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GOVERNMENT POLICY FACTORS EFFECT ON ENTREPRENEURIAL SUCCESS IN BOSNIA AND HERZEGOVINA

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Abstract

Entrepreneurship is a key driver to economic growth especially in transition countries like Bosnia and Herzegovina. However, the entrepreneurial ecosystem in environments like Bosnia and Herzegovina is strongly influenced by various internal and external factors, with public policies for the development of entrepreneurship playing a key role. This study aims to investigate how private and public sector perceptions on governmental role, governmental obstacles present in BiH, and government policy framework impact entrepreneurial development and growth. The research method employed to this study is quantitative analysis by using survey data from the two target groups. Research methodology uses cross-sectional data and conducts Mann Whitney U test, correlation analysis and Ordinary least squares (OLS) regression. The results show significant differences in public and private sector perceptions regarding administrative and regulatory obstacles. Governmental obstacles negatively impact

entrepreneurship development. To increase entrepreneurial growth in the country, targeted SME strategies should be created, simplify administrative procedures and costs for startups, while reforming tax and regulatory systems, especially making it easier to access funding and support innovation.

Keywords: Entrepreneurship development, Private sector, Governmental obstacles, Public policy, Small and Medium Enterprises

INTRODUCTION

Entrepreneurship has long been recognized as a key driver of economic growth, especially in transition countries like Bosnia and Herzegovina. It generates jobs, increase incomes and wealth, and provide new opportunities to young people to present their ideas, overcome structural economic challenges, and promote their own innovations which is highly important in such countries with high unemployment rates causing young people to leave the country. In such environments, entrepreneurship is strongly influenced by various internal and external factors, with public policy being the main external factor to entrepreneurship development. In one hand, government regulations can promote and support entrepreneurship, but on the other hand it can significantly hinder the establishment and growth of businesses. Understanding how the public policy impacts entrepreneurship is significant for creating effective strategies and decisions to support business sector leading to economic growth. Public policy or government policy refers to the system of rules and principles created by the government to direct decision making and action on certain matters, ensuring smooth operations of societies. In order to fully realize the potential of entrepreneurship, government support is necessary. Through regulatory framework, government policy has a direct impact on how business is formed and grows. Entrepreneurs often face many obstacles such as bureaucratic procedures, inconsistent regulatory frameworks, and support of institutions. These barriers not only make it difficult to establish and grow new businesses, but also affect the overall competitiveness and resilience of existing businesses. This article is based on the Master's Thesis study done by author under supervision of the co-author. The aim of this paper is to explore the differences in private and public sector towards governmental role in entrepreneurship development, governmental obstacles that negatively impact entrepreneurship development, and government policy framework as a significant contributor to growth in entrepreneurial actives, such as newly established companies, in Bosnia and Herzegovina.

LITERATURE REVIEW

Based on the increasing awareness of the role of entrepreneurs in driving economic growth, it is crucial to further explore fundamental definitions concerning the term entrepreneurship. Henderson (2002) indicates that entrepreneurs have a major influence on local economies through boosting incomes and wealth, creating jobs locally, and eventually assisting in the integration of local economies with the global economy. “Entrepreneurship is the process whereby an individual or a group of individuals use organized efforts and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled” (Coulter, 2001). Based on Kuratko and Hodgetts (2004), entrepreneurship is a dynamic process of vision, change, and creation. They suggest that enterprise is the capacity to use organized effort to create value, and that entrepreneurship is the process of creating value. The term entrepreneurship is derived from the French verb “entreprendre” and the German word “unternehmen,” which translate to “undertake” (Cunningham and Lischeron, 1991). Because these businesses have the capacity to significantly increase employment and wealth in society, some would contend that entrepreneurship focuses on high-potential businesses with the potential for large expansion (Bygrave, 1995). Nonetheless, because of their sheer size, lower-potential businesses should also be included in the entrepreneurship space since they significantly contribute to the creation of jobs and wealth. In order to establish a new organization, gather and distribute resources, and create networks, both kinds of ventures essentially carry out the same tasks (Carton, Hofer, Meeks, 1998). At the local, state, and national levels, there is growing interest in the connection between entrepreneurship and economic growth and many studies have shown that the contribution of the entrepreneurial sector to employment and GDP is increasing (Minniti 2008; Kumar and Liu, 2005) and has important social implications (Chell 2007). The new neoliberal ideology places a strong emphasis on SMEs' contributions to economic efficiency, a "healthy" business climate, and economic growth, particularly in small, industrialized nations and much more so in transitional nations. Economists like Cantilon, Mill, Say, Knight, Schumpeter, Krizner, Casson, Shackle, and others have contributed to the scholarly literature on entrepreneurship for nearly three centuries, deepening our understanding of the role of entrepreneurs in the economy.

