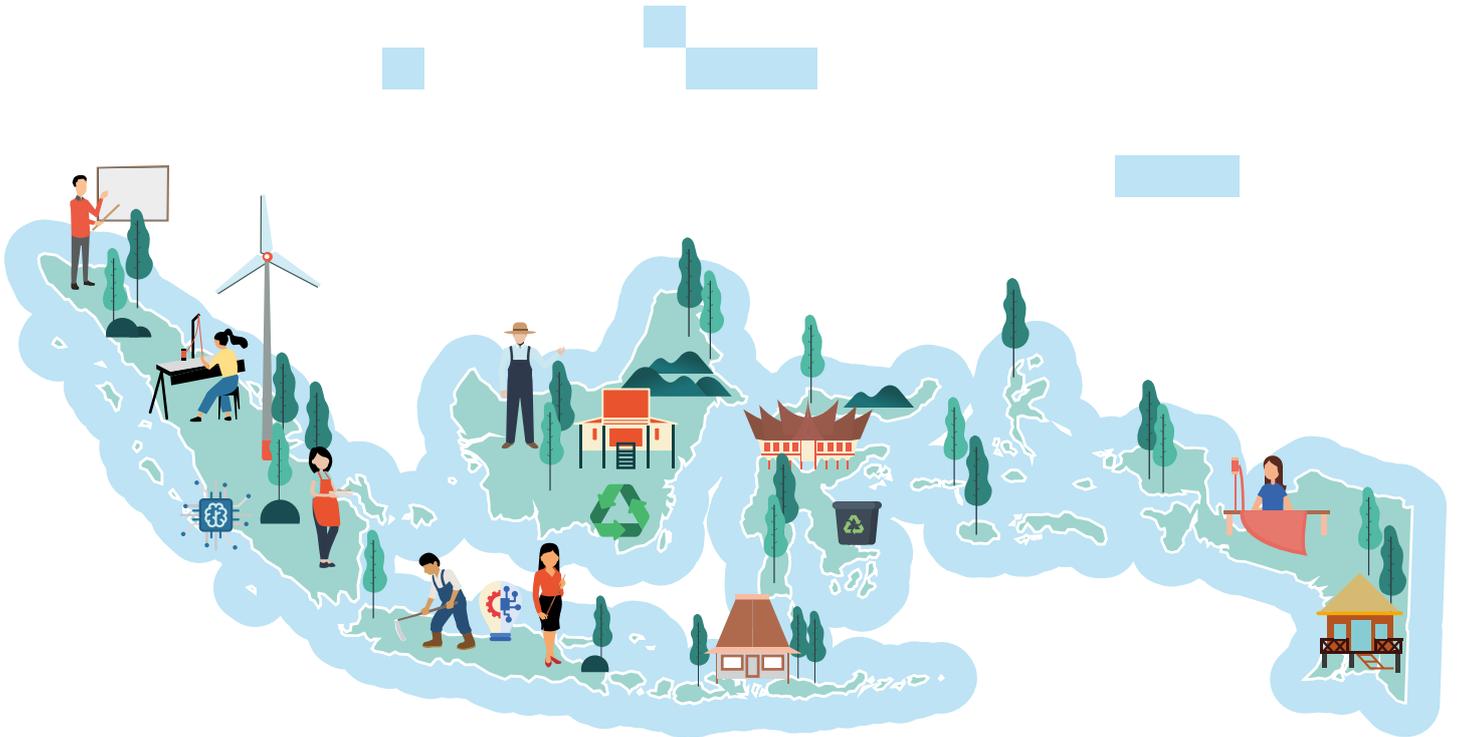


Developing an Inclusive and Creative Economy

The State of Social Enterprise in Indonesia



Developing an Inclusive and Creative Economy

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Foreword



**Minister of National Development Planning /
Head of National Development Planning Agency**

There has been a significant growth of social enterprises in Indonesia in the past 5 years, expanding into new sectors such as the creative industries, agriculture and education. Social Enterprises in the country have differentiated themselves from mainstream MSMEs in how they are putting inclusivity and equality at the core of their businesses and social missions. Working with communities and for communities, social enterprises are opening up more inclusive employment opportunities that reach out to different minority groups such as women and people with disabilities and could be the answer to overcoming poverty and the unequal distribution of wealth in the country.

Locally-sourced, the social enterprise community models are often operating outside of the capital and big cities which expand the reach of economic development to rural areas. This connection to untouched potential in Indonesia's rural areas has also strengthened the vast creative resources among the country's communities, inspiring social innovation. The innovation of social enterprises have made significant impact to the archipelago's economic development through making basic needs such as energy, education and sustainable food more accessible and empowering minority groups.

Social enterprises have also set the bar high in creating an inclusive and empowering workforce. Leadership of social enterprises are dominated by young Indonesians with 67% being individuals between the ages of 18-34 and 40% being women. The sector has contributed significantly in paving the way for women with a workforce that is estimated to be made up of 69% women and is responsible for a 99% increase of full-time female employees in 2016-2017.

The success of social enterprises could potentially contribute an estimated 1.91% of Indonesia's GDP (19.4 Billion). Putting inclusivity at the core of economic development, social enterprises have provided an equal platform where different communities from both rural and urban areas can come together to make an impact through creative approaches and collaboration. The publication of Building an Inclusive and Creative Economy: The State of Social Enterprise in Indonesia is an important step of understanding the significant potential of this sector, providing a baseline reference for strengthening the supportive ecosystem. This detailed survey will hopefully spark fruitful discussions about the social enterprise landscape, connecting policymakers, relevant stakeholders and key players.

This report comes in a timely manner, it can provide the guidance for the Government of Indonesia in developing programs to facilitate the growth of the social enterprises. There are many key roles that the Government of Indonesia can take, but one of the most crucial part is to create an enabling environment where social entrepreneurs can reach its full potentials.

In developing the enabling environment, the Government can develop outreach program that nurture the seeds of future social entrepreneurs since the young age. As most of the social entrepreneurs are young adults, building a working talent development program since universities level can be very useful. Collaborating with accelerators and incubators, future social entrepreneurs can then be trained to build a working business model and to test into a real project to gain experience, all relatively at a little cost.

Another government's role is by solving the regulatory problems. One of the example is the acceleration of the Entrepreneurship Law enactment to provide the regulatory basis for social entrepreneurship activities in Indonesia. Furthermore, the government can also actively identify existing and potential regulatory roadblocks and then conduct its convening role to facilitate discussions and exchanges of information between all stakeholders to come up with the proposed regulatory changes.

Other important aspect that can be facilitated by the government is the development of alternative financing model of social entrepreneurship business activities. There are many potential alternative financing schemes such as grants, impact investment, social impact bonds, and crowd fundings that needs to be explored and to be developed in order to ensure the sustainability of entrepreneurs business models and therefore Its social impact.

Externally, the Government of Indonesia also needs to learn from other economies on the best approach in developing its social entrepreneurship ecosystem, specifically, the experience from the United Kingdom where growing social entrepreneurship activities has been matched with a good government program can be a valuable example for Indonesia to follow.

To sum it up, the Government of Indonesia acknowledges the contribution and the role of social entrepreneurship in providing solutions to social problems in the society. Therefore, in order to achieve the objective of the national development agenda, the government aims to be an active partner of social entrepreneurs and is committed in continue building and nurturing the social entrepreneurship ecosystem.

Jakarta, 26 September 2018

Bambang P. S. Brodjonegoro
Minister of National Development Planning/
Head of National Development Planning Agency (BAPPENAS)

About The United Nations Economic and Social Commission for Asia and The Pacific (UNESCAP)

The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations' regional hub promoting co-operation among countries to achieve inclusive and sustainable development. The largest regional intergovernmental platform with 53 Member States and 9 associate members, ESCAP has emerged as a strong regional think-tank offering countries sound analytical products that shed insight into the evolving economic, social and environmental dynamics of the region. The Commission's strategic focus is to deliver on the 2030 Agenda for Sustainable Development, which is reinforced and deepened by promoting regional co-operation and integration to advance responses to shared vulnerabilities, connectivity, financial co-operation and market integration. ESCAP's research and analysis coupled with its policy advisory services, capacity building and technical assistance to governments aims to support countries' sustainable and inclusive development ambitions.

About The UNESCAP - British Council Partnership

In February 2017, the British Council and ESCAP signed a collaborative agreement to promote the growth of social enterprise and impact investment across the Asia-Pacific region as a means of supporting progress on the Sustainable Development Goals (SDGs).

Together we are co-operating to provide research, analysis, training, policy dialogues and offer guidance to support policy makers and other stakeholders in formulating and implementing policies and strategies that foster social enterprise and create enabling environments for impact investment.

The social enterprise survey in Indonesia is an example of this work and will provide information as to the size and scale of the social enterprise sector in the country.

Social enterprises harness trade, investment and business activity towards social and environmental objectives and are increasingly recognized as critical drivers of innovation for sustainable development.

ACKNOWLEDGEMENT

This study is commissioned by the British Council and UNESCAP (United Nations Economic and Social Commission for Asia and The Pacific) and conducted by PLUS with the support from Social Enterprise UK. It is part of a global series of Social Enterprise studies which can be downloaded at: www.britishcouncil.org/social_enterprise/reports

We would like to acknowledge the insightful contributions provided by:

Dan Gregory, SEUK
Tristan Ace, British Council
Ari Sutanti, British Council
Puti Medina Indasari, British Council

We would like to thank the following partners for their help and support in sharing the survey through their networks:

British Council
UnLtd Indonesia
Kinara
Impact Hub Jakarta
DBS Foundation
AVPN
Kibar
Campaign.com

We would also like to thank for all the interviewees and higher education institutions (HEIs) who took part in focus group discussions.

