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WOMEN ENTREPRENEURS IN INDONESIA

A Pathway to Increasing Shared Prosperity



April, 2016

Finance and Markets Global Practice
East Asia Pacific Region

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Foreword

The world today believes that supporting women entrepreneurs is vital for economic growth. As economic opportunities increase, unprecedented numbers of women are entering the world of business and entrepreneurship. The number of women entrepreneurs has risen in global economy including in developing countries. However, the majority of women entrepreneurs in developing countries are still operating in small and micro enterprises with very little growth. Most women entrepreneurs run businesses in the informal and traditional female sectors. There is still prevalence of gender gaps in critical skills to run successful businesses. While education for women is making major progress along the years, women often still lack vocational and technical skills, as well as work experience to enable them to run large businesses. Women are also reported to be less likely to have access to information and communications technology (ICT) which plays a significant role in the highly integrated global market. The other constraint, that is major, is the lack of finance.

Numerous programs have designed to support MSMEs in general, but not many of them targeted women entrepreneurs in particular. Some of them have served women entrepreneurs under the umbrella of micro-enterprises, without distinguishing the unique needs of women-owned firms. The others have viewed women entrepreneurs primarily through the lens of poverty reduction. In addition, not much existing study that tried to analyze about women entrepreneurs; its unique characteristics and its specific challenges and needs. The Lack of comprehensive data about MSMEs that owned by women also becomes one of challenges to design a right programs or policies to support women entrepreneurs.

This study aims to understand the specific characteristics, challenges, and opportunities of women entrepreneurs in Indonesia. By understanding the real condition of women micro-entrepreneurs in Indonesia, it is expected to be able to define the right policy recommendation and supports to promote the women entrepreneurs. To be different to other existing study on MSMEs and women entrepreneurs, this study investigate the large number of women entrepreneurs in Indonesia across provinces that cover java and non-java regions. In addition, the study also shifts the focus from poverty reduction to a growth imperative.

I hope that this study serves to begin the process of discussions and dialog on this important issue across stakeholders in Indonesia. I also hope that this study can fill the gap of existing study on women entrepreneurs in Indonesia and contribute as base study to design right initiatives to support women entrepreneur in Indonesia. The World Bank Group stands ready to support the Government of Indonesia as it works to support women entrepreneurs to accelerate its growth and improve its role to support Indonesia economy.



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List of Abbreviations

ANGIN	Angel Investment Network Indonesia
ASPPUK	Asosiasi Pendamping Perempuan Pengusaha Kecil (Association for Women in Small Business Assistance)
ATM	Automatic Teller Machine
BDS	Business Development Services
BMT	Baitul Mal Wat Tamwin (Sharia Loan and Saving Cooperative)
BPD Sumut	PT. Bank Pembangunan Daerah Sumatera Utara (Regional Development Bank of North Sumatera Province)
BPS	Biro Pusat Statistik (Central Bureau of Statistics)
DBE	Development Bank of Ethiopia
FGD	Focus Group Discussions
FIs	Financial Institutions
GEPI	Global Entrepreneurship Program Indonesia
GNP	Gross National Product
IDA	International Development Association
IFC	International Finance Corporation
IT	Information Technology
IWAPI	Asosiasi Wanita Pengusaha Indonesia (Indonesian Women Entrepreneurs Association)
KOMIDA	Koperasi Mitra Dhuafa (Mitra Dhuafa Cooperative)
MBK	Mitra Bisnis Keluarga Ventura
MFI	Microfinance Institutions
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small, and Medium Enterprises
NGO	Non-Government Organization
SBW	Koperasi Wanita Serba Usaha Setia Budi Wanita (Women Cooperative Setia Budi Wanita)
SMEs	Small and Medium Enterprises
SSI	Semi Structured Interview
SUSENAS	Survey Sosial Ekonomi Nasional (National Socio-Economic Survey)
WEDP	Women Entrepreneurship Development Project

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Executive Summary

The Government of Indonesia and the World Bank Group (WBG) share a vision of an equitable and prosperous Indonesia aligned with the twin goals of eliminating extreme poverty and increasing shared prosperity. This study, carried out by the World Bank's Finance & Markets Global Practice at the request of the Ministry of National Development Planning, examines how to support women entrepreneurs in Indonesia through the lens of these shared goals.

Indonesia, the world's fourth most populous country and its tenth largest economy, is currently undergoing a period of significant economic transition. The economic tailwinds of the past decade - rapid growth in Indonesia's key trading partners particularly China, high commodity prices, and significant growth in consumption of an emerging middle class - have now become headwinds.

The Government of Indonesia's Mid-term Development Plan (RPJMN 2015-2019), reflects its strategy to meet these new economic challenges. The RPJMN highlights the important role of Micro, Small, and Medium Enterprises (MSMEs), citing the need to improve the competitiveness and productivity of MSMEs, which contribute 47% of GDP and 57% of employment in Indonesia.

One of the highest return opportunities available in supporting MSMEs in Indonesia comes in the form of support to women-owned enterprises. Women make up an exceptionally large and growing share of the self-employed in Indonesia, and yet they operate smaller and less productive enterprises than men. Serving women entrepreneurs effectively heralds the opportunity to both reduce extreme poverty, by supporting entrepreneurs at the bottom of the pyramid to escape poverty traps, and to increase shared prosperity, by growing the incomes and employment of women-owned enterprises.

Of course, support to women entrepreneurs is in itself not a novel idea, and a multitude of initiatives from government, private sector, and civil society have targeted women entrepreneurs in Indonesia in the past. But why, after decades of programming, does there remain a large gap between women-owned and male-owned enterprises? Who exactly are the women entrepreneurs in Indonesia, and what do they need to thrive? Which institutions are best poised to meet their needs, and in what ways? These are some of the key questions the present study aims at addressing.

The premise of this study is that amongst the very large pool of women entrepreneurs in Indonesia, there are diverse and heterogeneous needs. One of the most critical and overlooked cohorts of women entrepreneurs in Indonesia are the fast-growing 'gazelles', which with the right support have the potential to catalyze much broader economic growth and development. This study builds on experience of the World Bank's Finance & Markets Global Practice in designing interventions to finance and support these types of high-potential women entrepreneurs.

The study begins with an overview of existing literature and lessons on women entrepreneurs, both in Indonesia and around the globe. It then incorporates comprehensive, original analysis on both the demand-side and the supply side. On the demand-side, the study includes one of the largest, dedicated surveys of women entrepreneurs in Indonesia to date, covering over 1600 women entrepreneurs

across the country. This is complemented on the supply-side by in-depth interviews with 344 financial institutions, business development providers, and local government respondents, as well as qualitative case studies with seven financial institutions that work with women entrepreneurs.

The study finds that programs targeting women entrepreneurs in Indonesia in the past have often yielded sub-optimal results because of their inability to target the right firms. Often, programs and policies are designed to serve all women entrepreneurs with a standardized intervention, usually focused on 'poverty reduction'.

Global evidence suggests that segmenting women entrepreneurs into distinct categories can help to better meet individual needs (World Bank, 2014). A useful typology involves distinguishing between 'growth-oriented' women entrepreneurs, who demonstrate the ability and willingness to expand their enterprise, and 'necessity' entrepreneurs, who enter entrepreneurial activity out of a lack of alternatives and are unlikely to change their business trajectory.

The typology of 'necessity' and 'growth-oriented' is not merely semantic: these entrepreneurs require support through distinct types of interventions and activities. While necessity entrepreneurs can benefit from well-designed poverty reduction programs, the growth-oriented are better targeted with entrepreneurial support programs. These two approaches mirror the twin goals of eliminating extreme poverty and increasing shared prosperity.

Our findings suggest that approximately 15% of women entrepreneurs can be classified as 'growth-oriented' entrepreneurs, who are very likely to expand their businesses, and as they do, to hire female employees. Although this segment exhibits very distinct and unmet needs, there exists a 'missing target' phenomenon in which they are the least served by existing interventions.

The study provides a number of targeted recommendations to address this 'missing target' and to accelerate the growth of these enterprises. At the same time, the study acknowledges that a large proportion of women entrepreneurs in Indonesia remain on the precipice of extreme poverty, and the report provides some broader recommendations for improving existing programs serving this cohort also.

The key findings and recommendations of the report, in these two areas, are as follows:

Increasing Shared Prosperity by Reaching the ‘Growth-Oriented’ Segment

1. Tailor Credit Products

Key Finding: The greatest unmet demand for credit amongst Indonesian women entrepreneurs comes from the growth-oriented segment. These borrowers are unlikely to benefit or be sufficiently served by existing group lending schemes, which are prevalent throughout the country. The growth-oriented have financing needs that are significantly greater than the 10 Million Rupiah group loan ceiling, and the frequent and mandatory group meetings which are useful for less experienced entrepreneurs present a significant opportunity cost to them.

Recommendation: Interventions need to increase access to finance for the ‘missing target’ of women entrepreneurs who are growth-oriented and do not benefit from group lending schemes but cannot access commercial banks. This should involve developing tailored credit products for women entrepreneurs, with loan sizes ranging from approximately 50 Million to 500 Million Rupiah. Lessons can be drawn from successful projects targeting growth-oriented women entrepreneurs in other countries (Text Box 1). Specifically, tailored credit products could include:

- i.) **Individual Loans:** Helping MFIs and small lenders focused on group lending ‘upscale’ to provide larger, individual loans to women entrepreneurs, or helping larger financial institutions ‘downscale’ to reach this segment.
- ii.) **Movable Collateral:** Supporting introduction of movable collateral, including equipment, accounts receivable, inventory and intellectual property rights – rather than only against fixed assets such as buildings or land, which most women do not have.
- iii.) **Women-owned Assets:** Broadening asset collateral to include items such as jewelry or gold, likely to be owned by women. Although these assets might not by themselves secure a loan, they could be used in combination with other appraisal and securitization.
- iv.) **Data Innovations:** Introducing data-driven appraisal techniques, such as tablet-based psychometric testing, which can utilize large pools of data to predict the likelihood of default and enable lending without traditional collateral.

2. Help Lenders Enter the Women’s Market

Key Finding: 76% of financial institutions surveyed see women entrepreneurs as a profitable market segment, but less than 3% have dedicated products or strategies to serve women. At the same time, growth-oriented women entrepreneurs express strong unmet demand for credit, even at prevailing market interest rates. Financial institutions can reach these borrowers profitably, but will need added incentives to accelerate their outreach and product development.

Recommendation: Technical assistance for selected financial institutions can help them to develop women-tailored credit products, and lines of credit or credit guarantee schemes can incentivize actual lending and mitigate risk, until financial institutions develop commercially viable products. A two-step process could involve (i) a high-quality technical assistance program with five to ten selected institutions to develop strategies and financial products for women entrepreneurs, followed by (ii) an attractive line of credit offered through a wholesaling operation, or a credit guarantee scheme to mitigate risk. Initial under-writing of this nature could catalyze the launch and roll-out of the new products, and could be drawn down over an agreed timeframe.

3. Stimulate Women's Insurance Market

Key Finding: Very few women entrepreneurs in Indonesia possess insurance, due mainly to high cost and lack of awareness, and absence of targeted products. Lacking insurance, women utilize business profits to pay for emergencies, rather than directing these earnings back into productive uses such as technology investments or hiring new employees, limiting their growth. Moreover, women entrepreneurs personal and business lives are closely linked, and women are more likely to face business interruptions from life events that men will not face, such as pregnancy, childbirth, and maternity leave.

Recommendation: There is a need to accelerate outreach of insurance products for women entrepreneurs, especially life insurance, property insurance, and business interruption insurance. Working with insurance providers to develop women-tailored products and partnering with women's business associations to bring down premiums through group plans would make insurance products more appealing to women entrepreneurs. Packaging insurance with other products, for example through additional loan fees which could cover insurance premiums, would enable women to own insurance without having to purchase it directly as shown in the selected qualitative studies.

4. Explore Equity Investing and Angel Investing

Key Finding: Angel investors can provide equity to high-potential but unbanked women entrepreneurs. This is already happening on a small-scale in Indonesia, with small networks such as ANGIN starting to direct private funds to MSMEs in exchange for equity stakes and a share of recurring profits. While promising, the market for equity investment in MSMEs in Indonesia is still nascent. Growing it could be a source of tremendous opportunity in the coming years.

Recommendation: Explore providing liquidity and incentives to existing angel investors and equity investors to target high-potential women entrepreneurs. This could involve providing capital infusions for lending to women entrepreneurs, or providing partial risk mitigations to encourage broader outreach. Adapting regulations to make equity investment simpler for investors, networks, and MSMEs themselves could compound these investments, and catalyze the growth of the equity investment market.

5. Support Individualized Business Consulting

Key Finding: The main type of BDS on offer is business training courses. These are often supply-driven, and participants are likely to be smaller, older, and less educated than the average. Growth-oriented entrepreneurs shy away from these business trainings, but might benefit from one-to-one consulting or mentorship services, that can help them with specific challenges such as expanding into new markets, improving business practices, and connecting to global value chains.

Recommendation: Explore support for intensive business consulting models for a smaller sub-set of women entrepreneurs. Since there are already a number of incubators and personalized coaching and consulting firms on the market, a matching grants scheme could add value. Growth-oriented entrepreneurs could be screened and given the opportunity to apply for grants that would cover a portion of the costs for their businesses to obtain consulting or technical services from private providers of their choice. Mentoring and support between women entrepreneurs could also be impactful. Creating and facilitating a network of high-potential women entrepreneurs to meet, exchange knowledge, and form partnerships could help them improve business activities and expand to new markets.

Eliminating Extreme Poverty by Supporting the 'Necessity' Segment

1. Support Cross-overs into Male-Dominated Sectors

Key Finding: Women entrepreneurs in Indonesia are concentrated in low-value sectors, in particular trade and service. These entrepreneurs state that intensive competition is the biggest challenge they face. Male entrepreneurs out-earn women entrepreneurs by a significant margin. Global evidence suggests that when women enter the male-dominated sectors, earning differentials diminish significantly. Usually women entrepreneurs are not aware of the potentially lucrative opportunities from transitioning into male-dominated sectors.

Recommendation: Supporting women to get into male-dominated sectors over time can help to reduce the persistent inequality between earnings of male and female entrepreneurs. This can be done through entrepreneurship programs that incorporate more technical training in male-dominated sectors such as mechanics or carpentry and other customized services to facilitate this process of crossover; or through grants and intensive support to lower entry costs of women into profitable male-dominated sectors. Education from an early age and role models that can raise awareness of the benefits of working in different sectors can also be effective.

2. Pilot and Test Mobile Savings

Key Finding: Over 80% of women entrepreneurs run profitable enterprises, with average monthly profits of about 2.5 Million Rupiah, and profit margins of 20% to 30%. However, very few women entrepreneurs have a savings account. Unlike male entrepreneurs, women entrepreneurs face an expectation of diverting business profits for household expenditures. Women do set aside some portion of their funds, by saving with arisans or with friends outside their household. Global evidence shows that mobile savings accounts are particularly beneficial for women entrepreneurs, since they allow for more privacy and address time use, mobility, and safety constraints faced by women in visiting banks.

Recommendation: Products which enable women to save and transact privately and inconspicuously may help them to set aside a greater portion of their earnings. Working with financial institutions as well as telecom providers to identify and provide seed support for developing or rolling out basic mobile savings accounts that can be marketed to women entrepreneurs would be one way to do this. Testing various approaches to mobile savings through impact evaluations could help to shed light on how to better serve women entrepreneurs in this segment.

3. Provide more women-targeted Business Development Services

Key Finding: While outreach to women entrepreneurs is strong and the menu of services provided is sufficiently diverse, most providers of business development services do not feel that women entrepreneurs require a specific product or approach, distinct from other MSMEs. Training and support to women-owned enterprises is rarely tailored for women, with very few providers indicating the presence of gender-sensitive business development service content, or approaches such as flex-hours or on-site childcare facilities proven to attract women.

Recommendation: Improve the supply of more-gender sensitive and women-targeted business development services. Training modules on gender discrimination, dealing with harassment, managing male employees or negotiating with male suppliers can strengthen the value and benefit of training or consulting for women entrepreneurs. Rather than standalone provisions, these can be packaged with other business development services. Provision of free childcare services and flexible schedules can help meet the needs of women entrepreneurs who are already juggling business and household responsibilities. Moreover, business development services have an important role to play in linking credit-worthy women entrepreneurs with appropriate financial institutions in order to resolve information asymmetries and facilitate women's access to capital.

4. Test Adaptations to Existing Interventions

Key Finding: Existing interventions targeting necessity women entrepreneurs in Indonesia, including large-scale programs such as PNPM, can be adapted to improve the likelihood of benefiting them. A worthwhile investment would be to explore ways to improve delivery of the 10 Trillion Rupiah in PNPM Revolving Loan Funds transferred to women in urban and rural areas. Multiple reviews

of the PNPM program have found that the women-targeted savings and loans program is 'rarely managing to change the overall economy of the family' and that 'activities are very small scale and enabled women to invest in very low return activities' (World Bank, 2014). Providing loans to necessity women entrepreneurs without changing the economy of the family is destined to produce sub-optimal results.

Recommendation: There are complex political economies at play, but testing new approaches could yield new learnings and improve effectiveness. These could include converting revolving loan fund activities in poverty alleviation project such as PNPM into grants to be transferred to women entrepreneurs on the condition that they open a savings account; testing in-kind capital transfers to minimize the diversion of capital from women's businesses to their households (kin tax); piloting approaches to engage men and alter business sector decisions or household labor allocations; providing assistantship for market access; and training for business skills such as financial literacy and management, product development etc. Rigorous measurement of differential benefits and impacts for male and female entrepreneurs within existing programs would also help to maximize effectiveness for women entrepreneurs within these large-scale projects.



Introduction



Introduction

Women are on the rise. Globally, women's income is projected to reach \$6 Trillion by 2017, and, by 2028, women are expected to control close to 75 percent of discretionary spending worldwide (IFC/AXA, 2015). As economic opportunities increase, unprecedented numbers of women are entering the world of business and entrepreneurship. In Indonesia, women own about 23% of small and medium enterprises, and the proportion of businesses owned by women is growing significantly faster than those owned by men (Asia Foundation, 2013).

Amidst growth, however, inequality persists. In Indonesia, the average woman-owned firm is significantly smaller than the average male owned-firm in terms of profits, sales, and employees. Women-owned firms are more likely to face financing and business environment constraints, and as a result are less likely to grow at pace with male-owned firms. The trend of course is not unique to Indonesia; an estimated 70% of women-owned enterprises around the world are either unserved or underserved by financial institutions, amounting to a financing gap of \$285 Billion (IFC, 2014).

Globally, early movers will gain strong advantages by harnessing the growth of women-owned enterprises and unlocking solutions to the challenges they face. The Asia Pacific economy is estimated to be able to grow by \$89 Billion annually, if women are able to achieve their full economic potential. In Indonesia, average output per worker would increase by 11% if women-owned firms operated in the same sectors and had the same access to productive resources as their male counterparts (Asia Foundation, 2013). A diverse range of economic research shows that addressing the financing gap faced by women-owned enterprises is one of the highest-return opportunities available in emerging markets.

Numerous initiatives have targeted women entrepreneurs in Indonesia in the past, but have often yielded sub-optimal results. Some of these initiatives have served women entrepreneurs under the umbrella of micro-enterprises, without distinguishing the unique needs of women-owned firms. Other initiatives have viewed women entrepreneurs primarily through the lens of poverty reduction, and have aimed to empower vulnerable women to run and maintain an enterprise, often home-based and in the informal sector. While worthwhile, interventions that target micro-enterprises broadly, and interventions that address the needs of only the most vulnerable women entrepreneurs, are not sufficient to unlock the full potential of women entrepreneurs in the country.

This study, conducted by the World Bank's Finance & Markets Global practice, shifts the focus from poverty reduction to a shared prosperity imperative. The premise of the study is that amongst the exceptionally large pool of women entrepreneurs in Indonesia, there are diverse and heterogeneous needs. One of the most critical and overlooked cohorts of women entrepreneurs in Indonesia are the fast-growing 'gazelles', which with the right support have the potential to catalyze much broader economic growth and development. This study builds on experience of the World Bank's Finance & Markets Global practice in designing interventions to finance and support these types of high-potential women entrepreneurs.

The study consists of one of the largest, dedicated surveys of women entrepreneurs in Indonesia to date, as well as in-depth interviews with financial institutions, business development providers, and local government. Our findings are encouraging. Amongst a population of 20 to 30 Million women entrepreneurs in Indonesia, our data estimates that approximately 15% can be classified as 'growth-oriented' entrepreneurs who are capable of expanding their firms. The estimated size of this growth-oriented cohort in Indonesia is significantly larger than estimates in other-country comparators.

The growth-oriented women entrepreneurs identified in our data exhibit strong unmet demand for financial and non-financial services, and the benefits to serving them are palpable. Our analysis shows that this population of growth-oriented women entrepreneurs is more likely to participate and benefit from publicly-supported interventions, and is more likely to grow as a result of access to services. As they grow, these enterprises will not only contribute meaningfully to economic output and growth, but also employ women in higher numbers than men, heralding an opportunity to reduce persistent gender inequalities in employment in Indonesia.

The report that follows begins with an overview of lessons and good practices in understanding and serving women entrepreneurs. It then aims to first categorize the large population of women entrepreneurs in Indonesia into discernible, targetable segments, including a segment of the highest potential entrepreneurs. Based on this categorization, the report diagnoses the needs of each market segment, and provides concrete recommendations for improving programming and interventions to better reach the growth-oriented. The study also provides insight into how existing interventions may be tweaked to better serve women entrepreneurs who are not on a growth trajectory. Improved targeting, the study suggests, is likely to enhance delivery of services, and to unlock the tremendous growth potential of women entrepreneurs in Indonesia.

The background image shows a group of women in a workshop, likely engaged in batik-making. They are seated on the floor, surrounded by large pieces of fabric with intricate patterns. One woman in the foreground is wearing a purple and white patterned shirt, another in a green shirt, and a third in a yellow and orange patterned shirt. They are focused on their work. The workshop has a rustic feel with dark walls and various items hanging on the wall. An orange semi-transparent overlay covers the top half of the image, containing the title and subtitle.

Section 1

Women Entrepreneurs in Indonesia
A Review of Literature and Lessons

Section 1: Women Entrepreneurs in Indonesia - A Review of Literature and Lessons

Key Points

1. There are a very high number of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, even compared to neighboring countries.
2. There are more women that run micro enterprises than men. Most women entrepreneurs in Indonesia are 'pushed' into self-employment, due to high female unemployment and a lower share of women than men in formal wage employment.
3. Past programs and policies targeting women entrepreneurs have yielded sub-optimal results, due to imprecise targeting. Even though most women operate micro-enterprises, their firms are heterogeneous and have highly varied needs.
4. An effective way of segmenting the market of women entrepreneurs in Indonesia is to classify women entrepreneurs into a 'growth-oriented' segment, who are likely to grow their enterprises, and a 'necessity' segments, who require other types of support. Necessity and Growth are not the same as Micro and Small.
5. Global evidence suggests that necessity women entrepreneurs are likely to benefit from savings promotion schemes and in-kind capital transfers, while growth-oriented women entrepreneurs are likely to benefit from individual credit, tailored insurance schemes, and one-to-one business consulting.

A multitude of studies and analyses of women entrepreneurs in Indonesia have proliferated in the past decade. The existing research is broad in scope, and covers a variety of topics, ranging from the success of group lending schemes for rural women entrepreneurs, to the profile of women in the fashion industry. This rich body of literature has started to provide a glimpse into the heterogeneity of women entrepreneurs in Indonesia, and the diverse challenges they face.

Since there are no nationally representative data sets on women entrepreneurs in Indonesia, the extant studies tend to draw generalizations about women entrepreneurs from limited data. Still, as the body of knowledge grows, some trends are emerging in the research on women entrepreneurs in Indonesia. In addition, the global database of knowledge on women entrepreneurs is growing rapidly. In particular, experimental and impact evaluation evidence is beginning to reveal patterns and trends in 'what works' for supporting women entrepreneurs, and many of these lessons are likely to have resonance for initiatives supporting women entrepreneurs in Indonesia.

The following chapter summarizes some of the literature on women entrepreneurs in Indonesia, as well as the literature in supporting women entrepreneurs around the globe. In doing so, it begins to illuminate the situation of women entrepreneurs in Indonesia, and the types of support they might need.

A. MSMEs and the Indonesia Economy

Despite slowing down in recent years, Indonesia's growth trajectory remains impressive. Indonesia's economy grew 4.8% in 2015, and is on track to achieve 5.3% growth in 2016 (World Bank, 2015). Indonesia's economy is the largest in Southeast Asia and the tenth largest in the world, as measured by purchasing power parity. At the same time, social welfare indicators in the country have shown little progress for the last several years. The unemployment rate decreased only slightly from 6.3% in 2013 to 5.9% in 2014 (BPS, 2015), the Human Development Index increased only marginally from 72.3 in 2010 to 73.8 in 2014, and the Gini coefficient has remained at a consistent 4.1 since 2012. With a total population of 252 Million, the absolute number of poor people in Indonesia is still high.

