

THE IMPACT OF GOVERNMENT REGULATIONS ON BUSINESS OPERATIONS

Barun Srivastava,

Asst. Professor, Department of Commerce, Graphic Era Hill University,
Dehradun Uttarakhand India

ABSTRACT:

In addition to considerably boosting exports and job creation, the small and medium-sized businesses (SME) sector is crucial to the nation's total economy. It is crucial to use cutting-edge and cutting-edge technology if you want to compete in the global market. SME's in Tier 1 cities, such as Hubli, Dharwar, and Belgaum (Karnataka, India), have greater access to these technologies than SME's in Tier 2 cities. This research is being done to pinpoint the performance-influencing factors and to pique entrepreneurs' attention. This research aimed to determine the effects of governmental variables on the performance of small and medium manufacturing firms (SME) in the Hubli-Dharwar area, including frequent changes in tax policies, regulatory concerns, rules and procedures. The pertinent information required for analysis and factor identification was collected using a well-structured questionnaire. The dataset was analyzed using the social sciences statistical software SPSS, and numerous hypotheses were tested. In order to help SME's realize their full potential, it is the responsibility of the involved stakeholders to prioritize this element.

Keywords: SME's, Adaptation, Pearson correlation, Descriptive analysis, multiple regression analysis

INTRODUCTION

Modern economies depend heavily on government rules, which strive to provide a framework that assures fair competition, safeguards the public interest, and fosters economic stability. These rules have a big influence on how businesses operate, affecting how they carry out their operations, make strategic choices, and adjust to changing market circumstances. Policymakers, business executives, and scholars all need to understand how rules affect firms. Governments pass laws to address a variety of social issues, such as labor rights, consumer protection, environmental sustainability, and economic stability. These rules might be in the form of social rules that deal with labor practices, environmental protection, and health and safety standards, as well as economic rules that control price and market access.

In order to provide a framework that encourages justice, safeguards the public's interests, and assures the efficient operation of markets, government regulations are an essential component of contemporary economies. These laws cover a broad variety of topics, including economic, social, environmental, and labor laws, and they have a big effect on how businesses operate. Economic laws are designed to control market dynamics and stop anti-competitive behavior. They may include restrictions on prices, requirements for licenses and permissions, and obstacles to market access. By supporting competition while also avoiding market failures, these policies often aim to level the playing field for companies of all sizes.

While social rules prioritize preserving the public's health, safety, and wellbeing. They include laws governing labor practices, environmental preservation, and health and safety requirements. The rights and interests of customers, workers, and society at large are to be protected by these rules. Government laws have a wide range of effects on how businesses operate. On the one hand, laws provide a framework that aids in maintaining market stability, safeguarding consumers from damage, and guaranteeing fair competition. They are able to set standards and quality control procedures that raise customer assurance and faith. By requiring corporations to comply, regulations also play a significant role in mitigating externalities like environmental pollution or workplace dangers.

Government laws, on the other hand, may cause enormous compliance expenses for firms, particularly smaller ones that do not have the capacity to negotiate complicated regulatory systems. Regulation compliance sometimes requires extra costs for maintaining compliance departments or employing regulatory specialists, as well as reporting obligations and administrative constraints. These expenses may raise hurdles for new entrants and stifle entrepreneurial activity by impeding firm expansion, innovation, and market penetration. Additionally, the effects of laws on corporate operations go beyond

the price of compliance. By creating incentives or disincentives for R&D activities, regulations may have an impact on innovation. By influencing company entrance and leave, changing market structures, and influencing consumer decisions, they may impact market dynamics. Additionally, laws may affect a company's ability to compete on a national and worldwide level by placing limitations or demands that may either impede or facilitate commerce.

It is essential to undertake study to fully comprehend the implications of government rules given their variety and possible influence on enterprises. Policymakers, company executives, and academics may gather insights that aid in striking the correct balance between regulatory goals and business demands by looking at the many aspects of how government laws affect corporate operations. By examining the numerous facets of how government rules affect corporate operations, this research study seeks to further that knowledge. It also makes suggestions for a fair regulatory system.

