The Role of Micro, Small and Medium Enterprises (MSMEs) in Alleviating Poverty Caused by Unemployment

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Information Articles	Abstract
Article history: Received June 20, 2023 Revised July 10, 2023 Accepted October 11, 2023 Available online December 31, 2023	*The purpose is To examine the role of MSMEs in overcoming poverty caused by unemployment in West Java. The data used is secondary data taken from the Central Bureau of Statistics (BPS). The analytical method used is Partial Least Square (PLS). The sample selection in this study was determined using the census method. The census method is a method that takes a sample of all districts and cities in West Java. The sample data used are districts and towns in East Java, namely 27 districts/cities. The results of the R-Square test show that the independent variable (unemployment) affects poverty by 68%, while other factors outside the model influence the additional 32%. The unemployment variable can increase MSMEs by 30%, while other factors outside the research model influence the other 70%. The MSME variable can reduce poverty by 67%, while other factors outside the model affect the additional 33%; the results of the significance level test show that unemployment has a direct and significant positive relationship with poverty. Unemployment has a direct and consequential positive relationship with MSMEs. MSMEs have a direct and consequential positive relationship to poverty. Moreover, MSMEs can moderate the relationship between unemployment and poverty.*
Keywords: *Unemployment; Poverty; MSMEs* JEL Classification: E24; I32	

INTRODUCTION

Poverty is a significant problem for all countries. The success of the country's development can be seen from the high poverty rate. Therefore, the issue of poverty is a shared responsibility; the government also supports improving people's lives in a government to immediately find a way out in efforts to reduce poverty (Agustina et al., 2018).

According to the Central Bureau of Statistics (BPS), poverty is the inability of individuals to meet minimum basic needs (food and non-food) for a decent life: *basic needs approach*. Poverty in Indonesia is multidimensional. Multidimensional poverty can be seen from various aspects, including primary and secondary aspects. The primary aspects could be better assets, socio-political organization, and low knowledge and skills. The secondary aspects could be better social networks, financial and information sources. Poverty has been more often associated with the economic dimension because this dimension is the easiest to observe, measure, and compare (Fadlillah et al., 2016).

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Poverty in Indonesia varies significantly in each province (Fadlillah et al., 2016), but most of it is still in several provinces on the island of Java. The order of the provinces with the first, second, and third poor population growth in Table 1 is from East Java Province, West Java Province, and Central Java Province.

Table 1. Top Ten Provinces in Indonesia with the Most Poor Population Growth in 2021 (in Thousands of People)

No	Province	Poor population growth
1	East Java	4259,603
2	West Java	4004.86
3	Central Java	3934.01
4	North Sumatra	1273.07
5	East Nusa Tenggara	1146,28
6	South Sumatra	1116.61
7	Lampung	1007.02
8	Papuan	944.49
9	Banten	852.28
10	Aceh	850.26

Source: BPS, 2021 (data processed)

Table 1 shows that the growth of the poor population in West Java in 2021 is in second place in Indonesia, namely after East Java Province, with a growth of 4004.86 poor people. According to (Saputra, 2011), uncontrolled population growth can result in not achieving economic development goals, namely people's welfare and reducing poverty. (Sutikno, 2006) reveals that a large population will lead to poverty because, according to him, population growth develops geometrically. In contrast, food production develops arithmetically so that the growth of food and beverages will not overtake the population growth rate.

The population can be affected by various factors. The following is data on the number of population with the fifth highest order in Indonesia:

Table 2. Top Ten Provinces in Indonesia with the Most Population Growth in 2022 (in Thousands of People)

No	Province	Population growth
1	West Java	49 405.8
2	East Java	41 150.0
3	Central Java	37 032,4
4	North Sumatra	15 115,2
5	Banten	12 252.0

Source: BPS, 2022 (data processed)

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Based on data from BPS in Table 2, West Java has the largest population compared to other provinces, according to the theory expressed by (Saputra, 2011) (Sutikno, 2006) that a large population will lead to poverty. This theory is based on what happened in West Java, which has a large population and high poverty in Indonesia.

