business owner, one may think that he/ she is simply working hard to build his/ her own business and provide for him/ herself and family. But in reality, he/ she is actually doing a whole lot more for your local community, state, region, and the country as a whole. Following are the top seven important roles an entrepreneur/ entrepreneurship plays in the economic development of a country.

1. **Wealth Creation and Sharing:** By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.
2. **Job Creation:** Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as **Startup India** to promote and support new startups, and also others like the **Make in India** initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities, and is helping in augmenting our standards to a global level.
3. **Balanced Regional Development:** Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and

rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available. Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

4. **GDP and Per Capita Income:** India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.
5. **Standard of Living:** Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.
6. **Exports:** Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.
7. **Community Development:** Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

Conclusion

Economic development of a country is supported by entrepreneurship in several ways. It is a key contributor to innovativeness and product improvement and a pivotal ingredient to employment creation. Another important aspect to be considered is that in the context of the Indian market, entrepreneurship led

economic growth is more inclusive and hence Governments, both at Centre and State level, have been taking initiatives to boost the entrepreneurial ecosystem as they realize the benefits entrepreneurship brings to the economic growth of the country.

Economic slowdown is one of the reasons that has led to a downturn in employment opportunities in the country. Unemployment amongst the youth is on the rise and in this regard entrepreneurship is playing a key role in creating jobs. An entrepreneur is not just creating self employment but also building a structure for small to large scale employment. As these enterprises grow, the employment opportunities increase. In India, many start-ups that started out as home based ventures are today employers to hundreds of individuals. A company/entrepreneur with an innovative-idea has the power to build employment and in turn stimulate the economy.

Besides employment, another area that is witnessing development by virtue of entrepreneurship is modernization in the regional areas or Tier II cities in the country. Due to financial constraints and competition in the metro cities, entrepreneurs are setting up industries in Tier II cities. Some State Governments like Kerala, Maharashtra, Tamil Nadu are offering schemes/incentives for setting up of SME's in Tier II and III cities. The growth of businesses in these smaller towns is leading to several public benefits in the area like better transportation, health facilities, education etc thus promoting a balanced development in the country. This is also leading to more and more entrepreneurs setting up base in their hometowns due to lower costs and affordable talent driving investor attention and incubation centres to these cities too.

Today, entrepreneurial driven economy is the answer to this need as it drives innovation in manufacturing of goods and services leading to availability of goods at lower costs making them more affordable. Entrepreneurs explore opportunities, make effective utilization of resources and create new goods and services. These are for consumption within the country and hence will lead to growth in the national income and invariably reduce our import dependency making the economy stronger.

Entrepreneurs are no doubt catalysts of change and innovation. Entrepreneurship stems from the need of fulfilling a gap that exists in the market and this sets the entire process of development in motion. The entrepreneurial growth in our country has triggered a host of economic benefits, together with new businesses, new jobs and new products and services. The Government now also needs to play their part in encouraging this development and provide opportunities for not just education directed towards building entrepreneurial skills but also passing favorable plans/policies to strengthen the entrepreneurial ecosystem in the country.

Suggestions

Entrepreneurship and Entrepreneurs being the catalysts of change and innovation need to be streamlined in a proper way for the economic development of the nation. Entrepreneurship as potential support to support economic growth and social cohesion, it is the policy goal of many governments to develop a culture of entrepreneurial thinking. This can be done in a number of ways; either by integrating entrepreneurship into

education systems, legislation to encourage risk-taking, and national campaigns. Following are some of the suggestions for the Governments for improving their roles in developing entrepreneurship.

1. Get Families and Communities on board

Today, most youth programmes focus on entrepreneurs and the entrepreneurship ecosystem, but don't take into account the role of the family and community. Family support to start and operate a business is one of the most influential factors in the ability of entrepreneurs to make headway, especially for rural youth. Finding ways to engage and gain support from families and communities is vital.

2. Develop business, technical and life skills for use beyond the project

Many young people, especially in developing economies, turn to entrepreneurship because of lacking job opportunities. But they might not always be in entrepreneurial roles. Development programmes that feature skills training that can be used beyond the end of the project are more attractive to youth, families and communities.

3. Think carefully about how to support young people to access finance

For young entrepreneurs, obtaining access to capital is essential to establish or expand businesses. Unfortunately, these young people typically have the least access to ready capital. Accessing finance varies from country to country – but also from community to community. As such, development programmes need to plan carefully how best to support young people to get the funds they need. This means thoroughly examining different financial models and developing products tailored to the needs of participating youth.

4. Use mentors and set clearly defined goals

Mentors can help young people to examine their business plans and ideas. They connect them to larger networks, act as role models and demonstrate models of success. Literature and evaluation on youth entrepreneurship indicates that for mentorship to make a difference, mentors and youth entrepreneurs must have strong relationships based on clearly defined goals and obligations.

5. Be ready to adapt approach for different contexts

Rural poverty has some universal characteristics, but the problems youth entrepreneurs face require locally grounded solutions. Young people are more vulnerable to external changes (such as changes in climate, economic crisis, or political and social changes) and may have different needs and aspirations, depending on their local environment. Adaptability and adjustability can be the lifeline of a programme, as situations arise and evolve.

Moreover, there is a dire need for initiating more Entrepreneurship Development Institutions in the Country in order to promote a culture of entrepreneurship among the youngsters and inclusion of Entrepreneurship Development Education at the School Level will make the youngsters to take up entrepreneurship as a career. By this, entrepreneurship can be a powerful tool to help fight youth unemployment.

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