



Whilst there is no one generally-accepted definition of 'entrepreneur' in the scholarly or policy literature, the important economic and social contributions of small business owners and operators are widely acknowledged.

Entrepreneurship has been a topic of research for around 80 years, but attention to women's entrepreneurship has only emerged as recently as 40 years ago. There is much that remains to be understood about women entrepreneurs in general, and women entrepreneurs in developing country contexts in particular.

Small and medium-sized enterprises

The common thread that runs through definitions of 'entrepreneur' and 'entrepreneurship' relates to the ownership and operation of businesses that are considered to be 'small' relative to 'large' corporations. As in the case of definitions of what an 'entrepreneur' is, there is likewise no widely accepted definition of what small and medium enterprises (SMEs) are.

The World Bank's International Finance Corporation (IFC) defines small and medium enterprises (SMEs) as 'registered businesses with less than 250 employees'. They are viewed as significant contributors to employment and economic growth, and are

associated with the formalisation of a country's economy.

However, in spite of the important role that they play, SMEs typically encounter difficulties in accessing financial services – particularly in emerging markets – due to their size.

Criteria used to classify a business as an SME in reality varies from country to country, and typically includes elements such as total number of employees, total assets, and total revenue.

In Indonesia, enterprises are classified based on their **total assets** (excluding land and buildings). Law No. 20/2008 regarding Micro, Small and Medium Enterprises uses the following definitions:

- **small enterprise** - one with assets valued between IDR 50 million and IDR 500 million (roughly between AUD4,700 and AUD47,500); or annual revenue between IDR 300 million and IDR 2.5 billion (roughly between AUD 28,500 and AUD 240,000)
- **medium enterprise** - one with assets valued between IDR 500 million and IDR 10 billion (or roughly between AUD 47,500 and AUD 950,000); or annual revenue between IDR 2.5 billion and IDR 50 billion (roughly between AUD240,000 and AUD 4.8 million)

An economy dominated by micro enterprises

The Indonesian Ministry of Cooperatives and Small and Medium Enterprises indicates that in 2013 there were around 59 million enterprises in Indonesia. An estimated 1% of these businesses were classified as small, and 0.1% were classified as medium. 98.8% were classified as micro enterprises.

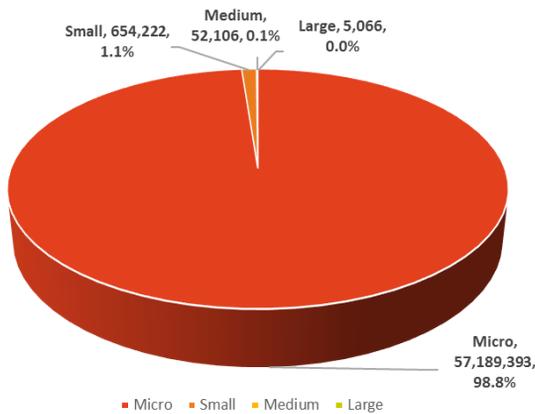


Figure 1. Enterprises by size (2013)

Significant employment contributions

While SMEs have small organisations and thus tend to employ fewer people, the collective contribution of SMEs to employment in the country is significant. In 2013 SMEs accounted for over 8% of jobs in Indonesia whilst large enterprises contributed just 3% of employment in that year.

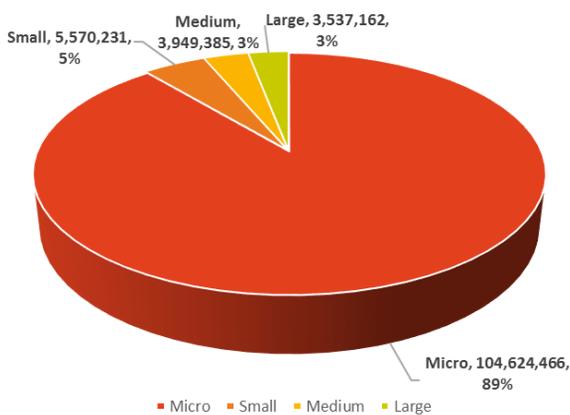


Figure 2. Employment contributions (2013)

GDP contributions of SMEs

SMEs contributed just under one quarter of Indonesia's GDP in 2013. Micro enterprises are estimated to contribute over one third of GDP in that same period. Collectively, micro enterprises and SMEs contributed over 60% of Indonesia's GDP in 2013.