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Acronyms

<p>A ANGIN: Angel Investor Network Indonesia ARISE: Awaken & Rediscover Indonesian Social Enterprises</p>	<p>N NSPK: <i>Norma, Standar, Prosedur, dan Kriteria</i> (Norms, Standards, Procedures & Criteria)</p>
<p>B BAPPENAS: <i>Badan Perencanaan Pembangunan Nasional</i> (National Development Planning Agency) BCG: Boston Consulting Group BPS: <i>Badan Pusat Statistik</i> (Central Bureau of Statistics)</p>	<p>P PKM: <i>Program Kreativitas Mahasiswa</i> (Student Research and Creativity Program) PLUS: <i>Platform Usaha Sosial</i> (Social Enterprise Platform) PPP: Purchasing Power Parity Prolegnas: <i>Program Legislasi Nasional</i> (National Legislation Program) PT: <i>Perseroan Terbatas</i> (Private Company) P2P: <i>Peer to Peer</i> P-IRT: <i>Pangan Industri Rumah Tangga</i> (Certificate of Food Home Industry)</p>
<p>C CV: <i>Commanditaire Vennootschap</i> (Limited Partnership)</p>	<p>R RPJMN: <i>Rencana Pembangunan Jangka Menengah Nasional</i> (Medium Term Development Plan)</p>
<p>D DBS: The Development Bank of Singapore</p>	<p>S SAAS: Software as a Service SE: Social Enterprise SEUK: Social Enterprise United Kingdom SIAP: Social Innovation Acceleration Program SIUP: <i>Surat Izin Usaha Perdagangan</i> (Business Licence)</p>
<p>F FGD: Focus Group Discussion</p>	<p>T TDP: <i>Tanda Daftar Perusahaan</i> (Certificate of Company Registration)</p>
<p>G GDP: Gross Domestic Product GET: Green Entrepreneurship Training</p>	<p>U UKMC UI: <i>Usaha Kecil dan Menengah Center University of Indonesia</i> (Small and Medium Enterprises Center University of Indonesia)</p>
<p>H HAKI: <i>Hak Kekayaan Intelektual</i> (Intellectual Property Rights support) HEI: Higher Education Institution HIPMI: <i>Himpunan Pengusaha Muda Indonesia</i> (Indonesian Young Entrepreneurs Association)</p>	<p>Y YCAB: <i>Yayasan Cinta Anak Bangsa</i> (Cinta Anak Bangsa Foundation)</p>
<p>K KUHD: <i>Kitab Undang-undang Hukum Dagang</i> (Indonesian Commercial Code) KKN: <i>Kuliah Kerja Nyata</i> (Student Community Service Program)</p>	
<p>M MSME: Micro, Small, and Medium Enterprise MVP: Minimum Viable Product</p>	
<p>N NGO: Non-Governmental Organization</p>	

HOW DO YOU SEE YOUR SE IN THE NEXT 5 YEARS?

- Starting more collaborations
- Expanding in region - established legal access & sustainable
- More on awareness in environmental education for rural
- Empower community & digital literacy
- Give more impacts to our communities
- DIVERSE & INTEL-empowered PEOPLE



The State of Social Enterprise in Indonesia

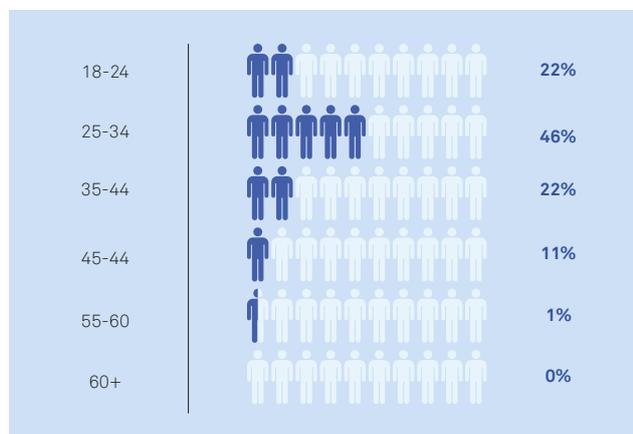
The State of Social Enterprise in Indonesia

The social enterprises surveyed in this research represent a strong, emerging sector and are demonstrating their potential to address social and environmental problems in Indonesia. This snapshot of the ecosystem, based on responses from nearly 500 respondents, shows that the social entrepreneurship sector is vibrant, dynamic and growing.

PEOPLE

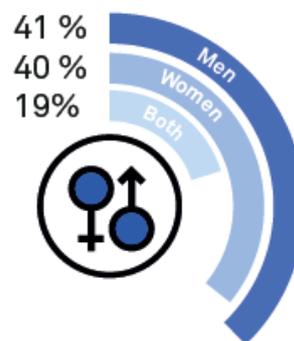
Young leaders are dominating the social enterprise sector

Over 75% of social enterprise leaders in this research are aged 18-44, where the majority (46% are between the ages of 25-34 years old.



The number of men and women led social enterprises are nearly equal

40% of the social enterprises in this research are led by women, with an additional 19% led by both men and women.

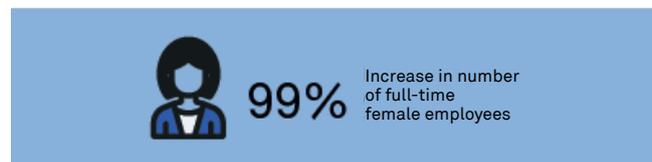
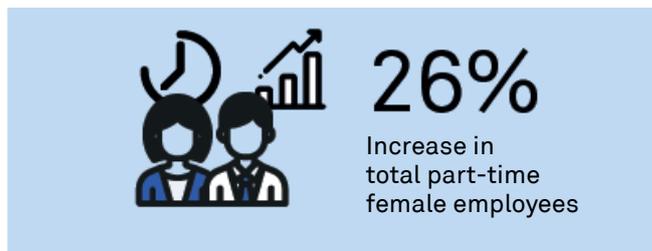
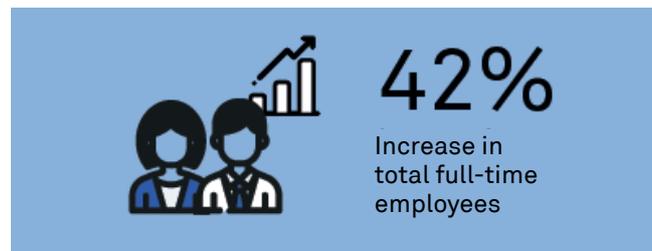


The Social Enterprise Workforce is dominated by women



Social enterprises in this research are more inclusive in terms of employment and job creation. 69% of the social enterprise workforce surveyed are women. This is higher than the 57% of women employment rate in the MSME sector.

Rate of increase in employment of social enterprises from 2016-2017

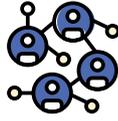


BUSINESS

Social enterprise leaders plan to grow their business and impact using these key strategies



Develop and launch new products



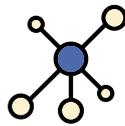
Attract new customers or clients



Increase sales with existing customers



Expand into new geographic area

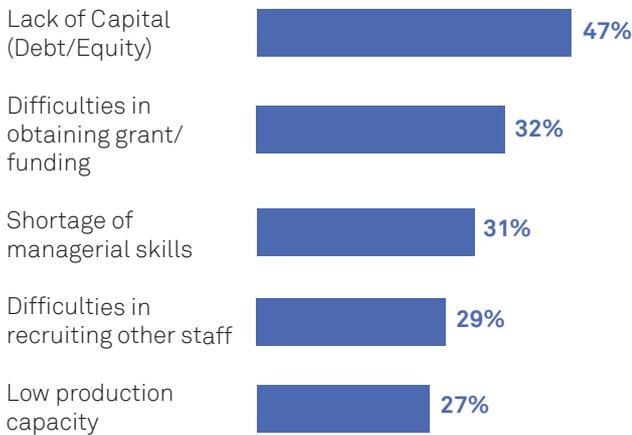


Attract investment to expand

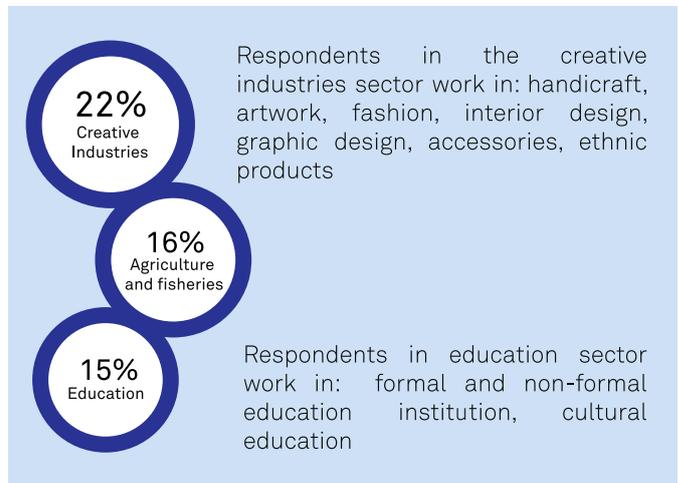
The social enterprises' top business objectives are to grow their business, improve the community, and create inclusive employment



Funding and human resources are the main challenges faced by social enterprises



The top three sectors of social enterprises were creative industries, agriculture and fisheries, and education



Local communities, women, and young people are the main target beneficiaries of social enterprises



The estimated total number of social enterprises in Indonesia is around **342,000**



1

Introduction



Introduction

Social enterprises are growing in Indonesia.



Photo source: PLUS Documentation

Interest in social enterprises in Indonesia is growing alongside increased emphasis on entrepreneurship in general. This is evident in the growing number of events, research, and government activities focused on social enterprise. The concept of social enterprise was formally acknowledged for the first time by the Government of Indonesia in 2015, when the People's Representative Council introduced the National Entrepreneurship Draft Bill and included a definition of social enterprise.

In Indonesia's National Entrepreneurship Draft Bill, social enterprise is defined as a *venture that has a vision and mission to solve social problems and/or promote positive changes to the welfare of society and the environment through activities that have measurable impact, and which reinvests the majority of its profit to support the mission.*¹

Indonesia's economy features many Micro, Small and Medium Enterprises (MSMEs), which contribute 57.6% to the GDP and comprise nearly 97% of the total labour force. Roughly 3.1% Indonesia's population are of the identified as entrepreneurs, an increase of 1.4% in two years.²

Just like other enterprises, social enterprises seek to generate a profit. The difference is that social enterprises are also motivated by a social mission and reinvest significant proportion of its profits towards their stated mission. These businesses address a range of issues, from the environment to economic inequality and beyond, and often work to empower marginalised people by providing access to education, health and other services.

¹ based on National Entrepreneurship Draft Bill by People's Representative Council

² based on the data by Central Bureau of Statistics, as quoted by the Minister of Co-operatives and Micro and Small Medium Enterprises.

