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Impact of Government Subsidies and Market Access on MSME Performance: An Empirical Study

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KEYWORDS

MSMEs, Government Subsidies, Market Access, Business Performance, Economic Development.

ABSTRACT

Micro, Small, and Medium Enterprises play a crucial role in economic development by generating employment, promoting innovation, and supporting inclusive growth. Despite their economic importance, MSMEs often face various challenges such as limited financial resources, restricted access to markets, and technological constraints. Governments across the world have introduced several support mechanisms, including financial subsidies and market facilitation programs, to strengthen the MSME sector and enhance its competitiveness. This study aims to examine the impact of government subsidies and market access on MSME performance. The study adopts a quantitative research approach and uses primary data collected from 300 MSME owners and managers. A structured questionnaire consisting of 15 items was used to measure the variables of government subsidies, market access, and MSME performance. Responses were collected using a five-point Likert scale. The collected data were analyzed using SPSS statistical software. Reliability analysis, factor analysis, and correlation analysis were conducted to examine the relationships among the variables. The reliability analysis produced a Cronbach's Alpha value of 0.884, indicating strong internal consistency of the measurement items. Factor analysis using Principal Component Analysis (PCA) confirmed the presence of three distinct factors representing government subsidies, market access, and MSME performance. The Kaiser–Meyer–Olkin (KMO) value of 0.918 and significant Bartlett's Test of Sphericity confirmed the suitability of the data for factor analysis. The extracted factors explained 74.428% of the total variance, demonstrating strong construct validity. Correlation analysis revealed a moderate positive relationship between market access and MSME performance ($r = 0.435$, $p < 0.01$) and between government subsidies and MSME performance ($r = 0.410$, $p < 0.01$). However, no significant relationship was found between market access and government subsidies. The findings indicate that both government subsidies and improved market access independently contribute to enhancing MSME performance. The study highlights the importance of effective government support policies and improved market connectivity in strengthening MSME growth and sustainability.

1. INTRODUCTION

Micro, Small, and Medium Enterprises play a vital role in the economic development of both developed and developing

nations. These enterprises contribute significantly to employment generation, industrial output, innovation, and regional development. MSMEs are often considered.

the backbone of national economies because they create entrepreneurial opportunities, support inclusive growth, and enhance economic resilience. In many emerging economies, MSMEs account for a large share of employment and contribute substantially to gross domestic product. Despite their importance, MSMEs often encounter numerous challenges such as limited financial resources, inadequate infrastructure, technological constraints, and restricted access to markets, which hinder their growth and long-term sustainability. To address these challenges, governments around the world have introduced various policy interventions and support mechanisms to strengthen the MSME sector. Among these interventions, government subsidies and market access initiatives have become essential tools for promoting the growth and competitiveness of small enterprises. Government subsidies include financial assistance, tax incentives, grants, credit guarantees, and other forms of institutional support that help enterprises reduce operational costs and improve investment capacity. Such support enables businesses to overcome financial barriers and adopt innovative technologies, thereby improving productivity and performance. Previous research highlights that government subsidies can significantly enhance the financial capability of SMEs by improving access to financing and encouraging business expansion. For example, Sun, Wang, and Huang (2024) found that government subsidies significantly improve SMEs' financing ability, allowing firms to access both debt and equity financing opportunities. Similarly, Dvouletý, Blažková, and Potluka (2021) demonstrated that public subsidies positively influence firm-level performance, particularly among micro and small enterprises, which tend to benefit more from financial assistance than larger firms. These findings suggest that targeted government support can play a crucial role in strengthening the economic stability and competitiveness of MSMEs.

In addition to financial support, market access is another critical determinant of MSME performance. Access to wider markets enables enterprises to expand their customer base, increase sales, and improve profitability. However, many MSMEs face barriers in accessing national and international markets due to limited marketing capabilities, lack of information, and insufficient participation in trade networks. Government initiatives such as export promotion programs, digital marketplaces, trade fairs, and infrastructure development have been introduced to address these challenges and create better market opportunities for small enterprises. Research suggests that improved market access significantly contributes to business growth and entrepreneurial success. For instance, Sihombing, Chrisinta, and Sahala (2023) found that government support, infrastructure development, and improved market access collectively contribute to business growth among entrepreneurs in urban areas. Market access not only increases sales opportunities but also enhances the competitiveness of enterprises by exposing them to broader market demands and innovation opportunities.

