Sustainable Development Goals and the Role of MSMEs in Indonesia

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Abstract: This descriptive study examines the potential role of micro, small and medium enterprises (MSMEs) in achieving sustainable development goals (SDGs) in Indonesia. By analyzing secondary data it examines the gradual process of the role of MSMEs in achieving various goals such as poverty alleviation (goal 1), zero hunger (goal 2), gender equality (goal 5), and reduced inequalities (goal 10). This paper argues that from an economic perspective, the direct contribution of MSMEs to the achievement of SDGs is to create job and business opportunities, including for married women from poor/low-income households in rural areas, and economic growth. In turn, economic growth, in theory at least, increases the income of the lowly educated workforce, along with increased employment and business opportunities reducing poverty. By reducing the number of poor people, several other goals can also be achieved.

Keywords: MSMEs, SDGs, poverty alleviation, zero hunger, gender equality, good health and well-being

Introduction

It has been recognized worldwide that MSMEs play a vital role in economic development. In developing and least developed countries, including small island developing states, MSMEs are the majority of firms. Thus, they are very important for job creation, poverty alleviation, improvement of income distribution, development of manufacturing industry, rural economic development, growth of export especially manufactured goods, and GDP growth. They also provide business opportunities to women, unemployed, and less educated youths. MSMEs are important because they are labor-intensive (Tambunan, 2021). By extrapolating data from the World Bank's Enterprise Surveys, a report from the International Finance Corporation (IFC, 2017) shows that there are close to 162 million formal MSMEs in developing and least developed countries, of which 41 million are microenterprises (MIEs), and 21 million are small and medium enterprises (SMEs). Countries like Brazil, China, and Nigeria, contribute 67 percent to the total number of MSMEs, which is equivalent to 109 million enterprises. There are close to 12 million MSMEs in China alone, which represent 56 percent of all MSMEs in developing countries. China also has 44 million MIEs, which represent 31 percent of all MIEs in developing countries. There is a large concentration of MSMEs in the East Asia region (64 million), followed by Sub-Saharan Africa, which has 44 million enterprises, the majority of which (97 percent) are MIEs.

In developing economies in the Asia and Pacific (AP) region, for instance, more than 98 percent of companies were considered MSMEs, with more than half of the economies, including Indonesia, holding a share of more than 99 percent (Table 1). This share has remained constant over the past decade for all economies. Based on how each economy defined its MSMEs and the availability of the most recent data, nearly 150 million businesses in the region was considered MSMEs, representing around 99.8 percent of all businesses in the region. It is important to note that what is considered MSMEs in one economy may not be considered MSMEs in other economies given the fact that economies in the region define MSMEs differently.

Table 1 Number of MSMEs in Developing Economies in the AP Region*

Economy	Total number (million)	% of total enterprises	Year
Brunei Darussalam	5.9	97.2	2017
Chile	944.9	98.6	2017
China	21,921.1	99.6	2017
Indonesia	64,194.1	99.99	2018
Malaysia	907.1	98.5	2015
Mexico	4,169.7	99.7	2018
Papua New Guinea	49.5	13.0	2016
Peru	1,899.6	99.5	2017
Philippines	920.7	99.6	2017
Singapore	262.6	99.5	2018
China Taipei	1,466.2	97.6	2018
Thailand	3,077.8	99.8	2018
Viet Nam	507.9	98.1	2017

Note: * the number of MSMEs was rounded up. Source:
APEC (2020).

Given their vital role discussed above, especially for poverty eradication, mostly amongst women, the United Nations (UN) has assigned a great role to MSMEs for taking a lead in achieving most of the economic-related sustainable development goals (SDGs), including promoting inclusive and sustainable economic growth, increasing productive employment opportunities and decent work, especially for the poor and vulnerable, particularly women and youth, advancing sustainable industrialization and innovation, and creating a positive push for a higher quality of life, better education and good health for all (OCED, 2017, cited from Dasaraju et al., 2020). At least theoretically, as they are the greatest generator of employment and business opportunities in developing and least developed countries, MSMEs are the backbone for these countries to achieve the SDGs. But, for MSMEs to be able to play this role they must be highly competitive and able to grow rapidly in a sustainable manner.

With the above background, by analyzing secondary data, this chapter discusses the potential role of MSMEs in achieving SDGs in Indonesia by 2030.

Achievement of SDGs in Indonesia
At the time this chapter was written, it has been almost 7 years since the world adopted the SDGs into their respective country's development plans. However, based on several reports issued by several international institutions such as The Sustainable Development Goals Report 2021, the progress made by countries in the world has not been as expected. Although the results of achieving the SDGs have not been as targeted or expected, it can be seen that there is a gradual increase in each goal and target indicator, especially regarding poverty reduction, improving maternal health, and gender equality, but progress is not fast or broad enough. Since the corona virus hit, much of that progress has declined or been reversed (https://www.goodnewsfromindonesia.id/2021/07/21/perjalanan-program-sdgs-di-indonesia-apa-saja-achievement).

Indonesia's own ranking in 2017 had dropped to 100, but experienced an increase in points of 62.9. In that year, Indonesia still had a red list of most targets in each of the SDGs indicators or goals. Meanwhile, the indicator targets that are clean from the red list are the first goal (SDG 1) and the thirteenth goal (SDG 13). There is one SDGs indicator in which Indonesia has a green color, namely SDG 13 or the goal of Handling Climate Change, while there are 7 other indicators in red which indicate the main challenges in these indicators, a total of 8 indicators in orange which means there are significant challenges in and 1 yellow indicator which means there are challenges with low intensity in the implementation of these indicators.

In 2018, Indonesia's ranking increased to 99 with 62.8 points with only two indicators whose target details were clear of red marks, namely SDG 1 and SDG 13. However, in that year there was a decline in the level of achievement which was marked by none of the SDGs indicators in green. indicating that it has been achieved. The

indicator with red color has actually increased to 8 indicators (previously 7), there are 7 indicators with orange color and 2 indicators with yellow color. In 2019, Indonesia was ranked 102nd with 64.2 points. The achievement of Indonesia's SDGs has increased, namely the indicator with yellow color increased to 3 indicators, 6 indicators in orange and 8 indicators in red. In the 2019 report, SDG 4 and SDG 12 have increased by changing the color of the dashboard from orange to yellow, while SDG 1 has decreased. In 2020, Indonesia is ranked 97th with 66.3 points. According to the report, the achievement of Indonesia's SDGs faces major challenges on 9 indicators labeled in red (originally 8 indicators) with the addition of SDG 14, 5 indicators with significant challenges and 3 indicators with persistent challenges. In 2021, Indonesia's ranking and points in The Sustainable Development Report are the same as the previous report, which is ranked 97th with 66.3 points. The implementation of the SDGs in the report shows no sign of a decrease in points from each indicator. The drop in points is indicated by a down arrow in red. The visualization of the 2021 SDGs dashboard is exactly the same as the 2020 SDGs dashboard, but there are differences in the details of each indicator target (https://www.gatra.com/news-485592-ekonomi-peringkat-index-sdgs-2020-di-indonesia-increase.html).

Based on the 2021 Southeast Asia SDGs Index, the country with the nickname White Elephant is in the top position in achieving the 2021 SDGs with 74.19 points. Vietnam trailed in second place with 72.85 points, Malaysia in third with 70.88 points. Meanwhile, Indonesia ranks 6th in the achievement of the 2021 SDGs in the Southeast Asia region (https://sdgs.bappenas.go.id/wp-content/uploads/2021/02/Roadmap_Bahasa-Indonesia_File-Upload.pdf). In the following, Table 2 outlines the achievement targets that have been set for each of the 17 goals.

Table 2 Targets for Achieving A Number of SDGs by 2030

Goal	Achievement 2030	
	Without SDGs	With SDGs
No Poverty	Percentage of people living below the national poverty line	
	↓5.73%	↓4.33%
No hunger	Prevalence of population experiencing moderate or severe food insecurity (Food Insecurity Experience Scale (FIES))	
	4.70 FIES	3.30 FIES
	Prevalence of stunting in children under five	
	22.37%	10.0%
A healthy and prosperous life	Maternal deaths per 100,000 live births	
	210	131
	Infant mortality per 100,000 live births	
	15.6	12
	Incidence of Tuberculosis (TB) per 100,000 population	
	261	65
	Percentage of smoking in adolescents (age 10-18 years)	
	15.95%	7.5%
	Prevalence of Obesity in Adult Population (Age 18 years)	
	47.5%	21.8%
	Total Fertility Rate (TFR)	
	2.42	2.1
	National Health Insurance Coverage	
	97.5%	100%
Quality education	Proportion of 4th graders who achieve minimum proficiency in reading	
	67.2%	
	Proportion of 4th graders achieving minimum proficiency in mathematics (trend projection)	
	35.5%	
	Proportion of 9th graders who achieve min. reading skills	
	36.7%	50.0%
	Proportion of 9th graders who achieve math proficiency	

	25.0%	38.0%
	Gross enrollment in primary school education	
	65.51%	
	Gross enrollment in higher secondary education	
	86.88%	90.55%
	Gross enrollment in tertiary education	
	43.85%	60.84%
	Net ratio of girls to boys in higher secondary education	
	104.26	102.31
	Lower net ratio of girls to boys in secondary education	
	113.01	98.00
Gender equality	Proportion of women aged 20-24 who married or started a family before the age of 18	
	10.03%	6.94%
Clean water and proper sanitation	Percentage of households with access to improved drinking water	
	75.8%	100%
	Percentage of households with access to better sanitation	
	100%	
Clean and affordable energy	Electric power consumption per capita	
	2,035kWh	3,201kWh
	Renewable energy mix	
	12,1%	26,1%
Decent work and economic growth	Real GDP growth rate per capita	
	4,4%	5,4%
	Unemployment rate	
	4,7%	3,8%
Industry, innovation and infrastructure	Proportion of population served by mobile broadband services	
	92,5%	100%
Decrease inequality	Gini coefficient	
	0,379	0,363
Sustainable cities and communities	Proportion of households with access to adequate and affordable housing	
	52,18%	68,06%
Handling climate change	Greenhouse gas emission intensity	
	367.78Ton CO2e/bill. Rupiah	261,06Ton CO2e/bill. Rupiah
Land ecosystem	Proportion of forest cover to total land area	
	40,0%	45,5%
Partnership to achieve goals	Ratio of tax revenue to GDP	
	13,5%	15,1%
	Proportion of individuals using the internet	
	81%	89%

Source: Bappenas (sdgs.bappenas.go.id).

