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## ROLE OF GOVERNMENT IN ECOSYSTEM AND BUSINESS INCUBATION

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The entrepreneurial ecosystem and the Role of government. Over the last three decades, entrepreneurship programmers have been promoted by governments and International agencies as one solution to innovation, economic growth and unemployment across the globe. Many governments have initiated entrepreneurial programmes in order to stimulate the creation of new ventures to promote growth and reduce unemployment. This article examines the various policies and government interventionist programmes designed to encourage entrepreneurial development and achieve a sustainable society. It explores the complex entrepreneurial ecosystem, social entrepreneurship, and the role of universities and other institutions in supporting entrepreneurship

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The concept of the “entrepreneurial ecosystem” can be traced back to the study of industry clustering and the development of National Innovation Systems that took place in the 1990s. However, the term was being used by management writers during the mid-2000s to describe the conditions that helped to bring people together and foster economic prosperity and wealth creation.

### Key recommendations for government policy

In summary, key recommendations for government policy in the fostering of entrepreneurial ecosystems are:

1. Make the formation of entrepreneurial activity a government priority.
2. Ensure that government policy is broadly focused.
3. Allow for natural growth not top-down solutions.
4. Ensure all industry sectors are considered not just high-tech.
5. Provide leadership but delegate responsibility and ownership.
6. Develop policy that addresses the needs of both the business and its management team. Growth of entrepreneurial ecosystems



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This trend was boosted by the success the iconic “technopreneurs”. Technology entrepreneurs such as Steve Jobs of Apple, Bill Gates of Microsoft, Jeff Bezos of Amazon, or Larry Page and Sergey Brin of Google have become the “poster children” of the entrepreneurship movement.

One of the best known centres of high-tech entrepreneurial activity has been California’s Silicon Valley. Although it is not the only place in which innovation and enterprise have flourished, it has served as a role model for many governments seeking to stimulate economic growth.

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What governments want is to replicate Silicon Valley and the formation and growth of what have been described as “entrepreneurial ecosystems”. However, despite significant investments by governments into such initiatives, their overall success rate is mixed.

So what are “entrepreneurial ecosystems” and what role can government policy play in their formation and growth? This was a question addressed by the first White Paper in a series produced by the Small Enterprise Association of Australia and New Zealand (SEAANZ). The purpose of these papers is to help enhance understanding of what entrepreneurial ecosystems are, and to generate a more informed debate about their role in the stimulation economic growth and job creation.

In modern times, State participation in economic activity can hardly be a matter of disagreement.

The free play of economic forces, even in highly developed capitalist countries, has often meant large unemployment and instability of the economic system.

In the advanced countries, State intervention has been invoked to ensure economic stability and full employment of resources. State action is all the more inevitable in under-developed economies which are struggling hard to get rid of poverty and to attain higher living standards.

Accordingly, Governments are playing a vital role in the development of under-developed economies.

**Their role is all the more remarkable in the following respects:**

**(i) Comprehensive Planning:**

In an under-developed economy, there is a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a stationary state of under-development equilibrium. The vicious circle of under-developed equilibrium can be broken only by a comprehensive government planning of the process of economic development. Planning Commissions have been set up and institutional framework built up.

**(ii) Institution of Controls:**

A high rate of investment and growth of output cannot be attained, in an under-developed country, simply as a result of the functioning of the market forces. The operation of these forces is hindered by the existence of economic rigidities and structural disequilibria. Economic development is not a spontaneous or automatic affair.



On the contrary, it is evident that there are automatic forces within the system tending to keep it moored to a low level. Thus, if an underdeveloped country does not wish to remain caught up in a vicious circle, the Government must interfere with the market forces to break that circle. That is why various controls have been instituted, e.g., price control, exchange control, control of capital issues, industrial licensing.

### ***(iii) Social and Economic Overheads:***

In the initial phase, the process of development, in an under-developed country, is held up primarily by the lack of basic social and economic overheads such as schools, technical institutions and research institutes, hospitals and railways, roads, ports, harbours and bridges, etc. To provide them requires very large investments.

Such investments will lead to the creation of external economies, which in their turn will provide incentives to the development of private enterprise in the field of industry as well as of agriculture. The Governments, therefore, go all out in building up the infrastructure of the economy for initiating the process of economic growth.

Private enterprise will not undertake investments in social overheads. The reason is that the returns from them in the form of an increase in the supply of technical skills and higher standards of education and health can be realized Accordingly, Governments are playing a vital role in the development of under-developed economies.

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On the contrary, it is evident that there are automatic forces within the system tending to keep it moored to a low level. Thus, if an underdeveloped country does not wish to remain caught up in a vicious circle, the Government must interfere with the market forces to break that circle. That is over a long period. Besides, these returns will accrue to the whole society rather than to those entrepreneurs who incur the necessary large expenditure on the creation of such costly social over-heads.

Therefore, investment in them is not profitable from the standpoint of the private entrepreneurs, howsoever productive it may be from the broader interest of the society. This indicates the need for direct participation of the government by way of investment in social overheads, so that the rate of development is quickened.

Investments in economic overheads require huge outlays of capital which are usually beyond the capacity of private enterprise. Besides, the returns from such investments are quite uncertain and take very long to accrue. Private enterprise is generally interested in quick returns and will be seldom prepared to wait so long.

Nor can private enterprise easily mobilize resources for building up all these overheads. The State is in a far better position to find the necessary resources through taxation borrowing and deficit-financing sources not



open to private enterprise. Hence, private enterprise lacks the capacity to undertake large-scale and comprehensive development. Not only that, it also lacks the necessary approach to development.

Hence, it becomes the duty of the government to build up the necessary infrastructure.

#### **(iv) Institutional and Organizational Reforms:**

It is felt that outmoded social institutions and defective organisation stand in the way of economic progress. The Government, therefore, sets out to introduce institutional and organizational reforms. We may mention here abolition of zamindari, imposition of ceiling on land holdings, tenancy reforms, introduction of co-operative farming, nationalisation of insurance and banks reform of managing agency system and other reforms introduced in India since planning was started.

#### **(v) Setting up Financial Institutions:**

In order to cope with the growing requirements for finance, special institutions are set up for providing agricultural, industrial and export finance. For instance, Industrial Finance Corporation, Industrial Development Bank and Agricultural Refinance and Development Corporation have been set up in India in recent years to provide the necessary financial- resources.

#### **(vi) Public Undertakings:**

In order to fill up important gaps in the industrial structure of the country and to start industries of strategic importance, Government actively enters business and launches big enterprises, e.g., huge steel plants, machine-making plants, heavy electrical work and heavy engineering works have been set up in India.

#### **(vii) Economic Planning:**

The role of government in development is further highlighted by the fact that under-developed countries suffer from a serious deficiency of all types of resources and skills, while the need for them is so great. Under such circumstances, what is needed is a wise and efficient allocation of limited resources. This can only be done by the State. It can be done through central planning according to a scheme of priorities well suited to the country's conditions and need.

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