This study is based on quantitative information obtained from a total of 495 survey respondents from 27 provinces across Indonesia. The data has been supplemented by in-depth interviews with key stakeholders including ecosystem enablers, government agencies, higher education institutions, funders and financiers, and other key players. Our research suggests an optimistic future for social enterprises in Indonesia, based on the rapid growth of social enterprises and the emergence of a strong enabling environment over the last five years.

While social enterprises are incredibly diverse, some clear trends demonstrate the particular value that social enterprises offer in Indonesia:

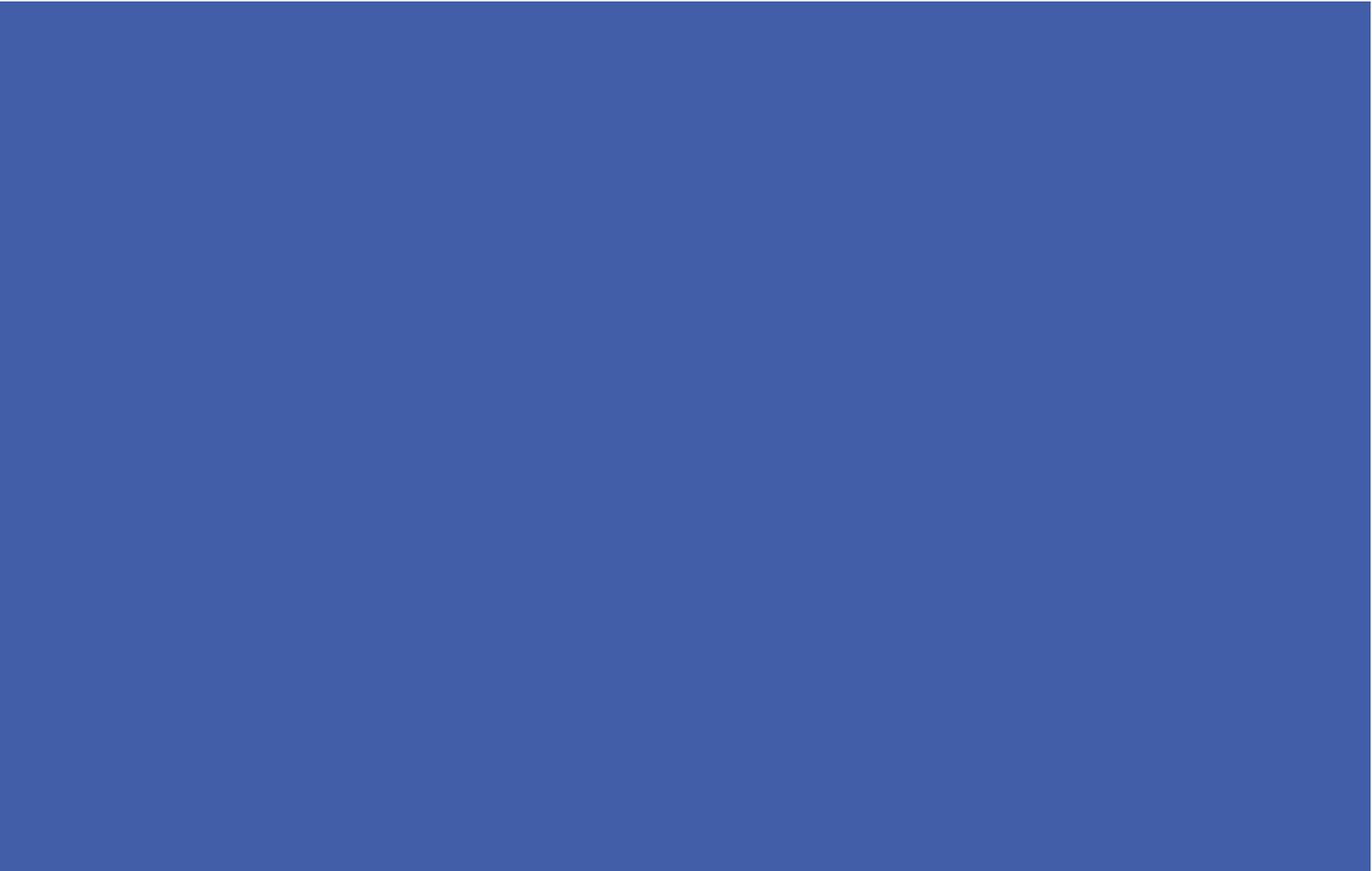
- Many social enterprises are working to promote inclusivity and address inequality, in particular through community-based models and providing opportunities for women.
- Social enterprises often operate outside the capital and big cities, creating employment opportunities across Indonesia and seeking to address Indonesia's significant wealth gap.
- The majority of social entrepreneurs are young and demonstrate strong commitment to solving social problems in their communities.
- The top three sectors for social enterprises are creative industries, agriculture and fisheries, and education.

The British Council and United Nations ESCAP commissioned this research in order to better understand the state and scale of social enterprise in Indonesia as well as the opportunities and issues that need to be addressed in order to improve the sustainability of social enterprises. We hope that this research provides a baseline to help guide decision making and support the development of social enterprises and the broader ecosystem in Indonesia.



2

RESEARCH METHODOLOGY



Research Methodology



The main purpose of this study is to improve the understanding of the social enterprise landscape in Indonesia. It also includes an estimate of the current size and scale of the sector. In addition, this research aims to support the British Council's Global Social Enterprise Programme and provide a baseline to track how the sector develops in the coming years.

Research Purpose

This study also briefly assesses the policy framework for social enterprises in Indonesia and presents the profiles and perspectives of relevant stakeholders to give a more complete picture of the current social enterprise ecosystem. The results can be used to develop strategies which encourage continuous growth in the sector.

While this study is not exhaustive, we believe it offers an important contribution to the discussion on social enterprise in Indonesia. As such, feedback regarding the results presented in this report is welcome.

Research Overview

The research for this study was conducted between January and July 2018. The study draws from a database of more than 2,000 organisations compiled from the existing databases of support organisations (funders and financiers, accelerators etc.). Data was collected from selected organisations through interviews, surveys, and focus group discussions. Interviews were conducted in-person or by phone following a structured questionnaire. A web-based questionnaire was also distributed online through the website and via social media. Finally, focus group discussions were conducted in Jakarta and Bali.

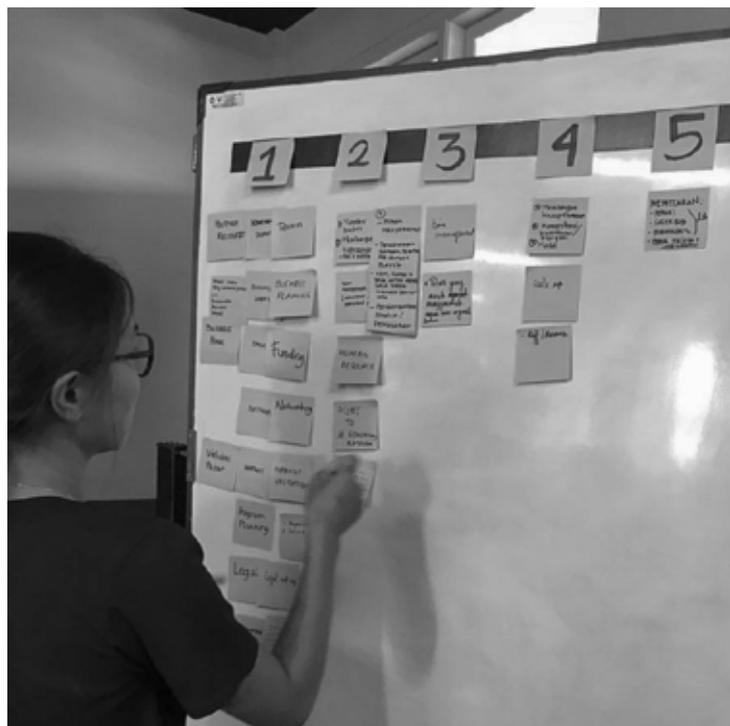
Methodology

Research Framework

This study is part of a global study led by the British Council. It will be used alongside research from other countries to help develop a better global understanding of social enterprise.

The primary data about social enterprises captured in this research include

- Age and gender of leadership
- Year of operation
- Location and geographical area of activities
- Legal form
- Area of focus
- Social impact: Beneficiaries
- Job creation
- Business size
- Profit allocation
- Future expectation
- Growth plans
- Barriers to growth
- Financial source
- Financial constraints



Database and Sampling Selection

Database

This study first built a database of social enterprises identified through the research process of over 2,000 Indonesian social enterprises. This database was populated using desktop research, networking, and partnerships with support organisations. This study also incorporates findings from roadshows conducted in 8 cities across Indonesia with partnering support organisations as a means to reach more social enterprises from outside Jakarta. Ultimately, over 2,000 enterprises from the database were contacted and 495 responded, exceeding the target of 400 responses.

Sample size and selection

This study is primarily concerned with social enterprise ecosystem such as incubators, accelerators, funders, government officials, and higher education institutions. The sample selection method for this research was non-randomised

sampling, as this study targeted respondents who appeared likely to meet pre-determined social enterprise criteria (see Figure 1).

Survey tool and analysis

This survey was conducted by sending paper-based and online questionnaire (hosted on Typeform) to selected organisations. This study includes findings from focus group discussions with a number of social enterprises in Jakarta and Bali to validate and contextualise the results of the survey. Finally, the study provides industry insights collected through 20 in-depth interviews with social enterprises, key enablers (incubators, accelerators, impact investors, funders, and financiers), universities, and government officials. The complete interview survey questions can be found in Annex 1.

330 organisations responded to the survey using the online questionnaire, 132 organisations completed the survey during the roadshow, and 33 organisations completed the questionnaire by phone or face-to-face interview.

Data Analysis

This report is based on the findings of this research and is intended to draw out key insights and conclusions, rather than present an exhaustive analysis of the data collected. In addition to the survey responses, the team conducted a literature review of previous research on social enterprises in Indonesia, including peer-reviewed journals, literature, books, and articles to complement and validate the primary data. The collected data was analysed using Excel.

Confidentiality and the use of subsequent data

All data collected will be stored and used for research purposes only. The data to be published is aggregated, except data that is already authorised for publication (e.g. general data of demography and description).

