

An Exposition On The Impact Of Government Policies On Entrepreneurship

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ABSTRACT

A nation's economic progress is significantly influenced by entrepreneurship. In the modern world, it is one of the notions which is developing at a fast rate. Examining and analyzing these entrepreneurs as well as how government regulations affect their businesses is the goal of this essay. The study expands on prior research on economic development, entrepreneurship, and governmental initiatives. The study finds that the entrepreneurs are highly self-confident in their abilities to run a startup. The findings of the study indicate that the Government should act more efficiently to the entrepreneurial policies in order to reduce the bureaucratic hurdles .

Keywords: Entrepreneurship, Entrepreneur, Government Policy, Economic development, Startups, MSME Development Institute

Introduction

“Entrepreneurship” and “Entrepreneur” are two different terminologies even though they are used synonymously; they are like two sides of a coin.

“Entrepreneurship is the act of starting and running a new innovative venture”. “Entrepreneur can be referred to as the innovator and driver of such ventures”.

Entrepreneurship is a key catalyst for economic growth and development. It can be regarded as a formidable engine that adds up to economic efficiency and promotes productivity and new, thriving business ideas. From the point of view of the Indian economy, the present entrepreneurship world is quickly adaptable and favorable for any enterprise to invest in. Among all the startups and companies, the IT sector in the Indian economy is on the boom.

Even though during the boom stage of entrepreneurship in India, COVID-19 brought about significant changes to the Indian economy as well as the world economy. According to the “GEM 2022/2023 Global Report”, household income is still declining even though the pandemic's worst effects seem to be abating. The pandemic's economic repercussions are still being felt globally.

Indian economy has really experienced greater attraction towards startups in recent years. But one of the biggest constraints that pulls people back is the fear of failure for startups. There comes the role of government. The government acts rapidly to address such constraints by providing various schemes, introducing many policies to tackle such constraints, and providing assistance to new entrepreneurs.

Amid all these situations, India is among the 5 best economies to start a business, along with the UAE, the Netherlands, Saudi Arabia, and Taiwan, as per the GEM National Expert Survey 2022.

REVIEW OF LITERATURE

The entrepreneurial study by Sindhu and Geethakutty (2003) is acknowledged as a crucial element of economic development. A high percentage of literacy and a dearth of job possibilities encouraged many young people without jobs to pursue entrepreneurship. The Entrepreneurial Success Index (ESI) was created for this study in order to gauge the success of women in agribusiness.

Asghar, Nawaser, and Amin Reza (2011) investigate India's importance of entrepreneurship, emphasizing "The role of Micro, Small, and medium enterprises (MSMEs) in the country's economy". MSMEs contribute significantly to GDP, industrial production, and employment, accounting for 45% of the sector's output and 40% of total exports. They emphasize the significance of Entrepreneurship Development Programs (EDP) in fostering higher MSME growth.

The study of Haris Abrar Kashmiri and Rubeena Akter (2017) aims to analyze and examine "The role of policies of the Government on entrepreneurship and its impact on economic development". The study witnessed development by virtue of entrepreneurship in the modernization in regional areas in the country. The study makes a bold statement that entrepreneurship acts as a catalyst of change and innovation.

Akinyemi and Adejumo (2018) suggest that Government policies impact entrepreneurial activities differently at different phases. They suggest that entrepreneurs and policymakers should be well informed of these differences and tailor their policies to target specific phases, considering varying needs and challenges.

The study by Oyewole and Asikhia (2020) states the vital role that a mindset of entrepreneurship plays in the development of SME. Government policies are important, but the study emphasizes the need for SME Owner-Managers to become competent at navigating these policies. This emphasizes how proactive business owners are needed in utilizing policies to their benefit.

Nida Hussain and Baoming Li (2022) observe the Government's role in supporting women entrepreneurs. They underscore policies providing resources and capital and incentives offered by agencies like "SMEDA", "The Women Chamber of Commerce and Industry" and "First Women Bank" during the COVID-19 pandemic, ensuring equal opportunities and support for women entrepreneurs.

J. Suresh Kumar's 2022 study brings to light the importance of entrepreneurial schemes in Nagaland, India, for economic growth. Despite job creation, rural youth attraction, and improved manufacturing output, rural entrepreneurship remains underrepresented. Kumar endorses a critical evaluation of state and federal entrepreneurship development schemes and programs to achieve more impactful results.