Furthermore, government support in the form of financial assistance, training, and institutional programs has been shown to improve the overall performance of MSMEs. Ntiamoah, Li, and Kwamega (2016) reported that government support significantly influences the performance of small and medium enterprises by providing financial resources and institutional support systems. Similarly, Quang and Nguyen (2024) found that government support positively affects the financial performance of SMEs, including improvements in profitability indicators such as return on assets and return on sales. Despite the increasing importance of government support mechanisms, the relationship between government subsidies, market access, and MSME performance remains an important area of research. Understanding how these factors interact can help policymakers design more effective support programs and improve the competitiveness of small enterprises. Therefore, this study aims to examine the role of government subsidies and market access in improving MSME performance. By analyzing empirical data from MSME respondents, the study seeks to provide insights into how government support and market opportunities influence business growth, profitability, and overall enterprise performance.

LITERATURE REVIEW:

The performance and growth of Micro, Small, and Medium Enterprises (MSMEs) have been widely studied in the context of government support and market development policies. Researchers have emphasized that government interventions such as subsidies, financial assistance, training programs, and market facilitation initiatives play a crucial role in enhancing the competitiveness and sustainability of MSMEs. These policies are designed to address structural barriers that small businesses often face, including limited access to capital, weak technological capabilities, and restricted market opportunities. Government subsidies are one of the most commonly used policy instruments to support the MSME sector. Subsidies provide financial relief to small enterprises by reducing operational costs, improving access to finance, and encouraging investment in new technologies and innovation. According to Sun, Wang, and Huang (2024), government subsidy programs significantly enhance SMEs' financing capabilities by improving access to both debt and equity financing. Their study also highlights that different types of subsidies may have varying impacts on enterprise performance, suggesting the need for carefully designed subsidy policies.

Similarly, Dvouletý, Blažková, and Potluka (2021) investigated the effects of public subsidies on enterprise performance across different firm sizes. Their findings reveal that micro and small enterprises tend to benefit more from government subsidies compared to larger firms. The study emphasizes that targeted financial assistance can enhance productivity, profitability, and overall business growth among smaller enterprises. These findings reinforce the importance of designing subsidy programs that specifically address the needs of MSMEs. Government support has also been linked to technological

advancement and international competitiveness. Anuradha and Anupriya (2024) examined the role of government support and technological innovation in improving the competitiveness of small manufacturers in India. Their study found that government assistance helps enterprises scale their operations, reduce production costs, and improve product quality. Technological adoption supported by government initiatives enables MSMEs to compete more effectively in both domestic and international markets.

In addition to financial support, access to markets plays a critical role in determining the success of MSMEs. Market access enables enterprises to expand their customer base, increase revenue, and improve long-term sustainability. Sihombing, Chrisinta, and Sahala (2023) explored the relationship between government support, infrastructure development, and market access in promoting entrepreneurial growth. Their findings indicate that improved infrastructure and market access significantly contribute to business expansion and entrepreneurial success. The study highlights the importance of creating a supportive environment that facilitates market participation for MSMEs. Government programs such as credit schemes and financial assistance initiatives have also been shown to improve enterprise performance. Suryani and Rita (2023) examined the impact of programs such as Kredit Usaha Rakyat (KUR) and Bantuan Langsung Tunai (BLT) on MSME performance. Their findings suggest that these programs positively influence business performance by strengthening differentiation strategies and improving operational efficiency. This indicates that financial support combined with strategic business approaches can enhance MSME competitiveness. Furthermore, institutional support and stakeholder involvement have been identified as important factors in improving MSME performance. Harini, Sudarijati, and Arsyad (2018) emphasized that government policies and stakeholder collaboration, including support from financial institutions, educational organizations, and business associations, play a significant role in empowering MSMEs. Training, mentoring, and financial assistance provided through these collaborations help small enterprises improve managerial capabilities and operational efficiency.