Among other things, legal, institutional, and social forces and considerations influence entrepreneurship (Verheul, Wennekers, Audretsch, and Thurik, 2002). Public policy is a vital part of the entrepreneurial environment. Public policies are created and put into effect to solve particular issues. Entrepreneurship policy is defined by Lundstrom and

Stevenson (2005) as actions taken to promote entrepreneurship that target the pre-start, start-up, and post-start-up stages of the entrepreneurial process. These actions are intended to address the areas of opportunity, skills, and motivation with the main goal of enticing more people to launch their own companies. Therefore, actions made to create frameworks of laws and regulations that are favorable to entrepreneurs and that are meant to encourage the process of entrepreneurship in an economy are included in entrepreneurship policy. Furthermore, the government can employ public policy, which is the process by which decision-makers use instruments to sway society in a way that is politically preferred in order to boost the economy. North (1990, 2005) explains that institutions promote the convergence of subjective worldviews by offering pre-existing market constructs that enable people to comprehend their surroundings and use the knowledge found there to solve problems. There is no incentive for entrepreneurs or people to engage in such activity if institutions do not make sure they are paid for the advantages they bring to society (Baumol, 1990). Public policy has an indirect impact on business formation and growth through labor market regulation and the social security system, but it also has a direct impact through rules and regulations, such as direct prohibition. According to Audretsch (2002), the demand and supply sides of entrepreneurship, the availability of resources, skills, and knowledge, entrepreneurial preferences, and the decision-making process of prospective entrepreneurs are the five areas in which public policy affects entrepreneurial activity. Government policy shapes the institutional environment which leads to conclusion that government plays a crucial role in promoting entrepreneurship and creating the climate that supports and stimulates it by setting up the government policy which refers to government's political activities, intentions and plans concerning, in this case, to the entrepreneurial growth and development by giving guidance to citizens and businesses dictating the rules and regulations, addressing entrepreneurial challenges, regulating business environment through fiscal policies which impact taxation, trade, interest rates and licensing, and influence investment, employment leading to the economic stability of the country (Minniti, 2008). To encourage entrepreneurship, it is essential to make it simple to launch and grow a firm. Public policy affects business establishment and growth directly through laws and rules, such as outright bans, but indirectly through labor market regulation and the social security system. The success of an enterprise also depends on the support provided by its State. Its regulations can create an attractive and more ambient climate for business enterprises on the one hand, while on the other hand, the state can be a major limiting factor for the establishment and development of enterprises (Kashmiri, and Akhter, 2017). Therefore, the development of enterprises

depends largely on the institutional, physical and financial infrastructure that a country has. The higher the level of infrastructural development, the easier factor it represents in the development of entrepreneurship in the country and vice versa.