Classification of Social Enterprise

Determining the defining criteria of social enterprise was an important part of this study. Although the definition of social enterprise is well-established in some parts of the world, it can still be contentious. Given the lack of a globally agreed definition, the research team did not seek to impose a strict definition of social enterprise. Rather, based on consultations with experts and other key stakeholders, our approach required respondents to answer survey questions without first providing them with a set of defined criteria for social enterprise.

The criteria ultimately chosen for the purposes of analysing the results were based on the Indonesian context and input from a range of stakeholders. Though the criteria were built based on a wide range of insights from previous research and stakeholders, we are not arguing that this represents a definitive approach to understanding social enterprise. However, we hope that this will be instructive in helping to develop a greater understanding of the term as it emerges in Indonesia.

Our definition of a social enterprise in the Indonesian context could then be summarised as: Any business which is primarily motivated by a social or environmental mission and reinvests a significant proportion of its profits toward this mission.

The classification approach used in this research is broadly aligned with the definition and criteria of social enterprise in the National Entrepreneurship Draft Bill. According to Article 1, Section 6, social enterprises have a mission to solve social problems and/or make a measurable positive impact in the welfare of the community and the environment through planning, development, and empowerment and reinvestment of a large portion of profits towards supporting the mission. In the National Entrepreneurship Draft Bill, the defining characteristics of social enterprises are identified as:

1

Having a social mission to address social problems in society and/or create positive impact for the welfare of society and the environment;

2

Having business activities from which most of the profit is returned to the social vision and mission;

3

Involving and empowering the community or society that is the focus of the business activities and implementing principles of good corporate governance."

The government’s criteria go beyond our definition by considering measurable impact, community involvement, and principles of good corporate governance. Based on feedback from stakeholders, we decided to use a broader definition for this research as, while the above attributes are desirable, they are not necessarily the defining aspects of social enterprise. Our definition appears to have effectively targeted the appropriate respondents as 94% of respondents qualified as social enterprises. Roughly 88% of qualified respondents identified themselves as social enterprises.

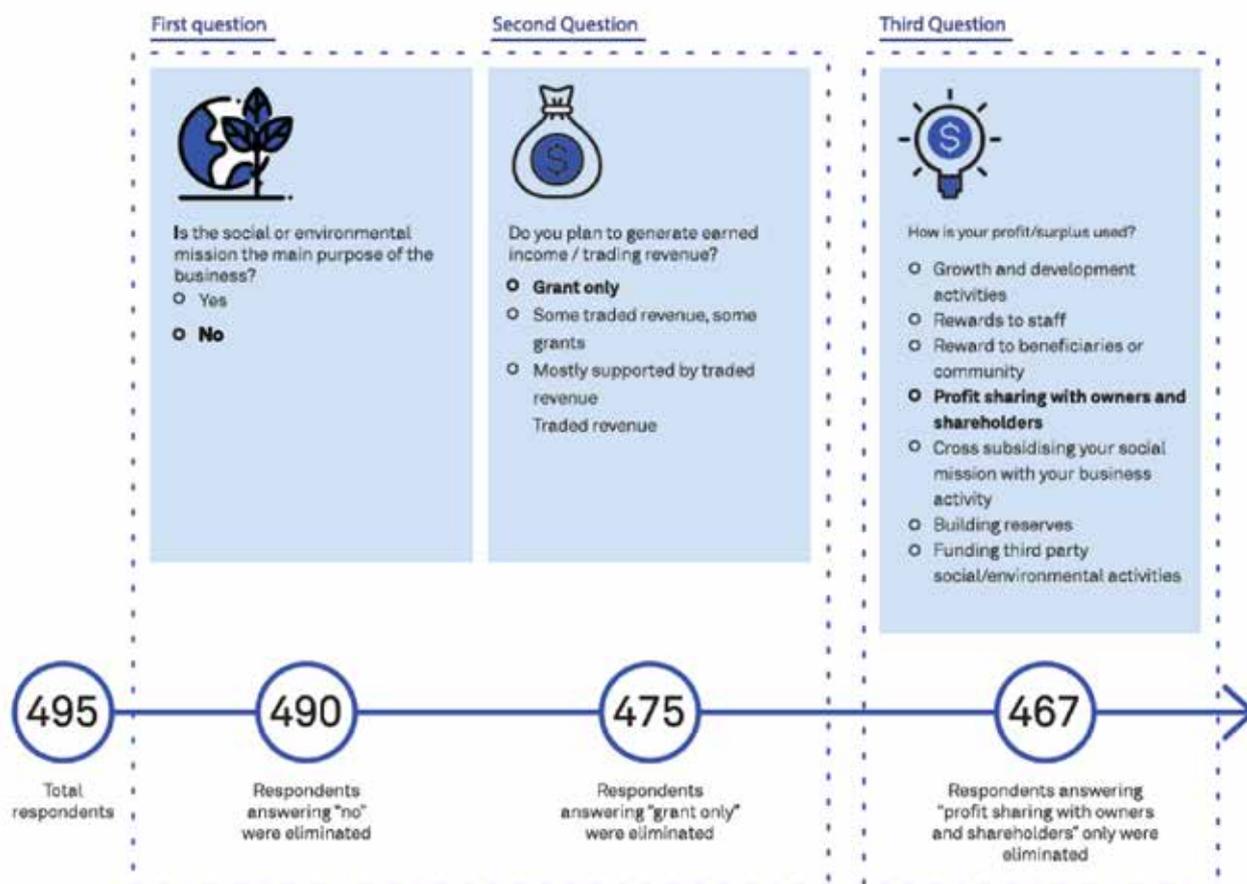


Figure 1: Social enterprise exclusion criteria

We used three questions to differentiate social enterprises from conventional enterprises and non-profit organisations.

- First, “Is the social or environmental mission the main purpose of the business?” was used to differentiate between conventional enterprises and social enterprises. Respondents who answered “No” were eliminated.
- Second, “Do you plan to generate earned income / trading revenue?” was used to distinguish social enterprises from other non-profit organisations. Respondents who answered “Only from grants,” were eliminated.³
- Third, we asked “How is your profit/surplus used?” and eliminated those who responded “Profit sharing with owners and shareholders” only.

³ Note: this question only evaluates organisations’ future plans, those who have primarily relied upon grants in the past were not excluded.

Estimate of the Number of Social Enterprises in Indonesia

To estimate the number of social enterprises in Indonesia, we sought to identify organisations that met our predetermined criteria. We estimated - based on other relevant research - the prevalence rate of organisations that exhibited social enterprise characteristics from among the micro and small and medium enterprise (MSME), NGO, and co-operatives.

Total Estimate Number of Social Enterprises in Indonesia



Estimated Number of Social Enterprises from MSMEs

MSMEs Criteria

There are various approaches for categorising MSMEs in Indonesia. Based on the criteria established in Law Number 20/2008, the Ministry of Co-operatives and MSMEs reported that in 2016 there were 59,697,827 total MSMEs in Indonesia, with the following breakdown:

Table 1: Classification and Number of MSMEs in Indonesia

Category	Total Asset (Rp, exclud land and building)	Annual Revenue (Rp)	Total Business Units (2016)
Micro	Less than 50 million	< 300 million	58,915,408
Small	50-500 million	300 million - 2,5 billion	716,896
Medium	500 million - 10 billion	2,5 billion - 50 billion	65,523

Other definitions of MSMEs come from the World Bank Indonesia and Central Bureau of Statistics (BPS - Badan Pusat Statistik). The World Bank combines the ministry's criteria for MSMEs, which includes total assets and annual revenue, with the number of employees. BPS exclusively defines MSMEs based on the number of employees.

Table 2: Classification of MSMEs according to the World Bank and BPS

Category	World Bank		BPS	
	Total Asset (USD, exclude land and building)	Annual Revenue (USD)	Number of Employees (individuals)	Number of Employees (individuals)
Micro	Less than \$100 thousand	Less than \$100 thousand	Less than 10	1-4
Small	Less than \$15 million	Less than \$15 million USD	Less than 30	5-9
Medium	\$15 million at maximum	\$15 million at maximum	300 at maximum	20-99

However, this does not clearly identify which enterprises have only self-employed workers, and which are businesses that employ additional workers. BPS also provides data on the number of employers with more than one temporary or permanent employee in Indonesia as of August 2017. BPS also provides data on the number of entrepreneurs who are self-employed or have temporary workers, permanent workers, employees, casual agricultural workers, casual non-agricultural workers, and unpaid family workers.

Table 3: Total number of entrepreneurs that have more than one employee (August 2017)

Category	Number of Employer
Entrepreneur that has temporary workers	18,024,632
Entrepreneur that has permanent workers	3,954,629
Total	21,979,261

For the purpose of estimating the number of social enterprises among MSMEs in Indonesia, we needed to understand the prevalence rate of social enterprises among MSMEs. A study by the Global Entrepreneurship Monitor in 2015 (*Special Topic Report on Social Entrepreneurship*) estimates that 1.5% of all enterprises could be classified as social enterprises based on their activities and profit reinvesting. We have therefore used this number as the prevalence rate of social enterprise among MSMEs as it is broadly aligned with our social enterprise definition.

Estimated number of Social Enterprise from MSMEs

Using 1.5% as an indicative prevalence rate, we estimated the total number of social enterprises among Indonesian MSMEs.

Table 4: Prevalence Rate and Estimated Total Number of Social Enterprises from MSMEs

Source	Total Number	Social Enterprise Prevalence Rate	Estimated total number of Social Enterprise
MSMEs with temporary and permanent workers	21,979,261	1.5%	329,689

We included the number of enterprises which have temporary workers (18,024,632) and enterprises which have permanent workers (3,954,629). This calculation results in an estimated number of 329,689 social enterprises out of 21,979,261 total enterprises in Indonesia.

