

Role of Government Policies on Success of New Ventures: An Empirical Study

Ajay Kumar Saini

Professor, School of Management, Graphic Era Hill University, Dehradun, Uttarakhand India
248002

Abstract

New venture success in India is greatly influenced by government policy. The Indian government has put into effect a number of laws and measures to encourage entrepreneurship and foster an atmosphere that is favorable for startups. The development of new businesses in the nation has been significantly influenced by the policies the government has put in place. The Startup India project, which was introduced in 2016, is one of the important regulations that the government has put in place. Through tax breaks, financial opportunities, and streamlined compliance procedures, this effort strives to help and encourage businesses throughout the nation. To encourage entrepreneurship among women and marginalized communities, the government has also developed a number of plans and programmes, such as the Stand-Up India scheme. In addition to helping the overall expansion of new enterprises in the nation, the project has given these groups financial support to launch their businesses. The government has also loosened FDI regulations, streamlined the business registration process, and implemented bankruptcy rules to make it simpler for new businesses to operate in the nation. The development of a supportive environment for entrepreneurs in India has been greatly aided by these regulations.

Keywords: *New Venture, Government Policy, Startup India, Entrepreneurship, Financial Support, Business Registration.*

Introduction

The success of new businesses in India, especially in developing industries like information technology and renewable energy,

has been significantly influenced by government regulations. The Indian government has promoted entrepreneurship and developed an advantageous business climate for startups through policies including tax incentives, subsidies, and streamlined regulations. Along with supporting FDI by Indian companies abroad, these regulations have encouraged investment in fields like renewable energy. Therefore, it is evident that government policies have had a substantial impact on the development of India's business climate and the success of new ventures. According to Khanna et al. (2015), government policies can significantly affect the success of new businesses and play a crucial part in determining the business environment. For instance, the Indian government has launched programmes like Make in India, Start-up India, and Digital India that are meant to promote business endeavors. As a result of these policies, which supported startups with tax breaks, subsidies, and streamlined regulations, entry barriers were lowered and more new business owners were enticed to enter the market. Government initiatives thus greatly contributed to the promotion of new businesses in India, especially in developing industries like information technology and renewable energy.

Lewis and Wiser (2007) examined the policy support mechanisms for the wind industry in various nations, including India, and their effects on the expansion of the sector. They found that the success of the sector was significantly influenced by government policies including feed-in tariffs, production tax credits, and capital subsidies. Wind energy projects in India received capital incentives and expedited

depreciation from the government, which encouraged investment in the industry. As a result, there was a huge growth in the production and installation of wind energy projects, highlighting the important role that government regulations played in the development of new initiatives in India's renewable energy sector.

The connection between government engagement and outbound foreign direct investment (FDI) from emerging economies was examined by Wang et al. 2012. They found that promoting FDI from emerging economies outward was greatly influenced by government initiatives. Government incentives like tax rebates, subsidies, and streamlined procedures were offered in India to help businesses wishing to grow abroad. As a result of this support, Indian businesses were able to successfully launch operations abroad by overcoming entry restrictions in international markets.

Literature Review

In order to foster entrepreneurship and promote economic growth, Acs and Szerb (2007) looked at how government policies could be used. They claimed that public policies were vital in fostering entrepreneurship and emphasised the necessity for programmes that lower regulatory hurdles, provide tax breaks, and provide subsidies to aid the expansion of new businesses. In order to boost domestic manufacturing and foster entrepreneurship, the Indian government developed a number of programmes, including Make in India. The success of new businesses in the Indian market was greatly influenced by these policies and others that served to establish an enabling environment for them.

Luo and Tung (2007) tracked the globalization of emerging market companies. They showed that government policies significantly contributed to these enterprises' ability to internationalize. In India, the government put regulations in place to encourage the expansion of domestic businesses, especially startups,

which helped them become significant participants in the international market. Incentives like tax rebates and subsidies were provided as part of the Make in India strategy, for instance, to encourage Indian businesses to extend their operations abroad. Indian businesses were able to develop profitable ventures abroad thanks to the government's policy support in assisting them in overcoming entrance restrictions in international markets.

Malerba and Nelson (2011) used information from six sectors to show the role of learning and catching up in various sectoral systems. They found that the development of enterprises and the facilitation of learning were both influenced significantly by government policy. The National Manufacturing Policy, which sought to support local manufacturing and improve the competitiveness of Indian businesses, was one of the government's initiatives that was put into place in India. This programme offered assistance in the form of tax breaks, financial aid, and streamlined rules, which aided new businesses in catching up to the sector's established players. The success of new businesses in India was consequently greatly aided by these regulations. The contribution of entrepreneurs' social networks and institutional polycentrism to the establishment of new ventures was looked at by Batjargal et al. (2013). They showed that the development of new initiatives and the structuring of the institutional environment were both influenced by government policies. In order to encourage entrepreneurship and enable the expansion of startups, the Indian government created programmes like the Startup India initiative. This strategy assisted emerging businesses overcome growth difficulties by offering support in the form of tax incentives, streamlined procedures, and finance access. The development of new businesses in India was greatly influenced by the government's initiatives to foster an atmosphere that is favorable for them, as well as by entrepreneurs' social networks.

