



Munich Personal RePEc Archive

Government Policy Ecosystem for Entrepreneurship Development in MSEs Sector

Bhat, Shabir A and Khan, Riyaz A

The Business School, University of Kashmir, Srinagar, INDIA,
School for Entrepreneurship Studies, JKEDI, Pampore, INDIA

14 March 2014

Online at <https://mpra.ub.uni-muenchen.de/54540/>
MPRA Paper No. 54540, posted 23 Mar 2014 14:49 UTC

Government Policy Ecosystem for Entrepreneurship Development in MSEs Sector.

Prof. Shabir A Bhat

Professor

The Business School
University of Kashmir, Srinagar.
shabirb87@yahoo.com

Riyaz Ahmad Khan

Faculty & Head

School for Entrepreneurship Studies,
Jammu & Kashmir Entrepreneurship Development Institute.
rakisin@gmail.com

Abstract

Government Policy Ecosystem is central to the entrepreneurship development in any economy and generally includes Policies relating to government spending, taxation and regulation etc. There are two distinct channels through which government Policy ecosystem impacts the rate of entrepreneurship; the first is through its impact on the quantity and quality of inputs going into the entrepreneurial process and the second is through the impact of Policy on the institutional structure that determines the rules of the game under which the entrepreneurial process unfolds. The present study aims to assess the 'Government Policy Ecosystem' existing in the Jammu & Kashmir State towards the overall entrepreneurship development in the Micro and Small Enterprises (MSEs) Sector. The study is based on the response of the representative respondents {existing MSEs Sector entrepreneurs from all the three regions (Jammu, Kashmir and Ladakh) of the state} against the parameters: Policy focus and nature; Taxation and other regulatory Policies; and Policy implementation structure. Findings indicate that to the extent the Policy implementation structure is made proper and more coordination is brought in among the EPAs in implementing the state policies, there will be a remarkable entrepreneurship development in the MSEs Sector of the State. Towards the end of the study for the robust entrepreneurship development in Micro and Small Enterprises Sector of the State, on the basis of the findings, certain suggestions have been put forth for the improvement in the existing 'Government Policy Ecosystem' for MSEs Sector.

Keywords: Government Policy Ecosystem, Micro and Small Enterprises Sector (MSEs), Entrepreneurship Development, and Entrepreneurship Promotional Agencies (EPAs).

Introduction:

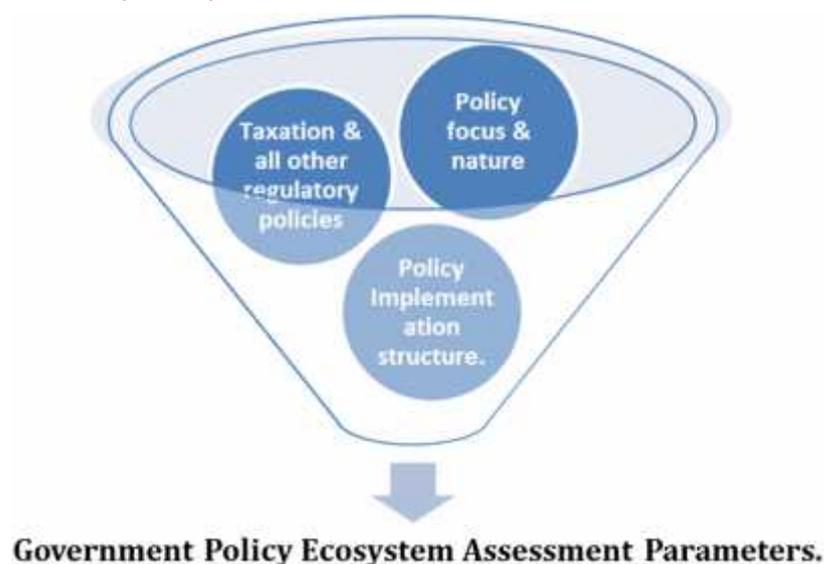
Entrepreneurship Policy covers measures undertaken to establish entrepreneur friendly legal and regulatory frameworks intended to foster the process of entrepreneurship development in any economy. The primary responsibility in developing entrepreneurial friendly policy environment and enforcing the legal and regulatory Policy framework rests with the governments. To help existing and potential entrepreneurs unleash their entrepreneurial talent governments need to create a regulatory environment that encourages them to formally start up and grow. This can be achieved by designing and implementing the apt Policies resulting in the establishment of an entrepreneur friendly 'Policy Ecosystem' necessary for the overall entrepreneurship development across the sectors. As such 'Government Policy Ecosystem' is central to the rate of generation of entrepreneurs in any economy and generally includes Policies relating to government spending, taxation, regulation etc. Researchers point out that even the time and effort required to startup enterprises, to comply with regulatory obligations are some of the other important issues that come within the purview of this ecosystem.. Governments through their laws, regulations, investments, and other Policies create a considerable impact on where entrepreneurs choose to establish new enterprises and the probability that those enterprises will succeed. The government policies should result in a framework or culture that encourages and promotes entrepreneurship throughout society and develops a capacity within the population to recognize and pursue opportunity. A variety of different entrepreneurship development policy frameworks having direct government involvement have been adapted by various economies throughout the world.