The Importance of MSMEs

It has been recognized worldwide that MSMEs play a vital role in the economic development of all countries in the world. Especially in developing and least developed countries, as they are the majority of enterprises, MSMEs have a crucial role to play because of their potential contributions to poverty reduction, improvement of the income distribution, employment creation, industrial development, rural development, GDP growth, and export diversification and growth. They also provide business opportunities to women, unemployed, and less educated youths. The growth of MSMEs is also strategic in achieving resilience and stronger recovery in these countries after the COVID-19 crisis.

By extrapolating data from the World Bank's Enterprise Surveys, a report from the International Finance Corporation (IFC, 2017) shows that there are close to 162 million formal MSMEs in developing and least developed countries, of which 141 million are microenterprises (MIEs), and 21 million are small and medium enterprises (SMEs), Three countries, i.e Brazil, China and Nigeria, contribute 67 percent to the total number of MSMEs, which is equivalent to 109 million enterprises. There are close to 12 million MSMEs in China alone, which represents 56 percent of all MSMEs in developing countries. China also has 44 million MIEs, which represents 31 percent of all MIEs in developing countries. There is a large concentration of enterprises in the East Asia region (64 million), followed by Sub-Saharan Africa, which has 44 million MSMEs, the majority of which (97 percent) are microenterprises.

Data from the Indonesian State Ministry of Cooperatives and SMEs (Menegkop & UKM) as well as the Central Statistics Agency (BPS) showed that there were approximately 39.765 million MSMEs which represents 99.8 percent of the total business establishments in Indonesia in 1997. The number was observed to be growing every year except in 1998 when the Asian financial crisis of the 1997-98 period hit Indonesia which caused the Indonesian rupiah (IDR) exchange rate to depreciate against the United States dollar (USD) by more than 200 percent. Table 4 shows that almost 100 percent of total companies in Indonesia are from this category of enterprises and they generated approximately 97 percent of total employment in the country.

Table 3 Number of MSMEs and Their Workers by Sub-category in Indonesia, 2018-2019

Description	unit of measure	2018		2019		
		Total	Share (%)	Total	Share (%)	
MSMEs	Unit	64,194,057	99.99	65,465,497	99.99	
-MIEs		63,350,222	98.68	64,601,352	98.67	
-SEs		783,132	1.22	798,679	1.22	
-MEs		60,702	0.09	65,465	0.10	
LEs		5,550	0.01	5,637	0.01	
MSMEs + LEs		64,199,607	100.00	65,471,134	10.00	
MSMEs	People	116,978,631	97.00	119,562,843	96.92	
-MIEs		107,376,540	89.04	109,842,384	89.04	
-SEs		5,831,256	4.84	5,930,317	4.81	
-MEs		3,770,835	3.13	3,790,142	3.07	
LEs		3,619,507	3.00	3,805,829	3.08	
MSMEs + LEs		120,598,138	100.00	123,368,672	100.00	

Source: Menegkop & UKM (http://www.depkop.go.id/)

Potential Role of MSMEs

Indonesia is committed to successfully implementing the SDGs by achieving the 2030 development agenda. In this regard, Indonesia's Presidential Regulation no. 59/2017 concerning the implementation of SDGs in Indonesia mandated the Ministry of National Development Planning of the Republic of Indonesia to provide the Roadmap of SDGs Indonesia. The Roadmap of SDGs Indonesia was developed through a long process and discussion by involving multi-stakeholder participation, ensuring that the contents of this roadmap reflect all stakeholders' aspirations with rigorous exercises. The roadmap defines issues and projections of main SDGs indicators in each goal, including its forward-looking policies to achieve such targets. There are around 60 selected indicators to include in the full version of the roadmap. From the projection exercises and intervention scenarios of the indicators, it is obvious that the achievement of such targets needs a strong collaboration among stakeholders and commitments in both activities and financing, as the gaps remain for achieving the ambitious 2030 agenda (Bappenas, 2019).

Among the stakeholders are MSMEs, as his group of enterprises is the key contributor to economic development in Indonesia. MSMEs have been assigned an important role due to their huge potential for solving socio-economic challenges facing the country. Their most assigned role is to create a business as well as employment opportunities for the especially low-educated population, unemployed youths, poor households, women, and other socially underprivileged groups. By fulfilling this role, the enterprises will make a great contribution to poverty alleviation in the country. Therefore, their vital contribution to the broader socio-economic objectives, including employment generation and poverty alleviation makes them a key priority area for achieving the SDGs in Indonesia.

There are 17 SDGs ratified by the United Nations General Assembly in September 2015, which were presented as "a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity "which are targeted to be achieved by 2030. Not surprisingly, strengthening the capacity of MSMEs – typically, though not exclusively, through greater access to finance – is identified as a key target in specific SDGs. As shown in Table 4, MSMEs involved in specific sectors could help achieve many objectives under different goals (Blue Orchard, 2017).

Table 4 MSMEs and SDGs

No	Contribution toward achieving SDGs	Goals in Which MSMEs would have a considerable impact
1	By Providing Employment	Goal 1: Poverty Alleviation Goal 5: Gender Equality Goal 8: Decent Work and Economic Growth Goal 9: Industry Innovation and Infrastructure Goal10: Reduced Inequalities
2	By Sector-Specific Operational Efficiency	Goal 2: Zero hunger Goal 9: Industry Innovation and Infrastructure Goal 7: Affordable and Clean Energy Goal 12: Responsible Consumption and Production Goal 17: Partnership for Goals
3	By Corporate Social Responsibility activities	Goal 3: Good Health and Well-being Goal 4: Quality Education Goal 6: Clean Water and Sanitation Goal 11: Sustainable Cities and Communities
4	By ethically and lawfully following laws and bylaws	Goal 13: Climate Action Goal 14: Life Below Water Goal 15: Life on Land Goal 16: Peace Justice and Strong Institutions

Source:(Blue Orchard, 2017, cited from Dasaraju et al., 2020).

From an economic perspective, the direct contribution of MSMEs to the achievement of SDGs is to create job and business opportunities, including for married women from poor/low-income households in rural areas, and economic growth. In turn, economic growth, in theory at least, increases the income of the lowly educated workforce, along with increased employment and business opportunities reducing poverty. By reducing the number of poor people, several other goals can also be achieved (Figure 1).
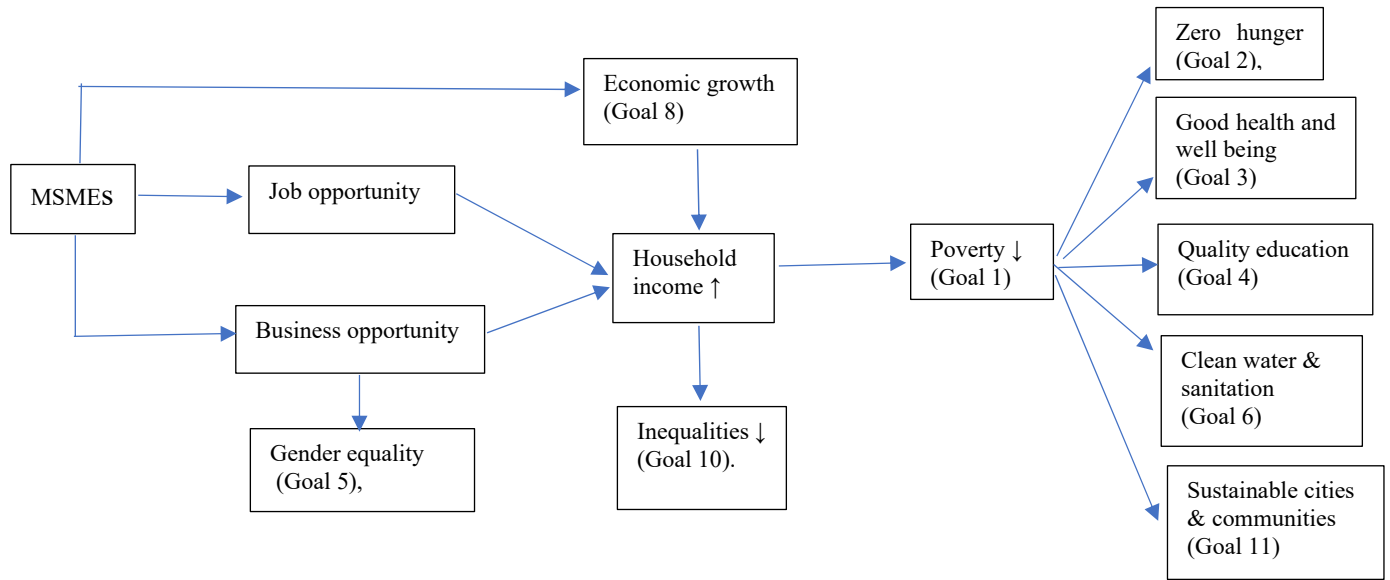
Figure 1. The Gradual Process of the Role of MSMEs in Achieving Various SDGs

