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ROLE OF GOVERNMENT IN PROMOTING ENTREPRENEURSHIP

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Abstract:- *This paper aims to analyse 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.*

Introduction:

An individual who undertakes the risk associated with creating, organizing, and owning a business is an entrepreneurship. The process of starting and running one's own business. This involves a considerable amount of risk.

Entrepreneurship has been described as an action-oriented way of thinking, the focus of which is creativity, innovation and change. Therefore, it is not surprising to see that entrepreneurs are among the more creative and innovative players of organizational change. It is the entrepreneurs' business to generate or add value as they venture, introducing new forms, new organizations', new products and new language to the world at large. Entrepreneurship is essentially an economic phenomenon, and 'involves a nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals.

India is in the midst of a start-up boom, whose magnitude and scale has surpassed all previous records. Fuelled by Indian Govt.'s Start-up India Stand-up India action plan which was unveiled in

2016, Indian entrepreneurs are right now being presented with excellent opportunities and platform to aid their growth. As of March 30th, 2018, there are 8625 'officially defined' start-ups in India, covering every possible niche such as health, manufacturing, IT, robotics, services, automobiles, food, grocery and more.This year alone, around $4.2 billion of VC money has been raised for Indian start-ups, (till October 2018), which is 108% more than last year. And the growth seems unstoppable as of now. Active policies include targeted tax breaks and targeted subsidies. As a result, these policies are often aimed at specific forms of businesses or entrepreneurs. Passive policies, however, include laws and regulations designed to lower the cost of doing business and provide a business atmosphere that encourages entrepreneurship

Policies That Influence Entrepreneurship

Four policies that have an impact on entrepreneurship are: tax policy, regulation, start-up costs and access to capital markets, and legal protection and property rights. Each policy is discussed through the lens of economic analysis.

Tax Policy

Some minimal level of taxation is required to have a functioning government. While few people would disagree with this statement, disagreement does arise over what constitutes "minimal." Regardless, one fact is clear: A tax on any activity increases the cost of the activity, thereby discouraging the activity.

Regulation

Labour market and business regulations can be costly for entrepreneurs. However, when compared with European countries, regulations in the United States are much less restrictive.

Start-Up Costs and Capital Access

The costs of starting a business are certainly a factor one considers before embarking on any entrepreneurial activity. Start-up costs include the number of procedures and days it takes to form a business entity, the fees required to establish a business, and a minimum level of required capital

Legal Protection, Property Rights and Economic Freedom

No entrepreneur can succeed in a society lacking respect for individual property rights and a legal system that protects these rights. Property rights are defined as the right to control, use and obtain the benefits from a good or service.

Role of govt. in promoting entrepreneurship:

T he government plays an important role in the development of entrepreneurship. The central and state governments have set up a number of institutions to promote entrepreneurship. They are:

a). Small Industries Development Organization - SIDO formulates policies for the development of small scale industries in the country. It provides support for promotion of rural entrepreneurship.

b). Management Development Institute -MDI conducts management development programs to improve managerial effectiveness in the industry.

c). Entrepreneurship Development Institute of India - EDI has helped to set up twelve state-level exclusive entrepreneurship development institutes and centres.

d). All India Small Scale Industries Board - AISSIB advises the Government on all issues related to the small scale sector. It determines the programmes and policies for the development of small scale industries.

e). National Institution of Entrepreneurship and Small Business Development - NIESBUD supervises the activities of the different agencies involved in the entrepreneurial development programmes.

f). National Institute of Small Industries Extension Training - The objective of the institute is to direct and coordinate the syllabi for training of small entrepreneurs. It organizes seminars for small entrepreneurs and managers.

g). National Small Industries Corporation Ltd. - NSIC provides a vast-market for the products of the small industries through its marketing network. It also helps the small units in exporting their products to foreign countries.

MSME Policy:

The primary goal of Industrial and MSME Policy Resolutions was to advance industrial development and furthermore decide the example of state help to small industrial units for satisfying financial targets. The advancement of businesses has been viewed as an essential component of the development system hidden Five Year plans.

The appearance of a planned economy from 1951 and the consequent industrial policy pursued by the Government of India, both government and organizers reserved a specific position of Micro, Small and Medium Enterprises in the Indian economy. Government's targets and goals towards industry, including small scale industry were declared through Industrial Policy Resolutions (IPRs). Industrial Policy Resolution, 1991

For the first time, the Government of India postponed the new MSME Policy titled approach measures for advancing, reinforcing and enhancing little, modest and town undertakings in the Parliament on August 6, 1991. This strategy augmented as far as possible for the minor segments expelled the professional limitations and perceived business and industry related services as small industrial units keeping pace with the modest units. The Small and Ancillary Industries were exempted from authorizing for all articles of manufacture, which were not secured by the public sector. The investment of 0.5 million and other area conditions was withdrawn. All business linked services and business ventures with an investment limit as those of modest undertakings, regardless of area, were perceived as small industrial units. Another plan of incorporated infrastructural advancement for small industrial units was given the cooperation of State Government and Financial Institutions.

