

Analysis Of Population And Increase In Msmes On Economic Growth In Indonesia

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ABSTRACT

This study aims to analyze the Number of Population and the Increase of MSMEs on Economic Growth in Indonesia. Where there are bound variables, namely GDP (Gross Domestic Product) and There are two independent variables, namely the Number of Population and the Number of MSMEs. This study uses secondary data by searching for data through *the Central Statistics Agency (BPS) Website* and *the Indo Data Website*. The data analysis model in this study uses Multiple Linear Regeresi. The results of the study showed that the variables of Population and Number of MSMEs had a significant effect on GDP (Gross Domestic Product).

Keywords:

GDP (Gross Domestic Product), Number of Population, Number of MSMEs

1. Introduction

The number of Indonesia's population has experienced various significant phenomena in recent decades. Several important phenomena related to the number of people in Indonesia. Indonesia is one of the countries with the largest population in the world, with more than 270 million people in 2020. Indonesia's population growth is quite high even though the growth rate has decreased compared to the previous decades. More and more Indonesians are moving from rural areas to big cities. This urbanization has led to an increase in the population in major cities such as Jakarta, Surabaya, and Bandung, as well as creating challenges related to infrastructure, housing, and public services. Indonesia is enjoying a demographic bonus, which is a period when the proportion of the productive age population (15-64 years) is larger than the proportion of the non-productive age population (children and the elderly). This provides a great opportunity for economic growth

if managed properly through improving the quality of education and workforce skills. In addition to internal migration from rural to urban, Indonesia also experiences international migration, both inbound and outbound. Many Indonesian migrant workers work abroad, while the country also attracts a large number of foreign workers. The high population poses various challenges such as the provision of jobs, housing, education, and health services. The Indonesian government needs to implement effective planning and policies to address these challenges. The life expectancy of the Indonesian population has increased, which indicates an improvement in health conditions and quality of life. However, this also means an increasing number of elderly people who need special attention in terms of social security and health services.

These phenomena demonstrate the complex population dynamics in Indonesia, which requires a holistic approach to development planning and public policy.

Micro, Small and Medium Enterprises (MSMEs) are the basis of people's businesses, which is the right alternative to be applied in the current era of globalization to balance the impact of the global economy on society (Dongoran, Nisa, Sihombing, & Purba, 2016). At the time of the economic crisis a few years ago, and many large-scale businesses were stagnant, Micro, Small and Medium Enterprises (MSMEs) proved to be able to survive with all their limitations and shortcomings (Handayani, 2017). Micro, Small and Medium Enterprises (MSMEs) are also able to become the foundation of the right people's business and have the potential to be applied today and have a function to balance the impact of the global economy on society.

The problem of unemployment and limited employment opportunities is a complex issue faced by many countries, including Indonesia. Some of the main factors that cause this problem include:

High economic growth is not always followed by sufficient job creation. Certain sectors may be growing rapidly, but others remain stagnant. There is often a gap between the skills possessed by the workforce and the skills needed by industry. Changes in technology and automation are also changing the need for skills in the job market. Rapid population growth, especially in developing countries, is adding to the workforce faster than the economy's ability to create new jobs. Over-reliance on certain sectors, such as agriculture or the manufacturing



industry, can limit employment opportunities in other sectors that may be more developed. An education and training system that is not in accordance with the needs of the job market can produce graduates who are not ready to enter the world of work. Strict regulations and complicated bureaucracy can hinder business growth and investment, which in turn limits job creation. Adapting the educational curriculum to the needs of the industry and providing relevant skills training programs can help reduce the skills gap. Encouraging entrepreneurship through financial support, training, and mentorship can help create new jobs. Economic diversification by developing new sectors such as information technology, tourism, and creative industries can open up new job opportunities.