The dual impact of government policies on entrepreneurship is stressed by Helou and Neubert (2022), incorporating both direct support measures and indirect factors like unemployment benefits and government salaries. Their research highlights the requirement for effective policy implementation and ongoing adaptation. These insights provide policymakers with an essential viewpoint, highlighting the necessity of adaptable strategies to support entrepreneurial ecosystems.

Ibamcha Chanu's 2023 study underlines the potential of bamboo-based entrepreneurship for addressing unemployment and poverty in North East India, particularly in Assam. However, distress about middlemen exploiting bamboo farmers highlights the need for government awareness programs and intervention to prevent demotivation and ensure the sustainable growth of bamboo-based entrepreneurship.

Yeboah (2023) emphasizes the significance of government initiatives supporting entrepreneurial finance for the creation of jobs, economic growth, and entrepreneurship in developing nations. The analysis highlights these initiatives' inconsistent efficacy and the necessity of strategic planning for long-term effects.

RESEARCH GAP

By examining the effects of governmental policies on entrepreneurship in Thrissur and Ernakulam, this study seeks to close a significant gap. There aren't many localized studies in the literature that take into account the distinct social and economic characteristics of these districts. Bridging this gap is essential because it offers information on how effective local government programs are in practice, emphasizes obstacles unique to a certain region for entrepreneurs, and advances our understanding of how local circumstances influence the success of entrepreneurs.

STATEMENT OF THE PROBLEM

The term "Entrepreneurship" represents much more than just starting a business. It involves numerous other pursuits of activities and offers a wide range of opportunities. Entrepreneurship has a significant impact on how a society and a country's business environment are shaped.

Entrepreneurs are the lifeline of future business in the economy. So, it is necessary to provide proper facilities and encouragement for their growth. But the concern is that even though many have an interest in startups, they really lack awareness of the amenities or schemes offered by the Government in order to flourish entrepreneurship in India. This paper aims to analyze the impact of Government intervention on startups and also takes into account the problems faced by the entrepreneurs during the commencement of business ventures.

SCOPE OF THE STUDY

The research mainly focuses on the impact over entrepreneurship as well as the entrepreneurs due to various Government policies. The study also makes an attempt to analyze the challenges faced by the entrepreneurs during the start of businesses. The research work also attempted to understand the various motivating factors that urged the entrepreneurs to take up the field of business.

OBJECTIVES OF THE STUDY

- i. To analyse the causes behind assuming an entrepreneurial function.
- ii. To assess how government actions affect entrepreneurial practices and activities.
- iii. To analyse the problems and challenges faced by the entrepreneurs in starting a business.

HYPOTHESES OF THE STUDY

As previously mentioned, the primary intent of this research is to explore how the government impacts and plays a part in entrepreneurial endeavours.

Government policy is the independent variable in this study, whereas small-scale startups represent the dependent variable.

The hypotheses of the study are;

“Ho1-There is no significant difference between level of self-confidence and gender”

“Ho2- There is no significant difference between Impact of economic conditions with regard to gender”

“Ho3- There is no significant difference between Government Initiatives to reduce bureaucratic hurdles with regard to male and female”

“Ho4-There is no significant difference in challenges to adapt to rapidly changing market trends with regard to male and female”

“Ho5-There is no significant difference between limited access to loans with regard to male and female”

“Ho6-There is no significant difference between effectiveness of Government policies and programs with regard to male and female”

RESEARCH METHODOLOGY

The sampling design used is convenient sampling and purposive sampling method. Data has been collected using the Questionnaire Method. R programming software and SPSS are used to analyse the data.

The study is descriptive cum analytical in nature. The study sample of 100 covers the small-scale startups of Thrissur and Ernakulam districts. The list of entrepreneurs has been collected from the District Industries Centres (DIC) of Thrissur and Ernakulam districts. The study also uses secondary data from magazines, annual reports, journals etc.

LIMITATIONS OF THE STUDY

- Only entrepreneurs gathered from the Thrissur and Ernakulam District Industry Centers (DIC) are included in the sample.
- Diverse business contexts, influenced by many different factors, make it difficult to isolate the impact of policies, which can limit knowledge.

DATA ANALYSIS AND INTERPRETATION

“Ho-There is no significant difference between the level of self-confidence with regard to male and female.”

