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The Demands of Business Incubation for Entrepreneurship Program in MSMEs: A Literature Review

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Abstract - *The symbiotic relationship between entrepreneurship and business incubation programs in higher education and as well in MSMEs is examined in this paper. The idea that a thriving private sector is necessary for economic growth has long been supported by the development community. Enterprises have been hailed as the engine of economic growth, with a crucial role at the heart of entrepreneurship, particularly in developing countries. Enterprise development has been hailed as the source of the majority of new jobs and productive investment, as well as the foundation for economic growth and poverty reduction. It is suggested that such business assistance programs as business incubators are the much-needed business model for developing entrepreneurship in any country, particularly in the Philippine Higher Education. According to the incubation development theory, offering shared facilities such as working spaces, offices, hands-on organization support, and access to financing, networking, and publicity to important business and technical assistance improves venture success throughout the incubation phase not only for the students in this program but as well as the SMEs practitioners. Economic development, job creation, and increased competitiveness of existing businesses are all benefits of this symbiotic relationship between entrepreneurship and business incubation.*

Key Words**:** *Entrepreneurship, Business Incubation, Technology, SMEs, Venture*

INTRODUCTION

In general, an incubator is a mechanism that keeps prematurely born babies warm and safe in a controlled environment. Similarly, business incubation is a program that provides support services to young entrepreneurial firms until they are strong and mature enough to leave the incubator and thrive on their own. According to Rice and Matthews (1995), the primary motivation for a business incubation program is to promote entrepreneurship.

According to the relevant provisions of Republic Act (RA No.7722), also known as the Higher Education Act of 1994, it specifies the core competencies expected of BS Entrepreneurship graduates, regardless of the type of Higher Education Institution from which they graduated, in pursuit of an outcomes-based quality assurance system as advocated under CMO No.46 s.2012 linked to the guidelines for the implementation of CMO No.46 s.2012. Business incubation is a core requirement of any BS Entrepreneurship program and its most valuable source of experiential learning, according to Section 18 of the CMO No.46 s.2012.

In 1959, the business incubator was born in Batavia, New York, in the United States (Hackett and Dilts, 2004 and Lewis, 2001). Other countries have universally accepted and adopted the policy tool designed specifically for economic development. The study's rationale is based on the premise that entrepreneurship development has not been studied in conjunction with business incubation. Several studies on entrepreneurship have focused on general entrepreneurship as well as business incubators that have been studied separately. On the contrary, this study differs from previous studies because, despite the fact that research on business incubation, particularly in success factors or performance, according to Kumar and Ravindran, (2012), there is still a scarcity of literature on the relationship between business incubation practice and entrepreneurship.

LITERATURE REVIEW

As SMEs are viewed as the engines and bedrock of industrial and economic development and growth in many dynamic economies, the government of various evolving nations has played an important role in outlining strategies and agendas that sustain the enhancement of entrepreneurs from grassroots to medium enterprises; various national governments recognize business incubation programs as the specific mechanism used to achieve such SMEs.

Entrepreneurship Program

Small and medium-sized enterprises (SMEs) have been critical to most countries' economic and social development. Because of their adaptability and proximity to customers are an important component of modern economies' technological dynamics (Musa and Danjuma, 2007). They argued that, despite their roles as agents of economic development, this group of entrepreneurs is the most vulnerable; their vulnerability stems from their inability to access basic factors of production; however, other very important constraints abound that militate against the effective operations of small scale entrepreneurs; these include: a lack of access to appropriate technology; they also cited this as a difference (Musa and Danjuma, 2007). SMEs, according to Ayodeji and Balcioglu, provide a foundation for the growth and expansion of homegrown entrepreneurs.

Furthermore, by encouraging the expansion and transformation of these activities outside of the main community neighborhood, SMEs contribute to the distribution of financially viable performance. There has been a lot written about the importance of entrepreneurship and the growth of small and medium-sized businesses (Gangi and Timan, 2013). Shane (2009), on the other hand, was opposed to continuing to fund start-ups of innovative businesses with marginal growth, arguing that attention should instead be paid to businesses with a high growth potential. His opposing viewpoint relates to how entrepreneurial policies encourage people to start small businesses that are unlikely to succeed or have a minor economic impact while also creating minor jobs. Furthermore, Musa and Danjuma argue that an increase in the number of jobs created by SMEs is not always associated with increased productivity. Regardless of whether either argument about the impact of SMEs on employment and job creation is correct, the key function performed by these business enterprises cannot be overlooked because SMEs have advantages over their larger-scale competitors.

Business Incubation

In general, an incubator is a mechanism that keeps prematurely born babies warm and safe in a controlled environment. Similarly, business incubation is a program that aims to keep young entrepreneurial firms warm and safe through a variety of support services until they are strong and mature enough to leave the incubator and thrive on their own. The first business incubator was established in the United States in 1959 in Batavia, New York (Rice and Matthews, 1995).

According to Lose and Tengeh (2015), Adegbite's (2001) study defines business incubation as a method of creating new small businesses by providing and nurturing SMEs and potential entrepreneurship students in the following areas: (1) infrastructure; (2) enterprise counseling and training; (3) coaching and mentoring; (4) research and development; and (5) consultancy. Based on interviews with faculty who handled business plan implementation subjects, a lack of facility and access to financial resources was discovered because the majority of students enrolled in the program came from middle-class families.