Estimated Number of Social Enterprises from NGOs

Table 5: Prevalence Rate and Estimated Number of Social enterprises from NGOs

Source	Number of Sample	Total Number of Active NGOs	Social Enterprise Prevalence Rate	Expected total number of Social Enterprise
NGOs - National	42	665	3%	20
NGOs - Local	105	1,638	46%	753
Total				773

NGOs in Indonesia primarily rely on funding from donors, but many NGOs are now experimenting with other sources of funding. The issue of financial sustainability has led some NGOs to generate earned income, known in Indonesian as *swadaya* (self-help activities). NGOs have experimented with several approaches to earning income, such as membership fees, charging fees for services (e.g. consultancy, facilitation, event organising), setting-up businesses (e.g. cafés and coffee shops, room rentals, training facilities) and other initiatives (e.g. bazaars and selling t-shirts). **NGOs which are funding themselves primarily through earned income can be defined, for the purposes of this study, as social enterprises.**

NGOs are also included in our estimate of number of social enterprises in Indonesia due to the introduction of programs which help NGOs transform into social enterprises. One such example is the NGO Transformation to Social Enterprise programme by the British Council. The programme equips non-profit organisations from across Indonesia with the training and technical assistance needed to become a professional social enterprise, as discussed in *Social Venture Business Model for Transforming Non-Profit Organisations Typology-Driven Theorizing* (Margiono, 2018).

The number of active NGOs reported in *The NGO Sector in Indonesia: Context, Concepts and an Updated Profile* by National NGO Study and Service Centre (NSSC) is 2,293 out of a total of 11,468 registered NGOs⁴. From interviews and focus group discussions of 105 local NGOs and 42 national NGOs in Indonesia, around half (46%) of local NGOs reported that earned income is the primary source of funding for their organisation, while only 3% of national NGOs identified this as a main funding source. In the NSSC report, it is specified that national NGOs largely receive funding from international donors. Our assumption is that local NGOs have less access to these donors, and have thus found other modes of securing funding for their activities.

Estimated Number of Social Enterprises from Co-operatives

Table 6: Prevalence Rate and Estimate Number of Co-operatives

Source	Total Number of Active Co-operatives	Social Enterprise Prevalence Rate	Expected total number of Social Enterprise
Co-operative	150,789	7.7%	11,563
Total			11,563

Co-operatives (*koperasi*) have a long history in Indonesia. They were introduced by the nation's founding fathers as a community-based business model to build a people-centered economy. Co-operatives are meant to put their members' prosperity first and to be self-sufficient. There are significant overlaps between co-operatives and social enterprises around the world. According to Teguh Sambodo, the Director of Industry, Tourism and Creative Economy at Indonesia's Ministry of National Development Planning (Badan Perencanaan Pembangunan Nasional - BAPPENAS), co-operatives share the same value as a social enterprises by combining business with social impact. Tulus Tambunan, a lecturer from University of Trisakti who has written extensively on social entrepreneurship in Indonesia, also believes that Indonesian co-operatives could be classified as social enterprises.

While the intent of co-operatives may be closely aligned to social enterprises, in practice, many co-operatives in Indonesia are not necessarily true social enterprises. **In this study, we identify co-operatives as social enterprises if they held annual membership meetings.** We argued that the annual membership meeting demonstrates that members and/or the community still have control over the co-operative's management and is an indicator that profit (*sis hasil usaha* or SHU) is allocated to members. This narrower definition yields a prevalence rate of roughly 7% or 11,563 social enterprises of the more than 150,000 co-operatives in Indonesia.

⁴ according to NSSC Report, the total number of NGOs derived from Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK) while the proportion of active NGO is 20% based from West Kalimantan district government data.

Estimated Number of Social Enterprises

Based on the criteria and assumptions above, it is possible to make a provisional estimate of the total number of social enterprises in Indonesia at roughly 342,025 enterprises. This number should not be interpreted as an accurate estimate and is the first attempt of its kind.

Table 7: Estimated total Number of Social Enterprises

	Total Number	Social Enterprise Prevalence Rate	Estimated total number of Social Enterprise
MSMEs	21,979,261	1.5%	329,689
NGOs - National	655	3%	20
NGOs - Local	1,638	46%	753
Co-operatives	150,789	7.7%	11,563
	Total		342,025

Previous research on social enterprises in Indonesia can be found in *The Art of Sustainable Giving*, which identified 454 existing social enterprises and more than 1,400 aspiring social enterprises (Yulius, Siregar, and Tampubolon, 2015). This number was calculated from the databases of support organisations such as Ashoka, British Council, Schwab, and UnLtd. If this study used the same bottom-up method, based on the data we compiled from key support organisations – accelerators, incubators, ecosystem builder, capacity builder - we could identify approximately 2,000 social enterprises and aspiring social enterprises in Indonesia. We hope others can build on this work in future to generate increasingly accurate estimates of social enterprises, as has been the experience in other countries.

3

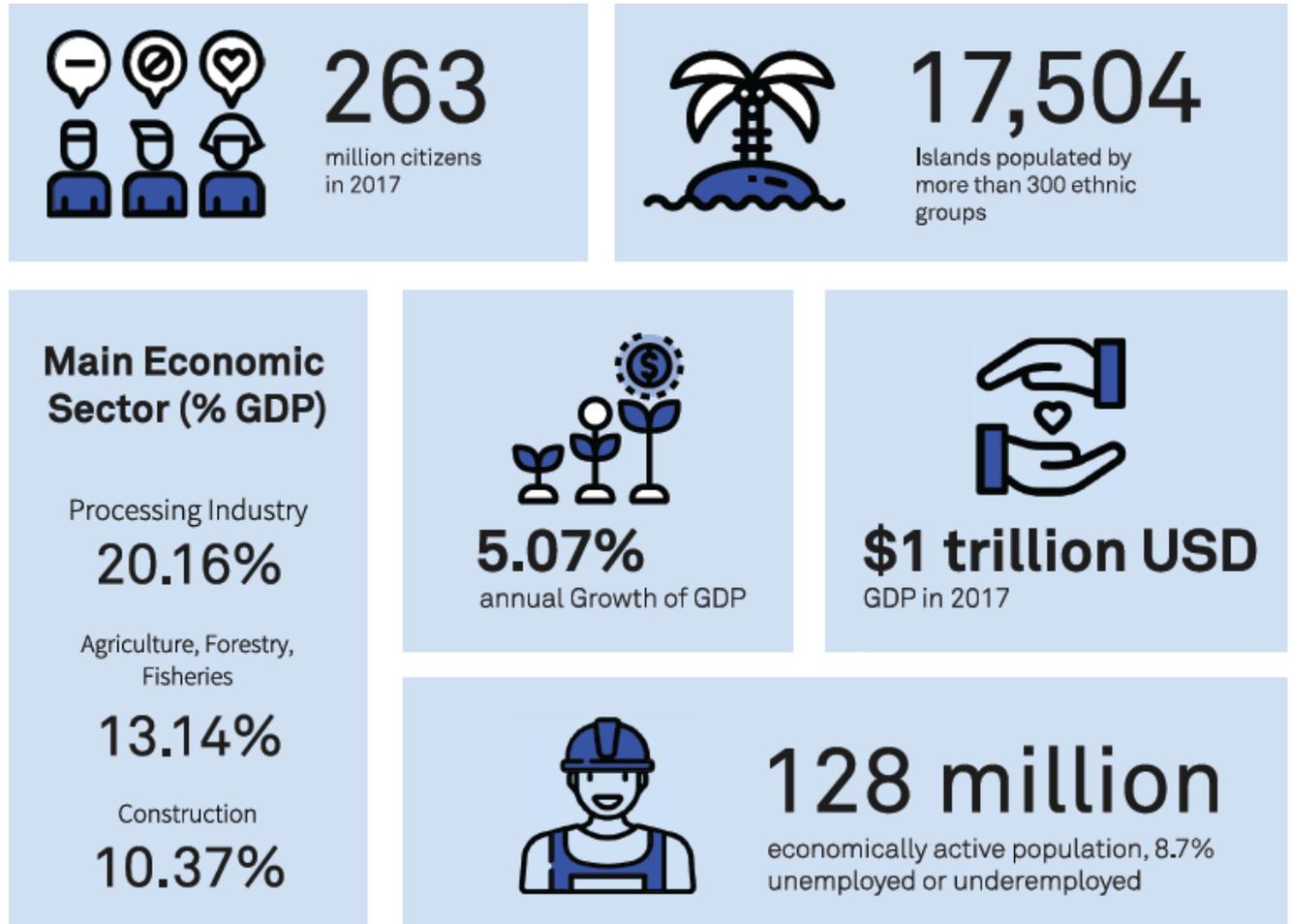
**COUNTRY CONTEXT
AND EXISTING
RESEARCH ON
SOCIAL ENTERPRISE**



Country Context

This section briefly describes Indonesia's social and economic profile and offers some context in terms of the ecosystem in which social enterprises are operating, including challenges and opportunities.

Table 9: An Overview of Current Status of Indonesia



Indonesia is the 4th most populated country in the world, with the total population estimated at 262 million in 2017. Demographically, Indonesia's population is young, with over 128 million of working age. The youth unemployment rate is 16%, while the underemployment rate is just 3.2% of Indonesia's labour force (ILO 2017). The Indonesian economy has experienced strong growth for the last two decades, averaging 5% GDP growth per year. While poverty continues to decline, economic and social welfare gaps remain. Income inequality remains relatively high and 25.95 million Indonesians still live below the poverty line.



Economic activities are heavily concentrated in Java, where as much as 58% of the country's economic activities take place (BPS, 2018).⁵ Java, and the capital Jakarta in particular, attracts large numbers of economic migrants. This has created an extremely high population density of 15,000 people/km² in Jakarta, well beyond Indonesia's average population density of 134 people / km².

Geographic conditions present significant barriers to reducing inequality. Reaching such a large population scattered across a sprawling archipelago has made it challenging for the government, private sector, and other actors to provide basic services which promote economic and social development. The Social Progress Imperative's 2017 social progress index ranks Indonesia 79 out of 128. The index includes indicators on nutrition and health, access to information, communication, and security.

Due to its large consumer market and the growing middle class, Indonesia represents a promising market opportunity. About 20% of the population is classified as middle class (based on monthly expenditures of 2-3 million IDR or \$130-\$200 USD), and 18% are classified as upper middle class (monthly expenditures of 3-5 million IDR or \$130-\$340 USD). Moreover, the World Bank has ranked Indonesia's economy as the tenth largest in the world by purchasing power parity (PPP).



