



## **Government Support for Micro, Small, and Medium Enterprises: A Post-2020 Scoping Review**

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### **Abstract**

This study examines the government roles most needed to support micro, small, and medium enterprises (MSMEs) in the post-2020 policy environment, where firms face financing constraints, digital transformation demands, market-access barriers, regulatory burdens, and resilience challenges. The purpose of the research is to synthesize recent evidence and identify higher-order government functions that consistently contribute to MSME survival, improvement, and growth. Using a PRISMA-Scr-guided scoping review, the study screened and synthesized post-2020 journal literature through Scopus- and Web of Science-compatible search logic, verified publisher records, and retained forty original studies published between 2021 and 2025. The results show that government support converges into five interdependent roles: capital de-risking, capability building, market creation, rule-setting and local business environment formation, and shock absorption or transition stewardship. The review also finds that support is most effective when finance is combined with advisory services, digital capability development, simplified administration, and credible market-access channels. The implication is that MSME policy should be designed as an integrated, targeted, inclusive, and accountable support architecture rather than as separate policy instruments.

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## **INTRODUCTION**

Micro, small, and medium enterprises are widely expected to contribute to employment creation, market participation, innovation diffusion, and the stability of local supply chains. However, the policy literature on MSME support remains fragmented because government intervention is often discussed separately through finance, digital

transformation, procurement, export assistance, local governance, formalization, crisis relief, and sustainability transition. This fragmentation creates a practical problem for ministries, local governments, and business associations, as it remains unclear which government roles MSMEs most consistently need in the current post-pandemic environment. After the COVID-19 period, governments across countries shifted from emergency relief toward broader agendas of recovery, digitalization, resilience, industrial upgrading, and green transition. This shift makes it necessary to understand government support not merely as temporary assistance, but as a coordinated policy architecture that helps smaller firms survive, adapt, and grow.

The theoretical basis of this study is drawn from market failure theory, resource-based and capability-based perspectives, institutional theory, and ecosystem perspectives. Market failure theory explains that government intervention is justified when MSMEs face persistent barriers such as credit constraints, information asymmetry, weak bargaining power, and limited market access. Resource-based and capability-based perspectives emphasize that small firms often lack the managerial, technological, and organizational resources needed to transform external assistance into better performance. Kicova et al., (2025), Boccaletti et al. (2025) found that public financial support can improve later access to market-based finance and accelerate SME growth, while (Espinosa Sáez et al., 2022), Takahashi and Hashimoto (2023) showed that the subsidy application process itself can stimulate productivity improvement. Badghish & Soomro, (2024) Jayeola et al. (2022) and Kurniawan and Iskandar (2023) further indicated that financial support yields stronger outcomes when combined with technology adoption, competitive capability, and perceived policy effectiveness.

Institutional theory suggests that the quality of rules, administrative systems, and local governance shapes firm behaviour and performance. Fu and Krauss (2024), Sebayang et al., (2024) found that stronger local business environments improve employment growth, revenue, and credit conditions for micro and small enterprises, while Musabayana et al. (2022) showed that weak communication and poor policy implementation reduce the effectiveness of government support. Ecosystem perspectives also explain that MSME upgrading depends on interactions among government, intermediaries, digital actors, and markets. Tinitis and Fey (2022) and Kinyua et al. (2025), de la Iglesia et al., (2024) demonstrated that export support and public procurement can expand opportunities for SMEs, although their benefits depend on timing, design, and institutional credibility. Recent studies further show that governments play important roles in digital orchestration, resilience building, and sustainability transition, as reflected in the findings of (Dahlgard & Anninos, 2022) Shirish et al. (2025), Nakandala et al. (2025), and Gennari (2023).

Based on these theoretical and empirical foundations, this article seeks to move beyond a narrow evaluation of isolated policy instruments. Smaller firms usually face bundles of constraints rather than single barriers; therefore, finance may be ineffective when digital capability is weak, procurement access may underperform when compliance costs are high, and deregulation may produce limited benefits when firms remain excluded from finance and knowledge networks. The objective of this study is to identify the higher-order government functions that recur most consistently across recent empirical and conceptual studies on MSMEs after 2020. Using a scoping review approach guided by PRISMA-ScR, this article consolidates recent evidence into five interdependent government roles: capital de-risking, capability building, market creation, rule-setting and local business environment formation, and shock absorption or transition

stewardship. By doing so, the article contributes to the MSME policy literature by presenting government support as an integrated, targeted, inclusive, and accountable support architecture rather than as a set of disconnected policy instruments.

## LITERATURE REVIEW

The literature on MSME development increasingly indicates that government support should not be viewed solely as financial assistance but as a broader, institutional and capability-based intervention. From the perspective of market failure theory, public intervention is necessary because MSMEs often face persistent barriers, including limited access to credit, information asymmetry, weak bargaining power, and restricted market access. These barriers make smaller firms more vulnerable than larger firms and reduce their ability to survive, compete, and grow. In this context, government support is expected to reduce market constraints and create a more enabling environment for MSMEs. Ashta, (2022), Boccaletti et al. (2025) found that public financial support can improve later access to market-based finance and accelerate SME growth, while Takahashi and Hashimoto (2023) showed that the subsidy application process itself can stimulate productivity improvements. These findings suggest that government financial intervention is important not only as a source of funding but also as a mechanism that encourages firms to become more bankable, organized, and productive.