Simplifying regulations and bureaucracy that hinder business growth and investment can improve the business climate and create more jobs. The development of infrastructure such as roads, bridges, and public facilities can create direct employment and also improve overall economic efficiency. The government can work with the private sector to create internship and job training programs that can help graduates transition to the workforce. With a comprehensive and collaborative approach, it is hoped that the problem of unemployment and limited employment can be overcome more effectively.

Micro, Small and Medium Enterprises (MSMEs) is one of the fields that makes a significant contribution in spurring Indonesia's economic growth, labor absorption and being close to the small people (Handayani, 2017). Especially, the issue of employment has become an integral part of the economic problem, so that the problem of employment development is also part of the problem of economic development (Fatih, 2017). Micro, Small and Medium Enterprises (MSMEs) are now able to help stabilize the community's economy and become a solution to reduce unemployment in direct proportion to the MSME sector which continues to increase. The high unemployment rate in our country is due to the excessive number of labor force every year (A. A. Sagung Putri Warmadewi, 2016). The existence of the formal sector is unable to meet and absorb the workforce that continues to increase optimally due to the inequality between the growth of the rapidly growing labor force and the available jobs (Sadhana, 2013). Unemployment is a big problem in all regions in Indonesia. The cause of the high unemployment rate is public interest and the transfer of the labor force to large companies or the formal sector. In fact, not a few of them when they lose their jobs or are looking for a job are unable to create or create their own jobs due to the lack of education and skills in the



informal sector or MSMEs.

Inadequate infrastructure is one of the main obstacles for Micro, Small, and Medium Enterprises (MSMEs) in reaching their maximum potential. Some aspects of infrastructure that are often an obstacle for MSMEs include:

1. Internet Access and Information Technology:

- Many MSMEs in remote or rural areas are still having difficulty getting stable and fast internet access.
- The lack of information technology infrastructure also limits the ability of MSMEs to take advantage of e-commerce and digital marketing.

2. Transportation and Logistics:

- Inadequate road, bridge, and public transportation infrastructure hinders the distribution of MSME products.
- High logistics costs due to poor infrastructure can reduce the competitiveness of MSME products in the market.

3. Production Facilities:

- Many MSMEs do not have access to adequate production facilities, such as small factories or affordable coworking spaces.
- The absence of supporting infrastructure such as stable electricity supply and clean water is also an obstacle.

4. Access to the Market:

- The lack of facilities such as wholesale markets, distribution centers, and exhibition venues reduces the ability of MSMEs to reach customers.
- Weak marketing infrastructure limits the ability of MSMEs to expand their market reach.

5. Access to Finance:

- Many MSMEs face difficulties in accessing financial services, including



micro business loans, due to the lack of financial infrastructure that reaches remote areas.

- The lack of banking networks and financial institutions in remote areas hinders the growth of MSMEs.

During 1997-2006, the number of MSME-scale companies reached 99% of all business units in Indonesia. The contribution of MSMEs to gross domestic product reaches 54%-57%. MSMEs' contribution to labor absorption is around 96% (Lestariani, 2016). Although when viewed from the production value, MSMEs are still lagging behind compared to large businesses, but in terms of labor absorption, the opposite happens (Setiawan, 2010). As the MSME sector increases, it will certainly have an impact on variables and aspects that affect the economy such as Investment, GDP, Minimum Wage, Labor Absorption and others. In the current era of globalization, MSMEs are not just assumed as a side business, but now MSMEs have proven to be able to become a very promising business or business, increase people's income and positively affect economic growth. The following is data on the increase in the number of MSMEs and the absorption of labor every year. Financial inclusion has a close relationship with the development of Micro, Small, and Medium Enterprises (MSMEs). Here are some ways financial inclusion can support MSMEs.

Many MSMEs face difficulties in accessing financing from traditional banks due to a lack of collateral or credit history. With financial inclusion, MSMEs can access microcredit and microloans that allow them to start, run, and grow their businesses. Digital banking and electronic payment services allow MSMEs to make transactions quickly and securely, reduce dependence on cash, and reduce operational costs. Insurance can help MSMEs manage business risks such as losses due to natural disasters, theft, or accidents, so that they can operate more safely and stably. Having a bank account allows MSMEs to manage cash flow, keep money securely, and build a credit history that can help them access financing in the future.

