



Systematic Literature Review on the Relationship Between Government Support and Business Performance

WAN MUHD FAEZ WAN IBRAHIM^{*1, a}, JATI KASUMA ALI^{2, b}, MALVERN ABDULLAH^{3c} and LEVIANA ANDREW^{4, d}

¹ Universiti Teknologi MARA, Sarawak Branch, Malaysia

² Universiti Teknologi MARA, Sarawak Branch, Malaysia

³Universiti Teknologi MARA, Sarawak Branch, Malaysia

⁴Universiti Teknologi MARA, Sarawak Branch, Malaysia

^a wanfaez@sarawak.uitm.edu.my, ^b jati@sarawak.uitm.edu.my, ^c malvernabdullah@sarawak.uitm.edu.my
& ^d leviana141@uitm.edu.my

Abstract

Governments around the world use financial and non-financial support instruments to improve the performance of small and medium-sized enterprises (SMEs), but the empirical evidence on whether and how this support leads to improved business performance is fragmented and, at times, contradictory. The purpose of this paper is to conduct a systematic literature review (SLR) of the relationship between government support and business performance using the PRISMA protocol. Using a PICO-structured search and screening strategy, the review synthesizes peer-reviewed empirical and review studies published between 2015 and 2026 to answer three research questions about the types of government support studied, the direction of the support-performance relationship, and the mediating or moderating mechanisms that explain variation in this relationship. The majority of research show that government support improves business performance, although the relationship is typically indirect, conditional, or even statistically insignificant once firm-level and contextual factors are taken into account. Financial and non-financial support instruments tend to work through partially different mechanisms, with non-financial assistance being more consistently associated to innovation-related outcomes and financial support having more diverse results across national contexts. The review finishes with an integrated conceptual model based on the resource-based perspective and recommendations for policymakers, enterprise support practitioners, and future studies.

Keywords: government support, business performance, SMEs, PRISMA, resource-based view

1. Introduction

Small and medium-sized firms (SMEs) make up the vast majority of business entities in most nations and are often considered as significant drivers of job creation, innovation, and GDP growth (Malesu & Syrovátka, 2025). Because SMEs are disproportionately affected by resource constraints such as limited access to capital, thin managerial capacity, and limited market reach, governments in both developed and developing economies have implemented a variety of support instruments aimed at improving enterprise resilience, competitiveness, and performance (Prasannath et al., 2024). Government support is conventionally divided into two broad categories: financial support, which includes grants, subsidised credit, loan guarantees, and tax incentives; and non-financial support, which includes training, business advisory and consultancy services, mentoring, market and information access, technology transfer, and networking facilitation (Anwar & Li, 2021; Park et al., 2020). A substantial body of empirical research has examined the relationship between these support mechanisms and various dimensions of business performance, including financial performance, operational performance, innovation performance, and firm survival and growth. Despite the volume of this research, the evidence remains difficult to synthesise. Some studies report a strong, positive, and direct relationship between government support and business performance (Anwar & Li, 2021; Gyamfi et al., 2024), while others find the relationship to be statistically insignificant or contingent on mediating and moderating variables (Jayeola et al., 2022; Nguyen-Thi-Huong et al., 2023; Nguyen et al., 2018). This inconsistency, combined with variation in how government support and business performance are conceptualised and measured across studies, motivates the need for a systematic, PRISMA-guided synthesis of the existing evidence base. This paper addresses that need. It proceeds as follows: the next section outlines the problem motivating this review and presents the guiding research questions; this is followed by a review of the theoretical and empirical literature, a description of the review methodology (including eligibility criteria and search protocol), a thematic presentation of findings organised around the research questions, a discussion of the review's limitations, and, finally, conclusions and recommendations for policy and future research.