While growth has been tangible, then, development remains elusive. In the drive towards more inclusive and sustainable growth, the Government of Indonesia has recognized the pivotal role of Micro, Small and Medium Enterprises (MSMEs). Indeed, MSMEs will be a critical element of growth and poverty reduction, considering their outsize role in Indonesia's economy. In 2013, MSMEs represented more than 99% of the total number firms in Indonesia with an estimated total of over 57 Million firms. Micro and small enterprises (MSEs) alone contributed 43% of the GNP (Ministry of Cooperative and MSMEs, 2013). Even compared to neighboring countries and analogous economies in the region, the share of the economy occupied by MSMEs in Indonesia is exceptionally large.

Public impetus and policy frameworks to support MSMEs in Indonesia are abundant. The National Medium Term Development Plan (2015-2019) emphasizes the need for equitable distribution of growth, and recognizes the key role of MSMEs in this distribution. Additionally, the National Strategy for Financial Inclusion emphasizes the need to increase access to finance to all people, including credit from the financial sector for MSMEs. The large MSME sector was widely recognized as having helped maintain the country's economic resilience during the financial crises of 2008-2009 and MSMEs are therefore seen as a priority area of support.

The important role of women entrepreneurs is also being increasingly recognized in Indonesia. Over half of MSMEs in Indonesia are estimated to be owned by women (Asia Foundation, 2013), due to the large concentration of women-owned micro-enterprises. At the same time, the rate of women's business ownership is also increasing faster than that of men, as policies and culture begin to tilt in favor of women entering the world of business. With high female unemployment and underemployment, the Government of Indonesia has encouraged women to enter into self-employment. Like male-owned MSMEs, women-owned enterprises have been considered as a buffer and safety valve in order to support economic growth and provide alternative employment for those who cannot access formal labor markets.

While support for MSMEs has been enshrined in public policy and recognized as a key engine of growth, the actual track record of programs to support MSMEs in Indonesia has been mixed. There are over 50 national SME programs and scores of sub-national ones, but few have achieved tangible or sustainable results. Though well-funded, past initiatives have had limited impact in addressing the binding constraints that enterprises face. Though large and comprehensive in scale, these programs have suffered from poor data, imprecise targeting and the inability to reach the right firms (Ministry of Finance, 2015). The fact that the vast majority of Indonesia's MSMEs exist informally compounds the challenge of monitoring and understanding their status and needs.

What is known about Indonesia's MSMEs is that access to finance is their most prevalent challenge. Bank Indonesia data showed that MSME loans in 2011 represented only 21.5% of total bank credit. And amongst these enterprises, women entrepreneurs tend to receive significantly less credit than men do. World Bank Enterprise Survey data shows that only 41% of firms with a listed female owner in Indonesia have an account at formal financial institution, compared to 56% of those with only male owners. Similarly, 13% of firms with a female owner have accessed a loan from a formal financial institution, compared to 21% of male-owned firms (World Bank, 2010). The challenges faced by MSMEs and women entrepreneurs are also non-financial, amongst them access to business premises, challenges hiring and retaining skilled workers, and intensive competition.

Building on the momentum for more effective support to addressing the constraints faced by MSMEs in Indonesia, the analysis that follows attempts to better understand the needs of the specific segment of women entrepreneurs, with a view to developing more targeted initiatives to reach them in the future.

B. Who are the Women Entrepreneurs?

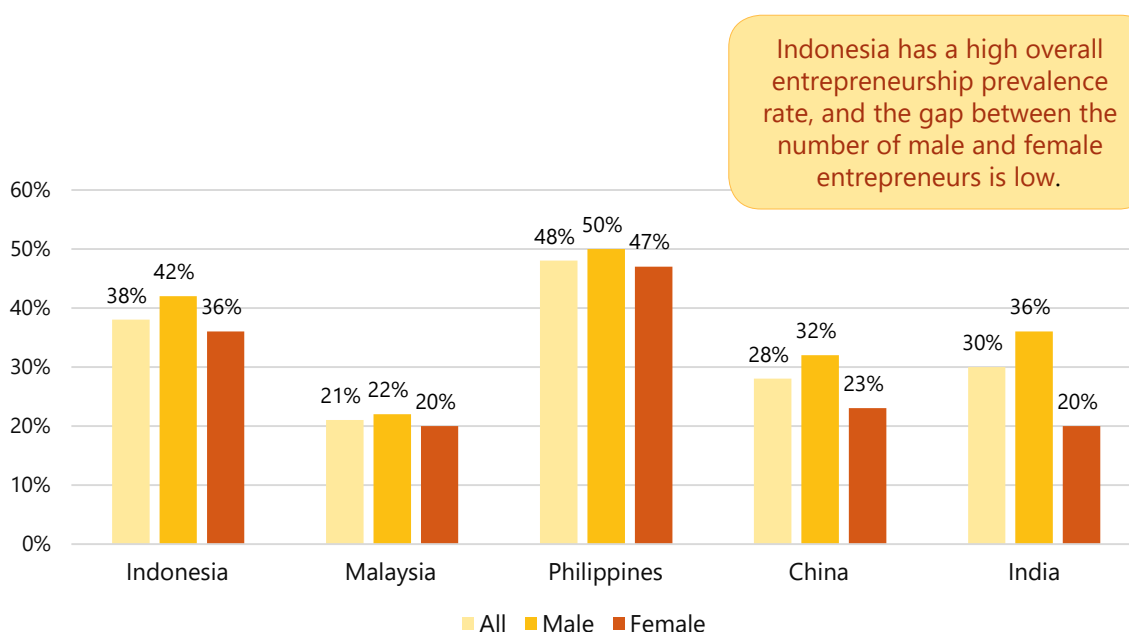
The absolute number of women entrepreneurs in Indonesia is very high. In 2011, the Ministry of Women Empowerment and Child Protection estimated that there are 55,206,444 micro, small, and medium enterprises (MSMEs) in the country, of which 60%, or 33 Million, are owned by women, representing almost a quarter of the active labor force (Melissa et al, 2015). The 2014 Global Entrepreneurship Monitor estimated that of Indonesia's total adult female population of 85 Million, approximately 26%, or 22 Million are active entrepreneurs (GEM, 2015). While estimates vary due to different classifications of women entrepreneurs and incomplete data, all approximations suggest a high absolute number of female entrepreneurs in Indonesia, and a very high proportion of the adult female population engaged in entrepreneurship.

Table 1: Estimates of Women Entrepreneurs in Indonesia

Estimated Total Number of Women Entrepreneurs in Indonesia			
Number	33 Million	22 Million	13.3 Million
Source	Ministry of Women Empowerment and Child Protection, 2011	Global Entrepreneurship Monitor, 2015	National Socioeconomic Survey, 2013

In addition to being high in number, the proportion of women entrepreneurs in Indonesia is growing. The proportion of women entrepreneurs as a share of all SMEs in Indonesia was estimated at 23% by a 2014 study, but this figure is deemed to be increasing rapidly, with women-owned enterprises expanding at a faster pace than their male counterparts (Asia Foundation 2013). The vast majority of women entrepreneurs, like Indonesian MSMEs in general, are operating in the informal sector, or in some middle ground between formality and informality (IFC 2015). Compared to other countries, entrepreneurial prevalence amongst female entrepreneurs in Indonesia is high, and the gender gap in total numbers of male and female entrepreneurs is low.

Figure 1: Entrepreneurship Prevalence Rates by Gender in Indonesia and Selected Countries

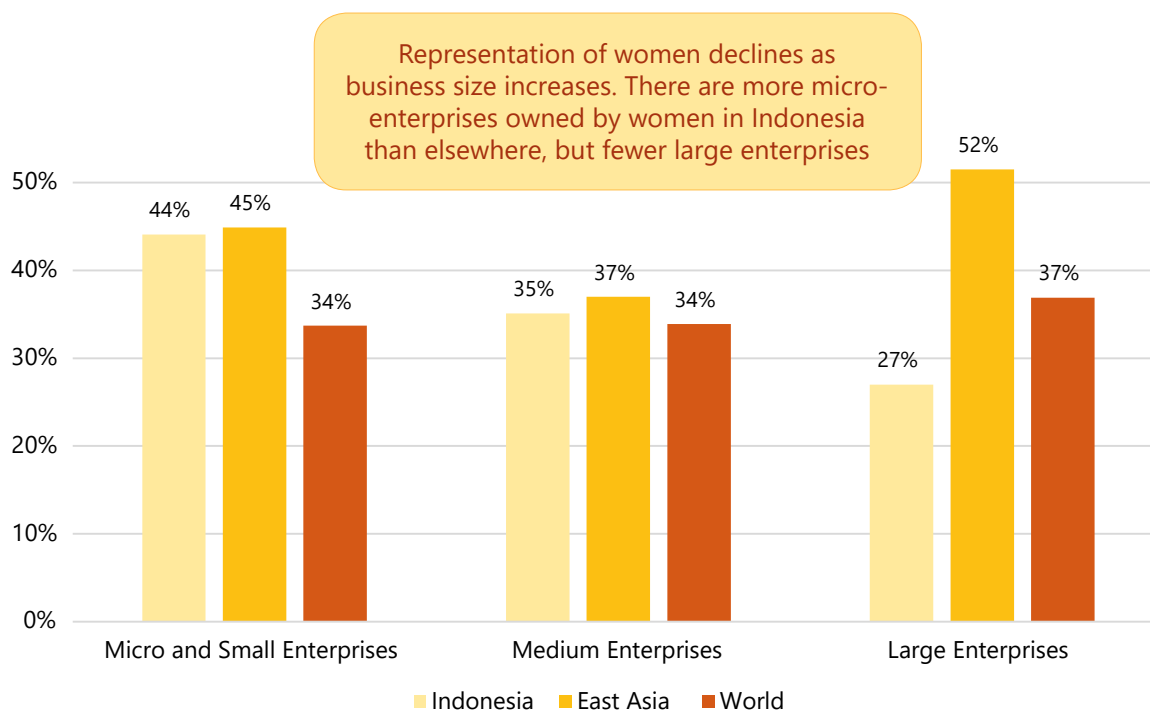


Source: Global Entrepreneurship Monitor, 2014

The high absolute number of women entrepreneurs and the high proportion of women engaged in entrepreneurship in Indonesia is most likely indicative of large entry costs, especially of women, into formal labor markets (Hallward-Drimeier, 2013). Most women entrepreneurs in Indonesia turn to entrepreneurship out of necessity – for example due to lack of employment opportunities – rather than in pursuit of profit and employment opportunities. As the figure below demonstrates, Indonesia has a

very high concentration of women-owned enterprises in the micro and small sector. This is due to a very high population of women micro-entrepreneurs. Representation of women declines as business size increases.

Figure 2: Firms with a Listed Female Owner, by Firm Size



Source: World Bank Indonesia Enterprise Survey 2009

An important and often overlooked consideration for any concerned policymaker is that women entrepreneurs in Indonesia are not a homogenous group. Programs targeting entrepreneurs and women entrepreneurs in Indonesia in the past have often been sub-optimal precisely because of their inability to target the right entrepreneurs (Tambunan, 2010). Evidence globally suggests that segmenting the market of women entrepreneurs into distinct categories can help to better meet individual needs (World Bank, 2014). While we know that the majority of women owned enterprises in Indonesia are micro and small enterprises, the demands and growth trajectories within these groups are quite different, and a better understanding of the distinct needs of different types of entrepreneurs can help ensure well-designed policies, programs, and interventions.

I. Existing Policies for Women Entrepreneurs

Much of the policy framework concerning enterprise support in Indonesia is centered around micro enterprises and small enterprises. Law number 20/2008 on MSMEs provides the official classification of MSMEs, and defines each category of firm according to asset and sales or annual revenues. In turn, support programs for MSMEs tend to segment the market mainly in terms of business size, as measured

by sales and annual revenues. While this provides a useful lens for understanding the structure of private sector, it is a less useful distinction when thinking about how to effectively serve enterprises. Indeed, amongst all of these enterprises, the needs and demands are highly heterogeneous, even for enterprises in the same size broad size category.

Table 2: Criteria of Small, Micro and Medium Enterprises

Criteria of Small, Micro, and Medium Enterprises set by Law N.20/2008			
Criteria	MICRO	SMALL	MEDIUM
Net Assets (excluding land & buildings)	≤ 50 Million IDR	> 50 Million - 500 Million IDR	> 500 Million - 10 Billion IDR
Annual Sales/ Revenues	≤ 300 Million IDR	> 300 Million - 2,5 Billion IDR	> 2,5 Billion - 50 Billion IDR

Since many women entrepreneurs operate micro-enterprises, there is a common tendency to diagnose their needs in a uniform way. Rather than size, effective delivery of services to MSMEs requires a segmentation based on realistic future trajectories of enterprises. A more useful distinction for policymakers when categorizing the total population of women entrepreneurs is to distinguish between the 'necessity' entrepreneurs, and the 'growth-oriented' entrepreneurs. Broadly speaking, necessity enterprises are those which have been 'pushed' into self-employment, and are running a business as a forced alternative to formal employment. In contrast, growth-oriented enterprises are those which have a strong desire and a capacity to grow over time. Across the globe, evidence shows that these two groups face different challenges and have very different needs.

The terms 'necessity' and 'growth' should not be equated and are not synonymous with the terms 'micro' and 'small'. Not all micro enterprises are necessity enterprises, and not all small enterprises are growth enterprises. The data in this study finds that over 90% of women entrepreneurs in Indonesia are micro entrepreneurs, but that amongst these micro entrepreneurs there are both necessity and growth-oriented segments. Amongst the contingent of small enterprises, there are also a mix of necessity and growth-oriented entrepreneurs. This fundamental distinction is key to understanding and serving women entrepreneurs in Indonesia.

II. Necessity and Growth-Oriented Entrepreneurs

The majority of women entrepreneurs in Indonesia fall into the category of 'necessity' enterprises. These entrepreneurs often run self-operated, home-based businesses. They often start the enterprise out of necessity, because they cannot enter the formal labor market. In many cases, they manufacture products from their homes, such as handicrafts, traditional food, and clothing items or are otherwise concentrated in the trade and service sectors of the economy (Melissa et al. 2015).

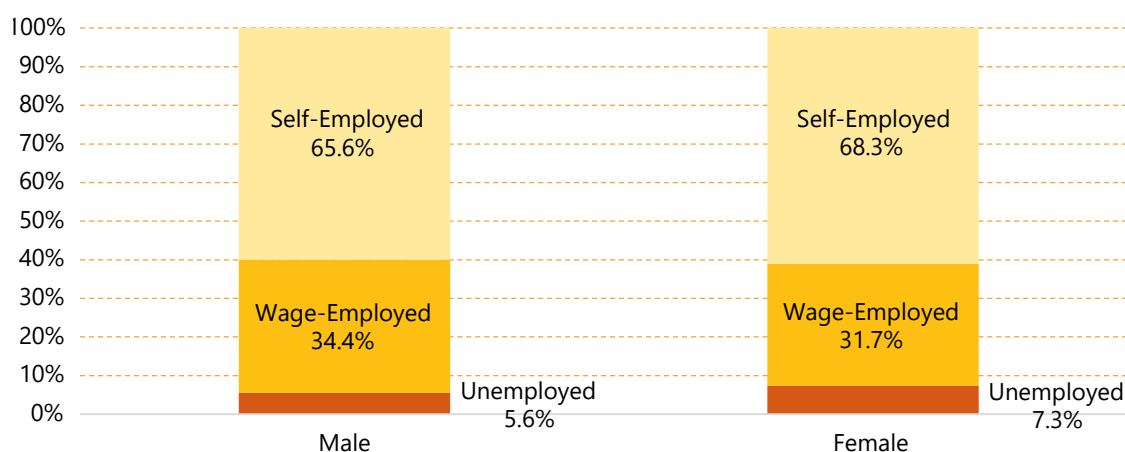
In contrast, growth-oriented women entrepreneurs can be broadly defined as those with the desire and the capability to expand their business. Unlike necessity entrepreneurs, who entered business because of difficulties entering the labor market, growth-oriented entrepreneurs usually entered business based on a business idea or ambition, and are much more likely to generate substantial growth in terms of job creation and broad economic impact (Cirera and Qasim, 2014). Again, it is important to note that female growth entrepreneurs are defined here as those who wish to grow their firms, not only those with firms that are already established or growing. Even amongst micro firms, a significant number are growth-oriented.

Segmenting the population of growth-oriented from amongst the total population women entrepreneurs is an inherently imperfect exercise, since the definition of growth-oriented is not based on an objective criterion such as size of the business, but is instead a subjective measure of the entrepreneur’s desire and ability to grow. However, attempting to make this distinction is critical in terms of designing effective interventions for women entrepreneurs. Looking at the comparison between growth-oriented and non-growth-oriented enterprises in Indonesia, one recent study found that many Indonesian firms “are not likely to be major sources of economic growth, simply because they do not have the capacity to transition from the traditional sector to the more productive” (Rothenberg, 2015).

The analysis that follows attempts to look at women entrepreneurs in Indonesia through the bifurcate lenses of necessity and growth, in an attempt to reveal the ideal types of interventions to support women entrepreneurs in the country.

Figure 3: Male and Female Labor Force in Indonesia

High unemployment and lower wage employment in the formal sector push women in Indonesia into self-employment, resulting in a large number of ‘necessity’ women entrepreneurs in the country.



Source: World Bank Gender Portal, Indonesia

III. Evidence on Necessity Entrepreneurs

While necessity entrepreneurs comprise a large segment of the entrepreneurial ecosystem in Indonesia, in most cases, they are unlikely to grow beyond their existing size, and many will fail. Often, this is because the entrepreneurs do not have a proclivity to grow, and because existing interventions misdiagnose their needs.

Global evidence suggests that many microcredit-focused entrepreneurship programs for necessity entrepreneurs are effective in increasing access to finance, but ineffective in supporting business growth. A seminal 2013 randomized experiment entitled 'The Miracle of Microfinance', found that the impact of standard group-based microfinance on entrepreneurs in India, which had long been seen as a catalyst for business growth, was not as transformative as had been thought (Duflo and Banerjee, 2013). In 2015, a series of six of the most rigorous randomized evaluations on microfinance conducted to date, covering diverse microfinance interventions in six countries across the globe, all concluded similarly that the actual impact of microfinance interventions was modest, and had usually been over-stated (Banerjee, Karlan, Zinman, 2015). These studies found that while microcredit can increase access and smooth incomes for the poor, loans are usually too small to transform businesses and help them grow.

When it comes to necessity women entrepreneurs, the likelihood of benefiting significantly from microfinance alone is even slimmer. Evidence suggests that small loans or grants – which are often the focus of entrepreneurship support programs – may have modest impacts on male clients, but are usually not sufficient to help necessity female-owned necessity firm to grow for two reasons: sector concentration and societal pressures (Buvinic and Furst-Nichols, 2014).

The concentration of necessity women entrepreneurs in low-value sectors is a major impediment to their success. Recent research has suggested that controlling for other factors such as firm size, education, and business experience, business sector emerges as the most important determinant of earnings differentials between female and male entrepreneurs (Campos et al, 2013; Alibhai et al, 2015). Women entrepreneurs across the globe tend to sort into lower-productive business sectors, and are usually under-represented in more high-growth sectors. Even with capital infusions, women-owned enterprises in low-growth and low-margin business sectors are unlikely to be able significantly increase revenue in a manner that will enable them to grow their earnings sustainably.

Capital diversion is another challenge, which reduces the benefit of microfinance to necessity women entrepreneurs. Numerous studies suggest that poorer women entrepreneurs are more likely than more established ones to be subject to a 'kin tax', where they direct capital intended for their businesses to family members or community networks. In some studies, women are pressured by spouses and family members to divert capital away from their businesses (Blattman, Fiala, and Martinez, 2013 in Buvinic and Furst-Nichols, 2014). In many cases, however, the women entrepreneurs themselves choose to direct capital to family members or for other immediate needs separate from their business (Fafchamps et al, 2014 in Buvinic and Furst-Nichols, 2014). Small capital infusions may therefore be helpful to necessity women entrepreneurs in smoothing consumption or supporting household expenditures, but they are unlikely to help their enterprise to grow or provide long-run benefits.

Business development services and training are also often ineffective for necessity women entrepreneurs, at least in terms of increasing earnings, helping business survive, or fueling their growth. Evidence of business training programs in Pakistan (Gine and Mansuri 2014), Peru (Valdivia 2011), and Sri Lanka (de Mel, McKenzie, and Woodruff 2012) find that business training rarely has a measurable effect on profits or on business survivorship for women micro-enterprise owners. The lack of positive outcomes is common to both female and male entrepreneurs. However, outcomes of business training are even poorer from women than for men due to binding external constraints faced by women and not men, such as presence in lower-margin business sectors, more household duties, and limited mobility.

While capital and traditional business development services do not generally yield tangible impacts for necessity women entrepreneurs, other interventions do show signs of success. In-kind transfers of capital, such as purchases of inventory or livestock, have been observed to nudge women to maintain a focus on their business and not divert the money to family or other non-business uses (Fafchamps et al. 2014 in Buvinic and Furst-Nichols, 2014). Savings products for women entrepreneurs also show positive impact for poor and necessity entrepreneurs, especially when they protect the privacy of women. When women have personal savings accounts in which they can save without the knowledge of family or community, they are more likely to accumulate savings over time. Mobile savings accounts in particular have shown evidence of enabling women to save privately and inconspicuously, reducing the diversion of earnings to others.

IV. Evidence on Growth-Oriented Entrepreneurs

For women entrepreneurs operating larger enterprises, especially those which are growth-oriented, the situation is remarkably different. Growth-oriented women entrepreneurs are more likely to benefit from access to finance, especially credit, and are more likely both to grow their businesses and to repay loans (Klapper and Parker 2011). Although these enterprises may be the most likely to grow, however, they are often the most capital-starved.

While access to finance for growth-oriented women entrepreneurs is more likely to be successful, financial institutions often must adapt to meet their needs. A key impediment for growth-oriented women entrepreneurs is that they are likely to fall into a 'missing middle trap', where financial services provided to poorer women through microfinance institutions, cooperatives, and rural lenders are too small to meet their needs, but at the same time larger commercial banks do not have tailored or customized products which are attractive to them.

Global evidence shows that large, individual loans are a critical need for the segment of growth oriented women entrepreneurs (Buvinic and Furst-Nichols, 2014). Often outreach to growth-oriented women entrepreneurs can be achieved through upscaling of Microfinance Institutions (MFIs) to disburse larger loans and reach a higher level of the market, or through downscaling of commercial banks, to disburse smaller loans and reach a lower level of the market. More sophisticated and tailored financial products such as collateral alternatives and women-tailored insurance products can also be effective and profitable.

With regard to business training, evidence suggests that targeting motivated, self-selected women entrepreneurs is the key to achieving impact (Xu and Zia, 2012 in Buvinic and Furst Nichols, 2014). While

business training generally does not have large impacts on increasing profits for women entrepreneurs, one to one follow up such as coaching and mentoring are often very effective and demanded by women entrepreneurs. This intensive consultancy support is more cost effective and may work better for larger women-owned firms who express a clear demand (Buvinic and Furst Nichols, 2014).

Table 3: Summary of Evidence – Potential of Impact for Women Entrepreneurs

	Necessity	Growth Oriented
Loans, Grants	Low Potential	High Potential
Training	Low Potential	Moderate Potential
Savings	High Potential	Moderate Potential
Combinations	Moderate Potential	High Potential
Suggested Interventions	<ul style="list-style-type: none"> • In-kind capital transfers • Savings promotion schemes • Support to sector transitions 	<ul style="list-style-type: none"> • Tailored credit programs and large loans • Tailored insurance schemes • Mentorship and consulting services

Text Box 1: The Impact of Business Consulting

High quality business consulting services, such as management consultants or technical experts, are often sought out by large firms to increase their productivity and performance. Can they also be effective for smaller firms?

A study conducted in Mexico aimed to answer this question. The program studied was implemented in the state of Puebla and provided management consulting services to micro, small, and medium-size enterprises. The services were provided by nine local consulting firms and the state government paid for most of their fees. Beneficiary enterprises contributed between 10% and 25% of the cost, depending on firm size.

Consultants met with enterprises for at least four hours a week for a one-year period and

were asked to (1) diagnose the problems that prevented the enterprises from growing, (2) suggest solutions that would help solve the problems, and (3) assist in implementing solutions.

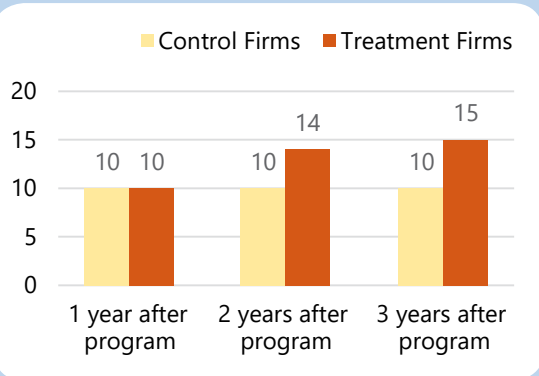
A follow-up survey was conducted at the end of the program to measure the effect of the consulting services on firm performance. Results from comparing randomized treatment and control enterprises indicate that the program led to significant increases in productivity. The data show a 40 to 50 percent increase in employment 2 to 3 years after the program.

Given the large effects on productivity and employment, an open question is why more firms do not hire management consultants.

