Exploring the Influence of Government Policy on Entrepreneurship Development

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ABSTRACT: Government policy plays a crucial role in fostering thriving corporate efforts. This study explores the impact of government policy in promoting entrepreneurship and its economic outcomes. The study showed a positive link between entrepreneurship and economic growth, highlighting the crucial role of favourable government policy in catalysing entrepreneurship development. Despite entrepreneurship recognition, its growth is constrained by several factors, such as laws, regulations, and rules. The paper prioritised entrepreneurship as vital for any national economy to thrive, establishing a basis for more studies on entrepreneurial practices and policies, to aid scholars, academics, and practitioners in comprehending the link between entrepreneurship, government policy, and economic growth. Data was obtained from empirical studies, conceptual clarifications, and content analysis of secondary data. Hence, the impact of government policy on entrepreneurship and economic growth is a critical field of study, with implications for policymakers, entrepreneurs, and the global nation’s economic growth.

KEYWORDS: economic development, entrepreneurship, entrepreneurs, enterprises, government policy

INTRODUCTION

Entrepreneurship is globally acknowledged as a crucial factor in driving a nation’s economic development. The government must give priority to entrepreneurial activities for a national economy to flourish (Onileowo, Muharam, & Ramily, 2022). Entrepreneurship is a wide-ranging concept that can be seen as an action, asset, or condition (Naudé, 2014). There are several variations of the entrepreneurship concept documented in the entrepreneurship literature (Meyer & de Jongh, 2018). Scholars categorise entrepreneurship into three distinct groups (Naudé, 2014). Behavioural definitions (e.g., Schumpeter and Kirzner), Occupational definitions (e.g., Evans and Jovanovic), and synthesis definitions (e.g., Gries and Naudé) however, this study will
adopt Schumpeter's behavioural description. According to Schumpeter (1982), entrepreneurship involves the introduction of novel products, innovative manufacturing methods, new markets, distribution channels, and organisational structures. The significance of entrepreneurship in different economic sectors globally cannot be overstated. Consequently, many countries have introduced initiatives to promote entrepreneurship within their societies (Gangi & Mohammed, 2017). For example, the business incubator is a valuable support scheme that promotes the growth of entrepreneurship and the effort put into business incubation is a vital strategy for achieving this goal. Al-Mubaraki & Busler (2015) define economic development as emphasises the process of generating wealth through the accumulation of various assets, which are then utilised to create valuable products and services for customers. Pauwels, Clarysse, Wright, & Van Hove (2016) noted that the primary goal of a business incubator is to promote entrepreneurship.

Succinctly, the incubator aims to create profitable businesses that can sustain and operate independently (Harper-Anderson & Lewis, 2018). In these programs, business incubators offer valuable services that give business owners access to important resources such as tools, training, networks, information, funding, and services that are typically expensive, hard to find, or not widely known (Harper-Anderson & Lewis, 2018). An effective government could ensure that these resources are made available to address any gaps in support for entrepreneurs. Most incubator aims to promote economic development as one of its main goals (Al-Mubaraki & Busler, 2015). Meanwhile, Lose & Tengeh (2016), define entrepreneurship as recognising or creating opportunities in the business world and pursuing them by establishing new ventures.

