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A Portrait of the Micro and Small Industry Map in Indonesia: Identifying Growth Centers and Regional Disparities

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Abstract

This research aims to map the micro and small industry (MSI) landscape in Indonesia by identifying growth centers and existing regional disparities. MSIs are a crucial pillar of the national economy, but their uneven distribution often creates economic disparities between regions. Using a descriptive quantitative method and 2023 BPS data from 34 provinces, the study analyzed distribution patterns, dominant industry types, growth factors, and obstacles. Results show significant spatial dominance of MSIs on Java, particularly in provinces with advanced infrastructure and better market access. Significant regional disparities were found in eastern Indonesia, where MSI growth is hampered by limited capital, technology access, and inadequate policy support. Targeted, region-specific policy interventions are essential to promote more equitable economic growth, including improving access to micro-financing, relevant skills training, and developing supporting infrastructure in lagging regions.

Keywords: Micro and Small Industry (MSI), Regional Disparity, Growth Centers, Economic Equity, Industry Map

INTRODUCTION

Micro and Small Industries (MSIs) are the backbone of the Indonesian economy, employing a large portion of the workforce and contributing significantly to Gross Domestic Product (GDP). According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute nearly 60% of the country's GDP (Ismail et al., 2023). Their presence increases people's incomes, improving the standard of living and purchasing power (Candrawati & Aji Nugroho, 2024). Beyond economic contribution, the active involvement of MSMEs also contributes to poverty reduction by providing economic opportunities to groups previously unreached by the formal sector (Munthe et al., 2023).

Despite their significant contribution, the distribution of MSMEs in Indonesia shows significant regional disparities (Dhiyaa'ulhaq et al., 2023). MSMEs tend to be concentrated in areas with better infrastructure and broader market access, while regions in eastern Indonesia still experience limitations in the development of this sector (Tohonan Rohani Silaban & Muhammad Yasin, 2025). This regional disparity creates economic inequalities that hinder the achievement of sustainable and equitable development (Sofia et al., 2022).

The distribution of Indonesia's micro and small industries in 2022 showed significant regional disparities, with Java dominating as the main concentration zone. West Java, Central Java, and East Java led in the number of MSIs, while outside Java, North Sumatra and South Sulawesi emerged as regional growth centers. Provinces in Eastern Indonesia, such as Papua, Maluku, and Nusa Tenggara, showed low intensity, reflecting wide development disparities. This pattern indicates the need for a more spatially inclusive MSME development strategy.

Accurate mapping of the distribution of small and medium-sized enterprises (SMEs) in Indonesia is essential as an empirical basis for formulating more targeted industrial development policies. By understanding distribution patterns, growth characteristics, and the challenges faced by small and medium-sized enterprises (SMEs) in various regions, the government can design intervention policies that are more adaptive and responsive to the specific needs of each region

(Abdul Aziz et al., 2025). Therefore, this study aims to complement this description by presenting a comprehensive portrait of the distribution of small and medium-sized enterprises (SMEs) in Indonesia based on the latest data from the Central Statistics Agency (BPS) for 2023.

Figure 1. Map of the Distribution of 2022 MSI Provinces

This situation demands in-depth research to identify MSME distribution patterns, analyze existing regional disparities, and formulate appropriate strategies to encourage more equitable growth. This study aims to provide a comprehensive portrait of MSI distribution across Indonesia, classify provinces based on industrial concentration, and analyze structural transformation rates as an indicator of regional economic development.

METHOD

This study uses a comparative descriptive research design with a quantitative approach to analyze the distribution and characteristics of micro and small industries in Indonesia. Secondary data are sourced from the Central Statistics Agency (BPS) in 2023 regarding the number of micro and small-scale industrial companies by province. The analysis covers 34 provinces with complete data, excluding four Papua provinces that lacked small-scale industrial data.

Provinces are classified into two categories based on industrial concentration: (1) Dense provinces those with total micro and small industries above the national average; and (2) Potential provinces those with a high ratio of small to micro industries but total industry still below the national average. The structural transformation ratio (small-to-micro industry ratio) is used as a key indicator of regional economic maturity, benchmarked against the World Bank (2020) and UNIDO (2019) classification thresholds: Very High (>15%), High (10–15%), Medium (5–10%), and Low (<5%). Analysis employs descriptive statistics, distribution analysis, and inter-provincial comparisons.

RESULTS AND DISCUSSION

3.1 Overview of Micro and Small Industries

Based on BPS (2023) data, Indonesia has 4,181,128 micro-industrial businesses and 319,456 small-scale industrial businesses across 34 provinces. Micro-enterprises account for 92.9% of the total, demonstrating an industrial structure still dominated by very small-scale businesses with limited production capacity and capital. Table 1 presents the top ten provinces by total MSI concentration.

