Role of MSME in Absorbing Labor and Contribution to GDP

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Article Information	Abstract
	The purpose of this study is to analyze the role of MSMEs in absorbing labor and its contribution to GDP in Indonesia. The type of data used is secondary data from the Central Statistics Agency (BPS) and the Ministry of Cooperatives and MSMEs. The analytical method used is descriptive statistic. The results showed that the average number of UMKM labor was 112,709,244 or 97.03%. Micro-businesses absorbed 92% of the workforce, 5% of small businesses and medium-sized businesses were 3% of the total MSMEs workforce. The average contribution of MSMEs to Indonesia's GDP during the 2012-2017 period was Rp.5,928,934.98 billion or 59.74%. Micro-enterprises contributed the most, 61.05%, small- enterprises 16.20% and medium- enterprises at 22.75% of the total GDP of MSMEs.

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INTRODUCTION

Indonesia as the 4th country with the largest population in the world is a potential capital if it can improve the quality of human resources. Based on the results of the population census in 2010, the total population of Indonesia was 237,641,326 people, living in cities as many as 118,320. 256 people (49.79%) and in rural areas 119,321,070 people (50.21%) with a population growth rate of 1.49%. The results of the Central Bureau of Statistics projections/Badan Pusat Statistik (BPS) , the population of Indonesia in 2020 increased to 271,066,400 people (BPS, 2019c). However, on the other hand, the size of the population can be a problem for Indonesia if it is not able to make good use of it because it will be a prolonged problem such as the shortage of jobs that result in unemployment which can hamper national economic growth.

Previous research shows that problem of unemployment and economic growth is a national problem that occurs in almost all countries, especially in developing countries like Indonesia(Dagli & Dagli, 2015; Golub & Hayat, 2014; Moscarini & Postel-vinay, 2017; Mundle, 2017). Employment is closely related to employment opportunities, namely the ability of available employment to absorb the existing workforce. In general, the understanding of the labor force is a population of productive age, ie 15-64 years who are working or looking for work. Productive age can be classified into two: (1) Not a workforce, for example, students and students who are still in school. (2) The workforce is the productive age population who already has a job or is looking for work.

The definition of labor is related to people who can work to produce goods or services and have economic value that can be useful for the needs of the community (Yacoub, 2012). Whereas based on the Law. No. 13 of 2003 concerning manpower, labor is every person who can do work to produce goods and services, both to meet their own needs and for the community. In Indonesia, the working-age population according to Central Bureau of Statistics/Badan Pusat Statistik (BPS) standards is 15 years and above.

The high number of labor force that is not followed by an increase in employment has resulted in increased unemployment. The unemployment rate according to (Sumarsono, 2009) "the percentage of the unemployed number of the workforce". While unemployment can be interpreted as a condition when someone belonging to the labor force wants to get a job yet to get it (Sukirno, 2000). According to (Mankiw, 2006), unemployment is a person who does not have a job, or is preparing a new business. The Central Bureau of Statistics projections/Badan Pusat Statistik (BPS) defines unemployment as residents who are not working, are looking for work, are preparing, businesses or residents who are not looking for work because they feel it is impossible to get a job or who already have a job. While the unemployment rate is a comparison between the number of unemployed and the number of the workforce in period expressed in percentage terms. One type of unemployment that is often used as a benchmark in calculating the unemployment rate is open unemployment, which consists of: (1) Do not have a job and find a job. (2) Not having a job and preparing a business. (3) Not having a job and not looking for a job, because they feel it is impossible to get a job. (4) Already have a job but not yet started working (BPS, 2019a). Based on report of Central Bureau of Statistics, the unemployment rate in Indonesia is fluctuating, in August 2012 6.13%, increased in the same month in 2013 to 6.17%, while the following year decreased to 5.94%, in August 2015 has increased to 6.18%. However, it has again declined for two years in a row of 5.61% in 2016 and 5.50% in 2017 and decrease in 2018 become 5,34% (BPS, 2019b). The unemployment rate is caused by First, the lack of employment, resulting in a gap between the number of the workforce and existing employment. Second, the low level of education, even though there are specific criteria regarding the minimum level of education that must be met for certain jobs.

