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Study of Government Policies and Institutional Support for Internationalization of SMES

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ABSTRACT

The SMEs has rapidly expanded its market to penetrate the international market which is using international diversification as an important strategic decision to achieve their growth. The concept of internationalization has become increasingly important in today's globalized economy, as businesses seek to expand their reach and tap into new markets. Government can provide SMEs with business support programs, such as incubators, accelerators, and training programs, to help them build the necessary capabilities to compete in global markets. These programs can provide SMEs with access to resources, such as technology and expertise that they may not have had otherwise. The present study aims to study Government Policies and Institutional Support for internationalization of SMEs'. In the present research study, the researcher has used descriptive research design.

Keywords: SMEs, Internationalization, Government, Support Programs.

INTRODUCTION

Small and Medium Sized Enterprises (SMEs) has played an increasingly active role in the international markets in this recent year. The SMEs has rapidly expanded its market to penetrate the international market which is using international diversification as an important strategic decision to achieve their growth (Masum & Fernandez, 2008). In catching up with globalization, it will be more convenient for the business and firm to involve in the international market. Besides, globalization did promote more of trade openness and liberalization in trade barrier and tariff between the countries. Internationalization refers to the process of expanding a business or organization beyond its national borders and engaging in global activities. The concept of internationalization has become increasingly important in today's globalized economy, as businesses seek to expand their reach and tap into new markets. Internationalization offers several benefits to businesses.

SMEs advancing technology in their business seem to enter into a foreign market in positive progressive than those who are not. Significantly, the technological developments, advances in telecommunication and technologies have facilitated SMEs to become involves in the global market through reduction and cost and risk (Hashim, 2015).

In general, according to (Daniels et al. 2009) internationalization is the process of increasing involvement in the international operation and, defined the internationalization as the process of adapting firms operations that include strategy, structure and resources (Calof & Beamish, 1995) to international environments.

Internationalization is a strategic process that involves a range of activities, such as market selection, mode of entry, and management of international operations. There are several models of internationalization that have been developed to help businesses navigate this complex process.

REVIEW OF LITERATURE

Dichtl et al. (1983) operationalized management's international orientation through four direct indicators: Psychic distance, management objective characteristics, management subjective characteristics, and managerial attitude about the internationalization.

According to Levitt (1983) proponents of the standardization approach argue that basic human needs are the same in every country and, therefore, managers do not need to adapt to their international strategies. He also quoted that national culture has an effect in a range of companies operations, e.g. human resources, marketing.

According to Lemak & Aruthanes, (1997) adaptation is costly and may not be a profitable strategy, particularly in markets where differentiation is difficult, e.g. industrial or commodity products. Supporters of the adaptation approach believe there is no one best way to manage and that in order for an organization to be effective it must adapt to its business environment.

With rapid technological advancement and globalization, there has emerged evidence that the internationalization process is accelerating a phenomenon the stage approach is inadequate in explaining. Though small, there have even been an increasing number of ventures that are global at start-up **Oviatt and McDougall (1997)**.

Bartlett & Ghoshal (1998) approach argues that country differences, particularly national culture, require a flexible business model that changes according to the needs of the local market also mention that the standardization versus adaptation decision is important in international business because it drives the MNC's ability to reduce costs or to respond to local market demands.

The foreign language proficiency has been positively associated with export development since this skill may help to establish social and business contacts abroad, improve communication and interaction with foreign customers, assist in understanding foreign business practices, and facilitate effective planning and control in overseas markets, **Leonidou et al., (1998)**.

According to Zou and stan (1998), classifying the international determinants into internal and external factors is theoretically justified as the two categories correspond to different theoretical bases: resource-based theory and industrial organization theory, respectively.

According to Crain (2000) Marketing behaviour in internationalization processes has to copy such development. But in many parts of the world, consumers have become more nationalistic, and they are spending more of their money on local drinks, foods and products.

Knight & Liesch (2002) emphasize that the process of internationalization of information and its translation into relevant knowledge is a fundamental step in order to accomplish an internationalization project whatever its form or its localization. The second way of reducing uncertainty is the engagement of the firm in an action-based international expansion permitting to develop an international competence incrementally and cumulatively.

According to Dhanaraj & Beamish (2003) Trade agreements can facilitate the internationalization of SMEs by reducing trade barriers and promoting free trade. These agreements create a level playing field for SMEs and provide them with increased access to new markets and customers.

Research on IET suggests that the entrepreneurial qualities of SME leaders are key to a firm's internationalization, particularly in the early phases; **Etemad and Wright (2003)**. However, as the business expands further, it gains more knowledge and expertise, and so the characteristics of the enterprise begin to exert more influence. Government policies aimed at helping SMEs internationalize should thus include the promotion of entrepreneurship, as well as encouraging and helping SMEs explore the usages and opportunities of technology.