Researchers point out that government policy interventions influence the entrepreneurial activity in terms of : 'demand side of entrepreneurs' as it directly impacts the type, number and accessibility of entrepreneurial opportunities, this includes income policy and Policy to simulate technological developments, competition policy and establishment legislation; 'Supply side of entrepreneurship' as this government intervention directly impacts the pool or the supply of potential entrepreneurs, this includes immigration policy, regional development policy, fiscal treatment of families with children, including family allowances or child benefits etc. ; 'Availability of resources, knowledge and resources for potential entrepreneurs' this government intervention aims to overcome financing and knowledge gaps by increasing the availability of financial and other informational resources, this includes policies to stimulate the venture capital market, provide direct financial support, provide relevant business information (advice and counselling), offer entrepreneurship education in the schools;

‘Shaping entrepreneurial values in the culture’ this government intervention helps shape positive attitudes towards entrepreneurship by introducing entrepreneurship elements in the educational system and paying attention to entrepreneurship in the media, this set of policies encompasses a broader role for government, including the education system, and overlaps with culture; and the relevant policies like taxation (influencing business earnings, social security arrangements), labour market legislation regarding hiring and firing (increases the flexibility of the business and the attractiveness of starting or continuing a business), and bankruptcy policy, these policies are generic macro-economic policies that apply to everyone in the society.

All this leads us to conclude that the ‘Government Policy Ecosystem’ existing in an economy has far-reaching impact on its entrepreneurship development process. Therefore, given its important role in entrepreneurship development of any economy, the analyses of entrepreneurship development should also be conducted through the lens of the ‘Government Policy Ecosystem’. It is against this setting, that the present study to assess the ‘Government Policy Ecosystem’ existing in the Jammu & Kashmir State for the overall entrepreneurship development in Micro and Small Enterprises (MSEs) Sector is undertaken. The study is based on the response of the representative respondents {existing Micro and Small Enterprises Sector entrepreneurs from all the three regions (Jammu, Kashmir and Ladakh) of the state} against the parameters: Policy focus and nature; Taxation and all other regulatory policies; and policy implementation structure, as shown in the figure 1.

Figure 1: Government Policy Ecosystem Assessment Parameters.



Objectives:

- o assess the existing ‘Government Policy Ecosystem’ for entrepreneurship development in MSEs Sector of the State.
- To suggest measures for its improvement.

Scope of the Study:

To assess the existing ‘Government Policy Ecosystem’ for the entrepreneurship development in Micro and Small Enterprises (MSEs) Sector in all the three regions of the Jammu and Kashmir State on the basis of the responses of the existing MSEs Sector entrepreneurs against the three parameters; Policy focus and nature, taxation and all other regulatory policies, and policy implementation structure.

Research Methodology:

Survey method was used for the collection of primary data from a reasonable representative sample of respondents (the existing entrepreneurs in MSEs Sector) from all the three (Jammu, Kashmir and Ladakh) regions of the state. For this purpose the method of ‘Stratified Random Sampling’ was used. The total functional registrations figure of Micro and Small enterprises (MSEs) since inception up to 2010 with the Directorate of Industries and Commerce Jammu/ Kashmir was taken as the total population. A total of 1145 respondents were selected out of this population as a sample for the present study. The respondents were asked to express their level of agreement/disagreement on 5-point Likert-scale ranging from strongly disagree to strongly agree against the given parameters. Mean, Standard Deviation and t-tests were used to evaluate the responses of the respondents.

Literature review:

Lundstrom and Stevenson (2005) define **entrepreneurship policy** as measures taken to stimulate **entrepreneurship**; that are aimed at the pre-start, the start-up and post-start-up phases of the entrepreneurial process; designed and delivered to address the areas of motivation, opportunity and skills; with the primary objective of encouraging more people to start their own businesses.

Kayne (1999) claims, arguing that “states – through their laws, regulations, investments, and programs – have considerable impact on where entrepreneurs choose to establish new

enterprises and the probability that those enterprises will succeed “(p.2). Van Looy, Debackere, and Andries (2003) argue that if **governments** can take supporting measures in the interest of a more favorable **climate**, a more “entrepreneurial” attitude is demanded of the knowledge centers and firms themselves.

The primary responsibility in developing **entrepreneurial ecosystem** and enforcing the legal and regulatory framework rests with the **government**. This can be achieved through apt **policy** initiatives and other specially designed programmes. On an average, experts across the GEM 2001 countries did not express satisfaction with **government policy**. **Government policies** in USA, UK, Finland, Ireland and Singapore were found to be the most favorable. In India, expert responses follow the general pattern, placing the country below the GEM 2001 average. **Government policy** is not seen as supporting new firms. The time and effort required to startup firms, to comply with regulatory obligations is a major issue (Doing Business- GEM, 2001).