Table 1. Labor Force of Indonesia

Year	Labor Force	Unemployment	Percentage of Unemployment(%)
2012	119.849.734	7.344.866	6.13
2013	120.172.003	7.410.931	6.17
2014	121.872.931	7.244.905	5.94
2015	122.380.021	7.560.822	6.18
2016	125.443.748	7.031.775	5.61
2017	128.062.746	7.040.323	5.50

Source: BPS, 2018

Third, the influx of foreign labor makes competition even tighter even to the level of unskilled laborers. There are at least two bad effects of unemployment: the first is the bad effects on the economy related to economic growth. secondly, adverse effects on the individual concerned and social such as loss of livelihoods and income, loss of expertise because they are not used anymore, and cause social and political instability (Sukirno, 2000).

Unemployment rate have an impact on national economic growth. Arsyad defines economic growth as an increase in Gross Domestic Product (GDP) regardless of whether the increase is greater or smaller than the rate of population growth and whether there is a change in economic structure or not (Arsyad, 2010). Economic growth is a condition of the number of goods and services has increased in an economy (Sukirno, 2000). The existence of economic growth in a region will cause the region to experience development, besides that economic growth that continues to increase and be sustainable is important to support economic development.

The indicator of economic growth that is used in almost all countries is the Gross Domestic Product (GDP), so that GDP is referred to as the "godfather" of the world indicators. Gross Domestic Product (GDP) is the value of goods and services produced during a certain period. GDP that is calculated based on constant prices is called nominal GDP and GDP that is calculated based on current prices is called real GDP (Mankiw, 2006).

Some of previous studies shows, Okun A. M's study (1962) found that there was a negative relationship between the unemployment rate and GDP which came to be known as Okun's Law (Okun, 1962). Okun found that the unemployment rate decreased when the real growth rate was high, while the unemployment rate increased when the real growth rate remained low or even negative (Soylu, Çakmak, & Okur, 2018). Research results show that Okun's law applies in Indonesia, where the Okun coefficient is negative, meaning that the unemployment rate tends to increase along with the achievement of GDP growth (Darman, 2013). Research by Soegner and Stiassny also proves that this law is valid, the results of his study show a negative relationship between the unemployment rate and real GDP (Soègner & Stiassny, 2002). Noor also researched the existence of Okun's law in the Malaysian economy, the result they found that there was a negative relationship between output and unemployment, the coefficient level obtained was -1,748 (Noor, Nor, & Judhiana, 2007). The fall in GDP caused by the unemployment rate because someone unemployed has no income, so the purchasing power and demand for goods and services decreases, consequently the consumption component in GDP also falls, besides the absence of income causes someone to reduce economic transaction activities, this causes income reduced government tax.

Based on previous studies it can be concluded that unemployment is one of the determinants of economic growth, for accelerate

the rate of economic growth / GDP it must reduce the unemployment rate. Meanwhile, GDP is an indicator of economic growth that must be increased to achieve sustainable economic development for the welfare of the people of a country (Andresen, 2015; Khumairoh, Aida, Qomariah, & Nasir, 2018; Pratama & Utama, 2019; Sarjono, Anwar, & Darmansyah, 2018; Siti Fatimah, 2015).

Efforts to overcome the problem of disparity between the number of jobs with the number of labor force and the problem of economic growth can be done by encouraging the development of Micro, Small and Medium Enterprises (MSMEs). Based on Law No. 20 2008 concerning MSME principles and objectives of MSME empowerment states that the objectives of empowering micro, small and medium enterprises are: (1) Creating a balanced, developing and equitable national economic structure. (2) Growing and developing the ability of micro, small and medium businesses to become strong and independent businesses. (3) Enhancing the role of micro, small and medium enterprises in regional development, job creation, income distribution, economic growth and alleviating people from poverty. As for what is meant by MSMEs based on Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises are: (1) Micro Enterprise is a productive business owned by individuals and / or individual business entities that meet the criteria for Micro Business as stipulated in this Law. (2) Small Enterprise is a productive economic business that is individually owned, carried out by individuals or business entities that are not

subsidiaries or not a branch of the company that is owned, controlled, or is a part either directly or indirectly of medium-sized businesses or large businesses that meet the criteria Small Business as referred to in this Law. (3) Medium Enterprise is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or becomes a part either directly or indirectly with a Small Business or large business with a total wealth net or annual sales results as provided for in this Law (Fajar ND, 2016). The criteria of Micro, Small and Medium Enterprises (MSMEs) based on assets and turnover can be seen in Table 2. MSMEs in the Indonesian economy cannot be underestimated, MSMEs are an integral part of the business world and are a people's economic activity that has a position, role and strategic potential in creating an economy based on democracy (Fajar ND, 2016). UMKM has a strategic role as contained in Law No. 20, 2008 Chapter III article V" Enhancing the role of Micro, Small and Medium Enterprises in regional development, job creation, income distribution, economic growth, and alleviating people from poverty" (Republic Indonesia, 2008). The role of MSMEs in the Indonesian economic system is not new, the MSME business sector as an independent business that does not depend on funds from banks has been able to survive when the 1998 crisis, not only able to survive, MSMEs became the engine of the economic engine and are able to absorb relatively high labor force with small capital requirements.