LITERATURE REVIEW

Hendro Nugroho (2019)The effect of government assistance on the financial performance of Indonesia's state-owned companies (SOEs) is examined in this research. I use clustered standard errors together with firm and year fixed effects while using the ordinary least square (OLS) approach. The results demonstrate that the financial performance of SOEs is not significantly impacted by government assistance for them. According to this report, the government should review its investment strategy for SOE assistance and consider developing an effective government support strategy to improve SOE financial performance.

Mallett, O., Wapshott, et.al (2019)Although the consequences of laws on SMEs have received considerable political attention on a global scale, these effects are still debatable in the scholarly literature. The results of a thorough assessment of qualitative research on the impact of regulation on SMEs are presented in this article. In comparison to other, more prevalent and prominent quantitative techniques, we list the advantages of qualitative approaches. To provide a conceptual framework that offers a processual, embedded knowledge of the impacts of laws on SMEs, we undertake a theme synthesis of the qualitative study. The conceptual framework focuses on four crucial, interrelated processes: identification-interpretation; strategizing; negotiating; and adaptability. This conceptual framework produces insights into the changing and possibly indirect consequences of rules in respect to a wide range of factors that affect the company both internally and outside. We suggest a fresh research agenda based on these discoveries.

Munjeyi Edmore (2017) Reviewing the influence of the legislative and regulatory environment on the growth of SMEs in Zimbabwe in the twenty-first century is the goal of this desktop and library research. The majority of governments in both developed and developing nations place emphasis on the contributions made by SMEs to the economy, which is what led to the focus on SMEs. The examined literature made it clear that legislative, legal, and institutional framework changes haven't always freed SMEs, but have instead stifled their potential for expansion. The report advises Zimbabwe's government to compare its policies in support of SMEs to those of Botswana, a neighboring nation. The government of Botswana completely supports SMEs, and the business climate is favorable in general for SMEs.

Anthony Abiodun Eniola, et.al (2015)It has been noted that 99 percent of Nigerian business entities are MSMEs, which has been a key contributor to GDP and a center for job possibilities. Despite the recognition of the significant roles SMEs play in Nigeria, these organizations' development is often constrained by a variety of factors, such as the presence of laws, ordinances, and regulations that impede the sector's expansion. The study analyzes the success of Nigeria's smallest and largest companies in light of official policies. To ensure the correct program to improve the SME sector in Nigeria, the study provided some essential ideas for decision-makers, company owners, and managers of SME.

DARMA MAHADEA et.al (2019)Institutions and rules affect entrepreneurship. This study examines how government policies and financial institutions affect the performance of small businesses in Yaoundé and Douala, Cameroon. Performance is evaluated based on increases in sales, profitability, and employment. The findings demonstrate that 'government rules' have a major negative influence on sales revenue performance. Additionally, it has been shown that "awareness of source of funds" greatly boosts sales revenue and profit performance. Growth in labor employment, sales revenue, and profit are all significantly influenced by government backing. However, even when considering many indices, "government regulations" constantly have a detrimental impact on performance. As a result, Cameroon should create an environment that is more favorable to entrepreneurship, small business sales revenue,

profit, and employment growth by simplifying or eliminating pointless laws and by offering more financial assistance.

RESEARCH METHODOLOGY

Descriptive study was done to identify the effects of each variable on the success of small and medium-sized enterprises (SMEs) in the Hubli-Dharwad region. In the manufacturing sector in HUBLI-HARWARD, 150 sets of questionnaires were randomly selected and delivered by hand. There were 34 questions on the survey. Each question will be rated on a Likert scale from 1 to 7, with 1 denoting strong disagreement and 7 denoting strong agreement. There are 924 registered units as of (2010–11), according to the DIC report harwadSMEinfo. They are divided into many industry areas. This research focused on the 322 manufacturing industries that make up 35% of all businesses and which range from agricultural to metalworking to engineering. Randomly distributed to 150 SMEs in the manufacturing sector, 128 complete sets of questionnaires were returned. Nevertheless, owing to 28 sets of incomplete questionnaires, only 100 sets were usable.