According to Gupta et al. (2005) most of the SMEs face problems in obtaining the financial capital necessary to become competitive and achieve economic growth Obtaining loans is a challenge because bankers perceived lending to SMEs to be risky due to poor repayment records and low market credibility.

According to Leung et al. (2005) end customers (human beings) develop a sense of belongingness to a worldwide culture, by adopting practices, styles, and information that are part of the global culture. These things reduce the dissimilarities among customers of the different markets and create the global identity. However, in parallel, people continue to hold their local identity as based on their socialization to their local culture.

International entrepreneurship theory (IET) states that the basis for a firm's internationalization is international entrepreneurship, which is defined as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services; **Oviatt and McDougall (2005)**.

Providing excellent customer service is essential for SMEs to succeed in international markets. This involves understanding the needs and preferences of customers, responding quickly to inquiries and complaints, and providing ongoing support and training; **Rialp & Knight, (2005)**.

Government support, such as financial incentives, export assistance, and trade agreements, can also influence the internationalization process of SMEs. **Leonidou et al. (2007)** found that government support was positively related to the internationalization activities of SMEs.

Zhou, L. et al. (2007) Likewise, the underlying study examined the firm's international orientation contribution is vital for the organizations' superior performance. It is disclosed with these studies that international business will increase the performance of the SME, so analyzing business incubator in the perception of this concept is necessary in order to achieve the objective of BI to increase the survival of startups.

According to Estrin et al. (2016) governments can provide SMEs with business support programs, such as incubators, accelerators, and training programs, to help them build the necessary capabilities to compete in global markets. These programs can provide SMEs with access to resources, such as technology and expertise, that they may not have had otherwise.

According to Knight & Liesch (2016) building international networks with other businesses, industry associations, and government organizations can provide SMEs with valuable resources such as market intelligence, distribution channels, and partnerships.

According to Agarwal & Ramaswami (2018) Export promotion policies, such as export financing and export credit insurance, can help SMEs mitigate the risks associated with entering new markets. These policies provide SMEs with financial assistance to compete in foreign markets and reduce the costs of doing business.

Ismail & Zakaria (2018) study emphasized that Entrepreneurial orientation and government support have a significant relationship with firm performance. Government support has a significant relationship with internationalization, but not the entrepreneurial orientation.

OBJECTIVE OF THE STUDY

To study Government Policies and Institutional Support for internationalization of SMEs'.

RESEARCH METHODOLOGY

Research methodology is a means to describe how a researcher plans to conduct their investigation. It is the research's blueprint and planning document. A technique used for an ordered organisation of facts and principles is called methodology.

RESEARCH DESIGN

The present study aims to study Government Policies and Institutional Support for internationalization of SMEs'. In the present research study, the researcher has used descriptive research design.

SAMPLE DESIGN & SAMPLE SIZE

A population is divided into strata based on a certain feature that is known for each sampling unit in the population, and samples are then separately chosen from each stratum in this sample design.

Sample Size: To develop stable item attributes, adequate sample sizes are required. The sampling population of proposed research will include 473 SMEs.

DATA COLLECTION METHODS

PRIMARY DATA

In the present study the primary data has been collected from the SMEs Entrepreneur, government officials, and policy makers.

SECONDARY DATA

The researcher has used following sources for collection of secondary data: Reports and Publications, Various Research Journals, Magazines, Newspapers and Websites.

ANALYSIS REGARDING GOVERNMENT POLICIES AND INSTITUTIONAL SUPPORT FOR INTERNATIONALISATION OF SME'S

Table 1: Response to the question "Do you agree that government policies play a role in facilitating the internationalization of SMEs?"

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	216	45.5
2	Agree	175	37
3	Neutral	16	3.5
4	Disagree	48	10
5	Strongly Disagree	18	4
	Total	473	100

