Evaluation of emerging entrepreneurship policy

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Abstract: Entrepreneurship improves national competitiveness by creating new businesses, jobs, and innovation. Consequently, entrepreneurship has emerged as a focus of public policy. Government supports entrepreneurship by providing and implementing entrepreneurship policies. The challenging question related to entrepreneurship policy implementation is whether the implemented entrepreneurship policies really affect the intended goals such as increasing the number of entrepreneurs. This descriptive study aims to address the following issues: the criteria used to define entrepreneurship policy; the current evaluation tools to evaluate entrepreneurship policy; and how to evaluate entrepreneurship policy throughout the policy stages. The study focuses on a micro financing program which aims to improve access to capital and other resources for small and micro enterprises. The evaluation is divided into three parts, which are needs evaluation, process evaluation, and outcome evaluation. This study is essential for the development of entrepreneurship and makes a significant contribution to the practice and the science.

Keywords: entrepreneurship policy; evaluation tool; entrepreneurship program evaluation; entrepreneurship.


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This paper is a revised and expanded version of a paper entitled ‘A framework for evaluation of emerging entrepreneurship policy’ presented at SIBR-Thammasat 2015 Conference, Bangkok, 4–6 June 2015.

1 Introduction

The impact of entrepreneurship has been acknowledged and supported by existing research. The research shows that entrepreneurship is a catalyst for economic growth and national competitiveness by creating new firms, jobs, and innovation (Audretsch and Thurik, 2001; Carree and Thurik, 2003). In developing entrepreneurship, government has significant influence to establish environments and to create infrastructures that support entrepreneurship (Gilbert et al., 2004; Minniti, 2008). Furthermore, entrepreneurship has emerged as a focus of public policy; there is a shift of policy orientation of governments towards encouraging and facilitating entrepreneurship (Stevenson and Lundström, 2007).

The success of entrepreneurship policy implementation is shown by the impact of entrepreneurship policy itself, which is the increasing number of start-up businesses that leads to economic growth. Yet, there is no one-size-fits-all policy solution. Thus transferring policies across nations that seem to contribute to economic development in one nation may not have any impact on another nation. Historical, cultural, and institutional distinctiveness contribute to different impacts.

Thailand and Singapore are examples of countries which implement entrepreneurship policies in Asia. These countries are using state-guided entrepreneurship, which helps in fostering entrepreneurial activities. Entrepreneurship policy in Thailand was initiated after an economic crisis in 1997. A series of economic reforms have been launched to assist Thailand’s economic recovery. The policy reforms were known as ‘Thaksinomics’, designed to stimulate domestic demand and to reduce Thailand’s reliance on foreign investment (Looney, 2003). Apparently, economic growth has a direct correlation with the strength of entrepreneurial activities as evidenced in the GDP growth after it launched the policy reform programs. Thailand used state-guided entrepreneurship that was developed based upon a resource-based perspective; entrepreneurial orientation; and relevant literature pertaining to state-guided entrepreneurship, and it played an active role in facilitating entrepreneurial startups and initial growth (Suntornpithug and Suntornpithug, 2008).

The successful implementation of entrepreneurship policy was also experienced by Singapore. It was started in Lee Kuan Yew’s period (1965–1990) with the decision that government ministers undertook the task of starting new venture(s). Singapore also used a state-guided entrepreneurship model. State controls of business ensure the productive exploitation of national resources. Governments had public visibility and projected a perception of public interest. The state, in these economies, can seek international aid for enterprise development more easily than companies in the private sector (Shome, 2009).
The development of entrepreneurship in Indonesia is still low compared to other countries in Asia. The result of a survey conducted by global entrepreneurship monitor (GEM) showed that the new business ownership rate in Indonesia is lower than those of the Philippines, Thailand, and Vietnam (Singer et al., 2015). The new business ownership rate is a percentage of individuals aged 18–64 who are currently an owner-manager of a new business, i.e., owning and managing a functioning business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months. The following are the new business ownership rates in several countries, that is, Indonesia 10.1%; Malaysia 4.6%; Philippines 10.5%; Singapore 4.8%; Thailand 16.7%; and Vietnam 13.3% (Singer et al., 2015). Furthermore, the potential benefits of increased entrepreneurship are known, such as employment or job creation. According to the GEM Report 2014, small and medium enterprises (SMEs) in Indonesia assist the issue of employment. SMEs create jobs and play a significant role in reducing the unemployment rate. SMEs in Indonesia created 101,722,548 jobs in 2011 and 107,657,509 jobs in 2012 (Nawangpalupi et al., 2015). SMEs have also contributed to more than 90% of GDP, and between 2003 and 2006 both small and medium-scale businesses contributed more than 50% to GDP growth (Tambunan, 2008).

