A Deep Review The Potential of Micro and Small Establishment (MSE) in Central Java in Two Digits KBLI Code
(An Analysis of Economic Census 2016)

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Abstract

This study is aimed to review deeply the potential of Micro and Small Establishment (MSE) in Central Java in two digits Indonesian Standard Industrial Classification (KBLI) code based on the results of the Economic Census 2016 (SE2016). The results show that the three major business fields of MSE in Central Java, in terms of the number of establishments and workers, are Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycle (G Category), Manufacturing (C Category) and Accommodation and Food Service Activities (I Category). Other than that, more than 85 percent of MSE category G, both in terms of number of establishments and workers, are retail trade exclude trade and repair of both motor vehicles and motorcycles (KBLI code 47). The rest is G category in the trade subcategory Repairing of both Motor Vehicles and Motorcycle (KBLI code 45) and Wholesale Trade exclude Motor Vehicles and Motorcycles (KBLI code 46).

Sub-category of Food Manufacturing (KBLI code 10), Garment Manufacturing (KBLI code 14) and Wood Manufacturing, Goods from Wood and Cork (Excluding Furniture) and Woven Goods from Bamboo, Rattan and the like (KBLI code 16) are dominant Micro and Small Establishment in C category based on the number of establishments. Whereas the Food Manufacturing Sub-category (KBLI code 10), Beverage Manufacturing (code KBLI 11) and Tobacco Processing Manufacturing (KBLI code 12) are the dominant Micro and Small Establishment in category C based on employment. Beyond 93 percent of Micro and Small Establishment in category I, both in terms of number of establishments and workers, are food and beverage supply businesses (KBLI code 56). The rest is I category in the subcategory of the provision of accommodation (code KBLI 55).

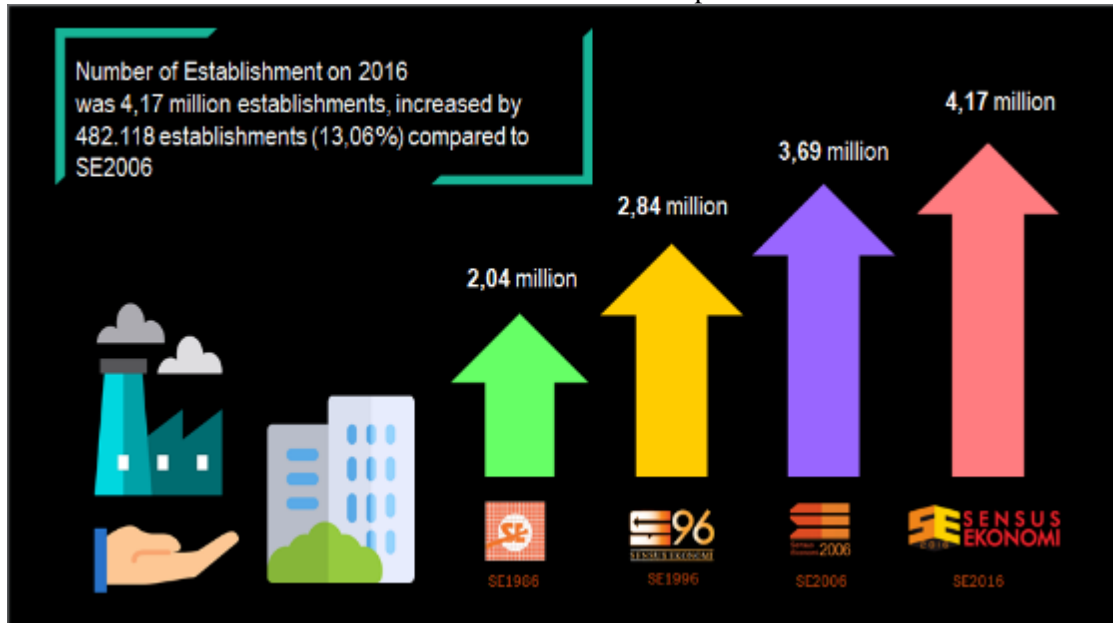**Keywords:** Two digitsss code system of KBLI, Central Java, MSE

Introduction

Regional economic development is stated by Suparmoko (2002) as a process which local governments and communities manage various resources owned by establishing a partnership between local governments and the private sector for job creation and increasing economic growth. Therefore, the joint regional government supported by active participation of the community should be able to identify the potential resources needed to develop the regional economy (Arsyad, 1999). At least, there are two national development priority agendas related to the Indonesian economy listed in the 2015-2019 Nine National Priority Agenda (Nawacita). The sixth point of Nawacita mentions that the government will prioritize increasing people's productivity andcompetitiveness in the international market so that the Indonesia can develop and grow with any other Asian nations. The seventh point of Nawacita states that the Indonesian Government wants to create economic independence by activating strategic sectors of the domestic economy (Bappenas, 2014).

