



PUBLIC POLICIES TO SUPPORT ENTREPRENEURSHIP AND SMES GROWTH: THE CASE OF LIBYA

Emad Ali Nassr¹ and Kalim Siddiqui²

¹PhD. Student Dept. of Accounting, Finance, and Economics, Huddersfield Business School, Huddersfield, UK. Email emad.nassr@hud.ac.uk

²Senior Lecturer Dept. of Accounting, Finance, and Economics. Huddersfield Business School, Huddersfield, UK

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ABSTRACT: *This study explored the role of government policies to support entrepreneurship and the growth of Small - Medium Enterprises (SMEs) in the Libyan economy. Due to the current situation of the business in Libya, urgent policies need from the Libyan government to focus on several aspects of SMEs for entrepreneurship and economic growth. Because of these challenges, the objective of this study is to establish a solid foundation for understanding the government's role in promoting entrepreneurship, also creating business for SMEs. The study found some circumstances that promote entrepreneurship and the environment of SMEs in the Libyan economy, such as investigating the impact of various types of recent government policies, identifying difficulties and challenges, improving the higher education system, and analysing Libyan decision-makers perspectives. As a result, the study indicated that Libyan government policies for entrepreneurship play a positive and crucial role in the development and growth of SMEs.*

KEYWORDS: Government Policies, Entrepreneurship, Small-Medium Enterprises (SMEs), Libya, economic, business.



INTRODUCTION

According to Forbes Magazine 2018, Libya was placed 149th out of 150 countries as the worst country for conducting business. The conflict now raging in Libya has fundamentally altered the Libyan society's social, political, and economic arenas. As a result of these changes, the country's political leadership has struggled to reconstruct the economy and steer the country toward a more equitable path and sustainable economic growth. Hence, entrepreneurship and the private sector, particularly SMEs, have received substantial attention, as they can drive job creation and economic growth while also contributing to a more balanced economic diversification (OECD, 2016). Furthermore, in the context of continued fragility relating to the policies of the government, and weak capacity within the administration in the public sector, there is a slight chance for the government to understand the emergent private sector needs and to also propose new regulatory and policies reforms that can foster growth in the activities of entrepreneurship in the private sector. Libya was recently ranked as the world's second-worst country for conducting business in the 2018 "Best and Worst Countries for Doing Business" poll, only ahead of Afghanistan, which was ranked 150th. As a result of this low ranking, which is of particular interest to this research, and the urgent need for the Libyan government to focus on several aspects of SMEs for capability development and entrepreneurship, the author can confirm the existence of a research gap in the Libyan economy, highlighting the urgent need for a reform that could potentially kick-start Libya's private sector (Ali and Salam, 2020). Due to these challenges, the primary objective of this study is to establish a solid foundation for understanding the government's role in promoting entrepreneurship and also creating new opportunities for SME owners in the Libyan economy.

Problems of SMEs

Entrepreneurship can play a vital role in the economic development of SMEs by boosting their market offerings and efficiency, as well as attracting new entrants and promoting capital formation, by stimulating current business models (Nassr and Siddiqui, 2022). For decades, Libya's economy has been heavily reliant on hydrocarbons, with gas, oil, and other comparable industries accounting for over 65 percent of GDP, 96 percent of the budget, and 95 percent of export revenues, with over 80 percent of the workforce employed in the public sector. This has made Libya's economy increasingly vulnerable to oil price changes and distorted the labour market (World Bank, 2019). Despite Libya's vast human and natural resources, unemployment rose to almost 19% in 2020, with young people accounting for 48.7% of the total. Libya's burgeoning youth population (26% of the overall population) has made employment creation a primary issue. However, the private sector, including SMEs, remains undeveloped, accounting for less than 2% of total employment in Libya (European Training Foundation report, 2019). Thus, promoting entrepreneurial activity, growing the private sector, and diversifying the economy are critical steps toward integrating new workers and strengthening labour market indicators (OECD, 2016). In light of this, despite Libya having, across the international sample, the second highest (62.1%) intention in the 2013 GEM Report of nascent entrepreneurship, however, only about 6.6 percent who were entrepreneurs are involved currently in creating a new business. Based on the report from GEM, this rate is very low which suggests the existence of a real problem in the Libyan context that needs further research.

SMEs account for more than 98 percent of overall economic activity in the industrialised world, accounting for more than 60 percent of total employment and more than 50 percent of GDP. In Libya, this is not the case. Although the number of SMEs in Libya has increased to 117,828



according to the 2006 Business Census, their contribution to GDP does not exceed 5%. (OECD, 2016). Generally, empirical research on government policy toward entrepreneurship and small and medium-sized enterprises has been insufficient in developing nations, including Libya. Essentially, almost nothing is known about these countries' entrepreneurial capacity. "There has been no systematic investigation into how context specificities from these regions contribute to the existing literature on entrepreneurship by providing informative findings to date" (Jaim and Islam, 2018). With these low rankings that are relevant in this context, it can be confirmed the existence of a research gap in Libya's economy, highlighting the urgent need for economic reform and reinvigorating the organised SME sector and entrepreneurship in Libya, which requires additional research and investigation. This has highlighted the urgent and rapid need and motivation in the Libyan context, in studying this phenomenon.

The Study Rationale and Motivation

Overall, on the Libyan economic environment and the role of the government policies towards entrepreneurship for the development of SMEs, there has been a lack of research. While the need for the development of entrepreneurship as an engine of growth and job creation has been identified, little data-based understanding still exists of the country's private sector, and how entrepreneurial activity can be incentivised therein (Ali and Salam, 2020). The study of government policies promoting entrepreneurship to create SMEs in the Libyan economic environment is justified for several reasons, including the following:

1. There is the prospect of supporting Libya's economy in establishing and developing SMEs. This will assist the government in reducing unemployment, which has risen to 18.6% in 2019/2020.

