
The Role of Micro, Small, and Medium Enterprises (MSMEs) in Poverty Alleviation in Indonesia: A Systematic Literature Review

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Abstrak

Usaha Mikro, Kecil, dan Menengah (UMKM) memegang peran strategis dalam pembangunan ekonomi nasional, terutama dalam upaya pengentasan kemiskinan dan peningkatan kesejahteraan masyarakat. Namun, realisasi peran ini tidak hanya ditentukan oleh faktor-faktor ekonomi, tetapi juga sangat dipengaruhi oleh kualitas kelembagaan dan praktik tata kelola publik. Penelitian ini bertujuan untuk mengkaji secara sistematis kontribusi UMKM terhadap pengentasan kemiskinan di Indonesia, sekaligus mengidentifikasi kelompok tematik utama yang dibahas dalam literatur. Penelitian ini menggunakan METODE Tinjauan Literatur Sistematis (SLR) dengan pendekatan bibliometrik berdasarkan data RIS. Temuan menunjukkan bahwa UMKM memberikan kontribusi signifikan terhadap pengentasan kemiskinan melalui penciptaan lapangan kerja, peningkatan pendapatan, penguatan komunitas ekonomi lokal, dan pemberdayaan masyarakat, terutama di daerah pedesaan. Literatur yang ditinjau mengkategorikan peran UMKM ke dalam beberapa kelompok utama, termasuk aspek kelembagaan dan kebijakan publik, peningkatan kesejahteraan rumah tangga miskin, pengembangan ekonomi lokal berbasis masyarakat, serta keterkaitan antara UMKM dan Tujuan Pembangunan Berkelanjutan (SDGs). Namun demikian, efektivitas kontribusi UMKM sering kali terhambat oleh tata kelola yang lemah, rendahnya literasi keuangan, dan praktik politik yang korup, yang mengakibatkan ketidaksetaraan dalam distribusi manfaat kebijakan.

Kata Kunci: UMKM, pengentasan kemiskinan, tinjauan sistematis literatur, tata kelola, Indonesia

Abstract

Micro, Small, and Medium Enterprises (MSMEs) occupy a strategic position in national economic development, particularly in efforts to reduce poverty and improve societal welfare. However, the realization of this role is not determined solely by economic factors, but is also strongly influenced by institutional quality and public governance practices. This study aims to systematically examine the contribution of MSMEs to poverty alleviation in Indonesia, while also identifying the major thematic clusters discussed in the literature. The research employs a Systematic Literature Review (SLR) METHOD using a bibliometric approach based on RIS data. The findings indicate that MSMEs make a significant contribution to poverty reduction through job creation, income generation, strengthening local economic communities, and community empowerment, particularly in rural areas. The reviewed literature categorizes the role of MSMEs into several key clusters, including institutional and public policy aspects, improvement of poor households' welfare, community-based local economic development, and the linkage between MSMEs and the Sustainable Development Goals (SDGs). Nevertheless, the effectiveness of MSMEs' contributions is often constrained by weak governance, low levels of financial literacy, and corrupt political practices, which result in inequities in the distribution of policy benefits)

Keywords: MSMEs, poverty alleviation, systematic literature review, governance, Indonesian.

Preliminary

The role of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia's economic development has received increasing scholarly attention alongside the strengthening of the inclusive development paradigm. MSMEs are positioned as a central pillar of the national economy due to their significant contribution to job creation, more equitable income distribution, and poverty reduction at both local and national levels. The widespread presence of MSMEs across diverse regions of Indonesia not only functions as a driver of economic activity but also serves as a strategic instrument for community empowerment in addressing various structural economic challenges (Salsabillah et al., 2023).

A number of empirical studies indicate that MSMEs possess substantial potential to reduce poverty through mechanisms such as employment generation, increased household income, and the strengthening of more inclusive and sustainable local economies. These findings affirm that MSME development can serve as an effective strategy in supporting economic development agendas oriented toward public welfare (Diwayana Putri Nasution, 2023). The study demonstrates a relationship between the number of MSMEs, investment levels, and other economic variables with poverty rates in Indonesia, although this relationship is mediated by structural factors such as unemployment levels. Similar conclusions are reported by Trimulato and Syarifuddin (2023) in the *STIE AAS Journal*, which emphasize the strategic role of MSMEs in national poverty reduction efforts, particularly when supported by consistent empowerment policies and adequate access to financing (Sunaryono et al., 2024).