The facts founded from the GEM study are also aligned with the Doing Business Report which is conducted by the World Bank (2016). Doing Business is a series of annual reports investigating the regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulation and the protection of property rights that can be compared across 189 economies. Doing Business measures aspects of regulation affecting 11 areas of the life of a business, including starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. Based on the Doing Business Report 2016, Indonesia ranked the lowest among Asian countries, meaning that Indonesia is considered to be a country that has relative difficulty in doing business. Indonesia ranked 172; Malaysia 81; Philippines 166; Thailand 112; and Vietnam 152; while Singapore ranked 64, the highest among countries in Asia.

Entrepreneurship development in Indonesia consequently still faces many challenges. During this time, Indonesia has put much effort into strengthening and encouraging entrepreneurship, including SME activities. Indonesia is apparently committed to developing entrepreneurship through entrepreneurship policies. Due to the early adoption of entrepreneurship policy, government agencies have tended to develop their own perspectives on entrepreneurship policies. These entrepreneurship policies need to be evaluated continuously to ensure the effective impact of entrepreneurship. Therefore, more studies are required to identify the most effective policies for entrepreneurship development in Indonesia.

The need to conduct policy evaluation is to find out ‘what works’ and ‘what does not work’, so that the government can focus resources on the policy that is most beneficial. Knowing ‘what does not work’ allows government to improve and strengthen policy. While, ‘not knowing what is working’ may waste valuable time and resources (Metz, 2007). A policy evaluation is also useful to disclose the effectiveness of a policy and demonstrate that a policy is worthwhile.

In Indonesia, there are 12 programs implemented by several ministries which aim to create new ventures and increase the number of entrepreneurs. These programs are Center for Community Learning Activities (PKBM); Business Incubator Center; National
Entrepreneurship Movement (GKN); Community Entrepreneurship Programme (PKM); Young Agricultural Generation (Generasi Muda Pertanian); Youth Entrepreneurship Programme (PERAHU); Entrepreneurship Training; National Industry Policy; Training for SME Consultancy Trainers; Regional IT Center of Excellence (RICE); Scholarship Programme for Trainers; and soft loans (micro financing) (Mirzanti et al., 2015). However, references for entrepreneurship policy evaluation mostly originate from developed countries with only a few from developing countries.

Little information is available about how entrepreneurship policy works in Indonesia and there is no comprehensive policy evaluation covering all policy stages (agenda setting stage, formulation stage, implementation stage, and evaluation stage) that has been conducted in Indonesia. Entrepreneurship policy evaluation is still in the early stage of research, for instance Christy et al. (2014) merely focus on the implementation stage of policy, which is to evaluate policy implementation and supervise business credit in order to minimise bad credit loans. This study extends to include evaluation of all stages throughout the policy life cycle which is important to identify factors for the success or failure of entrepreneurship policy. This descriptive study aims to address the following questions: what is the current entrepreneurship policy evaluation used by government? How to conduct entrepreneurship policy evaluation?

The expected result of this study is that the study discloses the entrepreneurship policy evaluation and suggests what has been done and what should be done in the future. In addition to added-value contribution to theory development, this research makes a significant contribution to the practice and science. It is expected that this study will make an academic contribution, such as first, the criteria of entrepreneurship policy. Second, revealing the issues at each stage of the policy life cycle, this will contribute to entrepreneurship policy literature, and will suggest a more customised and structural entrepreneurship policy for promoting entrepreneurship. Third, a descriptive study exposing entrepreneurship policy in Indonesia and fourth, the research will produce a conceptual model of entrepreneurship policy evaluation.

The paper is structured as follows. Section 2 is concerned with the existing research and theories related to entrepreneurship policy. Section 3 describes the research method used to address the research question and to demonstrate the systematic searching process. Section 4 discusses the research findings. Section 5 presents the analysis and discussion of research findings. Finally, Section 6 provides the conclusions and suggestions for further research.

2 Literature review

2.1 Definition of entrepreneur, entrepreneurship, and entrepreneurship policy

There is no one acceptable definition of an entrepreneur used by researchers that can be generally accepted to differentiate who are and who are not entrepreneurs. Bygrave and Hofer (1991) define entrepreneur as someone who perceives an opportunity and creates an organisation to pursue it. She or he is the doer, who owns the business, performs entrepreneurial activities such as identifying opportunities, assembling and mobilising required resources, implementing a practical action plan, maximising opportunities and harvesting the rewards in a timely and flexible way (Bygrave and Hofer, 1991). Ahmad and Seymour (2008) and Shane and Venkataraman (2000) also support this definition, an
entrepreneur is a person (business owner) who seeks to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. Drucker (1985) defines an entrepreneur as someone who is always looking for changes, responding, and exploiting them as an opportunity. An entrepreneur can be a corporate employee and still be entrepreneurial because entrepreneurship is the practice of consistently converting good ideas into profitable commerce or ventures. Research by Bygrave and Hofer (1991), Ahmad and Seymour (2008), Drucker (1985), and Shane and Venkataraman (2000) generate the definition of an entrepreneur as an individual, or team or organisation, of a new, old, large, or small venture, who or which discover, evaluate, and exploit opportunities and create added value through creativity and innovation.