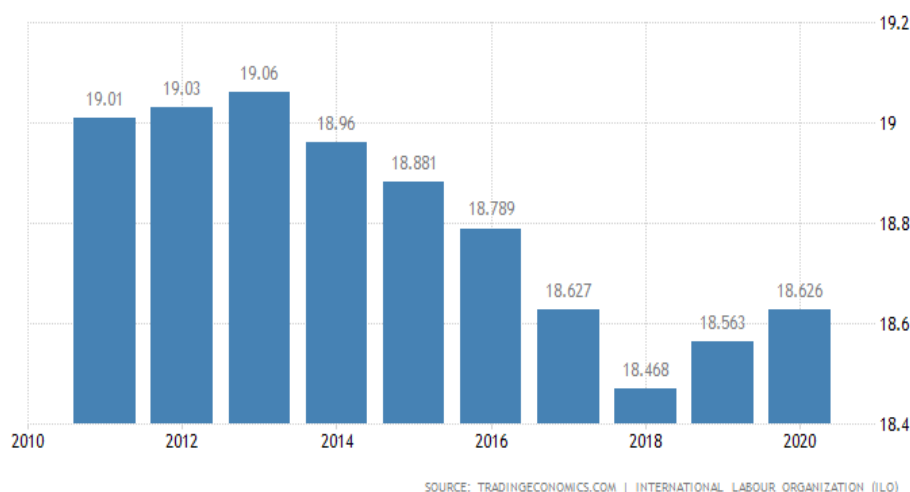


Figure 1: Unemployment Rate in Libya up to 2020, according to International Labour Organization, 2020



- There are additional reasons that contribute to the critical nature of this research study, one of which is Libyans' growing entrepreneurial thirst for launching new firms.
- One compelling and straightforward argument for choosing this issue is the Libyan government's recent shift in policy toward entrepreneurship and the private sector. The Libyan government made several decisions to support and develop new SMEs, including the establishment of the Centre for Entrepreneurship Support in 2006 and the commencement of the privatisation of numerous small businesses, which enabled individuals to establish new private and entrepreneurial ventures.
- In the research on Libya, a developing country, there is a gap as entrepreneurship is seen as an engine for economic progress, social adjustment, and job creation in Libya. (Ali and Salam, 2020).

Libya's recent clashes have wreaked havoc on much of the country's physical capital. Regrettably, the younger generation, who could have become young entrepreneurs and SME owners, is causing the conflicts to escalate (Ali and Salam, 2020). Essentially, government-sponsored entrepreneurship programmes are an important tool in the rehabilitation and stabilisation of conflict-affected countries. From an entrepreneurship standpoint, it has been suggested that where the UN has a development mandate or a peacebuilding mandate, country peace and conflict, and assessments analyses should map systematically, existing entrepreneurial initiatives, with an emphasis on this mapping including the "business environment" assessment (i.e., the factors inhibiting or enabling entrepreneurship) (Mahmoud, et al., 2017). This is the first Libyan study to look at the impact of government policies on entrepreneurship on SME development in the Libyan market, using primary data and findings connected to their viewpoints, as well as the topic of developing an entrepreneurial culture in Libyan higher education.

LITERATURE REVIEW

This research provided an overview of the Libyan background including critical aspects such as the Libyan economy's characteristics and evolution, as well as the Libyan political context, and an overview of the Libyan economy from the pre- to post-1990s to the time of this study. The objective was to demonstrate that this entire scheme provides a solid framework within which to interpret and comprehend the findings of this study. Libya flourished under a planned economic structure that was heavily interwoven with the economy of other developing nations following the discovery of oil in the country. Foreign trade was heavily controlled during this period by a few state-owned trade organisations, with the government setting up export and import corporations and fixing ceiling pricing. Libya experienced severe macroeconomic challenges, and its GDP growth began to deviate from its pre-1990 level of moderate growth. Due to the fragility of state-owned firms, inflation jumped, the national deficit soared, and unemployment increased dramatically. To address these issues, Libya implemented considerable economic reforms in the early 1990s. Supporting SMEs' innovation, entrepreneurship, and financial liberalisation; privatising state-owned properties; liberalising trade and investment regimes; establishing a two-tier banking system; adopting a floating exchange rate; and promoting private sector development, including SMEs, through a favourable legal environment were among the measures taken. It also looked at Libya's trade