Proposed Research Model

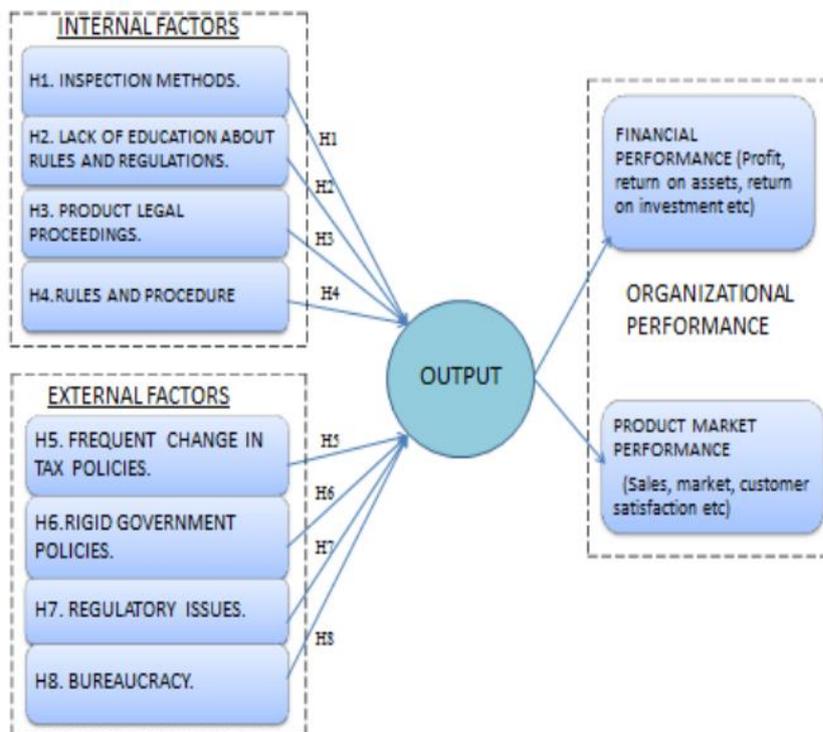


Figure1: Research Model

DATA ANALYSIS

Descriptive Statistics and Normality Test

Table:1

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
IM	100	2.25	7.00	5.2675	1.40627	-.658	.241	-.528	.478
LE1	100	2.00	6.67	5.0300	1.32327	-.749	.241	-.422	.478
PL	100	1.25	7.00	4.8725	1.17341	-.598	.241	.364	.478
FC	100	2.00	7.00	5.5200	1.22206	-1.005	.241	.588	.478
RG	100	1.50	6.75	4.9575	1.15582	-.855	.241	.504	.478
RI	100	1.50	7.00	4.9250	1.54458	-.914	.241	-.101	.478
RP	100	1.67	7.00	5.3733	1.26445	-.725	.241	.313	.478
B	100	2.00	6.67	5.0933	1.15088	-1.104	.241	.639	.478
FP	100	2.50	6.75	5.3775	1.14399	-1.213	.241	.457	.478
PM	100	1.75	7.00	5.2100	1.31508	-1.163	.241	.692	.478

The values of skewness and kurtosis for all the independent and dependent variables in this study are shown in Table 1 along with the mean, standard deviation, maximum, and lowest values for each. First, the findings show that all of the variables' skewness values vary from -1.213 to -0.598.

The kurtosis, on the other hand, ranges from -0.528 to 0.692 for all the variables. All of the independent and dependent variables are of sufficient normality, as seen by the results. This is because, as advised by West, Finch, and Curran (1995), all of the variables' skewness and kurtosis values are smaller than two and seven, respectively.

Reliability Analysis

The reliability coefficient used to assess the internal consistency of variables is called Cronbach's Alpha. Using Cronbach's Alpha, the reliability of the scale was evaluated.