Understanding how the government policy impact entrepreneurial success in sense of government obstacles for entrepreneurship development is crucial for creating effective strategies and decisions, new state approach a*nd reforms to support business sector in the country, especially SME that are recognized as essential to global economies through their contribution to generating revenue, employment rate and wealth creation (OECD 2011). Enhancing the business climate has always been crucial since it covers nearly all aspects that have an impact on the performance of companies. Business environment and firm growth are related. Therefore, if the business climate is unfavorable, the firm's ability to grow is limited (Herrera and Kouamé, 2017; Igwe 2016 and Aterido et al. 2011). As it is said that government policy is important in shaping the entrepreneurship environment, it's important to investigate the main government obstacles constraining entrepreneurship performance which is a great driver for economic growth and innovation in every economy (Audretsch, 2001). Therefore, the reviewed literature highlights the importance of government policy effect on entrepreneurship success in Bosnia and Herzegovina.

Theoretical Foundation

This study was grounded in the entrepreneurship theory and institutional theory, specifically on Coulter's definition of entrepreneurship defining it as the process whereby an individual or a group of individuals use organized efforts and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled. Schumpeter (1934), Acs and Audretsch (1988), Wennekers and Thurik (1999), and Baumol (2002) state that entrepreneurship is a key factor for economic development, through employment, innovation, and welfare consequences. Moreover, Audretsch (2001) emphasizes that the entrepreneurship is a key driver to economic growth. Therefore, it is important to mention that public policy shapes the entrepreneurial environment which is a link between institutional and entrepreneurship theory. The origins of the role of government can be found in North's (1990, 2005) institutional theory model, which explains that institutions promote the integration of subjective worldviews by offering pre-existing market constructs that enable people to comprehend their surroundings and use the knowledge found there to solve problems.

Conceptual model

The focus of this research is how the Entrepreneurship Policy is regulated and impacted by the government in Bosnia and Herzegovina, therefore below are the research questions:

1. What are the differences in private and public sector perception of the governmental role in entrepreneurship development, particularly regarding administrative and regulatory obstacles?
2. What are the various governmental obstacles present in Bosnia and Herzegovina that negatively impact entrepreneurship development?
3. Which Government policy framework items for SME development are a significant contributor to growth in entrepreneurial actives such as number of newly establish companies?

Following these research questions, the hypotheses of this study are:

H1- There is a significant difference between the private and public sectors in their perceptions of the governmental role in entrepreneurship development, particularly regarding administrative and regulatory obstacles.

H2- Governmental obstacles present in Bosnia and Herzegovina that negatively impact entrepreneurship development.

H3- Government policy framework for SME development is a significant contributor to growth in entrepreneurial actives such as number of newly establish companies.

The dependent variables show in what extent entrepreneurs feel supported by government policies, the growth of their entrepreneurship measured in a number of newly established companies.

The independent variables such as Sector type includes perceptions of both sectors, private and public, to government role in entrepreneurship development and growth in Bosnia and Herzegovina. Governmental obstacles include access to finance, tax rates, tax administration (burdensome licensing procedures or excessive paperwork), and corruption. The goal of this study is to investigate every obstacle faced by entrepreneurship in Bosnia and Herzegovina that negatively impact entrepreneurship success and statistically analyze this relationship.

The following figure illustrates the hypothesized relationships among variables and forms the conceptual model for the study:

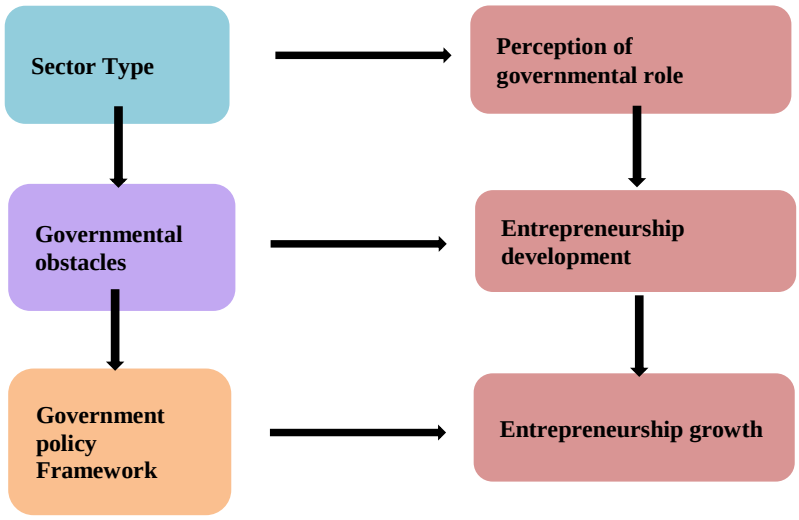

Figure 1: Conceptual model

This conceptual model presents the relationship between the three independent variables and three dependent variables of the study.

RESEARCH METHODOLOGY

Research Design

The study adopted the quantitative, cross-sectional approach, falling under descriptive methods group to examine stated relationship enabling a systematic and objective testing of the hypotheses and measurement of the variables.

Sampling

This study employed a mixed non-probability sampling strategy, integrating purposive sampling and snowball sampling to achieve both representativeness across geographic and administrative units and depth of insight from expert respondents. This approach is justified in line with Patton (2002) and Palinkas et al. (2015), who advocate purposive sampling in contexts where the research seeks information-rich cases rather than general population representativeness. Then in order to increase data collection a snowball technique was used as an additional non-probability sampling method for collecting data. This method is particularly appropriate when studying specialized populations (e.g., entrepreneurs with government support experience) and is supported by literature such as Biernacki & Waldorf (1981) and Noy (2008), who argue for the snowball method's efficacy in reaching socially or professionally interconnected populations. The combination of purposive and snowball

sampling methods serves complementary purposes. Purposive sampling establishes a strategic foundation ensuring sectoral and regional representation while snowball sampling builds on this foundation to increase the sample size, fill gaps in the network, and account for additional influential actors who may not be captured via purposive method alone. A comparative and sectoral approach is used in targeting 250 respondents from public and private sector that are directly involved in entrepreneurship policy in Bosnia and Herzegovina. A representative sample of companies was selected using purposive sampling procedure with focus on experts that have knowledge and experience in the topic, also assuring appropriate geographic coverage per main administrative units, Federation of BiH, Republic of Srpska, and Brcko District.

Data collection

The data was collected using the structured questionnaire consisting of 25 questions based on a five-point Likert scale. The aim is to collect quantitative data on perceptions, experiences, and evaluations of government policy in relation to entrepreneurship support and success. The questionnaire was sent to total of 250 private and public sector representatives with a goal of achieving at least 40 % responses from each sector, achieving at least 100 surveys. The achieved sample of 118 responses exceeds the minimum threshold of 100 and meets sectoral balance criteria, further supporting data credibility and analytical validity. To ensure clarity and reliability, the questionnaire was pre-tested with a small group of five individuals (from both sectors), whose feedback helped refine question wording and structure before final distribution. The data collection period lasted for 3 weeks, from June 3 to June 20, 2025. During the data collection period, participation levels were monitored to ensure sufficient and balanced representation from both the public and private sectors. To ensure the relevance and validity of the data inclusion criteria required that participants are currently employed in the public sector or actively engaged in managing or owning an SME or startup in BiH, and have experience or involvement in matters related to entrepreneurship policy, support programs, business registration, or regulation.

The data collected by the survey regarding the demographics of the respondents is as follows:

- 58.5 % of respondents were from private sector, 41.5 % were from public sector.
- Within the private sector, 55.1% were employees, 21.7% were owners, and 18.8% were managers.

- Within the public sector, 30% of respondents held positions in ministries, 16% local government, 8% development agencies, the rest of the respondents were from other public institutions.
- 85.5% of private sector respondents were from Federation of BiH, while 13% were from Republic of Srpska, and 1.4% were from District Brcko.
- 83% of public sector respondents were from Federation of BiH, while 10.6% were from Republic of Srpska, and 6.4% were from District Brcko.
- 58.5% of respondents were males, and 40.7% were females.
- 53.4% of respondents have a bachelors' degree, 21.2% masters' degree, and 13.6% doctoral degree.
- 72.9% of respondents have over 10 years of work experience, 13.6% have from 1 to 3 years of work experience, 8.5% have 7 to 10 years, and 5.1% have 4 to 6 years of work experience.