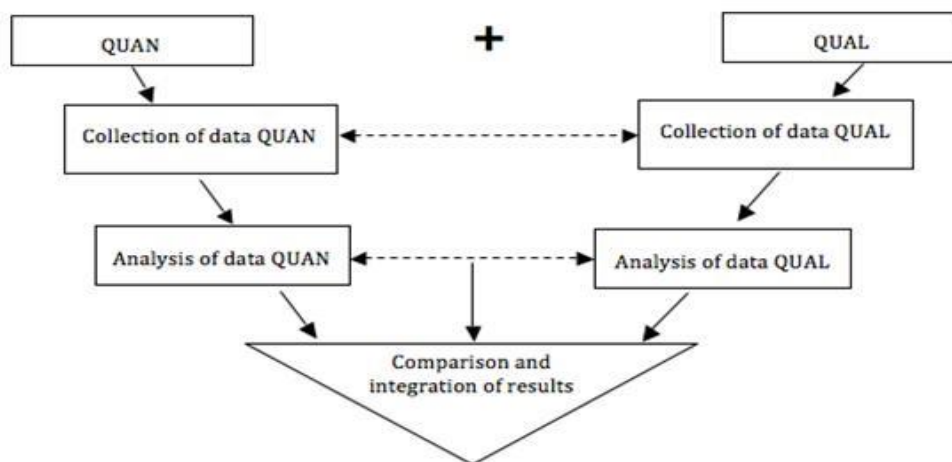


performance after adopting market-oriented government policies in the early 1990s, demonstrating that since UN sanctions were lifted in 1999 and Libya was admitted to the WTO as an observer member, the country has become more open to foreign trade than it was in the 1980s. Even though Libya has implemented various financial and economic reforms, more work is needed to foster entrepreneurship, as previously stated. The World Bank and IMF-supported programmes, as well as urging the Libyan government to extend the privatisation and entrepreneurship base and restructure the financial-economic sector, can all contribute significantly to the transition.

METHODOLOGY

Research Methods

Researchers have two methods when it comes to doing their research: qualitative and quantitative approaches. This study examined the nature and meanings of the investigated phenomena using a mixed approach that included themes analysis of semi-structured interviews, and a questionnaire survey. A mixed-methods study combines the benefits and strong points of both quantitative and qualitative research methods. At the same time still attempting to solve a wide range of research challenges of relevance (Creswell, 2013) as you see in Figure 2. Since, this study targets to identify the views of SME owners, government officials, and the relevant authorities in Libyan, it relied on the theories of entrepreneurship and the sector of activity.



Source: according to Creswell W. J., 2003, *Research Design: Qualitative and Quantitative, and Mixed Approaches*, Thousand Oaks, CA: Sage.

Figure 2: Qualitative and quantitative mixed methods



Data collection methods

Most business researchers generally use a mix of both methods in the same research so they top line the benefits of either method and also investigate the problems in their research and provide answers/solutions to the research questions. In addition, combining both the qualitative and quantitative methods complement each other findings and provide better insights and understanding into the research context, while enhancing the validity of the research (Creswell and Clark, 2007; Saunders et al., 2016).

Based on the above discussions, and in gaining any form of advantage in using both methods in this research, a triangulation approach that combines qualitative and quantitative methods has been adopted to achieve the objectives of this study and explore the perspectives of all participants in a more insightful logic. Several benefits have been identified by Morse (1991) in using the triangulation approach and they are:

- It can provide more accurate, thicker, and richer data.
- Provide results that are more comprehensive and give researchers more confidence in their results.

The government policy data supporting entrepreneurship have all been collected and assessed by questionnaire through the potential relationship between the SMEs development and those policies and identifying what difficulties and/or obstacles the Libyan market faces. Also, simultaneously, some interviews were conducted for the same purpose. Qualitative and quantitative data combined in the same research study can prove useful in understanding and exploring those identified research issues and providing support for validating and complementing the data obtained via the questionnaire (Collis and Hussey, 2009).

Questionnaires Survey

The questionnaire survey technique is regarded as the most widely used for the collection of essential quantitative data, especially in business and management research (Knight, 2002). The use of the questionnaire method is an outstanding approach to getting, from a large group of people, written responses. Also, it can cover a huge number of respondents, with the smallest of efforts and at a realistic cost. Essentially, questionnaires contain numerous questions that relate to the research subject, asking members of the research community (Creswell, 2014). Using any of the three ways, the questionnaire can be presented to participants: through the internet (either via email or the use of a website designed specifically for a particular purpose), by hand, or over the telephone (Bryman, 2008).

Questionnaire Population

It is critical to choose an appropriate responder for the questionnaire for the researcher to obtain reliable data. To information from multiple viewpoints, participants have been selected from varied backgrounds for this study. All participants in this study are experienced professionals in the research fields of the higher education sector and SMEs. In respect of SMEs, the samples were carefully chosen from the official list of SMEs gotten from the Libya chamber of commerce in Tripoli, which contains some 563 companies, as most businesses are expected to register with the commerce chamber. The SMEs list from the chamber is ranked according to the following definition:



- Mini businesses; 3 workers or less.
- Small businesses; Maximum of 25 workers.
- Medium businesses = Between 25 to 50 workers.
- Large businesses = Greater than 50 workers.

In completing this research promptly, all of the respondents were given about two months for the completion of the survey, with five polite emails and phone call reminders. Consequently, 234 responses were received, indicating roughly 32% of the number of distributed questionnaires. However, 10 responses were left out of the 234 responses as the respondents did not finish completing the questionnaire, making the response of 224 acceptable respondents (30.8%) in this study to be analysed.

Interview Population and Sampling

The population targeted in this research study for the interview was divided into four groups. They are:

- **Academic community:** This includes academic staff (senior lecturers and professors) from prestigious universities and leading Libyan institutions of research in economics.
- **Business Community:** CEOs in the private sector, as well as owners of SMEs, who do business in Libya.
- **Government Officials:** These respondents came from a variety of backgrounds, including professional specialists, government organisations, senior government officials, and practitioners who engage affect the growth of SMEs in the Libyan market.
- **Advisory Bodies:** Respondents in this group are responsible for setting and following up the policies of the Libyan government for the private sector.