The development of the literature in Indonesia further indicates that economic development dynamics cannot be separated from political contexts and the quality of public governance, both of which directly influence the effectiveness of economic policy implementation. Within this context, political corruption is widely regarded as one of the primary obstacles to the equitable distribution of economic benefits and social welfare. Numerous empirical and normative studies reveal that corrupt practices in Indonesia are often intertwined with political networks and non-transparent relationships between government actors and the business sector, which contradict the principles of public accountability (Akhtar et al., 2025).

Research published in *Integritas: Jurnal Antikorupsi* by. finds that, in many cases, local government leaders and business actors collude to form corruption networks that misuse public funds for personal gain, thereby undermining the effectiveness of public policies and community economic empowerment initiatives (*UMY Journal*). Other academic studies also demonstrate that political corruption in Indonesia is not merely the result of individual

misconduct, but rather a consequence of a political system characterized by weak oversight and limited public control. This condition exacerbates economic inequality, weakens poverty reduction efforts, and hinders regional development (Syarif & Faisal, 2019).

Although the literature on MSMEs and poverty is relatively extensive, a clear research gap remains. Existing studies generally discuss MSMEs as key drivers of economic activity and identify various structural barriers including political corruption that affect the effectiveness of their contribution to poverty reduction. However, most research continues to focus primarily on microeconomic dimensions, such as job creation and contributions to gross domestic product. Efforts to integrate these findings into a broader institutional framework particularly those examining the impact of political corruption networks on the achievement of socio-economic objectives remain limited. Conversely, anti-corruption studies tend to concentrate on mapping corruption practices and prevention strategies, but rarely establish direct linkages with the effectiveness of MSMEs in promoting community economic empowerment (Nursini, 2020).

This condition results in a limited comprehensive understanding of how political dynamics and corruption networks potentially undermine the benefits of MSMEs in poverty alleviation efforts. Therefore, this study emphasizes the importance of an interdisciplinary approach that integrates development economics with political and governance studies grounded in accountability principles (Tambunan, 2023).

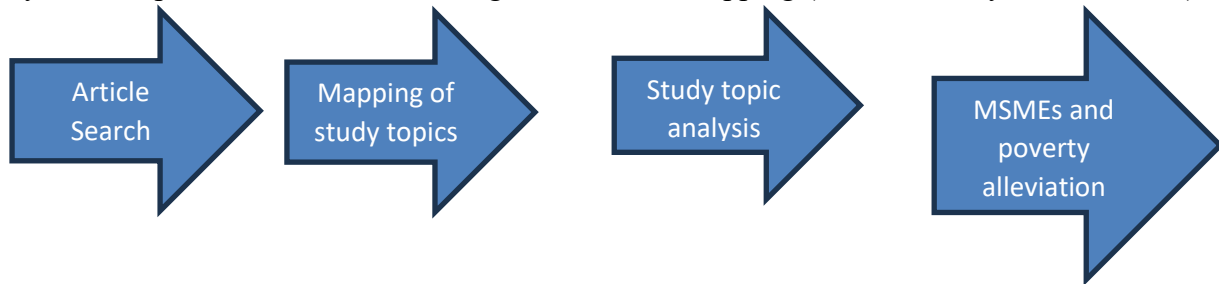
Based on these considerations, this research offers a novel contribution by adopting a systematic approach that not only analyzes the role of Micro, Small, and Medium Enterprises (MSMEs) in poverty alleviation, but also incorporates institutional quality and public governance practices, including the presence of corrupt political networks in Indonesia. Through the application of a systematic framework, this article situates the analysis of MSMEs within the broader context of good governance (Paranata, 2025).

This study focuses on a systematic review of national scholarly literature concerning the role of MSMEs in poverty alleviation, while taking into account the influence of institutional factors and political dynamics including political corruption on the effectiveness of public policy implementation. The primary objective of this research is: (1) to map the main findings in the literature regarding the role of MSMEs in poverty reduction in Indonesia (Hermawan et al., 2024).

Method

This study aims to explore scholarly articles that examine the role of Micro, Small, and Medium Enterprises (MSMEs) in poverty alleviation in Indonesia, as published in nationally

reputable journals. The articles reviewed in this study also address issues related to MSMEs and poverty alleviation as articulated through the following research questions: (1) What is the role of MSMEs in poverty alleviation in Indonesia based on thematic classifications? (2) What themes are associated with the contribution of MSMEs to increasing income and improving the welfare of poor communities in Indonesia? (3) What government policies are discussed in the literature regarding the strengthening of MSMEs for poverty alleviation? These questions are examined through research topics, analytical frameworks, and findings of previous studies indexed in the RIS database. The articles analyzed in this study were selected through a systematic process of article searching and thematic mapping (Siti Nur Hidayati et al., 2024)