2. Problem Statement

Three interrelated problems motivate this review. First, findings on the government support–performance relationship are inconsistent across the literature: several large-sample studies report null or insignificant effects of government



support on firm profitability and performance (Nguyen et al., 2018; Nguyen-Thi-Huong et al., 2023), while others report significant positive effects (Anwar & Li, 2021; Gyamfi et al., 2024), and still others find effects that only emerge once mediating variables are introduced (Jayeola et al., 2022). Without a systematic synthesis, it is difficult to draw a reliable, generalisable conclusion about the true nature of this relationship. Second, studies vary considerably in how they define and measure both "government support" (financial only, non-financial only, or a combined composite construct) and "business performance" (financial, operational, innovation, or growth/survival measures), which limits comparability and constrains cumulative theory-building (Jayeola et al., 2022; Park et al., 2020). Third, the mechanisms also known as mediators and moderators can be explained through which government support influences performance are scattered across disparate studies and have yet to be consolidated into a single integrated framework specifically addressing government support in its broadest sense (both financial and non-financial) (Prasannath et al., 2024). This review closes these gaps by conducting a rigorous synthesis of peer-reviewed evidence.

3. Literature review

3.1 Theoretical Foundation

The dominant theoretical used in this literature is the resource-based view (RBV) of the firm (Barney, 1991; Wernerfelt, 1984), which holds that a firm's sustained competitive advantage and superior performance are the result of valuable, rare, inimitable, and non-substitutable resources and capabilities. In this framework, government support, whether financial or non-financial, is viewed as an external resource input that firms must absorb and convert into internal capabilities such as managerial competence, technological know-how, or strategic positioning in order to achieve performance gains (Anwar & Li, 2021; Nguyen-Thi-Huong et al., 2023). This theoretical perspective helps to explain why some research indicate indirect or conditional effects: the assistance is an input, whereas the capability it permits is the more direct driver of performance.

3.2 Conceptualising Government Support

Government support is operationalized both financial instruments, such as grants, subsidized loans, tax incentives, and credit guaranties (Nguyen et al., 2018; Nguyen-Thi-Huong et al., 2023) and non-financial instruments, such as training, advisory and diagnostic services, mentoring, market-access assistance, and regulatory or institutional facilitation of collaboration and innovation (Gyamfi et al., 2024; Park et al., 2020). Some research treat government support as a single composite construct without disaggregating these dimensions (Malesu & Syrovátka, 2025), whereas others explicitly compare or integrate both dimensions within the same model (Anwar & Li, 2021; Prasannath et al., 2024).

3.3 Conceptualising Business Performance

Business performance is measured heterogeneously across the reviewed literature, spanning financial performance indicators such as return on assets and return on equity (Nguyen-Thi-Huong et al., 2023), profitability (Nguyen et al., 2018), innovation performance (Chen et al., 2023; Gyamfi et al., 2024), and broader growth and survival indicators such as asset and sales growth (Park et al., 2020). This diversity in outcome measurement is itself a contributing factor to the inconsistent findings noted in the problem statement.

3.4 Prior Reviews and Positioning of This Study

Two recent systematic reviews inform the positioning of the present study. Malesu and (2025) conducted a PRISMA-based study of 72 papers on critical success factors (CSFs) for SMEs and found government support to be one of nine recurring CSFs, without distinguishing between financial and non-financial dimensions. Prasannath et al. (2024) conducted a PRISMA-based SLR of 65 articles to investigate how government support policies, both financial and nonfinancial, relate to entrepreneurial orientation and SME performance. They discovered that the two dimensions frequently operate through different pathways and that effects vary by country context. The current review expands on previous syntheses by focusing specifically and comprehensively on the overall government support-performance relationship, explicitly comparing financial and non-financial evidence streams, and consolidating the mediating and moderating mechanisms identified in the larger literature.

4. Research Questions

Guided by a PICO-structured framing of the review topic (Population: SMEs; Intervention: government support, financial and non-financial; Comparison: supported versus unsupported firms, or financial versus non-financial support; Outcome: business performance), this review is structured around three research questions:



RQ1: What forms of government support (financial and non-financial) have been empirically examined in relation to SME business performance in the peer-reviewed literature?