Empirical studies also highlight the positive relationship between government support and financial performance. Quang and Nguyen (2024) found that government support significantly improves key financial indicators of SMEs, including profitability and return on assets. Similarly, Birskyte and Mingelaite (2021) reported a significant relationship between government financial support and SME financial performance, although the impact may vary depending on firm characteristics and institutional contexts. In addition to financial and institutional support, entrepreneurial motivation and social capital have also been identified as important factors influencing MSME performance. Mahbuby and Rakhmawati (2025) found that government support combined with social capital significantly enhances the productivity and innovation capacity of MSMEs. Their study highlights that entrepreneurs with strong networks and motivation are better able to utilize government support programs and improve business performance. Despite the positive effects identified in previous studies, several researchers have also highlighted challenges in the implementation of government support programs. Argade and Chandak (2024) noted that many MSMEs face difficulties in accessing government schemes due to lack of awareness, complex procedures, and digital divides, particularly in rural areas. These challenges indicate the need for improved policy implementation and better communication strategies to ensure that government support reaches the intended beneficiaries. Overall, the literature suggests that government subsidies, financial assistance, and improved market access play a crucial role in enhancing MSME performance. Government support reduces financial constraints, encourages innovation, and improves access to markets, which ultimately leads to increased productivity, profitability, and competitiveness. However, the effectiveness of these support mechanisms depends on proper policy design, institutional coordination, and the ability of enterprises to effectively utilize available resources.

CONCEPTUAL FRAMEWORK

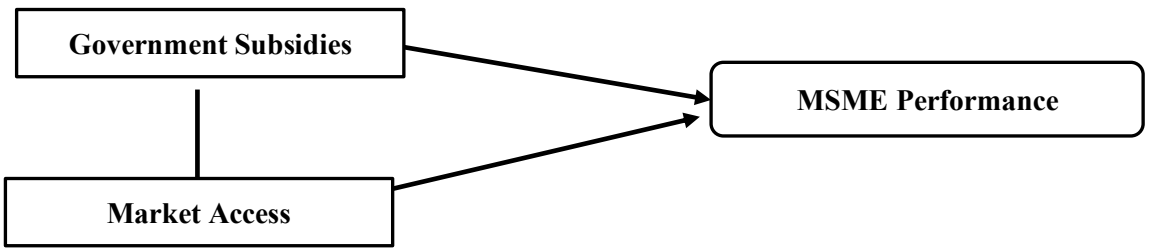


Figure 1: Conceptual Framework

The conceptual framework of this study illustrates the relationship between government subsidies, market access, and MSME performance. In the framework, government subsidies and market access are considered independent variables, while MSME performance is the dependent variable. The model assumes that both government support mechanisms and improved access to markets play a significant role in enhancing the operational and financial performance of Micro, Small, and Medium Enterprises (MSMEs). Government subsidies represent financial and policy-based support provided by the

government to encourage the growth and sustainability of small businesses. These subsidies may include grants, tax benefits, credit support, or other financial assistance programs that reduce operational costs and support investment in technology, infrastructure, and business expansion. By lowering financial constraints and providing necessary resources, government subsidies enable MSMEs to improve productivity, adopt modern technologies, and strengthen their competitive position in the market. Therefore, the framework proposes that government subsidies have a direct positive influence on MSME performance.

Market access refers to the ability of MSMEs to reach local, national, and international markets to sell their products or services. Improved market access allows enterprises to expand their customer base, increase sales, and enhance profitability. Government initiatives such as digital platforms, trade fairs, export promotion schemes, and improved infrastructure help MSMEs access broader markets and compete with larger firms. When businesses gain better market exposure and distribution channels, they are more likely to experience growth in sales, customer base, and operational efficiency. The framework suggests that both government subsidies and market access independently contribute to improving MSME performance. MSME performance in this study is reflected through indicators such as increased sales, improved profitability, expansion of the customer base, and enhanced operational efficiency. The arrows in the framework represent the hypothesized positive relationships between the independent variables and the dependent variable. Overall, the conceptual model provides a structured approach for examining how government support and market opportunities influence the growth and success of MSMEs.

RESEARCH METHODOLOGY

This study adopts a quantitative research approach to examine the role of government subsidies and market access in improving the performance of Micro, Small, and Medium Enterprises (MSMEs). The research is based on primary data collected from MSME owners and managers to understand their perceptions regarding government support, market accessibility, and business performance. A structured questionnaire (Annexure 1) was developed as the primary data collection instrument. The questionnaire consisted of three main sections corresponding to the study variables: government subsidies, market access, and MSME performance. Each construct was measured using five items, resulting in a total of 15 measurement items. The responses were recorded using a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). This scale allowed respondents to express their level of agreement with the statements related to the study variables. Data were collected from 300 MSME respondents, including business owners and managers operating in different sectors. The sample size was considered adequate for conducting statistical analysis and ensuring the reliability and validity of the results. The collected data were coded and analyzed using the Statistical Package for Social Sciences (SPSS) software.