The New Industrial Policy, 1999

The rising financial scenario in the changed labialized and aggressive monetary environment required basic and major changes in the policy structure set up of the improvement of SSI. The fundamental goal of the Industrial Policy, 1999 was to make a friendly situation for the small industrial units to adapt to the rising difficulties of globalization. To concentrate completely on the advancement and improvement of small industrial units, a different Ministry of Small Industrial Units and Agro and Rural Industries was made.

The Policy Initiatives were:

The yearly turnover limit for computation of working capital cut off for smaller industrial units was raised to Rs. 5 crores from Rs. 4 Crores. The greatest roof limit for Composite Loan Scheme has expanded to Rs. 5 lakhs. To increment the credit flow to small industrial units, another credit insurance scheme was launched. Small Industrial units delivering goods in provincial territories are permitted excise exemption on third-party branded merchandise.

The meaning of small and auxiliary industrial units was changed by lessening venture limit in plant and hardware to Rs. 1 crore from Rs. 3 crores. Special package for the upgrading of small and town enterprises in North Eastern areas was reported. The industrial units in the North Eastern Region were given an exception from extract obligation for a long time from the date of the beginning of

production Special accentuation was given to the units which have high export potential. Through the ministry, the Government has achieved changes in approaches and development support that need to empower quick and considerable development of MSMEs in India and give them an aggressive edge over their worldwide nations. A few projects and strategies have been illustrated here. The facilities can be arranged into three: MSME Policy initiatives, Institutional help, and credit allotment. The accompanying diagram demonstrates three classified policies.

Schemes for Financing Micro, Small and Medium Enterprises:

Repayment for Iso-9000 Certification Scheme : - The scheme was begun in March 1994, and it gives up to Rs. 75,000 for every small industrial unit which procured ISO-9000 Certification. Since the beginning of the scheme of ISO-9000 repayment, 4101 small industrial units to the tune of Rs. 1944 crore have been profited up to Nov – 2006.

Laghu Udyami Credit Card Scheme:- Laghu Udyami Credit Card Scheme, presented in November 2001, has been executed by the
banks for giving borrower-friendly credit facilities to small venture.

Credit Guarantee Fund Trust Scheme For Micro And Small Industries :- The plan covers guarantee free credit facility reached out by qualified loaning establishments to new and existing Micro and Small Enterprises up to Rs. 50 lakh per borrowing unit.

National Equity Fund Scheme (NEF):- The target of NEF Scheme is to provide equity type finance to business visionaries for setting up new tasks in the tiny or small industrial sector for undertaking extension, modernization, technology upgradation and enhancement of existing modest, Small Industries and Service Enterprises and for reinstallation of practical wiped out units. In this scheme, the expense ought not to surpass Rs. 50 Lakhs.

Integrated Infrastructure Development Scheme (IIDS) :- IIDS was launched in 1994 with the target of giving essential infrastructural facilities like Power Distribution network, Telecommunication, Water, Roads, Drainage and Pollution control facility, Storage, Banks, and Marketing outlets, Common administration facilities and Technological backup administrations, and so on.

The MSME Policy Development Act of 2006 is maybe the most significant of these ongoing strategy changes. The development of small scale businesses can be assessed in two different ways: To look at the development rates of units. Work, exports and output of Small-scale enterprises in 2000 with

that of the 1990s.To determine the adjustment in the overall commitment of Small Scale ventures to GDP, Exports and Organized Sector work during the 2000s with that of 1990s. The small scale sector has become quickly throughout the years. The time of development and the improvement of the MSMEs sector comprised a critical portion of our economy. MSME Policy is an essential portion of the Indian industrial sector and would keep on assuming an urgent job in the Indian Economy later on. It additionally got tremendous measures of remote investments into the nation and gave work opportunities to numerous individuals in the nation which in its turn diminished the dimension of poverty in the nation. A compensating feature of financial development in India has been a noteworthy development of current MSMEs.

Conclusion

Government can conduct both active and passive policies to encourage entrepreneurship. Although active policies, such as targeted tax breaks and subsidies, are the most commonly discussed, it is passive policy that is important for generating an entrepreneurial-friendly environment. This article has addressed several areas of policy, both active and passive, that encourage entrepreneurship. Evidence was presented here on cross-country and cross-state differences in entrepreneurship as a result of different active and passive policies.

One point should be clear: Institutions matter. Institutions that lower the cost of doing business, either through tax policy, start-up costs or regulation will encourage entrepreneurship. More broadly, a complete respect for private property rights and a well-functioning legal system that recognizes and protects these rights is vital. States and countries that respect and enforce these institutions will encourage entrepreneurship and be rewarded with greater economic growth.

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