Table:2

Variables	Construct	Cronbach's alpha	Number of items
Over all value for all independent variable	Inspection method, Lack of education about rules and regulations, Product legal proceedings, Frequent change in tax policies, Rigid government policies,Regulatory issues, Rules and procedure and Bureaucracy.	0.941	26
Over all value for dependent variable	Financial performance and Product market performance.	0.903	8

Armstrong and Foley (2003) claim that a scale becomes more reliable when Cronbach's alpha gets closer to 1.00. Nunnally et al. (1994) further state that a Cronbach's alpha value of 0.60 or above is considered adequate. This generalization is furthered by Ferketich (1991), who proposed that for a good scale, adjusted item-total correlations should fall between 0.30 and 0.70.

Demographic profile of respondents

Table:3

Category	Number	Percentage
Age		
25-35 years	27	27%
36-45 years	35	35%
46-55 years	31	31%
56-65 years	7	7%
Above 65 years	0	0%
Education		
Diploma, NTTF and Others	48	48%
Under graduate	40	40%
Post graduate	12	12%
Doctorate	0	0%
Designation		
Junior supervisor(worker)	5	5%
Supervisor	11	11%
Manager	33	33%
GM/MD/Owner	51	51%
Type of organisation		
Small	53	53%
Medium	47	47%
No of employees in industry		
1-50	65	65%
51-100	32	32%
101-201	3	3%
201-500	0	0%
Above 500	0	0%
Total respondents	100	100

Table 3 shows that the majority of respondents (35%) are between the ages of 36 and 45, while another third (31%) are between the ages of 46 and 55. In the present company, the majority of responders (51%) hold the roles of General Manager, Managing Director, and Owner.Nearly (53%) of the enterprises

surveyed scaled themselves as small businesses. The employee strength of (65%) of the firms is in the range of 1 to 50.

Karlpearson's Correlation Analysis

Three fundamental issues about two variables or two sets of data in a search are answered by correlation. It first determines if there is a link between two variables, and if so, it indicates the direction and amount of the association.

Table:4

		OP	IM	LEI	PL	FC	RG	RI	RP	B
Pearson Correlation	OP	1.000	*	*	*	*	*	*	*	*
	IM	.708	1.000	*	*	*	*	*	*	*
	LEI	.749	.638	1.000	*	*	*	*	*	*
	PL	.679	.530	.713	1.000	*	*	*	*	*
	FC	.717	.512	.638	.567	1.000	*	*	*	*
	RG	.749	.622	.747	.616	.552	1.000	*	*	*
	RI	.559	.555	.592	.513	.561	.646	1.000	*	*
	RP	.765	.466	.718	.591	.558	.732	.497	1.000	*
	B	.728	.576	.579	.502	.651	.691	.613	.639	1.000
Sig. (2-tailed)	OP									
	IM	.000								
	LEI	.000	.000							
	PL	.000	.000	.000						
	FC	.000	.000	.000	.000					
	RG	.000	.000	.000	.000	.000				
	RI	.000	.000	.000	.000	.000	.000			
	RP	.000	.000	.000	.000	.000	.000	.000		
	B	.000	.000	.000	.000	.000	.000	.000	.000	
N	OP	100								
	IM	100	100							
	LEI	100	100	100						
	PL	100	100	100	100					
	FC	100	100	100	100	100				
	RG	100	100	100	100	100	100			
	RI	100	100	100	100	100	100	100		
	RP	100	100	100	100	100	100	100	100	
	B	100	100	100	100	100	100	100	100	100

The significance threshold for correlation is 0.01 (2-tailed). According to Hair, Black, Anderson, and Tatham (2006), the Karl Pearson's correlation coefficient between any two independent variables shouldn't exceed 0.90. This is because, if the correlation value is more than 0.90, there may be serious collinearity concerns with the data. Most strongly correlated variables in the table, which is still less than 0.90 and is between rules and procedures and organizational performance, is 0.765. Consequently, it is presumed that multicollinearity does not exist.