Data Analysis

The data was analyzed using SPSS and EViews. Descriptive statistics including means, variances, frequencies, and percentages, as well as inferential statistics such as Pearson correlation and regression- ordinary least squares (OLS), and Mann Whitney U analysis were applied in the study to test the hypotheses. A total of 118 respondents participated in the study, consisting of 58.5 % (n=69) private sector respondents, and 41.5 % (n=49) public sector respondents.

RESULTS AND DISCUSSION

The descriptive statistics reveal that entrepreneurs in the study perceive significant barriers to business development. Variables like Corruption Impact (M = 4.09) and Administration (M = 3.75) show high means, indicating widespread concern about corruption and bureaucratic inefficiencies. In contrast, variables such as Government Support (M = 0.42), Funding Access (M = 0.25), and Government Training (M = 1.67) have low means, suggesting limited institutional and financial support for entrepreneurs. The presence of high skewness and kurtosis in several variables (Bureaucracy, Funding Access) indicates that negative experiences are common, with few deviations reporting better conditions. Overall, the findings show that institutional and structural weaknesses, especially in access to funding, corruption control, and supportive policies, represent significant obstacles to entrepreneurship.

Table 1: Descriptive statistics

Variable	Mean	Median	Max	Min	Std. Dev.	Skewness	Kurtosis	Probability	Obs.
Entrepr. Devel.	2.11	2.33	3.3	1	0.687	-0.17	1.91	0.155	69
Administration	3.75	4	5	1	1.48	-0.75	2.08	0.012	69
Bureaucracy	1.88	2	5	1	0.96	1.23	4.53	0	69
Compliance	0.42	0	1	0	0.497	0.32	1.1	0.003	69
Corruption Impact	4.08	5	5	1	1.29	-1.23	3.36	0	69
Gov. Reg.	2.11	2	5	1	1.09	0.86	3.19	0.013	69
Tax Policy	2.01	2	5	1	1.14	1.1	3.54	0.0006	69
Gov. Supp.	0.42	0	1	0	0.497	0.32	1.1	0.003	69
High Taxes	0.58	1	1	0	0.497	-0.32	1.1	0.003	69
Funding Access	0.24	0	1	0	0.434	1.18	2.39	0.0002	69
Startup Growth	1.84	2	4	1	0.885	0.44	1.75	0.035	69
Legal Barriers	2.01	2	5	1	1.05	0.74	2.94	0.043	69
Gov. Trainings	1.66	1	5	1	0.869	1.38	4.95	0	69
Innovation Support	1.78	2	5	1	0.937	0.98	3.43	0.003	69
Financial Support	1.97	2	4	1	0.985	0.43	1.85	0.052	69
Bureaucracy. Burden	2.71	3	5	1	1.516	0.3	1.68	0.051	69

To see whether there is a significant difference between public and private sector perceptions of the governmental role in entrepreneurship development, regarding administrative and regulatory obstacles Mann Whitney U analysis was conducted, with the model presented in table 2 below.

H1- There is a significant difference between the private and public sectors in their perceptions of the governmental role in entrepreneurship development, particularly regarding administrative and regulatory obstacles.