However, the literature on entrepreneurship in both wealthy and developing economies acknowledges the importance of individual contributions (Spigel & Harrison, 2018). For instance, Obschonka & Stuetzer (2017), believe that certain psychological and behavioural traits play a crucial role in achieving effective entrepreneurial performance. Characteristics such as a willingness to take risks, limited access to valuable resources, and strong leadership abilities are just a few examples. Atiase et al. (2018) examined the extensive literature on the challenges Africa faces in accurately measuring employment growth and despite the deregulation and privatisation efforts in the 1980s and the corruption that came with it, the country continues to face challenges of unemployment and observed that entrepreneurship programs are the sole solution for the employable citizens of these countries. Based on the foregoing, it is widely recognised that entrepreneurship plays a significant role in the economies of many nations, and entrepreneurs have played a crucial role in driving economic growth at a national level. Entrepreneurs have been instrumental in creating jobs, fostering the growth of small enterprises, also bringing research and development products to the commercial market, and consequently been instrumental in spreading knowledge and information to benefit society as a whole (Gonsalves & Rogerson, 2019).
Moreover, entrepreneurs in this group may need help navigating the various factors that affect production and the legal regulations related to entrepreneurship (Kim & Clarke, 2013). The research on entrepreneurship is extensive, and there has been limited research on the interplay of entrepreneurship and economic growth, specifically in the context of government policy as a moderator. Prior research has focused on the government's responsibility as the main investigation. Nevertheless, this study seeks to fill the gap by investigating how government policy can influence the interplay between entrepreneurship and economic growth. This research investigates the significant impact of government regulation on entrepreneurship and the overall importance of additional factors related to production. It focused on the study of three variables. These include Entrepreneurship, involving the drive to start a business, creativity, innovation, and willingness to take risks. The second factor is economic development, which encompasses job creation, the development of small and medium enterprises (SMEs), and the generation of wealth, and the third factor relates to government policy, encompassing supportive policies, policy implementation, and government funding.

This research makes a valuable contribution to the existing body of knowledge on entrepreneurship, by exploring the significance of Government policy in promoting entrepreneurial growth clearly and directly. Therefore, the study structure is outlined below. The next section will cover the review of literature about government policy and entrepreneurship, followed by the development of a conceptual framework, the implication, conclusion, future studies, and acknowledgement.

LITERATURE REVIEW

Entrepreneurship has been widely recognised as a crucial driver of economic growth and the creation of employment opportunities (Obaji & Olugu, 2014). Many local and city populations rely on entrepreneurship as their main source of income, as noted by (Ibidunni, Ogundana, & Okonkwo 2021). The relationship between entrepreneurship and economic development has been extensively studied (Dutz, Ordover, & Willig, 2000). According to the works of Obaji and Olugu (2014), the contribution of entrepreneurship to GDP growth is on the rise. Therefore, Kwapisz (2019), suggested that governments should lower the obstacles to entrepreneurship.

Government policy encompasses various initiatives aimed at supervising and enhancing the environment for small and medium-sized enterprises (SMEs) within this framework. These measures include implementation guidelines, and supportive government initiatives, with funding policies. The government policy regarding entrepreneurship is designed to foster the expansion of entrepreneurial endeavours by establishing a supportive environment for entrepreneurs. Understanding the significance of entrepreneurship (SMEs) in advancing a country's industrialization, achieves this by implementing regulations that oversee entrepreneurial activities. Furthermore, regulations established by the government can contribute to the prosperity of entrepreneurs. According to Okpa (2015), government policies regarding
entrepreneurship should remain effective regardless of the current administration. These policies often fall short of meeting their intended goals.

Many governments, especially in developing countries, have invested significant resources in creating initiatives to encourage entrepreneurship (Francis, Adamu, Adamu, & Abba, 2014). Examples are China, Brazil, Saudi Arabia, Malaysia, and Nigeria (Gonsalves & Rogerson, 2019). The Chinese government has actively promoted the growth of high-tech enterprises by enacting laws and providing resources (Zeng, 2015). According to Dalmarco, Hulsink, and Blois (2018), the Brazilian entrepreneurship sector has grown substantially as a result of government initiatives that encourage both low-tech and high-tech firms. Based on a recent study conducted by Salem (2014), it was found that Saudi Arabia embarked on a decade-long journey of innovation activities and entrepreneurship starting in 2010. The objective has been to elevate its Kingdom to the status of other high-income, successful nations worldwide. For Malaysia, the government has played a crucial role in setting up various technology funding organisations to support innovative entrepreneurs (Ajagbe, Isiavwe, Ogbari, & Sholanke, 2015). For instance, the government has set up small businesses to promote capital investments in growth-oriented businesses facing challenges in securing adequate funding during their initial stages of development (Ajagbe, Isiavwe, Ogbari, & Sholanke, 2015).