Photo source: PLUS Documentation

Indonesia also presents specific opportunities for social enterprises, as a Global Survey of Corporate Social Responsibility found that 64% of Indonesian consumers are willing to pay extra for brands that are committed to making a positive or social and environmental impact (Nielsen, 2014).⁷

Ease of doing business

World Bank's *Ease of Doing Business 2017* report found that registering a business in Indonesia requires 11 steps and takes an average of 25 days, although in practice this can take much longer. Indonesia ranked 72 out of 190 countries in the World Bank's 2018 Ease of Doing Business Index. The complex registration process has been shown to disproportionately affect SMEs (Indarti and Langenberg 2004).⁸

It is common practice for SMEs to operate without a legal entity in Indonesia, as many informal businesses feel that the process of registering is complicated or do not see the benefit of having a legal entity. Suprpto, Assistant Deputy of Non-Bank Financing and Taxation at the Ministry of Cooperatives and SMEs stated that many SMEs do not pay taxes because of a lack of understanding of the procedures.⁹ Most enterprises start the registration process only when the business begins to generate one billion IDR (equivalent to \$69,673 USD) revenue per year.

Operating without a legal entity limits access to bank loans, grants, and other forms of investment. It is therefore important for social enterprises to understand how to register themselves. Available resources include the *ASEAN Social Enterprise Structuring Guide*, which is a guide for choosing a suitable legal entity for social enterprises across ASEAN, including in Indonesia.

⁵ based on *Berita Resmi Statistik: Pertumbuhan Ekonomi Indonesia Triwulan I tahun 2018* by Central Bureau of Statistics

⁶ based on *Asia's Next Big Opportunity study* by Rastogi, Tamboto, Tong & Sinburimsit in 2013

⁷ based on *Global Survey of Corporate Social Responsibility research* by Nielsen in 2014.

⁸ based on *Factors Affecting Business Success Among SMEs Study* by Indarti and Langenberg in 2004

⁹ based on the article '*Kementerian koperasi: Baru 397 ribu UMKM bayar pajak dari 59 juta*' by Sawitri, 2017.

Existing Research on Social Enterprise

Indonesia has a long history of social entrepreneurship. The term 'social enterprise' was likely introduced in Indonesia by Ashoka in 1983 (Idris and Hati 2013). Kartini School, Sjarikat Dagang Islam, and Muhammadiyah are some examples of social enterprises that were founded in the early 20th century. A number of studies have been conducted on social enterprise and social entrepreneurship, including *Social Entrepreneurship in Indonesia: Lessons from the Past* by Idris and Hati in 2013, *Social Enterprise in Indonesia: Emerging Models under a Transition Government* by Pratono, Pramudija, and Sutanti in 2016, and *A Typology of Social Venture Business Model Configurations* by Margiono, Zolin, and Chang in 2017. In this section we will review some of the key conclusions from this body of work.

Definition of Social Enterprise

“ ***There have been several attempts to define social enterprise in the Indonesian context. In *The Art of Sustainable Giving (2015)*, The Boston Consulting Group define social enterprise as an enterprise which has social impact as its main purpose and uses a business model to deliver this social purpose, balancing the target of profitability and social impact, and reinvesting profit in the business model.***”

A Typology of Social Venture Business Model Configurations by Margiono, Zolin, and Chang (2017) identifies several characteristics of social enterprises. The first characteristic of a social enterprise is a focus on a social mission, namely the creation of public and social value. This characteristic eliminates commercial ventures which operate with the principle of profit maximisation. The second characteristic addresses ownership of the enterprise, stating that social enterprises embrace private ownership, which eliminates charities, community groups, voluntary organisations, and other entities that cannot distribute their profit freely. The third characteristic stipulates that social enterprises acquire their funding from commercial activities, government grants, and private funding such as venture capital, investor and loans.

A number of social enterprises come from an NGO background. In *Social Venture Business Models for Transforming Non-Profit Organisations: Typology-Driven Theorizing* (2018), Margiono argues that there are four types of social enterprises which are classified by their sources of funding and external control. There are two types of sources of funds: public funding which comes from grants and government spending, and private funding which comes from other sources of funding such as venture capital, investors, and loans. There are also two types of external control: public control such as public oversight and supervision by the government, and private control which is fully controlled by the market mechanisms such as competitiveness.

The four types of social enterprise include: those which receive public funding with public control (type I), social enterprises which receive private funding with public control (type II), social enterprises which receive private funding with private control (type III), and social enterprise which receive public funding with private control (type IV). While the other types make it possible for social enterprise to distribute profits, type I has fewer options to distribute profits because of their choice of the legal form, which are mostly foundations or NGOs. Since these organisations receive most of their funding from public sources such as grants they have no rights to distribute their profits, even though they conduct business activities.



The Social Enterprise in Indonesia study by Pratono, Pramudija, and Sutanti (2016), put forth a typology of four models of social enterprise in Indonesia. The first typology includes social enterprises that have emerged from non-profit organisations (NPOs), which they call Entrepreneurial NPOs. These social enterprises integrate their social mission and economic activities to ensure their sustainability, and adopt a self-governing and independent governance model. Second, social enterprises that emerge from mutual interest organisations are called Social Co-operatives. These social enterprises rely on their own resources in terms of finance and management. Third, Community Development Enterprises are social enterprises that strive to solve problems in their community and focus on improving local resource allocation for the benefit of the community. They unify social and economic activities and manage the community with the help of a local leader. Lastly, Social Businesses strive to achieve social impact by focusing on financial sustainability. They run their organisations as professional businesses.



Challenges

Financing remains a persistent challenge for Indonesia's social entrepreneurs. ANGIN's 2016 *Social Finance and Social Enterprises* study found that a lack of capital inhibits social enterprises in their efforts to create social and environmental impact. While limited financial support is available from the government and support organisations, many social entrepreneurs are not aware of it.

Further challenges exist for women-led enterprises. The UNDP's study on *Women's Entrepreneurship and Access to Finance* in 2017 identified that women-led social enterprises often experience discrimination when seeking financial or non-financial support. For example, female interviewees reported requests from financial institutions to use a man's name when applying for loans.

While ANGIN's study found a great deal of investor interest in social enterprises, many social enterprises are not yet investment-ready or investment-suitable due to a number of factors. First, investors are not interested in social enterprises which do not offer high quality products or innovative business models. Secondly, many social enterprises have a limited scalability, decreasing potential returns on investment. Third, newer and smaller social enterprises have often not yet achieved enough traction, or scale, to validate their model. Fourth, social enterprises may have limited prospects for generating returns or allowing exits. Fifth, social enterprises may not have adequate documentation

of their work, financials or impact metrics, which makes it difficult for investors to conduct due diligence. Lastly, impact investors look for impact metrics from social enterprises, but many social enterprises either do not measure their impact or measure it in a way which is overly specific and cannot be compared against other potential investments. The study also highlights the absence of a clear legal and regulatory framework for social enterprises, making choosing the appropriate legal entity can be difficult.

Yulius, Siregar, and Tampubolon's 2015 study identified challenges by the different stages of social enterprise (seed, venture, growing, and mature). Seed-stage social enterprises often lack the capability to develop business plans, have limited experience in technical details, and are unfamiliar with managing finances. Venture-stage social enterprises, meanwhile, are more likely to struggle with a limited vision of development to grow their business and may be bound by regulatory constraints. Once social enterprises reach what the authors call "growing-stage," they also face the challenge of balancing their commitment to social impact against business growth. Finally, mature social enterprises often face challenges in recruiting team members, competition from other companies, and maintaining their commitment to social impact.

Support Needed by Social Enterprises

While there are a growing number of support activities provided to social enterprises, the research highlights a need for more education on impact measurement, capacity building, and integration between rural and urban communities.

Yulius, Siregar, and Tampubolon (2015) suggest that increasing the number of accelerators could help improve the capacity of social entrepreneurs. They argue that social enterprises need more systematic impact measurement in order to improve access to funding, especially impact investment. For women-led social enterprises, UNDP (2017) found that non-financial support – such as business skills training, financial management training, sector-specific technical assistance, networking, mentorship, and certification – was also critical to their success.

Ecosystem

ANGIN's 2016 study, *Social Finance and Social Enterprises*, found that there are a growing number of enablers supporting social enterprises in Indonesia. This ecosystem of start-up assistance organisations (SAO) was further examined in *Start-Up Assistance Organisations in Indonesia* by Bhardwaj and Ruslim in 2018. They found that SAOs play a number of roles, including incubation, acceleration, and other support functions. The majority of these programmes apply a generic and industry agnostic approach in their selection process, which allows for a broad range of social enterprise participants to be included. However, barriers to inclusion remain. Bhardwaj and Ruslim found that only 17% of women-led ventures applied for SAO programmes and, of those, only 22% were admitted.

Social Enterprise Landscape in Indonesia

There are several emerging trends in Indonesia's social enterprise landscape. Purnomo and Kurniawan's 2017 book, *Sociopreneur Milenial*, found that there is growing interest in social entrepreneurship among younger generations. Sector-wise, ANGIN found that agriculture, financial services, healthcare, education, and fisheries or aquaculture see the highest numbers of social enterprises.

In terms of legal entities, there are a number of options for social enterprises, including limited liability company, foundation, co-operative, and association. Choosing the appropriate legal entity is a crucial part of the business process, as this will have implications on an organisation's strategy and

operational procedures (Pratono and Sutanti 2016). *ASEAN Social Enterprise Structuring Guide* provides a legal guide that includes a decision tree to help social enterprises choose the most suitable legal entity.

Because of the absence of dedicated legal entity for social enterprise in Indonesia, some social enterprises choose a hybrid arrangement, for example, Yayasan Cinta Anak Bangsa has several legal entities: foundation, *Perseroan Terbatas* (Limited Liability Company), co-operative, and *Perusahaan Modal Ventura* (Venture Capital Company). While a hybrid setup offers some advantages, this also means a higher initial cost for the social enterprise.

Policy Findings

“ *There are, as yet, no specific laws governing social enterprise in Indonesia. In 2015, the National Entrepreneurship Draft Bill was drafted with a brief section outlining a definition of social entrepreneurship. The bill sets out how the government is obliged to provide education, capacity building, incentives, assistance and guidance for social enterprise through business incubators, infrastructure development such as Intellectual Property Rights support, business information, financing, licence and registration, partnership, socialisation and promotion, and opportunities to collaborate with government programmes or projects with an entrepreneurial agenda. However, the bill has not yet been passed.*

Social Enterprise in Government Strategy

Social enterprise is mentioned in several government drafts and strategies such as the Norms, Standards, Procedures and Criteria (NSPK - *Norma, Standar, Prosedur, dan Kriteria*) for National Entrepreneurship Development and the Medium Term Development Plan (RPJMN - *Rencana Pembangunan Jangka Menengah Nasional*) 2015-2019 developed by the Ministry of National Development Planning (BAPPENAS).