Only a small fraction of control firms in the study hired consultants on their own and others stated financial constraints as the main reason for not doing so (the market cost of the services provided through the program was US\$12,000 on average).

Overall, the results from Mexico thus suggest that government subsidies for management consulting can help firms afford services they may otherwise not acquire, thereby having positive effects on productivity in the short run and on firm growth in the longer run.

Figure 4: Average Number of Employees



Source: Bruhn, Miriam, Dean Karlan, and Antoinette Schoar. 2013. "The impact of consulting services on small and medium enterprises: Evidence from a randomized trial in Mexico." *World Bank Policy Research Working Paper No. WPS 6508*.

C. Targeting Women Entrepreneur Interventions

Overall, the pattern is clear. Necessity women entrepreneurs have very different needs than growth-oriented women entrepreneurs. The same intervention is likely to yield very different results for these two distinct target groups. Generally, very poor and poor women need an intensive package of services to break out of low-value sectors and pressures from family and community. Interventions targeting these groups should focus on poverty alleviation. Growth-oriented women entrepreneurs are likely to reap more benefits from entrepreneurship interventions, and can often expand their businesses when constraints are lifted. Interventions targeting this group are likely to have economic growth benefits, as the enterprises grow and contribute more broadly to employment and output.

Evidence from Indonesia tends to reflect the global body of evidence. The lack of targeting has surfaced as a binding constraint to effectively supporting women entrepreneurs across the country (Tambunan, 2010; Ministry of Finance, 2015). Despite numerous government interventions to support women entrepreneurs in the past decade, the gap between men and women entrepreneurs does not seem to have reduced. Imprecise targeting or attempts to serve all women entrepreneurs with a standard intervention have had limited success in Indonesia, as elsewhere. A lack of coordination amongst implementing government bodies has also limited effectiveness of support to women entrepreneurs in Indonesia (Ministry of Finance, 2015).

I. Why target growth-oriented WEs?

Women entrepreneurs are a growing segment globally. Women-owned firms in the United States, for example, are consistently growing at over twice the rate of male-owned firms (23 percent vs. 9 percent), while growth in the number of women entrepreneurs in East Asia is 3.6 percent faster than growth in the number of male entrepreneurs (Accenture, 2015). Cross-country evidence confirms what is also intuitive: as these enterprises grow, they are employing more women, in greater proportion than men. Growth oriented women entrepreneurs therefore represent a remarkable dividend opportunity for increasing women's employment and enhancing gender equality.

Evidence from other countries suggests that the proportion of growth oriented amongst the total population of entrepreneurs could total approximately 3% of the total population of women entrepreneurs (Buvinic and Furst-Nichols, 2014). Our own data, which follows, suggests that the proportion of growth-oriented entrepreneurs in Indonesia is significantly higher, potentially totaling as many as 15% of the total population of entrepreneurs.

Based on the experience in Indonesia to date, as well as on global evidence on women entrepreneurs, this study takes the position that targeted programming for growth-oriented women entrepreneurs could be highly effective and could yield significant gains on both economic and social indicators. The absolute number of growth-oriented entrepreneurs in Indonesia should be of less significance for policymakers than the potential impact of targeting this market segment. The following are some of the key benefits of addressing the constraints faced by growth-oriented women entrepreneurs:

- **Economic Impact.** Lifting constraints for women-owned enterprises that have the potential to grow can yield outsized economic and labor market gains, since these firms constitute a large share of employment and GDP in Indonesia. Evidence from other countries illustrates this clearly. As a result of women-focused business support programs launched in the United States in the late 1990s, women-owned firms increased from 6% of total employment in 1997 to 13% of total employment in 2014, today employing 15.9 Million workers (Womenable, 2015). These women-owned firms have also demonstrated more resilience and generated more jobs than male-owned firms following the 2007 financial crisis (Womenable, 2015).
- **Female Employment.** In addition to being a significant net job creator, growth-oriented women enterprises are also very likely to hire more women employees as they grow, helping reduce gender inequality in the labor market. Global data from the World Bank's Enterprises Surveys suggests that female-led firms tend to employ more female workers than male firms, after controlling for sector, age, and type of firm (Cirera and Qursum, 2014). Evidence from Southeast Asia suggests that women-owned SMEs in Indonesia have 45% female employees, while male-owned firms have only 27%, and that women-owned firms are 16% more likely to hire female workers than male-owned firms (Asia Foundation, 2013). As women-owned enterprises grow, they employ more women, often even helping necessity entrepreneurs' shift into the more formalized labor market.
- **Women's empowerment.** In addition to the clear economic benefits to targeting growth-oriented women entrepreneurs, there is also a case to be made from the perspective of women's empowerment writ large. As women entrepreneurs grow and demonstrate increasing levels of success, they are

likely to inspire and serve as role models for the next generation of women entrepreneurs. The lack of women role models, especially in sectors such as the tech industry, is a major reason why ambitious young women do not aspire to careers as entrepreneurs. As constraints are lifted and growth-oriented women entrepreneurs in Indonesia realize their full potential, they will create a positive image for other women, and likely increase women's activity in growth-oriented entrepreneurship in the future.

The findings from our comprehensive survey of women entrepreneurs, which follows, add deeper insight into some of the challenges faced by Indonesia's women entrepreneurs, and into the avenues for best supporting them.

Text Box 2: Supporting Growth Oriented Women Entrepreneurs in Ethiopia

The Women Entrepreneurship Development Project (WEDP) is a \$50 Million International Development Association (IDA) investment lending operation designed to address the key constraints for growth-oriented women entrepreneurs in Ethiopia. The project began in 2012.

WEDP involves a market "up-scaling" operation where the Development Bank of Ethiopia (DBE) acts as a wholesaler and microfinance institutions (MFIs) act as retailers. The project uses an incentive approach aimed at (i) helping DBE developing a new business line involving wholesaling of MSE subsidiary loans and provision of related technical support to participating

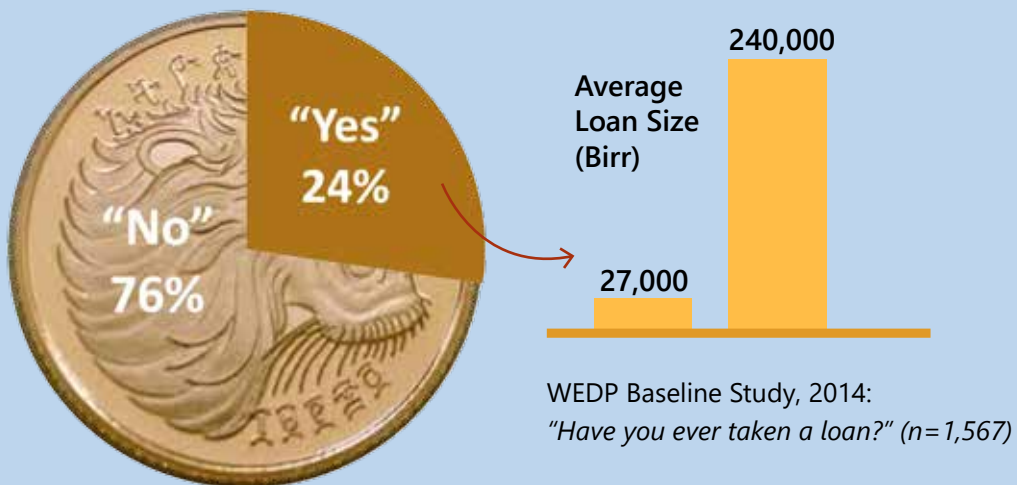
MFIs; and (ii) helping the MFIs build up a high quality MSE loan portfolio based on credit techniques that have been developed and validated under successful women micro and small loan programs in other countries.

WEDP has made rapid and sustained progress since its launch in 2012. The WEDP line of credit is disbursing roughly \$2 Million USD in loans to growth-oriented women entrepreneurs every month, and the average loan size is approximately \$12,000 USD. Some key highlights of WEDP's progress are as follows.

1. **Exceeding Targets:** WEDP's line of credit was 90% disbursed before the half-way point of the project. As of January 2016, the project has provided loans to over 4,000 women entrepreneurs and entrepreneurship training to 7,500. It is amongst the World Bank's highest-disbursing and highest-rated projects in the region, and was awarded a Vice Presidential Unit (VPU) Award in 2015.
2. **Reaching the underserved:** WEDP is successfully reaching its target segment of underserved women entrepreneurs, who have the desire and potential to grow their businesses. 76% of WEDP clients have never taken a loan before.

3. **Catalyzing growth:** According to initial survey data, the average WEDP loan has resulted in an increase of 24% in annual profits and 17% in net employment for Ethiopian women entrepreneurs, one year after taking the loan. These female-owned businesses are continuing to grow, as the impacts of capital investments play out. Repayment of loans stand at 99.6%.
4. **Unlocking needed capital:** One of WEDP’s objectives was to increase loan sizes, since most Ethiopian women-owned enterprises were stuck in a trap where loans offered by microfinance were too small to meet their needs. For repeat borrowers, loan sizes have increased on average by 870%.
5. **Improving capacity of lenders:** Through the technical assistance component, WEDP is building the capacity of Ethiopia’s MFIs to lend to women entrepreneurs. The MFI’s improved ability to appraise, resulted in their capacity to reduce the collateral requirements from an average of 200% of the value of the loan to 125%. At the same time, WEDP MFIs are developing new loan products and recognizing new forms of collateral such as post-date cheques and business inventory, to secure loans.

Figure 5: Average Loan Size



“With WEDP, the MFIs’ appetite for risk has increased. Previously, they provided loans in small amounts of \$1000. Now, they are making WEDP loans averaging over \$10,000. Plus, they have taken part in a capacity building program, which helped them assess these larger loans using cash flow analysis and risk mitigation techniques. So the MFIs are strengthening both in terms of loans disbursed as well as in their knowledge of lending” (Beimnet Foto, Principal Appraisal Officer, Development Bank of Ethiopia)

Section 2

Needs and Opportunities of Women
Entrepreneurs in Indonesia



Section 2: Needs and Opportunities of Women Entrepreneurs in Indonesia

Key Points

1. Women entrepreneurs in Indonesia demonstrate high levels of financial know-how and financial literacy, which are not correlated with their level of education. They contribute significantly to household income – contributing on average 62% of the income of their households.
2. In the households in which they live, women entrepreneurs defy commonly held notions about gender dynamics in Indonesia. By and large, women entrepreneurs have equal decision making power and are empowered within their households. Spouses are very supportive of their wives spending time at the business.
3. At the same time, women entrepreneurs have limited access to assets that can secure loans. Women report lack of collateral as their top challenge in accessing finance. 88% of women's households possess buildings or land that could be used as collateral, but only 21% of women actually have these assets registered in their name.
4. Approximately 15% of women entrepreneurs can be classified as growth-oriented. While estimates vary, the proportion of growth-oriented entrepreneurs globally is thought to be below 5%, indicating significant growth potential in Indonesia.
5. Surprisingly, growth-oriented enterprises are just as small, informal, and in the same sectors as necessity enterprises. While they look similar, however, the growth-oriented are significantly more likely to keep written financial records, are more likely to have business plans, have broader customer bases, and have higher profit margins and turnover.

The previous chapter provided a broad understanding of the heterogeneity of women entrepreneurs in Indonesia, and of the need to target services to meet the needs of differing market segments. The sections that follow draw on the findings of field research conducted by the World Bank's Finance and Markets Global Practice in 2015.

The study combines demand-side and supply-side analyses. Through one of the largest dedicated surveys of women entrepreneurs in Indonesia to date, the study captures some important characteristics of this population, as well as the challenges and opportunities they face. Through a comprehensive survey of financial institutions, business development service providers, and local government, the study examines the perceptions and challenges of service providers themselves in reaching women entrepreneurs. The demand-side and supply-side quantitative data are complemented by more in-depth qualitative data collection with selected financial institutions aimed at discovering some successful initiatives already in place to support women entrepreneurs.

A. Methodology

In total, the study collected data and information from 1,633 women micro and small entrepreneurs, 135 Financial Institutions, 97 Local Government officials, and 112 Business Development Service providers, and 7 women credit programs in 8 provinces across Indonesia.

I. Quantitative

The quantitative data collection consisted of interviews with 1,633 women entrepreneurs and 344 service providers which include local government, financial institutions, and business development services providers.¹ The entrepreneur survey covered a population of 1,633 women micro and small entrepreneurs in eight provinces across Indonesia, making it the largest and most comprehensive survey of women entrepreneurs in Indonesia to date. The survey used multi-stage cluster sampling, and concentrated on areas and sectors that were likely to yield large numbers of growth-oriented women entrepreneurs. A detailed description of the sampling is included in the annex to the report.

While the demand-side sample is not nationally representative due to the large absolute number and wide dispersion of women entrepreneurs across the country, it does provide a good approximation of urban women entrepreneurs across the country. The data from our study on the general characteristics of women entrepreneurs also mirrors the basic data about self-employed women which is available through household surveys done through the Government's National Socio-Economic Survey (SUSENAS), and therefore provides a good foundation for understanding the broader population of women entrepreneurs in Indonesia.

1 The data collection was undertaken by a local survey firm, Definit, who were selected competitively based on their previous experience working on large-scale enterprise surveys. Data collection spanned from June – September 2015. Local authorities were involved at all stages in the sampling and implementation of the research.

Table 4: Basic Women Entrepreneur Sample Characteristics

Region	Freq.	Percent	Size	Freq.	Percent
Java	1123	68.77	Micro	1,464	89.65
Non-Java	510	31.23	Small	169	10.35

The supply side data collection was synchronized with the demand-side data collection, to ensure a focus on the same population. The supply side exercise targeted 3 to 5 local institutions in each enumeration area, consisting of Financial Institutions, Local Government and BDS providers. The respondents for the supply side questionnaire were drawn from the demand-side results and then confirmed with local government in each enumeration area. The total number of respondents was 344 institutions.

Table 5: Breakdown of 344 Institutions Interviewed

Financial Institutions	#	BDS Providers	#	Local Government	#
Banks	48	Village Level	49	Individual	24
Cooperative	56	Sub - District Level	33	CV / ltd partnership	15
Gov't Program	15	District / City Level	10	Foundation	22
MFI	11	Other	5	Organization	18
Pawnshop	5			Community	12
				Other	21
Total FIs	135	Total BDS	112	Total Gov't	97

II. Qualitative

The qualitative data collection captured lessons learned from supply side actors, namely bank and non-bank financial institutions that have provided credit programs for female entrepreneurs in Indonesia. The aim of the qualitative study was to understand the potential and challenges in providing credit facilities, and to gain insight into the development of financial products which cater specifically for the needs of female entrepreneurs.

The qualitative data collection consisted of in-depth interviews and focus group discussions (FGD). Qualitative researchers were equipped with a semi-structured interview (SSI) guide, a manual for recording field notes, and an outline for a case study report. The study was conducted at the national and regional/district level, with a sample of 7 financial and non-financial institutions. Priority was given to institutions which provide financial services for females in the areas where the demand side study was implemented, and which have served the female clients for a minimum of 3 years.

Interview respondents were selected using a snowballing technique. Interviews started from management level staff to understand about the policy, management, and organization; continued to the field level

staff such as marketing, account officer, facilitators to understand about the implementation; and were complemented with interviews with two or three clients to see how the services have been delivered.

The following table outlines the specific financial institutions that were selected in the sample.

Table 6: Qualitative Survey's Respondents

Institution	Type of Institution	Location
PT. Bank Pembangunan Daerah Sumatera Utara (BPD Sumut)	Bank	Medan, North Sumatera
BMT ItQan	Cooperative (shariah)	Bandung, West Java
Koperasi Mitra Dhuafa (KOMIDA),	Cooperative	Jakarta and Cariu, West Java
Koperasi Wanita Serba Usaha Setia Budi Wanita (SBW)	Cooperative	Malang, East Java
Mitra Bisnis Keluarga	Venture Capital	Tangerang, West Java
Asosiasi Pendamping Perempuan Pengusaha Kecil (ASPPUK)	Foundation/NGO	Jakarta and Padang, West Sumatera
Angel Investment Network Indonesia (ANGIN)	Foundation/NGO	Jakarta

B. Profile of Women Entrepreneurs

Existing studies on women entrepreneurs in Indonesia offer limited insight into overall patterns and trends regarding women entrepreneurs in Indonesia as a whole, due to small sample sizes. The data at hand, drawing on a sample of 1,633 women entrepreneurs in 8 provinces, helps to illustrate a comprehensive profile of women-owned micro and small enterprises.

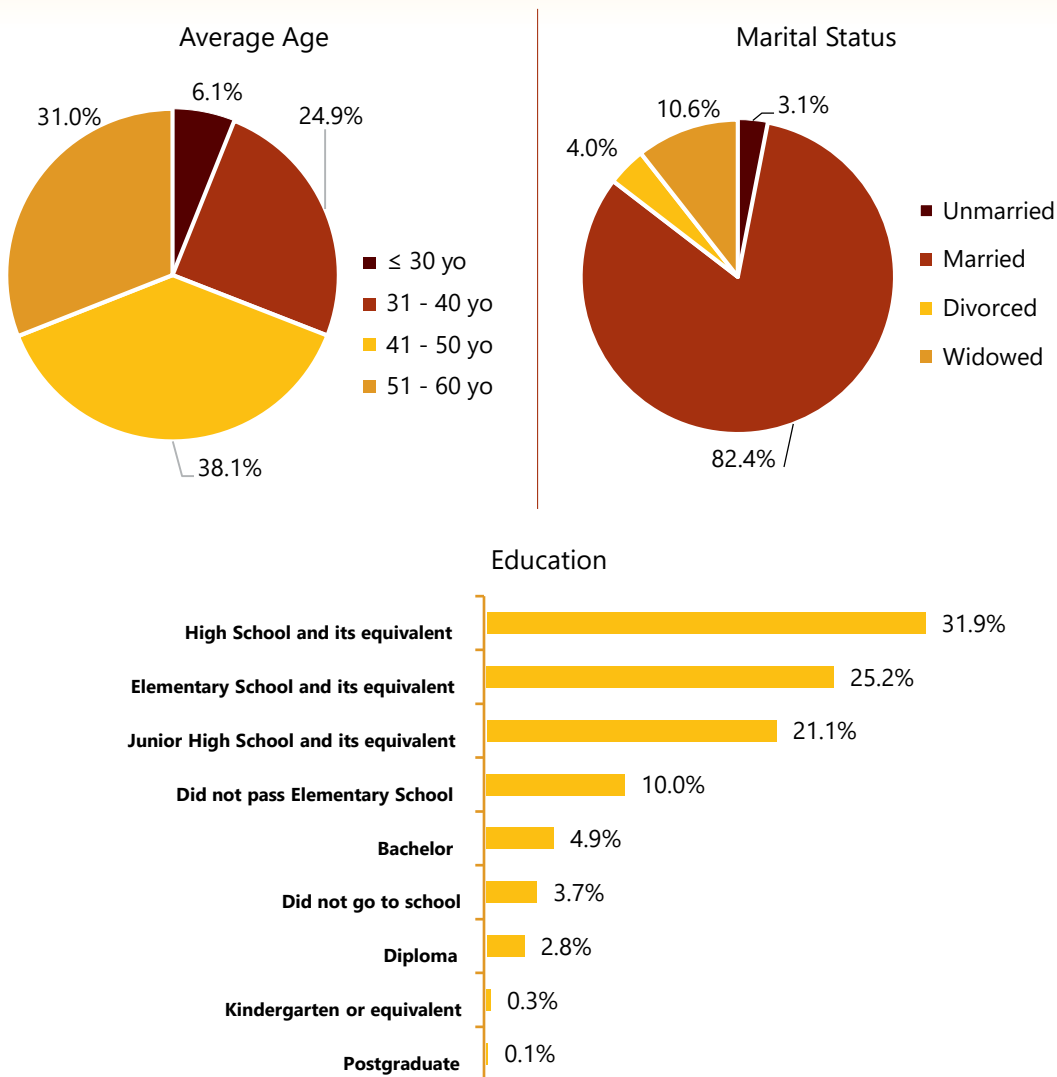
I. Personal Characteristics

a) Age, Marriage, and Life Paths

The mean age of women entrepreneurs in our sample is 45 years old and most entrepreneurs (69%) are above 40 years old. The majority of women entrepreneurs (82%) are married, and a significant proportion (11%) are widowed. On average, women entrepreneurs have about 14 years of business experience, and often this has involved running multiple businesses over time.

Most entrepreneurs seem to have engaged in self-employment at the time of or shortly after their marriage. This paints a picture of most women entrepreneurs as opening a business around the time of their marriage, attempting multiple businesses over time, and eventually establishing a somewhat stable enterprise that contributes to their household, though doesn't seem to grow significantly over time.

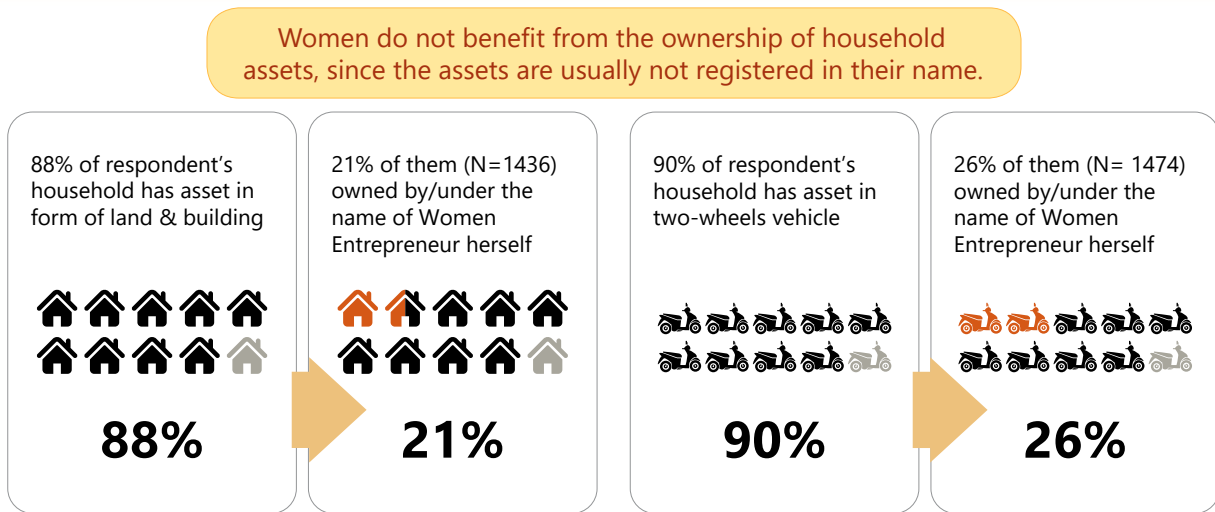
Figure 6: Profile of Women Entrepreneurs – Average Age, Marital Status, and Education



b) Household Assets

Most women entrepreneurs live in households that own some form of fixed assets. For example, 88% of households own a building, and 90% own a two-wheeled vehicle. In principle, ownership of these fixed assets enables households to access credit by using their assets as security. However, very few women actually own the assets themselves. Usually, homes and vehicles are registered to male family members, rather than to women. The disparity in ownership of assets between men and women is a global phenomenon, but in this context it is likely one of the barriers which prevents women entrepreneurs from accessing credit.

Figure 7: Ownership of Assets by Household and Women Entrepreneur

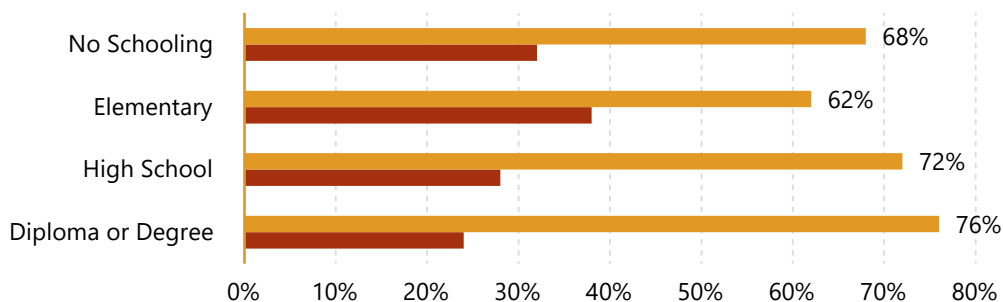


c) Education and Knowledge

In terms of education, most women entrepreneurs have attended formal schooling. 32% completed high school, and only 14% have no formal schooling or did not complete elementary school. While only a small proportion of women entrepreneurs pursued higher education, such as bachelor degrees or diplomas, financial knowledge is nonetheless relatively high. Many respondents were able to provide correct answers to questions about calculating costs, profits or interest rates, especially when prompted with practical examples rather than asked for definitions or theories.

Figure 8: Financial knowledge based on level of education

"Imagine that you save Rp 100,000,000 in a savings account with 10% annual interest. After two years, what will the value of your savings be?"
(n=1,633)



Interestingly, most respondents provided correct answers to these financial literacy questions, irrespective of their education level. This finding challenges the traditional notion of women having lower levels of business ability than men due to lower levels of education. While women do indeed have lower average education levels than men according to national data source such as SUSENAS, the notion that they have significantly lower business knowledge may be worth questioning.