While the definition of entrepreneurship based on previous research can be viewed from economics, sociology, and psychology perspectives; others look at it from management and social perspectives. Therefore, entrepreneurship is a multi-dimensional concept (Verheul et al., 2001). Previous research on entrepreneurship definition is categorised into two approaches based on supply-demand. This distinction is sometimes referred to as the push and pull factor (Vivarelli, 1991). First, the supply side approach from the labour market perspective refers to entrepreneur traits such as risk-taking and self-motivation (Low, 2009). The supply side approach is dominated by the characteristics of a population or demographic composition. Key elements are the resources and abilities of individuals, their attitudes towards entrepreneurship, and their cultural and institutional environment (Verheul et al., 2001). Second, the demand side approach from the product market perspective and the carrying capacity of the market of entrepreneurship focuses on entrepreneurial processes and activities such as the entrepreneur’s function or what entrepreneurs do. The demand side approaches represent opportunities for entrepreneurship (Verheul et al., 2001).

The following are research studies which emphasise the entrepreneurship definition based on its impact, which particularly relates to new businesses or venture creation. GEM defines entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Reynolds et al., 1999). This definition is supported by Hatten (2015) who states entrepreneurship is the process of identifying opportunities for which marketable needs exist and assuming the risk of creating an organisation to satisfy them.

Lundström and Stevenson (2005) define the term entrepreneurship policy as a policy taken to stimulate entrepreneurship at the pre-start, startup, and early post start-up phases of the entrepreneurial process. Reynolds et al. (1999) emphasise that the aim of entrepreneurship policy is to foster a socially optimal level of venturing; to raise the level of entrepreneurship; thus entrepreneurship policy has a bearing not only on actual entrepreneurs but also on nascent entrepreneurs who are seriously considering starting a business. The term policy is not only textual but also contextual because it changes continuously over time; the meaning of the word policy itself can be varied following the dynamics of socio-economic and political realities; and the perceptions of people (Vedung, 1997).

The form of entrepreneurship policy can vary; it can be a government’s general program; or a sphere of activity that is relatively specific and quite clearly demarcated. The program usually includes a range of activities that carry endorsement/legislation, organising and mobilisation or the provision of resources required. Entrepreneurship
policy can be an output, where policy can be viewed as what is produced or provided by the government, and can be output in the form of providing direct benefits, the provision of services to the public or a particular service. Entrepreneurship policy can be an outcome. Understanding the policy from the result perspective can provide an objective assessment of whether the formal or normative aspects of a policy have been proven in the realisation or implementation in actual practice (Hogwood and Gunn, 1984).

2.2 Stages of the policy cycle

Similar to business, policy has a life cycle. According to Jann and Wegrich (2006), these are agenda setting, formulation, implementation, and the evaluation stage. Agenda setting is the process by which problems and alternative solutions gain or lose public elite attention. In agenda setting, group power and the agenda interact to set the boundaries of political policy debate. Agenda setting could be considered as a mechanism for filtering problems (Jann and Wegrich, 2006).

Policy formulation is a critical phase of the policy process. It is a part of the pre-decision phase of policy making. It involves identifying and designing a set of policy alternatives to address the problem and narrowing the set of solutions in preparation for the final policy decision. Policy formulation takes place in government bureaucracies, in interest group offices, in legislative committee rooms, and in a special commission meeting. The selection of objectives, instruments, and procedures that will be implemented can be used to resolve the problem (Jann and Wegrich, 2006).

The implementation stage consists of the adaptation and implementation of the policy program as it encounters concrete situations. The implementation process is characterised by the actions of multiple levels of agencies, institutions, organisations, and their actors and is influenced by context. Evaluators frequently assess policy or program implementation to inform ongoing programmatic decision making and to explore how and why outcomes were or were not achieved (De Groff and Cargo, 2009). The last stage is evaluation, which aims to determine the results and effects of a policy in terms of problem resolution (outcomes), and the changes in behaviour of target groups (impacts) (Jann and Wegrich, 2006).