Table 2. Criteria of MSMEs

Category	Criteria	
	Asests	Omset
Micro-Enterprises	Max Rp50 million	Max Rp300 million
Small-Enterprises	>Rp50 juta-Rp500 million	>Rp300 juta-Rp2,5 billion
Medium-Enterprises	>Rp500 jutaRp10 billion	>Rp2,5 miliar-Rp50 billion

Source: Ministry of Cooperatives and MSMEs, 2018

Data of UMKM from the 1998 showed that there were 36.8 million UMKM units with a workforce of 64.3 million people, while UB's large business numbered only 1,831 units and absorbed a workforce of 364,493 people.

Table 3. MSMEs 1998

Category	Unit	Labor
MSMEs	36.813.578	64.313.573
Large-Enterprises	1.831	364.493

Source: Ministry of Cooperatives and MSMEs, 2019

This proved that MSME was a healthy business, able to survive amid many companies went bankrupt due to the unstable global economic conditions at that time. After surviving the 1998 crisis, the number of MSMEs has continued to increase. In 2003 of around 40 million business operators in Indonesia, 99.5% were MSMEs (Krisnamurti, 2003). While in terms of employment, the SMEs can provide 97% of employment opportunities for the community (Bobo, 2003).

Based on the latest data released by the Ministry of Cooperatives and MSMEs related to the development of MSMEs in the 2012-2017 period, it shows that 99.9% of businesses in Indonesia are included in the MSMEs category, while large businesses (LB) are only 0.01%. Every year the number of MSMEs increases even from 2012 to 2017 increasing by 13.98% or as much as 7,716,172 units, while large businesses (LB) only experienced an increase of 10.26% or as much as 508. The data shows that the number of MSMEs in Indonesia is very significant when compared to large businesses (LB), so MSMEs must be encouraged and accommodated to create jobs so that they can absorb labor to reduce the unemployment rate and increase economic growth.The role of MSMEs in the economy is not only in Indonesia, but in other countries such as India also shows the role of MSMEs as the driving force of the economy (Shukla, Meena, Asthana, & Pareek, 2016; Shukla & Nerlekar, 2016).

Table 4. Comparison of Amount MSMEs dan Large Bussines (LB)

Year	MSMEs (Unit)	MSMEs (%)	LB (Unit)	LB (%)
2012	55.206.444	99,99	4.952	0,01
2013	56.534.592	99,99	4.968	0,01
2014	57.895.721	99,99	5.066	0,01
2015	59.262.772	99,99	4.987	0,01
2016	61.651.177	99,99	5.37	0,02
2017	62.922.617	99,99	5.460	0,01

Source: Ministry of Cooperatives and MSMEs, 2018

The empirically, there are several obstacles faced by MSMEs which still appears today: (1) Limited capital and access to finance. (2) The quality of human resources is not yet professional (3) Limited market access. (4) Mentality of MSME entrepreneurs. (5) The business climate is not conducive. (6) Business facilities and infrastructure are still lacking. (7) technology use is still low. (8) limited information access. Researchers also found that MSME had problems in marketing, this was due to the absence of branding, besides that bookkeeping was also still manual, there were even some businesses that did not do financial accounting. The purpose of this study is to describe the size of the role of MSMEs in the Indonesian economy. Especially in

absorbing labor and its contribution to GDP. The implication of this research is that the Government must be able to accommodate MSMEs considering the role of MSMEs in the Indonesian economy. Hence, it becomes a reference for the government in empowering MSMEs.

RESEARCH METHODS

The research used a quantitative approach. The type of data used in this research is secondary data. Analysis tool using SPSS. Data obtained from the Ministry of Cooperatives and MSMEs. The data used is the number of MSMEs labor and GDP of MSME during the 2012-2017 period. The analytical method used in this study is quantitative descriptive analysis. Descriptive research aims to explain an event, situation, object in the form of people, or everything related to variables that can be explained using numbers and words (Punaji, 2010).