Table 7: Financial Knowledge of Women Entrepreneur²

Most entrepreneurs answer questions about business knowledge correctly		
In general, how do you calculate profits from your business?¹ (N= 1633)		
	Freq	Percent
Correct Answer	995	60.9%
Incorrect Answer	638	39.1%
If your business sales are Rp 1,000, the transportation cost is Rp 100 and production cost is Rp 400, how much is the profit that you gain from the business? (N= 1633)		
	Freq	Percent
Correct Answer (Rp 500)	1412	86.5%
Incorrect Answer	124	7.6%
Don't Know	97	5.9%
Imagine that you save Rp 1,000,000 in a saving account with an interest rate of 10% per year. After one year, what will be the value of your saving? (N=1633)		
	Freq	Percent
Correct Answer (Rp 1,100,000)	1054	64.5%
Incorrect Answer	246	15.1%
Don't Know	333	20.9%

d) Household Dynamics and Decisions

Survey data revealed some interesting trends in terms of women's economic participation in the household, and their relationships with their spouses. Often, women entrepreneurs are the main breadwinners in their household. 44% of women entrepreneurs report that they provide the main source of income in their household, while only 38% feel that their husband is the main earner. On average, women entrepreneurs contribute 62% of household earnings.

Interestingly, husbands are very supportive of their wives running their own businesses. An overwhelming 96% of respondents said that their husbands were either supportive or very supportive of their spending time in their businesses. This support is not a matter of apathy from husbands. When asked about their wives working at private companies owned by others, most husbands express disapproval: only 22% of

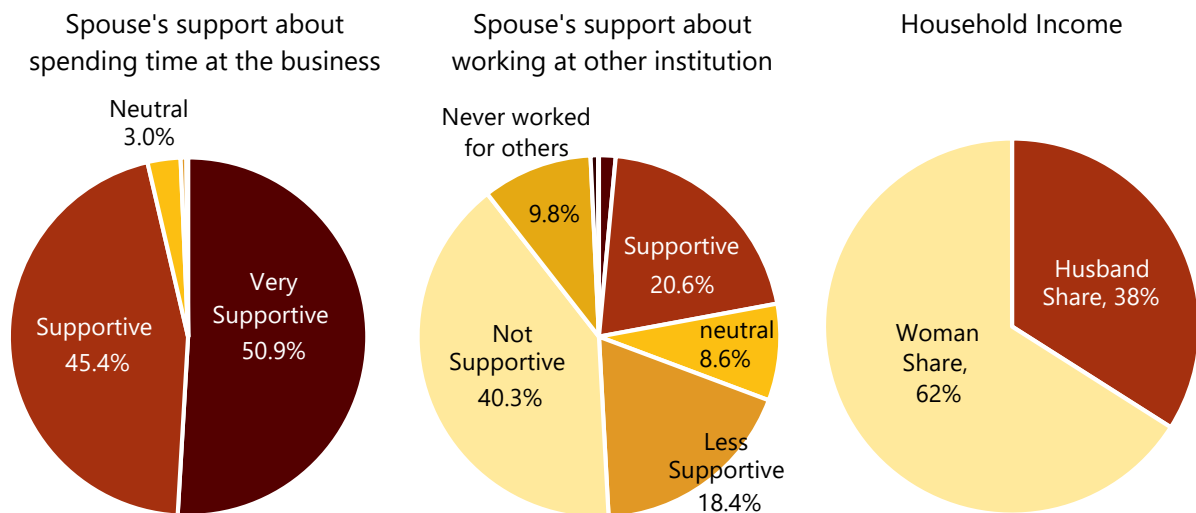
² This was an open-ended question to respondents, with the following instructions to the enumerator: "If respondent provides a full answer including that one must subtract payments for salaries, transport, rent, etc., then mark correct. If respondent answers incompletely or does not know, mark incorrect".

husbands are supportive or very supportive of wives working in private companies owned by others. One possible explanation for the very high levels of spousal support is that husbands are supportive of their wives working in enterprises since these are often either home-based or in the community, and allow them to attend to home and childcare duties at the same time as contributing a significant amount of income to the household.

Even if the high level of spouse support for women’s businesses comes with the caveat that women should balance business and household duties, however, the degree of women’s participation in financial management and decision making in the household is still very high. The majority of women entrepreneurs say that they make the financial decisions in the household themselves, or together with their spouses. Only 17% say that decisions are made by their spouses alone. Even when disagreements arise, women entrepreneurs are rarely overpowered by their husbands.

The picture that emerges of the relationship between women entrepreneurs and their husbands is one that defies many commonly held notions about women entrepreneurs in Indonesia. The majority of women in fact seem to have healthy relationships with their spouses, and tend to share responsibility for household decisions. It may be the case that their large household income helped these women to gain greater authority in the household, or it may be the case that supportive spouses enabled them to run their businesses. Either way, the data suggests that many women entrepreneurs are already capable of managing household dynamics, and are already quite involved in decisions and discussions in their households.

Figure 9: Spouse’s Support to Women Entrepreneur and Women Entrepreneur’s Income Contribution



Women entrepreneurs are often the main breadwinner in their households, and their spouses are overwhelmingly supportive of their business activities.

Table 8: Household dynamics

<i>Women entrepreneurs express strong decision-making power in their households</i>		
Who is giving the largest income contribution in the household? (N= 1633)		
	Freq.	Percent
Respondent	715	43.8%
Respondent's spouse	619	37.9%
Equal	190	11.6%
Who makes financial decisions in your household? (N= 1633)		
	Freq	Percent
I do	872	53.4%
My spouse does	284	17.4%
We decide together	383	23.5%
If there are different opinions, who make final decision? (N=383)		
	Freq	Percent
I do	127	33.2%
My spouse does	125	32.6%
Together	125	32.6%
Who makes decision about helping other family member's finances? (N= 1633)		
	Freq	Percent
I do	783	45.2%
My spouse does	278	17.0%
We decide together	480	29.4%
Who makes decision about saving for the future? (N= 1633)		
	Freq	Percent
I do	975	59.7%
My spouse does	256	15.7%
We decide together	282	17.3%
How supportive is your husband about spending time at your business? (N= 1345)		
	Freq	Percent
Very Supportive	685	50.9%
Supportive	611	45.4%
Not Supportive	7	0.5%

How supportive is your husband about working at other person/institution? (N= 1345)

	Freq	Percent
Very Supportive	20	1.5%
Supportive	277	20.6%
Less Supportive	248	18.4%
Not Supportive	542	40.3%

II. Business Characteristics

By far, the most common business sector for women entrepreneurs in Indonesia is trade (50%). Other sectors where women entrepreneurs are concentrated are manufacturing (24%) and services, such as hotels and restaurants (13%).

In the manufacturing sector, nearly all of the businesses are small-scale, home-based industries that produce food, beverages, and textiles. In the trade sector, almost all of the businesses run by women entrepreneurs are grocery stores. The government and social services sector mostly consists of beauty salons and tailoring services.

The large majority of women-owned enterprises, 97%, are informal and unregistered. By and large, these are micro-enterprises operating in the informal sector. Most enterprises are fully woman-owned, with 89% of enterprises reporting that they are the primary business owner, and 94% reporting that they have the main responsibility in running the business.

Table 9: Business Sectors of Women Entrepreneurs

What is the sector of your main business? (N= 1633)		
	Freq	Percent
03. Plantation	1	0.1%
08. Manufacturing	396	24.3%
10. Building/Construction	1	0.1%
11. Trade	809	49.5%
12. Hotel & Restaurant	218	13.4%
13. Transportation and warehousing	2	0.1%
16. Education Services	10	0.6%
17. Health Services	9	0.6%
18. Governmental and individual social services	185	11.3%
95. Others (massage service & makeup service)	2	0.1%
Total	1,633	100%

Many women-owned enterprises are owner-operated, and do not have any employees. Approximately 22% of enterprises have employees. For those with employees, they have on average 2.4 employees. On average, these enterprises pay a salary of 1,065,257 IDR per month to each worker. Interestingly, this monthly salary is higher than the monthly earnings of the bottom quartile of enterprises, suggesting that being a worker in a growing enterprise might in fact be more beneficial than running a necessity enterprise oneself. The enterprises overall employ a much higher proportion of female than male employees, especially when compared against male-led firms, confirming trends in the global literature that women-owned enterprises do indeed employ more female employees.

Figure 10: Female Employment

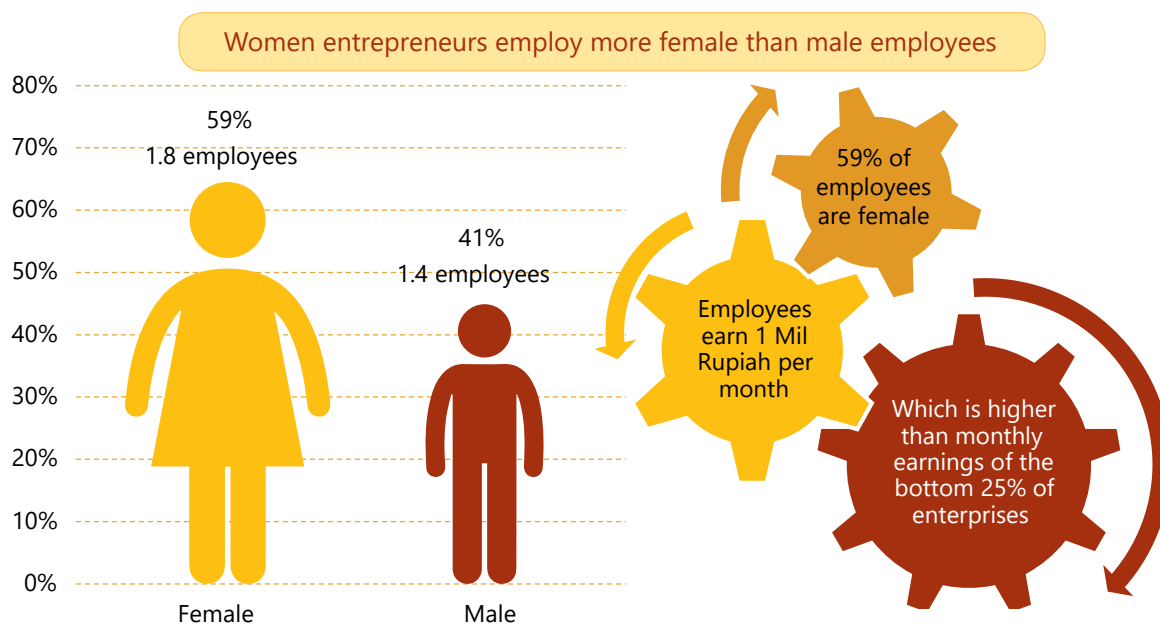
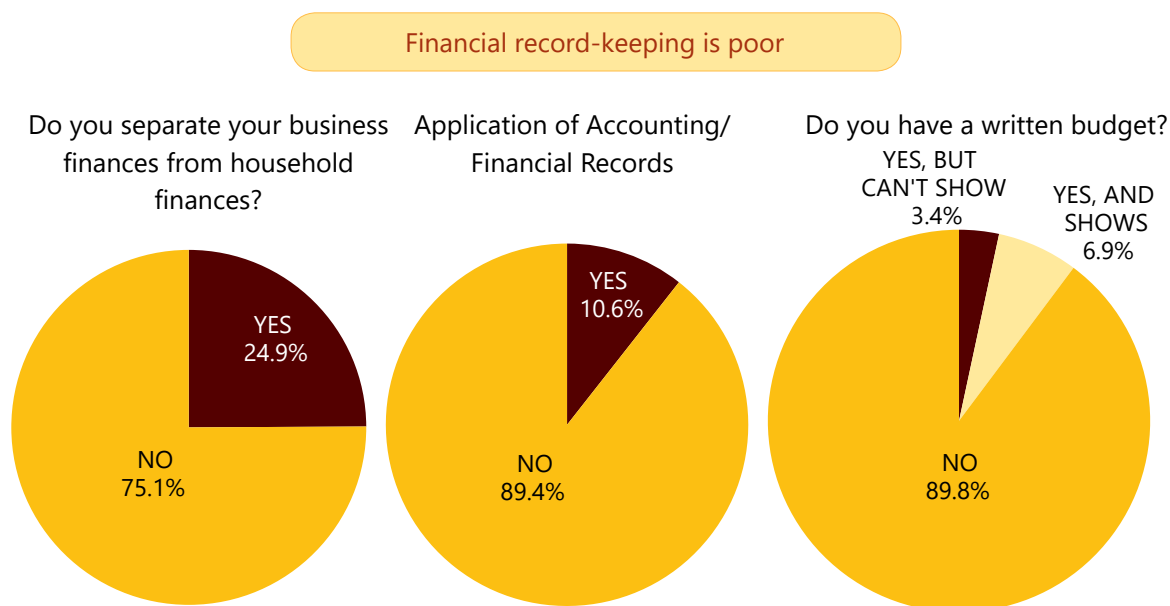


Table 10: Employment Condition of Women Entrepreneurs' Businesses

Employment		
Does your business employ workers? (N=1633)		
	Freq	Percent
Yes	367	22.5%
No	1,266	77.5%
Number of workers (female/male)? (N=367)		
	Mean	Percent
Female Workers	1.8	59%
Male Workers	1.4	41%
Total	2.4	100%
Average salary paid to workers? (N= 237)		
	Mean	
Salary per month	1,065,257 IDR	

Amongst most enterprises, financial standards and practices are sub-par. Most women entrepreneurs do not keep written financial records, and most do not have written plans of revenues and expenditures. Moreover, the majority of women entrepreneurs combine their household and business finances. Overall, this poor record-keeping seems to be a major constraint to the successful operation of the enterprises.

Figure 11: Financial Management Skill



The monthly revenue of the enterprises is 11,600,000 IDR on average. Monthly sales and overall profits are highest in trading enterprises. Margins are much higher in manufacturing and services industries, though revenues are significantly lower.

Table 11: Business Performance of Women Entrepreneurs' Businesses

Business Profits, Sector				
	Manufacturing	Trade	Hotel/Restaurant	Govt/Ind Services
Monthly Revenues	7,562,905 IDR	15,100,000 IDR	12,200,000 IDR	4,404,475 IDR
Monthly Expenditures	5,643,284 IDR	11,300,000 IDR	9,052,760 IDR	2,207,335 IDR
Monthly Profits	1,973,377 IDR	3,570,471 IDR	3,131,717 IDR	2,220,563 IDR
Average Profit Margin	34.4%	26.4%	26.1%	60.0%

III. Market Segments

a) *The Growth Orientation Index*

In order to better understand the differing profiles and needs of different market segments, our study constructed a growth-orientation index using a combination of questions from the demand-side questionnaire. Numerous previous studies have highlighted the challenges of identifying which entrepreneurs are growth oriented. A predisposition to growing one's enterprise is based upon both ambitions and capacity, so measurement requires an examination of whether an entrepreneur wants to grow, and whether they have taken actions indicative of growth.

While our definition is far from perfect, it does begin to give an indication of varying ambitions and entrepreneurial activity amongst women entrepreneurs in Indonesia.³ To construct the index, we looked at ambitions and perspectives of entrepreneurs with regard to future growth, and then at the actual actions they had taken in their businesses over the last 12 months. Each respondent was scored based on their answers to the index of questions, and the scoring system enabled us to segment respondents into three categories: necessity, stable, and growth-oriented.

The indicators comprising the score were as follows:

- "What was the primary reason you started this business?"
- "How would you classify this business (growing, decreasing, or remaining the same)?"
- "Does the current state of the business meet your desired goals?"
- "Compared to one year ago, has the number of your buyers or customers increased, decreased, or stayed the same?"
- "In the past 12 months, did you hire any new workers?"
- "In the past 12 months, did you develop and new products?"
- "In the past 12 months, did you invest in machinery or production methods?"
- "In the past 12 months, did you open a new branch or expand your market to a new area?"
- "Which of the following forms of promoting your business did you use over the past 12 months (list of 9 possible marketing techniques)?"
- "Do you plan to do any of the following in the next 12 months (list of 13 possible activities)?"

b) *The Segments: Growth-Oriented, Stable, and Necessity*

The data reveals that the highest proportion of women entrepreneurs fall into the necessity category, in line with global evidence. These entrepreneurs generally have little ambition to grow their enterprises, and therefore demonstrate no action towards growing their enterprise. The second-largest segment fall into a middle category of 'stable' entrepreneurs. These entrepreneurs often exhibit some desire to grow their business, but have not taken concrete actions to do so. The growth-oriented, the smallest segment, show both a desire to grow, and evidence of having taken action to grow. The breakdown was as follows:

³ It is also important to note that there are endogenous and interacting relationships amongst the variables comprising the index, and this imperfect analysis is only an approximation rather than a rigorous construct for measuring growth orientation.

- **47.4% of women are necessity entrepreneurs**, who appear to have started their business as a means to supplement household income, who report unchanging or declining trends in customer base and business growth, and who have taken few actions to expand their business beyond its current state.
- **37.2% are stable entrepreneurs**, who mostly began their businesses out of necessity to supplement household income, but showed some signs of desire to grow their businesses.
- **15.4% of entrepreneurs are growth-oriented entrepreneurs**, who entered business by identifying an opportunity, or by taking advantage of a unique skill or background, and who show consistent signs of business growth.

Table 12: Business Characteristics and Access to Finance Condition by Market Segments

	Market Segments		
	Growth Oriented	Stable	Necessity
Typical Sector	Trade	Trade	Trade
Formal Entity	3.17%	0.98%	0.39%
Turnover per month	15,600,000 IDR	12,700,000 IDR	9,469,342 IDR
Cost per month	11,300,000 IDR	9,302,054 IDR	7,107,813 IDR
Profit per month	3,551,896 IDR	2,928,517 IDR	2,000,575 IDR
Business Outreach	Scope of district	Scope of sub-district	Scope of village
Size of Business	80% Micro	89% Micro	93% Micro
Keep financial record	23%	13%	4%
Have business plan	51%	33%	13%
Demand for Loan	73%	68%	54%
Access to Loan	48%	50%	41%
Access to Saving	70%	65%	54%
Most needed BDS	Business Planning	Marketing	Marketing

c) Understanding the Segments

There are some important similarities between growth-oriented and non-growth-oriented women entrepreneurs. Generally, all segments are concentrated in the trade sector, reflecting the large overall concentration of women in trade. As well, across the growth spectrum, the vast majority of women entrepreneurs are operating micro-enterprises in the informal sector. While the proportion of registered

enterprises and small enterprises is higher amongst the growth-oriented, it still represents a very small absolute number. Only 3% of the growth-oriented enterprises are registered, and only 13% are non-micro enterprises. What the classification suggests is that the growth-oriented and the non growth-oriented do not look significantly different on the surface: they operate in the same sectors and with the same types of enterprises.

While similar on the surface, the business practices of growth-oriented entrepreneurs differ notably from those of others. The growth-oriented are significantly more likely to keep written financial records, and more likely to have business plans, for example. The outreach of their enterprises is also broader, with customers and suppliers extending across the district, rather than only through their own village. As a result, turnover is higher, as are profit margins.

In addition to differences in business practices, plans, and profits, growth-oriented also show markedly different demand for services such as loans and training. This key distinction is one which can help to inform the way in which entrepreneurship support programs in Indonesia might be targeted in the future. The sections that follow delve into the varying demands of these segments in more detail.

Text Box 3: Supporting Crossovers

What is the largest determinant of the differences in income between male and female entrepreneurs?

Sector choice.

Entrepreneurs in traditionally male sectors such as construction, IT, or manufacturing consistently out-earn counterparts in female concentrated sectors such as retail trade or services. When women enter into the male-dominated sectors, however, their incomes increase dramatically and the difference with their male counterparts diminishes.

In cases such as Indonesia, where there is a very large concentration of female entrepreneurs in low-productivity and low-growth sectors, supporting crossovers is likely to be the only way to generate significant growth in female-led enterprises. Crossing over in this context refers to both entry into different sectors that have higher productivity and within-sector diversification into higher value-added activities. This type of intervention needs to be integrated into support programs for women entrepreneurs.

So, why don't more women enter male-dominated sectors? Two recent studies, in Uganda and Ethiopia, add some insights and recommendations.

Campos et al. (2013) suggest in the Uganda case study that cross-over firms out earn non-crossover firms, and that the key to entering the male-dominated sectors is for women entrepreneurs to have trusted male role models that can inspire and mentor them to enter the new sectors. Reaching out to community leaders was also an important strategy for increasing the acceptance of women entrepreneurs in society.

Alibhai et al. (2015) found that in Ethiopia, profits for women-owned firms in crossover sectors were double those of firms in non-crossover sectors. However, women often didn't know about the benefits of entering the more lucrative business sectors, and had little information on the earnings of peers in these sectors. With awareness, the women entrepreneurs were more likely to choose to enter a new sector.

Two types of programs may be useful in building crossover capabilities: (i) entrepreneurship programs that incorporate more technical training and other customized services to facilitate this process of activity crossover, and; (ii) project-oriented programs that target specific sectors and activities and support links to particular supply chains with business and technical training and access to markets. One example of a successful crossover program in Bangladesh supported women entrepreneurs' entry into the clean cook stoves value chain by providing access to credit and incorporating other organizations, such as business associations, into the program.

While 'crossovers' approaches are very new and the exact avenues for supporting these transitions are as yet unclear, their potential impact is substantial, and experimenting with crossover interventions could yield significant results.

Source: "Breaking the Metal Ceiling: Female Entrepreneurs who Succeed in Male Dominated Sectors." Campos, F., Goldstein, M., McGorman, L., Boudet, A.M.M, Pimhidzai, O. World Bank Policy Research Working Paper No. 7503 and "Women Entrepreneurs in Male Dominated Sectors", Alibhai, S., Buehren, N., Papineni, S. World Bank Policy Brief, November 2015.

Text Box 4: Business Plan Competitions to Identify Growth-Oriented Entrepreneurs

How can we target growth-oriented entrepreneurs? An experiment in Nigeria shows that a business plan competition can be effective in identifying entrepreneurs with the highest potential.

The Youth Enterprise With Innovation in Nigeria (YouWiN!) program is a business plan competition launched by the President of Nigeria in October 2011, aimed at encouraging innovation and job creation through the creation of new businesses and the expansion of existing ones.

To be eligible, applicants had to be a Nigerian citizen, age 40 or younger, proposing the creation or expansion of a business venture in Nigeria. Of the 23,844 applicants, the top 6,000 were selected for a four-day business plan training course. Following the course, the program selected 1,200 winners to receive business grants averaging \$50,000 each.

Making up the group of winners were those with the top 300 scores nationally; the 180 with the top score in their region; and 720 chosen randomly from a pool of 1,841 semifinalists to allow a rigorous impact evaluation. The impact evaluation used this randomized experiment to compare winners with the remaining 1,121 semifinalists as the control group. Three rounds of follow-up surveys were taken one, two, and three years after the application.

What impact did winning have? For new firms it increased the likelihood of survival over three years by 37 percentage points and the likelihood of having 10 or more workers by 23 percentage points. For existing firms it increased the likelihood of survival by 20 percentage points and the likelihood of having 10 or more workers by 21 percentage points. Winning led to a 23 percent increase in profits for new firms and a 25 percent increase for existing ones and to more innovation for both groups. The implied real return on capital was 1.5 percent a month.

By the end of year three the 1,200 winners were estimated to have generated more than 7,000 new jobs. On cost per job-year generated, the program compares favorably with stimulus programs in the United States and with programs in developing countries to provide vocational training, business training, wage subsidies, or small grants to microenterprises.

The results of this evaluation show that a business plan competition can be successful in identifying entrepreneurs with high potential and that supporting them can lead to significant results in increasing firm growth and employment.

Source: McKenzie, David, 2015. "Identifying and Supporting Growth Oriented Entrepreneurs in Nigeria." World Bank Africa Research Newsletter, February 2016.

A woman with a bright smile, wearing a purple lace top, stands behind a red metal fruit stall. She is reaching towards a basket of oranges. In the background, bunches of bananas are hanging from the stall's structure. The scene is brightly lit, suggesting an outdoor market setting.

Section 3

Access to Financial Services

Section 3: Access to Financial Services

Key Points

1. Most financial institutions see women as a profitable segment, but very few institutions recognize that they have unique needs, such as alternative collateral requirements. Most financial institutions have some form of dedicated product for micro and small enterprises, which they disburse in a standardized format to both women and men.
2. There is a long history of Grameen-style, group-lending for women entrepreneurs. This serves necessity entrepreneurs reasonably well, but is not adequate for the growth-oriented, who need loans much larger than the 10 Million Rupiah ceiling of group lending.
3. The 15% segment of growth-oriented WEs exhibit the strongest demand for credit by a significant margin, and are the least served. These women entrepreneurs need tailored, individual loan products, anchored around alternative collateral mechanisms.
4. Demand for insurance products is nascent, and women entrepreneurs are heavily uninsured. Products such as life insurance, property insurance, and business interruption insurance could serve a critical need, especially amongst growth-oriented women entrepreneurs. Tapping into business associations and networks to develop women-centric insurance schemes could enable providers to offer group rates and bring down premium costs.
5. Necessity women entrepreneurs' show signs of a 'kin tax', where their business profits are diverted to family expenses. A combination of savings education campaigns and mobile savings accounts which protect women's privacy could help inculcate savings behavior amongst necessity women entrepreneurs.