The poor population growth in West Java fluctuated between 2018 and 2022. This can be seen in Table 3 as follows:

Table 3. West Java Poor Population Growth in 2018-2022 (in Thousands of People)

No	Year	Poor population growth
1	2017	4168.4
2	2018	3615.8
3	2019	3399.2
4	2020	3920.2
5	2021	4195.3
6	2022	4071.0

Source: BPS, 2022 (data processed).

In 2017-2019, it has been good, namely experiencing a decline every year. However, from 2019 to 2021, it has increased yearly due to the COVID-19 disaster, which has experienced economic difficulties in West Java. Limited economic activities and limited social contact, coupled with the government's *lockdown policy,* PPKM (Implementation of Restrictions on Community Activities). This causes economic difficulties and increases poverty because people cannot meet their needs. In 2022, it will decrease.

Another factor that also influences the level of poverty is unemployment. According to (Sukirno, 2004), unemployment's harmful effect is reducing people's income, which reduces the level of prosperity a person has achieved. The lower the level of prosperity, another problem, namely poverty.

The problem of poverty has not been optimally resolved because of its various complex causes. Factors that influence poverty are not only economic factors. How to minimize poverty can be seen by looking at the poverty factor. Some of them are: Income, unemployment, and human capital (Chandra, 2010; Mahsunah, 2011; Rusdiarti, 2013; Leasiwal, 2013; Abebe, 2014; Cholili, 2014; Marmujiono, 2014; Fadlillah et al., 2016).

Study results state that unemployment can affect poverty (Muhammad et al., 2017; Rulan L, Manduapessy, 2020; Fadlillah et al., 2016; Selamat Siregar, 2017; Robiansyah, 2015); besides that, there are several previous researchers which reveals that unemployment cannot affect poverty (Khotimah, 2021; Rahmawati & Yuliana, 2022; Magdalena F Asmuruf et al. 2015).

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Research conducted by (Akbar et al., 2022) to answer a research problem: how to increase the empowerment of economically marginalized (poor people) through the process of human and physical capital. These findings indicate that the increase in Community empowerment depends on empowerment actors' ability (skills). Second, the pattern pointed out that improving empowerment requires three stages of the process activities: physical capital, human capital, and empowerment process. These findings show that the empowerment process should be supported by physical capital (facilities and infrastructure) for the development of human capital such as education, health, entrepreneurial skills, and so on so that, in turn, the empowerment process can improve community empowerment.

The growth of Micro, Small, and Medium Enterprises (MSMEs) indirectly provides space and a place for the community to carry out activities that indirectly reduce unemployment and poverty. The ability of micro, small, and medium enterprises (MSMEs) to survive with these personal resources, many people feel optimistic that micro-enterprises, Small and Medium Enterprises (MSMEs) in the present and the future are a lifesaver for the national economy.

MSMEs in West Java rank first and most in Indonesia. The following is the ten most significant number of MSMEs in Indonesia:

Table 4. The ten most significant number of MSMEs in Indonesia

No	Province	Number of UMKM (Unit)
1	West Java	1,494,723
2	Central Java	1,457,126
3	East Java	1,153,576
4	DKI Jakarta	658,365
5	North Sumatra	595,779
6	Banten	339,001
7	South Sumatra	330,693
8	West Sumatra	296,052
9	Nusa Tenggara	287,882
10	Lampung	285,909

Source: BPS, 2022 (data processed)

Micro, small, and medium enterprises (MSMEs) are saviors for the economy because they are the ones who are still able to supply society's needs, and so are they still able to provide jobs. Small companies that so far have proven to have better resilience in facing the shocks and shocks of the world economic recession many large companies have collapsed, or at least, their form of work is not like that expected, although saying so does not mean that the company's role is not needed. In addition, MSMEs are also one of the main

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components of the development of the local economy; in Indonesia, micro, small, and medium enterprises have contributed significantly to the national economy (Akbar et al., 2022).

MSMEs can show criteria and characteristics such as the number of businesses and turnover from the activities generated, orientation, and HR management. In this way, MSMEs can also reduce the existing unemployment rate by doing training and outreach to the community regarding MSMEs so that the community can create their jobs according to the wishes and abilities of each individual. Therefore, MSMEs need to get special attention from the government as one of their employment for the community so that with this MSME, economic growth in an area will increase, the number of unemployed will also decrease, and poverty will decrease (Akbar et al.,2022).