Resource-based and capability-based perspectives further explain that MSMEs often lack internal managerial, technological, and organizational resources needed to transform external support into improved performance. Government support will therefore be more effective when it strengthens firms' absorptive capacity. Jayeola et al. (2022) found that government financial support did not directly improve SME performance but did so through cloud ERP adoption and competitive advantage. (Putranto, 2025), Kurniawan and Iskandar (2023) also found in the Indonesian MSME context that government finance improved sustainable performance when MSMEs perceived policy support as effective and combined it with technology adaptation. Nguyen et al. (2023) showed that government support for staff training and technology development improves SME innovation. These studies indicate that financial support alone is insufficient when firms cannot absorb and apply it productively.

Institutional theory emphasizes that the effectiveness of MSME support is shaped by the quality of rules, administrative systems, local governance, and implementation capacity. Government policy may be formally in place, but it may fail to produce meaningful outcomes when implementation is weak or administrative procedures are difficult to access. Musabayana et al. (2022) found that policy intent alone was insufficient because weak communication and poor implementation diluted the performance effects of government policies. Fu and Krauss (2024) showed that a stronger local business environment improves employment growth, revenues, and credit conditions for micro and small enterprises. Gama et al. (2024) also found that local banking development and branch density influence SME financing choices. These findings support the view that the local business environment, licensing quality, communication, and financial infrastructure should be treated as direct forms of government support rather than as background conditions.

The literature also highlights the importance of ecosystem perspectives in explaining MSME upgrading. MSME performance depends not only on individual firm choices, but also on interactions among government, intermediaries, digital actors, financial institutions, and markets. Alojail & Khan, (2023), Sassanelli and Terzi (2022)

argued that SMEs need flexible and staged support architecture for digital transformation rather than uniform digitalization programs. Gao et al., (2023), Kraft et al. (2022) showed that digital adoption among SMEs is uneven and that managerial understanding of digital transformation remains limited, while Silva et al. (2022) found that readiness varies strongly across SMEs. Shirish et al. (2025) further showed that government can orchestrate microbusiness digital transformation through top-down, bottom-up, and multidirectional knowledge flows. These studies suggest that the government's role is not only to fund MSMEs but also to coordinate knowledge, provide advisory support, and create digital ecosystems that align with firms' readiness levels.

Previous studies also show that government support is important in creating market access for MSMEs. Market creation refers to government actions that open demand channels, strengthen procurement access, support exports, and facilitate formal market entry. Tinitis and Fey (2022) found that the timing and order of export support mechanisms materially shape SME export performance. Kinyua et al. (2025) found that government procurement contracts can ease financing obstacles, especially in lower-income contexts and when combined with audit certification. Nemec (2024) showed that SME participation and success in public procurement depend on institutional and tender design features, rather than solely on SME capability. Pham and Srivastava (2024) also found that better local governance lowers formalization frictions, especially for women-owned firms. These findings indicate that procurement, export support, and formalization policies should be understood as developmental instruments that help MSMEs gain credibility, access demand, and improve their growth prospects.

In the post-pandemic period, the literature has expanded from finance and market access toward resilience and sustainability transition. MSMEs are increasingly expected not only to recover from disruption but also to adapt to digital, environmental, and supply chain changes. Nakandala et al. (2025) found that access to government assistance strengthens SME supply-chain resilience during disruptive times, especially when firms already possess robustness capabilities. Park and Seo (2024) showed that crisis policy can determine whether internal adaptive capacity is sufficient for organizational resilience. Gennari (2023) argued that SMEs require governance, capability, and ecosystem support to move from isolated green practices to circular business models. Ortiz et al. (2024), Vásquez et al. (2024), and Tritto et al. (2024) also emphasized that sustainability and circular transition require intermediary practices, technological support, organizational support, and alignment with regional policies. (Rovanto & Finne, 2023) found Government support must increasingly connect crisis recovery with long-term resilience and sustainability.

Based on the reviewed literature, this study adopts the analytical proposition that government support for MSMEs is most effective when it operates as an integrated support architecture rather than as isolated policy instruments. The reviewed evidence points to five interdependent government roles: capital de-risking, capability building, market creation, rule-setting and the formation of the local business environment, and shock absorption or transition stewardship. Capital de-risking helps firms overcome financial exclusion and improve later financeability. Capability building strengthens training, mentoring, digital readiness, leadership, and absorptive capacity. Market creation opens procurement, export, and formal market opportunities. Rule-setting improves institutional usability through predictable administration, local governance, communication, and financial infrastructure. Shock absorption and transition stewardship connect crisis support with resilience, digital transformation, and sustainability.

Therefore, the development of this study is not based on a causal hypothesis linking variables, but on a scoping review proposition that MSMEs need a coherent, targeted, inclusive, and accountable government support architecture that combines finance, capability, market access, institutional quality, and transition-oriented assistance.

## **METHODS**

This study used a scoping review design to map, organize, and interpret the recent literature on government roles in supporting micro, small, and medium enterprises. A scoping review was selected because the concept of the government's role in MSME development is broad and heterogeneous, encompassing financial support, grants, guarantees, procurement, export assistance, local governance, formalization, digital capability support, resilience programs, and sustainability transition policy. The review was guided by PRISMA-ScR logic, while PRISMA 2020 was used as the flow-reporting scaffold to present the screening and selection process transparently. The purpose of the method was not to estimate a pooled causal effect, but to identify recurring government functions and policy patterns across recent empirical and conceptual studies.

The data used in this study were secondary, drawn from peer-reviewed journal articles. The review focused on studies published from 1 January 2021 to 30 April 2026 to capture the post-pandemic policy cycle and the shift in government support from emergency relief toward digitalization, resilience, industrial upgrading, and transition governance. The data sources were journal literature identified through Scopus- and Web of Science-compatible search strings, accessible academic search interfaces, and official publisher platforms. The search process prioritized records with authoritative bibliographic information, stable publisher pages, and DOI verification. Review papers and method papers were used only as contextual support, while the final synthesis retained original peer-reviewed journal articles.