Access to financial services, especially credit, has been frequently cited as a binding constraint for women entrepreneurs and for MSMEs in Indonesia at large. The World Bank's Enterprise Survey (2009) identified access to finance as the top reported challenge of Indonesian firms. Myriad other studies have also pinpointed access to finance as a critical constraint to growth of firms of all sizes and sectors in Indonesia (Mahmud and Huda, 2011; Struyk and Haddaway, 2011; Mourourgane, 2012).

According to existing literature, a large proportion of Indonesian women entrepreneurs have a demand for finance, but are either unable to access it, or are unable to access it in the amounts they require. The main reasons for this are a lack of proper documentation such as audited financial statements, high transaction costs in searching for appropriate services, lack of collateral, tedious documentation requirements, and lack of business networks (Women World Banking, 2016). High interest rates are an additional deterrent for women entrepreneurs in accessing credit in Indonesia (Asia Foundation, 2014).

Policymakers are well-aware of the challenges, and numerous large and small-scale interventions aimed at resolving credit constraints for women entrepreneurs have already been implemented. Guarantee schemes, interest subsidy schemes, and revolving loan funds for MSMEs generally have addressed some of the key constraints. While impactful, however, these interventions have also been identified as suffering leakages and inefficiencies, often due to incorrect targeting and poor coordination.⁴

The section that follows attempts to add insight into the differing needs of the identified segments of the population of female entrepreneurs in Indonesia, focusing on what specific financial interventions might offer value and to whom.

A. Financial Sector Overview

I. Financial Sector Landscape

The financial system in Indonesia is dominated by banks. Of the total formal financial assets in Indonesia, banks manage about 79%. Other non-bank financial institutions (NBFI) which are registered as credit-providers in Indonesia are micro-finance institutions, multi-finance institutions, pawnbroker, Venture Capital Companies, and Infrastructure Finance Companies (OJK, Jan 2016), but even combined these institutions comprise a small portion of the country's assets relative to banks.

Credit from the banking sector (commercial and rural banks) to MSMEs in 2015 was IDR830.7 Trillion, or 19% of total credit (BI, 2015). Amongst this, most of the credit was given to medium scale enterprises which took 47% of total MSME credit. The banking sector has been showing robust growth with a Capital Adequacy Ratio (CAR) at 20.4%, a Loan To Deposit Ratio (LDR) at 89.7%, and Non-Performing Loans (NPLs) at 2.6% in October 2015, much lower than the threshold 5% by OJK.

4 The evaluation report, "Developing a Synergy in Financing Programs to Promote People's Economy" prepared for Ministry of Finance highlights that the major government credit programs (guarantee schemes, interest rate subsidy schemes, revolving loan funds) "might not have the right target" and have "overlapping targets".

The broad picture of the financial sector in Indonesia, then, is one which is dominated by commercial banks, which exhibit health performance and profitability. Despite the large share of MSMEs in the Indonesian economy, banks direct only a very small proportion of their credit portfolio to MSMEs, and they shy away from lending to smaller enterprises due to information asymmetries and perceived risk.

Indonesia is currently building a dual credit system where the Financial Services Authority (OJK) will maintain a credit registry system while at the same time allowing private credit bureaus to operate in the country. The dual credit reporting system also plans to capture supporting data for credit including from land registry (National Land Office), vehicle registry (Indonesian National Police), moveable asset registry (Ministry of Home Affairs), and public services companies (Telecommunication, Electricity, Water, etc).

Under the Trust Fund of Financial Inclusion Support Framework, World Bank Group has been supporting OJK and BI in the current reform of credit reporting system in Indonesia. A secured transactions registry which has been developed will allow banks and other financial institutions to register movable collateral from MSMEs in a common registry, enabling more MSMEs to borrow without relying on traditional collateral (land or buildings). The system is yet to be adopted by lenders, but holds promise for the future.

The broad picture is financial sector infrastructure which has only partial coverage, and does not provide lenders the full confidence they need to lend without traditional forms of collateral. While reforms are being undertaken, a meaningful entrance of banks into the MSME space will require incentives and support.

B. Supply of Finance

I. What Financial Products Are Available?

Financial institutions in Indonesia report significant outreach to women entrepreneurs. However, the extent to which women are served varies significantly amongst different types of financial institutions. At the bottom of the pyramid, government programs and non-bank financial institutions (MFIs, Coops, and Pawn Shops) have strong outreach to women for credit and savings products. Amongst banks, outreach to women is significantly weaker. Still, banks overwhelmingly view women entrepreneurs as a profitable market segment, with 67% of banks reporting that the prospect of giving credit to female entrepreneurs is profitable.

While banks reach fewer women entrepreneurs than non-banks, banks and non-banks alike lack dedicated facilities for women entrepreneurs. Most financial institutions have some form of dedicated product for micro and small enterprises, which they often disburse in a standardized format to both women and men. The lack of targeted, dedicated products is slightly less of an issue of non-banks than for banks, which rarely if ever offer targeted products for women entrepreneurs.

While banks, the dominant player in the financial sector, are reaching some female borrowers, it will be difficult for them to meet the growing demand of women entrepreneurs, unless they are able to adapt their products and services to cater to women.

Table 13: Financial Services Supply

<i>Banks and non-banks alike see women as profitable, but banks have lower outreach to women.</i>		
% female borrowers		
	Banks (n=45)	Non-Banks (n=83)
Mean	35.9%	68.5%
% female savers		
	Banks (n=41)	Non-Banks (n=87)
Mean	47.5%	64%
Perceptions of female clients		
	Banks (n=48)	Non-Banks (n=87)
Profitable	67%	76%
Neutral	33%	24%
<i>Tailored Products</i>		
<i>Very few institutions have tailored products for women entrepreneurs</i>		
Does this financial institution have a special loan product for []? (N=135)		
	For MSEs	For Women
Yes	95.6%	6.7%
Does this financial institution have a special savings product for []? (N= 135)		
	For MSEs	For Women
Yes	23.7%	3.7%
Does this financial institution have a special insurance product for []? (N=135)		
	For MSEs	For Women
Yes	14.1%	0.7%

Most financial institutions reach women through micro credit schemes. Micro credit schemes are usually operated using the 'Grameen' model, where each borrower belongs to a group, and peer pressure within the group serves as a form of social collateral to secure the loan. For an individual woman entrepreneur, the maximum amount she can borrow from a micro credit scheme of this nature is 10 Million IDR. The provision of micro credit access is usually accompanied with a micro saving product, which functions either as a principal or compulsory savings account. A number of financial institutions and borrowers alike noted that the group lending schemes are valuable for some women entrepreneurs, but not appealing for larger or growing entrepreneurs, who require loans larger than 10 Million Rupiah, or who are ready to graduate from group lending.

Text Box 5: Examples of Tailored Financial Products for Women Entrepreneurs

As financial institutions begin to recognize the market potential of women entrepreneurs, new products are emerging to better reach them. Evidence suggests that tailoring products improves outreach substantially, and can resolve access gaps between women and men.

Insurance: Women entrepreneurs' business and personal lives are tightly linked - events in their personal lives such as pregnancy, childbirth, and maternity leave impact on their income-generating activities. Since they face high demands on their time for household work and childcare, women face a higher risk of business interruption, and have a greater need for income protection insurance against personal shocks. Insurance products which provide standard business interruption protection bundled with protection for a diverse set of women-specific personal and health needs including maternity, female-specific check-ups, legal protection (such as refunding legal expenses related to divorce) and assistance at difficult times such as disability in the case of widowhood can be invaluable in protecting the income-earning ability of the female policy holder.

Lending: One of the most widely acknowledged constraints faced by women entrepreneurs is a lack of access to credit due to a lack of collateral. Collateral alternatives targeted to women entrepreneurs can be a powerful way of expanding outreach to credit-worthy borrowers who do not possess traditional forms of collateral. Data-driven solutions are beginning to present feasible, profitable models for financial institutions to tailor to unsecured lending to women entrepreneurs. Psychometric testing, which involves administering a tablet or mobile-phone-based multiple choice test to loan applicants to determine credit-worthiness, has shown significant potential for women borrowers. By classifying uncollateralized women borrowers into risk buckets, the technology allows a financial institution to predict which borrowers are likely to default, and which are likely to repay, and to lend with limited or no collateral.

Savings: Family and external pressure influence women's decision to save. This is especially the case for poorer women entrepreneurs and necessity entrepreneurs, who are pressured to divert earnings to the household instead of re-investing them in business. ATM cards and branch banking tend to be problematic for these women entrepreneurs, since their accounts and savings behavior become visible to family and to those around them. Mobile money can provide women with sufficient autonomy and privacy to invest cash in the business rather than in the extended family. Mobile savings and transaction accounts targeted to micro women entrepreneurs can therefore be an invaluable product.

II. Motivation for Serving Women Entrepreneurs

Despite the limited engagement by banks, and the shortage of tailored products for women entrepreneurs by banks and non-banks alike, the majority of all financial institutions nonetheless see women entrepreneurs as a profitable market segment, with whom they want to engage.

Overall, 73% of financial institutions state that the prospect of lending to women entrepreneurs is very good. The majority of financial institutions find women entrepreneurs to be credit-worthy and responsible clients, even in comparison to men. For example, 78% of financial institutions agree with the statement “women micro entrepreneurs are more diligent to save than men micro entrepreneurs”, and 53% believe that, in general, women micro entrepreneurs are actually better at repaying loans than men micro entrepreneurs.

Profitability alone is not the only reason for reaching out to women entrepreneurs. Through in-depth interviews with financial institutions, our qualitative work uncovered more insight into the motivations for serving women entrepreneurs. The main drivers for serving women entrepreneurs were (i) market potential assumption; (ii) social mission; (iii) perceptions of good character of women entrepreneurs; and (iv) support from national and international networks. Specific reasons given by financial institutions for serving women entrepreneurs were as follows:

1. Market Potential
 - More than 90% MSMEs are micro and small enterprises
 - More than 60% micro enterprises are women
 - Half of North Sumatera population are women
2. Social Mission
 - Empowering women means empowering the household
 - Empowering women will increase household income
 - Empowering women will help improve livelihoods and alleviate poverty
3. Women’s Character
 - Women debtors are more responsible and punctual than men when repaying the loan
 - Women are more easy to be organized as a “group” of borrowers
 - Women are more committed to using the loan for livelihood activities
4. Networks
 - Lesson learned from Grameen bank model for developing the women program
 - Local and international network for sharing experiences
 - Available funding support for women’s micro program start up

Summaries of case studies on financial institutions which have experience in targeting women entrepreneurs are provided in the annex of the report.

III. Limitations in Serving Women Entrepreneurs

Despite strong motivation, financial institutions expressed a number of common limitations that hinder their ability to serve women entrepreneurs. When we compare statements from financial institutions with statements from women themselves, we find that some of these hindrances seem to be firmly grounded in reality, while other seem to be perceptions that may not be entirely accurate.

Many financial institutions, including ASPPUK, MBK, ItQaN, and SBW, observe that women have an unequal position in their family and society, and that they have less voice in their families and less ability to make decisions in the household, making it hard for them to run a business successfully. While some entrepreneurs express this challenge themselves, the quantitative survey data reveals that most women entrepreneurs do have decision-making capability in their households, and feel empowered in controlling household finances and disagreeing with their spouses when needed. Similarly, financial institutions also express that women entrepreneurs have less business education and less knowledge to make their enterprises grow. The quantitative data suggests that while women entrepreneurs do indeed have low levels of education, their financial knowledge of how to make basic calculations and how to understand market forces, is in fact quite high.

The misdiagnoses of women entrepreneurs by financial institutions might be one impediment to serving women entrepreneurs effectively. Re-considering some commonly held beliefs about women entrepreneurs might be important for these institutions. In addition, ensuring that women are well represented in the institutions themselves – as branch staff as well as in management – should help to develop a closer understanding of the actual needs and challenges of female clients.

While some challenges are rooted in perception of service providers and may be more nuanced in reality, other challenges are confirmed by financiers and entrepreneurs alike. For example, SBW, ASPPUK, and KOMIDA find that women business activities mostly have limited start-up capital. This is confirmed by women entrepreneurs themselves, who report high incidences of resorting to family savings as a source of start-up capital. ANGIN reports that women business are mostly un-bankable because they do not have collateral; the lack of collateral is reported as a top challenge by women entrepreneurs themselves also.

Table 14: Perceptions of Challenges for Women Entrepreneurs⁵

<i>Institutions serving women entrepreneurs don't always diagnose their challenges accurately.</i>
<p>Decision-Making</p> <p>Financial Institutions: Believe that women have limited financial voice in households</p> <p>Women Entrepreneurs: 77% of women say they make financial decisions alone, or together with spouses</p>
<p>Limited Education and Knowledge</p> <p>Financial Institutions: State that women don't have enough education and business knowledge</p> <p>Women Entrepreneurs: 91% of women answer questions about market forces correctly</p>
<p>Lack of Collateral</p> <p>Financial Institutions: Report that women are unbankable due to lack of collateral</p> <p>Women Entrepreneurs: 27% report that the reason they didn't apply for loan was lack collateral</p>
<p>Lack of Start Up Capital</p> <p>Financial Institutions: Report that lack of start-up capital is a constraint for women</p> <p>Women Entrepreneurs: 80% of entrepreneurs started their business because the household needed money</p>

C. Demand for Finance

I. Varying Access and Demand

A large proportion of women entrepreneurs express a demand for financial services, especially credit, savings, and insurance. There is a gap between demand and access for all services in all segments, suggesting strong evidence of a need for financial services. There are significant variations, however, in demand for services amongst each market segment. Demand for credit and for insurance is strongest amongst growth-oriented entrepreneurs, but entrepreneurs in every market segment demand savings.

⁵ The data and information about the perceptions from Financial Institutions are concluded from qualitative supply-side survey

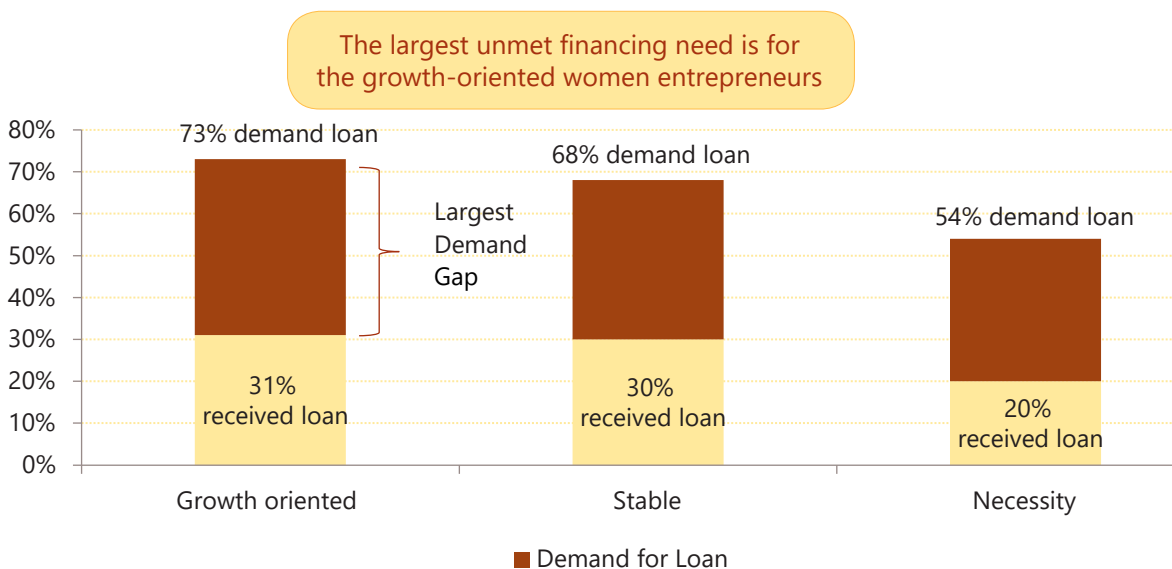
Table 15: Demand for Financial Services

<i>Demand for financial services varies amongst necessity and growth-oriented entrepreneurs.</i>		
Which services do you currently need? (N= 1,633)		
	Necessity	Growth-Oriented
Loan	40.9%	55.6%
Savings	39.7%	38.9%
Insurance	10.9%	14.3%
Transfers	2.3%	7.5%
None	20.1%	11.9%

II. Access and Demand for Loans

Women entrepreneurs surveyed have significant unmet financing needs, and this is especially apparent amongst the growth-oriented. Amongst the growth-oriented, 73% of entrepreneurs stated that they demand a loan for their business. However, over the past 12 months, only 31% received a loan from formal financial institutions. Amongst the stable and survival, 68% and 54% of entrepreneurs stated that they demand for loan for their business while 30% and 20% received loans. The largest demand gap is amongst the growth-oriented entrepreneurs.

Figure 12: Demand vs Access for Loans



Demand for savings is strong amongst all entrepreneurs, and especially amongst the necessity entrepreneurs. Growth-oriented entrepreneurs also express a demand for more sophisticated financial products, namely insurance and money transfers, at a higher rate than other segments.

While demand exists in all segments, there appear to be clear trends, in line with the evidence base on women entrepreneurs. Growth-oriented women entrepreneurs need large loans to fuel business expansion, while necessity entrepreneurs are already relatively well served by the wide availability of microfinance group lending. Growth-oriented entrepreneurs show slightly more demand for niche financial services, such as insurance and money transfers, likely because they recognize the long-run benefits to their enterprises. Savings are more of a priority for the stable entrepreneurs, who seem to be less well served than they could be by formal sources.

While many demand loans, some borrowers reported a disparity between the purpose for which they applied for the loan, and the actual use of the loan. Many women entrepreneurs (71%) took loans for working capital, but only a small proportion (47%) indicated that the loans were for working capital in the loan application, and instead reported they were for various investment purposes. A significant portion of women entrepreneurs also directed their loans to household expenditures such as childcare, health, or emergencies. This diversion is concentrated amongst the necessity entrepreneurs, suggesting that it could be due to the 'kin tax' phenomenon, where necessity women entrepreneurs use business credit for family and household expenditures, or other expenditures.

a) *The Loan Applicants: Larger and Younger*

In looking at the specific qualities which are associated with the likelihood of applying for a loan from a bank, several interesting findings emerge. There is a statistically significant difference in the number of employees, profits, and years of experience of women entrepreneurs who apply for loans, compared to those who don't. In general, the loan applicants have businesses that are 30 to 40% larger in employment and revenue than the non-applicants. At the same time, the applicants tend to be significantly younger enterprises. These findings confirm the strong demand for credit amongst the most growth-oriented enterprises.

Table 16: Determinant of Applying for Loans

Variable	Sample Mean	Mean, Applied	Mean, Did Not Apply	Difference	t-value	
Number of employees	0.547	0.839	0.446	0.392	3.86	***
Profits	2584197	3342932	2323563	1019369	2.92	***
Education Level	0.396	0.41	0.39	0.01	0.45	
Years of Experience	19.88	13.5	22.1	-8.58	-2.3	**
Age	45.10	44.7	45.2	-0.53	-1.1	
Marital Status	0.823	0.85	0.82	0.03	1.4	

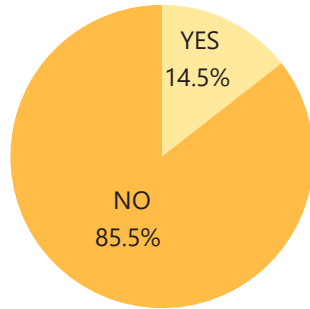
b) Reasons for Not Accessing Credit

In our survey and others, loan utilization rates are lower in Indonesia than in comparator countries in the region. Only a small proportion of respondents in the survey reported applying for a loan from a bank or other formal financial institution in the last 12 months. Other than banks, cooperatives are a common formal source of finance. These loan access statistics are backed up by other literature; the World Bank’s Enterprise Surveys, for example, find that only 18% of Indonesian firms had a loan or line of credit from a bank in 2009, compared to 30% in East Asia Pacific region, and 35% globally.

Figure 13: Access to Loan for Women Entrepreneurs

Women entrepreneurs in Indonesia are significantly credit constrained compared to regional and global averages.

In the last 12 months, have you ever borrowed for business from a bank?



In the last 12 months have you ever borrowed for your business from formal FIs other than bank?

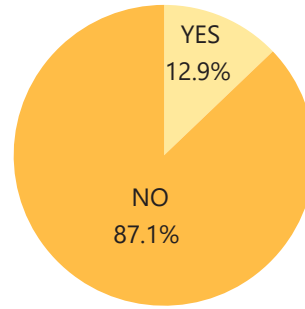
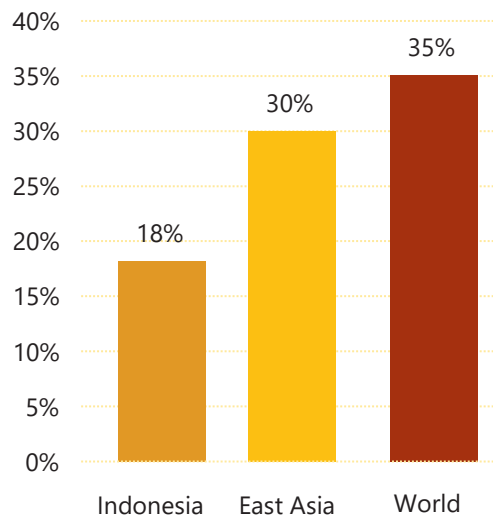


Figure 14: MSMEs which access loans



Source: World Bank Enterprise Surveys 2009

Utilization of non-bank finance is also low (13%), and does not fully explain the gap between Indonesia and other regions, suggesting the presence of a binding credit constraint for most entrepreneurs.

Interestingly, however, it appears that very few loan applicants at formal financial institutions are rejected for loans. Amongst 236 respondents who applied for loans, 220 or 93%, were approved and received loans with an average size of 31,500,000 IDR. Additionally, the amount of the loan granted was on average very close to the amount requested, for those who were approved, with an average of 95% of the requested amount approved.

What the loan application data suggests is that while few women entrepreneurs apply for loans, the ones who do, are very likely to receive them. They are also likely to receive them in the amounts requested. This implies a sort of ‘filtering out’ of applicants, where women entrepreneurs who feel they are not eligible or qualified for loans do not attempt to apply, even if they need finance. The data on reasons for not applying for a loan confirms this trend: while some women entrepreneurs do not need a loan or are afraid to apply for one, there is a sizeable segment of women entrepreneurs who do not apply for loans because they do not have collateral (19%) or because interest rates are too high (24%).

The data seems to suggest that women entrepreneurs who need finance self-select into two groups: those who apply for loans and almost always receive them in the amounts requested, and those who do not attempt to apply because they either don’t find the terms attractive or because they do not have collateral.

Figure 15: Sources of Collateral Provided, Banks and Non-Banks

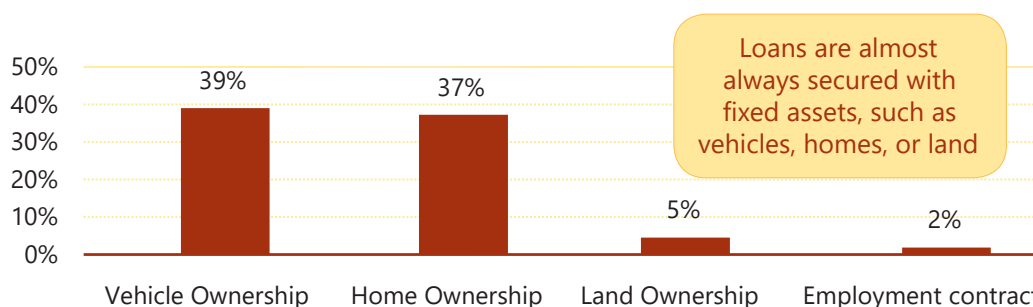


Table 17: Demand for Loan

<i>Most applicants are approved for loans, but many who demand loans are deterred from applying</i>		
Applied for a loan in the last 12 months		
	Bank (N=1633)	Non-Bank FIs (N=1633)
Yes	14.5%	12.9%
Whether approved or rejected		
	Bank (N=236)	Non-Bank (N=210)
Approved	93.2%	98.6%
Average Size of loan		
	Bank	
	31,500,000 IDR	

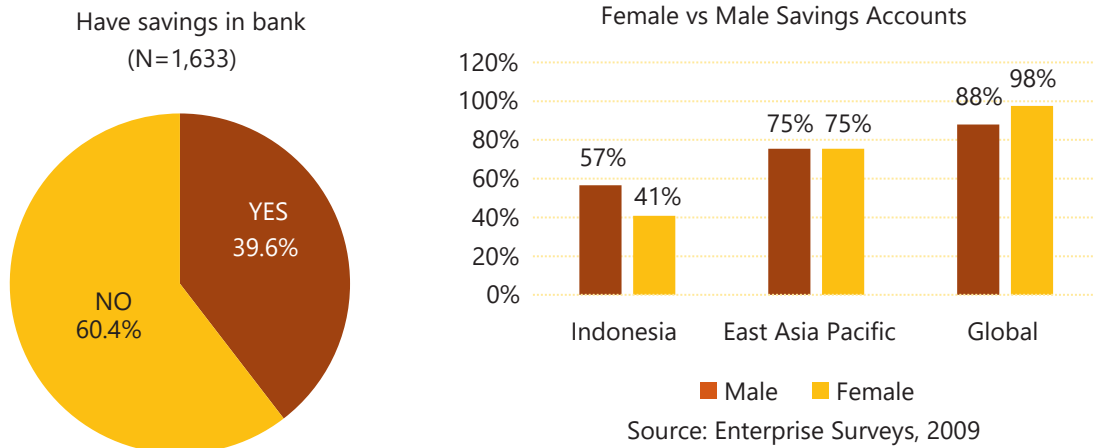
Types of non-bank at which applied (N= 210)		
	Freq	Percent
Cooperatives	122	58.1%
Local Economic Institutions	19	9.0%
Religious Institutions	15	7.1%
Reasons for rejection by the bank (N= 16)		
	Freq	Percent
Collateral	5	31.3%
Administrative requirements	4	25%
Criteria of the bank	3	18.8%
Reasons did not apply to a bank (N= 1397)		
	Freq	Percent
Do not need a loan	397	28.4%
The interest rate is too high	333	23.9%
Do not have the guarantee/collateral	268	19.2%
Afraid of having loan from bank because of the inability to pay	212	15.2%
I do not know about financial institutions	67	4.8%
Still having another loan	67	4.8%
The bank's procedure is too complicated	15	1.1%
Do not get permission from spouse or family	11	0.8%

c) *Reasons for Not Saving*

The reasons for not accessing savings and insurance are not dissimilar from the reasons for not accessing credit. Savings prevalence amongst women entrepreneurs is clearly low. Our survey found that 40% of women entrepreneurs have a savings accounts in a bank. This figure is very similar to 2009 data from the World Bank Enterprise surveys which found that 41% of firms with a female top manager had a savings or checking account, and this figure is especially low compared to global benchmarks.