GEM Report (2002), the **government entrepreneurial policies** and programs that exist are not effective due to the **lack of coordination between the agencies** delivering them. The people working for government agencies are not considered to be competent. The result is that those that need help cannot find it. **Government policies and programs** are inconsistent and not administered efficiently. The legal framework is not effectively enforced. Regulatory requirements are not streamlined and cause a lot of stress to entrepreneurs. The overall assessment of the experts seems to be that entrepreneurial opportunities exist in India, and the people have the entrepreneurial capacity needed to realize the potential of these opportunities. In other words, the individuals and the economy are showing entrepreneurial readiness. Apparently it is **society and government** which are lagging behind. Social attitudes, lack of finance, inadequate physical infrastructure, and lack of effective **government support** emerge as the cause of concern. Initiatives for changing the current status of these dimensions can substantially improve the entrepreneurial environment and thereby the levels of entrepreneurial activity in India (GEM Report India, 2002)

Wennekers and Thurik (2001) and De (2001) suggest a **role for government** in stimulating cultural or social capital and creating the appropriate **institutional framework** at the country level to address the supply side of entrepreneurship, i.e., focusing on the number of people who have the motivation, the financial means and the skills to launch a new business. From the findings of their international benchmarking study of entrepreneurial activity, Reynolds et al.

(1999) recommended that **governments** should focus their effort on creating a culture that validates and promotes entrepreneurship throughout society and develops a capacity within the population to recognize and pursue opportunity. They should target **policies and programs** specifically at the entrepreneurial sector (rather than at aiming to improve the overall national business context), and to increase the overall education level of the population, specifically ensuring that entrepreneurship training is readily accessible to develop the skills and capabilities to start a business.

Thus in line with this, a variety of different **policies / entrepreneurship models** have been implemented by **various governments** throughout the world. Some policy models involve more direct involvement and greater expenditures on part of the government (e.g. strategic interventionism in Namibia) than do others (e.g. trade facilitation in Kenya). Some focus on **infrastructure** (e.g. limited environmentalism adapted by western states of Austria) while others are based on **credit policy** (e.g., egalitarianism in Taiwan) while the top-down reform policy model (Yugoslavia & Germany) was designed for rapid, radical change; doi-moi (Vietnam) was designed to help **small enterprises operate** within a **socialist system**; **subsidized interest rate policy model** in south Korean; China has followed an **open door policy** coupled with major reforms of the completely planned economy which was formerly characteristic of the country a generation ago. The utilization of the open-door and reform policy model by China is consistent with Chinese culture. This suggests that a given model defining the **government's role to promote entrepreneurship** has to have a fit with the **ecosystem**. An **entrepreneurship policy model** should not be transposed into a new **ecosystem**, without verifying for appropriateness. This includes a variety of factors such as infrastructure, cultural values, and free trade agreements (Dana, 1992).

To help local entrepreneurs unleash their potential, national, state, and municipal **governments** need to create a **regulatory environment** that encourages firms to formally start up and grow (World Bank & IFC, 2009 India's investment Climate study). Study identifies red tape as a key constraint to improved productivity. The National Manufacturing Competitiveness Council of **India** also emphasizes **regulatory policy reforms**: "government has a major role to play in providing the right market framework and regulatory environment as these provide invaluable impetus to the competitiveness. The framework should ensure fair competition, better access to markets, trade negotiations that ensure a level playing field for domestic manufacturers, review of existing regulations and reduce the burden of paper work and inspector raj in respect of existing laws."

Given that one of the central goals of public **policy** is the generation of growth, especially the creation of employment, Audretsch and Thurik (2001a) conclude that different, **less traditional macroeconomics instruments** should be employed to achieve this, that is, **policies that promote entrepreneurship**.

Verheul et al., (2001, pp.57-59) outlines five types of **government policy intervention** influencing entrepreneurial activity: **‘Demand side of entrepreneurship’**, government intervention directly impacts the type, number and accessibility of entrepreneurial opportunities, this includes income policy and policies to simulate technological developments, competition policy and establishment legislation; **‘Supply side of entrepreneurship’**, government intervention directly impacts the pool or the supply of potential entrepreneurs, this includes immigration policy, regional development policy, fiscal treatment of families with children, including family allowances or child benefits; **‘Availability of resources, knowledge and resources for potential entrepreneurs’** government intervention aims to overcome financing and knowledge gaps by increasing the availability of financial and other informational resources, this includes policies to stimulate the venture capital market, provide direct financial support, provide relevant business information (advice and counseling), offer entrepreneurship education in the schools; **‘Shaping entrepreneurial values in the culture’** government intervention helps shape positive attitudes towards entrepreneurship by introducing entrepreneurship elements in the educational system and paying attention to entrepreneurship in the media, this set of policies encompasses a broader role for government, including the education system, and overlaps with culture; Relevant policies are **taxation** (influencing business earnings, social security arrangements), **labour market legislation** regarding hiring and firing (increasing the flexibility of the business and the attractiveness of starting or continuing a business), and **bankruptcy policy**, these policies are generic macro-economic policies that apply to everyone in the society.