Table 2: Mann Whitney U analysis

	The government supports the development of entrepreneurship.	Regulations are clear and simple.	Bureaucratic procedures are efficient.	Corruption has a negative impact on entrepreneurship.
Mann-Whitney U	922.5	1084.5	914	1168
Wilcoxon W	3268.5	3430.5	3260	2443
Z	-4.338	-3.451	-4.441	-3.076
Asymp. Sig. (2-tailed)	< .001	< .001	< .001	0.002
(Grouping Variable: Sector)				

Results show that a majority of responses leaned toward disagreement whether the government supports the development of entrepreneurship with a probability value less than 0.01 meaning there is a significant difference between the perceptions of the sectors towards government support. The same applies to regulations, bureaucratic procedures, and corruption indicating statistically significant differences between the perceptions of the two sectors. Therefore, all measured variables are showing statistically significant differences with the p value less than 0.05 leading to accepting the hypothesis.

H2- Governmental obstacles present in Bosnia and Herzegovina that negatively impact entrepreneurship development.

Table 3: Correlation analysis- Governmental obstacles

	Entrepr Dev.	Administr. Burd.	Bureaucr.	Compl. Reg.	Corrupt	Gov. Reg.	Tax Polic	Support	High Tax.	Funding	Corrupt.
Entrepr. Dev.	1.00	-0.07	0.34	-0.31	-0.28	0.38	0.04	-0.05	-0.11	-0.24	-0.19
Administ. Burd.	-0.07	1.00	0.20	0.10	0.38	0.22	0.11	0.04	-0.08	0.03	0.03
Bur. Proc.	0.34	0.20	1.00	0.11	0.17	0.11	0.08	0.29	0.18	0.14	-0.01
Compl.Reg. dummy	-0.31	0.10	0.11	1.00	0.17	-0.10	-0.17	0.12	0.19	0.41	0.18
Corruption effect	-0.28	0.38	0.17	0.17	1.00	-0.03	0.12	0.19	-0.32	0.17	0.19
Gov. reg.	0.38	0.22	0.11	-0.10	-0.03	1.00	0.42	0.32	-0.32	0.09	-0.02
Tax polic.	0.04	0.11	0.08	-0.17	0.12	0.42	1.00	0.06	-0.29	0.31	-0.14
SuppProgrdummy	-0.05	0.04	0.29	0.12	0.19	0.32	0.06	1.00	-0.05	0.39	0.18
High Tax dummy	-0.11	-0.08	0.18	0.19	-0.32	-0.32	-0.29	-0.05	1.00	0.28	0.02
Fund. dummy	-0.24	0.03	0.14	0.41	0.17	0.09	0.31	0.39	0.28	1.00	0.29
Corrupt. dummy	-0.19	0.03	-0.01	0.18	0.19	-0.02	-0.14	0.18	0.02	0.29	1.00

For the governmental obstacles present in Bosnia and Herzegovina, correlation and ordinary least squares (OLS) analysis was employed as presented in the figure 3. Results show that tax policies and government regulations have the strongest positive correlation meaning when tax policies are favorable the regulations tend to be seen as better. Complicated regulations and Corruption effect have moderate negative correlations, meaning when regulations are more complicated the corruption tends to be higher.

Entrepreneurship development = β_0 + β_1AbuseOfPower + β_2BureaucracyReduction + β_3LandRegistration + β_4LegislationSimplification + β_5PaperworkReduction + β_6PublicServices + ε

The presented model is used to show how various governmental factors influence the growth and development of entrepreneurship in Bosnia and Herzegovina.

According to the regression results, the independent variables in the model account for approximately 41.6% of the variation in entrepreneurial development, with an R-squared of 0.41598. The model still explains 31.5% of the variance, as indicated by the adjusted R-squared, which falls to 0.31529, showing a reasonable overall fit. With an F-statistic of 4.13 and a p-value of 0.000251, the model is statistically significant overall, meaning that the combination of predictors makes a significant contribution to the explanation of changes in the development of entrepreneurship. Tax policies are a key determinant of entrepreneurship development, with evidence suggesting that complex regulations and corruption may also act as barriers. While the model is statistically significant and explains a meaningful portion of the variance, many predictors do not have a clear individual impact, highlighting the need for further analysis, perhaps with a refined model or expanded dataset. The hypothesis H2 is partially accepted based on the results that indicate positive effect of the tax policies variable on the dependent variable which contradicts the negative impact of governmental obstacles, in this case independent variables, on entrepreneurship development.