In Nigeria, various authorities have made significant efforts to enhance the nation's entrepreneurial activities, and the implementation of different developmental and financial aid forms (Francis, Adamu, Adamu, & Abba, 2014). However, the government's efforts were hindered by bureaucratic procedures, corruption, and inadequate infrastructure (Obaji & Olugu, 2014). As reported by some Nigerian entrepreneurs, a major challenge they encounter is the lack of consistency in government policy. According to their statement, having political connections and substantial financial resources is essential for entrepreneurs to thrive in Nigeria. Consequently, start-up entrepreneurs are unable to access both political power and significant financial capabilities. In line with Lee & Osteryoung (2004), an entrepreneur's influence on government policy is closely tied to their ability to foster innovation. Almahdi (2020) pointed out that despite Nigerians being recognised as one of the most industrious populations globally, the government fails to provide sufficient legislation to foster entrepreneurship. An important suggestion put forward was for the government to create a favourable environment for private-sector investment by improving the facilities needed to operate. Olutuase, Brijlal, & Yan (2020) explored various elements that impact the success of emerging enterprises, with a focus on the African region, and found that effective government policy is crucial for enterprise development.

Multiple in-depth studies have analysed the influence of government policies on entrepreneurship development (Obaji & Olugu, 2014; Dutz, Ordover, & Willig, 2000; Daunfeldt, Elert, & Johansson, 2014). Their submissions had been both conflicting and
supportive viewpoints. Dutz et al. (2014) endorse government initiatives that encourage the expansion of entrepreneurship. As an illustration, Friedman's study discovered a negative correlation between perceived government efficiency and entrepreneurship at a national level. In contrast, Dutz, Ordover, & Willig (2000) noted that government policy plays a crucial role in establishing a conducive environment or framework that fosters entrepreneurship. Nevertheless, the study highlighted that the correlation between entrepreneurship and policy varies from one country to another. Multiple research papers have established a link between government policy and entrepreneurship, indicating a positive correlation (Daunfeldt, Elert, & Johansson, 2014; Greene, 2012). However, further investigation has uncovered a correlation regarding government policy and entrepreneurship that is unfavourable (Obaji & Olugu, 2014; Friedman, 2011).

This study contributes to the current knowledge by exploring how government policy (moderator variable) influences the interplay of entrepreneurship and economic growth. Highlighting the importance of government policy in fostering entrepreneurial development. Therefore, the prior scenario highlights a difference in how government policies can impact the promotion of entrepreneurship, especially in emerging economies. In light of this context, this study utilised government policy as a moderator, as mentioned (Baron & Kenny, 1986). Due to this factor, government policy plays a role in regulating the connection between entrepreneurship and achieving positive outcomes. In line with previous submissions, there appears to be a lack of research on the connection between entrepreneurship and economic development in the current literature. This study contributes to the current knowledge via exploring how government policy (as a moderating variable) influences the interplay of entrepreneurship and economic growth. Highlighting the importance of government policy in fostering entrepreneurial growth.

Conceptual Framework
Entrepreneurship has frequently played a vital role in driving economic development and generating employment opportunities (Obaji & Olugu, 2014). The ability to generate income for the influential group of individuals living in both urban and rural areas, who do not have formal employment, relies heavily on entrepreneurship. Previous studies have identified three key factors that play a role in entrepreneurship: a willingness to take risks, a creative and innovative mindset, and a strong desire to establish a business.

Creativity and Innovativeness
Fritsch (2017) has been a trailblazer in exploring the importance of innovation in an organisation. According to Kibassa (2012), the concept of innovativeness is a natural part of individual behaviour that enables owners to promote innovation across organisations. Lamperti, Mazzucato, Roventini, and Semieniuk (2019), established that the Organisation for Economic Cooperation and Development (OECD) and the European Union have emphasised the importance of innovation in driving economic
growth. Onileowo et al. (2021) argue that technological advancements have the potential to enhance productivity, improve living standards, and foster sustainable economic growth. Emphasising research, knowledge, and technology is crucial for driving economic development through innovation (Ajagbe, Isiavwe, Ogbari, & Sholanke, 2015). Moreover, Musibau & Kamariah (2013) established that innovation plays a crucial role in driving a nation's advancement, regardless of its level of development. The creative capacity of entrepreneurs tends to increase as small and medium-sized enterprises expand, leading to positive economic outcomes. These enterprises will contribute to the growth of employment in the area, thereby boosting its economic prosperity. Ultimately, creative enterprises play a vital role in driving economic growth by generating employment opportunities, fostering income generation, opening up new markets, and propelling technological advancements (Somsuk & Laosirihongthong, 2014).