RESULTS AND DISCUSSION

The Role of MSMEs in Absorbing Labors, based on data from the Ministry of Cooperatives

and MSMEs released on the official website of the Ministry of Cooperatives, in 2012 MSMEs were able to absorb 97,24% of the total workforce of MSME + large-enterprises (UB), totaling 101.722.458 people, of which 93,35% worked in the micro-enterprises sector, 3,85% in the small-enterprises sector and 2,80% in the medium-enterprises sector. Furthermore, in 2013 the number of MSME labor increased by 5,51% to 107.657.509 people, 92,76% of them worked in the micro-enterprises sector, 4.21% in the small-enterprises sector and 3,03% in the medium-enterprises sector.

In 2014 the workforce of MSME increased again by 5,68% to 114.144.082 people, 91,66% of the total workforce of MSME work in the micro-enterprise sector, 4.88% in the small-enterprise sector and 3,46% in the sector medium-enterprise, then in the following year namely 2015 MSME labor increased again by 7,37% to 123.229.386 people with details of 89,92% working in the micro-enterprise, 5,93% in the small-enterprise sector and 4,15 % work in the medium-enterprise sector.

Table 5. Labor (Lr) MSMEs 2012-2017

Year	Micro	Small	Medium	Total Lr of MSME
2012	94.957.797	3.919.992	2.844.669	101,722.458
2013	99.859.517	4.535.970	3.262.023	107.657.509
2014	104.624.466	5.570.231	3.949.385	114.144.082
2015	110.807.864	7.307.503	5.114.020	123.229.386
2016	103.839.015	5.402.073	3.587.522	112.828.610
2017	107.232.992	5.704.321	3.736.103	116.673.416

Source: Ministry of Cooperatives and MSMEs, 2018

But in the following year, 2016, MSME experienced a significant decrease in labor, namely 9,22% so that the MSME workforce in 2016 became 112.828.610 people, 92,03% worked in the micro-enterprises sector, 4,79% worked in the sector small-enterprises and 3,18% work in the medium-enterprise sector. In the following year,

2017 UMKM labor increased again although not too significant at 3,30% so that the UMKM workforce numbered 116.673.416 people, with details of 91,91% of them working in the micro-enterprise sector, 4,89% working in the sector small enterprise and 3.20% work in the medium-enterprise sector.

The period of 2012-2017, the average number of micro-enterprise labor was 103.553.608,50, small-enterprises 5.406.681,667 people and medium-enterprises labor was 3.748.953,667. Hence, rom 2012 to 2017 the average number of MSME labor was 112.709.244 people or around 97,03%, micro-enterprise was the sector that absorbed the most labor, namely around 92%, then the small-enterprise sector by 5% and the medium- enterprise sector amounting to 3% of the total MSME workforce. During this period an increase in the number of MSME labor reached 14,70% or as many as 14.950.958 people, of which micro-enterprise experienced a growth of 82,10%, small- enterprise by 11,93% and medium-enterprise by 5,96%.

Table 6. Statistics of MSME Labor (2012-2017)

Statistics

		Labour of Micro	Labour of Small	Labour of Medium	Total Labour of MSME
N	Valid	6	6	6	6
	Missing	0	0	0	0
Mean		103553608.500	5406681.667	3748953.667	112709243.500
Median		104231740.500	5486152.000	3661812.500	113486346.000
Mode		94957797.0[a]	3919992.0[a]	2844669.0[a]	101722458.0[a]
Range		15850067.0	3387511.0	2269351.0	21506928.0
Minimum		94957797.0	3919992.0	2844669.0	101722458.0
Maximum		110807864.0	7307503.0	5114020.0	123229386.0

a. Multiple modes exist. The smallest value is shown

Source : Data Processed, 2019

Based on the data and the results of the descriptive analysis above it was found that the role of MSMEs in absorbing labor is very large, where micro-enterprise absorbs the most labor followed by small and medium enterprises. There is a difference in the number of labor in each enterprise because the numbers are far different, where the number of micro-enterprise is the most, then followed by small-enterprise and medium-enterprise. This fact can certainly be a solution for the government to overcome the disparity between the workforce and the workforce because the workforce is increasing every year by optimizing the potential of MSMEs in Indonesia, thus the unemployment rate can be reduced as low as possible.