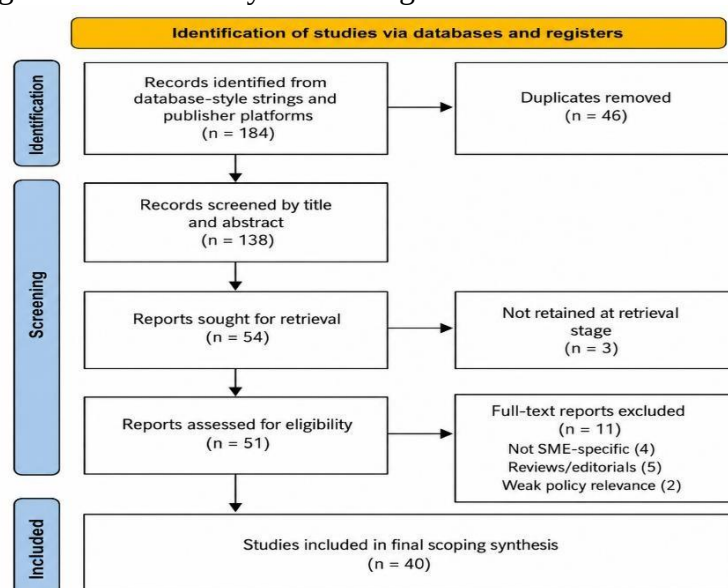
Data collection was conducted through a structured literature search using a broad Boolean search strategy. The search string combined terms related to SMEs, MSMEs, micro and small enterprises, small businesses, government, public policy, public support, regulation, subsidy, grants, guarantees, procurement, export support, trade facilitation, business environment, taxation, licensing, formalization, digitalization, resilience, sustainability, and circular economy. The search string was adapted to the syntax and filtering logic of each platform. Filters were applied to limit the results to journal articles, English-language publications, studies published from 2021 onward, and articles with substantive relevance to SMEs, MSMEs, MSEs, or microbusinesses. Backward and forward citation checks were used solely to complete bibliographic verification, not to replace the core eligibility process.

The inclusion criteria were peer-reviewed journal articles published from 2021 onward, written in English, directly focused on SMEs, MSMEs, MSEs, or microbusinesses, and containing substantive analysis of a government role or institutional condition that public actors can shape. Articles also needed an authoritative bibliographic record with a DOI or a stable publisher link. The exclusion criteria were books, conference papers, reports, editorials, pre-2021 studies, non-SME-focused articles, studies with only tangential policy relevance, and records that could not be reliably verified. The review process identified 184 records, removed 46 duplicates, screened 138 records by title and abstract, sought 54 records for retrieval, assessed 51 full-text records for eligibility, and retained 40 original studies for final synthesis.

The unit of analysis in this study was the individual journal article included in the final corpus. Each retained study was charted based on publication year, research setting, method, government role evidenced, and policy-relevant findings. The main analytical categories were not treated as statistical variables but were organized into higher-order government-role clusters. These clusters included capital de-risking, capability building, market creation, rule-setting, local business environment formation, and shock absorption or transition stewardship. Capital de-risking referred to public action that reduces financial risk and improves access to finance. Capability building referred to support for training, mentoring, digital systems, leadership, innovation, and absorptive capacity. Market creation referred to procurement access, export support, formal market entry, and demand-channel development. Rule-setting referred to licensing, governance quality, administrative predictability, communication, and institutional usability. Shock absorption and transition stewardship referred to crisis assistance, resilience support, sustainability transition, and circular-economy-oriented policy.

Data analysis was conducted through thematic synthesis and analytical mapping. The reviewed studies were first organized descriptively by publication year, region, role cluster, and study design. The synthesis then compared the findings across studies to identify repeated patterns, boundary conditions, and policy implications. The analysis did not use formal risk-of-bias scoring because the purpose of a scoping review is primarily to map evidence rather than to test effect sizes. However, the interpretation differentiated between evidence from quasi-experimental and large-sample econometric studies and evidence from survey-based, case-based, conceptual, and framework studies. This approach allowed the study to distinguish stronger empirical patterns from more conceptual or associational claims. Through this process, the study developed an integrated policy synthesis showing that government support for MSMEs is most effective when finance, capability building, market access, institutional usability, and transition-oriented assistance operate as a complementary support architecture rather than as isolated policy instruments.

Figure 1. PRISMA-style flow diagram for the review workflow



RESULT AND DISCUSSION

Result

The scoping review identified a final corpus of 40 original studies published between 2021 and 2025 that examined government roles in supporting SMEs, MSMEs, MSEs, or microbusinesses. The evidence base was obtained after a structured screening process in which 184 records were initially identified, 46 duplicates were removed, 138 records were screened by title and abstract, 54 records were sought for retrieval, 51 records were assessed for eligibility, and 40 original studies were retained for final synthesis. This result shows that the review corpus was not built from a general narrative selection, but from a transparent filtering process intended to capture post-2020 evidence on government support, public policy, digitalization, finance, resilience, market access, and sustainability transition.

The included studies show that the post-2020 literature on MSME support has moved beyond emergency relief and subsidy-centered approaches. The evidence is increasingly concentrated on broader policy functions, especially capability building, capital de-risking, shock absorption, market creation, and rule-setting. The publication-year distribution indicates that the literature became increasingly concentrated after 2023, with the largest number of included studies in 2024. This pattern suggests that research on government support for MSMEs has shifted from immediate pandemic survival toward longer-term issues such as digital upgrading, resilience, institutional usability, and sustainability transition.