Technology Business incubation is a popular economic development tool used in many parts of the world to address the changing situation and a range of industrial competitiveness caused by the effects of globalization. It promotes the development and a private enterprise way of life in response to the appearance of innovative technologies and arrangements that accelerate the country's progress toward industrialization. Business incubation is widely used as a tool to encourage entrepreneurs and assist start-ups. Business incubators help young companies, especially those that are still experiencing difficulties in their early stages. They typically assist newly formed, innovative businesses in the technical setting (M. Stefanovi, G. Devedi, and M. Eric, 2008). Several models of incubators, as well as various arrangements and levels of facilities, are available, depending on the preferences of those who funded and established it.

The Business Incubation and the Entrepreneurship Program

As SMEs are viewed as the engine and bedrock of industrial and economic development and growth in many dynamic economies, governments in various developing nations have played an important role in developing strategies and agendas that support the advancement of entrepreneurs from small to medium-sized businesses (Oni and Daniya, 2012).

Various national governments recognize business incubation programs as a specific mechanism for achieving such SMEs outcomes, as incubators have been observed to foster the enhancement of the entrepreneur way of life as well as serving as a mechanism for the growth of incorporated firms that includes, among others, institutions of higher education, entrepreneurial businesses, professionals, and government bodies. Entrepreneurship and business incubators thus act as Siamese twins. The purpose of establishing incubator centers is to assist entrepreneurs, who are referred to as tenants or incubatees and are housed by the incubator; thus, SMEs and incubators have a linear relationship.

According to entrepreneurship literature, the purpose of a business incubator is to serve as a stopgap for entrepreneurs who lack resources. These conveniences include both tangible and intangible resources. The absence of these resources has been the bane of entrepreneurs' entrepreneurial success. In line with this, Iwuagwu (2011) stated that potential start-up firms would be fortified with business support and programs aimed at fostering them from inception to adulthood in incubation centers.

According to Eric (2008), business incubators contribute significantly to their environment's job creation and wealth creation. According to Anderson and Hanadi (2012), international business incubation models have proven to be a significant useful component in economic advancement and job creation, innovation, technology transfer, and diversification from the community economic system. As a result, a business incubation system is likely to be a good innovative scheme for bringing economic development locally and globally. Hanadi and Busler (2012) discovered that the main goal of incubators is economic development in a comparative study of the incubator landscape in Europe and the Middle East. This assertion is also shared by a number of other authors (Hanadi etal, 2012; Willhelm, 2011; and Ropper, 1999). The impact of incubators on economic development, specifically job creation, entrepreneurial company formation, job growth, and sales, has been assessed (Markley and McNamara, 1994).

Impact of Business Incubation

Comparing studies is difficult due to the lack of a standard methodology for measuring incubator performance (Dee et al., 2011). Academic research on business incubators reveals the difficulty in answering what appears to be a simple question: do business incubators have a positive impact? There is little data available to assess the impact of business incubation, which a variety of factors could explain. Incubation can be difficult to evaluate because the results can take years to manifest, essentially the time it takes for an enterprise to develop its market and scale its production. Incubating a successful business takes three to four years on average, and if you want to assess the viability and growth rate of incubated businesses, you'll have to wait another three to four years after graduation. Few studies capture the full impact of business incubation, for example, by focusing on the incubation period rather than the longer term, and by ignoring entrepreneurial learning and subsequent activity as a result of business failure (Dee et al., 2011). According to studies conducted in New Zealand, real growth rates in revenue and job creation do not occur until the fourth and seventh years after graduation (Ministry of Economic Development New Zealand, 2008). In developing countries, where business incubation is still a relatively new concept except for Brazil and India, measurement becomes even more complicated (Khalil and Olafsen, 2010).

METHODOLOGY

The literature review includes academic literature, research and technical papers, government reports, and working papers, all of which are thought to be relevant to answering the main inquiry question.

The current evidence on the impact of business incubation, mentoring, and training on start-up companies is discussed in more detail above, including several program evaluations and impact assessments that look at these issues in qualitative perspective.

CONCLUSION

This paper demonstrated that the pursuit of rapid entrepreneurship development in order to accelerate economic development has remained critical to government administrations around the world, particularly in developing countries. The literature review looked at studies that looked at the impact of incubation, investment, training, and mentoring on businesses. These areas face serious challenges in measuring impact, which are frequently related to a lack of data, the reliability of existing data, the quality of evidence, high levels of heterogeneity, and issues of study comparability. Overall, there is little proof of long-term sustainable impact across regions, with a few credible studies indicating that start-up support in developing countries has limited effectiveness. This is demonstrated by the variety of support structures put in place by various governments worldwide. This comes on the heels of entrepreneurship development playing a critical role in a country's economic development. Entrepreneurs can play a catalytic role in the country's social and economic development. They faced numerous challenges, particularly in terms of funding and infrastructure. Business incubation is critical to the success of entrepreneurship development, particularly for early-stage start-ups. The greatest evidence is found in the impact that accesses to finance can have on the growth and development of businesses. Financing constraints stifle enterprise growth, disproportionately affecting SMEs, and in the case of developing countries, can result in a sluggish growth path. On the other hand, approach to finance has been found to be positively related to enterprise market entry and growth, firm performance, and the promotion of innovation and entrepreneurial activity. Better access to the financial system also allows enterprises to grow to a larger equilibrium size by capitalizing on growth and investment opportunities. Overall, it has become clear that while access to finance is not a silver bullet solution for businesses, increasing access to capital has the potential to improve aggregate economic performance. While the evidence in many of these areas is not conclusive but rather suggestive, it is important to consider that enterprises, in order to grow and survive, require a comprehensive support system in which each of these components is implemented not in isolation but as part of a larger scheme.

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