Contribution of UMKM to Gross Domestic Product (GDP). Based on data from the Ministry of Cooperatives and MSMEs released on the official website of the Ministry of Cooperatives (depkop.go.id) shows that the contribution of MSMEs to national GDP is very large and is increasing every year. The high contribution of MSMEs to GDP due to the significant number of MSMEs has even become the driving force for the economy in Indonesia.
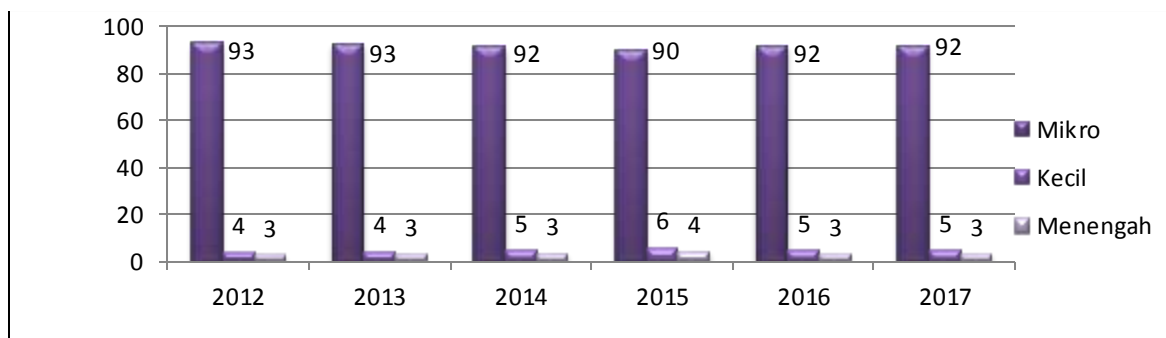
Figure 2. Percentage of MSME Labor 2012-2017
Source: Ministry of Cooperatives and MSMEs

In 2012 MSMEs contributed to the GDP was Rp. 4.321.830 billion, in 2013 increased by 11.25% to Rp.4.869.568,10 billion, then in 2014 again increased by 10.49% to Rp. 5.440.007,90 billion, then in 2015 the contribution of MSMEs to GDP increased by 12,66% to as much as Rp. 6.228.285 billion. In 2016 the contribution of MSMEs to GDP was Rp.7,009,283 billion, an increase from the previous year of 11,14%, and in 2017 it increased again by 9,03% so that the contribution of MSMEs to GDP was Rp.7.704.635,90.

Table 7. Contribution of MSMEs to Gross Domestic Product (GDP) of Indonesia
(Billion Rupiah)

Year	Micro	Small	Medium	Total
2012	2.579.388,4	740.271,3	1.002.170,3	4.321.830,0
2013	2.951.120,6	798.122,2	1.120.325,3	4.869.568,1
2014	3.326.564,8	876.385,3	1.237.057,8	5.440.007,9
2015	3.841.836,0	984.489,0	1.401.960,0	6.228.285,0
2016	4.292.287,8	1.128.05,8	1.588.938,3	7.009.283,0
2017	4.727.989,4	1.234.210,7	1.742.435,7	7.704.635,9

Source: Ministry of Cooperatives and MSMEs, 2018

The period of 2012-2017, the average number of micro-enterprise contribution to GDP was Rp.3.619.864,50 billion, small-enterprises was Rp.960.255,883 billion and medium-enterprises was Rp.1348814.567 billion. Hence, the average contribution of MSMEs to Indonesia's GDP over the 2012-2017 period was 59,74%, which was Rp.5.928.934,98 billion. The number of MSMEs' contribution to Indonesia's GDP during 2012-2017 increased by 78,27% or Rp.3.248.404,2 billion, of which micro-enterprise experienced the largest growth of 63.52%, small-enterprise 14.60% and medium-enterprise by 21,88%. The amount of contribution from each sector (micro-enterprise, small-enterprise, and medium-enterprise) to GDP is not the same. Based on the diagram below, it can be seen that from 2012 to 2017 the contribution of each sector: micro, small and medium enterprises, has increased every year, although the amount of contribution is not the same in each sector. In 2012, micro-enterprises contributed Rp. 2,579,388.40 billion or 59.68%, small-enterprises contributions of Rp. 740,271.30 billion or 17.13% and medium-enterprises contributions of Rp. 1,002,170.30 billion or 23.19% of the total GDP of MSMEs. In 2013, micro-enterprises were still the biggest contributor to MSME GDP, even increasing from the previous year, which was

60,60% or as much as Rp.2.951.120,60 billion, small-enterprises as much as 16.39% or as much as Rp.798.122,20 billion smaller than medium

enterprises which amounted to 23,01% or as much as Rp.1.120.325,30 billion of the total MSME GDP.