There are two distinct channels through which **government policy** impacts the rate of entrepreneurship. The first is through its impact on **the quantity and quality of inputs** going into the entrepreneurial process (education, venture capital, etc.). Targeted tax relief and/or direct government subsidies or regulations generally have their primary impact through this first channel. The second is through the impact of policy on the **institutional structure** that determines the ‘rules of the game’ under which the entrepreneurial process unfolds. These

broad **institutions** together determine the incentive and reward structure faced by economic agents within an economy (Sarita Agrawal, 2009).

Given the important role of **government policy ecosystem in entrepreneurship development** of any economy, a number of research studies have been undertaken to assess its impact on the overall entrepreneurship development.

The major problems entrepreneurs face in **Turkey** are related to government bureaucracy, lack of financing, weak economy, unstable and **uncertain government policies**, high interest rates and a lack of official support (Kurtulus 1987; Ufuk & Ozgen ,2001; Cetindamar ,2005).

Poor macroeconomic policies, limited access to short-term and long –term financial capital, and a lack of managerial experience are other problems faced by entrepreneurs in transition economies. Most **SME** owners in **developing and transition economies** complain about insufficient capital Levy (1993), Mroczkowski (1995), Peel and Wilson (1996), Gray Cooley and Lutabingwa (1997), Spring and McDade (1998), Cook (2001), (Benzing et al., 2005), . Entrepreneurs cannot meet the collateral requirements for commercial loans or face exorbitant rates of interest, as a result, the lack of capital hinders their potential success and growth.

In a number of studies in African countries, **government policies**, attitudes , overall quality of public administration and service to entrepreneurship or lack thereof, have been cited as the most constraining reasons for African entrepreneurship(Kallon,1990; Rasheed and Luke,1995; Elkan,1998; Koop et al., 2000).A very high positive correlation was found between **‘government supporting entrepreneurship’** and **‘gap between government policies and implementation’**, **‘government’s promotion of entrepreneurship’** and **‘government’s seeking advice of entrepreneurs in policy making’**, respectively.

Inadequate **government efforts and incentives** for entrepreneurial development appear to have retarded the process of entrepreneurship development in **Bangladesh** (Begum, 1993). Quddus and Rashid (2000) in their book *Entrepreneurs and Economic development* reported that entrepreneurs in Bangladesh had to face a myriad of **bureaucratic obstacles** in their quest to start a business. Minton (2006) reports that lack of long-term capital availability through banking channels, and absence of a properly organized and functioning capital and bond market impede the growth of entrepreneurship in Bangladesh. Mohammed S. Chowdhury (2007) conducted a study to investigate the constraints that entrepreneurs face in small and medium enterprises (SMEs) in Bangladesh. The findings of this study indicated that to the

extent that the political stability and the rule of law were enforced, infrastructure facilities were improved, and corruptions were rooted out, education and trainings were imparted, and financial help was provided, new and energetic entrepreneurs, for the development of SMEs, would emerge in the country.

In a study comparing new firms in **Poland, Slovakia, Romania, Russia and Ukraine**, Johnson et al. (2000) establish that insecure property rights, in addition to weaknesses of **macroeconomic stability** and inadequate financing, inhibit the development of the private sector.

Small business sector in **East African** countries(**Tanzania, Kenya, and Uganda**) is overregulated with laws and regulations that overlap and duplicate each other at central and local levels and entrepreneurs are often subject to lengthy and costly delays in clearances and the approved process(Macculloch,2001). Entrepreneurs complain of about **long delays in getting approvals** for trade licenses and business registrations. Small business owners often face complicated tax forms, heavy control by government, and outright misinterpretation of laws (Pratt, 2001). Danis and Shipilov (2002) discovered that the **level of taxation** and social security are the most serious problems **Hungarian** and **Ukrainian** entrepreneurs faced.

Russia has not been able to develop high levels of productive entrepreneurship with the formal **institutional environment** being identified as the **main barrier** to entrepreneurship development within its new institutional environment (Djankov et al, 2002). A considerable literature argues that **weak institutions**, notably the quality of the commercial code, the strength of legal enforcement, administrative barriers, extra legal payments and lack of market-supporting institutions, represent a significant barrier to entrepreneurship (McMillan, 1999; Djankov et al, 2004). Moreover, Aidis and Adachi (2005) note that in Russia's **weak institutional environment**, networks between enterprises and the officials are paramount for business survival and growth. The study results suggest that the negative environment for business, and especially entrepreneurial activity, in Russia has led to low levels of entrepreneurship (Ruta Aidis & Saul Estrin, 2006).