Table 4: Multiple regression (OLS) results for Entrepreneurship development

Dependent Variable: ENTREPRENEURSHIP DEVELOPMENT
Method: Least Squares
Date: 07/10/25 Time: 15:59
Sample: 1 69
Included observations: 69

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ADMINISTRATIVE BURDEN	-0.032726	0.05221	-0.62679	0.5333
BUREAUCRATIC PROCEDURES	0.016049	0.11523	0.139169	0.8897
COMPLICATED REGULATIONS DUMMY	-0.310059	0.16158	-1.91889	0.0599
CORRUPTION EFFECT	-0.127201	0.10988	-1.15614	0.2529
GOV REGULATIONS	0.160239	0.0987	1.623701	0.1097
TAX POLICIES	-0.212429	0.07561	-2.80975	0.007
SUPPORT PROGRAMS DUMMY	-0.042138	0.16303	-0.25878	0.7967
HIGH TAXES DUMMY	0.0603	0.15881	0.379189	0.7061
FUNDINGS DUMMY	-0.175276	0.21185	-0.82734	0.4116
CORRUPTION DUMMY	-0.030899	0.14918	-0.20712	0.8364
C	2.115661	0.30581	6.918173	0

R-squared	0.415982	Mean dependent var	2.11836
Adjusted R-squared	0.315289	S.D. dependent var	0.68725
S.E. of regression	0.568676	Akaike info criterion	2.02137
Sum squared residual	18.75675	Schwarz criterion	2.36043
Log likelihood	-52.96869	Hannan-Quinn criterion	2.14768
F-statistic	4.131204	Durbin-Watson stat	2.27802
Prob (F-statistic)	0.000251		

Table 4…

H3- Government policy framework for SME development is a significant contributor to growth in entrepreneurial actives such as number of newly establish companies.

The multiple linear regression model for Entrepreneurship growth in terms of Startup formations tests whether tax policy supports startups, startups mentoring advisory, legal tax frameworks, government training and mentoring, financial support programs, and bureaucratic burden have an impact on Startup formation. The multiple linear regression equation is specified as:

Startup formation = β_0 + β_1Financial support programs + β_2Bureaucratic procedures + β_3Legal and tax frameworks + β_4Mentoring and advisory support + β_5Government innovation support + ε

Table 5: Multiple regression (OLS) results for Entrepreneurship growth

Dependent Variable: STARTUPS FORMATION
Method: Leas Squares
Date: 07/09/25 Time: 02:01
Sample: 1 69 Included observations: 69

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TAX POLICY SUPPORT TO STARTUPS	-0.018244	0.087374	-0.2088	0.8353
STARTUP MENTORING ADVISORY	0.232475	0.156765	1.48295	0.1432
LEGAL TAX FRAMEWORKS	0.053662	0.103249	0.519344	0.6044
GOV TRAINING MENTORING	-0.053745	0.16055	-0.33476	0.739
GOV INNOVATION SUPPORT	0.298984	0.141089	2.107307	0.0391
FINANCIAL SUPPORT PROGRAMS	0.418376	0.099998	4.183839	0.0001
BUREAUCRATIC BURDEN	0.03455	0.050969	0.677865	0.5004
C	0.130893	0.250532	0.52246	0.6032
R-squared	0.55388	Mean dependent var		1.84058
Adjusted R-squared	0.502686	S.D. dependent var		0.884893
S.E. of regression	0.462031	Akaike info criterion		2.033418
Sum squared resid	23.75429	Schwarz criterion		2.262445
Log likelihood	-61.17192	Hannan-Quinn criter.		2.106182
F-statistic	10.8192	Durbin-Watson stat		1.777755
Prob(F-statistic)	0.000000			