Table 8. Statistics of MSME Contribution to GDP (2012-2017)

(Billion Rupiah)

Statistics		GDP of Micro	GDP of Small	GDP of Medium	Total GDP of MSME
N	Valid	6	6	6	6
	Missing	0	0	0	0
Mean		3619864.500	960255.883	1348814.567	5928934.983
Median		3584200.400	930437.150	1319508.900	5834146.450
Mode		2579388.4[a]	740271.3[a]	1002170.3[a]	4321830.0[a]
Range		2148601.0	493939.4	740265.4	3382805.9
Minimum		2579388.4	740271.3	1002170.3	4321830.0
Maximum		4727989.4	1234210.7	1742435.7	7704635.9

a. Multiple modes exist. The smallest value is shown

Source : Data Processed, 2019

Furthermore, in 2014 the contribution of micro-enterprises to the MSME GDP of 61.15% or Rp.3.326.564, 80 billion, while small-enterprises were only 16,11% or Rp.876.385,30 and medium-enterprises amounted to 22,74% or Rp.1.237.057,80 billion of the total GDP of MSMEs. In 2015 the contribution of micro-enterprises was 61,68% or Rp.3.841.836 billion, small -enterprises amounted to 15,81% or Rp.984,489 billion, while medium-enterprises contributed 22,51% or Rp.1.401.960 billion of the total GDP of MSMEs. In 2016 micro-enterprises were still the biggest contributor, namely 61.24% or Rp.4,292,287.80 billion, then small-enterprises amounted to 16.09% or Rp. 1,128,056.80 billion, while medium-enterprises have contributed 22.67% or Rp. 1,588,938.30 billion of the total GDP of MSMEs.
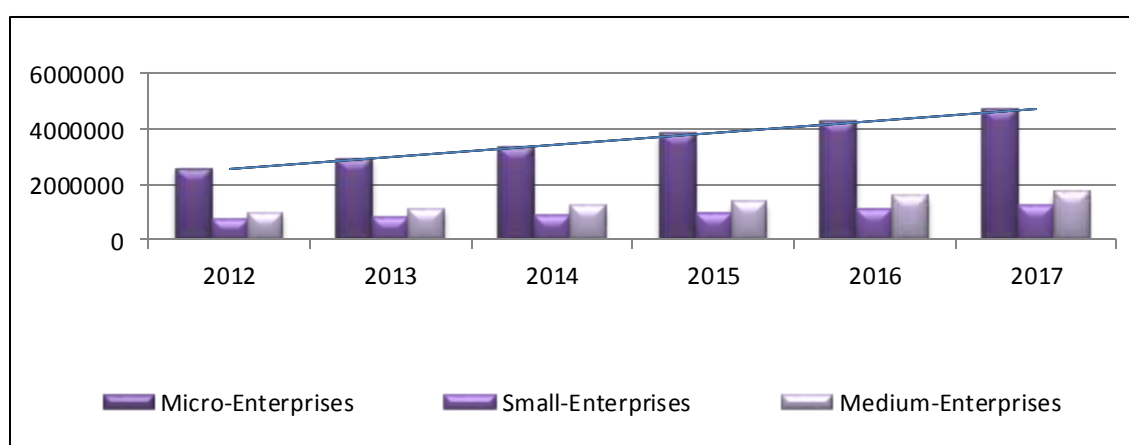

Figure 3. Contribusion of MSMEs to GDP 2012-2017

Source: Ministry of Cooperatives and MSMEs

Furthermore, in 2017 micro-enterprises contributed 61.37% of MSME GDP or Rp.4,727,989.40 billion, while small-enterprises contributed 16.02% or Rp.1,234,210.70 billion while medium-enterprises contributed 22 , 62% or Rp.1,742,435.70 billion of the total GDP of MSME.