Table 1. Distribution of Micro and Small Industries in Indonesia (2023)

No	Province	Micro Industry	Small Industry	Total	Small/ Micro Ratio
1	East Java	862,057	115,414	977,471	13.4
2	Central Java	811,039	51,887	862,926	6.4

No	Province	Micro Industry	Small Industry	Total	Small/ Micro Ratio
3	West Java	584,903	56,736	641,639	9.7
4	West Nusa Tenggara	131,958	18,004	149,962	13.6
5	Sp. Region Yogyakarta	129,289	4,736	134,025	3.7
6	East Nusa Tenggara	124,566	1,374	125,940	1.1
7	Bali	120,752	5,035	125,787	4.2
8	North Sumatra	119,539	7,368	126,907	6.2
9	South Sulawesi	119,613	4,313	123,926	3.6
10	Aceh	106,527	3,999	110,526	3.8

Source: BPS data processed 2025

The top ten provinces control 75.5% of the national industry. The top five provinces East Java (862,057 micro units), Central Java (811,039), West Java (584,903), West Nusa Tenggara (131,958), and Yogyakarta (129,289) control 56.4% of the national micro industry. For small industries, East Java alone accounts for 36.1% of the national total, with the top five provinces collectively controlling 79.4%, demonstrating even more extreme concentration than for micro industries.

3.2 Comparison of Dense and Potential Provinces

A densely populated province is characterized by high population density, urbanization, and typically superior infrastructure. A potential province holds abundant natural or human resources not yet fully optimized. Table 2 compares the key indicators of both categories.

Table 2. Classification of Dense Provinces vs. Potential Provinces

Category	Province	Total Industry	Small/ Micro Ratio
Populous Province	East Java	977,471	13.4
	Central Java	862,926	6.4
	West Java	641,639	9.7
	West Nusa Tenggara	149,962	13.6
	Sp. Region of Yogyakarta	134,025	3.7
Potential Province	DKI Jakarta	79,992	15.8
	Banten	97,092	6.8
	East Kalimantan	35,641	3.1
	Riau Islands	26,267	1.5
	North Sumatra	126,907	6.2

Source: BPS data processed 2025

A comparative analysis reveals distinct characteristics. Densely populated provinces like East Java (ratio 13.4%) and West Nusa Tenggara (13.6%) demonstrate an ideal combination of large industrial numbers with a functioning transformation process. Among potential provinces, DKI Jakarta stands out with the highest transformation ratio of 15.8%, indicating a business ecosystem that supports micro-to-small industry upgrading. Despite its relatively small total industrial base, Jakarta's high transformation capacity signals significant development potential if bolstered by appropriate policies.

3.3 Spatial Distribution Analysis

Table 3 summarizes the regional distribution of MSIs across major geographic regions of Indonesia.

Table 3. Regional Distribution of Micro and Small Industries

Region	Micro Industry	Small Industry	Total (%)
Java	2,814,018	252,029	68.1%
Sumatra	703,453	20,502	16.1%
Sulawesi	355,233	15,153	8.2%
Kalimantan	180,264	6,324	4.1%
East Nusa Tenggara	340,111	19,578	8.0%

Source: BPS data processed 2025

Java accounts for 68.1% of all MSIs nationally (67.3% of micro-industries and 78.9% of small-industries), owing to comparative advantages in infrastructure, market access, labor availability, and a mature business ecosystem. Sumatra ranks second at 16.1%, but shows a structural gap: it contributes 16.8% of micro-industries yet only 6.4% of small-industries, indicating suboptimal structural transformation. Eastern Indonesia (Sulawesi, Kalimantan, and Nusa Tenggara) collectively contributes only about 20% of national MSIs despite holding abundant natural resources, underscoring the need for targeted development policies.

3.4. Structural Transformation Ratio

Only DKI Jakarta achieved a very high transformation rate (>15%), indicating optimal access to capital, technology, and markets. Twenty-seven provinces remain in the low transformation category (<5%), indicating systemic limitations in financing, technology, and market access. This disparity has serious implications for productivity and inter-provincial competitiveness.

3.5. Development Challenges and Opportunities

The extreme distribution inequality between Java and outer Java creates inefficiencies in resource utilization and national economic potential (Wijayanti & Putri, 2023). The dominance of micro industries nationwide indicates limited access to capital, technology, and markets, which hinders growth and productivity improvement (Rinardi et al., 2023). However, provinces outside Java notably North Sumatra, South Sulawesi, and East Kalimantan show significant potential through promising industry numbers and transformation rates, representing opportunities for more inclusive growth (Abdul Aziz et al., 2025).

The large micro industry base itself presents a significant structural transformation opportunity. With appropriate policy support, better access to financing, and capacity building programs, micro-industries can be elevated into more productive and competitive small-scale industries (Hasran and Krisna Gupta, 2023; Rinaldi et al., 2022).

CONCLUSION

The 2023 portrait of Indonesia's micro and small industries reveals a structure dominated by micro-enterprises (92.9%), with high concentration on Java (67.3% micro-industries; 78.9% small-industries). A comparison between dense and potential provinces shows that dense provinces are characterized by large industrial bases dominated by micro-enterprises, while potential provinces exhibit better structural transformation rates. Spatial distribution inequality remains a major challenge, with Java controlling the majority of national industry while eastern Indonesia remains lagging. Only a few provinces notably DKI Jakarta, East Java, and West Nusa Tenggara show significant structural transformation rates.

Policy recommendations include: (1) development of industrial estates outside Java; (2) increasing access to financing for micro-industries; (3) capacity building and technology development programs; and (4) strengthening business ecosystems in underdeveloped regions. These strategies are expected to reduce regional disparities, increase industrial productivity, and create more inclusive and sustainable economic growth across the archipelago.

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