According to (Amalia, 2009), There are many programs where poverty alleviation has been carried out, but the results could have been more efficient. Various local and international forums hold discussions on poverty, which involve only one topic: how to free people from the shackles of poverty. Efforts to eradicate poverty This can be done, among other things, by breaking the poverty chain and strengthening various aspects of the small and medium enterprise sector. MSMEs are people with low incomes who have the will and productive capacity.

West Java has the largest population in Indonesia; apart from that, it has the most significant number of MSMEs, ranked 1. However, with MSMEs, Indonesia still has the second-largest poverty rate. This poverty certainly hurts sufferers to trigger criminal acts, poor health, and low education.

This research problem builds on previous empirical studies (see paragraphs 10 and 11 above), which show different and controversial findings. These two things trigger the questions for this research. Can MSMEs overcome poverty?

Then, with the existence of research gaps or differences in this study with previous studies. The advantages of this research, which have yet to be carried out in previous studies, are based on two things. First, this study uses different research periods based on different phenomena in Indonesia. The two researchers used the MSME variable because MSMEs have the potential to create new jobs and reduce unemployment rates in society. With innovation, MSMEs can produce products or services that are different from existing ones, meet unmet market needs, and create added economic value. In addition, MSMEs also have an essential role in providing opportunities for the poor or underprivileged to become economically independent. In the context of poverty alleviation, MSMEs can provide training and assistance to the poor to start their businesses. By owning their own business, they can generate higher incomes, improve their standard of living, and escape the cycle of poverty.

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This study has objectives to answer questions and fill in the limitations of previous research. To examine the role of MSMEs in overcoming poverty caused by unemployment in West Java. Many previous studies have examined poverty, but not much has connected the role of MSMEs in overcoming poverty. Therefore, the researchers used time series data for 2018 - 2022 to achieve the research objectives.

RESEARCH METHODS

This study uses secondary data from time series, namely, 2018-2022. This data was obtained from the publication documents of the Central Bureau of Statistics for West Java Province. A descriptive analysis of the data taken for this study is from 2018 - 2022 from 27 regencies/cities in West Java. Using combined data (pool), then obtained as many as five years x 27 districts/cities = 135 observational data.

The data used are a) unemployment data for West Java province from 2018 to 2022. b) data on the number of MSMEs in West Java province from 2018 to 2022. c) data on the total poverty rate for West Java province from 2018 to 2022.

The analytical techniques used in this study include testing the outer model to see R Square using Q and testing the hypotheses (path coefficients) to determine the direct and indirect relationship between the variables of unemployment, MSMEs, and poverty. This study does not use descriptive statistics because it does not use indicators but direct single data from variables X and Y.

The analytical method used is Partial Least Square (PLS). The main reason for using this analytical method is that the variables used in this study are all latent variables, and these variables cannot be measured directly and must be through indicators to measure them. PLS is an alternative method in structural equations. PLS is a method for implementing the Structural Equation Modeling (SEM) model. The PLS model is used when the theoretical basis for designing the model is weak, and the measurement indicators do not meet the ideal measurement model. PLS can be used with small samples and applied to all data scales (Ghozali & Latan, 2015). This study considers this method better than other SEM software, for example, AMOS and LISREL.

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The following is a picture of the conceptual framework in this study:
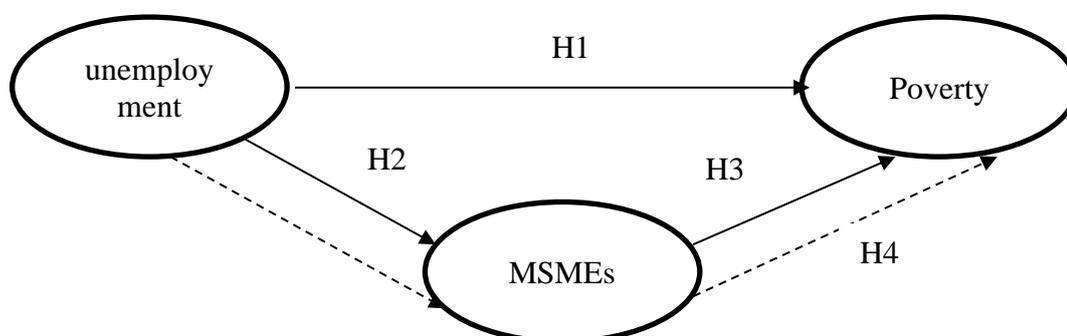

Figure 1. conceptual framework

Based on Figure 1. Above, it is stated that the straight line is a model for testing a direct relationship, and the dotted line is a model for testing an indirect relationship between unemployment, MSMEs, and poverty variables.