For discussion. Based on the presentation of the analysis results about the role of MSMEs in absorbing labor and its contribution to GDP above. It is interesting for discussion. According to data from the Ministry of Cooperatives and MSMEs released on the official website of the Ministry of Cooperatives (depkop.go.id) shows that the role of MSMEs in absorbing labor in Indonesia is very large, although it is fluctuating, the trend is increasing. This is because the number of MSMEs is significant when compared to other sectors such as large businesses (LB). The high number of MSMEs automatically opens new jobs because it requires labor to manage the business. However, Some previous studies also showed that the role of MSMEs in absorbing the workforce was indeed significant (Arifin, 2017; A. H. Putra, 2016; Sofyan, 2017; Suci, 2017; Wahyuni, 2018). Furthermore, The role of MSMEs is also very large in other countries such as India, Thailand, the Philippines, Malysia, Africa and America (Mahboob, Vichayanan, M, & Abusayed, 2017; Rahman, Yaacob, Busneti, & Tambunan, 2016; Rathore & Mathur, 2019; Shukla et al., 2016; Shukla & Nerlekar, 2016; T. ulus T. Tambunan, 2019).

Data from the Ministry of Cooperatives and MSMEs shows that micro-enterprise is the sector that absorbs the most labor, on average for the period 2012-2017 there were 103,553,608.50 people or around 92% of the total MSME workforce, then small-enterprise sector amounted to 5,406 .681,667 people and medium-enterprises labor was 3,748,953,667 people. This is supported by the fact that the number of micro-enterprises is the most when compared to the small-enterprises, medium-enterprises and large businesses sector. However, the government must be able to encourage the micro-enterprises sector to develop into a medium-enterprise and even become a large-enterprises, to be able to compete in national and international markets. Especially after the entry into force of the MEA makes competition in all sectors more stringent. Therefore SMEs must also be prepared to face international market competition (Julita, 2017; Julita & Sari, 2015; Marpaung & Pardede, 2018).

On the other hand, MSMEs have contributed to economic growth. As we known, increasing economic growth is a goal that is achieved by all countries including Indonesia. The indicator of economic growth that is commonly used by countries in the world is GDP growth. One of the sectors that contributed the most to Indonesia's GDP was Micro, Small and Medium Enterprises (MSMEs). Based on the data and analysis results above, it is found that the contribution of MSMEs to Indonesia's GDP is very large and increases every year.

During the 2012-2017 period, micro-enterprises were the largest sector contributing to MSMEs GDP, which was an average of 61.05% of the total MSME GDP, this is reasonable given that the number of micro-enterprises is the largest sector in Indonesia, then followed by medium-enterprises with an average contribution of 22.75%, while the smallest contribution is small-enterprises, namely an average of 16.20%.   the fact of the role of MSMEs to GDP have implication for the government must be able to encourage the growth and development of MSMEs so that the contribution to GDP is greater.

Based on these data, the contribution of MSMEs to GDP cannot be underestimated. Even the role of MSMEs was seen when the economic crisis occurred in 1998. when companies went bankrupt because they were dependent on banks, MSMEs remained stable because they were not affected by the economic crisis, this was a positive impact of MSME independence in financial matters that did not depend on banking. However, some previous research also shows the role of MSMEs in GDP (Hamza, 2019; Riswara, 2018; Rohman, 2019). The role of MSMEs is very large for the Indonesian economy, although there is very little government attention (Muchlis, 2006). Hence, the government must provide support to MSMEs to be able to develop including quantity and quality.

Today, there are still many obstacles faced in developing MSMEs which are classic problems such as: *First*, financial problems. The impact is that MSME is difficult to develop a business because capital is one of the factors that greatly influence business continuity. Financial problems are exacerbated by limited financial access, because most MSMEs, especially the micro-enterprises sector, do not have good financial reports, even none at all, so access to banking finance is very difficult despite the existence of a mild interest credit program. *Second*, limited information. The lack of information possessed by MSMEs about national and international market conditions such as market demand trends is still very minimal, this is due to the lack of cooperation networks owned by MSMEs. *Third*, management skills. MSMEs do not have good management, from HR management, administration management, production management to marketing management, even though this is a basic skill for developing a company. *Fourth*, the use of technology is still very weak, both for production and distribution and marketing activities, even though the use of technology will create efficiency and effectiveness. *Fifth*, the quality of human resources is still not professional, namely, MSME workforce, especially micro-enterprises are private businesses that are usually handled by one person in all fields, meaning that there is no work specialization in accordance with their fields (Anam, 2019; Mersita, Fathoni, & Wulan, 2019; I. P. M. J. S. Putra, Endiana, Primadewi, & Rusjayanthi, 2019; Rifa'i, 2017).