Goal 1 Poverty Alleviation

Goal 1 is to end poverty in all its forms everywhere. The contribution of MSMEs to achieve this goal is by generating employment and business opportunities that facilitate people to come out of the vicious circle of poverty. As shown in Table 3, almost 100 percent of total companies in Indonesia are from this category of enterprises and they generated approximately 97 percent of total employment in the country. The employment effect of MSMEs can be direct as well as indirect. The direct effect is the number of people working in MSMEs, whereas the indirect effect is the creation of jobs in other linked sectors. Just a simple example: a small firm produces fertilizer for agriculture. In this case, it can be said that the growth or sustainability of production in the agricultural sector is highly dependent on that firm, assuming there are no other firms that also make fertilizers and there is no import of fertilizer. Suppose that the firm has 20 workers which can be considered the direct employment effect, while in the agricultural sector there are 100 laborers, which is the indirect employment effect. Then in total, the firm has generated is as many as 120 people. It means that the total employment effect of MSME is the sum of their direct effects plus indirect effect

Based on official statistics, Table 5 shows poverty changes in Indonesia from 1976 to 2021. As can be seen, the percentage of poverty at the national level decreased significantly from about 40 percent to almost 17.5 percent during the period 1976-1996, and the largest decrease occurred during the 1970s to early 1980s with 13 percentage points, whereas during the 1981-93 period the rate of decline was only about 16 percentage points. However, the rate of decline in the number of poor people tended to slow down starting in 2004.

Table 5 Poverty in Indonesia, 1976-2021

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Year	Total number of poor people (million)			Percentage of poverty (%)		
	Urban	Rural	National	Urban	Rural	National
1976	10.00	44.20	54.20	38.79	40.37	40.08
1980	9.50	32.80	42.30	29.04	28.42	28.56
1984	9.30	25.70	35.00	23.14	21.18	21.64
1987	9.70	20.30	30.00	20.14	16.14	17.42
1990	9.40	17.80	27.20	16.75	14.33	15.08
1996	9.42	24.59	34.01	13.39	19.78	17.47
1998	17.60	31.90	49.50	21.92	25.72	24.23
1999	15.64	32.33	47.97	19.41	26.03	23.43

2000	12.30	26.44	38.74	14.60	22.38	19.14
2001	8.60	29.27	37.87	9.76	24.84	18.41
2002	13.30	25.09	38.39	14.46	21.10	18.20
2003	12.20	25.14	37.34	13.57	20.23	17.42
2004	11.30	24.85	36.15	12.13	20.11	16.66
2005[1]	12.40	22.70	35.10	11.68	19.98	15.97
2006[2]	14.49	24.81	39.30	13.47	21.81	17.75
2007[2]	13.56	23.61	37.17	12.52	20.37	16.58
2008[2]	12.77	22.19	34.96	11.65	18.93	15.42
2009[2]	11.91	20.62	32.53	10.72	17.35	14.15
2010[2]	11.10	19.93	31.02	9.87	16.56	13.33
2011[3]	10.95	19.06	30.01	9.09	15.59	12.36
2012[3]	10.51	18.20	28.71	8.60	14.70	11.66
2013[3]	10.39	18.21	28.60	8.42	14.28	11.46
2014[3]	10.51	17.22	27.73	8.34	14.17	10.96
2015[3]	10.65	17.86	28.51	8.29	14.21	11.13
2016[3]	10.49	17.27	27.76	7.73	13.96	10.70
2017[2]	10.67	17.10	27.77	7.72	13.96	10.64
2020[3]	12.04	15.51	27.55	7.88	13.20	10.19
2021[2]	12.18	15.37	27.54	7.89	13.10	10.14

Note 1) February; 2) March; 3) September
Source: BPS (http://www.bps.go.id) (data processed from the National Social-Economic Survey (SUSENAS); BPS (2016a,b, 2021a).

Table 4 gives a clear impression that the role of MSMEs in achieving Goal 1 is especially important in rural areas because, as can be seen, both the number and percentage of poor people in rural areas are greater than those in urban areas. And indeed, the number of MSMEs, especially micro and small enterprises (MSEs), is higher in rural than in urban areas. So, if rural MSEs can develop well with high productivity and competitiveness, this will greatly help reduce poverty in rural areas and thus also at the national level.

Next, Table 6 shows the number and percentage of poor people in Indonesia vary by province. From the end of the 1998-1999 Asian financial crisis until the present Jokowi era, there have been several provinces whose poverty levels have decreased, while in other provinces the poverty conditions have remained worse or even gotten worse. This variation in changes in poverty between provinces is due to differences between provinces in many aspects, such as the rate of economic growth (low or high) and its nature (whether it is labor-intensive which means that economic growth creates many new job opportunities or capital intensive which means that the growth of employment opportunities is lower than the rate of economic growth), economic structure (whether the economy is still agrarian or dominated by non-primary sectors, especially the manufacturing industry which is the largest sector among all economic sectors in contributing value added to the economy), infrastructure conditions (quantitative and qualitative), the regional impact of an economic crisis (which is largely determined by, among other things, the economic openness of the province to the wider regional or international economy, and the province's readiness to an economic shock). Apart from these factors, the implementation at the provincial level of anti-poverty programs, especially during times of crisis, by central and local governments also greatly determines the success of a province in reducing poverty.

Table 6 Poverty in Indonesia by Province, 1990-2021 (%)

Province	1990	1999	2002	2005	2006	2008	2012[1]	2013[2]	2017[2]	2021[2]
Aceh	15.9	14.8	29.8	28.7	28.3	23.6	18.6	17.6	16.9	15.33
North Sumatera	13.5		15.8	14.7	15.0	12.5	10.4	10.1	10.2	9.01
West Sumatera	15.0	16.7	11.6	10.9	12.5	10.6	8.0	8.1	6.9	6.63
Riau	13.7	13.2	13.6	12.5	11.9	10.8	8.1	7.7	7.8	7.12
Jambi	-	14.0	13.2	11.9	11.4	9,3	8.3	8.1	8.2	8.09
South Sumatera	16.8	26.6	22.3	21.0	20.99	17,7	13.5	14.2	13.2	12.84
Bengkulu	-	23.5	22.7	22.2	23.0	19,1	17.5	18.3	16.5	15.22

Lampung	13.1	19.8	24.1	21.4	22.8	20,9	15.7	14.9	13.7	12.62
Bangka Belitung	-	29.1	11.6	9.7	10.9	7,9	5.4	5.2	5.2	4.90
Kep. Riau	-	-	-	10.97	12.2	8,7	6.8	6.5	6.1	6.12
DKI Jakarta	7.8	-	3.4	3.6	4.6	3.9	3.7	3.6	3.8	4.72
West Java	13.9	4.0	13.4	13.1	14.5	12.7	9.9	9.5	8.7	8.40
Central Java	17.5	19.8	23.1	20.5	22.2	18.99	14.98	14.6	13.0	11.79
DI Yogyakarta	15.5	28.5	20.1	18.95	19.2	18.0	15.9	15.4	13.0	12.80
East Java	14.8	26.1	21.9	19.95	21.1	18.2	13.1	12.6	11.8	11.40
Banten	-	29.5	9.2	8.9	9.8	8.2	5.7	5.7	5.5	6.66
Bali	11.2	8.5	6.9	6.7	7.1	5.9	3.95	3.95	4.3	4.53
West Nusa Tenggara	23.2	33.0	27.8	25.9	27.2	23.4	18.0	17.97	16.1	14.14
East Nusa Tenggara	24.1	46.7	30.7	28.2	29.3	25.7	20.4	20.0	21.9	20.99
West Kalimantan	27.6	26.2	15.5	14.2	15.2	10.9	7.96	8.2	7.9	7.15
Central Kalimantan	-	15.1	11.9	10.7	11,0	8.4	6.2	5.9	5.4	5.16
South Kalimantan	21.2	14.4	8.5	7.2	8,3	6.2	5.0	4.8	4.7	4.83
East Kalimantan	-	20.2	12.2	10.6	11/4	8.5	6.4	6.1	6.2	6.54
North Kalimantan	-	-	-	-	-	-	-	-	7.22	7.36
North Sulawesi	14.9	18.2	11.2	9.3	11.5	9.8	7.6	7.9	8.4	7.77
Central Sulawesi	-	28.7	24.9	21.8	23.6	20.6	14.9	14.7	14.1	13.00
South Sulawesi	10.8	18.3	15.9	14.98	14.6	13.4	9.8	9.5	9.4	8.78
Southeast Sulawesi	-	29.5	24.2	21.5	23.4	19.4	13,1	12.8	12.8	11.66
Gorontalo	-	-	32.1	29.1	29.1	20.5	17.2	17.5	17.7	15.61
West Sulawesi	-	-	-	-	20.7	15.3	13.0	12.3	11.3	11.29
Maluku	-	46.1	34.8	32.3	33.0	29.2	20.8	19.5	18.5	17.87
North Maluku	-	-	14.0	13.2	12.7	11.5	8.1	7.5	6.4	6.89
West Papua	-	-	-	-	41.3	33.5	27.0	26.7	25.1	21.84
Papua	-	54.8	41.8	40.8	41,5	35,5	30.7	31.1	27,62	26.86

Note 1) September, 2) March
Source: BPS (http://www.bds.go.id) and BPS (2016a,b, 2021)

For instance, in 2013 (March), the average poverty rate in western Indonesia was around 10.01 percent, with the highest rate in Aceh at 17.6 percent and the lowest in DKI Jakarta at 3.55 percent Meanwhile, in the eastern region of the country, an average of about 17.25 percent was recorded, with the highest in Papua at 31.13 percent and the lowest in North Maluku at 7.50 percent. This structure has remained relatively unchanged until recently (2021) based on the data available. By island, Maluku and Papua had the highest poverty rates, namely 20.66 per cent; followed by Bali and Nusa Tenggara with 13.84 per cent, Sulawesi 10.29 per cent, Sumatra 10.15 per cent, Java 9.67 per cent, and the lowest was Kalimantan 6.09 per cent. This structure indicates the existence of economic inequality in Indonesia between the relatively more developed western regions (especially Java) and the relatively backward regions of the east. This imbalance could also be seen in the role of the provinces in the formation of the country's GDP, where the largest contribution originated from Java (above 50 percent), and in the second rank was Sumatra (above 20 percent).