RQ2: What is the nature and direction of the relationship between government support and SME business performance, and does this relationship differ between financial and non-financial support types?

RQ3: What mediating or moderating variables (e.g., firm size, absorptive capacity, competitive advantage, institutional context) influence the strength of the relationship between government support and SME performance?

5. Research Methodology

This review adopts the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) approach to guide the identification, screening, and synthesis of relevant literature (Moher et al., 2015), consistent with recent SLRs in this domain (Malesu & Syrovátka, 2025; Prasannath et al., 2024).

5.1 Eligibility Criteria (PICO)

Eligibility was assessed the PICO methodology. Population: small and medium-sized businesses (SMEs); Intervention: government help, whether financial, non-financial, or both, as long as each support dimension is uniquely recognized; Comparison: sponsored versus unsupported enterprises, or comparisons between different sorts of government support; and Outcome: measurable business or firm performance, which may include financial, operational, innovation, growth, or survival outcomes.

5.2 Inclusion and Exclusion Criteria

The studies included must meet the following criteria: (a) they were published between 2015 and 2026 to reflect the recent trend of separating financial and non-financial support constructs; (b) they are in English; (c) they are peer-reviewed empirical studies (quantitative, qualitative, or mixed-methods) or peer-reviewed systematic/meta-analytic reviews; (d) they appeared in journals indexed in Scopus or Web of Science or in peer-reviewed conference proceedings; and (e) they specifically measured government support as a defined variable in relation to business performance outcomes for small and medium-sized enterprises (SMEs). Studies were excluded they: (a) were published before 2015, unless they represented seminal theoretical works used as background rather than as review evidence; (b) were not peer-reviewed (e.g., blogs, opinion pieces, unpublished theses); (c) focused solely on large corporations or multinational enterprises without a distinct SME sub-sample; (d) only tangentially referenced government policy without a measurable support construct; or (e) had no retrievable full text.

5.3 Search Strategy

A search of peer-reviewed academic literature was conducted using combinations of the following keyword strings: "government support" AND "SME performance", "government support" AND "firm performance", "government financial support" AND "business performance", "government non-financial support" AND "SME performance", and "government support" AND "systematic literature review". Searches drew on major scholarly sources indexed in Scopus- and Web of Science-listed journals, including Heliyon, Cogent Business & Management, Environment, Development and Sustainability, Asian Business & Management, Comparative Economic Research, and the International Entrepreneurship and Management Journal.

5.4 Study Selection and Data Extraction

Records identified through the search were screened at the title and abstract level for topical relevance, followed by a full-text review of studies meeting the eligibility criteria above. For each included study, the following data items were extracted: author(s) and year, country/context, sample size, methodology, type of government support examined, performance measure(s), key findings, and theoretical framework applied. A core set of nine studies directly addressing the government support–performance relationship, summarised in Table 1, forms the primary evidence base for the thematic synthesis presented in the following section; these are supplemented by two prior systematic reviews (Malesu & Syrovátka, 2025; Prasannath et al., 2024) that provide broader contextual synthesis. This review follows a structured, PRISMA-informed narrative synthesis rather than a full dual-reviewer protocol with a formally logged PRISMA flow diagram (i.e., exact counts of records identified, duplicates removed, and records excluded at each stage); this scope limitation is addressed further under Limitations. Findings are synthesised narratively and thematically, organised around the three research questions stated above.