Table 1. Summary of Main Results by Government Role

| Government role                             | Main result from the reviewed evidence                                                                                                                                   | Interpretation for MSMEs                                                                                                  |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Capital de-risking                          | Public financial support, grants, guarantees, tax incentives, and inclusive finance policies reduce financing friction and improve later access to market-based finance. | MSMEs need finance that is usable and linked to advisory support, take-up assistance, and future bankability.             |
| Capability building                         | Training, mentoring, digital systems, leadership development, and technology adoption support improve innovation, resilience, and performance.                           | Financial support alone is insufficient when firms lack absorptive capacity and digital readiness.                        |
| Market creation                             | Procurement, export support, trade facilitation, and formal market entry expand opportunities for SMEs and MSMEs.                                                        | Government support is more effective when it opens credible demand channels and reduces barriers to market participation. |
| Rule-setting and local business environment | Licensing, administrative quality, local governance, communication, and financial infrastructure influence firm growth and credit conditions.                            | Policy effectiveness depends on institutional usability, not only on the existence of programs.                           |
| Shock absorption and transition stewardship | Crisis assistance, resilience support, circular economy policy, and sustainability transition programs help firms adapt to disruption.                                   | Recovery programs should be linked to long-term resilience, digital transformation, and sustainability.                   |

Table 1 shows that government support for MSMEs is best understood as a combination of interdependent roles rather than as a single policy instrument. The strongest pattern across the reviewed evidence is that finance becomes more effective when it is connected with capability building, administrative simplification, and credible market access. In other words, the role of government is not only to provide funding, but

also to reduce risk, strengthen firm capacity, open market channels, improve the local business environment, and support adaptation during disruption.

The first major result is that government acts as a capital de-risker. Studies such as Boccaletti et al. (2025), Takahashi and Hashimoto (2023), Hosono et al. (2023), and Hosono et al. (2024) show that public financial support can improve later access to finance, stimulate productivity, and influence investment behavior. However, the evidence also indicates that the amount of financial support is not the only factor that matters. Take-up, application processes, financial frictions, collateral barriers, and firm bankability determine whether public finance can be absorbed effectively. Simba et al. (2024) and Brown et al. (2022) further show that collateral requirements, low collateral value, gender-related barriers, and borrower discouragement may limit credit access. Capital support should be designed not merely as disbursement, but as a pathway that helps MSMEs become more financially credible and less excluded from formal finance.

The second major result is the dominance of capability building in the reviewed corpus. Capability building is the largest thematic cluster among the included studies. This result is important because it indicates that current government support is increasingly evaluated not only by how much money is provided, but by whether MSMEs gain the skills, routines, digital systems, leadership, and absorptive capacity needed to use support productively. Nguyen et al. (2023) found that support for staff training and technology development enhances SME innovation, while Jayeola et al. (2022) showed that financial support drives cloud ERP adoption and competitive advantage. Kurniawan and Iskandar (2023) also showed that in the Indonesian MSME context, government finance improves sustainable performance when combined with policy effectiveness and technology adaptation. Therefore, capability building is a central result because it explains why finance-only schemes may fail when MSMEs are not ready to absorb the support.

The third result concerns the government role as a market creator and connector. Evidence from Tinitis and Fey (2022), Kinyua et al. (2025), Nemec (2024), and Pham and Srivastava (2024) shows that procurement, export support, tender design, and formalization policies can expand MSME opportunities. However, the benefits of these policies depend on timing, institutional credibility, compliance capacity, and the design of public procurement systems. This finding indicates that market access is not only a business outcome, but also a policy outcome. MSMEs may remain small not because they lack effort, but because demand channels, procurement systems, and formal market gateways remain difficult to access.

The fourth result shows that rule-setting and the local business environment are foundational forms of government support. Fu and Krauss (2024) showed that stronger local business environments improve employment growth, revenue, and credit conditions for micro and small enterprises. Musabayana et al. (2022) found that weak communication and poor implementation reduce the effectiveness of government policies, while Gama et al. (2024) showed that banking infrastructure and branch density shape SME financing choices. These findings suggest that licensing, administrative predictability, communication quality, local governance, and financial infrastructure are not merely background conditions. They are direct mechanisms through which government support becomes usable or unusable for MSMEs.

The fifth result concerns shock absorption and transition stewardship. The reviewed evidence shows that government support is increasingly connected to resilience, sustainability, and circular transition. Nakandala et al. (2025) showed that access to

government assistance strengthens supply-chain resilience during disruption, especially when firms already have robustness capability. Park and Seo (2024) suggested that crisis policy can determine whether internal adaptive capacity is sufficient. Gennari (2023), Ortiz et al. (2024), Vásquez et al. (2024), and Tritto et al. (2024) further show that sustainability transition requires governance, capability, technology, intermediary support, and regional policy alignment. This result indicates that post-crisis support should not only preserve business survival, but also help firms upgrade toward resilience and sustainability.

Figure 2. Publication-year distribution of the 40 included studies.