Providing financial training and education to MSME owners can help them manage their businesses better, including in terms of financial management, business planning, and marketing strategies.

Access to financing allows MSMEs to invest in product innovation and exploration of new markets, which in turn can increase their competitiveness and



growth. Financial inclusion often includes the use of financial technology (fintech) that provides technology-based solutions for MSMEs, such as online lending, mobile payments, and e-commerce, which can open up new opportunities and reduce traditional barriers. Thus, financial inclusion provides a strong foundation for MSMEs to grow and develop, which in turn contributes to job creation, increased income, and broader economic growth. Governments and financial institutions have an important role to play in creating an ecosystem that supports financial inclusion through inclusive policies, regulations, and initiatives

2. Theoretical Foundations

a. Population

Population is very closely related to demographics. The word demography comes from the Greek which means: "*Demos*" is the people or the inhabitants and "*Grafein*" is writing. So demography is writings or essays about the people or residents. This term was used for the first time by Achille Guillard in her essay entitled *Elements de Statistique Humaine on Demographic Compares* in 1885. According to Donald J. Bogue in his book entitled *Principles of Demography* definition of *Demogrphi* is as follows: "Demography is a science that studies statistically and mathematically the size, composition and distribution of the population and its changes throughout time through the work of 5 demographic components, namely Birth (Fertility), Death (Mortality), Marriage, Migration, and Social Mobility" (Bogue, 1969). Population growth is a dynamic balance between the forces that increase and the forces that decrease the population. Population growth is caused by four components, namely: birth (fertility), death (mortality), inward migration, and outgoing migration (Subri, 2003:16). The increase in the number of people is certainly very related to the productivity of human resources and will also affect unemployment in an area. The appropriate use of human resources can be done in a way that there must be control over population development, and can be used properly if the population can be controlled and reduced. Furthermore, there must be a change in the view of trained and educated workers with high efficiency that will lead the community to economic development



(Almasdi, 2009:23). It is very important to have analyses or studies that discuss population so that the number of people in a country remains controlled and minimizes negative influences on economic growth.

Population growth affects the development and growth of the economy in a country, but the real problem is the impact of population growth itself, including:

a. Retardation

With the traditional idea that many children have a lot of fortune, this results in parents who are poorly educated, assuming that in order to improve their life they must have many children to be able to guarantee them in old age. This kind of backward thinking style is difficult to change even though the government has suggested social security, but people's trust is difficult to change unless it is motivated by themselves.

b. Shrinkage of natural resources and environmental damage

The impact of the increase in population makes the land narrow. A lot of land that is used as a settlement causes a decrease in green land, as a result of which the natural balance is disturbed and the availability of food sources and natural resources will be continuously reduced because it continues to be excavated for human needs.

c. Uneven population distribution

The uneven distribution of the population will affect the growth in an area. Land is one of the capital in economic growth. When population growth is too high in areas that have a narrow area and almost limited resources because they are constantly excavated, it will result in economic growth, especially income, which will be low when compared to large areas with abundant resources and low population growth.

d. Low levels of education and health

The high birth rate has resulted in an increase in the number of people. In a family, it can result in an increase in the number of dependency or burden for the productive age. In lower middle class families, they will find it difficult to provide adequate education and health for their children. The income obtained is often prioritized for food needs, often poor families are not met with their nutritional needs, this results in a decrease in health levels. With low health, it will result in low education. In the case that occurred in Indonesia, there are many school-age children who drop out of school to help their parents work.