Figure 16: Access to Savings

Savings rates are low amongst women entrepreneurs in Indonesia.



The main reason that women entrepreneurs do not have savings, according to respondents, is because they do not have excess funds. However, the detailed profitability analysis of enterprises suggests that most of the enterprises do have a surplus at the end of each month, after accounting for expenditures. One possibility to explain this discrepancy is the notion of a 'kin tax' suggested in other literature, through which women entrepreneurs are subjected to more family pressures and are more likely than men to divert business earnings to household expenses and to other family members, rather than re-invest them in their enterprise. A similarly interesting trend to support the 'kin tax' hypothesis is that 35% women entrepreneurs report keeping savings, but do not formally save the money in the bank. Very few of those who save outside the banks save with family (1%). However, a large number save outside the home, with neighbors, friends, and arisan⁶ (63%).

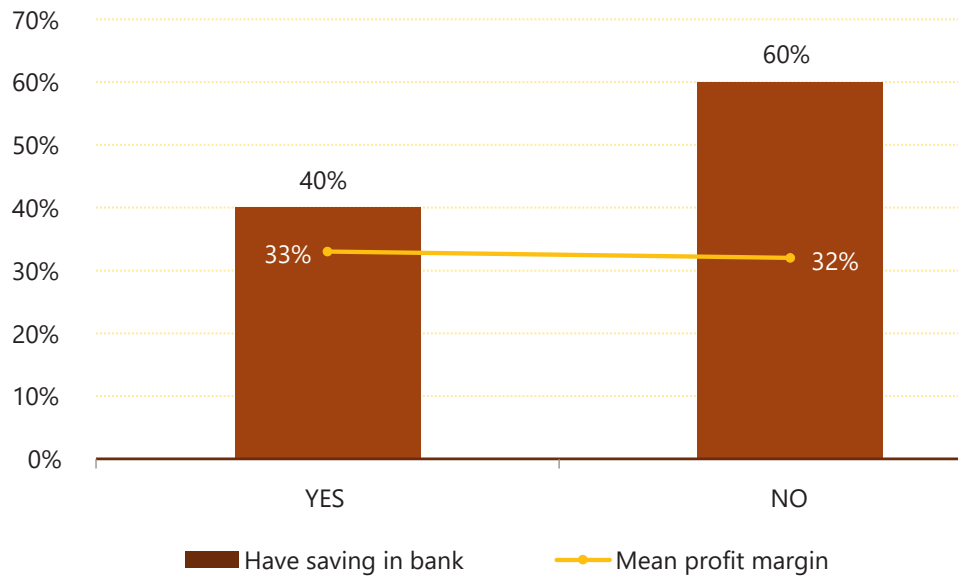
6 Arisan refers to a rotating saving organization where the members may be workers in the same firm, old friends, relatives or a mixture of these. The idea is that all will contribute a specific amount of money to a pool which will be given to one of the member in every meeting (Hasan et al, 2008).

Table 18: Demand for Savings

<i>Most women cite lack of funds as the reason for not saving</i>		
Do you have a savings account in your name at a financial institution? (N=1633)		
	Freq	Percent
Yes	646	39.6%
No	987	60.4%
What is the main reason women entrepreneurs do not have savings in a bank? (N= 987)		
	Freq	Percent
Administration cost is too high	76	7.7%
Bank location is too far	45	4.6%
Interest rate is too low	12	1.2%
There is no benefit	34	3.4%
Not accustomed to FIs	149	15.1%
Do not have excess fund	483	48.9%
Save in account of spouse's name	95	9.6%
Save in account of other HH members	22	2.2%
Do not have time to deposit money	12	1.2%
Do you have savings outside of a financial institution? (N= 1633)		
	Freq	Percent
Yes	565	34.6%
No	1,068	65.4%
Where do you have saving other than in the bank? (N= 565)		
	Freq	Percent
Cooperatives	125	22.1%
Economy-based institutions	8	1.4%
Customary-based institutions	22	3.9%
Religious-based institutions	46	8.1%
Family	6	1.1%
Office/Superior/Boss	8	1.4%
Neighbors/Friends/Arisan	353	62.5%

Figure 17: Savings in Banks and Mean Profit Margin

Women entrepreneurs who don't save cite 'lack of excess funds' as the main reason. However, these entrepreneurs have positive monthly profit margins, similar to those who do save



d) Reasons for Not Using Insurance

The demand for insurance amongst women entrepreneurs in Indonesia does not initially seem as high as that for other financial services, with only 12% of respondents currently stating that they need insurance. On closer inspection, however, there seem to be a large segment of women entrepreneurs who lack awareness of the benefits of insurance. This finding is in line with a recent in-depth study of the insurance market for women in Indonesia, which found that “cost, awareness, and a lack of targeted products are the biggest constraints faced by women in accessing insurance” (IFC 2015).

Generally, while the prevalence of health insurance is very high, other types of insurance are not utilized by women entrepreneurs. Cost of premium seems to be the main reason why women don't purchase insurance. At the same time, many women state that they do not understand the benefit of insurance products. Marketing and awareness raising for women entrepreneurs about the value of non-health insurance, such as accident and life insurance, could likely help to increase utilization rates and ensure that women-owned enterprises are suitably protected.

Table 19: Demand for Insurance

<i>Utilization of insurance by women entrepreneurs is low, due to cost and awareness</i>		
Do you have an insurance policy? (N= 1633)		
	Freq	Percent
Yes	601	36.8%
No	1,032	63.2%
What type of insurance do you have? (N= 601)		
	Freq	Percent
Life insurance	73	12.2%
Accident insurance	19	3.2%
Health insurance	542	90.2%
Housing insurance	1	0.2%
Vehicle insurance	3	0.5%
Education insurance	16	2.7%
What is the main reason women entrepreneurs do not have insurance? (N= 1032)		
	Freq	Percent
Do not have money to pay for the premium	379	36.7%
Do not need the product	110	10.7%
Do not trust the product	52	5.0%
Not interested in the product	131	12.7%
Do not know/understand the benefit of the product	178	17.3%
Application process is too complicated	96	9.3%

D. Gaps and Recommendations

I. Credit

Our data reveals significant unmet demand for credit by women entrepreneurs. Overall access to credit for MSMEs in Indonesia is lower than regional and global averages. Within this, women entrepreneurs access credit less than male entrepreneurs in Indonesia. While some women entrepreneurs naturally self-select out of applying for credit because they don't need it, or because they are sensitive to the high price of credit, a sizeable portion of women entrepreneurs demand credit even at prevailing market rates, but do not make it to the stage of applying for credit. Usually, these applicants 'filter out' because they do not have adequate collateral and know that they will not be eligible for a loan. Sources of collateral provided by women for loans are predominantly houses or vehicles.

The unmet demand for credit is strongest amongst the growth-oriented. Regression analysis shows similarly that business size is a major factor in determining who accesses loans, and that loan applications are concentrated amongst women entrepreneurs with higher profits and more employees, as well as amongst relatively younger enterprises. Qualitative analysis with financial institutions similarly reveals a common challenge: growing women entrepreneurs are not well-served by the limited size of microfinance loans which cap out at 10,000,000 IDR, and need to be able to access larger loans to fuel business growth.

Unmet financing needs of women entrepreneurs can best be met by focusing on the needs of the growth-oriented. These women entrepreneurs need tailored loan products, anchored around alternative collateral mechanisms. Helping financial institutions to develop innovative collateral alternatives that can screen in women entrepreneurs on high-growth trajectories with high likelihood of repaying loans could go a long way in extending credit to credit-worthy women entrepreneurs. While financial institutions may be slow to adopt novel technologies, public sector support to financial institutions aimed at piloting and underwriting innovative mechanisms for supporting women entrepreneurs could help them to move more quickly, and to extend their reach to better serve women entrepreneurs that are likely both to repay loans and grow their enterprises.

II. Savings

Similar to credit, savings rates for women entrepreneurs in Indonesia are both lower than those for male entrepreneurs in Indonesia, and lower than regional and global benchmarks. Entrepreneurs in all market segments demand savings, but the demand seems to be most pronounced amongst necessity entrepreneurs, who state that the reason they don't save is because they do not have excess funds. These same entrepreneurs are also very likely to be mixing household and business expenditures.

The finding that women entrepreneurs are not able to set aside business profits in savings accounts is a finding in line with the phenomenon of a kin tax by which women entrepreneurs are expected to channel business earnings back into the household, at the expense of re-investing in their enterprises. One method to improve the ability of women entrepreneurs to save some portion of their business earnings is to offer a private and confidential way for them to save. Income less visible to family and extended networks is income that women entrepreneurs can direct into savings and business investment. Already, many women entrepreneurs seem to have identified informal mechanisms for savings, and a majority of entrepreneurs keep money with neighbors, friends, and arisans.

Mobile savings accounts for women entrepreneurs can be an effective mechanism for ensuring privacy and autonomy in savings behavior. Marketing mobile savings accounts for necessity women entrepreneurs who seem to be more likely to divert potential savings to household expenditures could provide the needed privacy and autonomy to increase savings amongst this segment of women entrepreneurs. Since mobile savings accounts already exist in Indonesia, working with banking agents to market these to women entrepreneurs could help to increase take-up. Testing various approaches to mobile savings through piloting and measuring impact could help to shed light on how to better serve women entrepreneurs in this segment.

III. Insurance

Although demand for insurance products amongst women entrepreneurs in Indonesia is still nascent, many women entrepreneurs admit that this is because they don't have an adequate knowledge or understanding of how insurance products available on the market actually work. Insurance products have significant relevance for women entrepreneurs. Lacking insurance, women are likely to use profits or savings to pay for emergencies, rather than using it for productive uses such as technology investments or hiring new employees, and this can be a major impediment to growth. Moreover, women entrepreneurs personal and business lives are closely linked, and women are more likely to face business interruptions from life events that men will not face, such as pregnancy, childbirth, and maternity leave.

A very low proportion of women entrepreneurs in Indonesia possess insurance other than health insurance. Other products such as life insurance, property insurance, and business interruption insurance could serve a critical need, especially amongst growth-oriented women entrepreneurs. While women entrepreneurs generally do not engage with insurance providers, a very high proportion are engaged with women entrepreneurship associations and networks. Tapping into these associations and networks to develop women-centric insurance schemes could also enable providers to offer group rates and bring down premium costs. Matching insurance brokers with women's associations could therefore be a powerful way of expanding much-needed insurance to women entrepreneurs.

Text Box 6: Supporting Women's Business Associations

Business associations are important vehicles for supporting women entrepreneurs in Indonesia. Business associations can provide a forum for women entrepreneurs to network with the female role models, develop linkages with buyers and suppliers, and access information about available services and markets.

Data suggests that women in Indonesia are 33% more likely to use business associations than men and that the women entrepreneurs who interact frequently with associations are also the ones who are mostly likely to grow their firms (Asia Foundation, 2014). Indonesian women also seem to be more actively engaged in associations than women entrepreneurs in neighboring countries.

Designing relevant, effective supports for women entrepreneurs can therefore be improved by working with existing business associations. Two of Indonesia's leading networks, IWAPI and ASSPUK, are outlined below.

IWAPI or Indonesian Women Entrepreneurs Association was founded in 1975 by two women entrepreneurs from Palembang, South Sumatra. IWAPI was established as a means for Indonesian women entrepreneurs and for women who want to become independent entrepreneurs to promote and develop their business. IWAPI aims to connect the Indonesian women entrepreneur with a potential market and sources of fund that are ready to help them from the financial side.

To achieve the objectives, there are several engagements that IWAPI provides for its members, such as: facilitating trainings for MSMEs; improving access to the sources of financing; providing information for members (including market information, price information, exhibitions, business opportunities); marketing and promoting business of members.

IWAPI do not exclusively limits its membership criteria; it is open for all Indonesian women entrepreneurs from all business sector and scale. IWAPI currently has 260 branches in 32 provinces with more than 30,000 women entrepreneurs as its members. The members are of 85% small and micro businesses, 13% medium enterprises and 2% large enterprises.

ASSPUK, or Association for Women in Small Business Assistance, was formally established as an association in 2001, financed by the British Council. The members of ASSPUK are non-governmental organizations that have a concern to develop and empower women micro entrepreneurs.

One of main program of ASSPUK is to facilitate and strengthen its non-government organizations (NGOs) members in advocacy, networking, and fundraising which in turn will benefit women small-micro entrepreneurs. Another main program is to strengthen women small-micro entrepreneurs through facilitation, business assistance, training, and networking that are provided by NGOs of ASSPUK members. In addition to that, ASSPUK also initiates the establishment of women micro entrepreneurs' networks at district levels to organize women entrepreneurs into groups locally.

ASSPUK also has a concern to strengthen the access of women small-micro entrepreneurs to economic sources, including access to loan/credit. ASSPUK works with financial institutions to support to try to design services that can take account of the needs of its women entrepreneur members. Today, ASSPUK has 54 NGOs members which have broad networks in 20 provinces and 77 districts.

Text Box 7: How Angel Investors Can Help Startup Firms

Angel investors are generally defined as wealthy individuals who fund early-stage entrepreneurs and serve as mentors or advisors to help them grow. Globally, angels are on the rise. Angels are estimated to have deployed \$24.1 Billion of capital in 2014, up from \$17.6 Billion in 2009. Over the past five years, investments by angel groups have doubled in Europe and the United States. Angels are often not professional investors, and are uniquely and personally focused on the firms they back.

A recent publication from the National Bureau of Economic Research studied 13 angel investment groups in 12 nations — Argentina, Australia, Belgium, Canada, China, Germany, Italy, Mexico, New Zealand, Switzerland, the United Kingdom, and the U.S. They gathered data on 295 startups funded by these angel groups and 1,287 not funded, and compared similar firms.

The findings are unambiguous: Firms which are backed by angel investors are more likely to survive, create more jobs, and have a greater chance of successfully exiting the startup phase than otherwise comparable firms without this support. Startups that have angel backing are at least 14 percent more likely to survive for 18 months or more after funding than firms that do not. Angel-backed firms hire 40 percent more employees, and angel backing increases the likelihood of successful exit from the startup phase by 10 percent, to 17 percent. In countries other than the United States, angel-funded firms are also more likely to attract follow-on financing.

Across nations, firms that attracted a high level of interest among angel investors were more likely to grow, issue patents, win new rounds of funding, and have a successful exit from the startup phase.

Indonesia is already ahead of the curve, when it comes to angel investing. The Angel Investment Network of Indonesia (ANGIN) was first launched in 2013 under the Global Entrepreneurship Program Indonesia (GEPI). ANGIN was established with the specific goal of addressing the challenges faced by female entrepreneurs, who in many cases are not bankable and who are not able to meet the conditions required by formal financial institutions to submit applications for loans of working capital. This network was established by gathering together 15 female Indonesian business leaders to form a single investor group, the purpose of which was to provide funding and facilitation to entry-level female entrepreneurs.

ANGIN funds enterprises in the form of equity and without any requirement for collateral and imposition of interest. In return, ANGIN receives repayments and a share of profits at the end of the investment period, or it received a percentage stake in the company after the

investment has commenced. In addition to providing financial capital, ANGIN also provides support in terms of capacity building through the provision of mentoring, access to networks, and business consultations.

As of 2014, four female entrepreneurs had received funding from ANGIN, each in the amount of 300 Million to 500 Million Rupiah. While still operating at a very small scale, ANGIN has the potential to mobilize Indonesia's nascent angel investor community and bring their support to bear in supporting some of the most high-potential but unbanked female-owned enterprises in the country.

Source: "The Globalization of Angel Investments: Evidence Across Countries". Lerner, Schoar, Sokolinski, and Wilson, 2013, National Bureau of Economic Research, Working Paper No. 21808



Section 4

Access to Non-Financial Services

Section 4: Access to Non-Financial Services

Key Points

1. There is a mis-match between available business development services and participation by women entrepreneurs. Only 12% of entrepreneurs have ever utilized BDS.
2. Non-users express demand and willingness to pay for business development services, but are often unaware of available opportunities. Generally, participants tend to be smaller businesses run by older and less educated entrepreneurs.
3. For necessity entrepreneurs, competition is a major challenge. Training and skills development which can help some women entrepreneurs in low-value and highly competitive sectors transition such as food production, beauty salons, and mini grocery stores transition into higher-growth sectors in areas such as construction, manufacturing, and technology could be a valuable area of intervention.
4. For growth-oriented entrepreneurs, high-quality consulting services including one-to-one management consulting, could help catalyze business growth. Engaging business networks in the delivery of these services would be critical.

In addition to financial services, high quality business development services can help women-owned MSEs to improve business practices, connect to broader markets, increase productivity, and ultimately grow in size and earnings. These services may include, for example, training, counselling and advice, information provision, technology development and transfer and business linkages.

Despite their intuitive appeal, the existing evidence on business development services (BDS) suggests that interventions need to be very well thought-out and carefully targeted, since many have been shown to have little to no impact. The challenge is particularly acute for women entrepreneurs, who are even less likely than their male counterparts to benefit from business development services due to their concentration in low-value sectors, and the high transaction cost of providing quality services to them.

Still, the demand for business development services in Indonesia is palpable, with both types of women entrepreneurs, local government, and private providers expressing a clear need for the provision of high quality services. The analysis that follows aims to assess the specific market segments in which business development services might be best targeted, and the specific types of interventions which seem likely to benefit them most.

A. Supply of Business Development Services

Strong government support for MSMEs and entrepreneurs in Indonesia over the past few decades has enabled a number of business development service providers to grow and evolve. The majority of BDS providers in Indonesia receive some sort of public support, and the BDS market is largely subsidized by government and donor institutions, although many BDS providers also collect nominal service fees from clients. While the transition to a market-oriented BDS sector is a more optimal long-term arrangement, public subsidies are not uncommon for early-stage BDS markets, and are an indication of a proactive government approach to supporting MSMEs.

Our supply-side data consists of surveys with 112 BDS providers across the country. Amongst these BDS providers, outreach to women entrepreneurs is very strong. 70% of all beneficiaries of BDS are female, and 30% are male. In terms of actual services offered to women entrepreneurs, the menu is diverse. BDS providers offer a wide range of supports to women entrepreneurs, and most BDS providers offer a combination of training, consulting, mentoring/counselling, networking, and even facilitating access to finance. The most commonly provided form of BDS are consultation services and training, which are offered by 43% and 41% of total 112 BDS providers from the surveys. Some BDS providers (24%) also provide loans from internal sources of funds directly to women entrepreneurs. From the perspective of BDS providers, the market outlook for BDS provision in Indonesia is healthy. 60% of BDS providers felt that women entrepreneurs are willing to pay for BDS services.

While outreach to women entrepreneurs is strong and the menu of services provided is sufficiently diverse, most providers do not feel that women entrepreneurs require a specific product or approach, distinct from other MSMEs. 86% of BDS providers feel that the challenges in running the business faced by women micro-entrepreneurs are the same as the challenges faced by MSMEs generally, and 91% feel that the challenges faced by women entrepreneurs in accessing loans are the same as the challenges faced by MSMEs generally.

The specific offerings of BDS providers within training, mentorship, and consulting to women-owned enterprises are rarely tailored for women, and are mostly focused around technical skill areas. Few if any providers indicated the presence of gender-sensitive business development service content, such as sessions on gender discrimination, dealing with harassment, managing male employees or negotiating with male suppliers. There is, then, significant room for improvement in incorporating more gender-sensitive and women-targeted BDS.

Figure 18: Topics of training offered by BDS Providers



Table 20: Supply of Business Development Services

Most BDS providers serve women entrepreneurs in the same way they serve male entrepreneurs

What is the source of finance for this institution? (N = 112)

	Freq.	Percent
Clients	45	40.2%
Company/donor institution	29	25.9%
University	7	6.3%
Non-governmental organization	3	2.7%
Individual	31	27.7%
Central government or local government	66	11.6%

What type of services have you provided to Micro and Small Enterprises? (N = 112)

	Freq	Percent
Consulting	98	87.5%
Mentoring	87	77.7%
Training	101	90.2%
Facilitating access to finance	60	53.6%
Networking services	79	70.5%

Types of Services provided particularly for Women Entrepreneurs (N= 112)

	Freq	Percent
Consulting	48	43%
Mentoring	41	37%
Training	46	41%
Facilitating access to finance	22	20%
Networking services	25	22%

Types of training services provided to Micro and Small Enterprises [Top 5] (N = 101)

	Freq	Percent
Marketing	59	58.4%
Business Planning	47	46.5%
Improving Product Quality	43	42.6%
Utilization of IT	31	30.7%
Financial Management	33	32.7%

In general, are women entrepreneurs willing to pay for services from this institution? (N = 112)

	Freq	Percent
Yes	67	59.8%
No	32	28.6%
Don't know	12	10.7%

Are the main challenges encountered by women micro entrepreneurs the same as those encountered by micro entrepreneurs generally? (N = 112)

	Freq	Percent
The same	96	85.7%
Different	16	14.3%

B. Demand for Business Development Services

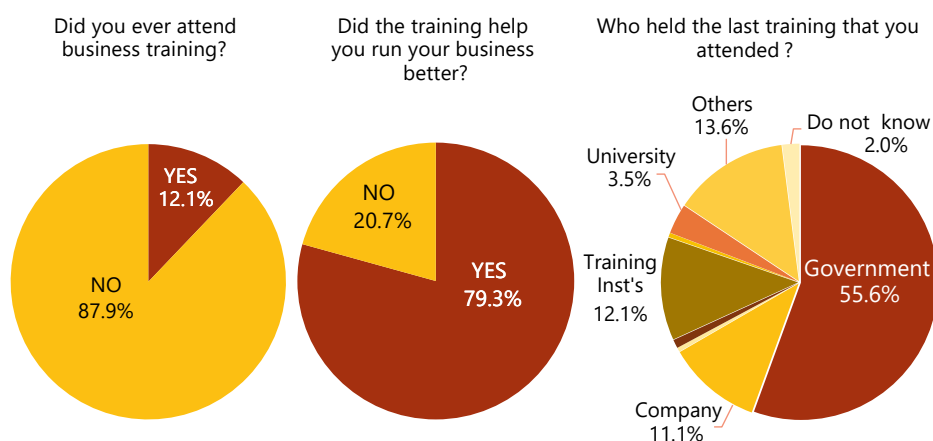
From the supply-side, the market for business development services appears to be relatively well-developed, with a diverse offering of services and good outreach to women, even if services aren't necessarily gender-sensitive or tailored to women's needs. From the demand side, a more complex picture emerges, in which women entrepreneurs appear to have strong demand for services, but low overall levels of participation. The analysis that follows looks at the main determinants of participation and the main reasons for non-participation.

I. Low Participation, Unmet Demand

Overall, only 12% of our full sample of women entrepreneurs had ever received any business development services. In most cases, these entrepreneurs participated in a business or entrepreneurship training course which was provided by government. While participation is low, however, this is not necessarily a reflection of low demand. The majority of entrepreneurs who participated in BDS in the past felt that the services helped them to run their businesses better. Satisfaction was slightly higher for training provided by private companies and providers than with training provided by government, with 88% of trainees of private institutions and 78% of trainees of government programs reporting that the training helped them run their business better.