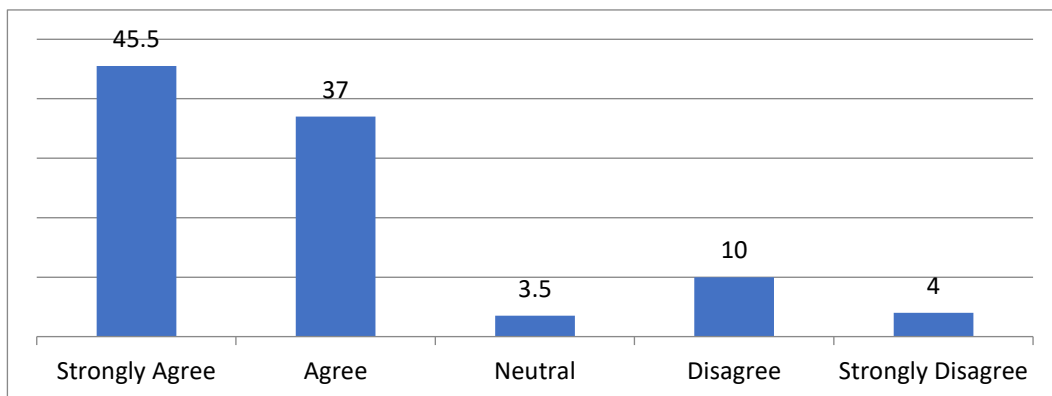


Figure 1: Response to the question in percentage "Do you agree that government policies play a role in facilitating the internationalization of SMEs?"

Analysis: The result reveals that very high majority of respondents were agreed that government policies play a role in facilitating the internationalization of SMEs, very few were neutral whereas some of the respondents felt that the role of government policies are not so significant in in facilitating the internationalization of SMEs.

Table 2: Response to the question “How aware are you of the government policies that exist to support the internationalization of SMEs?”

S. No.	Components	No. of Respondents	Per cent
1	Not Aware at all	7	1.5
2	Slightly aware	128	27
3	Moderately aware	177	37.5
4	Very aware	97	20.5
5	Completely Aware	64	13.5
	Total	473	100

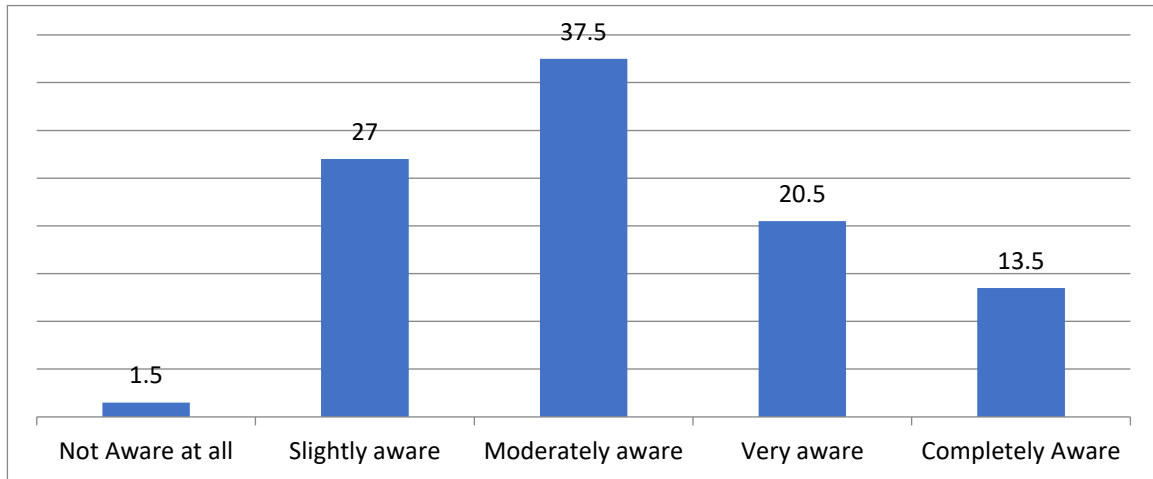


Figure 2: Response to the question in percentage “How aware are you of the government policies that exist to support the internationalization of SMEs?”

Analysis: The result reveals that very few of respondents were not aware about the government policies that exist to support the internationalization of SMEs, almost one fourth of respondents were slightly aware, majority were moderately aware, almost one fifth of respondents were very aware whereas mostly respondents were completely aware about government policies that exist to support the internationalization of SMEs.

Table 3: Response to the question “Do you agree that the current government policies are adequate in supporting the internationalization of SMEs?”

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	172	36
2	Agree	208	44
3	Neutral	31	6.5
4	Disagree	45	9.5
5	Strongly Disagree	19	4
	Total	473	100