Multiple Linear Regression Analysis

According to the analysis of variance (ANOVA) report, the F statistic is 51.130. This demonstrates that the nine factors have a statistically significant association. In addition, the findings show that there is a significant association between all eight independent factors and the dependent variable of organizational performance, and that five of the eight independent variables meet the p-value criterion of less than 0.10. Organizational performance was most influenced by the independent variables Inspection method, Product Legal Proceedings, Frequent Change in Tax Policies, Rules and Procedures, and Bureaucracy, with respective correlation values of 0.244, 0.133, 0.207, 0.326, and 0.137. In essence, this model effectively captures the interaction between independent factors and the dependent variable, organizational performance.

Table:5

Model		Unstandardized coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta(β)		
1	(Constant)	-.228	.285		-.801	.425
	IM	.244	.049	.289	4.926	.000
	PL	.133	.062	.132	2.136	.035
	FC	.207	.062	.213	3.319	.001
	RP	.326	.060	.348	5.420	.000
	B	.137	.071	.133	1.935	.056

Each independent variable's relative contribution to the dependent variable is found to vary when the unstandardized coefficients linear equation created above is evaluated.

Results for hypothesis testing

SL.No	Hypothesis	Link in model	p-value	Remarks
1	H1	IM → OP	.000	Supported
2	H3	PL → OP	.035	Supported
3	H4	RP → OP	.000	Supported
4	H5	FC → OP	.001	Supported
5	H8	B → OP	.056	Supported

Because they are deemed to be non-significant (P* 0.10 Significant), hypotheses H2, H6, and H7 are rejected.

Obtained Research Model

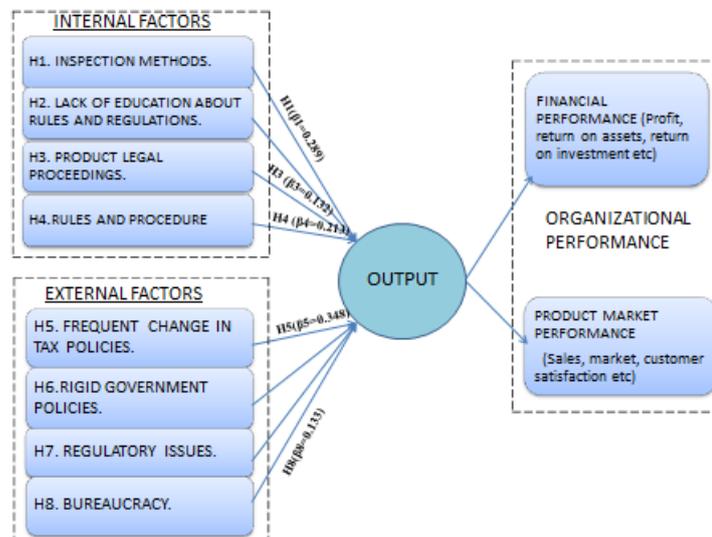


Figure 2: Obtained Research Model

CONCLUSION

Businesses may get government assistance in a variety of ways, including financial, legal, and others. It may also serve the public by enacting and enforcing regulations concerning, for example, consumer protection, workplace safety, and other matters. Regulators have a long history of trapping countries in cycles of prolonged deterioration. Since there will always be tensions between various groups within every society, this problem will virtually never be resolved. The outcome demonstrates a substantial positive association between internal and external influences and the development of organizational performance. Internal factors like Inspection methods, Product legal procedures, and Industry rules and regulations are crucial to the success of a product on the market and its bottom line. These factors are

connected to governmental regulations. Small and medium-sized enterprises (SMEs), notably those operating in the Hubli-Dharwad areas, would feel little to no impact from government laws and policies, which will discourage potential entrepreneurs from taking the plunge. Similarly, important external variables like regular changes in tax regulations and bureaucracy would greatly benefit SMEs' productivity. This is why subject matter experts (SME) are elucidating these concerns.