Interview Sampling

The interviewers' sample was chosen based on a number of factors for each category. The criteria employed for SMEs owners were based on approval obtained during the questionnaire stage. From this group, 4 respondents indicated their zeal and gladness to be interviewed. Because of the restricted time provided for research fieldwork, it was hard to interview personnel from academic professors, small business owners, and government officials. As a result, the survey was limited to a sample of senior government officials, academics, and business leaders from Libya. The interviewers' sample was chosen based on several factors for each group. The criteria employed for SMEs owners were based on responses to a questionnaire. Four responders from this category expressed interest in being interviewed and expressed their want to do so. The interviews were done solely by the researcher between May and July of 2021. The interview lasted 30 to 90 minutes and was conducted in Arabic using semi-structured face-to-face interviews through WhatsApp and Skype. Table 1 shows the targeted respondents for the semi-structured interview sample, which included 13 representatives from SMEs, senior government officials, academia, and professional specialists, as well as other practitioners.

**Table 1: Target Interview Sample**

	Target Sample	Sector	Interviewees
A	Officials of Governments	<ul style="list-style-type: none"> • Industry Ministry • Economy Ministry • Planning Ministry • Education Ministry • Libya Central Bank 	<ul style="list-style-type: none"> • Director-General of the National Program for SMEs- Economy Ministry • Undersecretary of Planning Ministry • Project Department Director at the Education Ministry • Economic advisor to the Governor of the Libya Central Bank
B	Advisory Bodies	<ul style="list-style-type: none"> • National Economic Development Board • General Planning Council • Libyan Audit Bureau 	<ul style="list-style-type: none"> • National Economic Development Board • Legal adviser • Economic advisor of the Libyan Audit Bureau
C	Business Community	<ul style="list-style-type: none"> • Owners of SME 	<ul style="list-style-type: none"> • Four-General Director
D	Academic Community	<ul style="list-style-type: none"> • University of Tripoli • University of Misurata 	<ul style="list-style-type: none"> • Three -Academic professors' economics senior lecturers

Research Questions

As stated previously, the fundamental objective of this study is to examine and clarify the role of government policy in promoting entrepreneurship in the Libyan economy. For the research objective, the following five research questions have been formulated as you see in Table 2. While the entrepreneurs and university students may be interested in participating. This is one of the limitations of this research and a potential area for further investigation in the future as shown in Table 3.

**Table 2: The relationship between research interview and research questions**

Research Questions	Interview Questions
Q1. How do the policies of government related to entrepreneurship affect the development of SMEs in the Libyan economy?	a-What do you think about the current government policies toward entrepreneurship in the Libyan economy? b- From your perspective, how do you explain the government's policy to encourage potential SMEs' growth and developing capabilities in the Libyan situation. c- How do you explain the Libyan past government policies toward entrepreneurship for SMEs?
Q2. What types of government policies toward entrepreneurship would be suitable for supporting and developing the capabilities of SMEs in the Libyan economy?	a-. In the context of the government's entrepreneurship policy intervention at the local level, do companies / your company in Libya obtain any government support and to what extent does this affect your company/business? b- In the context of the government's policy towards entrepreneurship at the national level, do companies / your company in Libyan get any government support to promote entrepreneurship and to what extent does this affect your company/business?
Q3. What obstacles and/or difficulties in terms of government policies toward entrepreneurship do the SME owners/managers face in the Libyan economic environment?	a- What do you think are the main obstacles facing your company/department in terms of government policies towards entrepreneurship in the Libya economy? b- Do you think that too many state regulations, taxes, bureaucracy, and red tape undermine the growth and development of Small - Medium Enterprises in Libya?
Q4. In Libya's higher education system, what government policies encourage and promote an entrepreneurial culture in Libya's business environment?	What are the government policies and strategies in Libyan Higher Education Institutions (HEIs) that encourage more graduates to pursue careers in entrepreneurship self/ small business employment?
Q5. How do the SMEs and the entrepreneurial community view the future and their perspectives on improving the Libyan entrepreneurship business environment?	Would you like to discuss any aspect of your experience that is related to government policies toward entrepreneurship SMEs in the Libyan market?

**Table 3: Details of the responders in the semi-structured interview**

Interview Participants (Code-Name)	Identity: categories	Job Role /Profession	Sector
A1	Advisory Bodies	Economic advisor	Accounting and Finance
A10	Academic Community	Economics Professors	Education
A11	Government Officials	Director General of the National Program for SMEs- Economy Ministry	Economy
A12	SME Owners	General Director	Services
A13	SME Owners	General Director	Manufacture

DISCUSSION OF THE RESULTS AND FINDINGS

The impact of government policies on developing small-medium enterprises

This section discusses the results of findings regarding investigating the impact of government policies towards entrepreneurship on developing SMEs in the Libyan economy, which represents the first objective of this research. In line with the theoretical framework underpinning this study, the findings of this research confirm the most important economic characteristic of previous government policies regarding entrepreneurship towards SME capability development are economic advantages and entrepreneurial climate but also high unemployment. On the other hand, the results of the research confirmed the positive and negative effects of the current government policies towards entrepreneurship, which in turn affected achieving sustainable development in the long-term vacationing of job opportunities in the Libyan market.

Past Entrepreneurship Policy

The Libyan past entrepreneurship policies set by the country's government were disclosed as one of the critical factors that could explain SMEs' development in the Libyan market. Based on the findings regarding Past Entrepreneurship Policies it can be concluded that these policies, were characterized by the presence of several economic advantages. This is what the results of the survey and interview with the participants indicated, as the vast majority of the 54 % suggests that the previous government policy concerning entrepreneurship could provide good economic advantages. Some of these advantages include a reduction in the level of unemployment, controlling inflation rates, increased GDP, and overall country economic growth. While these results point to the role of previous government policies as a major determinant of its economic advantages, ensuring the attractiveness of foreign investment and achieving economic stability in the Libyan market. However, recent war events since 2011 have hampered this growth trend (OECD, 2016).