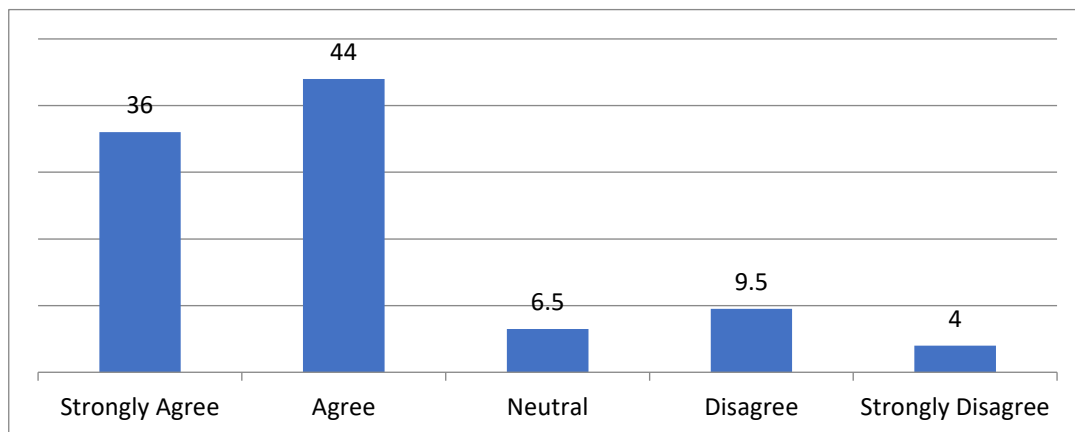


Figure 3: Response to the question in percentage “Do you agree that the current government policies are adequate in supporting the internationalization of SMEs?”

Analysis: The result found that very high majority of respondents were agreed that the current government policies are adequate in supporting the internationalization of SMEs, few were neutral, and mostly the respondents were not agreed that the current government policies are adequate in supporting the internationalization of SMEs.

Table 4: Response to the question “Do you believe that government funding is necessary to support the internationalization of SMEs?”

S. No.	Components	No. of Respondents	Per cent
1	Not at all necessary	17	3.5
2	Slightly necessary	59	12.5
3	Moderately necessary	76	16
4	Very necessary	217	46
5	Completely Necessary	104	22
	Total	473	100

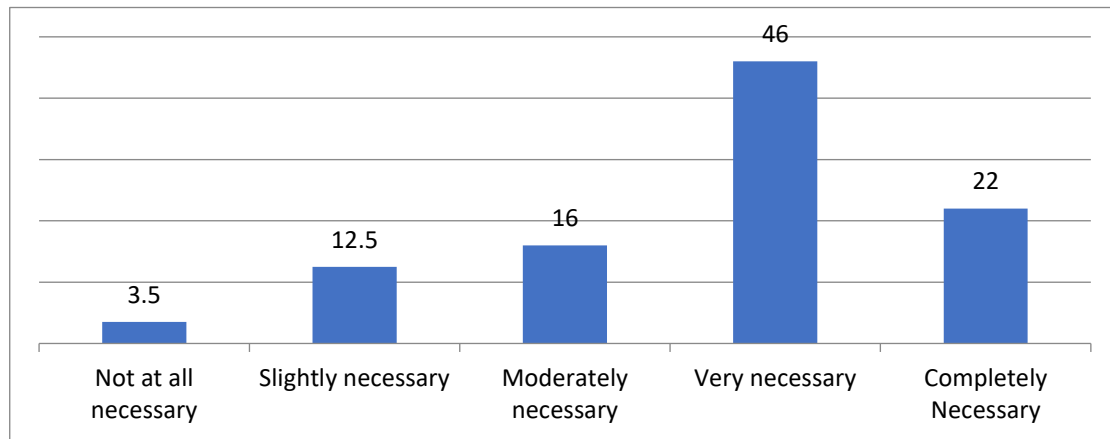


Figure 4: Response to the question in percentage “Do you believe that government funding is necessary to support the internationalization of SMEs?”

Analysis: The result found that very few of the respondents were felt that government funding is not at all necessary to support the internationalization of SMEs, mostly the respondents felt that government funding is slightly and moderately necessary, majority of respondents were agreed that government funding is very necessary whereas almost one fifth of respondents said that government funding is completely necessary to support the internationalization of SMEs.

Table 5: Response to the question “Do you believe that government policies should focus on providing training and education for SMEs to support their internationalization efforts?”

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	175	37
2	Agree	183	38.5
3	Neutral	26	5.5
4	Disagree	57	12
5	Strongly Disagree	32	7
	Total	473	100