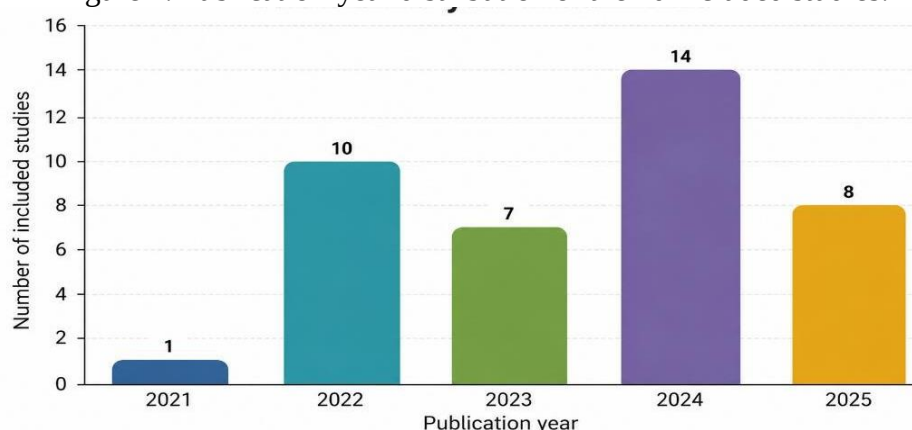


Figure 2 shows that the reviewed studies were concentrated in the most recent years, especially after 2021. Only one study was published in 2021, followed by a sharp increase to 10 studies in 2022 and 7 studies in 2023. The highest number of included studies was in 2024, with 14 publications, followed by 8 in 2025. This pattern indicates that research on government roles in supporting MSMEs has grown strongly in the post-pandemic period, reflecting increased academic attention to recovery, digital transformation, resilience, and sustainability.

Figure 3. Distribution of included studies across higher-order government-role clusters.

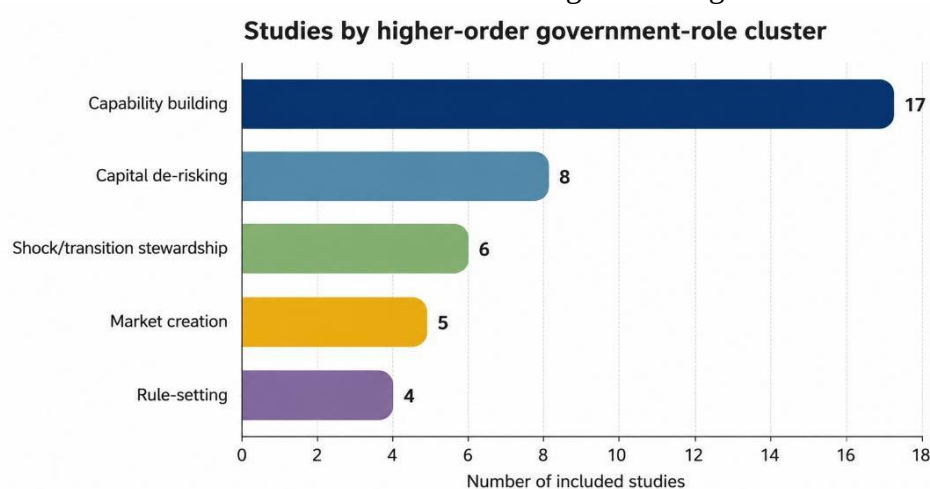


Figure 3 shows that capability building is the dominant government role cluster, with 17 included studies. MSME research emphasizes the importance of training,

mentoring, digital readiness, leadership, and absorptive capacity in helping firms make effective use of support. Capital de-risking follows with 8 studies, while shock or transition stewardship, market creation, and rule-setting appear in smaller but still important clusters. Overall, the distribution suggests that government support is increasingly understood not only as financial assistance, but also as a broader effort to build MSME capability, resilience, market access, and institutional support.

Figure 4. Regional distribution of the accessible validated corpus.

#### Regional distribution of the accessible validated corpus

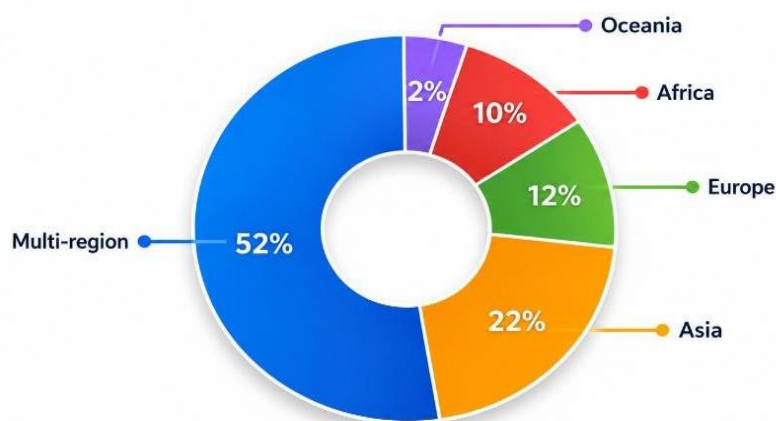


Figure 4 shows that most of the reviewed studies come from a multi-region context, accounting for 52% of the accessible validated corpus. Asia holds the second-largest share at 22%, followed by Europe at 12%, Africa at 10%, and Oceania at 2%. This distribution indicates that the evidence base is largely global rather than concentrated in a single region, so the findings can be used to identify broad patterns of government support for MSMEs while still requiring careful adaptation to local contexts.