In the RPJMN 2015-2019, BAPPENAS includes a strategy for the “*Development of social enterprise by utilising social capital (local institutions such as co-operatives) and local champions in order to handle social-economic problems, especially poverty related to cultural factors and limited business opportunities.*” The RPJMN also includes other plans to foster economic growth through strengthening the agriculture, fisheries and mining sectors and manufacturing industries; modernising the services sector; encouraging the mastery of science, technology and innovation; maintaining fiscal sustainability; increasing the competitiveness of non-oil and gas export products and MSMEs; and improving the quality of employment opportunities.

Enterprise Legislation

Enterprise legislation varies depending upon the legal entity a social enterprise chooses. Some of the key laws and regulations relevant to the most common legal entity types (LLC, foundation, and co-operative) are outlined below.

Law No. 40 of 2007 on Limited Liability Companies (*Perseroan Terbatas - PT*)

This law regulates the establishment, ownership, funding sources, corporate organs, social and environmental responsibility (CSR), merger, consolidation, acquisition, separation of association, capital and stock, work plan, annual report, profit use, dissolution, liquidation and termination of these companies. According to the law, an LLC shall be established by agreement between two or more people who invest their wealth as share or stock. Their personal wealth, however, is separated from the stock. As a for-profit type of organisation, LLCs are barred from obtaining public grants.

Law No. 28 year 2004 on Foundations

This law regulates the establishment, organs (founders, administrators, and members), supervisors, examination, annual reporting, mergers, dissolution, liquidation, and articles of association. The law states that founders, administrators, and members are not allowed to receive any benefits from the assets of the foundations, since the assets should be dedicated to the social mission. To raise funds, foundations are allowed to allocate up to 25% of their assets to acquire shares in for-profit companies.

Indonesian Commercial Code (*Kitab Undang-Undang Hukum Dagang - KUHD*)

Article 19 of the *KUHD* defines *Commanditaire Vennootschaap* (CVs), or Limited Partnerships, and CV firms. The role of founders in a CV is divided into lenders who invest in the CV and directors who handle operational matters. In a CV firm, each of the founders are liable for any agreement the firm makes. CVs thus differ from PTs in wealth separation. Founders of CVs must bear any losses incurred by the CV with their personal wealth.

Law No. 25 of 1992 on Co-operatives

This law regulates co-operative organisations. Along with establishing the principle of justice in the co-operative, the law also stipulates that co-operative administrators and managers can receive a share of the net income (*Sisa Hasil Usaha/SHU*), if it is distributed fairly in accordance to his or her contribution at the end of the year. Ministry of Human Affairs Regulation (*Peraturan Menteri Dalam Negeri - Permendagri*) No. 14 of 2016 has since added new restrictions to this law which bar co-operatives from accessing public grants, foreign investment, and capital funds.

Law No. 36 of 2008 on Income Tax for Corporations

This law establishes a flat rate of 25% income tax for all corporations and taxpayers which earn more than 4.8 billion IDR (\$324,000 USD) annually.

Law No. 7 of 1983 on Income Tax for Foundations

This law stipulates that foundations' revenue is not subjected to tax as long as the organisation is acting in the public's interest and not for gaining profit.

Government Regulation No. 23 of 2018 on Income Tax for MSMEs

This regulation states that, starting July 2018, MSMEs which generate less than 4.8 billion IDR (\$324,000 USD) will be subject to a tax rate of 0.5% of annual revenue.

Law No. 7 of 2014 on Export and Import

This law states that import and export activities require approval, registration, confirmation, and/or recognition (e.g. *SIUP*, *TDP*) from the government. The government has also banned the import and export of certain goods with the purpose of protecting national security, intellectual property rights, and the health and safety of people and the environment.

Investment and Finance

Each type of legal entity available to social enterprises is regulated by specific rules and laws regarding the types of funding and financing sources for which it is eligible.

Law No. 20 of 2008 Chapter VII on Funding and Guaranteeing MSMEs

This law states that social enterprises can access the same funding sources that are available to MSMEs. The law explains that MSME funding sources may come from the national government, regional governments, state-owned enterprises (*BUMN*), private companies, foreign companies, and may be provided in the form of capital, loans, guarantees, grants, incentives and other forms of financing.

Law No. 28 of 2004 on Funding for Foundations

This law states that social enterprises that register as a foundations can access the assets of the foundation's founder in the form of money or goods, donations or non-binding aid, grant coming from religious institution (*waqf*), grants, and other sources that are not contradictory to the articles of the foundation and other regulations.

OJK Regulations No. 34/POJK.05/2015 about Venture Capital Companies

This regulation establishes that one potential financing source for social enterprises are venture capital companies (*Perusahaan Modal Ventura - PMV*). PMVs manage venture capital in their business activities. A PMV is allowed to establish a PT, CV, or co-operative as its legal entity. To be established as a PT, a PMV must have at least 50 billion IDR (\$3.3 million USD) as initial capital or 25 billion IDR (\$1.6 million USD) to be established as a co-operative or CV.

Head of BKPM Regulations No. 15 of 2015 on PT Penanaman Modal Asing - PMA

This regulation establishes guidelines for a foreign private LLC (*Penanaman Modal Asing - PT PMA*), which is a private company established with capital from outside of Indonesia. A PMA company may register as a PT if it makes an initial capital investment of at least 10 billion IDR (\$675,000 USD), excluding the value of land and buildings.

Regulation of the Co-ordinating Ministry of Economic Affairs No. 13 of 2015 on the Micro-Credit Programme

This regulation establishes the Micro-Credit Programme (*Kredit Usaha Rakyat - KUR*). Eligible recipients include individual or business entities conducting productive business activities, such as MSMEs, Indonesian overseas workers, family members of employees, and workers affected by termination.

Overview of Key Players on Social Enterprise Ecosystem

The social enterprise ecosystem includes a number of supporting organisations such as enablers, impact investors and financiers, business support organisations, policy makers, and higher education institutions.

Enablers (Ecosystem Builders, Incubators, Accelerators, Capacity Builders)

Enablers take a number of forms, but all provide key support to social enterprises throughout their lifecycle. They work directly with social enterprises to provide support at the idea stage, help them test their business assumptions once they have a Minimum Viable Product (MVP), scale the business, and provide other key capacity building programmes. Some of the players highlighted below focus exclusively on social enterprises, while others may include social enterprises within a wider business support programme.



Ashoka’s aim is to “support everyone to be a changemaker”. Ashoka supports social enterprises through programmes, tools, financial support and networking. Ashoka also collaborates with educational organisations, media and communities to make and accelerate their “Everyone is a Changemaker” movement.



British Council provides professional skill development and facilitation training and consultation services for entrepreneurial candidates and practitioners. The Council provides participants access to skills from the UK, a network of global peers, and funding opportunities that enable them to build successful social ventures. Dedicated programmes for social enterprises include Active Citizen Social Enterprise Training, NGO transformation to social enterprise, and consultation for social enterprises.



BCG Jakarta Social Impact is a local initiative led by a group of BCG Jakarta consultants. One of their programme is providing pro-bono consultation for Social Enterprises through Giving Back Programme.



Campaign.com is a social-tech enterprise that helps governments, companies, and social purpose organisations to better organise campaigns for change. Their broad community network helps social organisations to learn how to make a sustainable campaign through Campaign Clinic, Community Gathering, and Next Gen Program.



The DBS Foundation focuses on building a more inclusive Asia by championing social enterprises. DBS makes an impact in addressing Asia’s evolving social needs, through the DBS Foundation Social Enterprise Grant Programme and DBS Social Enterprise Bootcamp.



IDX Incubator was established by the Indonesia Stock Exchange to support digital-based startups with large-scale business prospects and wide-range impact. Seeing that digital-based startups are the driving force of business growth, the Indonesia Stock Exchange took the initiative to become a facilitator and bridge between Investors and Listed Companies. IDX incubator doesn't only provide workshop and mentors, but also a co-working space for the participants of its incubator programme.



Impact Hub Jakarta is a community, coworking and innovation space that exists to support organisations and entrepreneurs with positive social and environmental impact. One of their initiative is SIAP - Social Innovation Acceleration Program for ideation stage social enterprises.



Instellar, previously UnLtd Indonesia, is a purpose-driven company which supports social enterprises to grow their business and boost their impact through incubation, advisory services, and investment in other mission-driven companies. Instellar has several social enterprise development programmes such as Global Impactors Network, Rise Inc., and Remake City Jakarta. Instellar also holds regular social enterprise community events, such as their Do Good series and Arise.



KIBAR is a startup ecosystem builder in Indonesia. They distribute opportunities in the digital era through collaborating with ecosystem stakeholders, running capacity building programs (such as 1000 startup digital), and building innovation hubs.



Kinara Indonesia is an early-stage venture capital firm focused on growing sectors within emerging markets. Kinara support includes improvements to product management, financial management, corporate governance, marketing and strategic management and importantly their access to markets and alternative business financing. Since 2016, Kinara has been managing an Impact Accelerator Programme by adapting the curriculum from Village Capital.



PLUS is a hub and thinking partner to help social enterprises define the next steps and level-up their social enterprise by providing 1-hour free consultation, connecting social enterprises with the resources they need, and connecting them to the broader PLUS nationwide community.



The Local Enablers is a platform created by Universitas Padjadjaran that enables people to share their knowledge about social enterprise. The community focuses on systems thinking and design thinking as the foundation for solving problems. Many members from this community go on to found their own social enterprises.



UNDP provides support for social enterprise by conducting studies in the social enterprise sector and various capacity building activities. UNDP also provides access for funding to agricultural social enterprise in collaboration with ANGIN and Connector.ID.

Instellar (previously known as UnLtd Indonesia)

Instellar began with a licence from UnLtd UK. UnLtd Indonesia was founded by Romy Cahyadi (Trustee), Soebroto (Chairperson of the Advisory Board) and Bambang Ismawan (Vice Chairperson of the Advisory Board) as a foundation which supports social enterprises in Indonesia. UnLtd Indonesia is expanding from providing incubation for social entrepreneurs to offering more consultancy services and additional incubation programmes for advanced social enterprises through Instellar. Romy, together with Dian Wulandari (Co-Founder and COO of Instellar) have launched Remake City, an incubator programme for mature enterprises, along with RiseInc, which nurtures early-stage social enterprises. Both programmes were developed to fill gaps left by other support organisations. To date, 78 social enterprises have completed either RiseInc. or Remake City, and Instellar is servicing five clients through its consulting arm.