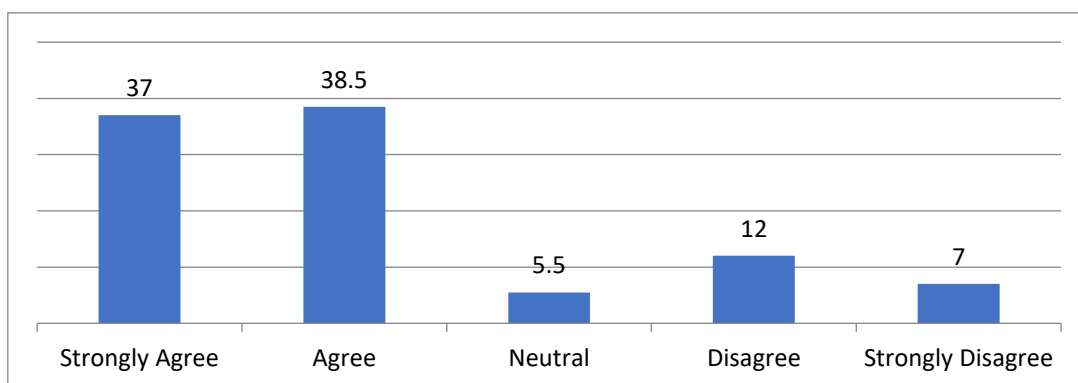


Figure 5: Response to the question in percentage “Do you believe that government policies should focus on providing training and education for SMEs to support their internationalization efforts?”

Analysis: The figure 5.13 reveals that very high majority of respondents were believe that government policies should focus on providing training and education for SMEs to support their internationalization efforts, few were neutral whereas almost one fifth of respondents disagreed that government policies should focus on providing training and education for SMEs to support their internationalization efforts.

Table 6: Response to the question “How satisfied are you with the level of training and education that is currently available for SMEs to support their internationalization efforts?”

S. No.	Components	No. of Respondents	Per cent
1	Very Satisfied	154	32.5
2	Satisfied	173	36.5
3	Neutral	35	7.5
4	Dissatisfied	74	15.5
5	Very dissatisfied	37	8
	Total	473	100

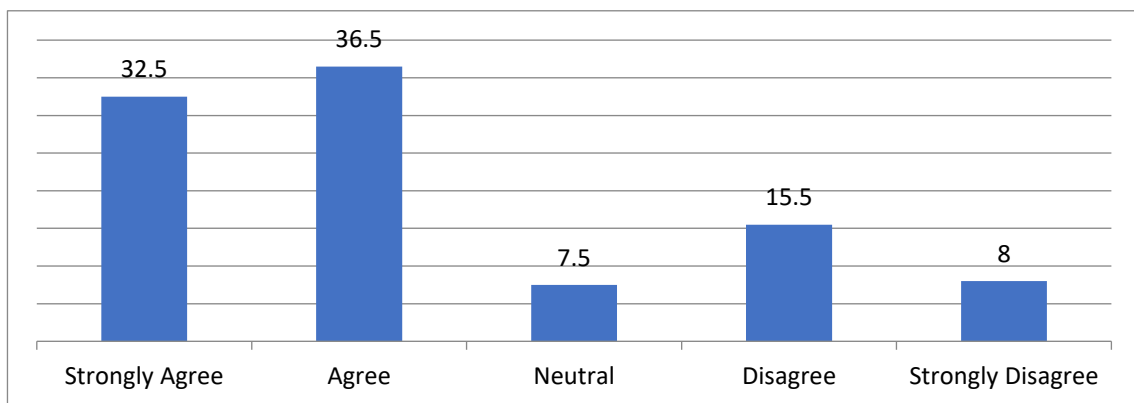


Figure 6: Response to the question in percentage “How satisfied are you with the level of training and education that is currently available for SMEs to support their internationalization efforts?”

Analysis: The result reveals that highly majority of respondents were satisfied with the level of training and education that is currently available for SMEs to support their internationalization efforts, few were neutral whereas almost one fourth of respondents were not satisfied with training and education that is currently available for SMEs.

Table 7: Response to the question “Do you agree that government policies should focus on providing access to information and market intelligence to support the internationalization of SMEs?”

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	192	40.5
2	Agree	217	46
3	Neutral	21	4.5
4	Disagree	29	6
5	Strongly Disagree	14	3
	Total	473	100

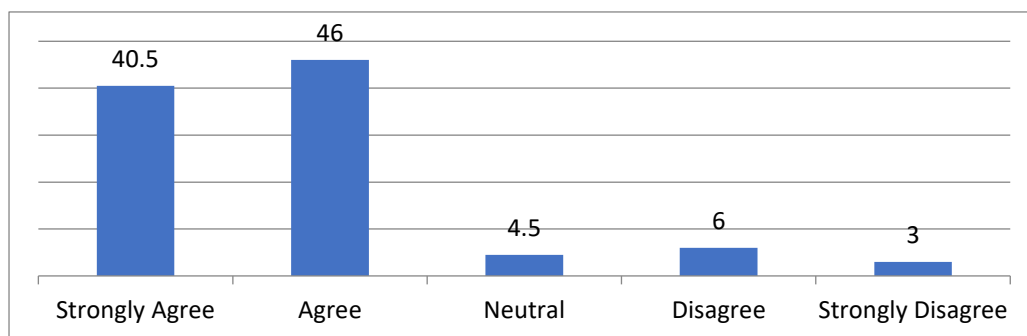


Figure 7: Response to the question in percentage “Do you agree that government policies should focus on providing access to information and market intelligence to support the internationalization of SMEs?”