The population of a country has a complex relationship with the Gross



Domestic Product (GDP). Here are some important aspects that explain the relationship. The larger the number of productive age population (15-64 years old), the greater the potential of the workforce that can contribute to the production of goods and services. This can increase GDP. If population growth is not balanced with job creation, the unemployment rate could rise, which could hamper economic growth and GDP. More population means more demand for goods and services. Household consumption is one of the main components of GDP. A large domestic market can attract investment and encourage domestic production. With a large population, companies can take advantage of economies of scale, i.e. reduce the cost per unit of product through mass production. This can increase productivity and GDP. More population can mean more ideas, innovations, and skills that contribute to economic growth through entrepreneurship and the development of new technologies.

A large population must be supported by good quality education and health services. A healthy and educated population is more productive and can drive GDP growth. Without adequate investment in education and health, large populations can become a burden, reducing productivity and economic growth. A large population requires large investments in infrastructure such as transportation, energy, and communications to support economic activities. Lack of infrastructure can hamper GDP growth. The use of natural resources must be managed properly to ensure that large populations do not lead to overexploitation that could damage the long-term economic base. High GDP with large populations does not always reflect the well-being of individuals. Per capita income (GDP per person) is an important indicator to assess the economic well-being of the population. Income inequality can mean that even though GDP is increasing, the benefits are not felt evenly by the entire population.

Concrete Examples

- **China and India:** Both of these countries have very large populations and have experienced rapid economic growth. They utilize a large workforce to drive industry and services, which contributes significantly to their GDP.

Countries with Small Populations: Countries like Singapore have small populations but with high GDP per capita, showing that good human resource management and investment in education and infrastructure can result in high prosperity despite the limited population.



b. Number of MSMEs

In Indonesia, the definition of MSMEs is regulated in Law of the Republic of Indonesia No. 20 of 2008 concerning MSMEs. Article 1 of the Law states that micro businesses are productive businesses owned by individuals and/or individual business entities that have micro business criteria as regulated in the Law. Small business is an independent productive economic enterprise, carried out by an individual or a business entity that is a subsidiary or not a subsidiary that is owned, controlled or part of, either directly or indirectly, from a medium business or a large business that meets the criteria for small business as referred to in the Law. In the Law, the criteria used to define MSMEs as listed in Article 6 are the value of net worth or the value of assets excluding land and buildings where the business is located, or the annual sales proceeds. With the following criteria:

- a. Micro businesses are business units that have assets of up to Rp.50 million, excluding land and buildings where they do business, with annual sales of up to Rp.300 million.
- b. Small businesses with an asset value of more than Rp. 50 million to a maximum of Rp. 500 million, excluding land and buildings where the business is located, have annual sales of more than Rp. 300 million to a maximum of Rp. 2,500,000.
- c. Medium businesses are companies with a net worth of more than Rp.500 million to a maximum of Rp.100 billion with annual sales above Rp.2.5 billion to a maximum of Rp.50 billion.

These MSMEs are engaged in trade, which in this case concerns entrepreneurial activities or activities. MSMEs are a trading business managed by individuals or business entities which in this case are also included as a business criterion in a small or micro scope. Regulations regarding MSMEs have been discussed in Law Number 20 of 2008. (Ibeng, 2019)

The number of MSMEs in all APEC countries is more than 97%. The majority of countries have 99% MSMEs, such as Indonesia, only a few countries have 97% MSMEs, including Malaysia and Vietnam. MSMEs in Indonesia absorb a workforce of 97.2 million and contribute to GDP > 57%, greater than the contribution of large and largest enterprises in all countries in Asia. Only when looking at MSME products that have exported only



15.4% percent, the smallest among other Asian countries (Prof. Dr. Ina Primiana, 2017). In fact, our daily activities cannot be separated from what is called MSMEs from unfinished materials to finished goods and then distributed to others so that it becomes a circular or circular economic activity of buying basic necessities to the need to help us carry out economic activities. Especially in the current era of globalization, many new businesses have emerged to help meet the needs of the community, both products and services.