Figure 5. Analytical evidence map crossing role clusters and study designs

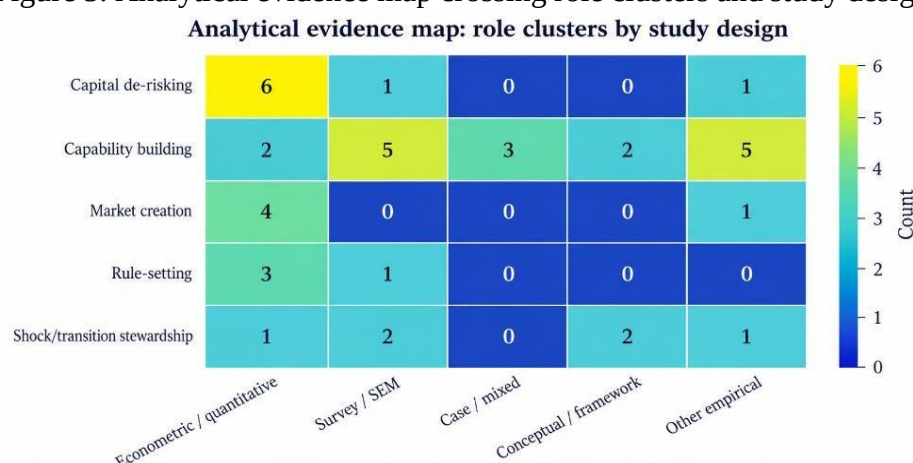


Figure 5. shows how different study designs support each government-role cluster. Capital de-risking is mainly supported by econometric or quantitative studies, suggesting stronger empirical evidence in finance-related policy analysis. Capability building has the most diverse evidence base, including survey/SEM, case or mixed-methods studies,

conceptual frameworks, and other empirical studies, indicating that this role is examined from multiple methodological perspectives. Meanwhile, market creation, rule-setting, and shock or transition stewardship are supported by smaller but varied evidence, showing that these roles remain important although the research base is less extensive.

Figure 6. Adapted staged support architecture for SME digital transformation, based on Sassanelli and Terzi (2022)

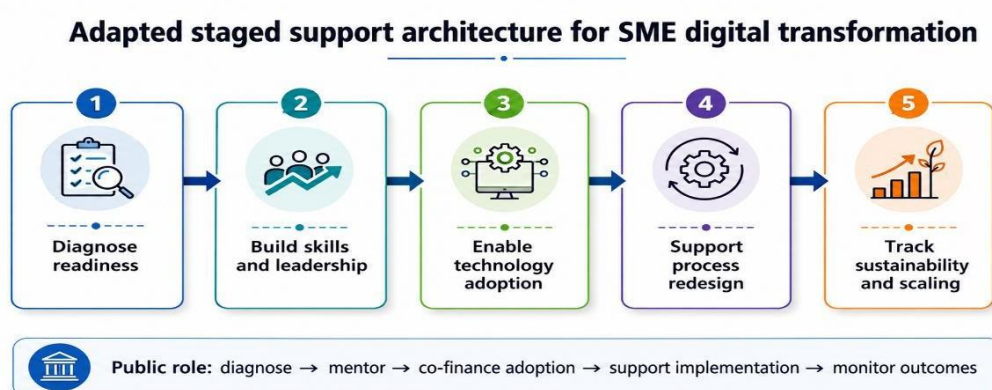
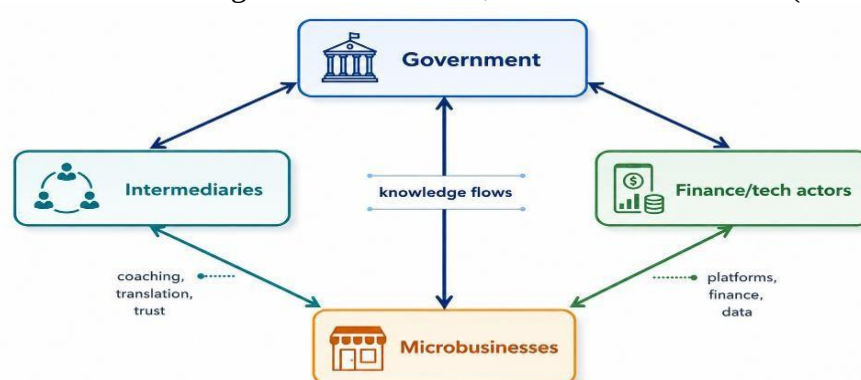


Figure 6 illustrates a staged support architecture for SME digital transformation, beginning with readiness diagnosis and continuing through skills and leadership development, technology adoption, process redesign, and sustainability tracking. It shows that digital transformation support should not be delivered as a one-time program, but as a gradual process in which the government diagnoses firm needs, provides mentoring, co-finances technology adoption, supports implementation, and monitors outcomes. SMEs require structured and continuous public support to transform digital investment into sustainable business improvement.

Figure 7. Adapted knowledge-centric government orchestration model for microbusiness digital transformation, based on Shirish et al. (2025).



Adapted knowledge-centric government orchestration model for microbusiness digital transformation

Figure 7 presents a knowledge-centric government orchestration model for microbusiness digital transformation. It shows that the government does not work alone, but coordinates knowledge flows among intermediaries, finance and technology actors, and microbusinesses. Intermediaries provide coaching, translation, and trust, while

finance and technology actors support platforms, finance, and data. This model suggests that digital transformation for microbusinesses depends on collaboration and continuous knowledge exchange, with the government acting as an orchestrator that connects actors and strengthens the digital ecosystem.

Figure 8. Adapted circular-transition framework for SMEs  
**Adapted circular-transition framework for SMEs**



Public policy aligns governance, ecosystems, and innovation support with firms' transition stage.

Figure 8 illustrates a circular transition framework for SMEs, showing that public policy should align governance, stakeholder relations, and innovation support with the firm's transition stage. SMEs may be in a reactive, proactive, or transformative stage, and each stage requires different forms of support. Sustainability and circular-economy policies should not use a one-size-fits-all approach, but should be adjusted to the firm's readiness, ecosystem relationships, and innovation capacity.