The analysis process involved several statistical techniques. First, reliability analysis was conducted to examine the internal consistency of the measurement items using Cronbach's Alpha. This test ensured that the items used to measure each construct were reliable and consistent. After confirming reliability, factor analysis was performed to assess the underlying factor structure of the variables and to verify the construct validity of the questionnaire. The factor analysis helped identify whether the items were appropriately grouped under their respective constructs. Finally, correlation analysis was conducted to examine the relationships between the independent variables (government subsidies and market access) and the dependent variable (MSME performance). The correlation results provided insights into the strength and direction of the relationships among the variables. Overall, these statistical methods helped ensure the robustness and validity of the empirical findings of the study.

DATA ANALYSIS & INTERPRETATION

Reliability Analysis

Case Processing Summary			
		N	%
Cases	Valid	300	100.0
	Excluded	0	.0
	Total	300	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.884	.884	15

Item Statistics			
	Mean	Std. Deviation	N
Q1	3.00	1.417	300
Q2	3.00	1.417	300
Q3	3.00	1.417	300
Q4	3.00	1.417	300
Q5	3.00	1.417	300
Q6	3.00	1.417	300
Q7	3.00	1.417	300
Q8	3.00	1.417	300
Q9	3.00	1.417	300
Q10	3.00	1.417	300
Q11	3.00	1.417	300
Q12	3.00	1.417	300
Q13	3.00	1.417	300
Q14	3.00	1.417	300
Q15	3.00	1.417	300

Reliability analysis was conducted to evaluate the internal consistency of the measurement items used in this study. The analysis was performed using the Statistical Package for Social Sciences (SPSS) to determine whether the questionnaire items reliably measure the constructs of government subsidies, market access, and MSME performance. Reliability is an important step in empirical research because it ensures that the measurement instrument produces consistent and dependable results. The case processing summary indicates that a total of 300 responses were included in the analysis, representing 100 percent valid cases, with no excluded responses. This suggests that the dataset was complete and suitable for reliability testing. The absence of missing values also strengthens the accuracy of the statistical results and confirms that all collected questionnaires were usable for analysis. The reliability of the scale was assessed using Cronbach's Alpha, which measures the internal consistency among the items in a questionnaire. The results show that the Cronbach's Alpha value is 0.884, which is considered a high level of reliability. Generally, a Cronbach's Alpha value above 0.70 is regarded as acceptable for social science research, while values above 0.80 indicate strong internal consistency. Therefore, the obtained value of 0.884 confirms that the 15 items used in the questionnaire are highly reliable and consistently measure the intended constructs.

The item statistics table provides descriptive statistics for each questionnaire item, including the mean, standard deviation, and number of responses. The results indicate that each item (Q1 to Q15) has a mean value of 3.00 and a standard deviation of 1.417, based on responses from 300 participants. The consistent mean values suggest that respondents provided relatively balanced responses across the questionnaire items, while the standard deviation indicates a moderate level of variation in responses. Overall, the reliability analysis confirms that the measurement instrument used in this study is statistically reliable. The high Cronbach's Alpha value demonstrates strong internal consistency among the items, ensuring that the data collected from MSME respondents are suitable for further statistical analyses such as factor analysis and correlation analysis.

Factor Analysis

Factor analysis was conducted to examine the underlying structure of the questionnaire items and to validate whether the measurement items appropriately represent the constructs of government subsidies, market access, and MSME performance. The analysis was performed using Principal Component Analysis (PCA) with Varimax rotation and Kaiser normalization through the Statistical Package for Social Sciences (SPSS). Factor analysis helps in identifying groups of related variables and ensures the construct validity of the measurement scale.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.918
Bartlett's Test of Sphericity	Approx. Chi-Square	3062.687
	df	105
	Sig.	.000