According to Yamakawa et al. (2008), new enterprises from developing to advanced economies are driven by various factors. They showed that government measures, which lower entrance barriers and offer support to businesses, have a considerable impact on the facilitation of internationalization. The Foreign Trade Policy, which sought to encourage exports and draw foreign investment, was one of the government's initiatives in India. For foreign businesses eager to expand their operations, these policies, along with India's talented population and expanding market, make it an appealing location. New businesses in India were able to access international markets and resources as a result, greatly enhancing their chances of success.

In ports, "public-private partnerships (PPPs)" have been successful due in part to institutional factors, as observed by Panayides et al. (2015). They discovered that the success of PPPs was directly influenced by government policies, which had a significant impact on the institutional environment. The Sagarmala project, which sought to modernize ports and encourage maritime trade, was one of the government's initiatives in India. Incentives, streamlined rules, and financial support were all provided by this programme, which promoted private sector involvement and made PPPs in the port industry a huge success. The development of new initiatives in the port sector in India was greatly influenced by the government's attempts to foster a climate that is favorable for PPPs in ports and by private sector involvement.

The Indian government implemented a number of market liberalization initiatives in the early 1990s, exposing the nation's hitherto protected economy to global competition. Domestic businesses employed catch-up tactics in response to the changing climate to stay competitive, including those in the car components industry and other sectors. The Indian auto component market, Kumaraswamy et al. (2012) found that domestic firms used a

variety of catch-up tactics to keep up with foreign competitors, such as enhancing their current skills, developing strategic alliances, and participating in mergers and acquisitions. As to their outcomes, the success of these techniques varied based on the unique conditions of the organizations, such as their level of prior technological capacity and their network of business ties. Fini et al. (2011) looked at how institutions and the surrounding environment support the development of academic spin-offs. They showed that while universities were crucial in supplying intellectual property and research knowledge, local context factors like the availability of venture funding and helpful business networks also greatly influenced the success of spin-offs. Government initiatives, such as support for technology transfer offices and incubators and tax breaks for early-stage investors, can play a significant role in fostering the growth of university spin-offs.

According to Aggarwal (2011), managers must recognise the interconnectivity of demographic, sustainability, technology, and globalization trends in order to build a global mentality. Government policies can have a big impact on these developments, which have important ramifications for businesses. Governments can encourage sustainable practices, for instance, by enforcing legislation that limit company emissions or encourage the use of renewable energy sources. Governments can assist firms in adjusting to shifting societal expectations and minimizing their environmental impact by promoting sustainability practices. Businesses must adopt a global perspective in the modern, interconnected business world. Demographic, sustainability, technical, and globalization trends are crucial factors for businesses to take into account, and government policies can significantly influence these trends. Governments may assist businesses in fostering a global mindset that will enable them to prosper in a globally connected society by promoting sustainable practices, sponsoring

research and development, and promoting diversity and inclusion.

Objective

To measure the role of government policies on success of new ventures

Methodology

This research is a descriptive type that collected data from 195 participants, including a diverse range of startups and small businesses from various industries, such as technology, manufacturing, services, healthcare, and retail. The data were analyzed using a checklist question, which required respondents to answer with either a "Yes" or a "No" for each question.

Data Analysis and Interpretations:

Table 1 Role of Government Policies on Success of New Ventures

SL No.	Role of Government Policies on Success of New Ventures	Yes	% Yes	No	% No	Total
1	Government policies may establish the legal and regulatory framework within which new ventures operate.	143	73.33	52	26.67	195
2	Government policies can enhance access to capital for new ventures through various mechanisms such as grants, loans, and tax incentives.	171	87.69	24	12.31	195
3	Favourable taxation policies can significantly impact the success of new ventures.	149	76.41	46	23.59	195
4	Government policies that support research and development (R&D) activities can foster innovation and contribute to the success of new ventures.	167	85.64	28	14.36	195
5	Governments play a crucial role in developing physical and digital infrastructure, which is essential for the success of new ventures.	152	77.95	43	22.05	195
6	Government policies can promote skill development equipping aspiring entrepreneurs with the knowledge and expertise necessary to succeed.	183	93.85	12	6.15	195
7	Government policies can facilitate international expansion and trade for new ventures.	158	81.03	37	18.97	195
8	Governments can foster supportive ecosystems for startups by establishing innovation hubs, startup incubators, and accelerators.	180	92.31	15	7.69	195