In the perspective of development, Micro, Small and Medium Enterprises (MSMEs) are the business groups that have the largest number. In addition, this group has proven to be resistant to various kinds of shocks of economic crises. Therefore, it has become a necessity to strengthen Micro, Small and Medium Enterprises groups involving many groups. The following are the classifications of Micro, Small and Medium Enterprises (MSMEs):

- a. *Livelihood Activities*, are Micro, Small and Medium Enterprises (MSMEs) that are used as job opportunities to earn a living, which is more commonly called the informal sector. For example, street vendors.
- b. *Micro Enterprise*, is a Micro, Small and Medium Enterprises (MSMEs) that have the nature of craftsmen but do not yet have an entrepreneurial nature.
- c. *Small Dynamic Enterprise*, is a Micro, Small and Medium Enterprise (MSME) that already has an entrepreneurial spirit and is able to accept subcontract and export work.
- d. *Fast Moving Enterprise*, is a Micro, Small and Medium Enterprises (MSMEs) that already have an entrepreneurial spirit and will transform into a large business (UB).

It is recognized that Micro, Small and Medium Enterprises (MSMEs) play an important role in economic development and growth, not only in developing countries (NSB), but also in developed countries (NM). In developed countries, MSMEs are very important, not only do these business groups absorb the most labor compared to large enterprises (UB), as is the case in developing countries, but also their contribution to the formation or growth of gross domestic product (GDP) is the largest compared to the contribution of large enterprises.

c. Economic Growth/GDP

GDP stands for Gross Domestic Product. GDP is also commonly referred to as the international term, namely Gross Domestic Product or GDP. In general, GDP is the amount of production in the form of goods and services produced by a particular region. GDP can be used as a benchmark for the economic growth of a country. In other words, GDP is an indicator of the progress, backwardness, or stagnation of a country's economy. GDP is also the total amount of revenue obtained by companies that produce goods and services in a country. (Ali, 2017). This GDP is all goods and services produced/produced by all citizens in a territory of the country concerned (including the production of foreign nationals in the country) in a certain period, usually in one year. According to Imamul Arifin & Gina Hadi W (2009:11) "The indicator used to determine the economic growth of a country is the level of Gross Domestic Product (GDP)" Some of the reasons for the use of GDP (not GDP) as an indicator of economic growth are as follows:(Prasentyo, 2011)

- a. GDP is calculated based on the amount of *value added* produced by all production activities in the economy. This increases GDP reflects an increase in remuneration for production factors used in the production process.
- b. GDP is calculated on the basis of the *circular flow concept*. This means that the calculation of GDP includes the value of products produced in a certain period. This calculation does not include calculations in the previous period. The use of the concept of flow in calculating GDP allows one to compare the amount of output in the current year with the previous year.
- c. The boundary of the GDP calculation area is the State (domestic economy). This makes it possible to measure the extent to which economic policies are implemented by the government and encourage domestic economic activity. GDP can also be used as an indicator of the potential of each region in producing goods and services and to see which regions are the most influential and contribute to improving the economy.

GDP (Gross Domestic Product) is also the total income that has been generated in a country, including the income of people from foreign countries who work or carry out economic activities that produce goods



and services within the country. GDP is a measurement of the value of goods and services processed and produced in a region or country regardless of nationality in a certain period.

In accordance with the definition of GDP that has been described above, GDP (Gross Domestic Product) can function, namely as an indicator of a country's economic growth rate. The explanation of the function of this GDP is as follows:

- a. This GDP (Gross Domestic Product) can be calculated based on the total value added generated from all economic activities or production activities. In this case, economic growth or GDP shows that there is an increase in the return of services to production factors.
- b. This GDP (Gross Domestic Product) can be calculated with the concept of flow cycles. Namely, the calculation of GDP growth is concurrent with the total value of products obtained in a certain period (generally twelve months) and not the calculation in the previous period. By using the concept of flow in the calculation of GDP growth, we can compare the value of expenditure or the amount of output in one period with the previous period.

The limit in the area for calculating GDP growth is one country (domestic economy). In this case, it allows us to measure the effectiveness of an economic policy used and implemented by the government in an effort to encourage the domestic and state economy.