After knowing which model is suitable, the analysis technique used in this study includes testing the outer model to see R Square (Q), namely how much unemployment and MSME variables affect poverty, and hypothesis testing (path coefficients) to find out the direct and indirect relationship between unemployment, MSMEs and poverty variables.

In testing the outer model, only R Square is seen to determine how much the unemployment and MSME variables affect poverty; the researcher uses the Q formula. The formula below: $Q = Q^2 = 1- (1 - R^1 2)$

Information :

$Q = Q^2$ = to measure how much the observed value is generated by models (Ghozali, 2015); $R^1 2$ = R-Square value of endogenous variables in the model

If the Q-Square value is more significant than zero (0), it indicates that the model has a predictive relevance value. Meanwhile, if Q-Square is less than zero (0), then the model lacks or does not have predictive relevance (Hair, 2011)

They test the direct and indirect relationships in the Path Coefficient table and the Indirect Effect. If the P-value results are less than 0.05, then it is stated that there is a positive or negative relationship.

RESULTS AND DISCUSSION

Shows that West Java has the largest population compared to other provinces. It can be seen that the growth of the poor population in West Java in 2021 is in second place in Indonesia, namely after East Java Province, with a growth of 4004.86 poor people. According to (Saputra, 2011), uncontrolled population growth can result in not achieving economic development goals, namely people's welfare and reducing poverty. (Sutikno, 2006) reveals that a large population will lead to poverty because, according to him, population growth develops geometrically. In contrast, food production develops

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arithmetically so that the growth of food and beverages will not overtake the population growth rate.

R-Square Test Result
R-Square Poverty Test Result

The R-squared value is the value that indicates how much all predictor variables (independent) affect the dependent variable. The following is the R-Square test using PLS:

Table 5. R-Square Value

	R Square	Adjusted R Square
Poverty	0.680	0.675
Ummm	0.030	0.023

The R-squared value of poverty is a value that indicates how much all predictor variables (independent) of unemployment affect the dependent variable of poverty. Then, it is calculated using the Q formula below:

Q poverty = Q^2 = 1- (1 - $R^1 2$)
Q poverty = Q^2 = 1- (1 - (0.680)
$\quad\quad$ = 1- 0.32
$\quad\quad$ = 0.680

The data above shows that the independent variable (unemployment) affects poverty by 68%, while other factors outside the model influence the other 32%.

R-Square Poverty Test Result

Based on Table 5 above, it is also used to calculate the Q formula to test the R-Square of MSMe:

MSMe = Q^2 = 1- (1 - $R^1 2$)
Q MSMe = Q^2 = 1- (1 - (0.030)
$\quad\quad$ = 1- 0.7
$\quad\quad$ = 0.30

Table 5 also shows that the unemployment variable can increase MSMEs by 30%, while other factors outside the research model influence the other 70%.

R-Square Poverty Test Result
The following is the R-Square test using PLS:

Table 6. R-Square value of MSME on poverty

	R Square	Adjusted R Square
Poverty	0.670	0.667

Data in Table 6 to find out how much the MSME variable can reduce poverty also use the formula Q. below:

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$$Q = Q^2 = 1 - (1 - R^1 2)$$
$$Q = Q^2 = 1 - (1 - (0.670)$$
$$= 1 - 0.33$$
$$= 0.67$$

The Q count above shows that the MSME variable can alleviate poverty by a significant 67 %, while other factors outside the model influence the other 33 %.

Analysis of Bootstrapping Results

The following is the Analysis of Bootstropping Results Analysis to test how much the relationship between the independent variable and the dependent variable is. Test results using PLS are as follows :

Table 7 Path Coefficient

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistics (| O/ STDEV |)	P Values
Unemployment -> Poverty	0.241	0.236	0.078	3,094	**0.002**
Unemployment -> MSMEs	0.174	0.173	0.081	2.142	**0.033**
MSMEs -> Poverty	0.801	0.800	0.041	19,347	**0.000**

The data above shows that unemployment has a direct and significant positive relationship to poverty. Unemployment has a direct and significant positive relationship with MSMEs. MSMEs have a direct and significant positive relationship to poverty.