Experts blame **structural problems** rather than a lack of entrepreneurial spirit for the failure of entrepreneurship to flourish in **Puerto Rico** (Aponte, 2002) In a study of successful and unsuccessful PR entrepreneurs and decision making leaders from civic, private, and governmental organizations. Data suggest that Puerto Rico's low rate of entrepreneurship stems from systemic as well as individual failure. Government, civic, and private organizations

with the potential to assist entrepreneurs appear **not to provide optimum support**. Our findings call for strategic initiative from entrepreneurial support organizations- public, private, and civic – and entrepreneurs to **foster network development** and utilization.

Harvie (2004) suggests that for SMEs in **Asia** to fully participate in the process of globalization, they must develop capacities that will enable them to compete in global markets. As early as 1997 at the APEC meeting in Ottawa, these were highlighted as: access to markets, technology, financing, information and **Government** has a **big role** to play in this.

Prahalad (2004) contends that inability and inconsistencies in **enforcing laws, bureaucratic interpretation of rules**, lack of firm **political commitment**, lack of accountability, hooliganism and political muscleman ship, lack of **rule of law**, lack of control of corruption are significant deterrents to entrepreneurship development in **developing countries**. Literature shows that problems entrepreneurs face in developing countries are somewhat similar. They perform in an unstable, highly **bureaucratic business environment**. The **laws pertaining to enterprises**, especially **taxation systems and business registrations** are overly complex and difficult to understand. **Private property laws and contract** seem to be poorly designed and /or enforced. Kiggundu (2002),

In a case study covering internal and external factors affecting entrepreneurial success of **SMEs in Indonesia**, Susanto (2005) found that entrepreneurship development needs to be managed in a **centralized, integrated** and comprehensive manner in one **agency**. The case of Indonesia was that it was too dependent on external factors that included lack of funding, high interest rates, high taxation, and burdensome government requirements in seeking support. While the case study confirmed that a lack of knowledge and **structural support** could be constraining factors for entrepreneurs, the **influence of the government** to hinder entrepreneurship was far greater.

Bhasin (2007) studied the **policy Singapore** implemented to foster entrepreneurship. **Policy measures** promoting risk taking include changing the mindset through education, creating an environment that accepts failure, allowing for free expression, which induces innovation and very strong financial incentives, and tax breaks that increase entrepreneurial risk taking.

Hamidon (2009) found out pitfalls in **government efforts in Malaysian** entrepreneurship development programmes such as inability to find and empower right person as entrepreneurs; corruption; lack of policy –wide initiatives to create an entrepreneurial culture among

Malaysians making them more depended on government support ; political influences in government's entrepreneurship development mechanism; and problems in the implementation of the entrepreneurship development programs such as lack of support from the private sector, lack of coordination within the different government sector agencies and changes in entrepreneurship development initiatives with the change of leadership and budget allocations.

The **government policies** in **India** regarding small business are too **complex** to understand and this leads to **stifling of the environment for small entrepreneurs**. There exists a limited and diversified understanding of factors and the decision process that leads a person towards entrepreneurship (Markman et al., 2002). Entrepreneurship has grown slowly in **India** because of **lack of funding** (Huetter, 2007).

Sub National Doing Business Report, '**Doing business in India 2009**' compared business **regulations** across **17 Indian cities**. The report focused on local **regulations** that affect 7 stages in the life of a small or medium size domestic enterprise: starting a business, dealing with construction permits, registering property, paying taxes, trading across borders, enforcing contracts, and closing a business. It found that differences in city and state level regulations as well as the implementation of national level regulations can enhance or constrain local business activity. A number of Indian cities were previously benchmarked by the doing business in south Asia 2007 report. Main findings: in 2009, 14 out of the 17 cities covered in 2007 report introduced local reforms in at least one of the areas measured.; reforms produced tangible results, such as reducing the average time to open a business from 54 to 35 days in 10 cities.; the time to obtain a building permit was reduced by 25 days on average.; doing business was easier in Ludhiana, Hyderabad, and Bhubaneswar but difficult in Kochi and Kolkata.(Doing Business in India ,2009 & The World Bank Group, 2011).

From the above review analysis it can be safely inferred that the '**Government Policy Ecosystem**', in addition to other contextual factors, forms an important component of the environment required for the holistic **entrepreneurship development in Micro Small and Medium Enterprises(MSEs) Sector** in any economy.

Data Analysis and Findings:

SPSS software version 20.0 was used for the analysis of the collected data and the results obtained thereof, on the basis of the response of the representative respondents against the given parameters, are presented as follows:

Indicator: Policy focus and nature.

Table 1: Government Policies focus on MSEs and consistently support Entrepreneurship Development in this Sector.

<i>Scale</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative %</i>
SD	255	22.3	22.3
D	124	10.8	33.1
UD	71	6.2	39.3
A	471	41.1	80.4
SA	224	19.6	100.0
Total	1145	100.0	

Perusal of the Table 1 clearly shows higher (60.7%) number of respondents are in agreement with the statement and only (33.1%) of them disagree. Additionally, among the (60.7%) respondents (41.1%) simply agree whereas (19.6%) strongly agree with the indicator statement. Figure 2 provides the graphical representation of these findings.