At the regional level, Central Java development planning is published in the Medium-Term Development Plan (RPJMD) Central Java for 2013-2018 with the vision of "Menuju Jawa Tengah Sejahtera dan Berdikari - "Mboten Korupsi, Mboten Ngapusi". The whole portrait of the non-agricultural economy of Central Java as a result of the 2016 Economic Census (SE2016) is a database that can be used

as one of the basic plannings and determining government policies in Central Java Province. The results of the SE2016 listing (business listing) in May 2016 noted that there were 4.17 million businesses / companies in Central Java. Within a decade, the number of establishments in Central Java has increased in 13.06 percent compared to the results of the SE2006 listing of 3.69 million businesses / companies.
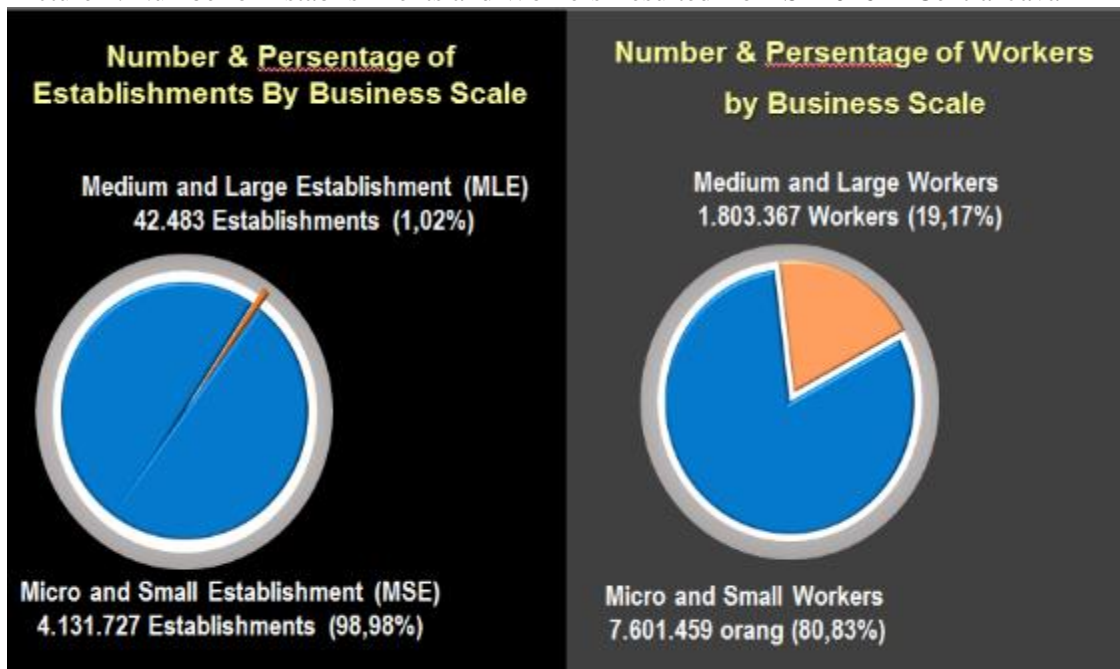
Picture 1. Inter-Economic Census Comparison

Source: The Explanation by Chief Statistician of Jawa Tengah Province on Socialization of the 2016 Continued Economic Census, Data Collection of MLE and MSE, August 1, 2017.

One of the objectives of the complete registration of SE2016 is depicting business scale which is classified into Micro and Small Establishment (MSE) and Medium and Large Establishment (MLE). The classification of businesses or companies into MSE or MLE is done by considering the Indonesian Standard Industrial Classification (KBLI), the establishments, number of workers and other sectorial criteria as well as the threshold mentioned in Law No. 20, 2008 concerning small, micro-medium, and large establishment. The law states that businesses or companies are categorized as MSE if the revenue is less than or equal to 2.5 billion rupiahs (BPS, 2017).