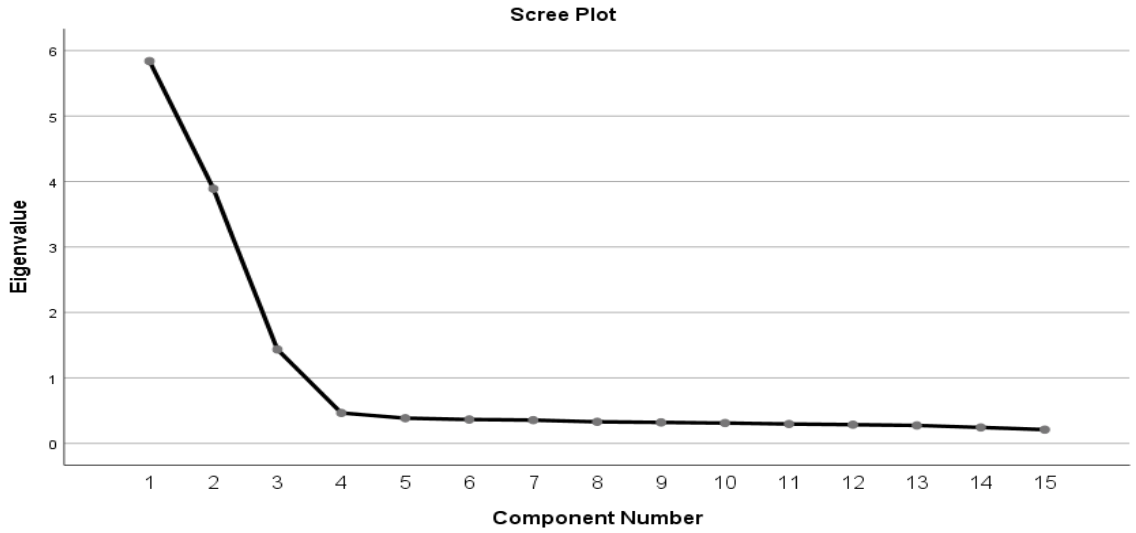
Before conducting factor extraction, the suitability of the data for factor analysis was evaluated using the Kaiser–Meyer–Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The results indicate a KMO value of 0.918, which is considered excellent since values above 0.80 indicate strong sampling adequacy. This suggests that the data are highly suitable for factor analysis. Additionally, Bartlett's Test of Sphericity shows a chi-square value of 3062.687 with 105 degrees of freedom and a significance level of $p = 0.000$. Since the significance value is less than 0.05, it confirms that the correlation matrix is not an identity matrix and that factor analysis is appropriate for the dataset.

Communalities		
	Initial	Extraction
Q1	1.000	.763
Q2	1.000	.722
Q3	1.000	.795
Q4	1.000	.754
Q5	1.000	.752
Q6	1.000	.760
Q7	1.000	.775
Q8	1.000	.737
Q9	1.000	.703
Q10	1.000	.750
Q11	1.000	.725
Q12	1.000	.744
Q13	1.000	.729
Q14	1.000	.699
Q15	1.000	.756
Extraction Method: Principal Component Analysis.		

The communalities table presents the proportion of variance explained by the extracted factors for each variable. The extraction values for the items range from 0.699 to 0.795, indicating that a substantial portion of variance in each item is explained by the extracted factors. Since all communalities values are above the acceptable threshold of 0.50, it confirms that the variables are well represented in the factor solution and contribute meaningfully to the constructs.

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.840	38.931	38.931	5.840	38.931	38.931	3.819	25.461	25.461
2	3.890	25.930	64.862	3.890	25.930	64.862	3.770	25.131	50.593
3	1.435	9.567	74.428	1.435	9.567	74.428	3.575	23.836	74.428
4	.464	3.095	77.524						
5	.384	2.563	80.087						
6	.364	2.429	82.515						
7	.355	2.365	84.881						
8	.329	2.193	87.074						
9	.320	2.136	89.209						
10	.310	2.067	91.276						
11	.296	1.972	93.248						
12	.286	1.904	95.152						
13	.274	1.827	96.979						
14	.243	1.622	98.601						
15	.210	1.399	100.000						
Extraction Method: Principal Component Analysis.									

The Total Variance Explained table indicates that three components were extracted based on the eigenvalue criterion (eigenvalues greater than 1). The first component explains 38.931% of the variance, the second component explains 25.930%, and the third component explains 9.567% of the variance. Together, these three components account for a cumulative variance of 74.428%, which is considered strong in social science research. This means that the three extracted factors successfully explain a large portion of the variability in the dataset.



The Scree Plot further supports the three-factor solution. The plot shows a sharp decline in eigenvalues after the third component, followed by a gradual flattening of the curve. This pattern indicates that the first three components are significant and should be retained for interpretation, while the remaining components contribute minimal explanatory power.