REFERENCES

1. Hendro Nugroho (2019) THE IMPACT OF GOVERNMENT SUPPORT ON THE PERFORMANCE OF INDONESIA'S STATE-OWNED ENTERPRISES
2. Mallett, O., Wapshott, R. orcid.org/0000-0002-9462-0782 and Vorley, T. (2019) How do regulations affect SMEs? A review of the qualitative evidence and a research agenda. *International Journal of Management Reviews*, 21 (3). pp. 294-316. ISSN 1460-8545
3. Munjeyi Edmore (2017) The Impact of Legal and Regulatory Framework on SMEs Development: Evidence from Zimbabwe ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
4. Anthony Abiodun Eniola, Dr. Harry Entebang (2015) Government Policy and Performance of Small and Medium Business Management ISSN: 2222-6990
5. DARMA MAHADEA and MARTIN KABANGE (2019) INFLUENCE OF GOVERNMENT REGULATIONS AND INSTITUTIONS ON ENTREPRENEURIAL PERFORMANCE IN CAMEROON
6. Abatayo, A. L., and J. Lynham. 2016. "Endogenous vs. Exogenous Regulations in the Commons." *Journal of Environmental Economics and Management* 76: 51–66.
7. Choi, A. S. 2015. "An Experimental Study to Explore WTP for Aviation Carbon Offsets: The Impact of a Carbon Tax on the Voluntary Action." *Journal of Environmental Planning and Management* 58 (9): 1617–1634. doi:10.1080/09640568.2014.940515. [[Taylor & Francis Online](#)], [[Web of Science ®](#)], [[Google Scholar](#)]
8. Daddi, T., F. Testa, and M. Frey. 2016. "Exploring the Link between Institutional Pressures and Environmental Management Systems Effectiveness: An Empirical Study." *Journal of Environmental Management* 183: 647–656. doi:10.1016/j.jenvman.2016.09.025. [[Crossref](#)], [[PubMed](#)], [[Web of Science ®](#)], [[Google Scholar](#)]
9. Demirel, P., K. Iatridis, and E. Kesidou. 2018. "The Impact of Regulatory Complexity upon Self-Regulation: Evidence from the Adoption and Certification of Environmental Management Systems." *Journal of Environmental Management* 207: 80–91. doi:10.1016/j.jenvman.2017.11.019. [[Crossref](#)], [[PubMed](#)], [[Web of Science ®](#)], [[Google Scholar](#)]
10. Han, H., Z. Zhang, S. Xia, and H. Li. 2018. "The Carrot or the Stick: Individual Adaption Against Varying Institutional Arrangements." *Journal of Environmental Planning and Management* 61 (4): 568–596. doi:10.1080/09640568.2017.1326884. [[Taylor & Francis Online](#)], [[Web of Science ®](#)], [[Google Scholar](#)]
11. Jones, D. A., C. R. Willness, and S. Madey. 2014. "Why Are Job Seekers Attracted by Corporate Social Performance? Experimental and Field Tests of Three Signal-Based Mechanisms." *Academy of Management Journal* 57 (2): 383–404. doi:10.5465/amj.2011.0848. [[Crossref](#)], [[Web of Science ®](#)], [[Google Scholar](#)]
12. Kim, A., Y. Kim, K. Han, S.E. Jackson, and R. E. Ployhart. 2017. "Multilevel Influences on Voluntary Workplace Green Behavior: Individual Differences, Leader Behavior, and Coworker Advocacy." *Journal of Management* 43 (5): 1335–1358. doi:10.1177/0149206314547386. [[Crossref](#)], [[Web of Science ®](#)], [[Google Scholar](#)]
13. Lynch-Wood, G., and D. Williamson. 2014. "Understanding SME Responses to Environmental Regulation." *Journal of Environmental Planning and Management* 57 (8): 1220–1239. doi:10.1080/09640568.2013.793174. [[Taylor & Francis Online](#)], [[Web of Science ®](#)], [[Google Scholar](#)]
14. Pellerano, J. A., M. K. Price, S. L. Puller, and G. E. Sánchez. 2017. "Do Extrinsic Incentives Undermine Social Norms? Evidence from a Field Experiment in Energy Conservation." *Environmental and Resource Economics* 67 (3): 413–428. doi:10.1007/s10640-016-0094-3. [[Crossref](#)], [[Web of Science ®](#)], [[Google Scholar](#)]

15. Grilo, W, (2016) Factors Affecting Entrepreneurs Performance in Kenya: A case of Nairobi Women group in the central business district. University of Nairobi press.