3. Method

a. Multiple Linear Regression

Multiple linear regression is a measuring tool used to measure the existence or absence of correlation between several variables, with the form of the regression equation as follows: (Rusiadi, 2015)

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y = PDB

α = Price Y when X_1 and $X_2 = 0$ (constant price)

β = Regression coefficient

X_1 = Total Population



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X2 = Number of MSMEs

⊗⊗ ⊗= Error Term

4. Results and Discussion

a) Variable Data

Year	Total Population (Million Inhabitants)	Number of MSMEs (Million)	GDP (Trillion Rupiah)
2019	267,0	64,19	15.833,9
2020	270,2	64,17	15.434,2
2021	273,5	64,2	16.970,8
2022	276,5	64,6	19.588,1
2023	279,9	65,0	20.892,4

Source :BPS (Central Statistics Agency)

b) Multiple Linear Regression Results

a) Multiple Linear Regression Coefficients^a

Type	Unstandard ized Coefficien ts		Standar di zed Coeffici en T s	T	Sig.	Collinea rity Statistic s	
	B	Std · Err or	Beta			Tole ra nce	VIF
(Constant)	6.967	.511		20.431	.000		
Population	.071	.052	.461	6.934	.000	.968	1.00



							1
Number of MSMEs	.072	.053	.335	5.883	.004	.948	1.010

Source : SPSS Version 23.0 Processing Results

Based on the table above, the multiple linear regression is obtained as follows: $Y = 6.967 + 0.071X_1 + 0.072X_2 + \epsilon$.

The interpretation of the multiple linear regression equation is:

- 1) If everything in the free variables is considered to be fixed, then the GDP is 6.967.
- 2) If the number of population increases, then GDP will increase by 0.071 per unit of value.
- 3) If the number of MSMEs increases, then GDP will increase by 0.072 per unit of value.

b) Test Goodness Of fit

1) -t Test (Partial Hypothesis Test)

Test Table -t (Partial Hypothesis Test) Coefficients^a

Type	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	6.967	.511		20.431	.000		
Population	.071	.052	.461	6.934	.000	.968	1.001
Number of MSMEs	.072	.053	.335	5.883	.004	.948	1.010

Source : SPSS Version 23.0 Processing Results



Based on the table above, it can be seen that:pa

a) The Effect of Government Population on GDP.

Tcalculated $6.934 > t_{table} 1.652$ and significant $0.000 < 0.05$, then H_a was accepted, which states that the Number of Population has a significant effect on GDP.

b) The Effect of the Number of Government MSMEs on GDP.

tcalculated $5.883 > t_{table} 1.652$ and significant $0.004 < 0.05$, then H_a was accepted, which stated that the number of MSMEs had a significant effect on GDP.

2) Test – F (Simultaneous Hypothesis Test)

The F test (simultaneous test) was carried out to see the influence of the independent variable on the bound variable simultaneously. The method used is to look at *the level of significant* ($=0.05$). If the significance value is less than 0.05 then H_0 is rejected and H_a is accepted.

Test Table – F (Simultaneous Hypothesis Test) ANOVA^a

Type	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	31.668	3	9.071	20.226	.000b
Residual	30.551	123	.341		
Total	60.779	124			

a. Dependent Variable: GDP

b. Predictors: (Constant), Number of Population, Number of MSMEs
 Source : SPSS Version 23.0 Processing Results

Based on the table above, it can be seen that F_{is} calculated as $20.226 > F_{table}$ is 2.65 and significantly smaller than 0.05, which is $0.000 < 0.05$, so the H_a received by the Number of Population and the Number of MSMEs simultaneously has a significant effect on GDP in Indonesia.