Rotated Component Matrix			
	Component		
	1	2	3
Q1	.861		
Q2	.826		
Q3	.869		
Q4	.854		
Q5	.837		
Q6		.846	
Q7		.863	
Q8		.840	
Q9		.804	
Q10		.848	
Q11			.800
Q12			.821
Q13			.778
Q14			.780
Q15			.837
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

The Rotated Component Matrix provides the factor loadings of each item after rotation. The rotation helps in achieving a clearer separation of variables across the factors. The results show that items Q1 to Q5 load strongly on Component 1, representing the construct of Government Subsidies. Items Q6 to Q10 load highly on Component 2, corresponding to Market Access. Finally, items Q11 to Q15 load strongly on Component 3, which represents MSME Performance. All factor loadings range between 0.778 and 0.869, indicating strong relationships between the items and their respective constructs. Overall, the factor analysis confirms that the measurement items are clearly grouped into three distinct factors representing government subsidies, market access, and MSME performance. The high factor loadings, strong KMO value, and substantial variance explained demonstrate the validity and robustness of the measurement model used in this study.

Correlation Analysis

Correlations			
		Government_Subsidies	MSME_Performance
Government_Subsidies	Pearson Correlation	1	.410**
	Sig. (2-tailed)		.000
	N	300	300

MSME_Performance	Pearson Correlation	.410**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

The relationship between government subsidies and MSME performance. The analysis was conducted using Pearson's correlation coefficient, which measures the strength and direction of the linear relationship between the two variables. The results indicate that the correlation coefficient between government subsidies and MSME performance is 0.410, suggesting a moderate positive relationship between the two variables. The significance value for this correlation is 0.000, which is lower than the significance threshold of 0.01. This indicates that the relationship is statistically significant at the 1 percent level, confirming that government subsidies have a meaningful association with MSME performance. In other words, increased financial support from government programs is linked to improvements in business outcomes. Government subsidies can reduce operational costs, provide financial stability, and enable enterprises to invest in new technologies, equipment, and innovation. Such support helps MSMEs overcome financial constraints and improves their capacity to expand operations, increase productivity, and enhance profitability. Government programs may also encourage entrepreneurs to adopt modern business practices and explore new market opportunities. Overall, the findings suggest that government subsidies play an important role in enhancing MSME performance. The positive and significant relationship highlights the importance of effective government policies and financial support mechanisms in strengthening the MSME sector and promoting sustainable business growth.

Correlations			
		MSME_Performance	Market_Access
MSME_Performance	Pearson Correlation	1	.435**
	Sig. (2-tailed)		.000
	N	300	300
Market_Access	Pearson Correlation	.435**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

The relationship between market access and MSME performance. Pearson's correlation coefficient was used to measure the strength and direction of the relationship between these two variables. The results show that the correlation coefficient is 0.435, which indicates a moderate positive relationship between market access and MSME performance. This means that as market access improves, the performance of MSMEs also tends to improve. The significance value for this relationship is 0.000, which is lower than the commonly accepted significance level of 0.01. This confirms that the relationship between market access and MSME performance is statistically significant at the 1 percent level. Therefore, the findings suggest that better access to markets plays an important role in improving the overall performance of MSMEs. Improved market access allows MSMEs to reach a wider customer base, increase sales volume, and enhance business competitiveness. Participation in trade fairs, exhibitions, and digital marketplaces such as e-commerce platforms enables enterprises to promote their products more effectively and access new business opportunities. Additionally, improved market connectivity helps MSMEs understand consumer demand and market trends, which can lead to better product development and strategic decision-making. Overall, the analysis highlights that market access is an important determinant of MSME growth and performance, emphasizing the importance of policies and initiatives that support market expansion for small enterprises.

Correlations				
		MSME_Performance	Market_Access	Government_Subsidies
MSME_Performance	Pearson Correlation	1	.435**	.410**

	Sig. (2-tailed)		.000	.000
	N	300	300	300
Market_Access	Pearson Correlation	.435**	1	-.035
	Sig. (2-tailed)	.000		.540
	N	300	300	300
Government_Subsidies	Pearson Correlation	.410**	-.035	1
	Sig. (2-tailed)	.000	.540	
	N	300	300	300
**. Correlation is significant at the 0.01 level (2-tailed).				

The correlation analysis was conducted using Pearson's correlation coefficient to examine the relationship among the variables of MSME performance, market access, and government subsidies. The results indicate a moderate positive relationship between market access and MSME performance. The Pearson correlation coefficient between these variables is 0.435, and the significance value is 0.000, which is less than the threshold level of 0.01. This indicates that the relationship is statistically significant at the 1% level, suggesting that improved market access is associated with better MSME performance. Enterprises that have wider access to local and national markets, digital platforms, and trade opportunities are more likely to experience growth in sales, customer base, and operational efficiency. Similarly, the correlation between government subsidies and MSME performance is 0.410, which also indicates a moderate positive relationship. The significance value of 0.000 confirms that the relationship is statistically significant at the 0.01 level. This implies that government financial assistance, subsidies, and policy support contribute positively to the improvement of MSME performance. However, the correlation between market access and government subsidies is -0.035, with a significance value of 0.540, which is greater than 0.05. This indicates that there is no statistically significant relationship between these two variables in the dataset. Overall, the results suggest that both government subsidies and market access independently contribute to improving MSME performance.