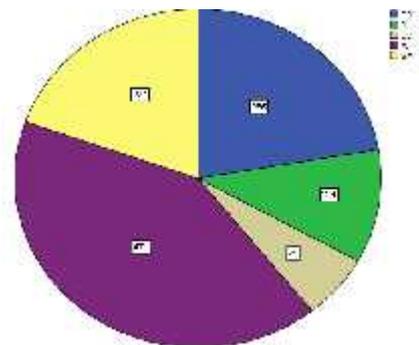


Figure 2: Policies focus on MSEs and consistently support entrepreneurship development in this sector.

Indicator: Taxation and other regulatory policies.

Table 2: Taxation and all other regulatory policies are favorable for MSEs Sector.

<i>Scale</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative%</i>
SD	128	11.2	11.2
D	157	13.7	24.9
UD	129	11.3	36.2
A	526	45.9	82.1
SA	205	17.9	100.0
Total	1145	100.0	

The findings in the Table 2 clearly show that most of the respondents (63.8%) accept that the State taxation Policy and all other regulatory policies are favorable for MSEs Sector, while as (24.9%) of them say they are not favorable. However, in this case a good number of respondents (11.3%) were undecided in their response. All these findings are depicted graphically in Figure 3.

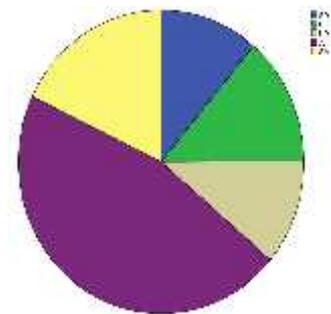


Figure 3: Taxation and all other regulatory policies are favorable for MSEs Sector.'

Indicator: Policy implementation structure.

Table3: Policy implementation structure for MSEs Sector is proper.

<i>Scale</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative %</i>
SD	417	36.4	36.4
D	609	53.2	89.6
UD	37	3.2	92.8
A	57	5.0	97.8
SA	25	2.2	100.0
Total	1145	100.0	

Table 3 exhibits that majority (89.6%) of the respondents are of the opinion that the MSEs Policy implementation structure is not proper. Moreover, among this (36.4%) of the respondents strongly disagree with the indicator statement while as (53.2%) of them only disagree with the indicator statement. Figure 4 represents these results graphically .

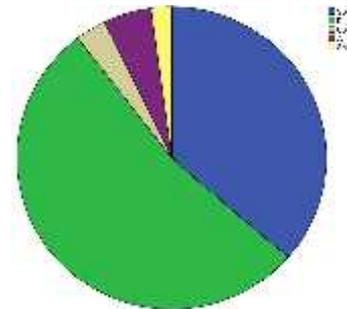


Figure 4: Policy implementation structure for MSEs Sector is proper.

Government Policy Ecosystem - overall assessment: Mean, Std. Deviation and t-test.

Table 4: Mean, Standard deviation and t-test for overall assessment of the Government Policy Ecosystem existing for the MSEs Sector in the State.

<i>Parameters</i>	<i>t*</i>	<i>Mean</i>	<i>Std. Deviation</i>
1. Government Policies focus on MSEs and consistently support Entrepreneurship Development in this Sector.	75.275	3.25	1.460
2. Taxation and all other regulatory policies are favorable for MSEs Sector.	93.875	3.46	1.246
3. Policy implementation structure for MSEs Sector is proper.	70.923	1.83	.875

Df = 1145

** 95% Confidence Interval*

Level of Significance ≤ 0.005

Perusal of the Table 4 indicates that the government policies focus on MSEs Sector and consistently support established of MSEs enterprises (t=75.275). On the parameter of taxation and other regulatory policies findings show that these policies are favorable to the MSEs Sector (t=93.875). However, the response against the parameter 'policy implementation structure' for MSEs reveals that there is a tremendous need to improve the policy implementation mechanism as it is one of the major blocks coming in the way of favorable 'Government Policy Ecosystem' for MSEs Sector in the state (t= 70.923)

Conclusion:

The results of this study lead us to the conclusion that the 'Government Policy Ecosystem', across all the three regions of the State is not positive towards the entrepreneurship development in the MSEs Sector of the State. The major reason being the poor implementation structure accompanied by the lack of coordination among the government institutions responsible for its implementation. Conversely, the parameters used in this study to assess the 'Government Policy Ecosystem' can be explored further towards the overall entrepreneurship development in the MSEs Sector, by undertaking further research in this direction.