As for the readiness of MSMEs in international competition, there is still much to be improved, especially in facing the free market competition of the ASEAN economic community. There are several problems faced by MSMEs: Export administration and bureaucracy are still complicated, funding for exports is still difficult, lack of information on international market needs, and there is no protection for MSMEs that are in dispute with foreign companies.

Meanwhile, MSMEs in Europe have developed very rapidly, even penetrating the international market. Developed countries such as America and Europe pay special attention to

MSMEs to increase export activities by promoting promotion. The European Union has different policies for exporting activities by MSMEs: (1) Creating a simple business administration system. (2) Improve the financial system that supports the MSME sector. (3) Providing good information services to MSMEs by Europeanization and Internationalization. (4) Increase the competitiveness of MSMEs and improve access and assist in development and training. (5) Providing entrepreneurship guidance (Fajar ND, 2016).

Experts and the results of previous research provide solutions in developing MSMEs including through financial training and bookkeeping to overcome the difficulties of banking access due to constrained financial reports, integrated assistance, developing MSMEs based on local wisdom, MSMEs with a creative economy, maximizing the potential of zakat for MSME development. MSME-based tourism in collaboration with local governments and tourism agencies (Ananda & Susilowati, 2017; Furqon, 2019; Hamang & Anwar, 2019; Sanistasya, Rahardjo, & Iqbal, 2019; Sari, Farida, & Hetika, 2019). Fajar ND and Setyobudi has given advice: (a) Soft interest bank loans for MSME development, (b) Conduct training for MSME counterparts in enhancing MSME credit capacity. this institution is called a bank partner financial consultant, (c) Establishment of a small and medium enterprise development center, to conduct training and accreditation of MSME assistant, (d) Development of an integrated small business development information system, (e) Establishment of an MSMEs center at commercial banks to serve MSMEs customers. (f) Ease of licensing. (g) Capital strengthening. (h) Market expansion and (i) Access to information (Fajar ND, 2016; Setyobudi, 2007).

Many previous studies used analysis to look for influence without displaying data or real conditions related to the role of MSMEs (Hamza, 2019; Rohman, 2019; T. Tambunan, 2006). They only looked at the level of significance without giving an in-depth explanation of the significance of the numbers such as numbers, percentages and other statistical data. The advantage of this paper

when compared to previous research is to provide a detailed and clear picture of the role of MSMEs in absorbing labor and its contribution to GDP because it displays complete data by providing descriptive explanations and then supported by previous research to strengthen the statement in describing the data.

The contribution of this paper is to provide information to policymakers about the important role of MSMEs in absorbing labor to reduce unemployment and the contribution of MSMEs to economic growth as measured by GDP. Therefore the government must make policies that support the development of MSME in terms of quantity and quality. Especially in the free-market era of the ASEAN economic community which makes the competition tighter.

CONCLUSION

Based on the results and discussion above, it can be concluded that the role of MSME in absorbing labor and its contribution to Indonesia's GDP is very significant. During the 2012-2017 period, MSMEs were able to absorb an average workforce of 112,709,244 or 97.03%, micro-enterprises absorbed the most labor, namely 92%, then ranked the second small-enterprises by 5% and medium-enterprises by 3% of the total MSME workforce. During the period of 2012-2017, an increase in the number of MSME labor amounted to 14.70% or as many as 14,950,958 people, from that number micro-enterprises increased by 82,10% or 12.275.195 people, small-enterprises by 11,93% or as many as 1.784.329 people and medium-enterprises increased by 5,96% or as many as 891.434 people.

During the 2012-2017 period, MSMEs also contributed greatly to Indonesia's GDP. The estimated average of MSMEs against Indonesia's GDP over the 2012-2017 period was Rp.5,928,934.98 billion or 59.74%, micro-enterprises contributed the most by 61.05% or Rp.3.619.864,50 billion, small-enterprises amounted to 16,20% or Rp.960.255,88 billion and medium-enterprises 22,75% or Rp. 1.348.814,57 billion of the total GDP of MSMEs. During this period, the contribution of MSMEs to GDP

increased by 78.27% or Rp3.248.404,2 billion, of which, micro-enterprises increased by 63,52%, small-enterprises 14,60% and medium-enterprises by 21,88%.

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