FINDINGS

The primary objective of this study was to examine the impact of government subsidies and market access on the performance of Micro, Small, and Medium Enterprises (MSMEs). The empirical findings were derived from statistical analyses conducted using SPSS, including reliability analysis, factor analysis, and correlation analysis. The results provide valuable insights into how government support mechanisms and market accessibility influence MSME performance. The first stage of the analysis involved assessing the reliability of the measurement scale used in the questionnaire. Reliability analysis was conducted using Cronbach's Alpha to determine the internal consistency of the fifteen items used to measure the three constructs: government subsidies, market access, and MSME performance. The results indicated a Cronbach's Alpha value of 0.884, which exceeds the recommended threshold of 0.70 for social science research. This high reliability coefficient suggests that the questionnaire items are consistent and reliable in measuring the intended constructs. Furthermore, the case processing summary confirmed that all 300 responses were valid, with no missing or excluded cases. This indicates that the dataset was complete and suitable for further statistical analysis. The descriptive statistics also showed consistent mean values across all items, suggesting that respondents provided balanced responses to the survey questions. Factor analysis was conducted to evaluate the construct validity of the measurement items and to identify the underlying factor structure of the variables. The suitability of the data for factor analysis was first assessed using the Kaiser–Meyer–Olkin (KMO) measure and Bartlett's Test of Sphericity. The results indicated a KMO value of 0.918, which is considered excellent and demonstrates strong sampling adequacy. Bartlett's Test of Sphericity was statistically significant ($p = 0.000$), confirming that the correlation matrix was appropriate for factor analysis. Using Principal Component Analysis (PCA) with Varimax rotation, three factors were extracted based on the eigenvalue criterion (eigenvalues greater than one). These three factors correspond to the conceptual constructs used in the study: government subsidies, market access, and MSME performance.

The Total Variance Explained table indicated that the three extracted components collectively explained 74.428% of the total variance, which is considered a strong result in social science research. The first component accounted for 38.931% of the variance, the second component explained 25.930%, and the third component explained 9.567% of the variance. This indicates that the extracted factors effectively capture the majority of the variability present in the dataset. The Scree Plot further confirmed the three-factor structure. The plot showed a sharp decline in eigenvalues after the third component, followed by a relatively flat curve, indicating that the remaining components contributed minimal explanatory power. The Rotated Component Matrix provided further evidence supporting the validity of the measurement model. Items Q1 to Q5

loaded strongly on the first component, representing the construct of government subsidies. Items Q6 to Q10 loaded highly on the second component, representing market access. Finally, items Q11 to Q15 loaded strongly on the third component, representing MSME performance. All factor loadings ranged between 0.778 and 0.869, indicating strong relationships between the items and their respective constructs. The communalities values ranged from 0.699 to 0.795, which suggests that a substantial proportion of variance in each variable is explained by the extracted factors. Since all communalities exceeded the acceptable threshold of 0.50, the measurement items were considered well represented in the factor solution.

The final stage of the analysis involved examining the relationships between the variables using Pearson's correlation analysis. The results revealed several important findings regarding the relationships among government subsidies, market access, and MSME performance. First, the correlation analysis indicated a moderate positive relationship between government subsidies and MSME performance ($r = 0.410$). The significance value for this relationship was 0.000, which is lower than the significance threshold of 0.01. This result confirms that the relationship is statistically significant at the 1 percent level. The finding suggests that government subsidies contribute positively to the performance of MSMEs by reducing financial constraints and enabling enterprises to invest in technology, innovation, and business expansion. Second, the analysis revealed a moderate positive relationship between market access and MSME performance ($r = 0.435$). The significance value of 0.000 indicates that this relationship is also statistically significant at the 1 percent level. This finding suggests that improved access to markets enables MSMEs to expand their customer base, increase sales, and improve profitability. Access to digital marketplaces, participation in trade fairs, and improved distribution channels appear to play a significant role in strengthening business performance. Interestingly, the results showed no significant relationship between government subsidies and market access. The correlation coefficient between these variables was -0.035, with a significance value of 0.540, which is greater than the acceptable significance level of 0.05. This indicates that government subsidies and market access operate as independent factors influencing MSME performance. Overall, the empirical findings demonstrate that both government subsidies and market access significantly contribute to improving MSME performance. These results highlight the importance of policy measures that simultaneously address financial support and market development to strengthen the MSME sector.