2.3 Entrepreneurship policy evaluation

Policy evaluation is largely empirical research; its goal is to determine the best policy to be adopted by the authorities and to address problems or issues, and it is conducted to assess the overall effectiveness of a policy in achieving its objectives or the assessment of the relative effectiveness of two or more programs in fulfilling common objectives (Wholey et al., 2010). It also includes the systematic assessment of the operation and the outcomes of a program or policy as a means of contributing to the improvement of the program or policy (Weiss, 1998).

Balthasar (2011) developed the logic model as a model in policy evaluation. According to Balthasar, the inputs of a program are its goals, where the conceptual considerations concerning the postulated relationship between input and outputs, outcomes and impacts, and the financial and personnel resources of a program are available (Balthasar, 2011). Program activities are the treatment of a program to the input. Attention is focused on the structures and processes that are set up internally to provide the intended output of the program. Program activities are frequently the object
of process evaluations (Patton, 1997 in Balthasar, 2011; Vedung, 1997). Outputs are the products and services that are delivered directly by a program and directed toward its target groups. Outcomes have to do with the behaviour of the target groups whose actions are intended to be directly affected by the program. Target groups include any persons or institutions that have direct contact with the output and from whom the responses are usually expected. The impact is “the fundamental intended or unintended change that occurs in organizations, communities, or systems” as a result of program activities (Balthasar, 2011).

There are two types of policy evaluation, ex-ante evaluation and ex-post evaluation. An ex-ante evaluation attempts to measure the intended impacts of future programs and policies, given a potentially targeted area’s current situation, and may involve simulations based on assumptions about how the economy works. Ex-post evaluation, in contrast, measures actual impacts accrued by the beneficiaries that are attributable to program intervention. Ex-post evaluation has immediate benefits and reflects the reality. These evaluations have sometimes missed the mechanisms underlying the program’s impact on the population, which structural models aim to capture, as it is very important in understanding program effectiveness, particularly in future settings. Ex-post evaluation can also be much more costly than the ex-ante, because it requires collecting data on actual outcomes for the participant and non-participant groups, as well as on other accompanying social and economic factors that may have determined the course of the intervention. An added cost in the ex-post setting is the failure of the intervention, which might have been predicted through ex-ante analysis (Khandker et al., 2010). The entrepreneurship policy evaluation focuses on ex-post evaluation, where the program is already running when the evaluation is conducted.

**Figure 1** A conceptual model of evaluation of entrepreneurship policy

A conceptual model of entrepreneurship policy evaluation is shown in Figure 1. It is developed from the logic model by Balthasar (2011). As shown in Figure 1, there are three types of evaluation that should be conducted to ensure that the initiatives are working as planned and are achieving the intended results. These are needs evaluation, process evaluation, and outcome evaluation. Needs evaluation is evaluation of the model that is developed. It is conducted in the early stages of a new program and should, ideally, precede both process and outcome evaluations. Needs evaluation looks at the consistency of the proposed model with best practices for similar initiatives and evaluates the implementation phase of an initiative (Hollander et al., 2009). Process evaluation is
an evaluation of how the model is operating. It is conducted to determine if services are being delivered in a manner that is consistent with the model and the policies of the program. Process evaluations can be used to improve how the policy is delivered or implemented (Hollander et al., 2009). Outcome evaluation is an evaluation of whether the model should be continued in its existing form. It is conducted to determine if a program is meeting its stated objective(s) and/or to determine if it is better than one or more other models (including the model which was in place before the new program). Outcome evaluation can be used to determine the relative ‘worth’ of a program and can be used to make decisions about whether a program will be maintained, modified or ended (Hollander et al., 2009).

3 Research method

This descriptive research intends to answer the research question relating to entrepreneurship policy evaluation in Indonesia, where the government has declared its commitment to developing entrepreneurship. One of the entrepreneurship programs is a micro financing program, which is used as a case study in order to conduct the entrepreneurship policy evaluation. The program evaluation includes all the stages of policy process from agenda setting to the evaluation stage. This study uses a framework for entrepreneurship policy evaluation as shown in Table 1. It describes entrepreneurship policy evaluation at every stage; data collected; method used; issues and actors involved at every stage of the policy life cycle. Validation and verification of this research are conducted by using data triangulation which is combining the data compiled with the stakeholder interviews.