Unemployment related to poverty.

In Table 7 above, the results show that the P values of unemployment to poverty are 0.002; these results indicate that it is less than the significant level of 0.05, which means that unemployment has a direct and significant positive relationship to poverty.

This is because more and more people in West Java are unemployed. After all, they do not work, so they do not have income and cannot meet their needs. Their economy is disrupted. In addition, their primary, tertiary, and secondary needs cannot be fulfilled optimally. Unemployment can affect 68% of poverty; this result is relatively high, so the relationship between unemployment and poverty is solid. The theory expressed by According to (Sukirno, 2004), the harmful effect of unemployment is to reduce people's income, which in turn

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reduces the level of prosperity that a person has achieved. The lower the level of prosperity, another problem, namely poverty. Study results state that unemployment can affect poverty (Muhammad et al., 2017; Rulan L & Manduapessy, 2020; Fadlillah et al., 2016; Selamat Siregar, 2017; Robiansyah, 2015).

Unemployment is related to MSMEs

Table 7 above shows that the P value of unemployment for MSMEs is 0.033; these results indicate that it is less than the significance level of 0.05, which means that unemployment has a direct and significant positive relationship to MSMEs.

The second result states that unemployment has a direct and significant positive relationship with MSMEs. Unemployment is directly related and positively significant to MSMEs. These variables are interconnected between unemployment and SMEs. With unemployment, people will think about how to make ends meet, so they will start entrepreneurship to make MSMEs. In addition, if there are MSMEs, unemployed people can work in MSMEs. This is what causes unemployment and MSMEs to be interconnected. MSMEs can create businesses and generate turnover from activities to reduce unemployment. MSMEs can reduce unemployment by 30%. Because every MSME that appears requires much capital, not all unemployed people can and do have the capital to create UMKM. Besides, UMKM cannot absorb a workforce as big as a factory, so it is small in dealing with unemployment in West Java, which is very high number 2 in Indonesia.

According to the theory expressed by (Akbar et al., 2022), MSMEs can also be one way to reduce the existing unemployment rate by doing training and outreach to the community regarding MSMEs so that the community can create their jobs according to the wishes and abilities of each individual. Therefore, MSMEs need to get special attention from the government as one of their employment for the community so that with this MSME, economic growth in an area will increase, the number of unemployed will also decrease, and poverty will decrease. (Akbar et al, 2022).

MSMEs are related to poverty.

Table 7 above shows that the P value of MSMEs for poverty is 0.000; these results show that it is less than the significance level of 0.05, which means that MSMEs have a direct and significant positive relationship to poverty.

MSMEs have a direct and significant positive relationship to poverty. MSMEs have a direct and significant positive relationship to poverty. This shows that the more MSMEs, the more it can affect poverty. MSMEs can reduce poverty because, with the existence of MSMEs, citizens can work, earn

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income, and fulfill their daily needs, so MSMEs and poverty are interconnected. Someone with an entrepreneurial spirit can help reduce poverty, and the economy will rotate. Communities can create SMEs or work in SMEs, which is very helpful in meeting their needs. MSMEs can reduce poverty by 67%, thus stating that the role of MSMEs is vital, one of which is as a way to reduce poverty.

According to the theory expressed by (Akbar et al., 2022), MSMEs need to get special attention from the government as one of the employment for the community, so with this MSME economic growth in an area will increase, and the number of unemployed will also decrease and poverty will decrease. According to (Amalia, 2009), There are many programs where poverty alleviation has been carried out, but the results could have been more efficient. Various local and international forums hold discussions on poverty, which involve only one topic: how to free people from the shackles of poverty. Efforts to eradicate poverty This can be done, among other things, by breaking the poverty chain and strengthening various aspects of the small and medium enterprise sector. MSMEs are part of people with low incomes who have the will and productive capacity.