“H1-There is a significant difference between the level of self-confidence with regard to male and female.”

data: SPSS_entrepreneurship\$LSC by SPSS_entrepreneurship\$Gender

t = 1.5409, df = 75.017, p-value = 0.1275” 95 percent confidence interval:
-0.08439727 0.66088680

sample estimates:

Level of	Mean in Male	Mean in Female
Self-confidence	4.092593	3.804348

Interpretation

The mean of male with regard to self confidence level is 4.092 with a standard deviation of 0.708 and for female, the mean level is 3.804 with a standard deviation of 1.088.

The mean level depicts that the self-confidence level of both male and female is almost the same as the entrepreneurs are aware and confident about the activities and functions to be carried out in their startups.

The 95% confidence interval for the mean, degrees of freedom, significance level, and t-value. With 75.017 degrees of freedom (df), the t-value of 1.5409 is not significant because the significance value is 0.1275, which is > 0.05 . At the 5% significance level, the null hypothesis is thus accepted. Therefore, the level of self-confidence with regard to males and females are not significantly different.

“Ho- There is no significant difference between impact of economic conditions with regard to male and female”

“H1 - There is significant difference between impact of economic conditions with regard to male and female”

“data: SPSS_entrepreneurship\$Q4 by SPSS_entrepreneurship\$Gender”

“t = 1.1421, df = 93.804, p-value = 0.2563” 95 percent confidence interval: -0.1141801 0.4233589”

sample estimates:	mean in male	mean in female
Impact of economic conditions	3.537037	3.826087

Interpretation

The mean of impact of economic conditions for male is 3.537037 with a standard deviation of 0.946 and for female, the mean level is 3.826087 with a standard deviation of 0.877.

The mean level of both groups shows that the effect of economic conditions is normal as the entrepreneurs are not much affected by factors like supply of raw materials, quality labour, location, availability of other resources etc.

The t-value, degrees of freedom, significance level and 95% confidence interval for the mean. The t-value of 1.1421 for 93.804 degree of freedom (df) is not significant as significance value is 0.1164 which is > 0.05 . Therefore, the null hypothesis is accepted at 5% significance level. Therefore, the impact of economic conditions with regard to males and females are not significantly different.

“Ho- There is no significant difference between Government Initiatives to reduce bureaucratic hurdles with regard to male and female.”

“H1-There is significant difference between govt. Initiatives to reduce bureaucratic hurdles with regard to male and female”

data: SPSS_entrepreneurship\$Q9 by SPSS_entrepreneurship\$Gender

t = -0.70916, df = 96.697, p-value = 0.4799 95 percent confidence interval:

-0.5658450 0.2679384

sample estimates:	mean in male	mean in female
Government initiatives to reduce		
bureaucratic hurdles	2.981481	3.130435

Interpretation

The mean value of Government Initiatives to reduce bureaucratic hurdles for male is 2.981481 with a standard deviation of 1.073 and for female, the mean level is 3.130435 with a standard deviation of 1.024.

The mean value for both groups is almost the same. But the mean value is low which means that the initiatives by the Government is not sufficient for the entrepreneurs.

The t-value, degrees of freedom, significance level and 95% confidence interval for the mean. The t-value of -0.70916 for 96.697 degrees of freedom (df) is not significant as the significance value is 0.4799 which is > 0.05 . Therefore, the null hypothesis is accepted at 5% significance level. Therefore, the Government. Initiatives to reduce bureaucratic hurdles with regard to males and females are not significantly different.

“Ho- There is no significant difference in challenges to adapt to rapidly changing market trends with regard to male and female.”

“H1- There is significant difference in challenges to adapt to rapidly changing market trends with regard to male and female.”

data: SPSS_entrepreneurship\$Q16 by SPSS_entrepreneurship\$Gender
 $t = 2.4729$, $df = 72.947$, $p\text{-value} = 0.01573$ 95 percent confidence interval:
 0.0871907 0.8113600

sample estimates:	mean in male	mean in female
Rapidly changing market trends	4.166667	3.717391

Interpretation

The mean value of difficulty to adapt to rapidly changing market trends for male is 4.166667 with a standard deviation of 0.666 and for female, the mean level is 3.717391 with a standard deviation of 1.068. The mean value shows that the entrepreneurs are facing challenges to adapt to rapid changes in the market trends.

The t-value, degrees of freedom, significance level and 95% confidence interval for the mean. The t-value of 2.4729 for 72.947 degree of freedom(df) is significant as significance value is 0.01573 which is <0.05 . Therefore, we reject the null hypothesis and alternative hypothesis is accepted at 5% significance level. So, there is significant difference in challenges to adapt to rapidly changing market trends with regard to male and female.