Table 1 Research design of emerging entrepreneurship policy

<table>
<thead>
<tr>
<th>Policy stage</th>
<th>Data</th>
<th>Methods</th>
<th>Issues</th>
<th>Actors involved</th>
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<tbody>
<tr>
<td></td>
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<td>Peer evaluation analysis</td>
<td>Objectives</td>
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<td></td>
<td></td>
<td></td>
<td>Actors involved</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Goal and priorities</td>
<td></td>
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<tr>
<td>Formulation</td>
<td>Product of regulation such as: Law</td>
<td>Document reading</td>
<td>Actors involved</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Peer evaluation analysis</td>
<td>Policy product</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Plan for dealing with problem</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Related institution</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Available options to achieve the goal</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Ministries</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Related institution</td>
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</table>
The focus is how this policy or program (micro financing program) is implemented in Indonesia. Data collection is gathered from the report of the Indonesian President’s speech (annual report), an evaluation report of business credit, and any other sources. The issues are related to cost and benefit analysis; outputs; outcomes; impact (the increasing number of entrepreneurs; the increasing number of growth enterprises, etc.); and policy recommendation. While the actors involved are ministries, entrepreneurs, and academicians.

In order to define government programs or policies that are included in entrepreneurship policy requires certain criteria. This study defines the criteria of entrepreneurship policy from the definition of entrepreneurship used, which covers potential entrepreneurs and existing entrepreneurs; the entrepreneurship process; the objectives; and the entrepreneurship competency. The potential entrepreneurs and entrepreneurs can be individuals, teams, and organisations. The entrepreneurship process includes identifying opportunity, evaluating opportunity, and exploiting opportunity. The objectives can be a start-up business or growing business. The last is entrepreneurship competency covering skill, knowledge, and attitude related to entrepreneurship. These criteria are constructed as guidelines in selecting an entrepreneurship policy. The criteria of entrepreneurship policy are shown in Table 2.
Table 2 The criteria of entrepreneurship policies

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Criteria</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>entrepreneur</td>
<td>Team</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organisation</td>
<td></td>
</tr>
<tr>
<td>process</td>
<td>Evaluate opportunity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exploit opportunity</td>
<td></td>
</tr>
<tr>
<td>Objectives</td>
<td>Start-up business</td>
<td>Reynolds et al. (1999) and Lundström and Stevenson (2005)</td>
</tr>
<tr>
<td></td>
<td>Growing business</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>Skill</td>
<td>Verheul et al. (2001) and Lundström and Stevenson (2005)</td>
</tr>
<tr>
<td>competency</td>
<td>Knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attitude</td>
<td></td>
</tr>
</tbody>
</table>

This research focuses on the evaluation of a micro financing program. The micro financing program is a program that is intended to reduce poverty by empowering SMEs. The program aims to improve access to capital and other resources for small and micro enterprises in order to accelerate the development of the real sector and empowerment of SMEs. The government works to help and to support the implementation of credit provision and underwrite institutions, with insurance agencies serving as the guarantor on loans, and financing institutions such as banks distributing soft loans to SMEs and cooperatives.

The micro financing program’s targets are groups of people who have been trained to enhance empowerment and independence in the cluster. Business actors are able to take advantage of the funding scheme derived from formal financial institutions such as banks, cooperatives, etc. The business sectors that are allowed to participate in the micro financing program are all productive sectors. Considering the criteria of entrepreneurship policy, the micro financing program is included. The micro financing program has significant advantages for potential entrepreneurs mostly in exploiting the opportunity process as part of entrepreneurship process, where the potential entrepreneur or entrepreneur has to finance their start up or business growth.

4 Research findings

The evaluation of the micro financing program was conducted in order to identify the significant impacts of the program in developing entrepreneurship. Furthermore, it required a methodology that describes how to evaluate entrepreneurial policy, in terms of data availability, tools needed, and the actors involved. The evaluation of the micro financing program is divided into three parts, which are need evaluation, process evaluation, and outcome evaluation.
4.1 Need evaluation

Currently, entrepreneurship policy did not exist explicitly in Indonesia. It only began in 2016 when entrepreneurship policy making is scheduled formally by government, in the period of President Jokowi 2014–2019. The policy stages which are included in the need evaluation are the agenda setting and formulation stage. Under agenda setting, the problem and priority of the state are identified and revealed in the National Medium Term Development Plan (RPJMN) that is issued by the Ministry of National Development Planning/National Development Planning Agency. The study focuses on document research, while data collection is gathered from the Regulation of the President of the Republic of Indonesia Number 5 of 2010 regarding the National Medium-Term Development Plan (RPJMN) 2010–2014. The Ministry of National Development Planning/National Development Planning Agency produces the RPJMN as guidance for the government to develop its program. Furthermore, the data are analysed by filtering and categorising the entrepreneurship policy using keywords. The keywords are the criteria of entrepreneurship policy which are described later.