From the data shown in Table 6, it is obvious that poverty in Indonesia was greater in the east than in the west. Following Government Regulation No. 131 of 2015 concerning the determination of underdeveloped areas for the 2015-2019 period, the number of underdeveloped areas in Indonesia reached 122 and most of them were in the eastern region. There were five provinces in the eastern region with the most disadvantaged areas, namely Papua, West Papua, Central Sulawesi, West Kalimantan, and West Nusa Tenggara (NTB) (Tono, 2017).

Next, Table 7 shows the percentage and number of poor people by island, and the highest, 20.65 percent, was recorded in the Maluku and Papua region while the lowest, 6.16 percent, was in Kalimantan. It is also important to note that the majority of poor people in the country are on the island of Java because more than 50 percent of the country's total population lives on this lives. This is consistent with the data from the 2016 National Economic Census which showed that the majority of MSMEs in Indonesia are in Java which is the most densely populated island and the center of national economic activities with a focus on the manufacturing industry, trade, finance, construction, agriculture, and services in the country.

Table 7 Percentage and number of poor people on the island in Indonesia, September 2020

	Percentage of Poor People			Number of Poor People (000 men)		
	Urban	Rural	Total	Urban	Rural	Total
Sumatera	8.80	11.34	10.22	2 306.81	3 759.37	6 066.18
Java	8.03	13.03	9.71	8 105.76	6 646.27	14 752.03
Bali & Nusa Tenggara	8.99	18.18	13.92	633.96	1 482.53	2 116.49
Kalimantan	4.72	7.51	6.16	375.55	640.56	1 016.11
Sulawesi	5.95	13.45	10.41	477.07	1 584.44	2 061.51
Maluku & Papua	5.49	28.51	20.65	139.34	1 398.02	1 537.36
Indonesia	7.88	13.20	10.19	12 038.50	15 511.19	27 549.69

Source: BPS (http://www.bps.go.id)

This means most of the companies in the non-agricultural sector reaching 16.2 million units are on this island and dominated by MSEs with 15.9 million units which are approximately 61 percent of all non-agricultural MSEs as indicated in Table 8. Moreover, most of the MLEs in non-agricultural sectors which are up to 291.7 thousand units or 65.2 percent of the total in the country were also found in Java while Papua and Maluku Islands are considered to be the least developed regions and have a very low number of non-agricultural businesses as indicated by only 451.9 thousand MSEs and 7.5 thousand MLEs which are estimated at 1.8 percent and 1.7 percent of the total non-agricultural business in the country. It was also observed from field observations that most MSEs are in rural areas while most MLE are in urban or semi-urban areas although the exact figure is not known due to the unavailability of data.

**Table 8 Distribution of MSEs and MLEs by Island, 2016 (%)**

Island	MSEs	MLEs
Java	60.7	65.2
Sumatera	18.6	16.6
Sulawesi	8.1	5.6
Kalimantan	5.1	6.0
Bali & Nusa Tenggara	5.7	4.9
Papua & Maluku	1.8	1.7
Total	100.0	100.0

Source: http://www.depkop.go.id/berita-informasi/data-informasi/data-umkm/;
        http://www.lisubisnis.com/2016/12/perkembangan-jumlah-umkm-di-indonesia.html.

One of the challenges for Indonesia concerning Goal 1 of the SDGs is how to reduce poverty in the poorest part of Indonesia. The eastern part of Indonesia has always been poorer than the western part. Papua, for instance, with an average of 25.4 percent poverty rate would need a special intervention so that the policy would be effective. Moreover, Indonesia is prone to natural disasters and when that happens, the poverty rate could hike sharply. Furthermore, aligned with reducing the number of the poor, it must also be sure that people already above the poverty line would not fall again into poverty. Poverty eradication policy, thus, should go about macroeconomic stability (growth and inflation management, particularly on food pricing), and at the micro-level, it should go about enhancing the social protection program and productive economy (Bappenas, 2019).

Goal 2 Zero Hunger

Goal 2 is zero hunger through the achievement of food security and improved nutrition and promotion of sustainable agriculture. In other words, the role of MSMEs in preventing hunger in an area is through two sides at once, namely from the demand side: people's incomes increase so that the ability to buy food increases, and from the supply side: the production of agricultural commodities by MSMEs increases so that food stocks are available in the market (Figure 2).
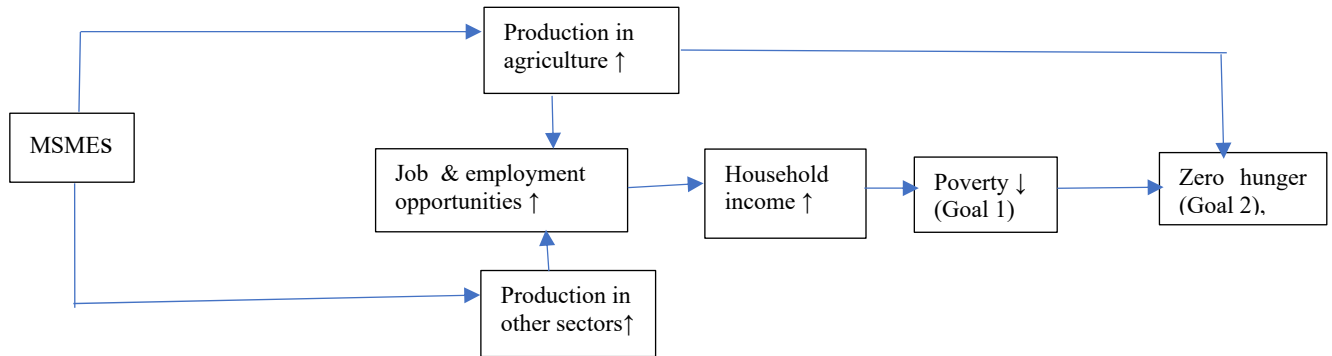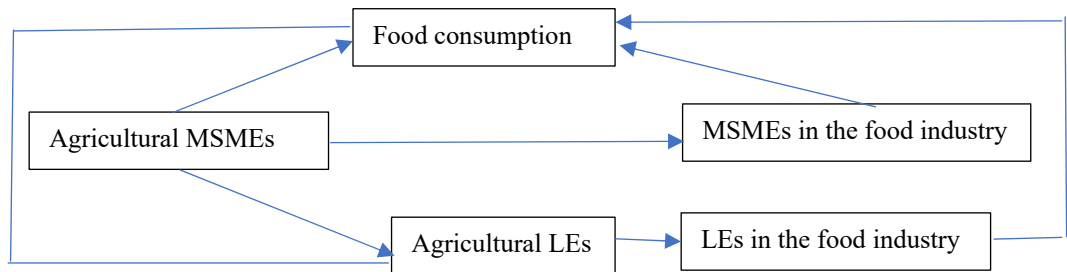
**Figure 2. The Role of MSMEs in Achieving Goal 2**

Households that experienced food insecurity varied among provinces in Indonesia. In 2017, households in East Nusa Tenggara were at the most risk of experiencing food insecurity (31.8%) while Bangka Belitung possessed the lowest risk (3.8%). This figure shows the persisting issue of access disparity among Indonesian households across regions in accessing affordable food and nutrition. Map of Food Security and Vulnerability from the Ministry of Agriculture shows that "a high number of households without access to electricity" and "a high number of villages with no proper road/water access" were among the main characteristics that were associated with high levels of vulnerability to food insecurity. Hence, improving the economic access to food, including continued investments in infrastructure, especially to improve food access among poor households, is essential to the progress of food security in Indonesia (Bappenas, 2019).

In 2013, 48 percent of children under five from families in the poorest fifth of the population were stunted compared to 29 percent in the richest fifth group. This gap might be explained by the unequal access to improved sanitation and drinking water, health care, and high nutrient foods as well as inadequate access to care and feeding practices among households of different socioeconomic statuses and geographicaconditionson Bappenas, 2019)

The MSMEs have a crucial role here namely to meet the food requirement of the people. In this case, two groups of MSMEs are very important, i.e. MSMEs in the agricultural sector (i.e. farmers or farming businesses) and those in the manufacturing industry. To achieve this goal, MSMEs in the first group should, on one hand, increase their productivity and quality of their output, and on the other hand, arrange cooperation or production linkages among themselves, e.g. micro, small, and medium-sized farming, and with large counterparts (e.g. small-sized livestock owners supply animal fertilizers to medium or large-sized farmers), as well as with MSMEs (and large enterprises/LEs) in the agro-based or food processing industry (Figure 3). Data 2017 on MSEs in the manufacturing industry shows that of the number of MSEs in the manufacturing industry of 4464688 companies, 1538117 companies or about 96 percent were in the food industry group. So, the food industry group is indeed the main industry for these enterprises in the manufacturing sector (Figure 4).