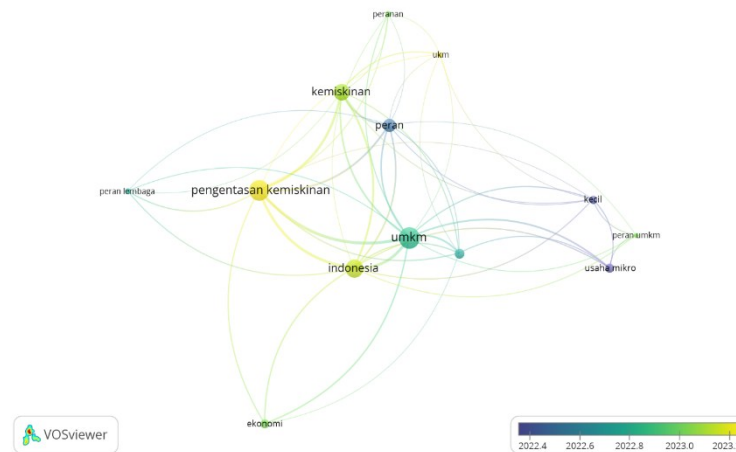
The article search process was conducted in several stages. The first stage involved the identification of relevant articles. Publications were collected from various scholarly sources using the Google Scholar database. Subsequently, specific keywords—*MSMEs* and *poverty alleviation* were applied, with the publication period limited to the last five years, from 2020 to 2025. This search strategy generated a set of articles that were aligned with the research theme. The resulting records were exported in RIS format and managed using Mendeley reference management software (Asmar et al., 2025).

Results and Discussion

In this section, bibliometric analysis is conducted by generating network visualization, overlay visualization, and density analysis using VOSviewer to identify bibliometric relationships among articles based on downloaded metadata. The bibliometric network consists of nodes and edges. Nodes are represented by circles indicating publications, journals, research papers, and keywords. The connecting lines illustrate the relationships between pairs of nodes and represent the strength of these relationships, which is reflected by distance. The closer two nodes are to each other, the stronger the relationship between them. The following section presents the results of network, overlay, and density visualizations based on clustering relationships and keyword co-occurrence (Istichomah et al., 2024).

1. The Role of MSMEs in Poverty Alleviation in Indonesia Based on Thematic Analysis

Figure 1. Network visualization and clustering mapping of 50 identified articles



In the visualization shown in Figure 1, each circle represents a keyword extracted from the titles and abstracts of the reviewed articles. The size of the circle indicates the number of publications associated with the respective keyword, either within journal titles or abstracts. Larger circles indicate a higher number of relevant articles associated with the keyword.

The analysis reveals that out of 241 identified articles, 50 articles met the inclusion criteria and were subsequently grouped into four main clusters. Each cluster is represented by a different color to facilitate the identification of dominant concepts across clusters. This clustering aims to identify recurring research themes and potential topics for future studies.

Based on Figure 1, Cluster 1 (yellow), located at the center of the visualization, contains keywords such as *Indonesia*, *economic poverty alleviation*, and *institutional role*. Cluster 2 (green), positioned from the upper section extending toward the center, includes keywords such as *poverty*, *SMEs*, and *role*. Cluster 3 (blue), located at the center-right, encompasses keywords related to *micro*, *small*, and *macro enterprises*. Cluster 4 (dark green), also located on the right side, includes keywords related to *small and medium enterprises*.

Table 1. The Role of MSMEs in Poverty Alleviation in Indonesia Based on Themes

Cluster	Conceptual Themes	Total
Cluster 1	<i>Economic poverty alleviation, institutional role</i>	3
Cluster 2	<i>Poverty, SMEs, role</i>	3
Cluster 3	<i>Micro, small, and macro enterprises</i>	3
Cluster 4	<i>Small and medium enterprises</i>	2

Cluster 1 highlights studies focusing on the role of MSMEs in poverty alleviation in Indonesia, including the work of Rachmawati (2020), titled “*The Contribution of the MSME Sector to Poverty Reduction Efforts in Indonesia.*” This study seeks to develop a theoretical framework for addressing poverty through MSMEs and strongly supports their role in poverty alleviation.

Cluster 2 addresses poverty, SMEs, and their role. A relevant study within this cluster is by Sumadi and Fitria (2020), titled “*Management-Based Development of Micro, Small, and Medium Enterprises in Karang Anom, Klaten.*” This study aims to enhance public understanding of the role of SMEs and MSMEs in regional economic growth and to identify business opportunities that can stimulate local economic development.