Start-Up Motive
The driving force behind a businessperson's decision to become an entrepreneur is the motivation to start a new venture. Several factors contribute to this, including a drive for innovation, establishing a successful organisation, leveraging specialised skills, becoming self-employed, and gaining independence. A start-up company that is highly motivated to succeed will put in a lot of effort to achieve its objectives. Generating employment opportunities, fostering the growth of small and medium enterprises, and generating wealth through the operation of a thriving business will all play a significant role in driving economic expansion.

Risk-Taking
Risk-taking involves the willingness to take chances to receive a financial benefit (Miner & Raju, 2004). As a result, different definitions and conceptualizations have been used to describe risk-taking (Isaga, Masurel, & Van Montfort, 2015). Based on the entrepreneurial literature, the acceptance of uncertainty and risk can be traced back to the 18th century when Cantillon's theory of economics emerged which was further developed in 1931 by Robles and Zárraga-Rodríguez. According to Isaga, Masurel, & Van Montfort (2015), the distinguishing factor between an entrepreneur and an individual lies in the unpredictable and risky nature of their endeavours. Hoyte (2019) stated that individuals who are willing to take risks are those who can develop a feasible business idea. After achieving success, an entrepreneur expands their business and brings in more employees, leading to a boost in income and contributing to the economic growth of the community. Entrepreneurship plays a vital role in driving economic growth as it generates wealth, creates job opportunities, and enhances the overall success of small businesses. Job creation and the growth of small enterprises are often linked to economic development. The presence of numerous small and medium-sized enterprises (SMEs) in a community increases the likelihood of employment for indigenous residents. According to Davari et al. (2012), the growth of entrepreneurship plays a crucial role in driving economic development. While it is widely recognised by scholars that entrepreneurship plays a crucial role in stimulating
economic growth, identifying three factors that contribute to economic development which include supporting government policies, policy implementation, and government funding (Gómez-Haro, Vidal-Salazar, & Delgado-Ceballos, 2012; Bosma & Schutjens, 2011; Gangi & Mohammed, 2017).

**Government Policies Support**
It is commonly believed that the majority of support programs, particularly in developing countries, are established, funded, and managed by the government. Encouraging entrepreneurship through government policy is crucial for ensuring sustainable growth. Therefore, economic growth can be achieved by focusing on small and medium-sized enterprises, generating employment opportunities, and fostering the accumulation of wealth. Several studies have explored the impact of government policies on entrepreneurship and the broader economy (Obaji & Olugu, 2014; Dutz, Ordover, & Willig, 2000; Daunfeldt, Elert, & Johansson, 2014).

**Policy Implementation**
The strategic plan in a government program sets the course and outlines a plan over its execution. The authority's position has a substantial influence on and determines the course of a program. In Nigeria’s case, government policy has a substantial impact on moulding the management and operations of government organisations.

**Government Funding**
Having access to financial services is crucial for the success of newly established businesses which plays a vital role in entrepreneurial development strategy and greatly influences their survival (Onileowo, Muharam, & Ramily, 2022). Alwakid et al. (2021), state that the government allocates significant resources toward supporting entrepreneurial endeavours. This support is provided through measures such as direct subsidies, tax incentives, and government purchases. An effective financing strategy should be implemented to ensure consistent support for the support program, ultimately driving economic growth through entrepreneurship. Acquiring financial assistance for the support program may be facilitated by referring to the policy statement that established it. The research contributions of government policies have been both conflicting and supportive. Based on the research conducted by Greene (2012) and Daunfeldt, Elert, & Johansson (2014), it was found that government policy has a positive effect on the growth of entrepreneurship. On the other hand, various studies have shown that government policy has a detrimental impact on entrepreneurship (Obaji & Olugu, 2014). Therefore, the arguments presented highlight the lack of coherence in how government policies affect entrepreneurship, particularly in developing countries. It is believed that, with availability of funding programs, people living in areas with a large number of small and medium-sized enterprises are more likely to find employment in these types of businesses.
Highlighting the integration of entrepreneurship and economic development through the implementation of effective and market-oriented government policies. The study uncovers three important factors that are closely tied to entrepreneurship: the motivation to start a business, the ability to think creatively and innovate, and the willingness to take risks. Government policy involves the implementation of policies, supportive measures, and funding from the government. Simultaneously, economic development encompasses the generation of employment opportunities, the growth of small and medium enterprises, and the accumulation of wealth. The design highlights the significance of government policy to economic development. Government policy plays a vital role in strengthening other essential aspects of any business. Therefore, the core idea entails that when a government implements a policy regulating the interaction of entrepreneurship and economic development, it increases the likelihood of fostering SME growth, creating wealth, and generating employment for an economy or nation.