Study	Context / Sample	Support Construct	Key Finding
Anwar & Li (2021)	315 SMEs, Pakistan	Financial & non-financial incentives	Both incentive types positively influence financial and environmental performance; effect partially mediated by differentiation/cost-leadership strategy.
Nguyen et al. (2018)	Manufacturing SMEs, Vietnam (panel, 2009–2015)	Government financial support	Government financial support shows an insignificant linkage with firm profitability under OLS estimation.
Nguyen-Thi-Huong et al. (2023)	1,342 SMEs, Vietnam (panel, 2011–2015)	Government support (general)	Government support has no significant impact on firm performance; diversification, not support, drives ROA.
Jayeola et al. (2022)	204 manufacturing SMEs, Malaysia	Government financial support (GFS)	GFS not directly related to financial performance; effect operates through sequential mediation of cloud-ERP implementation and competitive advantage.
Park et al. (2020)	42,261 SMEs, South Korea	Nonmonetary diagnostic/support services + loans	Diagnostic/support services alone do not raise growth, but significantly enhance the effect of public loan financing on SME growth.
Gyamfi et al. (2024)	216 country-level datasets, 27 EU countries	Non-financial support (framework conditions)	Non-financial support significantly facilitates SME collaboration and innovation, with indirect effects on innovation output.
Chen et al. (2023)	685 SMEs	Perceived government support (moderator)	Government support moderates the positive effect of management commitment and supply-chain integration on SME innovation performance.
Prasannath et al. (2024)	SLR, 65 articles	Government support policies (financial & nonfinancial)	Nonfinancial support relates to performance partly through entrepreneurial orientation; effects vary by support type and country context.
Malesu & Syrovátka (2025)	SLR, 72 publications	Government support (one of 9 CSFs)	Government support identified as a recurring critical success factor for SME performance and growth.

Table 1. Summary of Core Studies on Government Support and Business Performance

6. Findings

6.1 RQ1: Forms of Government Support Examined in the Literature

The studies reviewed look at government support in two main ways. Financial support, such as grants, subsidised credit, loan guarantees, and tax incentives, is discussed by Nguyen et al. (2018), Nguyen-Thi-Huong et al. (2023), Jayeola et al. (2022), and by Park et al. (2020), who also consider non-financial diagnostic services. Non-financial support, including training, advisory and diagnostic services, mentoring, and help with regulations, is examined by Gyamfi et al. (2024) and is also part of the broader frameworks used by Anwar and Li (2021), Chen et al. (2023), and Prasannath et al. (2024). Fewer studies, such as the systematic reviews by Malesu and Syrovátka (2025) and Prasannath et al. (2024), look at



government support as a combined or thematic category that covers both types. This shows that there is not yet a standard way to define government support, which affects how easily studies can be compared.

6.2 RQ2: Nature and Direction of the Government Support–Performance Relationship

The evidence about the direction of this relationship is mixed, and this variation seems to depend on how directly the relationship is modeled. Studies that treat government support as a direct predictor of performance, without considering mediating factors, more often find no significant effects. For example, Nguyen et al. (2018) reported that government financial support had no significant relationship to the profitability of Vietnamese manufacturing SMEs when using ordinary least squares estimation. Similarly, Nguyen-Thi-Huong et al. (2023), who analyzed a large panel of 1,342 Vietnamese SMEs, found that government support did not significantly affect firm performance. Instead, diversification strategy, not government support, led to improvements in return on assets. Jayeola et al. (2022) also found that government financial support had no significant direct effect on the financial performance of Malaysian SMEs. In contrast, research include mediating or complementing pathways consistently show positive outcomes. Anwar and Li (2021) discovered that both financial and non-financial government incentives had a considerable positive impact on Pakistani SMEs' financial and environmental performance, as mediated by differentiation and cost-leadership strategies. Gyamfi et al. (2024) discovered that non-financial "framework conditions" greatly improved SME collaboration and innovation within the European Union. Park et al. (2020) discovered that nonmonetary diagnostic and support services, while ineffectual in isolation, greatly increased the positive impact of public loan financing on Korean SMEs' growth. Comparing financial and non-financial support directly, the evidence suggests that non-financial mechanisms are more consistently associated with innovation-related performance outcomes (Chen et al., 2023; Gyamfi et al., 2024), whereas financial support produces more heterogeneous — and, in several large-sample studies, statistically insignificant — effects on financial performance outcomes such as profitability and return on assets (Nguyen et al., 2018; Nguyen-Thi-Huong et al., 2023). This pattern is consistent with Prasannath et al.'s (2024) broader synthesis finding that financial and nonfinancial support operate through different pathways.