The micro establishment determination is regulated under the Law no 20 of 2008 about Micro and Small Establishment, is a productive business with annual revenue up to 300 million rupiahs per year. Whereas small establishment is productive business with annual revenue beyond 300 million rupiah up to 2,5 billion rupiah. There are specific criteria on manufacturing category in listing SE2016, which is micro establishment has 1 to 4 workers whereas small establishment has 5 to 9 workers. Specific criteria on construction category for micro and small establishment, which is the type for micro establishment is freelance whereas for small establishment has qualification K1, K2 and K3. Other than that, there are specific criteria on accommodation and food service activities specially hotel. Micro establishment is non-classified hotel, earning annual revenue up to 300 million rupiahs. Small establishment is non-classified hotel, earning annual revenue ranges from 300 million to 2.5 billion rupiah.

MSE dominates both National and Central Java economic activities. The results of SE2016 noted that the dominance of MSE in Central Java is about 98.98 percent of the total economic activity in Central Java, almost equal to the proportion of National MSE of 98.33 percent of the total number of establishments at the National level. In terms of workers, the results of the SE2016 recorded a total of 7.6 million non-agricultural workers in Central Java (80.83 percent) on the MSE scale. The total of the MSE scale workers among districts / cities, although it varies between 50-95 percent, the distribution shows that in a whole MSE has a dominant role in absorbing workers outside the agricultural sector.

Picture 2. Number of Establishments and Workers Resulted from SE2016 in Central Java

Source: The Explanation by Chief Statistician of Jawa Tengah Province on Socialization of the 2016 Continued Economic Census, Data Collection of MLE and MSE, August 1, 2017.

By using descriptive analysis, this study would like to review the deeper potential of the three dominant categories of MSE resulting from listing SE2016 in the double code system of KBLI. By knowing not only the dominant category, but also in accordance with the two digits KBLI, the results of this study are expected to provide a more specific description of MSE economic activity in Central Java which has a major role both in terms of the number of businesses and employment.

Methodology

Leedy and Ormrod (2005) states that descriptive analysis used in a study is to identify the characteristics of observed phenomena or explore the possibility of the relationship of two or more phenomena. Descriptive research according to Kuncoro (2009) can provide a description of consistent patterns in the data, so the results can be studied and interpreted briefly and meaningfully. By using descriptive analysis, the analysis results can provide adequate information in accordance with the objectives of the study.

The descriptive analysis method used in this study focuses on the purpose of the research which means to review the potential of the three dominant categories of MSE resulting from listing SE2016 in the double code system of KBLI. The descriptive analysis in this study was conducted on the results of the SE2016 listing based on the number of establishments and workers employed according to the industrial category, the double code system of KBLI on the scale of the MSE. The results of the study are expected to provide a more specific description of MSE economic activities of Central Java in terms of the number of businesses and employment. This information is expected to be beneficial for the decision makers in determining policy priorities related to Central Java's economic strategy.

Result and Discussion

1.   Descriptive Analysis on the Potential of the Central Java MSE Based On The Number of Establishments and Workers Resulted in SE2016

Table 1 shows that the three dominant categories in MSE activities that are the most operated establishment in 2016 by the people of Central Java are the Wholesale and Retail Trade; Motor Vehicles and Motorcycle Reparation (G Category), Manufacturing (C Category) and Accomodation and Food Service Activities (I Category). it is 82, 61 percent of MSE activities in Central Java dominated by the three categories, indicated by the large number of MSE in the three dominant categories of Central Java, resulted in SE2016.

Table 1. MSE Resulted in SE2016 Based on KBLI Category dan Rank of Number of Establishments

