

ABSTRACT

Poverty is a complex problem faced by various countries especially developing countries, it is characterized by the absence of a definite definition that can explain poverty itself precisely. In 2019, Indonesia had a percentage of the population living below the poverty line of 9.22 percent. Then, many studies mention that the empowerment of micro and small enterprises can be used as a tool to overcome the problem of poverty. Indonesia has a fairly good growth of micro and small enterprises from 2013-2019. Therefore, this research wants to see how the role of micro and small enterprises on poverty in Indonesia both directly through their output growth and indirectly through employment. The results show that micro and small enterprises have no significant effect on poverty alleviation in Indonesia directly through their output growth. The output growth of micro and small enterprises also has no significant effect on employment in Indonesia. Then, the results of the sobel test show that the number of workers does not mediate the effect between the output of small and micro enterprises on poverty. The conclusion of this study is that micro and small enterprises have not been able to play a role in reducing poverty in Indonesia either directly through their output growth or indirectly through employment. Therefore, the Indonesian government needs to pay more attention to the empowerment of micro and small enterprises so that they can play a role in poverty alleviation both through their output growth and employment in Indonesia.

Keywords: *Micro and Small Enterprises, Employment, Poverty, Mediation Analysis, Direct Effect and Indirect Effect*