Figure 3. The Role of Agricultural MSMEs in Achieving Food Security
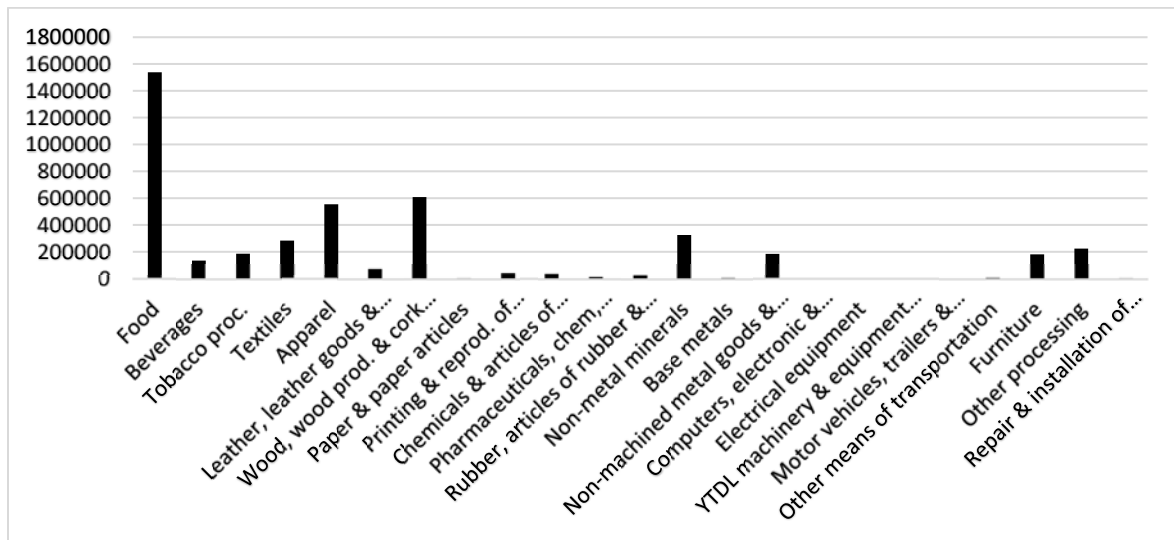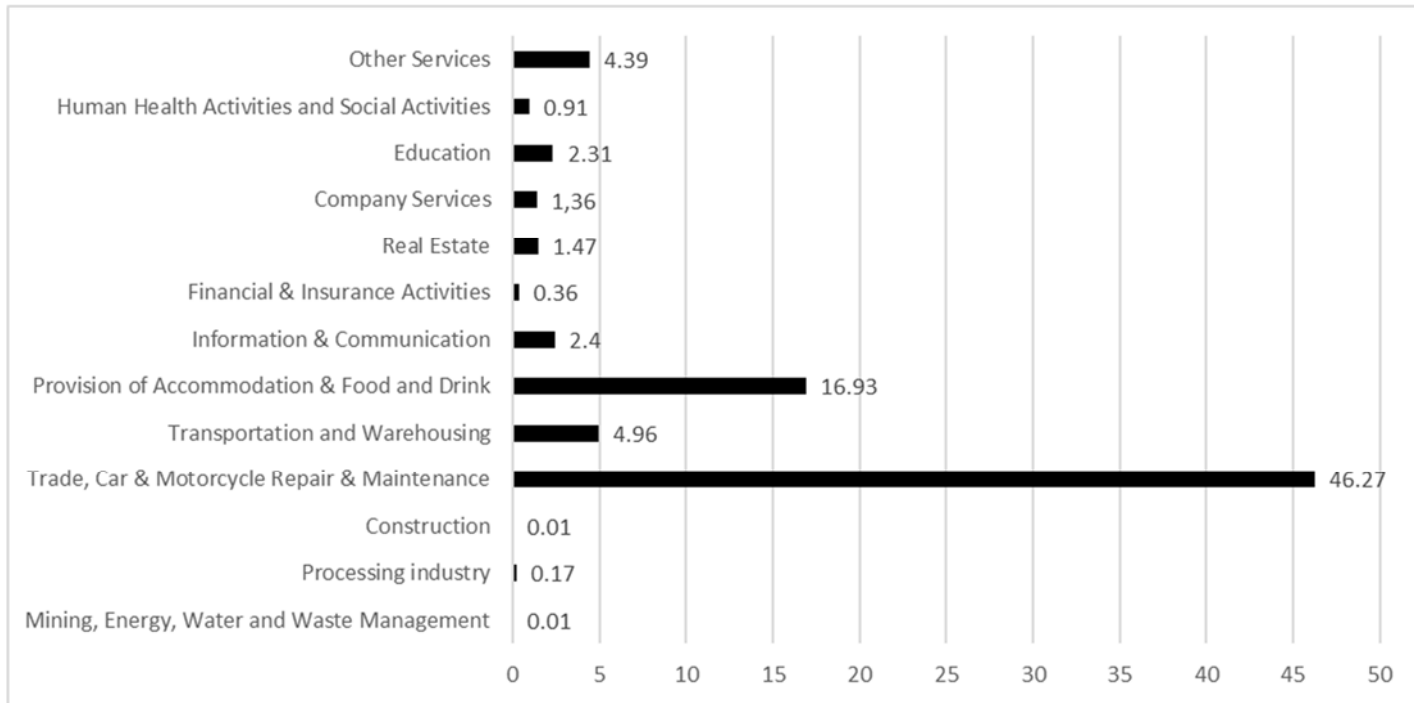
Source: BPS (2018)

Figure 4. Number of MSEs in the Manufacturing Industry by Industry Group (ISIC) Indonesia 2017 (%)

Goal 3 Good Health and Well-being

Goal 3 is to ensure healthy lives and promote well-being for all all ages. The most relevant aspect of healthy lives or well-being for the role of MSMEs is maternal mortality per 100,000 live births, and this in Indonesia is still a serious problem. As explained in a 2015 report from The Indonesia Secretariat for Sustainable Development Goals, Ministry of National Development Planning/National Development Planning Agency, maternal mortality in Indonesia was the highest among ASEAN countries. According to the report, the number was 4.6 times higher than Malaysia, 1.8 times higher than Thailand, and even 1.3 times higher than the Philippines. The main causes of maternal mortality varied from health issues to socioeconomic issues. Women who were married at a younger age (who mostly came from poor families in rural areas) have a higher risk of mortality during childbirth, and there was still a gap in the coverage of skilled birth attendance across the region. The report shows that the coverage in the Java-Bali region was 52 percent while in other regions was only 42 percent. As given in the report, lack of access to quality healthcare, especially in rural areas was also a serious problem. Access to quality healthcare was not only hampered by the absence of healthcare providers but also related to the geographical barrier, particularly for people living in remote areas (Bappenas, 2019).

Based on data from the 2016 National Social Economic Survey (SUSENAS), there were 239,236 MSEs in human health and social activities or around 4.4 percent of total MSEs in all sectors (Figure 5). Although they were not so many compared to MSEs in some other sectors, especially in the trade sector which accounted for 46percentt, they still can play an important role to achieve Goal 3 by bridging the healthcare gap through better-quality healthcare services to the people.

Source: BPS (2017)

Figure 5. Percentage of MSEs by Sector, Indonesia, 2016 (%)

Goal 4 Quality Education.

Goal 4 is to ensure inclusive and equitable quality education for all. According to Indonesian statistics, the gross enrollment rate at the higher secondary level in 2019 reached 83.98 percent, or about 4.1 percent higher compared to the rate of 0.68 percent in 2018. Whereas at the lower secondary level it was 90.57, slightly decreased from 91.52. In primary school, the rate in 2019 reached almost 107.50, also slightly dropped from 108.61 in 2018 (BPS, 2010). The gross enrollment rate that does not reach 100 percent indicates that there are out-of-school children who either did not enroll in or dropped out of higher secondary education. In line with the condition at the lower secondary level, a significant gap was still found between regions in which Papua accounted for the lowest gross enrollment rate at 67.94 percent in the same year.

Indonesia's net ratio of girls to boys in almost all education levels, except primary education, shows higher participation of girls than boys. This figure is supported by Ministry of Education and Culture data that shows a higher number of drop-outs in boys where the number of male students who dropped out from lower and higher secondary education was nearly thrice and twice of female drop-outs. At the higher secondary level, the following provinces exhibited a high gap in girls to boys net ratio: West Sumatera 124.15, West Nusa Tenggara 86.18, and Gorontalo 143.63. A more glaring disparity was found in tertiary education where nearly one-third of provinces in Indonesia record a net ratio of girls to boyinat the range of 120-160 (Bappenas, 2019).

To achieve this goal, MSMEs have also an important role to play by providing quality technical and vocational education and make the people get access to earnings for their livelihood. As shown in Figure 4, around 2.3 percent of total MSMEs in 2016 were in the education sector. They are more important in rural areas where boys and children are more likely to drop out of school than girls and their peers who live in urban areas. Also, the education gap is still found between rural and urban areas as well as across income groups (Bappenas, 2019).