Under agenda setting, the program’s planning determines the actors involved and the issues emerging relating to entrepreneurship policy. It shows that the Indonesian government has already set up an entrepreneurship policy in agenda setting. The agenda includes the micro credit program policy; expansion of credit services/bank financing for cooperatives and SMEs, which are supported by financial institutions/other financing; and increasing the role of non-bank financial institutions, such as venture capital, leasing, mortgage financing to support cooperatives and SMEs. While the actors involved in the micro financing program are the Ministry of Finance, Coordinating Ministry of Economy, Ministry of Cooperatives and SMEs, and Coordinating Ministry of People’s Welfare Sector. While the issues raised in this program are reducing the poverty level, improving income distribution, and empowering communities and expanding the economic opportunities of those on low-incomes. The findings are shown in Table 3.

Table 3  
Agenda setting stage of micro financing program

<table>
<thead>
<tr>
<th>Agenda setting stage</th>
<th>Involved actor</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro credit program</td>
<td>Ministry of Finance</td>
<td>1 Reducing poverty level</td>
</tr>
<tr>
<td>Coordination of micro credit program policy</td>
<td>Coordinating Ministry of Economy</td>
<td>2 Improving income distribution</td>
</tr>
<tr>
<td>Expansion of credit service/bank financing for cooperatives and SMEs, which is supported by synergy of development and cooperation with financial institutions/other financing</td>
<td>Ministry of Cooperatives and SMEs</td>
<td>3 Empowering communities and expanding economic opportunities for those on low-incomes</td>
</tr>
<tr>
<td>Increasing the role of non-bank financial institutions, such as venture capital, factoring, leasing, mortgage financing to support cooperatives and SMEs, along with the development of information networks</td>
<td>Ministry of Cooperatives and SMEs</td>
<td></td>
</tr>
<tr>
<td>Coordination of microfinance and utilisation of appropriate technology</td>
<td>Coordinating Ministry of People’s Welfare Sector</td>
<td></td>
</tr>
<tr>
<td>Product of regulation</td>
<td>Topic of policy</td>
<td>Policy instruments</td>
</tr>
<tr>
<td>-----------------------</td>
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</tr>
<tr>
<td><strong>Law</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. 1 of 2013</td>
<td>Institution of micro financing</td>
<td>Establishment of microfinance institutions</td>
</tr>
<tr>
<td>No. 1 of 2013</td>
<td>Institution of micro financing</td>
<td>Establishment of financing institutions to provide business development services and community development, through giving micro financing or financing micro enterprises</td>
</tr>
<tr>
<td><strong>Government regulations</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| No. 60 of 2013        | Organisational structure, personnel, and working mechanism of financing youth entrepreneurship | Financial institution to support the development of youth entrepreneurship | 1 Establishment of LPKP  
2 LPKP serves to facilitate access to finance for young entrepreneurs in order to start their business | 1 Entrepreneurs  
2 Ministry  
3 Provincial and local government |
| No. 17 of 2013        | Implementation of UU No. 20 of 2008 on the MSMEs | MSMEs | Empowerment of MSMEs | Ministry of cooperatives and SMEs |
| **Presidential instruction** |                |                    |      |        |
| No. 1 of 2010         | Accelerating the implementation of national priority development 2010 | Expansion of micro financing services | Increasing effectiveness of micro financing coverage | Ministry of finance, coordinating ministry of economy, and ministry of cooperatives and SMEs |
At the formulation stage, the priorities of the state are addressed in the form of regulation. Entrepreneurship policy is identified from the product of regulations in the period of 2010–2015. Regulations are classified based on criteria of entrepreneurship policy and are determined based on policy instruments, goals, and actors. Data collection is made from the list of regulations such as law, government regulations, presidential regulation, presidential decree, and presidential instruction. All data collections are analysed and filtered by searching all the regulations that are related to micro financing. The result is shown in Table 2. The regulations relating to micro financing are the following, Law No. 1 of 2013; Government regulations No. 60 of 2013 and No. 17 of 2013; and Presidential instruction No. 1 of 2010 as shown in Table 4.

4.2 Process evaluation

This focuses on the implementation of micro financing as a program to improve access to financing and to increase the productivity of SMEs and cooperatives by providing a guarantee for bank loans received. In the period of 2010–2014, the amount of disbursed loans was IDR 137.1 trillion and reached 11 million people with average loans per debtor of IDR 13.9 million. The growing volume of distribution is due to the improvement of the distribution mechanism and the increasing number of participants, which now reached 33 banks. The level of non-performing loans (NPL) up to May 2014 amounted to 4.3%, which reflected the good return of credit by SMEs and cooperatives. Micro financing has been channeled to SMEs and cooperatives in various fields of business, particularly in trade and agriculture. The achievement of the micro financing program is influenced by the socialisation and mentoring role of various ministries, institutions, and banks in 33 provinces. The Ministry of Cooperatives and SMEs, for example, provides assistance to 27,250 micro and small businesses every year to be able to access micro financing. Figure 2 shows the evaluation of the micro financing program in terms of the budget allocation and realisation of micro financing program absorption during the years 2007–2014. Another weakness of policy implementation was lack of pre-implementation process as stated by a regulator officer that “The weakness in regulation is in the preparation of policy implementation, preparation should also include funding, human resources, organization, facilities, equipment, public acceptance, public consultation and socialization, so that the policy can be implemented effectively. Many regulations are not successful because of the lack of preparation process”.