Figure 9. The Government Support Architecture

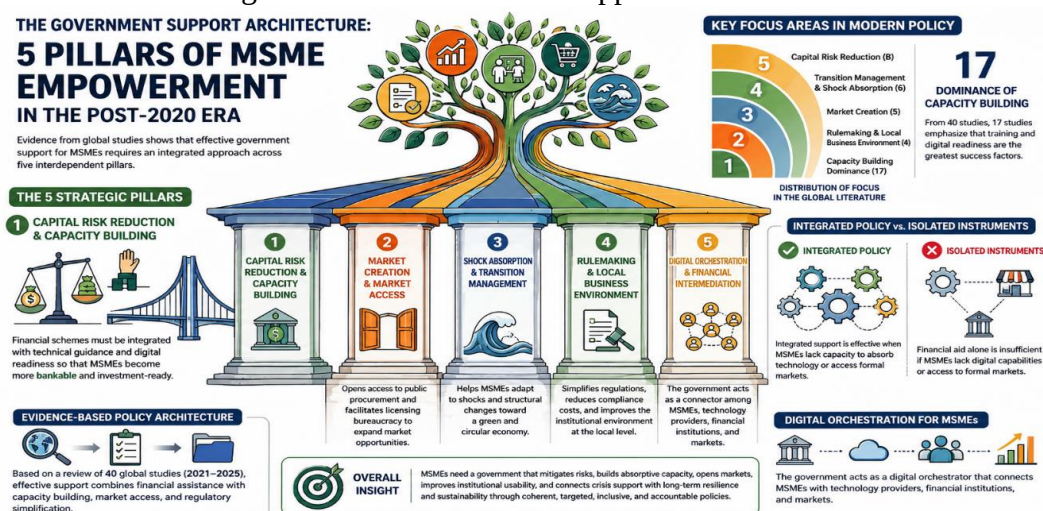


Figure 9 explains that effective government support for MSMEs in the post-2020 era requires an integrated policy architecture built on five interdependent pillars: capital risk reduction and capacity building; market creation and market access; shock absorption and transition management; rulemaking and local business environment improvement; and digital orchestration with financial intermediation. Based on the synthesis of 40 global studies published between 2021 and 2025, the figure emphasizes that financial

assistance alone is insufficient. Government support becomes more effective when funding is combined with technical guidance, digital readiness, simplified regulation, credible market access, and coordination among MSMEs, technology providers, financial institutions, and markets.

## Discussion

The findings of this scoping review show that government support for MSMEs should not be interpreted as a single intervention, but as an integrated role-bundle that combines finance, capability building, market access, institutional quality, and transition support. This result is relevant to the study's theoretical foundation because market failure theory explains why MSMEs require public intervention when they face credit constraints, information asymmetry, weak bargaining power, and limited market access. However, the reviewed evidence also shows that correcting market failure through finance alone is not sufficient. Boccaletti et al. (2025) and Takahashi and Hashimoto (2023) indicate that public financial support can improve later access to finance and productivity. Still, its effectiveness depends on take-up, application quality, and firm readiness. Therefore, the main argument developed from the results is that government finance should function as catalytic support that reduces risk and builds future bankability, not merely as a disbursement program.

The findings are also consistent with resource-based and capability-based perspectives, which argue that firms need internal resources and absorptive capacity to transform external support into performance. The dominance of capability building in the reviewed corpus strengthens this theoretical argument. Jayeola et al. (2022) found that financial support did not directly improve performance but rather operated through cloud ERP adoption and competitive advantage. In contrast, Kurniawan and Iskandar (2023) showed that Indonesian MSMEs benefit from government financial support when combined with perceived policy effectiveness and technology adaptation. MSME support should not be measured solely by the amount of funds distributed, but by whether it increases the firm's ability to learn, adapt, digitize, and compete. The empirical findings from the review therefore challenge subsidy-centered policy logic and support a more capability-oriented approach.

From an institutional theory perspective, the findings show that government support is meaningful only when institutions are usable by MSMEs. Fu and Krauss (2024) demonstrate that stronger local business environments improve employment growth, revenue, and credit conditions, while Musabayana et al. (2022) show that weak communication and poor implementation reduce policy effectiveness. These findings are important because they shift the discussion from policy existence to policy usability. A program may be formally available, but MSMEs may still fail to benefit from it when licensing procedures are complicated, communication is weak, collateral rules are exclusionary, or local implementation capacity is low. Thus, the discussion confirms that administrative simplicity, predictable governance, and credible implementation are not secondary issues; they are core elements of MSME support.

The findings also strengthen the ecosystem perspective by showing that MSME upgrading depends on interaction among government, intermediaries, digital actors, financial institutions, and markets. Sassanelli and Terzi (2022) emphasize staged digital transformation support, while Shirish et al. (2025) show that government can orchestrate digital transformation through knowledge flows involving top-down, bottom-up, and multidirectional processes. Capability building was the largest role cluster in the review.

MSMEs differ in digital readiness, managerial capacity, and local ecosystem conditions, so one-size-fits-all digitalization programs are unlikely to work equally across firms. The discussion therefore supports the argument that the government should act not only as a funder but also as an orchestrator, connector, and translator of knowledge across the MSME ecosystem.

The role of government as market creator further extends the discussion beyond finance and training. Tinits and Fey (2022) and Kinyua et al. (2025) show that export support and public procurement can expand opportunities for SMEs, but the benefits depend on timing, design, and institutional credibility. This finding is important because MSMEs often remain small not only because they lack capital, but because they lack credible access to demand channels. Procurement, export assistance, and formal market entry should therefore be treated as developmental policies rather than merely administrative procedures. The empirical evidence implies that market creation can improve financing opportunities, firm credibility, and growth potential when government systems are accessible and trusted.