Analysis: As far as providing access to information and market intelligence is concerned very high majority of respondents agreed to it, very few were neutral whereas almost one tenth disagreed that government policies should focus on providing access to information and market intelligence to support the internationalization of SMEs.

Table 8: Response to the question “How satisfied are you with the level of access to information and market intelligence that is currently available for SMEs to support their internationalization efforts?”

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	171	36
2	Agree	193	41
3	Neutral	28	6
4	Disagree	53	11
5	Strongly Disagree	28	6
	Total	473	100

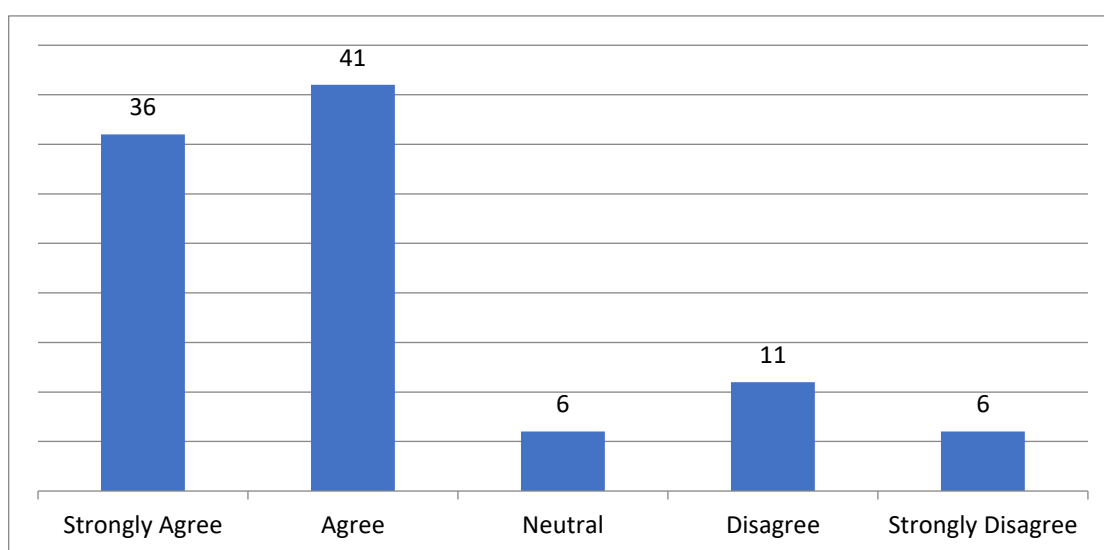


Figure 8: Response to the question in percentage “How satisfied are you with the level of access to information and market intelligence that is currently available for SMEs to support their internationalization efforts?”

Analysis: The highly majority of respondents were satisfied with the level of access to information and market intelligence that is currently available for SMEs; few were neutral whereas almost one sixth of respondents were not satisfied with the level of access to information and market intelligence that is currently available for SMEs to support their internationalization efforts.

Table 9: Response to the question “Do you believe that government policies should focus on providing access to networks and contacts to support the internationalization of SMEs?”

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	180	38
2	Agree	202	43
3	Neutral	26	5.5
4	Disagree	41	8.5
5	Strongly Disagree	24	5
	Total	473	100