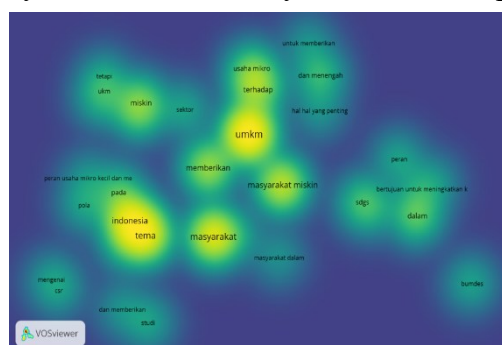
Cluster 3 focuses on micro, small, and macro enterprises, represented by the study of Kiswandi et al. (2023), titled “*The Role of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia’s Economic Growth.*” This study emphasizes the importance of MSMEs in maintaining sustainable economic growth and highlights the need for objective evaluation of MSME contributions to inform effective policy formulation.

Cluster 4 discusses small and medium enterprises, represented by the study of Lasmi (2025), titled “*The Impact of Technological Innovation on Poverty Reduction: The Role of Managerial Capacity in Small and Medium Enterprises.*” This study analyzes how technological innovation in SMEs contributes to poverty reduction, with managerial capacity serving as a moderating factor.

2. Themes Related to the Contribution of MSMEs to Income Growth and the Welfare of Poor Communities in Indonesia

Following the network visualization, density visualization was conducted. The density visualization results (see Figure 2) indicate varying levels of keyword intensity. Keywords with higher density represent welfare-related topics that have received greater attention in previous studies related to MSMEs and poverty alleviation (Judijanto, 2025).

Figure 2. Density visualization of keyword-based mapping related to welfare



Each circle in the visualization represents keywords extracted from titles and abstracts, with circle size reflecting keyword frequency. Larger circles indicate higher frequency and greater scholarly attention. From the initial 241 identified articles, 50 met the criteria for analysis and were grouped into four major clusters. Each cluster is distinguished by color to facilitate conceptual interpretation.

Cluster 1 (yellow), centrally located, includes dominant keywords such as *MSMEs*, *community*, *Indonesia*, and *the poor*, indicating that MSMEs serve as a central concept linking welfare-related research themes. This suggests that most studies position MSMEs as strategic instruments for improving community welfare and reducing poverty.

Cluster 2 (green) includes keywords such as *poverty*, *MSMEs*, *sector*, and *role*, reflecting a focus on the structural role of MSMEs in poverty alleviation policies.

Cluster 3 (blue) encompasses keywords such as *micro*, *small*, and *medium enterprises*, *SDGs*, *role*, and *welfare improvement*, highlighting the linkage between MSME development and the Sustainable Development Goals.

Cluster 4 (dark green) includes keywords such as *small and medium enterprises*, *village-owned enterprises (BUMDes)*, and *local economic development*, indicating a shift toward community-based and village-centered economic empowerment.

Table 2. Contribution of MSMEs to Income Growth and Welfare Improvement

Cluster	Conceptual Themes	Total
Cluster 1	<i>MSMEs, community, Indonesia, the poor</i>	4
Cluster 2	<i>Poverty, MSMEs, sector, role</i>	4
Cluster 3	<i>MSMEs, SDGs, welfare improvement</i>	4
Cluster 4	<i>SMEs, BUMDes, local economic development</i>	3

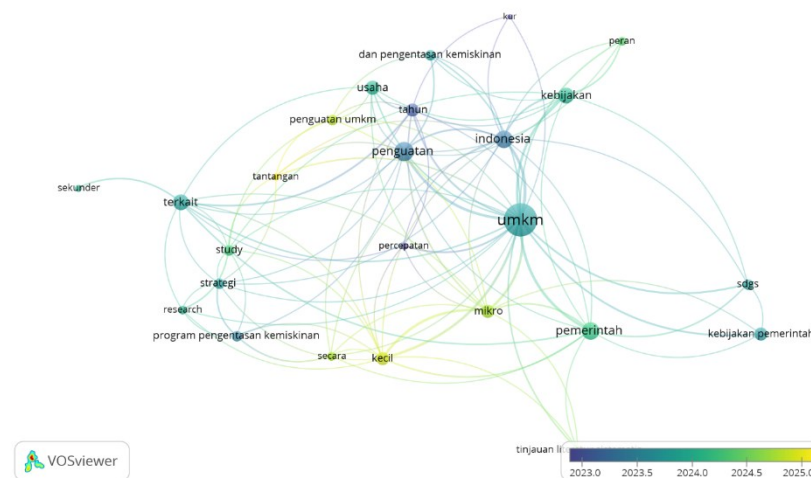
Empirical studies such as Ardiansyah (2021) emphasize the importance of microfinance institutions in supporting MSME sustainability through inclusive access to finance. Trimulato (2022) links MSME development with the SDGs through productive Islamic financing. Iman (2021) highlights the role of Baitul Maal wat Tamwil (BMT) as both a financial and community empowerment institution. Rizkiyah (2022) demonstrates that regional economic growth does not automatically reduce poverty without strengthening MSMEs, while Pratama (2020) and

Sofianto (2021) emphasize community-based MSME empowerment and village innovation in improving welfare.