Entrepreneurial Climate

In the entrepreneurship policy context, the entrepreneurial climate is also seen as one of the most important determinants for the development of SMEs aimed at serving local and global markets. Based on the results related to the past government policy towards entrepreneurship, it can be concluded that these policies stimulated an entrepreneurial environment for the establishment and growth of SMEs in the Libyan economy. In this regard, the results of the survey and the semi-structured interview with the participants indicated that the majority of them (54%) indicated that the previous government's policy related to entrepreneurship sought to create an entrepreneurial environment, which stimulates innovation, technology transfer and attracting more investment for SMEs. When the participants were asked about their view regarding the previous government's policy towards tarator intrapreneurship, Economics Professors A10, identified the following: "The policies of the previous Libyan government towards entrepreneurship for SMEs were acceptable and aimed at providing a good environment to support entrepreneurial projects." There is no doubt that, recreating an entrepreneurial environment where SMEs can start up and operate, will contribute to early stabilisation, employment creation, poverty reduction, and spur long-term growth (OECD,2016). This was similar to the findings of previous empirical studies (Audretsch and Beckmann, 2007; Nguyen et al., 2009; Dennis,2011; Papilaya et al., 2015; Dosumu et al., 2020). All those studies emphasized that entrepreneurship policies aim to create an entrepreneurial dynamic-competitive environment that provides appropriate incentives for industry players to long-term investment.

High Unemployment

The findings of the interview with the participants indicated that a good number of them about 38% indicated that the past government's policy related to entrepreneurship had deficiencies in the Libyan labour market, such as exacerbation of the unemployment problems and inability to absorb labour excess. Accordingly, when participants were asked about past government policy toward wards entrepreneurship in the Libyan economy, A 11 spoke on behalf of the government in his capacity (General Director of the National Program for SME) detailing the following: "Despite all the economic programs and entrepreneurial policies set by the government over the past decades to facilitate job creation, unemployment rates have not decreased in a way that would support economic growth.". The findings of this aspect of the research are consistent with the results of the existing literature on the importance of government intervention to curb unemployment problems and their impact on the growth of SMEs and the imbalance of regional development (De Serres and Murtin, 2013; Guzmán,2014; Obayori, 2016; Kalkavanet al.,2021; Fredriksson,2021).

Current Entrepreneurship Policy

Negative Effect

Fragile economies riven by conflict face additional difficulties in attracting investment and firms' growth due to high political and economic instability and an environment not conducive to commerce (World Bank, 2014b). According to the findings regarding the current entrepreneurship policy, it can be concluded that these policies need more economic reform in the Libyan context. Consequently, the results of the interview with the participants almost 62% highlighted that most of them consider that the current government policy related to



entrepreneurship hurts the growth of the economy where SMEs operate. This reoperates certainty in current Libyan policies making it less likely that SMEs will invest in the long term. Thus, firms and investors will focus on short-term activities and survival rather than on creating a durable business that can grow, and create wealth and appointments over time (OECD,2016). Licensing, insurance fees, and the exorbitant prices charged by some organisations are all complicated by current Libyan government policy. These factors may deter small business owners and investors, especially given their lack of experience in these fields. As a result, it may be preferable to replace it with other entrepreneurially relevant policies to address the Libyan economy's current state and the macroeconomic problem (African Economic Outlook,2017).

Positive Effect

The Libyan political profile now sees many changes in current government policy that could lead to economic stability after the long-term destabilizing de and worldwide performance in the Libyan market. (Elkrghli, 2017). Based on the results related to the current government policy toward entrepreneurship, it can be concluded that these policies have had some positive aspects ton to one growth of SMEs and the development of sustainable businesses in the Libyan economy. In this regard, interviews with respondents indicated that an acceptable proportion of them,31% reported that the current government policy on entrepreneurship creates job opportunities, reduces poverty, and stimulates long-term growth. The participants were asked about their view of the government's current policy toward entrepreneurship, the Director-General of the National Program for SMEs- Economy Ministry -A11 identified the following statement:

"The current policies of entrepreneurship are in great improvement, and seek to positively support the Libyan economy by providing strategic, knowledge and technical support and creating a suitable work environment for creativity and innovation to ensure excellence, growth and, development for small and medium-sized companies."

The same participant adds:

"These policies aim to support macroeconomic stimulus and focus on public spending and direct it towards vital sectors for building social capital in education, health, and entertainment."

In reality, the current trend of Libyan policy has been to shift from focusing solely on economic growth to sustainable growth and to put in place additional policies to stimulate the private sector by encouraging enterprise creation and its growth. These new policies also aimed to provide a series of incentives to investors in the long term and to develop a comprehensive plan to promote SME development and economic diversification (El bargain and Al-Assaf,2019). All the changes in government policies had a positive effect on encouraging investors, especially SMEs, towards imports, as did the reduction of restrictions on commercial banking transactions and a simplified process of issuing letters of credit. Nevertheless, the Libyan new government will need to take several crucial actions to recover from the precariousness of the economy caused by the double effects of the oil crisis and the dire humanitarian and security situation (Omar et al., 2020).



Types government policies related to entrepreneurship and developing capabilities of potential SMEs

The qualitative findings of this study provided a more in-depth explanation of the quantitative data analysis outcomes. Both stages produced insights about current government policies toward entrepreneurship that affect the development of SMEs in Libya, which is the second objective of this research. The results of this study demonstrate that government participation in entrepreneurship policy, both macro and micro, is the primary driver of the large-scale development of SMEs in Libya.