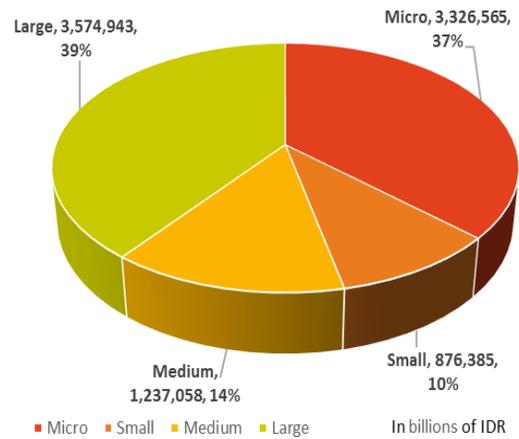


Figure 3. Contributions to GDP (2013)

Sectoral concentration in SME activity

Sectoral categorisation for SMEs in Indonesia is not readily available. A 2011 Ministry of Cooperatives and Small and Medium Enterprises report indicated that nearly half of micro, small and medium enterprises (MSMEs) were agriculturally focused. A further quarter were engaged in trading, hotels and restaurants.

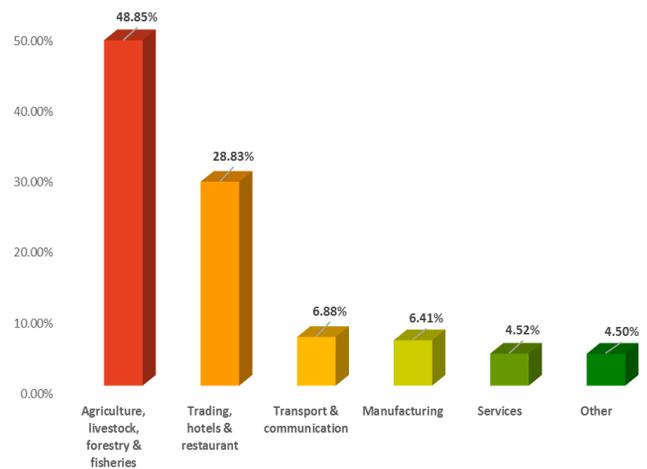


Figure 4. Industries with the highest number of SMEs (2011)

The limited availability of current data highlights a critical need to identify and understand the sectors in which small and medium enterprises operate.

Possible barriers to transitioning to SME status

The dominance of micro enterprises coupled with a high number of SMEs in low-value, low-margin sectors potentially point to structural issues related to growth. Enterprises may be encountering significant barriers to entering higher value-adding industries, or making the transition from micro enterprises to SMEs.

This may be symptomatic of a lack of (or inability to access) financial, technological or managerial resources on the part of micro and small enterprises. These resources are critical to not only support the transition of micro enterprises to SMEs, but to also aid in scaffolding the growth of existing and new SMEs.

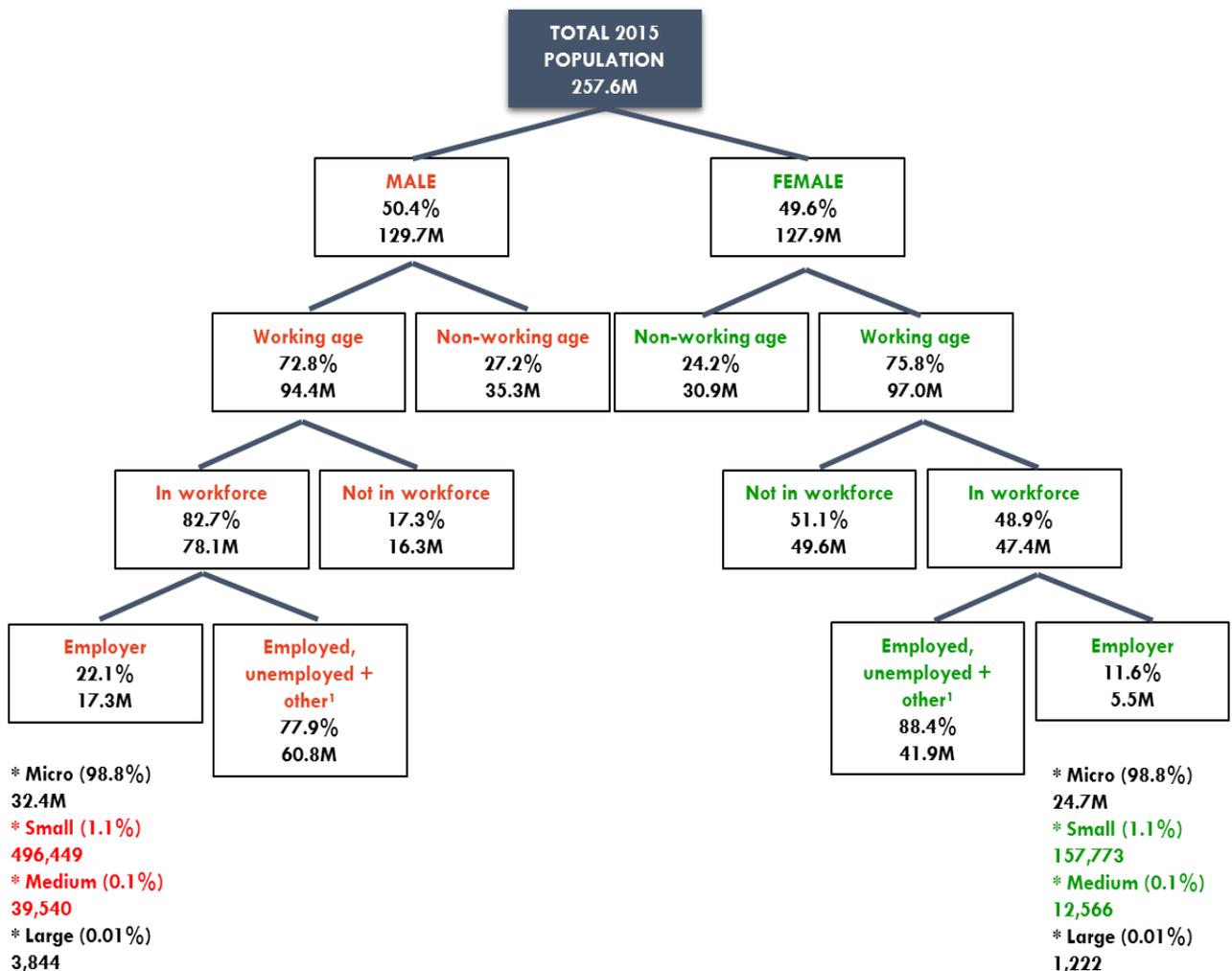
Women-owned SMEs (WSMEs)