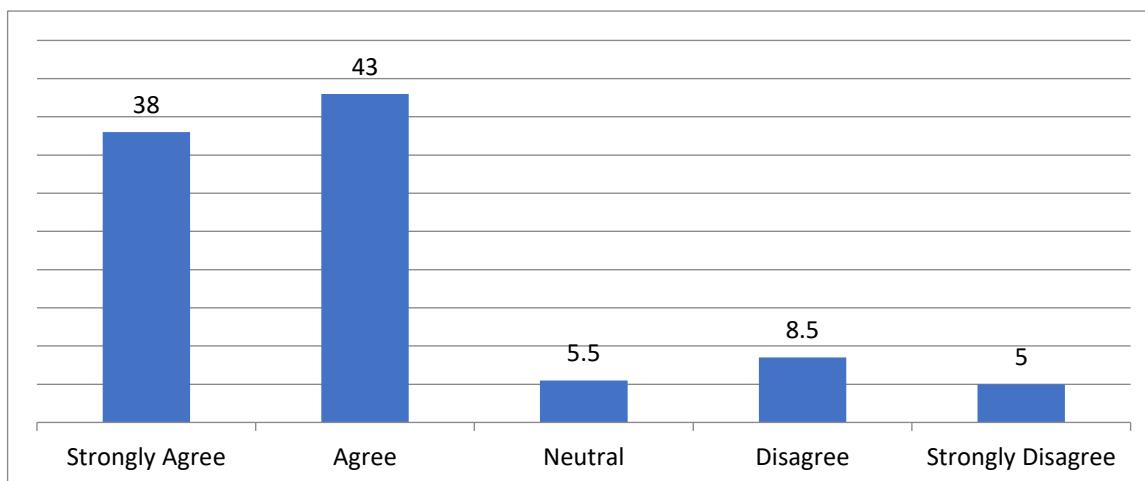


Figure 9: Response to the question in percentage “Do you believe that government policies should focus on providing access to networks and contacts to support the internationalization of SMEs?”

Analysis: The result reveals that highly majority of respondents were agreed that government policies should focus on providing access to networks and contacts to support the internationalization of SMEs whereas mostly the respondents were disagreed to it.

Table 10: Response to the question “How satisfied are you with the level of access to networks and contacts that is currently available for SMEs to support their internationalization efforts?”

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	173	36.5
2	Agree	180	38
3	Neutral	23	5
4	Disagree	63	13.5
5	Strongly Disagree	34	7
	Total	473	100

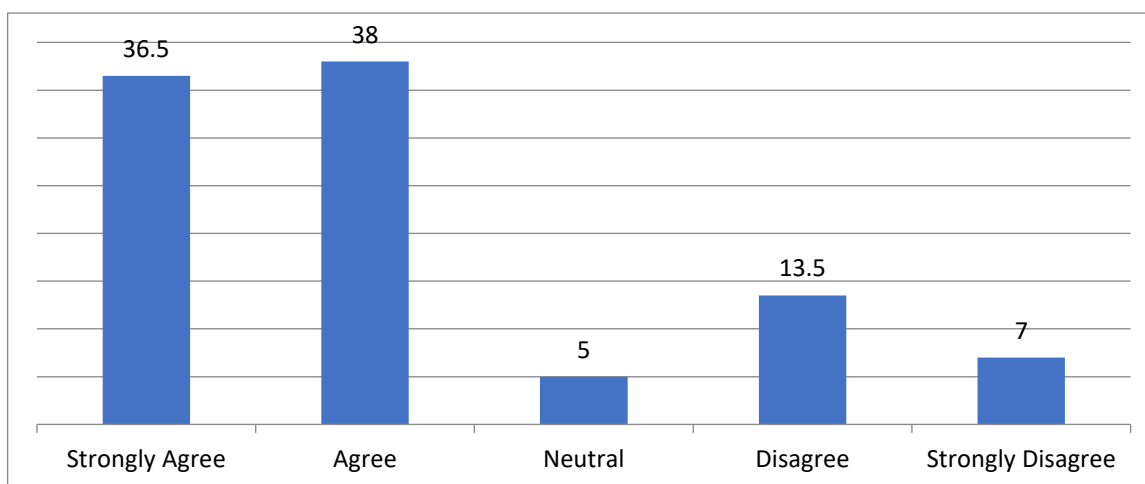


Figure 10: Response to the question in percentage “How satisfied are you with the level of access to networks and contacts that is currently available for SMEs to support their internationalization efforts?”

Analysis: The highly majority of respondents were satisfied with the level of access to networks and contacts that is currently available for SMEs; few were neutral whereas almost one fifth of respondents were not satisfied with the level of access to networks and contacts that is currently available for SMEs to support their internationalization efforts.

Table 11: Response to the question “Do you believe that government policies should focus on reducing regulatory barriers to internationalization for SMEs?”