3) Coefficient of Determination (R²)

This determination coefficient analysis is used to determine the percentage of variation in the influence of the independent variable on the bound variable

Determination Coefficient Table (R²) Model Summary^b

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.666a	.444	.677	.62576	1.745

a. Predictors: (Constant), Number of Population, Number of MSMEs

b. Dependent Variable: GDP

Source : SPSS Version 23.0 Processing Results

Based on the table above, it can be seen that the *adjusted R Square* figure of 0.677 which can be called the determination coefficient which in this case means 67% of GDP (Gross Domestic Product), can be obtained and explained by the Number of Population and the Number of MSMEs. While the remaining 33% are explained by other factors or variables outside the model that are not studied.

c) Discussion

From the test results, it can be seen that all independent variables have a positive influence on the bound variables. The detailed results of the analysis and testing can be explained as follows:

1) The Effect of Population on GDP

Based on the partial hypothesis test carried out, a calculated t value of $6.934 > t_{table} 1.652$ and a significant $0.000 < 0.05$, then H_a was accepted, which stated that the Population had a significant effect on GDP (Gross Domestic Product). In addition, it also has a beta coefficient of 0.071, which means that if the Population increases, then GDP will increase by 0.71 percent. Thus, it can be concluded that the Population has a positive and significant effect on GDP (Gross

Domestic Product) in Indonesia.

The population does have a positive and significant influence on GDP (Gross Domestic Product). With the increase in population, the demand for goods and services also increases. This increase in consumption can boost domestic production, which ultimately increases GDP. A larger population means more labor available. This can increase productivity and economic output if the workforce is well absorbed in the job market. The large population creates a broad domestic market, which can support the growth of domestic industries and enterprises. The large market also encourages investment, both domestically and abroad. With more people, the potential for innovation and entrepreneurship also increases, which can lead to the creation of new jobs and increased economic productivity.

However, it is also important to note that the positive effects of population growth on GDP depend on other factors such as the quality of education, health, infrastructure, and economic policies. If the population increases without being matched by improvements in these sectors, the positive effects on GDP could diminish or even become negative.

2) The Effect of the Number of MSMEs on GDP

Based on the partial hypothesis test carried out, a calculated t-value of $5.883 > \text{table } t\text{-table } 1.652$ and a significant $0.009 < 0.05$ were obtained, then H_a was accepted, which stated that the number of MSMEs had a significant effect on GDP (Gross Domestic Product). In addition, it also has a beta coefficient of 0.072, which means that if the number of MSMEs is added, then GDP (Gross Domestic Product). will increase by 0.072 percent. Thus, it can be concluded that the number of MSMEs has a positive and significant effect on GDP (Gross Domestic Product) in Indonesia.

The number of Micro, Small, and Medium Enterprises (MSMEs) has a positive and significant influence on GDP (Gross Domestic Product) because MSMEs are often the backbone of the economy, especially in developing countries such as Indonesia. They account for a large portion of total GDP, especially in sectors such as trade, agriculture, and services. MSMEs absorb most of the workforce, especially in the informal sector.



With many people working in MSMEs, people's income increases, which then encourages consumption and increases GDP. MSMEs are spread throughout the region, including rural areas. This aids in economic equity and promotes inclusive economic growth, which in turn increases overall GDP. MSMEs are often more innovative and adaptive to market changes. These innovations can boost productivity and create new added value in the economy, which contributes directly to increasing GDP. Strong MSME growth reduces dependence on large and foreign companies, which can strengthen the domestic economy and increase national economic resilience.

Therefore, the large and growing number of MSMEs will directly increase GDP through their contribution to job creation, innovation, and economic equity.

5. Conclusion

From the results of the study on factors that affect the Increase in GDP (Gross Domestic Product). Several conclusions can be expressed as follows:

1. The results of Partial Multiple Linear Regression show that the Number of Population and the Number of MSMEs have a significant effect on GDP (Gross Domestic Product) in Indonesia.
2. Results of Simultaneous Multiple Linear Regression, Based on the above research, the Ha Population and the Number of MSMEs simultaneously (Simultaneous) have a significant effect on GDP (Gross Domestic Product) in Indonesia.

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