Figure 19: Access to Business Development Services (BDS)

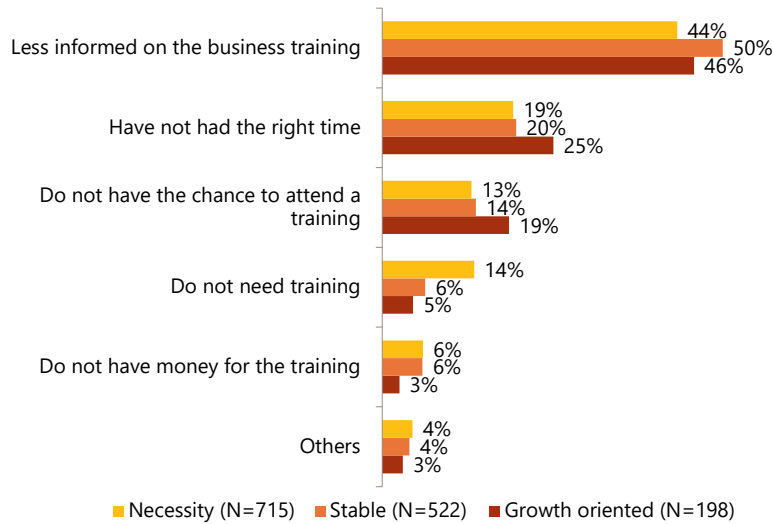
Participation in business trainings is low, but satisfaction is high



Considering the high level of satisfaction with BDS amongst those who participate, it is difficult to understand why many women do not participate. The picture that emerges is that many women are not aware of the opportunities for BDS. 46% of women who didn't participate in training said that the reason they didn't participate was only because they didn't know about the existence of a business training program. However, the reasons for not attending vary amongst the growth-oriented and necessity entrepreneurs.

Figure 20: Reason for Not Participating in BDS

Growth oriented and necessity entrepreneurs have different reasons for not attending trainings.



Indeed, while participation is low, data suggests a significant unmet demand for business development services amongst women entrepreneurs. Most women entrepreneurs who participated in business training paid a small fee for participation, on averaging amounting to 288,000 IDR. While the fee paid was often only nominal and likely only covered a small portion of the actual delivery cost, it is indicative of healthy demand and willingness to pay for BDS. There are many women entrepreneurs who express a demand for improving their business skills, and even a willingness to pay for BDS, but who have not yet accessed any services.

II. The Participants: Smaller, Older, Less Educated

While only a small proportion of women entrepreneurs participate in BDS, there are several significant determinants of participation. There is a statistically significant difference in number of employees, education level, and years of business experience for participants in BDS compared to non-participants. However, the trend is not as expected. Instead of the BDS participants being the larger and more growth-oriented entrepreneurs, they are in fact significantly less educated, and have smaller, older businesses.

Table 21: Determinants of BDS Participation

Variable	Sample Mean	Mean, BDS Participants	Mean, Non-Participants	Difference	t-value	
Number of employees	0.547	0.471	1.041	-0.570	-3.79	***
Profits	2584197	2631740	2266162	365578	1.5954	
Education Level	0.396	0.384	0.479	0.095	-2.63	***
Years of Experience	19.88	20.83	13.72	7.11	2.199	**
Age	45.10	45.21	44.42	0.78	1.2667	
Marital Status	0.823	0.821	0.840	-0.019	-0.712	
Business knowledge	6.470	6.480	6.410	0.069	0.4121	
Financial Decisions	0.090	0.092	0.073	0.019	1.018	

What the data suggests, then, is that BDS participants are primarily the less growth-oriented women entrepreneurs. These entrepreneurs may be the ones participating because they are the most likely to be targeted by service providers, which from qualitative data are often focused on poverty alleviation and on targeting the most vulnerable. The section that follows unearths why this trend of BDS focused on the more vulnerable women entrepreneurs is a problematic one.

III. Impact of BDS on Enterprises

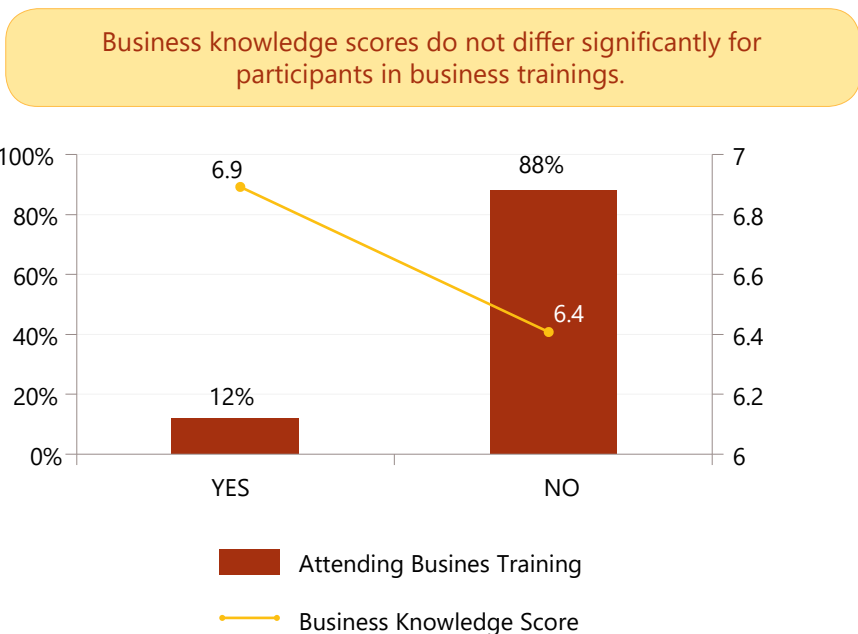
Global evidence suggests that the impact of business training, on necessity women entrepreneurs is limited (Campbell et al 2015, Buvinic 2015). The data from our study on women entrepreneurs in Indonesia supports this trend. If there was an impact of business training on participants, we might expect to see a change in some forms of business knowledge or business practices amongst the BDS participants, compared to similar participants who had not participated in BDS.

We conducted a simple regression analysis, controlling for the main factors that might influence a participant's business knowledge. When controlling for education level, years of experience, and business size, we found no statistically significant difference in the percentage of correct answers to series of business knowledge questions for participants and non-participants in business training. We also did not

find evidence of any impact of participation in business training on outcomes such as keeping written financial records, or existence of a business plan.

Without time series and control group data, our analysis is only partial and we cannot make strong conclusions about the impact of business training on the Indonesian women entrepreneurs who participated. However, our cursory analysis indicates that there is not a strong relationship between BDS participation and some of the outcomes of interest that a policymaker would normally expect a business development service to impact upon. The regression results are presented in the annex.

Figure 21: Access to Business Training & Business Knowledge



C. Gaps and Recommendations

I. Tailored BDS for Women Entrepreneurs

Women entrepreneurs ostensibly face some obstacles in running their businesses that men do not. For many entrepreneurs, for example, a top reported challenge they face is how to balance their duties in the home and those in their business. Despite the need for BDS tailored to women entrepreneurs, very few BDS providers tailor their services for women entrepreneurs. Female trainers, curricula with example of female businesses and business sectors, flexible hours to accommodate mothers and provision of childcare services at training sites are some examples. Working with BDS providers to incorporate 'soft-skills' and women-focused BDS which can help overcome women-specific needs and challenges should be a direction for future support. An additional concern commonly stated by women entrepreneurs is that there is too much competition. BDS which can help some women entrepreneurs in low-value and highly competitive sectors transition into higher-growth areas could be another valuable area of intervention.

II. Individualized Support: Consulting, Incubators, Mentorship for the Growth-Oriented

The existing BDS available has been accessed by only a small proportion of women entrepreneurs, who tend to be less educated and have smaller businesses. More impact might be achieved by targeting those women entrepreneurs who are on an existing growth trajectory. These entrepreneurs are not likely to participate in lengthy trainings, but might benefit from one-to-one consulting or mentorship services, that can help them with specific challenges such as expanding into new markets, improving business practices, and connecting to global value chains. Women's business incubators can be especially effective for women entrepreneurs, as a place where they can come together for peer-to-peer learning through mentorship and networking.

III. Involving Business Associations

The important role of business networks also emerges in the literature about women entrepreneurs in Indonesia. Women in fact tend to utilize business networks and associations in Indonesia more than their male counterparts. Women entrepreneurs tend to utilize these networks to share operational challenges and seek support in resolving them. Leveraging existing networks and trusted their relationships with women entrepreneurs is therefore a good pathway for both marketing and delivering new services for women entrepreneurs in Indonesia. Growth-oriented women entrepreneurs are highly engaged with women's business and entrepreneurship associations.

A woman wearing a black top with intricate blue and gold floral embroidery and a colorful headscarf is smiling. She is surrounded by numerous stacks of woven baskets, some with dark brown bands. The background is a bright blue wall. A semi-transparent orange box is overlaid on the top left, containing the text.

Conclusion and Policy Implication

Conclusion and Policy Implication

This study attempted to make the case for segmenting the market of women entrepreneurs in Indonesia, in order to better target future interventions. The underlying thread and key premise of the study is the need for different services for different segments of women entrepreneurs, based on their growth trajectories.

The study builds on experience of the World Bank's Finance & Markets Global practice in designing interventions to finance and support high-potential women entrepreneurs around the world. The recommendations that follow therefore focus in on specific interventions to reach the growth-oriented segment. At the same time, our analysis also touches upon broad recommendations for supporting Indonesia's necessity entrepreneurs, who comprise a large share of the overall population of women entrepreneurs.

Targeting

Key Finding: Programs targeting entrepreneurs and women entrepreneurs in Indonesia in the past have often yielded sub-optimal results because of their inability to target the right firms (Tambunan, 2010). Often, programs and policies are designed to serve all women entrepreneurs with a standardized intervention, or are simply targeted at 'micro' or 'small' firms. Evidence globally suggests that segmenting the market of women entrepreneurs into distinct categories can help to better meet individual needs (World Bank, 2014). Our findings suggest that approximately 15% of women entrepreneurs can be classified as 'growth-oriented', and that this segment has very distinct and unmet needs.

Recommendation: Interventions need to be targeted based on growth ambition, not based on whether an enterprise is micro or small. Most women entrepreneurs in Indonesia operate micro-enterprises, but amongst these there is a sizeable proportion of growth-oriented. Experiences targeting growth-oriented entrepreneurs in other countries can be utilized to model interventions.

Once appropriate interventions for the growth-oriented are designed, there are several ways to target the right participants:

- i.) **New Criteria:** Instead of firm size, use criteria such as evidence of revenue growth and existence of financial records as entry conditions for programs.
- ii.) **Panels:** Establish expert interview panels, comprised of distinguished women entrepreneurs and leaders, to screen entrepreneurs for their ambition and ability to grow.
- iii.) **Competitions:** Support business plan competitions for women entrepreneurs, to attract the highest-potential ideas and firms
- iv.) **Business Associations:** Use women's business associations, such as IWAPI, for both marketing and delivering new services for growth-oriented women entrepreneurs.

Increasing Shared Prosperity by Reaching the 'Growth-Oriented' Segment

1. Tailor Credit Products

Key Finding: The greatest unmet demand for credit amongst Indonesian women entrepreneurs comes from the growth-oriented segment. These borrowers are unlikely to benefit or be sufficiently served by existing group lending schemes, which are prevalent throughout the country. The growth-oriented have financing needs that are significantly greater than the 10 Million Rupiah group loan ceiling, and the frequent and mandatory group meetings which are useful for less experienced entrepreneurs present a significant opportunity cost to them.

Recommendation: Interventions need to increase access to finance for the 'missing target' of women entrepreneurs who are growth-oriented and do not benefit from group lending schemes but cannot access commercial banks. This should involve developing tailored credit products for women entrepreneurs, with loan sizes ranging from approximately 50 Million to 500 Million Rupiah. Lessons can be drawn from successful projects targeting growth-oriented women entrepreneurs in other countries (Text Box 1). Specifically, tailored credit products could include:

- i.) **Individual Loans:** Helping MFIs and small lenders focused on group lending 'upscale' to provide larger, individual loans to women entrepreneurs, or helping larger financial institutions 'downscale' to reach this segment.
- ii.) **Movable Collateral:** Supporting introduction of movable collateral, including equipment, accounts receivable, inventory and intellectual property rights – rather than only against fixed assets such as buildings or land, which most women do not have.
- iii.) **Women-owned Assets:** Broadening asset collateral to include items such as jewelry or gold, likely to be owned by women. Although these assets might not by themselves secure a loan, they could be used in combination with other appraisal and securitization.
- iv.) **Data Innovations:** Introducing data-driven appraisal techniques, such as tablet-based psychometric testing, which can utilize large pools of data to predict the likelihood of default and enable lending without traditional collateral.

2. Help Lenders Enter the Women's Market

Key Finding: 76% of financial institutions surveyed see women entrepreneurs as a profitable market segment, but less than 3% have dedicated products or strategies to serve women. At the same time, growth-oriented women entrepreneurs express strong unmet demand for credit, even at prevailing market interest rates. Financial institutions can reach these borrowers profitably, but will need added incentives to accelerate their outreach and product development.

Recommendation: Technical assistance for selected financial institutions can help them to develop women-tailored credit products, and lines of credit or credit guarantee schemes can incentivize actual lending and mitigate risk, until financial institutions develop commercially viable products. A two-step process could involve (i) a high-quality technical assistance program with five to ten selected institutions to develop strategies and financial products for women entrepreneurs, followed by (ii) an attractive line of credit offered through a wholesaling operation, or a credit guarantee scheme to mitigate risk. Initial under-writing of this nature could catalyze the launch and roll-out of the new products, and could be drawn down over an agreed timeframe.

3. Stimulate Women's Insurance Market

Key Finding: Very few women entrepreneurs in Indonesia possess insurance, due mainly to high cost and lack of awareness, and absence of targeted products. Lacking insurance, women utilize business profits to pay for emergencies, rather than directing these earnings back into productive uses such as technology investments or hiring new employees, limiting their growth. Moreover, women entrepreneurs personal and business lives are closely linked, and women are more likely to face business interruptions from life events that men will not face, such as pregnancy, childbirth, and maternity leave.

Recommendation: There is a need to accelerate outreach of insurance products for women entrepreneurs, especially life insurance, property insurance, and business interruption insurance. Working with insurance providers to develop women-tailored products and partnering with women's business associations to bring down premiums through group plans would make insurance products more appealing to women entrepreneurs. Packaging insurance with other products, for example through additional loan fees which could cover insurance premiums, would enable women to own insurance without having to purchase it directly as shown in the selected qualitative studies.

4. Explore Equity Investing and Angel Investing

Key Finding: Angel investors can provide equity to high-potential but unbanked women entrepreneurs. This is already happening on a small-scale in Indonesia, with small networks such as ANGIN starting to direct private funds to MSMEs in exchange for equity stakes and a share of recurring profits. While promising, the market for equity investment in MSMEs in Indonesia is still nascent. Growing it could be a source of tremendous opportunity in the coming years.

Recommendation: Explore providing liquidity and incentives to existing angel investors and equity investors to target high-potential women entrepreneurs. This could involve providing capital infusions for lending to women entrepreneurs, or providing partial risk mitigations to encourage broader outreach. Adapting regulations to make equity investment simpler for investors, networks, and MSMEs themselves could compound these investments, and catalyze the growth of the equity investment market.

5. Support Individualized Business Consulting

Key Finding: The main type of BDS on offer is business training courses. These are often supply-driven, and participants are likely to be smaller, older, and less educated than the average. Growth-oriented entrepreneurs shy away from these business trainings, but might benefit from one-to-one consulting or mentorship services, that can help them with specific challenges such as expanding into new markets, improving business practices, and connecting to global value chains.

Recommendation: Explore support for intensive business consulting models for a smaller sub-set of women entrepreneurs. Since there are already a number of incubators and personalized coaching and consulting firms on the market, a matching grants scheme could add value. Growth-oriented entrepreneurs could be screened and given the opportunity to apply for grants that would cover a portion of the costs for their businesses to obtain consulting or technical services from private providers of their choice. Mentoring and support between women entrepreneurs could also be impactful. Creating and facilitating a network of high-potential women entrepreneurs to meet, exchange knowledge, and form partnerships could help them improve business activities and expand to new markets.

Eliminating Extreme Poverty by Supporting the 'Necessity' Segment

1. Support Cross-overs into Male-Dominated Sectors

Key Finding: Women entrepreneurs in Indonesia are concentrated in low-value sectors, in particular trade and service. These entrepreneurs state that intensive competition is the biggest challenge they face. Male entrepreneurs out-earn women entrepreneurs by a significant margin. Global evidence suggests that when women enter the male-dominated sectors, earning differentials diminish significantly. Usually women entrepreneurs are not aware of the potentially lucrative opportunities from transitioning into male-dominated sectors.

Recommendation: Supporting women to get into male-dominated sectors over time can help to reduce the persistent inequality between earnings of male and female entrepreneurs. This can be done through entrepreneurship programs that incorporate more technical training in male-

dominated sectors such as mechanics or carpentry and other customized services to facilitate this process of crossover; or through grants and intensive support to lower entry costs of women into profitable male-dominated sectors. Education from an early age and role models that can raise awareness of the benefits of working in different sectors can also be effective.

2. Pilot and Test Mobile Savings

Key Finding: Over 80% of women entrepreneurs run profitable enterprises, with average monthly profits of about 2.5 Million Rupiah, and profit margins of 20% to 30%. However, very few women entrepreneurs have a savings account. Unlike male entrepreneurs, women entrepreneurs face an expectation of diverting business profits for household expenditures. Women do set aside some portion of their funds, by saving with arisans or with friends outside their household. Global evidence shows that mobile savings accounts are particularly beneficial for women entrepreneurs, since they allow for more privacy and address time use, mobility, and safety constraints faced by women in visiting banks.

Recommendation: Products which enable women to save and transact privately and inconspicuously may help them to set aside a greater portion of their earnings. Working with financial institutions as well as telecom providers to identify and provide seed support for developing or rolling out basic mobile savings accounts that can be marketed to women entrepreneurs would be one way to do this. Testing various approaches to mobile savings through impact evaluations can shed light on how to better serve women entrepreneurs in this segment.

3. Provide more women-targeted Business Development Services

Key Finding: While outreach to women entrepreneurs is strong and the menu of services provided is sufficiently diverse, most providers of business development services do not feel that women entrepreneurs require a specific product or approach, distinct from other MSMEs. Training and support to women-owned enterprises is rarely tailored for women, with very few providers indicating the presence of gender-sensitive business development service content, or approaches such as flex-hours or on-site childcare facilities proven to attract women.

Recommendation: Improve the supply of more-gender sensitive and women-targeted business development services. Training modules on gender discrimination, dealing with harassment, managing male employees or negotiating with male suppliers can strengthen the value and benefit of training or consulting for women entrepreneurs. Rather than standalone provisions, these can be packaged with other business development services. Provision of free childcare services and flexible schedules can help meet the needs of women entrepreneurs who are already juggling business and household responsibilities. Moreover, business development services have an important role to play in linking credit-worthy women entrepreneurs with appropriate financial institutions in order to resolve information asymmetries and facilitate women's access to capital.

4. Test Adaptations to Existing Interventions

Key Finding: Existing interventions targeting necessity women entrepreneurs in Indonesia, including large-scale programs such as PNPM can be adapted to improve the likelihood of benefiting them. A worthwhile investment would be to explore ways to improve delivery of the 10 Trillion IDR in PNPM Revolving Loan Funds transferred to women in urban and rural areas. Reviews of the PNPM program have found that the women-targeted savings and loans program is 'rarely managing to change the overall economy of the family' and that 'activities are very small scale and enabled women to invest in very low return activities' (World Bank, 2014). Providing loans to necessity women entrepreneurs without changing the economy of the family is destined to produce sub-optimal results.

Recommendation: There are complex political economies at play, but testing new approaches could yield new learnings and improve effectiveness. These could include converting revolving loan funds activities in poverty alleviation project such as PNPM into grants to be transferred to women entrepreneurs on the condition that they open a savings account; testing in-kind capital transfers to minimize the diversion of capital from women's businesses to their households (kin tax); piloting approaches to engage men and alter business sector decisions or household labor allocations; providing assistantship for market access; and training for business skills such as financial literacy and management, product development etc. Rigorous measurement of differential benefits and impacts for male and female entrepreneurs within existing programs would also help to maximize effectiveness for women entrepreneurs within these large-scale projects.

A woman wearing a teal-colored, long-sleeved, ribbed dress and a red headscarf stands in front of a food stall. The stall has a stainless steel countertop with several large stainless steel bowls. One bowl contains a red, braided bread. Below the countertop, there is a red-painted metal structure with a large red wheel. The background shows a window with a view of a building. The word "ANNEXES" is written in white capital letters on an orange rectangular background that is partially overlaid on the image.

ANNEXES

ANNEXES

ANNEX A: Sampling Methodology

ANNEX B: Regression Result for BDS Participation Outcomes

ANNEX C: Summary of Selected Case Studies

ANNEX A

Sampling Methodology

A. Survey Area

The survey on “Empowering Women Micro-Entrepreneurs in Indonesia” was conducted in eight provinces in Indonesia; i.e. 1) North Sumatera; 2) West Sumatera; 3) West Java; 4) Central Java; 5) Yogyakarta; 6) East Java; 7) Bali; and 8) South Sulawesi. The survey was conducted in 16 districts (kabupaten/kota), and in each district the survey was conducted in three sub-districts (kecamatan). In each district, the survey was conducted in one village. In total, the survey was conducted in 48 villages, where 38 villages (80 percent) were urban areas and 10 villages (20 percent) were rural areas.

The selection of sample areas was explained in detail as follows:

1. The selection process of sample provinces was conducted according to some factors of consideration as follows:
 - i.) The selection of provinces was based on the distribution of the number of women micro-entrepreneurs in Indonesia, according to the data of National Socio-Economic Survey (SUSENAS) 2013 that showed that 57 percent of women micro-entrepreneurs were located in Java and 43 percent were located outside Java.
 - ii.) The selection of provinces also considered the provinces that had MSMEs with high prospect of growth.
3. After that, the districts that were selected as the samples in each selected province were those with relatively high Gross Regional Domestic Product (GRDP), the level of population density, and the ratio of the number of women entrepreneurs to population in the relevant provinces. The selected districts in general were the capital of the provincial and/or the outskirts.
4. In each selected district, there were three selected sub-districts that had the prospective development of micro-enterprises run by women.
5. In each selected sub-district, the selected village was that with prospective development of micro-enterprises run by women. The selection of the surveyed village was conducted by maintaining the proportion between urban and rural areas that had been mentioned before. The categorization of village as urban and rural areas was based on the data of PODES 2011.

The areas of survey were presented in detail in Table 22.