Ho- There is no significant difference between limited access to loans with regard to male and female

H1- There is significant difference between limited access to loans with regard to male and female data: SPSS_entrepreneurship\$Q3 by SPSS_entrepreneurship\$Gender $t = -1.5842$, $df = 97.274$, $p\text{-value} = 0.1164$ 95 percent confidence interval:
 -0.65116107 0.07306123

sample estimates:	mean in male	mean in female
Limited access to credits and loans	3.537037	3.826087

Interpretation

The mean value for limited access to credits and loans for male is 3.537037 with a standard deviation of 0.946 and for female, the mean level is 3.826087 with a standard deviation of 0.877.

The mean value suggests that there is limited access to loans for the entrepreneurs as they are not aware about many schemes provided by the Government for their benefit.

The t-value, degrees of freedom, significance level and 95% confidence interval for the mean. The t-value of -1.5842 for 97.274 degree of freedom (df) is not significant as significance value is 0.1164 which is >0.05 . Therefore, the null hypothesis is accepted at 5% significance level. Therefore, the limited access to credits and loans with regard to males and females are not significantly different.

Ho-There is no significant difference between effectiveness of Government policies and programs with regard to male and female **H1-There is significant difference between effectiveness of Government policies and programs with regard to male and female**

data: SPSS_entrepreneurship\$Q8 by SPSS_entrepreneurship\$Gender
 $t = 1.4566$, $df = 87.041$, $p\text{-value} = 0.1488$ 95 percent confidence interval:
 -0.1132955 0.7348736

sample estimates:

Effectiveness of Government policies and programs	mean in male	mean in female
	3.462963	3.152174

Interpretation

The mean value of effectiveness of govt policies for male is 3.462963 with a standard deviation of 0.946 and for female, the mean level is 3.152174 with a standard deviation of 1.154.

The mean value picturizes that the effectiveness of programs and policies are on an average level.

The t-value, degrees of freedom, significance level and 95% confidence interval for the mean. The t-value of 1.4566 for 87.041 degree of freedom (df) is not significant as the significance value is 0.1488 which is >0.05 . Therefore, the null hypothesis is accepted at 5% significance level. Therefore, the effectiveness of Government policies and programs with regard to males and females are not significantly different.

FINDINGS OF THE STUDY

- 54% of the respondents are males and 46% are females.
- Majority of the respondents are self-confident about their abilities.
- Half of the respondents agree that the availability of resources and support networks influences their entrepreneurial aspirations.
- 56% of the respondents agree that the economic conditions have an impact on entrepreneurship.
- 45% have neutral opinion on contribution of government initiatives in reducing bureaucratic hurdles
- 38 % have neutral opinion on the effectiveness of Government efforts in bridging the gap between entrepreneurs and investors and 30% opinions that the Government is highly effective.
- 65% agrees that the lack of personal savings makes it difficult for entrepreneurs to start a venture
- Majority of the respondents agree that limited access to credit and loans have high impact on the growth of startup ventures
- 53% agree that frequent changes in regulations impact the level of uncertainty for entrepreneurs.
- 45 % agrees that it is challenging and 29 % opinions that it is highly challenging for entrepreneurs to adapt to rapidly changing market trends

SUGGESTIONS OF THE STUDY

- Government should bring out more effective entrepreneurial programs and initiatives to promote entrepreneurship in the economy.
- There should be a crystal-clear system to understand the procedures related to startups.
- Bring out more programs to enhance and encourage women entrepreneurship.
- Ensure that the entrepreneurs face minimal challenges to finance their ventures.
- Provide more entrepreneurial education in the educational institutions and provide necessary support to persons who show interest towards entrepreneurship.

CONCLUSION

Entrepreneurship and startups are crucial for economic development, especially in the face of unemployment. Entrepreneurship generates employment opportunities, accelerating a nation's growth. This paper focuses on the challenges faced by entrepreneurs and the effect of policies by government on these ventures.

“The MSME Development Institute (DI)” in Kerala is working to support MSMEs, with the Institute achieving its targets and potentially generating a total revenue of 3.51 lacs in the current financial year according to the . The institute is focusing on areas such as credit, marketing, technology, export promotion, import substitution, and infrastructure to support MSMEs in Kerala. The institute is expected to witness significant growth in the coming years due to its recognition of frequent environmental changes and its efforts in providing support in these areas.

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