KBLI Category	Number of Establishments	Percentage of Distribution
(1)	(2)	(3)
G. Wholesale and Retail Trade; Motor Vehicles and Motorcycle Reparation	1,783,535	43.17
C. Manufacturing	1,015,144	24.57
I. Accomodation and Food Service Activities	614,341	14.87
S and U. Other Service Activities, Activities of Extraterritorial Organizations and Bodies exclude Activities of Diplomatic and Consular Missions	167,205	4.05
H. Transportation and Storage	159,912	3.87
P. Education	85,728	2.07
J. Information and Communication	80,349	1.94
N. Administrative and Support Service Activities	51,885	1.26
Q. Human Health and Social Work Activities exclude subcategory 87 and 88	32,337	0.78
B. Mining and Quarrying	31,450	0.76
R. Arts, Entertainment and Recreation exclude sub category 92	23,560	0.57
K. Financial and Insurance Activities	20,815	0.50
L. Real Estate Activities	20,316	0.49
F. Construction	18,661	0.45
E. Water Supply; Sewerage, Waste Management and Remediation	14,338	0.35
M. Professional, Scientific and Technical Activities	8,615	0.21
D. Electricity, Gas, Steam and Air Conditioning Supply	3,536	0.09
Total	4,131,727	100.00

Source: Statistics of Jawa Tengah Province, Proccessed

The facts of the data in Table 2 below state that the three dominant categories of MSE businesses according to the Number of Establishments are the dominant category in terms of workers absorbed. The three dominant categories of absorbed employee contributed 74.15 percent to the total absorption of MSE in Central Java. The business field of G category MSE is the largest category of labour absorbing in driving the economy of the Central Java MSE. It is 34.30 percent of the MSE workforce is absorbed in the activities of the Wholesale and Retail Trade category; Motor Vehicles and Motorcycle Reparation. The economic activities of MSE on manufacturing category can absorb employment by 27, 45 percent of the total workers employed in the economic activities of the Central Java MSE. While I category is at the

third place, absorbing employee by 12.40 percent of the total workers employed in the economic activities of the Central Java MSE.

Table 2. MSE Resulted in SE2016 Based on KBLI Category and Rank of The Number of Workers

KBLI Category	Number of Workers	Percentage of Distribution
(1)	(2)	(3)
G. Wholesale and Retail Trade; Motor Vehicles and Motorcycle Reparation	2,607,095	34.30
C. Manufacturing	2,086,955	27.45
I. Accomodation Supply and Food Service Activities	942,312	12.40
P. Education	728,804	9.59
S dan U. Other Service Activities, Activities of Extraterritorial Organizations and Bodies exclude Activities of Diplomatic and Consular Missions	234,051	3.08
H. Transportation and Storage	206,991	2.72
F. Construction	170,854	2.25
N. Administrative and support service activities	118,548	1.56
K. Financial and Insurance Activities	105,698	1.39
J. Information and Communication	103,407	1.36
Q. Human Health and Social Work Activities Exclude Sub Category 87 and 88	92,063	1.21
R. Arts, Entertainment and Recreation exclude sub category 92	77,068	1.01
B. Mining and Quarrying	46,180	0.61
L. Real Estate Activities	25,132	0.33
E. Water Supply; Sewerage, Waste Management and Remediation	24,109	0.32
M. Professional, Scientific and Technical Activities	22,567	0.30
D. Electricity, Gas, Steam and Air Conditioning Supply	9,625	0.13
Total	7,601,459	100.00

Source: Statistics of Jawa Tengah Province, Proccessed

After observing the number of establishments and workers employed in all categories, this research want to know more in those three major categories, which dominant sub category on Two digits KBLI code are included the dominant Central Java MSE.

1. *Descriptive Analysis on the Potential of Central Java MSE in G Category Based On Two Digits of KBLI Code*

Table 3 shows that almost 90 percent of MSE activities in G category are operated by retail trade entrepreneurs, exclude motor vehicles and motorcycles trade and reparation (KBLI code 47). It can be interpreted that 89 of the 100 G category of MSE in Central Java are run by sub-category of KBLI 47. The remaining eleven MSE carry out activities in the trade, reparation and maintenance of both motor vehicles and motorcycle sub category (KBLI code 45) and wholesale trade exclude motor vehicles and motorcycles sub category (KBLI code 46).

Table 3. MSE of The Two-Digits KBLI G Category Based on Rank of The Number of Establishments and Percentage Distribution

Two-Digits KBLI	Number of Establishments	Percentage Distribution
(1)	(2)	(3)
47	1,594,588	89.41
45	102,303	5.74
46	86,644	4.86
Total	1,783,535	100.00

Source: Statistics of Jawa Tengah Province, Proccessed

KBLI code 47 sub category dominates also in terms of workers for 85.05 persen. Can be interpreted, around 85 from 100 MSE workers employed in G category, work in retail trade entrepreneurs, exclude motor vehicles and motorcycles trade and reparation (KBLI code 47). The rest work in the KBLI 45 and 46 sub categories as shown in the following table 4.