**Policy Implication**

The research highlights the significant impact of government policies on fostering entrepreneurship development. Government policy plays a crucial role in promoting flourishing enterprises. Studies show that financial assistance and incorporating certain tax incentives may effectively encourage entrepreneurial endeavours. Hence,
governments can utilise these approaches to support a specific kind of enterprises. Moreover, it emphasises the importance of passive regulations in creating a supportive atmosphere for entrepreneurship. Authorities may implement such regulations to lower business costs, provide support for corporate expansion, and ease regulatory burdens. This research makes valuable contributions to various works in the fields of strategic management and entrepreneurship. It enhances the comprehension of how government policies impact the development of entrepreneurship. Additionally, this research supports the findings of prior studies conducted by Greene (2012), Daunfeldt, Elert, & Johansson (2014), and McCalister (2012) regarding the importance of government policies in fostering entrepreneurship. It highlights the importance of comprehending the significance of government policy in evaluating financing options and ensuring sustainability for managers and entrepreneurs. The impact of government policy on entrepreneurship is crucial for creating a fair and stable environment for entrepreneurs to thrive.

**CONCLUSIONS**

This research emphasises the significant impact of government policy in fostering the development of entrepreneurship. Implementing proactive measures like financial support and targeted tax incentives may effectively promote entrepreneurship, whereas creating a supportive environment for entrepreneurs involves implementing passive policies. The findings indicate that governments can implement measures that can help reduce business costs, provide support for business expansion, and ease regulatory burdens. Furthermore, policymakers should thoroughly evaluate the benefits of introducing more government programs funded by taxation, while also taking into account the potential downsides of reduced economic growth and diminished entrepreneurial endeavours.

Further, certain governments view entrepreneurship as crucial for driving industrial growth in their economies and actively encourage entrepreneurial endeavours. Alternatively, governments can shift their focus from funding traditional start-ups to prioritising high-growth potential businesses. These policies promote the establishment of small enterprises that have a higher likelihood of failure or only offer limited economic benefits, leading to a decrease in job opportunities. Nonetheless, the achievements of entrepreneurs in a country may be impacted by the policy choices of its government. Many governments, especially those in developing countries, are actively implementing various policy schemes to promote economic development. These schemes encompass financial, fiscal, and infrastructure initiatives, among others. This study review has significant contributions to various aspects of strategic management, policies, and entrepreneurship. Research shows a clear interplay of entrepreneurship and economic growth. Moreover, a supportive Government policy plays a crucial role in fostering entrepreneurship and driving economic growth in a country. Considering that this research is conceptual, it signifies the need for more
studies to empirically explore the impact of Government policy on entrepreneurship development.

**Future Studies**

Based on the preceding and considering government policy's effect in stimulating entrepreneurship and its economic consequences, there are several suggestions for future studies. Firstly, further studies could investigate how different government policies impact the development of entrepreneurship in different countries by analysing the effectiveness of policies such as tax incentives, funding schemes, and regulatory frameworks in promoting entrepreneurship. In addition, more research could explore how entrepreneurship contributes to the development of sustainable economic growth over time by exploring the link between entrepreneurship, environmental sustainability, and social development. And could further investigate the impact of entrepreneurship on job creation and income distribution, to gain a deeper understanding of its impact on job creation and income distribution.

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