The discussion also shows that MSME policy after the pandemic must be linked to resilience and sustainability. Nakandala et al. (2025) show that access to government assistance strengthens supply-chain resilience during disruption, while Gennari (2023), Ortiz et al. (2024), Vásquez et al. (2024), and Tritto et al. (2024) indicate that sustainability and circular transition require governance, capability, technology, and ecosystem support. These findings broaden the meaning of government support from short-term rescue to long-term transition stewardship. Recovery policies that prioritize survival alone may leave firms vulnerable if they are not connected to upgrading, digital adaptation, and a sustainability transition. Therefore, the review argues that resilience and sustainability should be integrated into MSME support architecture rather than treated as separate or future agendas.

The novelty of this study lies in its synthesis of fragmented post-2020 literature into five higher-order government roles: capital de-risker, capability builder, market creator, rule-setter and local environment shaper, and shock absorber or transition steward. Previous studies often focus on one policy instrument, such as finance, procurement, digitalization, or resilience. This study does not claim that one role is universally superior, but argues that the roles are interdependent and should be designed as a complementary support architecture. This role-bundle logic is the key novelty because it explains why isolated interventions often fail. Finance without capability may be under-absorbed; capability without market access may not produce growth; procurement without institutional usability may exclude the smallest firms; and recovery support without upgrading may preserve fragility rather than build resilience.

Another novelty is the contingency argument developed from the review. The evidence shows that MSMEs do not respond uniformly to identical policy instruments. Micro firms, women-owned firms, firms in weak governance environments, and firms with low digital readiness may require different combinations and sequences of support. This finding strengthens the argument that MSME policy should be targeted, staged, and context-sensitive. Policy effectiveness depends not only on policy volume, but also on firm readiness, local institutional quality, administrative usability, and timing. Therefore, the contribution of this study is not merely to list government roles, but to show that coherent MSME policy requires bundling, sequencing, and institutional adaptation.

## CONCLUSION

This study concludes that the government roles most needed by MSMEs in the post-2020 policy environment cannot be reduced to a single policy instrument such as grants, subsidies, regulation, or training. The reviewed evidence shows that MSMEs require a five-role support architecture in which government acts as a capital de-risker, capability builder, market creator, rule-setter and shaper of the local business environment, and shock absorber or transition steward. These roles are interdependent because smaller firms often face multiple constraints simultaneously. Financial support may be under-absorbed when firms lack digital readiness and managerial capability; capability development may not lead to growth when market access remains closed; procurement opportunities may exclude smaller firms when administrative systems are difficult to use; and crisis support may only preserve short-term survival when it is not connected to resilience and sustainability upgrading.

The main contribution of this study is the development of an integrated role-bundle logic for understanding government support for MSMEs. Rather than ranking policy instruments, this study shows that the value of government support lies in how different roles are combined, sequenced, and adapted to firm conditions and institutional contexts. This finding strengthens market failure theory by showing that public intervention is needed not only to correct financial constraints, but also to reduce information barriers, open markets, and improve institutional usability. It also extends resource-based and capability-based perspectives by showing that external support becomes effective only when MSMEs have sufficient absorptive capacity, digital readiness, leadership, and organizational routines. In addition, the findings support institutional and ecosystem perspectives by demonstrating that local governance, administrative quality, intermediary support, and market channels shape whether MSMEs can actually benefit from public policy.

The practical implication of this study is that MSME policy should be designed as a coherent, targeted, inclusive, and accountable support architecture. Ministries, local governments, and development agencies should not treat finance, training, procurement, licensing, digitalization, and resilience programs as disconnected schemes. Financial support should be linked with mentoring, technology adaptation, and later-stage financeability. Digitalization programs should begin with diagnosis of firm readiness and be followed by staged adoption support. Procurement and export policies should be treated as developmental tools that open credible demand channels. Local governments should improve licensing, communication, administrative predictability, and implementation quality because these are direct forms of economic support. Crisis and sustainability programs should also be connected to long-term resilience, circular transition, and firm upgrading.

This study has several limitations. First, it uses a scoping review design, so it does not estimate pooled effect sizes or produce a universal causal ranking of government instruments. Second, the evidence base is methodologically mixed, including econometric, survey-based, case-based, conceptual, and framework studies, so the strength of evidence differs across role clusters. Third, the reviewed corpus is geographically uneven and predominantly drawn from the global SME/MSME literature, meaning the findings identify transferable policy functions rather than a fully Indonesia-specific ranking of effects. Fourth, the search and verification process relied on an accessible validated corpus rather than a direct subscription database export, so future

journal submission should rerun and archive exact Scopus or Web of Science search exports for stronger reproducibility.

Future research should examine how different government role bundles work across firm size, sector, gender, region, and digital-readiness levels. Further studies should compare single-instrument policies with integrated policy packages to test whether bundled support produces stronger MSME outcomes. More panel, quasi-experimental, and administrative data studies are needed to strengthen causal claims, especially in capability building, digital transformation, procurement access, formalization, and green transition support. Future research in Indonesia and comparable emerging economies is also important to examine how local governance quality, technology adaptation, market access, and financial inclusion interact in shaping MSME performance. Overall, this study suggests that effective MSME policy is not about choosing between money, regulation, or training, but about designing an integrated support system that helps smaller firms reduce risk, build capability, access markets, navigate institutions, and move toward long-term resilience and sustainability.

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