3. Government Policies Discussed in the Literature on Strengthening MSMEs for Poverty Alleviation

Density visualization (Figure 3) highlights policy-related keywords discussed in previous studies (Ezinwa Nwagwu, 2024).

Figure 3. Network visualization and clustering of 100 identified articles



Out of 241 identified articles, 100 met the inclusion criteria and were grouped into four major clusters. Cluster 1 emphasizes institutional roles in poverty alleviation. Cluster 2 highlights MSMEs as strategic policy instruments. Cluster 3 focuses on policy strengthening and economic acceleration, while Cluster 4 links MSMEs with government policy and the SDGs.

Table 3. Government Policies Related to Strengthening MSMEs for Poverty Alleviation

Cluster	Conceptual Themes	Total
Cluster 1	<i>Indonesia, economic poverty alleviation, institutional roles, MSMEs</i>	4
Cluster 2	<i>Poverty, MSMEs, sector, role</i>	4
Cluster 3	<i>Micro, small, and macro enterprises, policy strengthening</i>	4
Cluster 4	<i>SMEs, government policy, SDGs</i>	4

Studies by Nugroho (2021) emphasize financial literacy as a key internal constraint for MSME development. Hidayat and Rahmawati (2022) focus on MSME digital transformation.

Wulandari (2021) highlights cooperatives as collective economic institutions, while Setiawan (2020) emphasizes MSMEs' role in employment creation. Maulana (2022) integrates local wisdom into MSME development, highlighting cultural and creative economic approaches.

Conclusion

Based on a systematic review of nationally reputable scholarly articles, this study concludes that Micro, Small, and Medium Enterprises (MSMEs) play a strategic and multidimensional role in poverty alleviation efforts in Indonesia. The findings indicate that MSMEs make significant contributions through job creation, increased household income, strengthening of local economies, and the empowerment of vulnerable groups in both urban and rural areas. Bibliometric and thematic analyses reveal that the majority of the literature positions MSMEs as a key instrument for inclusive economic development, particularly when supported by microfinance institutions, government policies, technological innovation, and community-based approaches such as cooperatives and village-owned enterprises (BUMDes). However, the findings also demonstrate that the effectiveness of MSMEs in reducing poverty is strongly influenced by structural and institutional factors, including the quality of governance. The reviewed literature emphasizes that political corruption and weak public accountability have the potential to hinder the equitable distribution of benefits generated by MSMEs, thereby constraining optimal poverty alleviation efforts despite the growth of the MSME sector.

The primary contribution of this study lies in its comprehensive synthesis of the literature by integrating research on MSMEs and poverty alleviation within an institutional and public governance framework. Unlike previous studies that tend to be sector-specific and focus separately on microeconomic aspects or policy analysis, this study combines RIS-based bibliometric analysis with thematic analysis to map research clusters, topic trends, and relationships among key concepts. Consequently, this study offers a conceptual contribution by broadening the understanding of MSMEs not only as economic actors but also as components of a development system shaped by political dynamics and governance structures. Furthermore, the findings of this study may serve as an academic and policy reference in formulating more holistic, sustainable, and governance-sensitive strategies for strengthening MSMEs, particularly with regard to issues of public integrity and accountability.

Nevertheless, this study has several limitations. First, the analysis is limited to articles published in nationally reputable journals within a specific time frame. As a result, it does not include international literature or non-journal publications that could potentially enrich the

analytical perspective. Second, the systematic literature review method employed is conceptual in nature and does not involve empirical field data; therefore, the findings cannot directly capture the actual dynamics of MSMEs and poverty at the local level. Accordingly, future research is recommended to integrate systematic literature review approaches with empirical methods, such as case studies or quantitative analysis, to examine the relationships among MSMEs, poverty, and governance in greater depth. Future studies should also expand their focus to political economy dimensions, particularly regarding how corruption practices and institutional quality influence the effectiveness of MSME-related policies in poverty alleviation efforts in Indonesia.

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