Table 22: Sample Area by Province

Province	The Number of District/City	The Name of District/City	The Number of Sub-District	The Number of Village (Urban Area)	The Number of Village (Rural Area)
North Sumatera	2	1. Medan City 2. Deli Serdang District	6	4	2
West Sumatera	1	3. Pariaman City	3	2	1
West Java	3	4. Bandung City 5. Bogor District 6. Cimahi City	9	8	1
Central Java	3	7. Semarang City 8. Semarang District 9. Salatiga City	9	8	1
Yogyakarta	2	10. Yogyakarta City 11. Bantul District	6	5	1
East Java	3	12. Gresik District 13. Sidoarjo District 14. Malang City	9	7	2
Bali	1	15. Badung District	3	2	1
South Sulawesi	1	16. Makassar City	3	2	1
Total	16		48	38	10

Source: DEFINIT

Table 23: Surveyed Villages in Each Province

Province	District/City	District	Village in Each District/ City	The Village Category (According to PODES Data 2011)
North Sumatera	The City of Medan	1. Medan Tembung	1. Bantan	Urban Area
		2. Medan Denai	1. Binjai	Urban Area
		3. Medan Area	1. Tegal Sari III	Urban Area
	The District of Deli Serdang	1. Sunggal	1. Sei Beras Sekata	Rural Area
		2. Percut Sei Tuan	1. Cinta Damai	Rural Area
		3. Tanjung Morawa	1. Tanjung Morawa A	Rural Area
West Sumatera	The City of Pariaman	1. Pariaman Utara	1. Sikapak Barat	Rural Area
		2. Pariaman Tengah	1. Kampung Baru	Urban Area
		3. Pariaman Selatan	1. Taluk	Urban Area
West Java	The City of Cimahi	1. Cimahi Selatan	1. Cibeureum	Urban Area
		2. Cimahi Tengah	1. Cigugur Tengah	Urban Area
		3. Cimahi Utara	1. Cibabat	Urban Area
	The City of Bandung	1. Bojongloa Kaler	1. Kopo	Urban Area
		2. Babakan Ciparay	1. Babakan Ciparay	Urban Area
		3. Kiara Condong	1. Babakan Sari	Urban Area
	The District of Bogor	1. Citeureup	1. Pasir Mukti	Rural Area
		2. Cileungsi	1. Limus Nunggal	Urban Area
		3. Cibinong	1. Pabuaran	Urban Area

Province	District/City	District	Village in Each District/ City	The Village Category (According to PODES Data 2011)
Central Java	The City of Semarang	1. Padurungan	1. Muktiharjo Kidul	Urban Area
		2. Semarang Barat	1. Kembangarum	Urban Area
		3. Tembalang	1. Rowosari	Rural Area
	The District of Semarang	1. Tengaran	1. Barukan	Urban Area
		2. Ambarawa	1. Kupang	Urban Area
		3. Ungaran Barat	1. Ungaran	Urban Area
	The City of Salatiga	1. Tingkir	1. Kutowinangun	Urban Area
		2. Sidorejo	1. Sidorejo Lor	Urban Area
		3. Sidomukti	1. Mangunsari	Urban Area
Yogyakarta	The City of Yogyakarta	1. Umbulharjo	1. Sorosutan	Urban Area
		2. Tegalrejo	1. Kricak	Urban Area
		3. The City of Gede	1. Purbayan	Urban Area
	The District of Bantul	1. Kasihan	1. Bangunjiwo	Rural Area
		2. Bantul	1. Bantul	Urban Area
		3. Banguntapan	1. Banguntapan	Urban Area
East Java	The City of Malang	1. Sukun	1. Tanjung rejo	Urban Area
		2. Blimbing	1. Puwantororo	Urban Area
		3. Lowokwaru	1. Mojolangu	Urban Area
	The District of Gresik	1. Manyar	1. Sembayat	Urban Area
		2. Gresik	1. Sidokumpul	Urban Area
		3. Menganti	1. Menganti	Urban Area
	The District of Sidoarjo	1. Taman	1. Wage	Urban Area
		2. Krian	1. Tempel	Rural Area
		3. Candi	1. Kedung Peluk	Rural Area

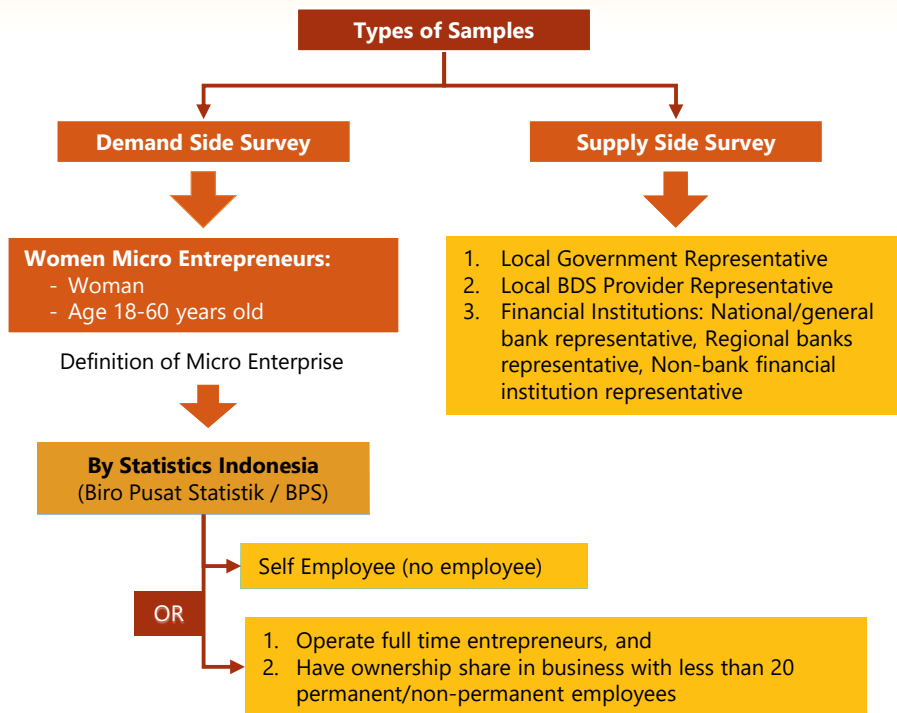
Province	District/City	District	Village in Each District/ City	The Village Category (According to PODES Data 2011)
Bali	The District of Badung	1. Mengwi	1. Penarungan	Rural Area
		2. Kuta	1. Kuta	Urban Area
		3. Kuta Selatan	1. Jimbaran	Urban Area
South Sulawesi	The City of Makassar	1. Tallo	1. Pannampu	Urban Area
		2. Tamalate	1. Tanjung Merdeka	Rural Area
		3. Rappocini	1. Gunung Sari	Urban Area

Source: DEFINIT

B. The Sample of Survey

This study consisted of two types of survey, i.e. the demand-side survey and the supply-side one. The demand-side survey focused on the mapping of business condition of women micro entrepreneurs, business development service (BDS) that were needed, and the obstacles encountered to develop their business. Meanwhile, the supply-side survey mapped the role of various institutions in supporting women micro-entrepreneurs and their potential in providing business development service (BDS) to women micro entrepreneurs in the areas where the businesses were operated. In this regard, the respondents of the demand-side survey were different from the respondents of the supply-side one (see Figure 1).

Figure 22: Types of Survey Sample



Source: DEFINIT

I. Sample of Demand side Survey

The respondents of the demand side survey were women who were 18 - 60 years old and had/run the business in small and micro scale. The definition of the micro and small enterprises in this survey referred to the definition of Statistics Indonesia, i.e. the business that has 0-19 employees and furthermore the women had the right of ownership of the business. For each surveyed village, there were 32 respondents that were targeted in the demand-side survey.

II. Sample of Supply side Survey

The list of the potential respondents of the supply side survey was based on the information that was given by the respondents of the demand side survey. The list of the potential respondents of the supply side survey consisted the name of institutions that provided the services to the respondents of demand side survey, either in the form of financial or non-financial services, either they charged fees or not. The institutions that provided the services ranged from banks, non-bank financial institutions, local government, BDS providers, or individuals.

In addition to the data that were obtained from the respondents of the demand side survey, there were additional data of financial service providers to MSMEs that were obtained from the local government, financial institutions, and BDS providers in the survey areas, where the demand side survey was conducted.

The additional sampling process was carried out as follows:

1. The survey team visited the local government to obtain the additional information of the potential respondents in related village.
2. The information that was asked covered the profile of the institutions (name, address, phone number), contact person, the business scale of the institution, the type of service.
3. If the appropriate additional respondents were found, they would be added into potential respondent list then the survey team verified and recommended the relevant potential respondents.
4. The survey team wrote the priority of visit of each recommended potential respondent.
5. Verification and selection of the additional potential respondents according to two factors:
 - a. Prioritize the formal institution than the informal institution.
 - b. Prioritize the potential respondents that had wider outreach.
6. The selection result and the priority level of the respondents were given to the survey team.

The respondents of the supply-side survey consisted of three types of respondents, i.e. local government, financial institutions, and BDS providers.

1. The category of local government was represented by village government, district government, and district government (Local Office of Social Affair, Local Office of Industry, Trade, and Cooperatives, and MSME Agency (Disperindagkop).
2. The category of financial institution was represented by commercial bank, BPR, cooperation, BMT, pawnshop, and other financial institutions.
3. The category of BDS providers was represented by the local government units that dealt with MSMEs, Businessmen Association, Communication Forum, bank units that were related to the development of MSMEs, foundations, and individuals.

The respondents of the supply-side survey were located within the range of 10 km from the respondents of the demand-side one, either in the same village or in the different village from the demand-side survey. In each surveyed village, the targeted samples of the supply-side survey were three to five respondents, with minimum one respondent of each category of respondents. The number of respondents of the demand-side survey or the supply-side one is presented in Table 2.

Table 24: The Number of Respondent of Demand-side and Supply-Side Survey

Province	The Number of Target Respondents	
	Demand-Side Survey	Supply-Side Survey
North Sumatera	192	30
West Sumatera	96	15
West Java	288	45
Central Java	288	45
Yogyakarta	192	30
East Java	288	45
Bali	96	15
South Sulawesi	96	15
Total	1,536	240

ANNEX B

Regression Result for BDS Participation Outcomes

- Linear regression between participation in BDS and score of knowledge business index.
 $\text{Knowledge_score} = f(\text{BDS_participation}, \text{D_higheredu}, \text{business_age})$

Table 25: Variable List of Participation in BDS and Score of Knowledge Business Index Linear Regression

Variable List	Value	Description	Note
BDS_participation	1	at least ever get 1 type of business development services	Independent variable
	0	never get any business development services	
D_higheredu	1	Finishing high school and higher educational level. Answer 6,7,8,9	Independent variable
	0	otherwise	
Business_age		years of business experience/business_age	Independent variable
Knowledge_score		index for correct answer for business knowledge questions	Dependent variable

Figure 23: Participation in BDS and Score of Knowledge Business Index Linear Regression Result

Source	SS	df	MS			
Model	924.643059	3	308.214353	Number of obs =	1628	
Residual	7943.00006	1624	4.89100989	F(3, 1624) =	63.02	
Total	8867.64312	1627	5.45030309	Prob > F =	0.0000	
				R-squared =	0.1043	
				Adj R-squared =	0.1026	
				Root MSE =	2.2116	

knowledge_score	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
bds_participaton	.1074315	.0804992	1.33	0.182	-.0504617	.2653246
d_higheredu	1.532283	.1139198	13.45	0.000	1.308838	1.755729
busines_age	-.0027487	.005684	-0.48	0.629	-.0138974	.0083999
_cons	5.606588	.2497599	22.45	0.000	5.116702	6.096473

2. Linear correlation regression between participation in BDS and likelihood of financial record keeping
 $D_finrecord = f(BDS_participation, D_higheredu, business_age)$

Table 26: Variable List of Participation in BDS and Likelihood of Financial Record Keeping Linear Regression

Variable List	Value	Description	Note
BDS_participation	1	at least ever get 1 type of business development services	Independent variable
	0	never get any business development services	
D_higheredu	1	Finishing high school and higher educational level. Answer 6,7,8,9	Independent variable
	0	otherwise	
Business_age		years of business experience/ business_age	Independent variable
D_finrecord	1	Has written financial records for the business	Dependent variable
	0	Doesn't have financial record	

Figure 24: Participation in BDS and Likelihood of Financial Record Keeping Linear Regression Result

d_finrecord	Freq.	Percent	Cum.
0	1,460	89.41	89.41
1	173	10.59	100.00
Total	1,633	100.00	

. reg d_finrecord bds_participaton d_higheredu busines_age

Source	SS	df	MS	Number of obs =	1628
Model	7.26001799	3	2.420006	F(3, 1624) =	26.81
Residual	146.567992	1624	.090251227	Prob > F =	0.0000
Total	153.82801	1627	.094547025	R-squared =	0.0472
				Adj R-squared =	0.0454
				Root MSE =	.30042

d_finrecord	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
bds_participaton	-.0254109	.010935	-2.32	0.020	-.0468591 -.0039627
d_higheredu	.1236412	.0154749	7.99	0.000	.0932884 .153994
busines_age	-.0011502	.0007721	-1.49	0.136	-.0026646 .0003642
_cons	.1417309	.0339274	4.18	0.000	.0751849 .2082769

3. Linear correlation regression between participation in BDS and likelihood of having written business plan
 $D_{businessplan} = f(BDS_{participation}, D_{higheredu}, business_age)$

Table 27: Variable List of Participation in BDS and Likelihood of Having Written Business Plan Linear Regression

Variable List	Value	Description	Note
BDS_participation	1	at least ever get 1 type of business development services	Independent variable
	0	never get any business development services	
D_higheredu	1	Finishing high school and higher educational level. Answer 6,7,8,9	Independent variable
	0	otherwise	
Business_age		years of business experience/ business_age	Independent variable
D_businessplan	1	Has written business plan	Dependent variable
	0	Doesn't have business plan	

Figure 25: Participation in BDS and Likelihood of Having Written Business Plan Linear Regression Result

```
. reg d_businessplan bds_participaton d_higheredu busines_age
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Source	SS	df	MS			
Model	5.98895873	3	1.99631958	Number of obs =	1628	
Residual	143.084751	1624	.088106374	F(3, 1624) =	22.66	
Total	149.07371	1627	.091624899	Prob > F =	0.0000	
				R-squared =	0.0402	
				Adj R-squared =	0.0384	
				Root MSE =	.29683	

d_businessplan	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
bds_participaton	-.036206	.0108043	-3.35	0.001	-.0573978	-.0150142
d_higheredu	.1080581	.0152899	7.07	0.000	.0780681	.138048
busines_age	-.0004512	.0007629	-0.59	0.554	-.0019475	.0010452
_cons	.1641038	.0335218	4.90	0.000	.0983533	.2298543

ANNEX C

Summary of Selected Case Studies: Examples of Seven Financial Institutions with Special Credit Program for Women Entrepreneurs in Indonesia

I. Angel Investment Network (ANGIN) Indonesia

Founded in 2013, ANGIN Indonesia was the first official investor network to be established in Indonesia under the Global Entrepreneurship Program Indonesia (GEPI), with the United States Department of State providing support for the establishment of GEPI as a means to promote and develop entrepreneurship to foster economic development in developing nations. ANGIN was established with the specific goal of addressing the challenges faced by women entrepreneurs, who in many cases are not *bankable* because they are not able to meet the conditions applied by formal financial institutions for loans of working capital. This network was established by 15 Indonesian women business leaders who formed an investor group to provide funding and facilitation to early-stage women entrepreneurs.

By 2014, four women entrepreneurs had received funding from ANGIN, with the total value of funding amounting to 2.2 Billion IDR. ANGIN hoped that, by the end of the investment period, the supported entrepreneurs would achieve autonomy and would qualify to receive funding from other sources in order to further develop their businesses.

ANGIN provided funding only to entrepreneurs with existing businesses in the initial stage of development, with the value of the provided funding ranging from 300 Million to 500 Million IDR, according to the need of the business, with funding provided in the form of equity. Participating entrepreneurs could then make further requests for financing on the basis of the needs of their developing businesses. The scheme did not require collateral or specific documents as a precondition to apply for financing. The timeframe for the investments ranged from three to five years. The financing could be utilized for the purpose of business expansion, for operational needs, and/or for the purchase of business equipment. In addition to providing capital assistance, ANGIN also provided capacity building and other support, including mentoring; expanded access to business networks; expanded access to both domestic and foreign markets through participation in trade fairs; and assistance with the acquisition of business permits.

II. Association for Women in Small Business (ASPPUK)

The Association for Women in Small Business Assistance (*Asosiasi Pendamping Perempuan Usaha Kecil*, ASPPUK) is a networking organisation established on an understanding that the majority of micro-entrepreneurs in Indonesia are women. Through its vision and mission, ASPPUK aims to empower Indonesian women micro-entrepreneurs to enable them to gain access to and control over economic resources. To achieve this goal, ASPPUK has established networks of female entrepreneurs at the district level. In turn, these networks establish groups of women entrepreneurs at the village level and links them to financial institutions to enable them to access capital.

ASPPUK provides financing that is intended to meet the specific needs of women. Women make deposits and loan repayments in cash at monthly meetings or to managers who visit members of groups in their homes, with the system of home collection suiting women who are busy with domestic duties or who operate their businesses from their homes. ASPPUK has established two credit schemes, one of which is intended to enable women to establish or expand their business, and the other to meet their specific personal or family needs, such as to meet the educational needs of their children. In addition to providing financing, the organisation also assists members with the procurement of raw materials; the arrangement of marketing activities; and with training to enable women to manage the financial aspects of their businesses.

The most significant challenge faced by ASPPUK is in facilitating loans involving large sums. With the ceiling for loans at less than 10 Million IDR, the loans provided by ASPPUK are often insufficient in value to meet the needs of women with expanding businesses. In the future, ASPPUK hopes to be able to increase the value of the capital within its network through the establishment of a multi-level cooperative structure, involving loans and savings groups at the village level as the primary cooperative, with these primary cooperatives depositing the capital with financial institutions established at the district level and serving as secondary cooperatives.

III. PT. Bank Pembangunan Daerah Sumatera Utara - Kredit Permaisuri Program

Kredit Permaisuri is a product offered by Bank Sumut specifically to meet the needs of women. Initially, this credit product was developed in cooperation with the Asian Development Bank (ADB) to assist survivors of the earthquake in Aceh and Nias. After the cooperative arrangement with the ADB ended, Bank Sumut continued to offer the product. It took the decision to maintain the product both as a manifestation of its commitment to the development of micro and small enterprises owned by women and because the Grameen methodology that the product utilizes has been demonstrated to have a significant positive impact on improving incomes and welfare, and thus supports the achievement of Bank Sumut's vision.

The Kredit Permaisuri program requires applicants to be women either operating a small business or intending to establish such a business; to be married or at least 21 years of age; and to be a permanent resident in an area where a branch office of the bank is located. In addition, in lieu of collateral, the Kredit Permaisuri program requires applicants to be members of a group, with the solidarity lending (*tanggung renteng*) system applying. There are a number of mandatory steps in the establishment of such groups, including area identification, market scanning, social and credit investigation (SOCI), compulsory micro-finance group training, group identification testing, and a number of others. These steps are required to ensure that data is reliable and that members are of good character, as a means of reducing the risk of failure to repay loans. Another condition is that the group must have a joint saving account with a minimum balance to a value of at least 10 percent of the current loan ceiling and that the individual borrower must have her own account, with these requirements intended to prevent situations where borrowers are unable to meet their obligations to repay the loans. All participants in the Kredit Permaisuri program are covered by insurance and provided with the opportunity to graduate to participation in the Sumut Sejahtera (SS II) credit program, which offers loans to a maximum value of 50 Million IDR.

A number of policies are under consideration to further develop the Kredit Permaisuri program, including the targeting of women operators of businesses in the community; increases in the loan ceiling from 5 Million to 10 Million IDR; and the formal reading of the members' pact and prayers at meetings as a means of building good character and preventing risks associated with moral hazard.

IV. Sharia Cooperative BMT ItQan

The Sharia Cooperative BMT ItQan (BMT ItQan) is a *syariah*-based cooperative located in Bandung. To provide financing to its members, this cooperative utilizes the Grameen group-lending system, which the founders believe provides an appropriate model to improve the socio-economic circumstances of the community the cooperative serves and to fulfill its vision of providing *syariah*-based micro-credit services to a large number of low income households. BMT ItQan focuses on providing services to women because of the critically important role women play in managing household finances; because women are believed to be more conscientious about repaying debts; and because women are more inclined to socialize in groups.

BMT ItQan provides financing to groups of women living in close proximity to each other, with these groups being known as *rembug pusat*. The maximum value of the financing provided to a member increases incrementally following the repayment of previous financing provided to that member, with an initial value of 1 Million IDR and a maximal value of 10 Million , and with a timeframe for repayment of either 25 weeks or 50 weeks. Cooperative members receiving financing enter into *syariah*-based contracts known as *murabahah* or *ijarah*.

BMT ItQan also strongly encourages its members to cultivate the habit of saving, including by providing financial literacy classes, with these classes provided in cooperation with other institutions. Members are encouraged to develop their social awareness by contributing to charity, with donation boxes passed around at every *rembug pusat* meeting.

BMT ItQan presently maintains seven branch offices, most of which are located in areas not served by banks or other non-bank financial institutions, with these locations selected to facilitate access to financial services by members of underserved and financially excluded communities. One challenge faced by BMT ItQan is the difficulty of serving members with expanding businesses who require higher values of financing. To address this, in the future, BMT ItQan plans to offer non-group based, individual financing to its members.

V. Mitra Dhuafa Cooperative (KOMIDA)

The Mitra Dhuafa Cooperative (KOMIDA) is a national cooperative whose entire membership consists of women from low income households. KOMIDA was established to facilitate access to affordable microcredit for its members and thereby to enable them to start up or expand a business as a means to increase their incomes and improve their livelihoods. In order to ensure that the credit provided by KOMIDA is affordable and accessible, borrowers are not required to provide collateral.

Members can access KOMIDA's products by establishing a group consisting of five to eight women, with the group holding regular weekly meetings. Although borrowers are required to be in a group, loans are made on an individual basis. Peer group pressure and the joint liability (*tanggung renteng*) system are applied to ensure that members maintain discipline in repaying their loan installments. The value of loans provided to members may increase incrementally, with low-value initial loans followed by loans of higher value in later disbursement rounds if the borrower attends weekly meetings regularly and maintains discipline in the repayment of installments. As of September 2015, KOMIDA has 234,000 members and a total of 100 branches, located both on and off Java. As of December 2014, the total value of KOMIDA's assets stood at 286.6 Billion IDR, while the proportion of non-performing loans (NPL) in its portfolio stood at 0.21 percent.

KOMIDA offers five types of loan products, these being general loans, educational loans, micro business loans, agricultural loans, and water and sanitation loans, with the ceiling for these loans ranging from 5 Million to 10 Million IDR. The majority of members utilize their loans to engage in agricultural business or in the food trade, or to operate a small kiosk selling basic household goods (*warungan*). While members generally feel that these loans meet their needs during the early stages of establishing their businesses, some members with expanding businesses feel that the ceiling for the loans offered is too low. KOMIDA is continuing to develop its products to meet the evolving needs of its members and to attract new members to join, with innovative developments in terms of the types of loan, loan ceilings and the design of the loans, with flexible timeframes for the repayment of loans and with members able to select a timeframe from a range of choices and/or to complete their payments ahead of schedule. Another interesting feature of the products offered by KOMIDA is the linkage between loans products and its savings products, with borrowers required to deposit 5 percent of the total value of the loan that they receive in a savings account at the time that the loan is disbursed. Through Grameen Bank and its network, KOMIDA has received the support it needs to establish itself and to develop as an institution, with this support taking the form of funds, advice, and consultations.

VI. Mitra Bisnis Keluarga Ventura (MBK Ventura)

PT Mitra Bisnis Keluarga Ventura (MBK) is a legal entity structured as a limited liability company with a license to operate as a non-banking financial institution and as a provider of venture capital. PT Bina Usaha Keluarga (BUK), MBK's parent company, holds a majority stake in this company. MBK's capital has been provided by its shareholders and by social investors, commercial banks, and both local and international credit guarantors.

MBK was established to provide working capital specifically to women from low income households on Java. All of MBK's clients are women. MBK only offers a single product to its clients, this being a basic working capital product. Working capital is provided to the women without the requirement for collateral, with the value of the capital provided increasing incrementally from a ceiling of 1.5 Million to 3 Million IDR if the client's performance is satisfactory. The maximum ceiling is 10 Million IDR. The working capital is repaid in weekly instalments over a 50 week time frame. In order to gain access to MBK's product, women must establish a group consisting of five individuals. Four or five groups located in close proximity to each other gather together to form a *Center Meeting (CM)*, or association, with all members of the CM attending joint weekly meetings. Although participation in a group is mandatory,

working capital is granted on an individual basis under the joint liability system. Peer group pressure within each group is applied to ensure that each woman meets her obligation to repay the working capital in weekly instalments.

As of September 2015, the total number of MBK's active clients stands at 567,182 individuals. It maintains 307 branch offices located in five provinces across Java and employs a staff of 2,749, of whom 99 percent are women. As of December 2014, the total value of MBK's assets amounted to 840.38 Billion IDR, with its PAR > 30 standing at 0.006 percent. While at present MBK only offers a single product, it is aware of the importance of developing products to meet the evolving needs of its target market. Thus, it has plans to develop a product with a higher credit ceiling for individual clients. Similarly, while initially the timeframe for the repayment of the working capital was fixed at 50 weeks, as of this year, a timeframe of 80 weeks is also permitted when the value of the working capital provided to a member reaches 10 Million IDR. Given that its clients consist entirely of women, MBK maintains a policy of employing only women, so that these employees can serve as role models for its clients and build their self-confidence and sense of empowerment. MBK also believes that on-the-job training is the most effective means of building the capacities of candidate employees. Thus, the process of recruitment and training relies heavily on observation and workplace training, rather than on the types of classroom training usually provided by other financial institutions.

VII. Setia Budi Wanita - Women's Multipurpose Business Cooperative

Setia Budi Wanita (SBW) is a cooperative consisting entirely of women members. SBW's mission is to provide micro-financial services both to women entrepreneurs and to women generally as a means to empower its members to achieve autonomy; to engage in positive, productive activities; and to encourage members to develop their intellectual capacities.

At present, SBW offers two loans products specifically intended for members who own and operate their own businesses, these being loans facilitated through the Revolving Fund Management Institution (*Lembaga Pengelola Dana Bergulir*, LPDB) with funding from the Ministry for Cooperatives and Small to Medium Enterprises, and non-joint liability loans using the cooperative's own capital. Loans under both schemes require the agreement of the borrower's group, although the repayment of the loan is the individual responsibility of the borrower. The ceiling for the loans under these two schemes is relatively high, at 10 Million IDR for loans under the LPDP and 50 Million IDR for non-joint liability loans. In addition to the two loan schemes described above, SBW has also developed a loan product known as SBW Peduli, which provides interest-free loans to a maximum value of 1 Million IDR to women who experience business failure, with a repayment time frame of six months.

SBW uses a joint liability mechanism to disburse loans. To apply for a loan, the applicant must have a certificate stating that she has participated in training on the joint liability system. The process of selecting new members and the approval of loans is subject to the agreement of the group, with the group jointly liable in the case of a member's failure to repay their loans. This mechanism has enabled SBW to achieve a very high repayment rate on its loans.

In addition to facilitating access to finance, SBW provides training; access to retail outlets at the SBW office; access to local trade fairs conducted in cooperation with the relevant local government authorities; and assistance with the marketing of products through a members bulletin. The most significant challenge faced by SBW involves providing loans of higher value. At present, the support provided by SBW is considered to be appropriate for early-stage or micro-entrepreneurs, but fails to meet the needs for larger, longer-term loans by members with expanding businesses. In addition, there is an ongoing need for the provision of intensive facilitation to enable entrepreneurs to expand their businesses.

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