Goal 5 Gender equality

Goal 5 is to achieve gender equality and empower all women and girls. Indonesia is the fourth most populous country in the world and has one of the highest literacy rates in Asia (females 93.59% and males 97.17%). Although the country has put in place several laws, regulations, and, programs that provide support girls and women, including the *Jaminan Kesehatan Nasional* (JKN), one of the world's largest national health insurance progprogrammesch currently

provides free healthcare to almost 3/4 of the population and has included significant investments to reduce maternal mortality, legal barriers in some key areas coupled with a patriarchal culture and religious conservatism, continue to prevent girls and women from fulfilling their rights. Tax and inheritance laws, for example, discriminate against women and legislation to protect women against sexual harassment and domestic violence is weak or goes unenforced (https://data.em2030.org/countries/ Indonesia/).

According to the 2016 Women's Health and Life Experiences Survey, one in three women aged 15-64 years in Indonesia reported that she had experienced physical and/or sexual violence in her lifetime. Women also faced legal barriers and discrimination in the economy: at 51 percent in 2017, Indonesia's female labor-force participation rate was well below that for males (around 80%) and lower than average for countries at a comparable stage of development   (https://indonesia.unfpa.org/sites/default/files/pub-pdf/2016_SPHPN_%28VAW_Survey%29_Key_Findings1_0.pdf).

According to a study, the main drivers of low female labor force participation in Indonesia were marriage, having children under the age of two in the household, low educational attainment (below upper-secondary and tertiary levels), and a changing economic structure that has seen a decline in the sector of agriculture as a result of migration from rural to urban areas, in particular (AIPEG, 2017).

Based on the 2016 Economic Census, in general, the percentage of MSE entrepreneurs in all sectors owned by females was lower than that owned by men, around 42.84 percent versus 57.16 percent. However, there were variations between provinces, and the highest was in the province of South Sumatra which reached almost 48 percent (Figure 6). The result of the Census also shows that the sector or business area in which the percentage of women entrepreneurs was higher than that of men was the human health and social activities sector, namely at 63.68 percent. On the contrary, the lowest level of the fementrepreneursneur was in the category of transportation and warehousing, namely only 2.22 percent. This showed that there were different trends in choosing beta women woman and men's jobs. Women tend to avoid too much physical work.
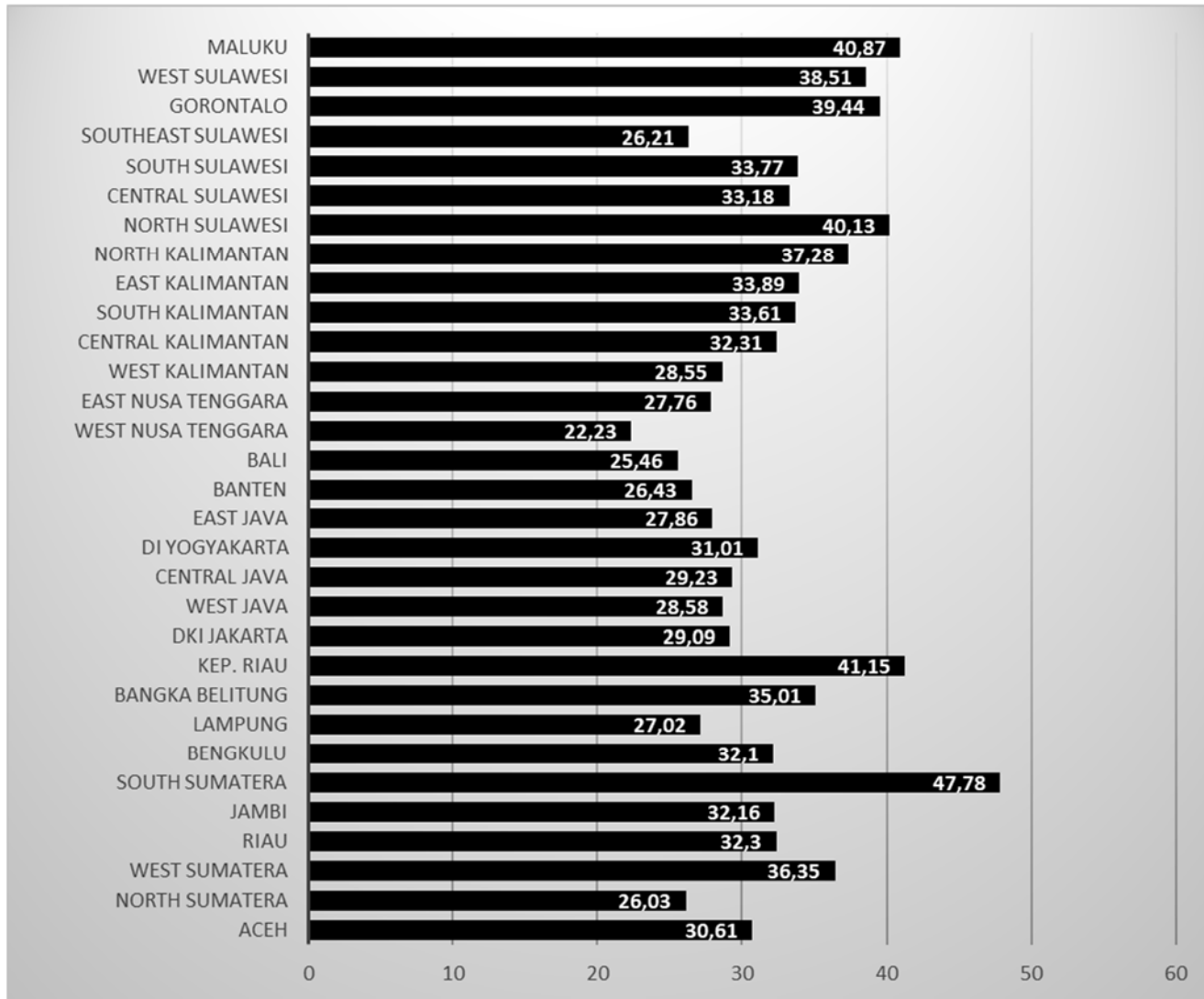
Source: BPS

Figure 6 Percentage of MSEs in All Sectors Owned by Female by Province, Indonesia, 2016(%)

Yet from the Census, in terms of the generated turnover, MSEs owned by men show a different composition from those owned or managed by women. Most MSEs owned by men (48.28%) were in the business groups with a turnover of between 300 million and 2.5 billion Indonesian rupiahs (INR). Meanwhile, the majority of MSEs owned by women (59.98%) were in business groups with a turnover of less than 300 million INR. Apart from the assumption that business leaders or company managers should be men, several other things led to the notion that women's ability to lead a business is still below men. One thingmen'sten said is that women are considered less able to take risks and less aggressive in their movements. However, this is still a matter of debate among researchers.

With this, MSEs could bridge the gender gap, especially in employment and business opportunities,s and bring women into the mainstream of the country's economic development. MSEs could function as a place fowomen'sen entrepreneurship development which will further empower women and brings gender equality.

Goal 8 Decent Work and Economic Growth

Goal 8 is to promote sustained, inclusive, and sustainable economic growth and decent work for all. In many developing countries, not only economic growth rate and real income per capita were low due to, among other factors, a slow process of economic structural transformation from agriculture to the manufacturing industry that has higher

productivity, but these countries also experienced high open or underemployment and low productivity. In Indonesia, even after successfully decreasing the unemployment rate to 4.99 percent in the first quarter of 2019 from 5.28 percent in the third quarter of 2019 or much higher before 2019 (https://tradingeconomics.com/indonesia/unemployment-rate), underemployment and low productivity of jobs persist.

Concerning economic growth, MSMEs in developing countries have contributed significantly to the formation of GDP and hence economic growth. In Indonesia, these enterprises contributed more than 50 percent of the country's GDP (Figure 7).
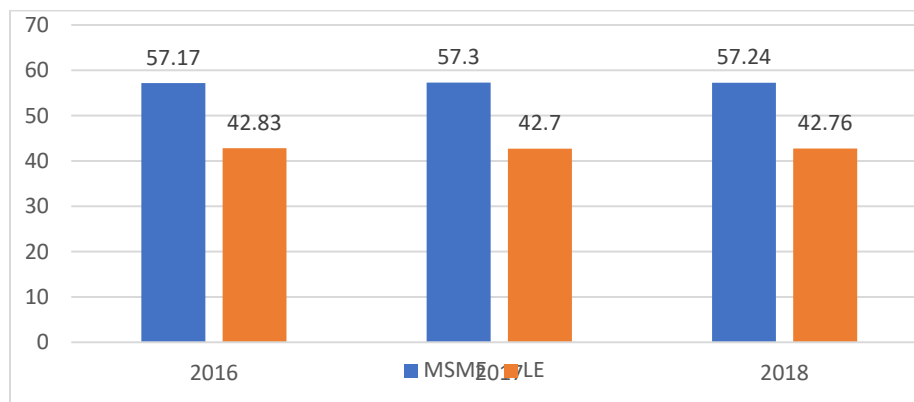
Source: Menegkop & UKM and BPS

Figure 7. Share of GDP by Business Size in Indonesia, 2016-2018 (constant 2000 prices; %)

Goal 9 Industry, Innovation, and Infrastructure

Goal 9 is to promote industrialization, innovation, and infrastructure. Concerning industrialization, Indonesia began to experience very rapid industrialization from the late 1960s, at the beginning of the 'New Order' era (1966-1998) with the manufacturing industry growing at more than 10 percent per annum for most of the subsequent three decades. Initially, this growth was import-substituting in nature, but from the mid-1980s after the end of the 'oil booming' era, a successful transition to export-orientated industrialization was engineered. The most important exported goods were textile and garments, footwear, furniture from wood, rattan, and bamboo, and some leather products with MSMEs as the leading producers. In the period 1997-98 that rapid growth was halted by the Asian financial crisis, which resulted in a peak-to-trough growth collapse of more than 20 percentage points together with a significant drop in the country's GDP growth by minus 13 percent. Subsequently, growth recovered, but the effects on the nature and drivers of industrial growth appear to be profound (Ishida, 2003; Aswicahyono, et al., 2011).