With an R-squared of 0.5539, the regression analysis results show about 55% of the differences in startup activity can be accounted for by the variables included in the model. The F-statistic (10.82), and the p-value (0.000) confirm that the model as a whole is statistically significant, meaning the relationship between the predictors and startup formation is very unlikely to be due to chance. Government innovation support has a positive and statistically significant effect on startup formation (p = 0.0392). As perceived government innovation support increases, startup formation tends to rise. Financial support programs are nearly significant (p = 0.0722), possibly meaningful with a larger sample or different model specification. Tax policy, legal frameworks, bureaucracy, training, and advisory support do not show statistically significant relationships in this model. Based on the results of the analysis hypothesis H3 is accepted.

CONCLUSIONS

This study confirms the differences in private and public sector towards governmental role in entrepreneurship development. The results show that governmental obstacles negatively impact entrepreneurship development, and that government policy framework is a significant contributor to growth in entrepreneurial actives, such as newly established companies, in Bosnia and Herzegovina. Results of the Mann Whitney U test are showing statistically significant differences between the perceptions of the sectors towards government support to entrepreneurship development with the p value less than 0.05 leading to supporting the hypothesis. Hypothesis H2 “Governmental obstacles present in Bosnia and Herzegovina negatively impact entrepreneurship development” is partially accepted due to the results indicating the positive effect of the tax policies variable on the dependent variable which contradicts the negative impact of governmental obstacles, in this case independent variables, on entrepreneurship development. With an R-squared of 0.5539, the regression analysis results show about 55% of the differences in startup activity can be accounted for by the governmental obstacles as variables included in the model. The model shows that government support to innovation has a positive and statistically significant effect on startup formation with p-value of 0.0392. Furthermore, financial support programs are showed to be nearly significant with the p-value 0.0722. This leads to accepting the hypothesis H3 “Government policy framework for SME development is a significant contributor to growth in entrepreneurial actives such as number of newly establish companies.” This study contributes to existing knowledge by providing more regional, perception based, and startup-specific perspective. Improving this economic aspect means overall better and healthier society in the long-run for future generations. Strengthening Bosnia and Herzegovina’s entrepreneurship development is not only

an economic priority but also a way of addressing other challenges in the country such as high unemployment, youth emigration and social inequality which is critical for long term national stability.

RECOMMENDATIONS

Based on the results of the study it is recommended for government to simplify a business starting process and provide more support to companies and startups by increasing financial support programs, provide more grants, and simplify regulations and paperwork. The emphasis is also on reforming outdated policies and enhancing institutional capacity to support entrepreneurial activities.

For entrepreneurs it is recommended to participate in global innovation and entrepreneurship forums and actively engage into public policy discourse to overcome barriers in the entrepreneurship development and growth.

Future research should continuously track how changes in government policies impact entrepreneurship success in Bosnia and Herzegovina over time. Focusing on entrepreneurs and policy makers could give deeper insights about the challenges and opportunities they face from their perspective and experience giving a more realistic picture. Research should also focus more on comparing entrepreneurship success in Bosnia and Herzegovina with other countries in the region and investigate what is different and how it can be improved. This is significantly useful for finding ideas and more effective strategies that other countries use to overcome the challenges in this economic aspect and create a stronger entrepreneurial environment. Moreover, focusing on young entrepreneurs, women entrepreneurs, overall startups and innovation sectors is something to consider also, by providing fundings and grants.

LIMITATIONS

This study faced several limitations. There were challenges in obtaining immediate responses from targeted respondents, especially from private sector respondents. Additionally, the study had issues with the sample size, which, while sufficient for statistical analysis, might not adequately represent the range of opinions found in all sectors, sizes of businesses, and governmental organizations. Furthermore, using self-reported data raises the possibility of biases like social desirability bias, in which participants give responses they believe to be positive rather than ones that really reflect their experiences or beliefs. Despite pre-testing, there is a chance of interpretation bias because different people may have different understandings of the questionnaire items.

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