6.3 RQ3: Mediating and Moderating Mechanisms

A common in the research is that the government support-performance link is mediated and moderated by firm-level characteristics, which is consistent with the previously described resource-based paradigm. Anwar and Li (2021) discovered that differentiation and cost-leadership tactics somewhat and completely moderated the connection between government incentives and corporate performance. Jayeola et al. (2022) discovered that the GFS-performance relationship was mediated successively by cloud ERP deployment and competitive advantage. Chen et al. (2023) discovered that government support moderates the relationship between management commitment, supply-chain integration, and SMEs' innovation performance. After reviewing studies, Prasannath et al. (2024) concluded that government support frequently promotes SME performance indirectly through the development of entrepreneurial orientation, with the intensity of this pathway varying by support type and national context. Contextual moderators, such as institutional maturity, firm size, and sector, also appear to have an impact: studies conducted in more institutionally mature contexts (Gyamfi et al., 2024, EU-wide; Park et al., 2020, South Korea) report more consistent positive effects than studies conducted in less institutionally mature contexts, where direct effects are frequently null (Nguyen et al., 2018; Nguyen-Thi-Huong et al., 2023, both Vietnam).

7. Limitation of the Study

This review is subject to several limitations. First, the search and screening process followed a structured, PRISMA-informed narrative synthesis approach rather than a full systematic protocol with a formally documented PRISMA flow diagram (exact counts of records identified, duplicates removed, and records excluded at each screening stage) and independent dual-reviewer screening; a more exhaustive systematic review incorporating these elements would strengthen the replicability of the findings. Second, the review is restricted to English-language, peer-reviewed publications, which may exclude relevant grey literature, government evaluation reports, and non-English studies. Third, the reviewed studies employ heterogeneous measures of both government support and business performance, which limits direct comparability and precludes formal meta-analytic aggregation of effect sizes. Finally, the majority evaluated studies use cross-sectional or short-panel survey methodologies, limiting causal inference about the direction and stability of the government support-performance relationship across time.



8. Conclusion and recommendations

This systematic literature review aimed to synthesize on the relationship between government support and corporate performance, guided by three research questions. In response to RQ1, the literature investigates government support from both financial and non-financial perspectives, however many studies do not separate the two. In response to RQ2, the direction of the relationship is mixed: several large-sample studies find no significant direct effect of government support, particularly financial support, on firm performance, while others find significant positive effects, with non-financial support consistently linked to innovation outcomes rather than financial performance outcomes. In answer to RQ3, this inconsistency is substantially explained by mediating firm-level capabilities (competitive advantage, absorptive capacity, entrepreneurial orientation, technology adoption) and contextual moderators (institutional maturity, firm size, sector), consistent with a resource-based interpretation in which government support functions as an enabling external resource rather than a standalone driver of performance.

8.1 Recommendations for Policy and Practice

Three implications provided for policymakers and enterprise-support agencies. First, financial support instruments used alone appear to have a significant risk of producing no measurable performance effect (Nguyen et al., 2018; Nguyen-Thi-Huong et al., 2023); bundling financial support with non-financial capability-building services, such as advisory and diagnostic support, appears to be more consistently effective (Park et al., 2020). Second, assistance programs should be deliberately structured to develop the intermediate firm-level competencies described in this research, rather than assuming a direct relationship between help supply and performance. Third, given the evidence of contextual diversity, government support programs should be adapted to the institutional and sectoral contexts in which they are implemented rather than following a consistent design across nations (Prasannath et al., 2024).

8.2 Recommendations for Future Research

Future research should focus on: (a) using longitudinal and quasi-experimental designs to determine causality between government support and performance; (b) employing standardized, multi-dimensional measures of both government support and business performance for better cross-study comparisons and meta-analyses; and (c) conducting a comprehensive PRISMA systematic review, including a transparent search process, screening flow diagram, and dual-reviewer protocol, specifically aimed at comparing the effects of financial and non-financial support within the same framework.

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