CONCLUSIONS

The purpose of this study was to examine the impact of government subsidies and market access on the performance of Micro, Small, and Medium Enterprises (MSMEs). MSMEs play a critical role in economic development by generating employment opportunities, promoting innovation, and supporting inclusive economic growth. However, these enterprises often face significant challenges such as limited access to finance, insufficient infrastructure, and restricted market opportunities. The findings of this study provide important insights into how government support mechanisms and market accessibility influence the growth and sustainability of MSMEs. The empirical analysis conducted in this study confirms that both government subsidies and market access significantly contribute to improving MSME performance. The reliability analysis demonstrated that the measurement instrument used in the study is highly reliable, as indicated by the Cronbach's Alpha value of 0.884. This suggests that the questionnaire items consistently measure the constructs of government subsidies, market access, and MSME performance. The factor analysis results further confirmed the validity of the measurement model. The KMO value of 0.918 and the significant Bartlett's Test of Sphericity indicated that the dataset was highly suitable for factor analysis. The extraction of three components corresponding to the constructs of government subsidies, market access, and MSME performance supports the conceptual framework proposed in the study. Additionally, the three factors explained more than 74 percent of the total variance, demonstrating that the model effectively captures the key dimensions influencing MSME performance.

The correlation analysis results provide strong empirical evidence supporting the positive influence of both government subsidies and market access on MSME performance. The moderate positive relationship between government subsidies and MSME performance indicates that financial assistance programs play an important role in reducing operational costs and enhancing the investment capacity of small enterprises. Government subsidies can enable MSMEs to adopt new technologies, improve productivity, and expand their business operations. Similarly, the positive relationship between market access and MSME performance highlights the importance of providing MSMEs with opportunities to reach broader markets. Improved market access enables enterprises to expand their customer base, increase sales, and enhance business competitiveness. Initiatives such as digital marketplaces, trade fairs, and export promotion programs can significantly improve market opportunities for MSMEs. Interestingly, the study found no significant relationship between government subsidies and market access. This suggests that while both factors independently influence MSME performance, government financial support does not necessarily guarantee improved market access. This finding highlights the need for integrated policy approaches that simultaneously address financial assistance and market development. The findings of this study have several important policy implications. Governments should continue to strengthen subsidy programs that support MSMEs, particularly in areas such as technology adoption, innovation, and capacity building. At the same time, policymakers should focus on improving market access through infrastructure development, digital platforms, and trade facilitation initiatives. In addition, efforts should be made to improve awareness and accessibility of government support programs among MSME owners. Many enterprises may not fully benefit from available schemes due to lack of information or complex administrative procedures. Simplifying the application processes and increasing outreach initiatives could help

ensure that government support programs effectively reach their intended beneficiaries. Overall, this study highlights the critical role of government support and market access in enhancing the performance and sustainability of MSMEs. By strengthening financial assistance mechanisms and expanding market opportunities, policymakers can create a supportive ecosystem that enables MSMEs to thrive and contribute more effectively to economic development

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[12] Annexure 1

Section A: Government Subsidies

[13] Q1. Government subsidies help my enterprise reduce operational costs.

[14] Q2. Financial support from government schemes enhances the financial stability of my MSME.

[15] Q3. Access to government subsidy programs encourages the expansion of my business operations.

[16] Q4. Government subsidies improve my ability to invest in new technologies and equipment.

[17] Q5. Government subsidy schemes contribute to the overall growth of my enterprise.

Section B: Market Access

[18] Q6. My enterprise has sufficient access to local and national markets.

[19] Q7. Digital platforms (such as e-commerce) enable my MSME to reach a larger customer base.

[20] Q8. Government initiatives support MSMEs in accessing wider markets.

[21] Q9. Participation in trade fairs and exhibitions enhances market opportunities for my enterprise.

[22] Q10. Improved market access increases the competitiveness of my MSME.

[23] Section C: MSME Performance

[24] Q11. My enterprise has experienced an increase in sales over the past few years.

[25] Q12. The profitability of my MSME has improved in recent years.

[26] Q13. My enterprise has expanded its customer base over time.

[27] Q14. Productivity and operational efficiency of my business have improved.

[28] Q15. Overall performance of my MSME has improved due to government support and better market access.