Suggestions:

In order to make the 'Government Policy Ecosystem' positive for boosting the entrepreneurship development in the MSEs Sector of the State, following few suggestions are put forth:

- ⇒ Before implementing any policy initiative for the entrepreneurship development in the Micro and Small Enterprises (MSEs) Sector of the State, a fitting **implementation structural model** should be worked out on the basis of initiative need assessment. All such models should be worked out by the government while taking on board the subject matter specialists, other experts, representatives from the related Entrepreneurship Promotional Agencies (EPAs) and Micro and Small Enterprises (MSEs) Sector stakeholders,
- ⇒ For addressing the coordination issues among the different government institutions towards the smooth implementation of the entrepreneurship development policies related to Micro and Small Enterprises Sector of the State, the communication channels within and among these institutions should be made efficient and effective. To achieve this objective, it is suggested that **a customized Information and Communication Technology (ICT) system** should be introduced in all these institutions.
- ⇒ Finance, infrastructure, education, training and other necessary support policies for MSEs Sector should be **sectoral and not generic in nature, transparent with simple norms and procedures, need based and easily accessible etc.** For this

purpose extensive **Sectoral Mapping Studies** should be carried out on priority basis first before designing and introducing any such policies.

⇒ All the Micro and Small Enterprises (MSEs) Sector entrepreneurship development policy initiatives, undertaken by the State government, should have a proper **'Follow-up Mechanism'** integrated in it.

References:

Aidis, R. and Y. Adachi (2005). *Firm Entry and Exit Barriers in Russia*. Working Paper, SSEES/UCL, London.

Aponte, M. (2002). "Start-Ups in Puerto Rico: Poor Entrepreneurial Spirit or Structural Problem?" paper presented to the International Council for Small Business, Puerto Rico, June 16-19.

Audretsch, David and Roy Thurik. (2001a) 'Linking Entrepreneurship and Growth.' STI Working Papers 2001, Directorate for Science, Technology and Industry, OECD, May.

Begum, R. (1993), "Entrepreneurship in small scale industries: a case study of engineering units", *Dhaka University Journal of Business Studies*, Vol.14 No. 1, pp. 159-68.

Benzing, C., Chu, H., and Callanan, G. (2005). Regional comparison of the motivation and problems of Vietnamese entrepreneurs. *Journal of Developmental Entrepreneurship*, 10, 3-27.

Bhasin, Balbir (2007) "Fostering Entrepreneurship: Developing a Risk-taking Culture in Singapore". *New England Journal of Entrepreneurship*, Vol. 10 No.2.

Cetindamar, D. (2005). Policy issues for Turkish entrepreneurs. *International Journal of Entrepreneurship and Innovation Management*, 5 (314), 187-205.

Cook, P. (2001), Finance and small and medium-sized enterprises in developing countries. *Journal of Developmental Entrepreneurship*, 6, 17-31.

Dana, L. P. (1992a). 'A look at small business in Austria.' *Journal of Small Business Management*, 30 (4), 126-30.

Dana, Leo Paul (1992b). 'Entrepreneurship, innovation and change in developing countries.' *Entrepreneurship, Innovation, and Change*, 1(2), 231-42.

Danis, W. M., and Shipilov, A. (2002). *A comparison of entrepreneurship development in two post Communist countries: the cases of Hungary and Ukraine*. *Journal of Developmental Entrepreneurship*, 7(1), 67-94.

De, Dennis (2001). 'Fostering Entrepreneurship in Europe.' *In Entrepreneurship policy for the Future*. A. Lundstrom & L. Stevenson, pp. 107-128. Stockholm: Swedish Foundation for Small Business Research.

Djankov, S., E. Miguel, Y. Qian, G. Roland and E. Zhuravskaya (2004). *Who are Russia's Entrepreneurs*. Mimeo, World Bank.

- Djankov, S., R. La Porta, F. Lopez-de-Silanes, and A. Shleifer (2002). *The Regulation of Entry*. *The Quarterly Journal of Economics* 67:1-37.
- Doing Business in India (2009). World Bank & International Finance Corporation.
- Doing Business in India (2011). The World Bank Group Publication.
- Elkan, W. (1988), “*Entrepreneurs and entrepreneurship in Africa*”, *Finance and Development*, Vol. 25 No. 4, p. 41. *Entrepreneurship Theory and Practice*,
- Gray, K. R., Cooley, W., and Lutabingwa, J (1997), Small scale manufacturing in Kenya. *Journal of Small Business Management*, 1, 66-72.
- Hamidon, S (2009). “*The Development of Malay Entrepreneurship in Malaysia*”. Retrieved March, 23, 2011, from <http://muir.massey.ac.nz/bitstream/10179/1009/2/01front.pdf>.
- Harvie, C. (2004). “*East Asian SME Capacity Building, Competitiveness and Market Opportunities in a Global Economy*” Department of Economics, university of Wollongong, Working Paper 04-16.
- Huetter B (2007), “India rising” SPIE Professional
- Johnson, S., J. McMillan and C. Woodruff (2000). *Entrepreneurs and the ordering of institutional reform*. *Economics of Transition* 8(1): 1-36.
- Kallon, K.M. (1990), *The Economics of Sierra Leonean Entrepreneurship*, University Press of America, Lanhan, MD.
- Kayne, J. (1999). *State Entrepreneurship Policies and Programs*, Kauffman Center for Entrepreneurial Leadership, Ewing Marion Kauffman Foundation.
- Kiggundu, M. (2002). *Entrepreneurs and entrepreneurship in Africa: what is known and what needs to be done*. *Journal of Developmental Entrepreneurship*, 7, 239-258.
- Koop, S., de Reu, T. and Frese, M. (2000), “Socio-demographic factors, entrepreneurial orientations, personal initiative and environmental problems in Uganda”, in Frese, M. (Ed.), *Success and Failure of Micro Business Owners in Africa: A Psychological Approach*, Quorum Books, Westport, CT, pp. 55-76,
- Kurtulus, K. (1987). *Recent developments in Turkish economy*. Istanbul: Chamber of Industry Publication.
- Levy, B. (1993). *Obstacles to developing indigenous small and medium enterprises: an empirical assessment*. *Review The World Bank Economic*, 7, 65-83.
- Lundstrom, A., and L. Stevenson (2005). *Entrepreneurship Policy: Theory and Practice*. New York: Springer Science & Business Media Inc.
- Macculloch, F. (2001). *Government administrative burdens on SMEs in East Africa: reviewing issues and actions*. *Economic Affairs*, 10-16.
- Markman G, Balkin D and Baron R (2002), “*Inventors and New Venture Formation: The Effects of General Self-Efficacy and Regretful Thinking*”,