4.3 Outcome evaluation

The outcome evaluation should answer whether the entrepreneurship program implemented by government can actually increase the amount of entrepreneurship in Indonesia. Unfortunately until now, there has been no thorough evaluation of the entrepreneurship program that seeks and provides evidence of the outcomes resulting from entrepreneurship policy implementation. According to the interview with the respondents, policy performance evaluation usually follows the presidential elections which take place every five years and at the end of the presidential term there is an accountability report on the programs that have been implemented: how has the program been implemented? Is the program useful? Are the actors involved assisted by the program or not? However in five year periods the outcomes of the programs were rarely visible. The evidence to link the goal set by government with today’s achievements has not yet been provided.

An interview conducted with a national planning officer was found that the outcome evaluation was never carried out as asserted that “problem of regulation in Indonesia is in terms of policy implementation such as: a change of regime creates different policy priorities. It results in a lack of sustainability and continuity of the policy itself. The process of policy outcome and impact evaluation is not carried out in Indonesia, because the key performance indicator is budget absorption. It is considered effective if it can absorb the allocated budget”.

Figure 2 Realisation of micro financing distribution year of 2007–2014 (in billion IDR)

Source: State address of the President of the Republic of Indonesia (69th Independence of the Republic of Indonesia, 2014)
5 Discussion

The impact of entrepreneurship policy (micro financing program) may not be evaluated in the short or medium term; therefore, a tool is needed to capture these phenomena. During this time, the evaluation tool places more emphasis on economic aspects using a cost and benefit analysis tool. Cost and benefit analysis lacks stakeholders’ involvement for it only discusses the allocation and absorption of budget – serving as an indicator of micro financing program performance – that has been determined by the government.

5.1 Needs evaluation

Need evaluation covers the agenda setting and formulation stages, the first evaluation to be done at the agenda setting stage is to identify the problem, so in this case the government sets the priority plan. Emphasised issues are objectives, goals, and involved actors. The second evaluation is carried out at the formulation stage, which goal and priority under agenda setting is addressed in the form of regulation that eventually becomes the legal basis for the policy product. In this stage, compliance between policy product and legal protection is an important issue, so that the case of overlapping or conflicting policy products must not be allowed to occur. The issues at this stage are involved actors, policy product, plan for dealing with the problem, unit of analysis, and related institution.

Need evaluation focuses more on defining the need behind the emerging of the policy; what is the background of the problems and some of the alternative solutions? In Indonesia before the policy is made there is a study called the academic draft. It is a basic research study that will be used as a rationale in making a policy. The academic draft is a script that can be justified scientifically about the conception which contains the background, the purpose of the preparation, objectives to be achieved and the scope, coverage, object, and policy direction.

The participation of citizens is very necessary so that the process of socialisation and education needs to be carried out before the implementation of the policy itself. Socialisation and education especially for those who are affected can create engagement between the citizen and the policy thereby it can increase the level of compliance during the implementation periods. According to the interview with the respondents in this study, it is said that the pre-implementation process should have equal portions to the policy implementation process itself. In this case, resources should be considered important such as the budget for pre-implementation and the use of experts as well, in order to carry out the socialisation process.

5.2 Process evaluation

Process evaluation focuses more on the implementation of policy product including budget allocation, policy tools (sanctions, grants, prohibitions, and rights), targeted/affected actors, implementation approaches, and strategies (monitoring and evaluation). The evaluation of entrepreneurship policy implementation should take
account of the goal or objective set under the agenda setting. However, at this time, assessment is more focused on costs and benefits analysis, and is insufficient. The absorption of budget should be tested for assessment whether the program really had an impact on the creation of entrepreneurs or on the development of business for those who received the assistance. In-depth interviews are needed in order to explore the use of assistance funds, regardless of the success or failure of the business. The most important thing is the lessons learned. The business may have failed reducing the program performance; however, the lessons learned from these failures should be included and be captured as an indicator of the program.

In micro financing program implementation, the technical problem that mostly occurred is related to human resources. For example, in the micro financing program, there is a person in the banking institution that served as a business analyst. A business analyst gives recommendations on whether an entrepreneur gets the soft loan or not. On the other hand, there is also a person in the banking institution who monitors the business progress. In reality, these officers, business analyst and person who monitors the business progress, are usually the same person. There is no separation between business analyst officer and business monitoring officer. Furthermore, it causes a conflict of interest and leads to the increasing percentage of NPL in this program (Christy et al., 2014). The evaluation that has been done so far is to measure and to assess the output of this program, which is the budget that has been allocated by government. However the evaluations to measure and to evaluate the outcome and the impact of this program have not been conducted.