Table 9 presents data on the structure of output by economic sectors, which shows the share of the manufacturing industry in the country's GDP was around 33 to 38 percent during the period 2000-2021.

Table 9 Structure of Output by Economic Sectors in Indonesia, 2000, 2005, 2010 & 2021(%)

Sector	Distribution			
	2000	2005	2010	2021*
Agriculture, Livestock, Forestry, and Fishery	11.38	8.63	9.06	14.30
Mining and Quarrying	7.29	6.81	7.18	9.55
Manufacturing Industry	38.96	37.41	33.34	19.15
Electricity, Gas, and Water Supply	1.13	1.56	2.54	1.17
Construction	8.43	10.17	13.15	10.39
Trade, Hotel, and Restaurant	14.67	12.85	13.81	15.29
Transport and Communication	5.60	7.00	7.32	8.27
Financial, Real Estate, and Business Services	5.97	6.19	4.77	8.70
Services	6.56	9.37	8.82	13.18
Total	**100.00**	**100.00**	**100.00**	**100.00**

Note: quarter III
Source: BPS (2020, 2021b).

In this respect, MSMEs have two tasks to carry out in contributing to industrialization. First, as producers of final consumption goods including import substitution goods. Second, as producers or suppliers, or vendors of semi-finished or intermediate goods, production tools, machinery, and processed raw materials for final goods or assembling industries through subcontracting arrangements. With these two roles, indirectly, MSMEs could contribute to the reduction of the country's heavily dependent on imports. Thus, combining these two tasks would strengthen the MSMEs' role in promoting industrialization. Figure 8 shows the growth of the MSE output index by a group of industries in 2009 which consisted of MSIs in both task groups.
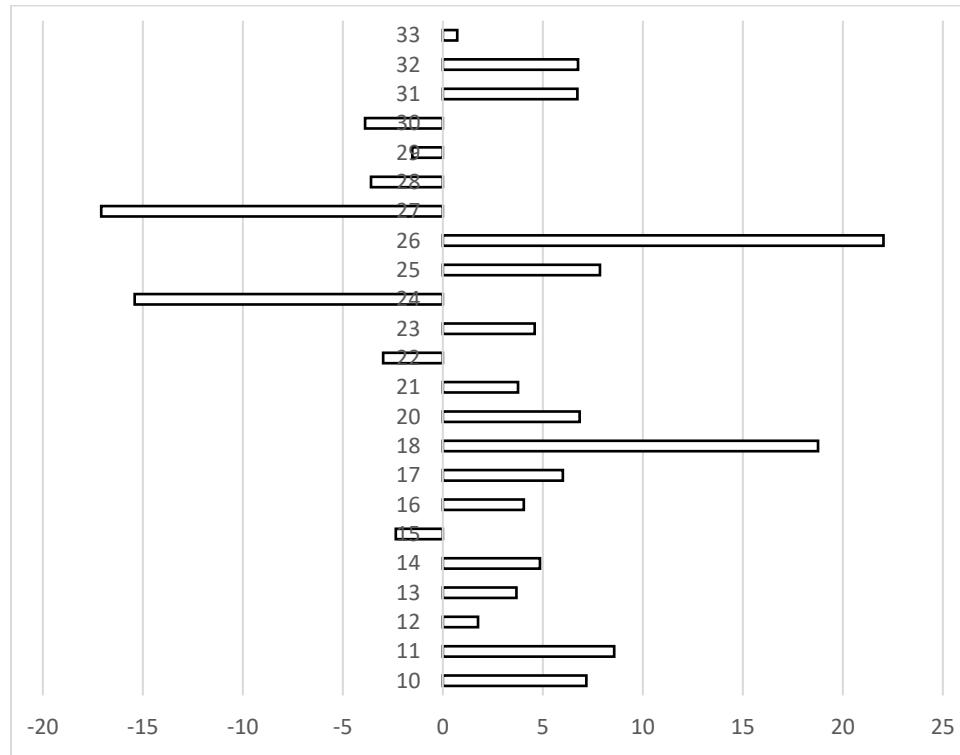
Figure 8 Growth of the MSE Output Index by Industry Group in Indonesia, 2019 (2010 = 100)

Note: 10: food, 11: beverages, 12: tobacco processing, 13: textiles, 14: apparel, 15: leather, leather goods, and footwear, 16: wood, wood products, and cork (excluding furniture), woven articles from rattan, bamboo and the like, 17: paper and paper articles, 18: printing and reproduction of recorded media, 20: chemicals and articles of chemical substances, 21: pharmaceuticals, chemical medicinal products, and traditional medicine, 22: rubber, articles of rubber and plastics, 23: non-metal minerals, 24: base metals, 25: non-machined metal goods and their equipment, 26: computers, electronic and optical goods, 27: electrical equipment, 28: YTDL machinery and equipment (excluding others), 29: motor vehicles, trailers, and semi-trailers, 30: other means of transportation, 31: furniture; 32: other processing; 33: repair and installation of machinery and equipment
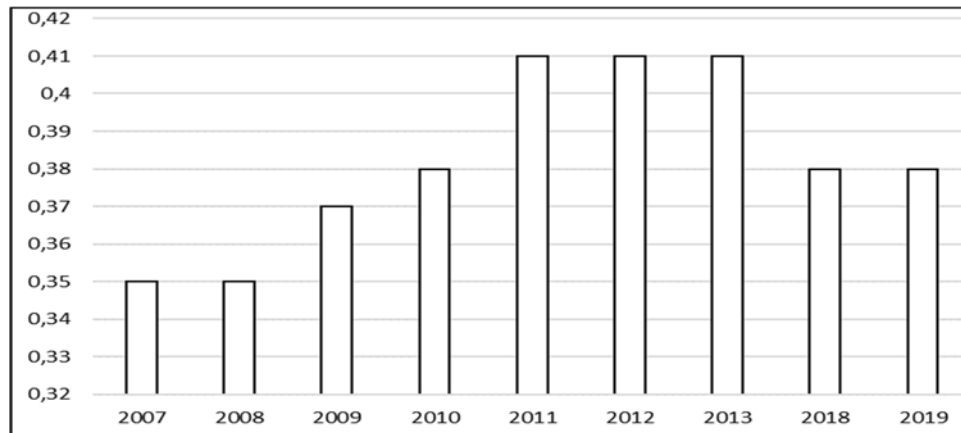 Source: BPS (database)

Regarding innovation, based on the Global Innovation Index (GII) 2020, Indonesia is ranked 85th out of 131 world economies. This ranking has not changed since 2018. But, despite that, Indonesia has a better performance in innovation outputs than innovation inputs in 2020. This year Indonesia ranks 91st in innovation input, lower than last year's 87 and 2018's 90. For innovation output, Indonesia ranks 76th. This position is higher than last year at 78 and lower than in 2018 which was 73. Indonesia ranks 9th out of 29 countries with lower-middle-income group economies and ranks 14th out of 17 countries in Southeast Asia, East Asia, and Oceania. That way, Indonesia is not included in the list of the 10 best countries in Asia. Countries that are in the top 10 include Singapore (ranked 8th), South Korea (10), Hong Kong (11), China (14), Japan (16), Australia (23), New Zealand (26), Malaysia (33), Vietnam (42) and Thailand (44). The GII ranks the world economy according to the country's innovation capability. The assessment is based on 80 indicators, which are grouped into innovation inputs and innovation outputs. GII aims to see the multidimensional aspects of innovation (Cornell University et al., 2020).

As MSMEs have an important role to play in promoting economic growth and creating new employment opportunities, consequently these enterprises are responsible for much of the innovation which leads to new higher-value products and services. As evidently in many countries, MSMEs are the essential elements of the economy which is responsible for driving innovation and competition. These enterprises function as an important source of national innovation activities (Lin, and Chen, 2007; van Auken et al., 2008; Kamariah et al., 2014).

Concerning infrastructure, MSMEs also have a role to play, namely as the suppliers of materials required for infrastructure development projects, especially for medium-sized projects in rural areas such as roads, bridges, street lighting facilities, warehouses, and market centers.

Goal 10: Reduced Inequalities

Goal 10 is to reduce inequality. In Indonesia, the level of inequality as measured by the Gini ratio had risen sharply since 2004 and reached a peak at the end of 2013 at 0.413. However, starting in 2015, the rate gradually declined. In September 2018, the ratio reached 0.384, decreasing by 2.9 points in 5 years. In March 2020, the ratio was 0.381. This figure was an increase of 0.001 points when compared to the Gini ratio in September 2019 which amounted to 0.380 and decreased by 0.001 points compared to that in March 2019 which was 0.382 (Figure 9).