Macro and Micro policies Towards Entrepreneurship that Influencing SME development

Table 4 depicts a wide overview of the many sorts of current government policies relating to entrepreneurship Means derived using statistical methods. In this part, the mean was used as a statistical technique to rating the relevance of government policies on a scale of one to ten, while the standard deviation values for each aspect suggested consistency across respondent responses. The overall results from the sample show that these macro policies toward entrepreneurship are thought to have a positive and significant impact on developing SMEs in the Libyan economy (a mean n score above 3.0), with the exception of government procedures or red tape, which received a 2.76. While I give all participants considered the Micro government policies factors towards entrepreneurship have an important - very important impact in respect of towards developing SMEs (mean score above 3.0) for all variables. Government restrictions (mean=4.15) placed #1 among the variables or policies that have the greatest impact on the growth of sets at the macro level, according to a sample of Libyan respondents. Macroeconomic policy, on the other hand, came in second with an average rate of (mean=3.94), followed by Government bureaucratic procedures, which came in third with an average rate of (mean=2.76). Financial policies, on the other hand, scored #1 among micro government policies supporting entrepreneurship having the greatest influence on developing SMEs (mean=4.58). Furthermore, with an average (mean=4.15), R&D and training systems policy was ranked second in importance, followed by Facility factors or infrastructure (mean=4.12), which was ranked third. Finally, market access had the lowest average (mean=3.32) and was rated last (fourth).

Table 4: Government Policies Factors Towards Entrepreneurship which effect on SME

	Descriptive Statistics					
	No. of Items	Minimum	Maximum	Mean	Rank	S. D.
Economic stability policy	1	1.00	5.00	3.94	5	1.101
Government bureaucratic procedures	1	1.00	5.00	2.76	7	1.048
Government Regulations	6	1.00	5.00	4.1571	3	.7811
Financial Policy	4	1.00	5.00	4.5804	1	.7375
Infrastructure	3	1.00	5.00	4.1250	4	.9664
R&D and Training	3	1.00	5.00	4.1533	2	.8225
Market Access	3	1.00	5.00	3.3214	6	.8663
Valid N (listwise)						



Macro Policies Factors

The primary findings from both the questionnaire and interview participants demonstrate that entrepreneurship-related economic stability policies are seen as a significant factor in the development of SMEs. According to the survey results (Table 4), this element appears to be relevant in Libya, as it was rated fifth with a mean of 3.94. Economic stability policy primarily concerned economic measures such as GDP growth, exchange rate stability, and inflation rate, all of which were discussed in further detail in interviews with government officials and SME owners. Because Libyan economic stability was given such a high priority, most SMEs operating in the country were looking for new markets, business possibilities, and profit margins, focusing primarily on the Libyan home market. As a result, these SMEs sought more assurance that the government's entrepreneurship-related economic stability policy was favourable before establishing and growing their businesses. These findings corroborated secondary data on Libyan economic indicators, such as the country's inflation rate ranging from 1.27 percent to 4.48 percent over the last decade, the Libyan dinar's exchange rate ranging from 1.30 to 4.48 percent against the US dollar, and the GDP growth rate ranging from 11.00 percent to 13.7 percent up to 2021. (World Bank Report,2021).

Government Regulations

The regulations of the government have a direct impact on the profitability of the subsidiary and, consequently, the dividend pay-out to its parent SME and growth. For example, high tax rates lower profits in a way that is beyond the control of the business. While acting exemptions on taxes and duties tax on a particular sector can facilitate investment in that area and may generate growth. In addition, high tariffs on imported raw materials and machinery significantly increase production costs, which naturally makes the SME's development less competitive in comparison with their local counterparts. In short, countries that provide flexible government laws and regulations attract more SMEs' development and investment. This positive attitude towards these regulations and tax exemptions is perhaps not surprising since a number of the SMEs at the start-up and operational stage still benefit from this legislation. During the interview process, most participants almost (70%) emphasised that government regulations such as tax exemptions, import/export regulations, required permits and licenses and Labour legislation had significantly influenced their SMEs' development at various levels. Furthermore, exemption from taxes and customs duties on imported equipment, tax exemption for reinvested profits, and tax exemptions for export and production duties on goods produced for export.

Micro Policies Factors

On a local level, the participants indicated four aspects of micro government policies targeted at aiding persons or organisations, particularly the development of SMEs: financial policy, infrastructure, R&D and training, and market access. These policies, as shown in Table 4, have varying effects on profitability and growth, and hence on the development of SMEs.

Financial Policy

All the respondents were asked to state their opinions about the importance of fiscal policy towards entrepreneurship in Libya which was measured by four questions about sufficient Government subsidies, loans for SMEs and businesses with reasonable interest rates, various types of funding schemes to encourage entrepreneurship in SMEs and access to the source of



the funding on a five-point Likert scale. The results in Table 4 reveal that the participants in the Libya market considered financial policy to be the most important policy/ factor (mean = 4.58) compared to other policies at the Micro-Macro total levels. Participants viewed the importance of this factor positively because they realize the importance of financial support, financing plans and the main role that government institutions play in encouraging entrepreneurship in SMEs. These findings are in line with a number of research on government financial assistance strategies for sports. For example, Abd Wahab et al. (2012); Obaki et al. (2014); Abdesamed et al. (2014); Eton et al. (2017); Seo (2017); Anwar (2020); Omar et al. (2017); Eton et al. (2017); Eton et al. (2017); Eton et al. (2017); Eton et al. (2017); Eton et al. (2017) (2020) In their investigations of the relationship between government fiscal support and SME development in advanced and developing economies, such as Libya, Nakku et al (2020) and Picas et al (2021) came to the same conclusion. All of the authors claimed that government financial assistance had a beneficial impact on SME development and long-term viability.