McMillan, J. and C. Woodruff (1999). *Interfirm relationships and informal credit in Vietnam*. Quarterly Journal of Economics 114 (4): 1285-1320.

Minton, A.A. (2006), "SMEs in Bangladesh", CACCI Journal, Vol.1 No.1.

Mohammed S. Chowdhury (2007). "Overcoming entrepreneurship development constraints: the case of Bangladesh". Journal of Enterprising Communities: People and Places in the Global Economy, Vol. 1 No. 3,

Mroczkowski, T. (1995). Shaping the environment for private business in Poland: what has been achieved? What remains to be done? *Law and Policy in International Business*, 26, 1097-1117

OECD (2009). "How regions grow: Trends and Analysis- ISBN 978-92-64-03945-2." Paris.

Organization for Economic Cooperation and Development. (1995). *Thematic Overview of Entrepreneurship and Job Creation Policies*. Paris.

Organization for Economic Cooperation and Development. (2001). *Entrepreneurship, Growth and policy*. OECD, Paris.

Peel, M., and Wilson, M. (1996). Working capital and financial management practices in the small firm sector. *International Small Business Journal*, 14, 52-68.

Prahalad, C.K. (2004), *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*, Wharton School Publishing, University of Pennsylvania, Philadelphia, PA.

Pratt, V. (2001). *Sharing business skills in Kenya*. Center for International Private Enterprise. Washington D.C. Retrieved from <http://www.cipe.org>.

Quddus, M. and Rashid, S. (2000), *Entrepreneurship and Economic Development: The Remarkable Story of Garment Exports from Bangladesh*. The University Press Limited, Dhaka.

Rasheed, S. and Luke, D.F. (1995), *Development Management in Africa: Empowerment and Entrepreneurship*, Westview Press, Bolder, CO.

Reynolds, Paul R., Michael Hay and S.M. Camp. (1999) *Global Entrepreneurship Monitor: 1999 Executive Report*. Babson College, Kauffman Foundation and London Business School.

Ruta Aidis and Saul Estrin (2006). *Institutions, Networks and Entrepreneurship Development in Russia: An Exploration*. Institute for the Study of Labor (IZA) Bonn, Germany, IZA DP No. 2161.

Sarita Agrawal (2009). "Institutions and Entrepreneurial Growth: The Indian Experience" Presented at VIII Biennial Conference at EDI, Ahmadabad, India.

Spring, A., and McDade, B. (1998), Entrepreneurship in Africa: traditional and contemporary paradigms (Chapter 1). In A. Spring and B.E. McDade (Eds.), *African entrepreneurship: theory and reality*. Gainesville: University Press of Florida.

Susanto, Joseph (2005). “*Creative Entrepreneurship in Indonesia: Problems, Strategies and Challenges- a case study*” Study meeting on Creative Entrepreneurship, The Employers’ Association of Indonesia, Asian Productivity Organization

Ufuk, H., and Ozgen, O. (2001). The profile of women entrepreneurs: a sample from Turkey. *International Journal of Consumer Studies*, 25(4), 299-308.

Van Looy, B., Debackere, K. and Andries, P. (2003). Policies to stimulate regional innovation capabilities via university-industry collaboration: an analysis and an assessment. *R&D Management*, 33 (2), 209-229.

Verheul, Ingrid, Sander Wennekers, David Audretsch and Roy Thurik (2001). *An eclectic theory of entrepreneurship: policies, institutions and culture*, EIM Research Report 0012/E, Zoetermeer, March.

Wennekers, Sander and Roy Thurik (2001) ‘Institutions, entrepreneurship and economic performance.’ In *Entrepreneurship policy for the Future*. A. Lundstrom & L. Stevenson, pp. 51-87. Stockholm: Swedish Foundation for Small Business Research.