S. No.	Components	No. of Respondents	Per cent
1	Strongly Agree	196	41.5
2	Agree	224	47.5

3	Neutral	13	2.5
4	Disagree	28	6
5	Strongly Disagree	12	2.5
	Total	473	100

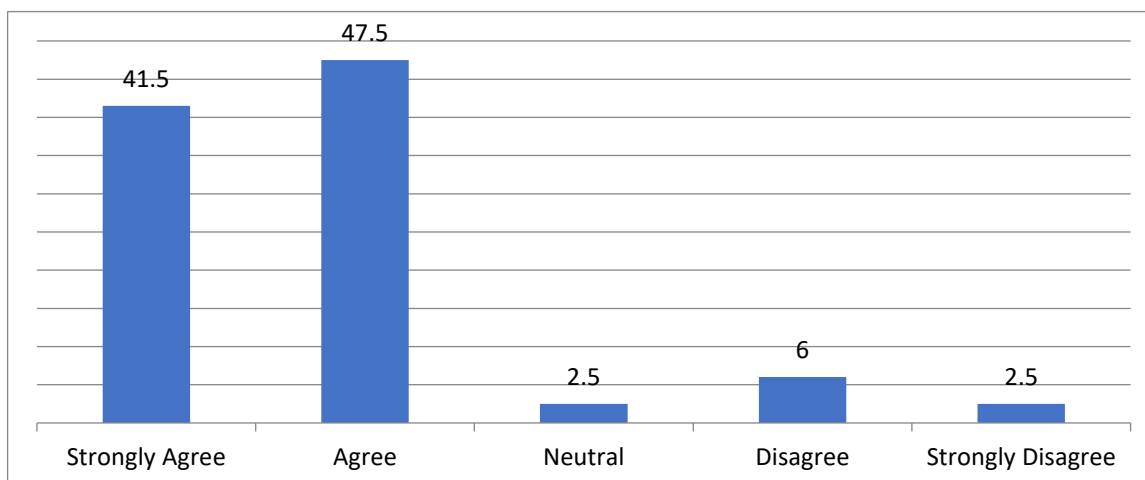


Figure 11: Response to the question in percentage “Do you believe that government policies should focus on reducing regulatory barriers to internationalization for SMEs?”

Analysis: The result reveals that very highly majority of respondents were agreed that government policies should focus on reducing regulatory barriers to internationalization for SMEs whereas few were not agreed to it.

FINDINGS

1. The result reveals that very high majority of respondents were agreed that government policies play a role in facilitating the internationalization of SMEs, very few were neutral whereas some of the respondents felt that the role of government policies are not so significant in in facilitating the internationalization of SMEs.
2. It was found that very few of respondents were not aware about the government policies that exist to support the internationalization of SMEs, almost one fourth of respondents were slightly aware, majority were moderately aware, almost one fifth of respondents were very aware whereas mostly respondents were completely aware about government policies that exist to support the internationalization of SMEs.
3. The result found that very high majority of respondents were agreed that the current government policies are adequate in supporting the internationalization of SMEs, few were neutral, and mostly the respondents were not agreed that the current government policies are adequate in supporting the internationalization of SMEs.
4. The result found that very few of the respondents were felt that government funding is not at all necessary to support the internationalization of SMEs, mostly the respondents felt that government funding is slightly and moderately necessary, majority of respondents were agreed that government funding is very necessary whereas almost one fifth of respondents said that government funding is completely necessary to support the internationalization of SMEs.
5. It was reveals that very high majority of respondents were believe that government policies should focus on providing training and education for SMEs to support their internationalization efforts, few were neutral whereas almost one fifth of respondents disagreed that government policies should focus on providing training and education for SMEs to support their internationalization efforts.
6. The result found that highly majority of respondents were satisfied with the level of training and education that is currently available for SMEs to support their internationalization efforts, few were neutral whereas almost one fourth of respondents were not satisfied with training and education that is currently available for SMEs.
7. As far as providing access to information and market intelligence is concerned very high majority of respondents agreed to it, very few were neutral whereas almost one tenth disagreed that government policies should focus on providing access to information and market intelligence to support the internationalization of SMEs.
8. It was found that the highly majority of respondents were satisfied with the level of access to information and market intelligence that is currently available for SMEs; few were neutral whereas almost one sixth of respondents were not satisfied with the level of access to information and market intelligence that is currently available for SMEs to support their internationalization efforts.

9. The result reveals that highly majority of respondents were agreed that government policies should focus on providing access to networks and contacts to support the internationalization of SMEs whereas mostly the respondents were disagreed to it.

10. The highly majority of respondents were satisfied with the level of access to networks and contacts that is currently available for SMEs; few were neutral whereas almost one fifth of respondents were not satisfied with the level of access to networks and contacts that is currently available for SMEs to support their internationalization efforts.

11. The result reveals that very highly majority of respondents were agreed that government policies should focus on reducing regulatory barriers to internationalization for SMEs whereas few were not agreed to it.

CONCLUSION

In the present research study the several components for government policies and institutional support for internationalization of SME's are: facilitating the internationalization of SMEs, awareness regarding government policies, adequacy of current government policies, government funding, focus of government policies regarding training and education, level of training and education currently available for SMEs, focus of government policies on providing access to information and market intelligence, level of access to information and market intelligence currently available for SMEs, focus of government policies on providing access to networks and contacts, level of access to networks and contacts currently available for SMEs, focus of government policies on reducing regulatory barriers. The current study also focused on best practices prevailing at international level for internationalization of SMEs.

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