Infrastructure

From the findings of the quantitative-qualitative analysis of the present study, there is a strong indication that the domestic infrastructure in Libya is considered a significant factor in the SME development sector. This is correlated with the government policies that support infrastructure in the Libyan economy, including three items namely availability of Physical infrastructure (roads, utilities, communications and water disposal), accessibility to utilities and communications (gas, water, electricity, and telephone, internet and others) and availability of natural resource which inured using a five-point Likert scale. Infrastructure was ranked by participants as the fourth most significant factor for SME development in Libya, with a mean of 4.12. This factor receives favourable consideration since government intervention to support infrastructure is a vital issue for SME growth and development. “Thus, SME productivity and competitive advantage might be increased by a wide variety of factors such as the quality of communication networks, transportation supply, the quality of utilities, and water and electricity supply.

R&D and Training Systems

The survey of participants as shown in Table 4 revealed that the R&D and Training policy is an important element in influencing SME development. This factor has been measured using three questions that were built on a five-point Likert scale that included: availability of Research Development and training systems for new and growing businesses, accessibility to new research and technology for firms and Scientific and technological support for existing firms. In this regard, these results show with a mean of 4.15 the R&D and Training system ranked second highest in terms of important factors for SME development in the Libyan market. In like manner, during the interviews, the vast majority of respondents described the Libyan R&D standard as being very important as a form of government intervention at the micro-political level which merits their contextualization. Some 53.8% of the answers expressed the opinion that R&D and Training have had an important impact on SME activities in Libya. This result reflected the importance of government spending on R&D for SMEs.



Improving Access to Markets

This component was assessed using two questions on a five-point Likert scale, which included the ease with which enterprises could enter new markets and the ability to afford the cost of market entry. Market Access obtained an overall mean score of 3.43 and ranked sixth, which is still above the average, showing that while it is not as significant for participants as the aforementioned elements, it still warrants attention in the eyes of Libyan SMEs. This factor was seen positively because of the high demand for products and services in the home market, along with the fact that Libya was regarded as the connection path between North African and Middle Eastern nations, and a Northern entryway to the African continent. The results demonstrate unequivocally that there is a positive and significant association between improving access to the Libyan market and the possibility for SMEs to expand and develop. These findings corroborate with earlier research such as (e.g. Nguyen et al., 2009; Kiveu and Ofafa, 2013; Ahmad and Shamsudin, 2016; van der Loos et al., 2020; Stiglitz et al., 2021).

Table 5: The Mean Scores for the Barriers to Developing SME

No	Statement	Barriers faced by SMEs development					Rank	Mean	S. D
		Not a barrier at all	Not a barrier	Neutral	Moderate barrier	Big barrier			
1	Legal Practice	26	29	85	77	7	6	3.04	1.032
2	limited access to Government finance	13	8	16	48	139	2	4.30	1.127
3	Market competition	18	60	121	17	8	8	2.72	0.856
4	High taxation burden	20	59	86	54	5	7	2.84	0.965
5	Lack of skilled workers and training	15	22	98	67	22	5	3.26	0.997
6	Inadequate infrastructure	9	19	35	74	87	3	3.94	1.117
7	Corruption	2	13	20	15	174	1	4.54	0.941
8	Administrative bureaucracy	12	22	47	63	80	4	3.79	1.185

**Table 6: Interview results for barriers/ difficulties related to SME development**

Barriers	Number of interviews =13		
	Number of mentions	%	Rank
Legal Practice	4	30.7	5
limited access to finance	8	61.5	2
Market competition	1	7.6	8
High taxation burden.	2	15.3	6
Lack of skilled workers and training	2	15.3	7
Inadequate infrastructure	5	38.4	5
Corruption.	13	100	1
Administrative bureaucracy	7	53.8	3

The difficulties and challenges those potential SMEs owner/managers toward entrepreneurship in the Libyan economic environment.

As shown in Table 6 there are challenges that have a detrimental influence on SME growth and profitability. Due to the uncertainty and high risk of doing business in a heightened security environment such as Libya, the findings of this section are significant for acknowledging the role of context in the study of entrepreneurship (Ali and Salam, 2020).

Corruption

In this regard, the results of the survey shown in Table 4 with a mean of 4.54 corruption, ranked first highest in terms of the barriers to the growth and development of SMEs. The finding of this aspect of the research is consistent with the results of existing empirical literature regarding the large negative effects of corruption on SMEs growth, including Okpara (2011); Nyarku et al. (2018); Wellalage et al. (2018); Gründler et al (2019); Ullah (2020) and Bahri (2021), all of which indicate that corruption, of all kinds and at all levels, constitutes a major constraint and obstacle towards the development of SME, especially in developing economies. According to Transparency International's 2013 survey, 46% of Libyan citizens felt the level of corruption in the country had increased "over the past two years", and 53% that corruption in the public sector is a serious problem, with a high rate of bribery incidences (Global Corruption Barometer report,2013).

Market Competition

Market competition was also ranked as another barrier or deterrent that the study found to be affecting the development and growth of SMEs in Libya, with a mean score of 2.97 (mean score less than 3.0), which was ranked eighth (last) among the obstacles and difficulties facing the growth of SMEs, as shown in Table 4. During the interviews, participants (SME owners/managers and top Libyan officials) were asked about the challenges they believe SMEs in Libya face in improving and developing their businesses. The results of the question are consistent with the findings of the survey, which highlighted the influence of market rivalry on business and company growth in Libya. even if that effect is limited. In this regard, empirical studies have argued that SMEs experience barriers due to unfair market competition, which is



especially serious in less developed economies such as (Krasniqi, 2007; Olawale and Garwe,2010; Irjayanti and Azis, 2012; Tang and Tang,2016; Ivanová,2017; Jin Cheong et al., 2018).