Indirect relationship / Indirect effect

The following results from an analysis of the indirect relationship between MSMEs, which moderates unemployment and poverty. Testing was carried out using PLS:

Table 8 Indirect Effects

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistics (|O/ STDEV |)	P Values
Unemployment -> Poverty	0.139	0.138	0.064	2,196	**0.029**
Unemployment -> MSMEs					
MSMEs -> Poverty					

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Table 8 shows the results of an indirect analysis of 0.029. these results are less than the significant level of 0.005, which means that MSMEs can moderate the relationship between unemployment and poverty

The data in Table 8 shows that MSMEs can moderate the relationship between unemployment and poverty. The results of this analysis state that MSMEs can moderate the relationship between unemployment and poverty. Unemployment can cause poverty, but MSMEs can moderate it, and MSMEs can reduce poverty caused by unemployment.

The growth of Micro, Small, and Medium Enterprises (MSMEs) indirectly provides space and a place for the community to carry out activities that indirectly reduce unemployment and poverty. The ability of micro, small, and medium enterprises (MSMEs) to survive with these personal resources, many people feel optimistic that micro-enterprises, Small and Medium Enterprises (MSMEs) in the present and the future are a lifesaver for the national economy.

Unemployment can cause poverty by 68%, which is relatively high, so the relationship between unemployment and poverty is solid. The more unemployed people, the higher the poverty in West Java. MSMEs can only reduce unemployment by 30%, so not all unemployment can be overcome by MSMEs. Because every MSME that appears requires much capital, not all unemployed people can and do have the capital to create UMKM. Besides, UMKM cannot absorb a workforce as big as a factory, so it is small in dealing with unemployment in West Java, which is very high number 2 in Indonesia.

The role of MSMEs can reduce poverty by only 67%, and government policies, government businesses, and the people of West Java can overcome others. From 2019 to 2021, poverty increased yearly due to the COVID-19 disaster, which has caused economic difficulties in West Java. Limited economic activities and limited social contact, coupled with the government's *lockdown policy,* PPKM (Implementation of Restrictions on Community Activities), causes economic difficulties and increases poverty because people cannot meet their needs. However, in 2022, there will be a decrease followed by an increase in MSMEs in West Java by 1,494,723 units. This is interconnected with the reduction in poverty in 2022 due to the large number of MSMEs in West Java.

Even though there is still high poverty in West Java, number 2 in Indonesia, it has experienced a slight decline. Moreover, one of the reasons is that West Java is the city center, and the crowds are close to the capital city, so a high population and high unemployment support many poor people. Not all poverty problems can be overcome by MSMEs. MSMEs can only handle 67%. Final destination development policy programs in Indonesia at this time, of course, for improvement community welfare according to paragraph 4 of the

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1945 Constitution creates general welfare, related to the welfare of the community can certainly be seen from the fulfillment of the basic needs of the community, welfare will not be achieved if people still live in the poverty line, where poverty which is a problem that exists in every region including in West Java, and also is a classic problem which from year to year is used as a political object to attract community sympathy as has been explained regarding the role of SMEs in reducing poverty level. The role of MSMEs is considered very strategic. Suppose poverty eradication is the primary goal of any development policy. In that case, efforts to provide employment and increase the income of people experiencing poverty are the most important goals, and the role of micro, small, and enterprise medium MSMEs is the leading supporter of the people's economy.

Gunatrin (2017:78) says that in various economic sectors, it is necessary to strengthen MSMEs by providing business opportunities for MSMEs themselves and considering the existence of MSMEs in order to be able to build an economic structure in Indonesia." With expectations, the existence of MSMEs helps to overcome employment problems and can add to people's income; with this, MSMEs can also be one of the road solutions to reduce the unemployment rate. MSMEs in West Java, of course, also need serious attention from the local government to provide opportunities for the emergence of actors in new MSMEs. The growth of MSMEs is also a source of employment opportunities, increases income, and absorbs much labor. Thus, MSMEs have a strategic role in alleviating poverty and unemployment. Behind the importance of the role of MSMEs, there are also several obstacles faced by MSME actors. The biggest obstacle That has been complained about so far is access to capital; the role of the government is also very much needed to revive the community's enthusiasm for entrepreneurship.

West Java Is a very strategic city because it is close to the capital city and includes a big city and the rapid developments and government support local community towards the development of Micro, Small, and Medium Enterprises; one example is that it is so easy to grant permits for new business locations for business actors in the MSME sector and access capital assistance with the existence of KUR to support in terms of funding, with ease these MSMEs as the spearhead in improving the welfare of the people of West Java are expected to continue to grow and make a real contribution to the progress of West Java to positive direction.