Table 4. MSE of The Two-Digits KBLI G Category Based on Rank of The Number of Workers and Percentage Distribution

Two-Digits KBLI	Number of Workers	Percentage Distribution
(1)	(2)	(3)
47	2,217,432	85.05
46	212,437	8.15
45	177,226	6.80
Total	2,607,095	100.00

Source: Statistics of Jawa Tengah Province, Proccessed

2. *Descriptive Analysis on Potential MSE in C Category of Central Java Based On Two Digits KBLI*

The food manufacturing (KBLI 10) and garment manufacturing (KBLI 14) are the dominant types of MSE manufacturing that concern on economic activity and employment in C category. It is slightly different in the third order, based on the number of establishments occupied by the wood industry, goods from wood and cork (not including furniture) and woven goods from bamboo, rattan and the like (KBLI 16). The tobacco manufacturing (KBLI 12) occupies the third largest position in terms of employment. In terms of the number of establishments, a percentage distribution reaching 37.08 percent in the food manufacturing (KBLI 10) means that around 37 of the 100 categories C MSE activities are operated by the food manufacturing. The rest is spread over 23 other sub-categories.

Table 5. Top-three MSE of the Two-Digits KBLI in C Category Based On The Number of Establishments, Workers and Percentage Distribution

Two-Digits KBLI	Number of Establishments	Percentage Distribution	Two-Digits KBLI	Number of Workers	Percentage Distribution
(1)	(2)	(3)	(4)	(5)	(6)
10	376,460	37.08	10	719,561	34.48
14	150,282	14.80	14	283,435	13.58
16	144,193	14.20	12	258,015	12.36

Source: Statistics of Jawa Tengah Province, Proccessed

The KBLI 10 MSE also dominates in terms of employment for 34.48 percent. It can be interpreted, around 26 from 100 workers absorbed in C category MSE work in the food manufacturing subcategory. The rest is spread over 23 other subcategories.

3. *Descriptive Analysis on Potential MSE in I Category of Central Java Based On Two-Digits KBLI*

Table 6 shows that in terms of the number of establishments, for 93.13 percent of MSE activities in I category are operated by the subcategory of food and beverage supply (KBLI 56). It can be interpreted

that 93 from 100 I category MSE in Central Java are run by the KBLI 56. The remaining seven businesses are active in MSE subcategory of the provision of accommodation (KBLI 55).

Table 6. Number of Establishments, Workers and Percentage Distribution Based On Two Digits KBLI of MSE on I Category

Two-Digits KBLI	Number of Establishments	Percentage Distribution	Number of Workers	Percentage Distribution
(1)	(2)	(3)	(4)	(5)
55	42,195	6.87	59,482	6.31
56	572,146	93.13	882,830	93.69
TOTAL	614,341	100	942,312	100

Source: Statistics of Jawa Tengah Province, Proccessed

MSE of The KBLI 56 subcategory also dominates in terms of number of workers by 93.69 percent. It can be interpreted that around 94 from 100 workers employed in I category MSE, work in the food and beverage supply business. The rest worked on the MSE subcategory for the provision of accommodation.

Conclusion

MSE have an important role on Central Java's economic. The results of data-based research resulted in SE2016 show that in terms of the number of establishments and workers absorption are dominated by MSE. Trade MSE (G category), manufacturing (C category) and accommodation (I category) are the three dominant categories in Central Java. In G category MSE, the subcategory KBLI 47 plays more than 85 percent both in terms of number of establishments and workers. In C category MSE, the subcategory of the food and garment manufacturing are the two major types of dominant manufacturing MSE. Whereas in I category, more than 93 percent of economic activity and employment absorption are available to MSE in the subcategory of food and beverage supply services.

Implications and Recommendations

Central Java's development policy planning has to consider the development of the potential category of Central Java's MSE by proportionally considering the remaining categories. In addition, it is necessary to increase productivity and professionalism in the management of MSE in the categories of trade, manufacturing and accommodation to increase the added value of the Central Java economy. The detail of Central Java MSE potential based on SE2016 results in this study, is expected to be useful for development planning. In addition, the results of the study will be useful for researchers, potential investors and the Central Java Provincial Government in determining policy priorities related to the economic development strategy of Central Java Province.

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