

The Role of Government in Venture Capital Market in Emerging Economies: A Systematic Literature Review

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ABSTRACT

The increasing market demand for venture capital financing in emerging economies urges government involvement in the development of the venture capital market. However, the notoriety of the institutional environment in emerging economies raises some major concerns from both scholars and practitioners. The efficacy of government role in venture capital market in emerging economies has been questioned throughout the literature, recognizing the lack of support from well-established institutions that potentially creates damage to the overall investment climate. The knowledge about the government's role on venture capital in emerging economies is exhaustively scattered within the vast literature. Hence, a comprehensive study uniting the fragmented pieces of knowledge is needed. This study aims to review the current understanding of government participation on the venture capital market in emerging economies and to reveal what is unknown about this topic. This study systematically reviews 60 peer-reviewed journal articles with content analysis techniques to substantiate information about the findings, research objectives, theories, methodologies, and government-intervention-related content. The evidence synthesis allows to map out the publication trends, government role, and the future research agenda. The review identified six roles of government, namely, funding, regulatory, taxation, education and training, financial intermediaries and networking, and infrastructure provision. Moreover, the results revealed that the literature has some presumptions on the government role in venture capital market in emerging economies, including the informal institutions are likely to be far more important, the arising equity gap can be the cause of the human resources shortage, and government tended to be a risk-neutral participant in venture capital market. These findings provide insights to relevant scholars, practitioners, and certainly to the public sector.

Keywords: Venture Capital, Government Role, Emerging Economies, Systematic Literature Review

JEL Classification: E62, L53, O38

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