There are research gaps or differences between this study and previous studies. The advantages of this research, which have yet to be carried out in previous studies, are based on two things. First, this study uses different research periods based on different phenomena in Indonesia. The two researchers used the MSME variable because MSMEs have the potential to

create new jobs and reduce unemployment rates in society. With innovation, MSMEs can produce products or services that are different from existing ones, meet unmet market needs, and create added economic value. In addition, MSMEs also have an essential role in providing opportunities for the poor or underprivileged to become economically independent. In the context of poverty alleviation, MSMEs can provide training and assistance to the poor to start their businesses. By owning their own business, they can generate higher incomes, improve their standard of living, and escape the cycle of poverty.

CONCLUSION

The growth of Micro, Small, and Medium Enterprises (MSMEs) indirectly provides space and a place for the community to carry out activities that indirectly reduce unemployment and poverty. The ability of micro, small, and medium enterprises (MSMEs) to survive With these personal resources, many people feel optimistic that micro-enterprises, Small and Medium Enterprises (MSMEs) in the present and the future are a lifesaver in the national economy.

Unemployment has a direct and significant positive relationship with poverty. Unemployment has a direct and significant positive relationship with MSMEs. MSMEs have a direct and significant positive relationship to poverty. Moreover, MSMEs can moderate the relationship between unemployment and poverty.

Unemployment can cause poverty by 68%; this result is relatively high, so the relationship between unemployment and poverty is solid. The more unemployed people, the higher the poverty in West Java. MSMEs can only reduce unemployment by 30%, so not all unemployment can be overcome by MSMEs. Because every MSME that appears requires much capital, not all unemployed people can and do have the capital to create UMKM. Besides, UMKM cannot absorb a workforce as big as a factory, so it is small in dealing with unemployment in West Java, which is very high number 2 in Indonesia.

The role of MSMEs can reduce poverty by only 67%, and government policies, government businesses, and the people of West Java can overcome others. From 2019 to 2021, poverty increased yearly due to the COVID-19 disaster, which has caused economic difficulties in West Java. Limited economic activities and limited social contact, coupled with the government's *lockdown policy,* PPKM (Implementation of Restrictions on Community Activities). This causes economic difficulties and increases poverty because people cannot meet their needs. However, in 2022, there will be a decrease followed by an increase in MSMEs in West Java by 1,494,723 units. This is interconnected with the reduction in poverty in 2022 due to the large number of MSMEs in West Java.

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Micro, small, and medium enterprises (MSMEs) can create jobs, where MSMEs collectively generate new jobs. In alleviating poverty, MSMEs provide opportunities for poor or unskilled people to get decent jobs and income. In addition, MSMEs can develop Skills and Independence, where MSMEs can help build work skills and community independence. By taking on the role of a micro, small, or medium entrepreneur, individuals can learn how to manage their own business, developing leadership, marketing, and financial skills. This allows them to be more economically independent and raises their standard of living. MSMEs are also able to grow Innovation and Creativity, where MSMEs are often places where innovation and creativity develop. Because they are more flexible and better able to explore new ideas, small and medium industrial areas are often the birthplace of unique new products and services. This provides economic benefits and enhances the image and attractiveness of an area's economic potential.

Most importantly, MSMEs can carry out Equitable Economic Development. MSMEs have many roles in distributing economic growth to previously neglected areas. By supporting MSMEs, we can bring economic development to a broader area, reduce inequality, and reduce poverty in less developed areas. In addition, MSMEs can Strengthen the Local Economy; by providing support to MSMEs, we can strengthen the local economy, encourage cooperation between business actors in the regions, and provide better economic benefits for local communities. This leads to developing local skills, improving living standards, and reducing dependence on national or global economies.

Many factors affect poverty. The limitations of this study are that it only uses unemployment variables that affect poverty. So that future researchers can dig deeper into the factors that influence poverty. In this study, only five years of time series data were used because data on the number of West Java MSMEs is challenging to obtain if it is less than 2018, so future researchers can use more extended time series data so that the data obtained is more accurate and timely.

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