Table 1 shows the role of government policies on success of new ventures. It was found that around 93.8% respondents accept that government policies can promote skill development equipping aspiring entrepreneurs with the knowledge and expertise necessary to succeed. Additionally, governments can foster supportive ecosystems for startups by

establishing innovation hubs, startup incubators, and accelerators (92.3%). Moreover, government policies can enhance access to capital for new ventures through various mechanisms such as grants, loans, and tax incentives (87.6%). Government policies that support research and development (R&D) activities can foster innovation and contribute

to the success of new ventures (85.6%). Furthermore, government policies can facilitate international expansion and trade for new ventures (81.0%). In addition, governments play a crucial role in developing physical and digital infrastructure, which is essential for the success of new ventures (77.9%). However, favourable taxation policies can significantly impact the success of new ventures (76.4%). Lastly, government policies may establish the legal and regulatory framework within which new ventures operate (73.3%).

Conclusion

In conclusion, it is impossible to overestimate how important government policies are to the development of new businesses in India. Government policies have a big impact on how well new businesses do in India. Government policies have an impact on many facets of new initiatives, including funding, taxation, the regulatory landscape, and infrastructure development. In recent years, the Indian government has established a number of measures to encourage entrepreneurship and build an environment that supports innovation and development. An atmosphere that is supportive of entrepreneurship, innovation, and growth can be created thanks in large part to government policy. Government policies can encourage entrepreneurs to launch new businesses, generate jobs, and boost economic growth by offering finance, mentorship, tax breaks, and regulatory support. Government policies may also have an impact on infrastructure growth, which is essential for the success of new ventures. For instance, the government's emphasis on enhancing digital infrastructure has prompted the creation of numerous new businesses in the technology sector. Similar to how they can open up new business prospects for projects in a variety of industries like logistics, manufacturing, and tourism, policies that support the development of physical infrastructure like roads, highways, and ports can do the same. The success of new businesses in India is generally greatly

influenced by government policy. Policymakers must establish a setting that encourages entrepreneurship, innovation, and expansion in order to build a thriving startup ecosystem. This necessitates putting an emphasis on investment, mentoring, regulatory assistance, infrastructure development, and other elements that are essential for the success of new businesses.

References

- [1] Acs, Z. J., & Szerb, L. (2007). Entrepreneurship, economic growth and public policy. *Small business economics*, 28, 109-122.
- [2] Aggarwal, R. (2011). Developing a global mindset: Integrating demographics, sustainability, technology, and globalization. *Journal of Teaching in International Business*, 22(1), 51-69.
- [3] Batjargal, B. A. T., Hitt, M. A., Tsui, A. S., Arregle, J. L., Webb, J. W., & Miller, T. L. (2013). Institutional polycentrism, entrepreneurs' social networks, and new venture growth. *Academy of Management Journal*, 56(4), 1024-1049.
- [4] Fini, R., Grimaldi, R., Santoni, S., & Sobrero, M. (2011). Complements or substitutes? The role of universities and local context in supporting the creation of academic spin-offs. *Research Policy*, 40(8), 1113-1127.
- [5] Khanna, T., Palepu, K. G., & Sinha, J. (2015). Strategies that fit emerging markets. In *International Business Strategy* (pp. 615-631). Routledge.
- [6] Kumaraswamy, A., Mudambi, R., Saranga, H., & Tripathy, A. (2012). Catch-up strategies in the Indian auto components industry: Domestic firms' responses to market liberalization. *Journal of International Business Studies*, 43, 368-395.
- [7] Lewis, J. I., & Wiser, R. H. (2007). Fostering a renewable energy technology industry: An international comparison of

- wind industry policy support mechanisms. *Energy policy*, 35(3), 1844-1857.
- [8] Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of international business studies*, 38, 481-498.
- [9] Malerba, F., & Nelson, R. (2011). Learning and catching up in different sectoral systems: evidence from six industries. *Industrial and corporate change*, 20(6), 1645-1675.
- [10] Panayides, P. M., Parola, F., & Lam, J. S. L. (2015). The effect of institutional factors on public-private partnership success in ports. *Transportation research part A: policy and practice*, 71, 110-127.
- [11] Wang, C., Hong, J., Kafouros, M., & Wright, M. (2012). Exploring the role of government involvement in outward FDI from emerging economies. *Journal of International Business Studies*, 43, 655-676.
- [12] Yamakawa, Y., Peng, M. W., & Deeds, D. L. (2008). What drives new ventures to internationalize from emerging to developed economies?. *Entrepreneurship theory and practice*, 32(1), 59-82.