5.3 Outcome evaluation

In general, outcome evaluation should answer whether the policy should be continued and how to improve its goals and delivery. Unfortunately, this evaluation has not been conducted in Indonesia. There is no evidence resulting from the micro financing program that can answer whether the program can increase the amount of entrepreneurs and whether the program can develop entrepreneurship in Indonesia. This can be the result of several factors, such as because the key performance indicator that has been set by government is budget allocation. Effective policy is shown by how well it absorbs the allocated budget. Another reason is because outcome evaluation is not visible in a short period of time as policy evaluation usually follows the presidential election which is every five years. Therefore government has not been able to define the effectiveness of policy implementation. However, outcome evaluation should be conducted eventually, so that government can decide whether the policy should be continued; whether the policy is aligned with the goal; and the actors involved really gain benefit from the policy itself.

5.4 Research contribution

In addition to the added-value contribution to theory development, this research makes a significant contribution to the practice and the science. As a practical contribution, this research provides evaluation of the entrepreneurship policy implementation in Indonesia, so that government can identify the effectiveness of existing entrepreneurship policy implementation. The research develops academic contributions such as:
criteria of entrepreneurship policy

a conceptual model of entrepreneurship policy evaluation, extended entrepreneurship policy evaluation based on the logic model of Balthasar (2011)

descriptive studies on what has been done by government to conduct the evaluation of entrepreneurship policy in Indonesia.

6 Conclusions

The criteria of entrepreneurship policy are defined from the entrepreneurship definition, which includes some attributes, namely target or potential entrepreneurs, the entrepreneurship process, objectives, and entrepreneurship competency. The criteria of each attribute are as follows: target or potential entrepreneurs can be individuals, teams, and organisations. Criteria of entrepreneurship process are to identify, evaluate, and exploit opportunity. Criteria of objectives of entrepreneurship are whether a start-up business or growing business. Criteria of entrepreneurship competency include all related to skill, knowledge, and attitude.

The logic model developed by Balthasar (2011) is valuable to show the context of entrepreneurship policy and the issues at each different policy stage. The input covers the agenda setting and formulation stages which result in the entrepreneurship policy program. The activities cover the implementation stage, whilst the output, outcome and impact cover the evaluation stage. The evaluation is divided into three parts that are need evaluation, process evaluation, and outcome evaluation. Need evaluation focuses on defining the need behind the entrepreneurship policy. It shows that in Indonesia policy is preceded by a study called an academic draft. This is basic research that will be used as a rationale in policy making. The academic draft is a script that can be justified scientifically about the conception which contains the background, the purpose of the preparation, objectives to be achieved, and the scope, coverage, object, and policy direction.

Evaluation of entrepreneurship policy is very challenging. It needs a contextual approach to identify the successful indicators, consisting of the results from literature review and field research. Entrepreneurship policy evaluation which covers all policy stages including the agenda setting stage, formulation stage, implementation stage, and evaluation stage is important, as it provides useful recommendations for the future. Each stage of the policy process has specific issues. The issues in agenda setting are the clarity of the problem and objectives, and alternatives to achieve the goal. The issues in formulation are the actors involved, policy product, plan for dealing with the problem, and unit of analysis. The issues in implementation are budget allocation, policy tool, affected actors, and implementation approach strategy. While in evaluation, the issues include tool analysis, policy recommendation, output, outcome, and impact analysis. The result of this research provides the evaluation of emerging entrepreneurship policy in a case study of a micro financing program. The evaluation of entrepreneurship policy implementation of the micro financing program is mostly focused on the economic aspect namely cost and benefit analysis. It covered budget allocation and absorption set by the government. Furthermore, it is certainly not enough to provide strong evidence on the impact of the entrepreneurship policy implementation.
This study is essential for the development of entrepreneurship because it discloses the recent evaluation process of entrepreneurship policy, measuring and assessing the output of the entrepreneurship policy, while government needs tools to measure and assess the outcomes and the impact of the entrepreneurship policy as well. Consequently, it is very useful for stakeholders to evaluate future entrepreneurship programs and policies. Future research should be more focused on providing a valid causal relationship in the context of entrepreneurship policy. It requires methods to address the complexity of the entrepreneurship process. Future research can use and develop theory-driven evaluation as an evaluation strategy, tool or approach that integrates and involves stakeholders, social science, and other theories in conceptualising and conducting entrepreneurship policy evaluation.

References


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