Libyan government policies towards entrepreneurial culture is taken into a higher education system to promote SME's.

The fourth objective of the current study is to explore government policies in Libyan Higher Education Institutions, which promote an entrepreneurial culture in the Libyan business sector. Therefore, this section aims to identify the most important entrepreneurship government strategies in HEIs that provide effective support for existing and new growing firms. The results of the questionnaire and interview were examined previously. However, the findings of this question are discussed in detail below as shown in Table 6.

Table 7: Government Policies Toward Entrepreneurship in HEIs

Government Policies toward Entrepreneurship in HEIs								
No	Statement	Totally disagree	Disagree	Neither agree nor disagree	Agree	Totally agree	Mean	SD
1	Government policies contribute to adequate support for encouraging science parks and business incubators in higher education	7	12	18	43	144	4.36	1.045
2	Government policies continue to support entrepreneurship curricula in higher education to provide good, adequate preparation for existing and new growing SMEs.	7	11	51	36	119	4.11	1.109
3	There are enough government training programmes in (HEIs) to support existing and growing businesses.	10	12	31	33	138	4.24	1.149

Business Incubator and science parks

One of the most government strategies in HEIs that is identified as encouraging an entrepreneurial culture in Libya's business environment is business incubators. Table 6 shows, with a mean of 4.36, that the majority of the participants viewed Business Incubators as a policy that is ranked first highest in terms of providing effective support for entrepreneurship in the Libyan HEIs. Business incubators and the science park in general aim to adopt the goals of policymakers, in terms of the economic growth of SMEs and raising the level of technology associated with higher education. These policies can contribute to the commercialization of academic research, encouraging and facilitating links between higher education institutions and



the local industry, and facilitating technology transfer from the academic and educational institution to companies operating on the ground (Gorączkowska,2020).

Entrepreneurship Curriculum

The modern entrepreneurship curriculum was also considered one of the important strategies adopted by the Libyan government in HEIs that encourage more graduates to pursue entrepreneurial careers. As shown previously in Table 6, most of the participants viewed the entrepreneurship curriculum with a mean of 3.9 as one of the government's efforts to stimulate entrepreneurship in HEIs and assure technology and innovation transfer to the local economy, which ranked third among the other policies. These positive attitudes among the participants in this research can be explained by the fact of the recent governmental orientation represented by the Ministry of Education and Economy to integrate entrepreneurship curricula in HEIs to push the nation toward industrial and technological development and reduce unemployment rates (Omar et al., 2020). These findings are in line with those of a large number of earlier empirical investigations, such as those (Raet al.,2012; Joseph, 2015; Dobele, 2016; Lahikainen et al.,2018; Zaring et al.,2021; Mei and Symaco, 2022).

Government training programmes

According to the literature, most governments in emerging economies are working to equip young graduates with enough training so that they can start a career in a small business, allowing for a smooth transition from a traditional to a contemporary industrial economy (Borges et al.,2021). According to the survey results in Table 6, government training programmes are one of the best government strategies in higher education institutions for encouraging an entrepreneurial culture in the Libyan business environment, according to all respondents (owners/managers and government officials) in Libya, where it ranked second with a mean of 4.24. Correspondingly, during the interviews with the participants, issues of government policies related to entrepreneurship in higher education institutions were discussed. The results of interviews (62%) highlighted that training policy and feasibility studies before starting any business venture for university graduates are one of the best government policies to support entrepreneurship as they provide the advantages of gaining experience and knowledge of market conditions.

CONCLUSION

The role of government policies toward entrepreneurship in the development of SMEs in the Libyan economic economy was explained in this paper. The findings show that the Libyan government must play a variety of roles in order to improve SMEs and the development of entrepreneurship and economic theories. The significance of this work can be interpreted from the following perspectives: Libya was chosen as a case study because it is currently in the midst of transitioning from a centralised economy to one that is more open and free-market-oriented following prior conflicts. This research sheds new light on the challenges surrounding government policies encouraging entrepreneurship in a developing country like Libya, which is markedly different from those in advanced countries. This research analysed both qualitative and quantitative data on Libyan SMEs, as well as information from the Libyan Ministries of Industry, Economic Development, Audit Bureau, General Planning Council, Ministry of Higher Education, and Central Bank of Libya. In this regard, this is the first time this type of



data and information has been collected and used in an academic research study, which is a significant contribution to the field of research. More precisely, the majority of studies on government policies related to entrepreneurship conducted in developed or developing nations have employed cross-sectional data. In comparison, single-country studies examining government policies supporting entrepreneurship and the development of SMEs in emerging and transitional economies such as Libya remain uncommon, particularly in the MENA area. So far, there has been little thought given to how the context specificities of these locations contribute to the current literature on entrepreneurship by providing important insights. This research adds to the body of theoretical knowledge in this field by identifying the role of several non-governmental organisations in supporting and encouraging entrepreneurial initiatives in the Libyan market, including the Dutch non-governmental organisation Spark and USAID, as well as the Libya Support for Economic Integration, Diversification, and Sustainable Employment project, which aims to provide advanced business advisory services and training. The result found that the government policies related to entrepreneurship conducted in Libya have employed cross-sectional data focused on (taxation, economic stability, bureaucracy, and regulations related to entrepreneurship) and micro- or local-level policies on finance, training, market access, infrastructure and technology transfer connected to entrepreneurship, which had a significant impact on the growth of SMEs in the market.

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