Note: all data were recorded in March in the particular years
Source: BPS (database)
Figure 9. Inequality in Indonesia (Gini ratio), 2007-2019

A Gini ratio of 0.384 is classified as a moderate gap. This Gini ratio is relatively lower compared to many other developing countries, showing a more equal income distribution in Indonesia. As a ratio, Gini has two magnitudes that must be controlled such as middle-and high-income groups. The Gini ratio is influenced by the economic dynamics and it can be out of line with the poverty level. The ratio can be very low, but it does not provide an overview of society's welfare in general. Nevertheless, over the past 4 years, the poverty rate and the Gini ratio in Indonesia have declined (Bappenas, 2019).

The inequality emerges more apparent in the urban area where the urban Gini ratio reached 0.401 while rural Gini ratio was 0.324 in 2018. The ratio in urban areas in March 2020 was recorded at 0.393, an increase comp to the September 2019 at 0.391 in March 2019 at 0.392. The Gini ratio in rural areas in March 2020 was recorded at 0.317, an increase compared to 0.315 in September 2019 and unchanged compared to March 2019 which amounted to 0.317.

Regionally, provinces with high economic activity also show higher income inequality. Income inequality was the highest in Yogyakarta, Southeast Sulawesi, and West Java where the Gini ratio reached 0.441, 0.409, and 0.407, respectively. Meanwhile, Bangka Belitung with 0.281, North Sumatera with 0.318, and North Kalimantan with 0.303 had the lowest Gini ratio among other provinces. In March 2020, the province with the highest Gini ratio was again Yogyakarta with 0.434. Meanwhile, the lowest Gini ratio was recorded in Bangka Province Belitung with 0.262 (Table 10). Compared with the national Gini ratio of 0.381, there were eight provinces with a higher Gini ratio, namely Yogyakarta (0.434), Gorontalo (0.408), West Java (0.403), DKI Jakarta (0.399), Papua (0.392), Sulawesi Southeast (0.389), South Sulawesi (0.389), and West Papua (0.382).

Table 10 Inequality in Indonesia by Province, March 2019 & March 2020 (Gini ratio)

Province	2019	2020
Aceh	0.319	0.323
North Sumatera	0.317	0.316
West Sumatera	0.306	0.305
Riau	0.334	0.329
Jambi	0.321	0.320
South Sumatera	0.331	0.339
Bengkulu	0.340	0.334
Lampung	0.329	0.327
Bangka Belitung	0.269	0.262
Kep. Riau	0.341	0.339
DKI Jakarta	0.394	0.399
West Java	0.402	0.403
Central Java	0.361	0.362
DI Yogyakarta	0.423	0.434
East Java	0.370	0.366
Banten	0.365	0.363
Bali	0.366	0.369
West Nusa Tenggara	0.379	0.376
East Nusa Tenggara	0.356	0.354
West Kalimantan	0.327	0.317
Central Kalimantan	0.336	0.329
South Kalimantan	0.334	0.332
East Kalimantan	0.330	0.328
North Kalimantan	0.295	0.292
North Sulawesi	0.375	0.370
Central Sulawesi	0.327	0.326
South Sulawesi	0.389	0.389
Southeast Sulawesi	0.399	0.389
Gorontalo	0.399	0.408
West Sulawesi	0.365	0.364
Maluku	0.324	0.318
North Maluku	0.312	0.308
West Papua	0.386	0.382
Papua	0.394	0.392

Source: BPS (http://www.bds.go.id).

For MSMEs to achieve this particular goal, they could contribute in two ways, namely by creating employment directly as well as indirectly via production and marketing linkages with other firms (i.e. producers and traders/distributors) and by incredibly using their productivity. Through these two ways, the gap between the low-income group and middle-to high-income groups of the population could be narrowed.

Goal 11: Sustainable Cities and Communities

This goal is to make cities and human settlements inclusive, safe, resilient, and sustainable. The key issue here is the proportion of households in urban or cities with access to decent and affordable housing. This in turn is closely related to income. At least theoretically, higher income depends on better job opportunities. So, its related hypothesis is that in cities where there are productive employment and business opportunities the proportion of households having decent and affordable housing is higher than that in cities with stagnant economies and large parts of the population unemployed.

In this case, the role of MSMEs is very clear namely to provide productive employment and high-value-added business opportunities that together generate economic growth in cities. In cities in developing countries such as Indonesia and India, compared to LEs, MSMEs are the leading sector in promoting sustainable and inclusive economic growth and thus inclusive settlement of the people with safety in cities.

Main Constraints

The question now is: are MSMEs, especially MSEs able to play their role optimally? Of course, the answer is:thatally depends on the key resources they have, such as capital, technology, and skilled human resources. Unfortunately, here lies the problem. Evidence from many developing countries, including Indonesia, shows that the development or growth of MSMEs has been hindered by many obstacles which differ in intensity based on regions, rural and urban areas, sectors, and even between companies in the same sector. However, there are some problems considered to be common to all MSMEs in any country, especially developing countries and these include limited working capital and investment; difficulties in marketing, distribution a,and procurement of raw materials and other inputs; limited access to information about market opportunities and others; limited skilled personnel or low quality of human resources; low technological capabilities; high transportation and energy costs; limited communication; high costs due to complicated administrative and bureaucratic procedures, especially in business licensing; and uncertainty due to unclear or uncertain economic regulations and policies.

The data from the 2010 National Survey on MSIs showed that approximately 78 percent of all MSIs which represents 2,732,724 units experienced difficulties in running their businesses and the most prevalent ones were associated with funding, marketing, and raw materials with 806,758 units, 495,123 units, and 483,468 units respectively. Moreover, the MSIs in the food industry had the greatest difficulties with 745,824 units (34.96%) which include those related to the capital with 255,793 units, raw materials with 206,309 units, and marketing with 146,185 units. The same trend was also observed in the data from the 2017 National Survey on MSIs as indicated in Figure 10.
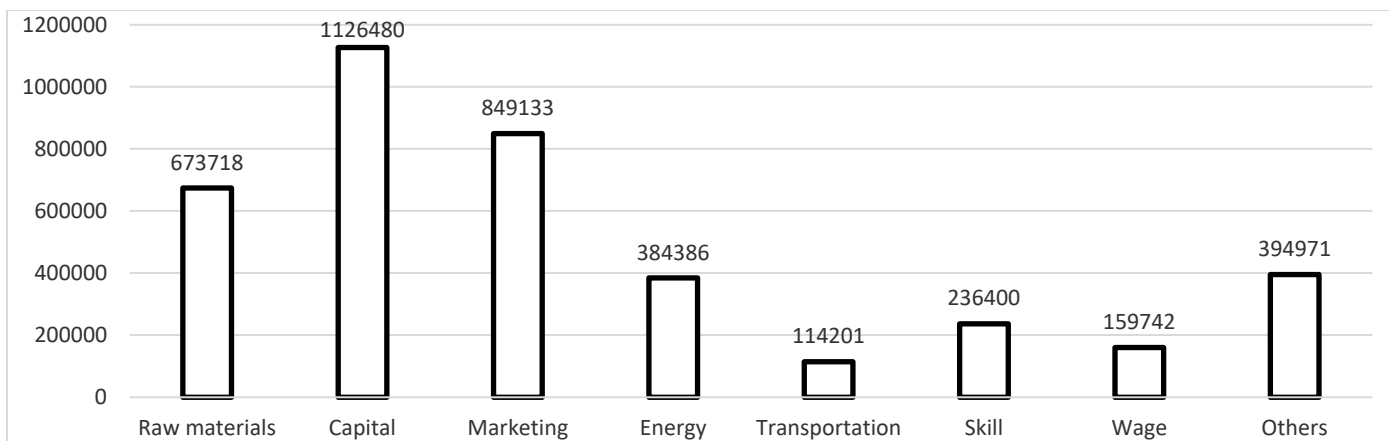
Source: BPS (2018)

Figure 10 Types of MSIs Constraints, 2017

Concerning funding, there were several special credit schemes for MSIs during the period with some still existing but most of the respondents, especially those in rural areas, said they have never received credit from banks or other financial institutions. This means they depended entirely on their own money or savings, financial assistance from relatives, and loans from informal money lenders to finance their business activities. Some of the reasons

provided for not dealing with banks include not having information on the existence of such special credit schemes, some tried to apply but were rejected because their business was deemed unfit for funding, some resigned due to complicated administrative procedures or inability to fulfill requirements including the provision of guarantees or collateral such as house or land certificates. Others did not wish to borrow from formal financial institutions because they felt uncomfortable or afraid of defaulting (BPS, 2018).

Concerning marketing, the MSIs generally did not have the resources to seek, develop or expand their markets. Instead, they relied heavily on their trading partners such as mobile traders, collectors, or trading houses to market their products, also on consumers visiting their production sites, and through production linkages or subcontracting arrangements with larger enterprises which contribute a small percentage to the marketing efforts.

Conclusion

From the discussion above, there is no doubt that MSMEs have a great potential to contribute to the success of achieving the SDGs in Indonesia. The question now is, can this business group realize that role? This question is very important because, like in many other developing countries, MSMEs, especially MSEs, in Indonesia faces many obstacles, especially limited access to funding, skill, and advanced technology. Without full access to these three key production resources, they can't contribute significantly to Indonesia's efforts to achieve the SDGs by 2030.

For their contribution to be meaningful for the achievement of the SDGs, MSMEs must not only be sustainable but also be able to increase their production and expand their market. Increased production and market expansion, especially in the global market, will have a positive impact on increasing employment opportunities combined with an increase in workers' real income (which is referred to as an increase in productive employment opportunity), and in turn, it will reduce the poverty rate significantly, compared to the number of MSMEs that continues to grow but with low productivity and competitiveness.

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