While the definition of an SME varies across countries, individual governments typically do not have a definition of what a woman-owned SME (WSME) is, beyond simply tagging an enterprise as 'owned' by a woman. An enterprise, however, can be owned by a single individual or a group of individuals. The extent of individual ownership in the company can range from a minority stake to full ownership, and both men and women can collectively own a single enterprise.

The IFC has put forward a more precise definition of a WSME as a business:

- where 51% of ownership is held by a woman or women; or
- where 20% of ownership is held by a woman or women, where a woman holds a major leadership position (CEO/COO or president/vice president), and where 30% of the board of directors is composed of women.

Currently, there are no readily available statistics on the gender of SME owners and their enterprises in Indonesia. Gender-disaggregated data, however, is reported for labour force participation and various employment categories by the World Bank. Based on available data, it is estimated that there are around **170,300** WSMEs in Indonesia, comprising just under **25%** of all SMEs in the country (Figure 4).



* Applying 2013 proportion of enterprises to calculated estimates of women owned enterprises using 2015 World Bank data

¹ Includes errors attributed to rounding and data collection

Figure 4. Estimated population of WSMEs in Indonesia (2015)

Estimating the population of WSMEs

In 2013, the United Nations Statistical Commission defined a Minimum Set of Gender Indicators aimed at describing and addressing issues on gender equality and/or women's empowerment. One of the indicators specified in the need to capture gender-disaggregated data on the proportion of employed individuals who are employers, such as is required but is not readily available for Indonesia.

To estimate the number of WSMEs in the country in 2015, the proportion of women who participated in the workforce and who classified themselves as employers was used to establish the population of women engaged in business.

The proportions of enterprises by size (micro, small, medium, and large) (drawn from 2013 national census statistics) were then applied to the population of women engaged in business to estimate the number of WSMEs in Indonesia. This constitutes the best estimate of the population of WSMEs, in the absence of gender-disaggregated data specifically on SME ownership. Adding the estimates of SMEs owned by men and women do not perfectly match the population of enterprises by size because of differences in census data collection approaches, and because the methods cannot account for multiple business ownership of individual entrepreneurs.

Gender gaps in economic participation

The data shows that the participation of women in business (11.6%, or the proportion of women in the workforce who are employers) was around half the participation rate of men (22.1%) in 2015.

This was larger than the gap in the overall labour force participation between women (48.9%) and men (82.7%). In this case, the participation rate of women was around 40% less than the participation rate of men.

The only sector of workforce activity where the participation of women was higher relative to men's was among the self-employed or an unpaid family workers), where the women's 2015 participation rate was at 43%, while the men's participation was at

21%. In conclusion, women's participation tends to be low across all forms of economic activity, and women who do contribute to the economy also tend to be the most vulnerable economic participants in the country.

Opportunities

The analysis here points to important opportunities to help improve the economic participation rate of women in general, and the participation rate of women in business in particular.

The non-participation of over 50% of Indonesian women of working age in the workforce in 2015 potentially points to a large proportion of women engaged in the informal sector. This signals an opportunity to bring these non-participating women into the formal sector through SME activity. Studies elsewhere show that WSMEs tend to employ women, so increasing the number of women entrepreneurs in the country will have the added effect of increasing the rate of paid employment among women.

The analysis here further points to the need to support the transition of micro enterprises to small businesses, and for small businesses, in turn, to further grow into medium and large enterprises. The transition of businesses within this enterprise pipeline requires significant managerial, technological, and financial resources, which tend to be scarce in developing and emerging economies.

This resource gap signals a critical opportunity for investors to play an important role not only in SME development, but also in raising the economic participation rate of women as business owners and employers in the country.

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