Instellar provides mentors to ask questions and push entrepreneurs to think. Through its incubation programme, the organisation has created a supportive and encouraging community of social entrepreneurs. Dian stated that the most critical need of social enterprises is a holistic ecosystem where the programme can create support system among social enterprises.

Instellar's incubation programmes have involved social enterprises from various sectors and locations across Indonesia. They are seeing an increase in the number of social enterprises from outside of Jakarta. Their latest batch saw only 30% of participants from Jakarta and surrounding areas.

From their experience working with social enterprise leaders, they suggest that formal recognition and support from the government is significant for encouraging the development of social enterprises. They suggest that the government consider including social enterprises in procurement, which could build the market for social enterprises in the long-term.

Case Study

The Local Enablers

The Local Enablers (TLE) was founded by Universitas Padjadjaran to assist early stage entrepreneurs. Dwi Purnomo, a lecturer of Industrial Engineering at Universitas Padjadjaran started TLE as a way to build students' interest in industrial engineering and equip graduates with entrepreneurial skills. Dwi started by holding a Jatinangor Creative Forum to attract talent and identify existing potential and then expanded into what is now the TLE programme.

In TLE students are introduced to systems thinking and design thinking over a period of roughly two months. As a result of participating in TLE, many students have started their own enterprises and joined the university's Business Incubator Center, where they have access to mentorship from the university's lecturers. Overall, the programme has generated more enthusiasm for social enterprise and the university has begun supporting more social entrepreneurship programmes and research. In building the programme, Dwi involved academics, businesspeople, government, media, and the community.

Case Study

Impact Hub Jakarta

Impact Hub Jakarta believes that collective action is needed to create a positive impact for society and the environment. Through a range of activities and programmes, Impact Hub Jakarta connects social enterprises with individuals and organisations who can help develop their business. William Hendradjaja, Stephanie Arrowsmith, Dian Hasan, and Chyntia Satria founded Impact Hub in 2016 to address the shortage of resources that investment-ready social enterprises and early-stage social enterprise were able to access, particularly in terms of networks and business knowledge.

Impact Hub Jakarta is focused on building the knowledge and business skills of social entrepreneurs. The organisation seeks to address the challenge of inequality in knowledge, resources, and business skills between social entrepreneurs in urban and rural areas. To overcome these challenges, besides Social Innovation Acceleration Programme (SIAP), Impact Hub Jakarta developed the Local Champion programme. The programme connects social enterprises which are located in rural areas, lack resources, have limited knowledge about entrepreneurship, or have few links to investors to the people who can support them to develop their business.

William from Impact Hub Jakarta has an optimistic view of the future of social entrepreneurs in Indonesia, especially those focusing on education, environment, agriculture and health. He believes the wealth of available resources and social challenges in those sectors create an opportunity for social entrepreneurs.

Impact Investors and Financiers

Social enterprises in Indonesia also have access to a wide spectrum of financing options, including impact investment, venture capital, peer-to-peer lending platforms, and crowdfunding platforms.



Akseleran is a peer-to-peer lending platform. Through Akseleran, startups, small-medium enterprises and early-stage enterprises which need capital for development, are connected with individuals willing to provide those enterprises with an equity investment or a loan.



Aavishkaar, headquartered in India, adopts a venture capital methodology to serve the low-income market segment by creating scalable enterprises. Over the last decade, Aavishkaar has established a successful track record with over \$ 155 million USD under management and a diverse portfolio of high-impact businesses at various levels of growth. Their Indonesian portfolio includes Qlapa, an online handicraft marketplace.



Angel Investment Network Indonesia (ANGIN) is one of the largest networks of high-net-worth individuals in Indonesia who engage in early-stage investment and mentoring. ANGIN also founded Connector.ID – the first online platform to help Indonesian entrepreneurs to identify sources of capital.



East Ventures provides early-stage seed capital to promising startups. East Venture's portfolio focuses on e-commerce, social media, gaming, SAAS, and mobile services sectors. East Ventures is also actively involved in community development and capacity building via its coworking space, Cocowork, in Jakarta and Tangerang (Indonesia).



Gandeng Tangan is a collaborative Peer-to-Peer Lending platform to enable short-term investments in MSMEs in Indonesia. It provides a place for business owners in need of capital can connect to investors who in a safe and transparent way to generate social impact.



Since 2013, Kitabisa has provided an online platform for individuals, communities, organisations, and companies to raise funds via online donation pages for various social, personal, creative, and other goals. Individuals can donate to Kitabisa's online campaigns anytime according to their own interests and motivations.



The Northstar Group is a Singapore headquartered private equity firm managing more than \$2 billion USD in committed equity capital dedicated to investing in growth companies in Indonesia and other Southeast Asian countries. The Northstar Foundation has made investments in a number of businesses that are positively impacting the social and economic development of remote communities in Indonesia.



Patamar capital provides venture capital investments to high-growth companies aiming to solve South and Southeast Asia's most pervasive problems at scale. Recently, Patamar partnered with Kinara and Investing In Women, an initiative of the Australian Government, to finance the growth of women-led SMEs in Indonesia, the Philippines, and Vietnam.



YCAB Ventures is part of Yayasan Cinta Anak Bangsa's social enterprise group focusing on enabling sustainable youth development and supporting for-profit entities. YCAB Ventures offers products and services that enable social enterprises to better serve bottom of the pyramid consumers. These services, among many things, include microloans to low-income women entrepreneurs and impact investment in growth business that serve bottom of the pyramid consumers .

Case Study

Patamar Capital

As an impact investor, Patamar Capital not only seeks a financial return from its investments, but also to generate a social or environmental impact. It defines impact businesses as those which have a robust business model that is solving a social problem. They use the term "impact businesses" rather than social enterprises to emphasize the importance of the organisation's business activities. Patamar Capital invests in scalable businesses that empower society across four pillars: engaging the working poor, addressing market inefficiencies, and maximizing social and financial returns. Patamar Capital uses four criteria to determine the scalability of a business. First, they look for businesses that are using a digital platform to integrate scattered business processes. Second, they assess if the business' solution is addressing a real need in the society. Third, they look to see if the business will be able to reduce costs as it scales. Fourth, the business needs to ensure that the social impact will grow as the business scales.

Patamar Capital has invested in fourteen scalable businesses identified through support programmes, such as the Impact Accelerator Program (IAP) and Investing in Women (IIW), and its own sourcing. In general, Patamar Capital supports businesses that are ready to scale, but those coming from the IAP and IIW programmes may be earlier stage. Through an acceleration programme with Kinara Indonesia, Patamar also supports the development of entrepreneurs, helping them get 'investment-ready' by connecting enterprises to mentors or other entrepreneurs who give tailored advice and provide opportunities to access funding.

According to Patamar Capital, if a business can solve a problem for low income people, then that should be a solution for the whole population – and a big market opportunity. As long as an enterprise has a robust business model for a good cause, it should be able to succeed.

Akseleran

SMEs face a number of obstacles in accessing loans that would allow them to access the finance needed to grow their businesses. Akseleran addresses these challenges through their online peer-to-peer lending platform which enables SMEs to borrow from interested individuals or institutions. Established in March 2017 and located in Jakarta, Akseleran became the second government-licensed peer-to-peer lender in Indonesia.

According to Andri, CMO of Akseleran, there is little public awareness of investment. Akseleran thus seeks to present new investment options to the public while providing more flexible access to loans for business owners.

Akseleran offers a flexible mechanism for SMEs that adapts the terms of the loans to their needs and ability to pay. Moreover, SMEs can choose to apply for unsecured or secured loans, with a range of collateral options. To assess credit risk, Akseleran partners with several parties, such as Pemeringkat Efek Indonesia (Pefindo) and dotConnect.

As of April 2018, Akseleran has disbursed approximately 45 billion IDR (\$3.3 million USD) to SMEs. Business sectors that are currently supported include the creative economy, retail, e-commerce, telecommunication, outsourcing, mining, oil, and gas. Its platform is also open to qualified social enterprises that need loans.

Business Support Organisations

Business support organisations provide services such as accounting, legal, and media support to clients including social enterprises.

Accounting Services



Jurnal is an online accounting software that offers a complete suite of financial reports such as balance sheet, cash flow, profit and loss, and others. Jurnal allows business owners to monitor their latest financial reports through any device, including their mobile phone. Jurnal makes it easy to understand their financial position in real-time and offers solutions for maintaining inventory stock and managing asset values.



Sleekr is a business platform designed for Indonesian SMEs. Sleekr believes SMEs in Indonesia can achieve their potential if they are supported by cutting edge technology and effective and efficient resource management. Sleekr provides financial management solutions that help business owners understand their company's financial position in real-time.

Legal Services



Started with a service to create contracts, Kontrak Hukum now provides more services, such as registering brands and connecting business owners with suitable notaries.



Lexar is a legal startup that provides legal education through individual or startup clinic, in addition to offering administrative service for startups and SMEs. Its services are technology-based.



Pop Legal is a platform which simplifies the process of making business and legal documents. It also provides support services for registering a company's legal entity and educates customers about daily legal problems. Its clients are individuals, SMEs and in-house legal counsel.



Socolas is a pro bono legal information center and advisory staffed by corporate lawyers. Socolas offers its services to social enterprises and SMEs.

Media



The Big Circle Show is a talk show by Metro TV that showcases businesses and social enterprises from all over Indonesia. The talk show offers a platform for businesses and social enterprises to raise their profile.



Filantropi is a programme which examines philanthropy in Indonesia. Philanthropists and social entrepreneurs are invited to the talkshow and interviewed about their organisation's activities.

Policy Makers

There are several government bodies which shape Indonesia's social enterprise ecosystem in Indonesia.



Bekraf, the Creative Economy Agency of Indonesia, is a non-ministerial institution responsible for the development of the creative economy in Indonesia. Bekraf supports 16 sub-sectors in the creative economy through formulating and implementing policies, and designing and implementing tailored support programmes.



The Co-ordinating Ministry of Economic Affairs co-ordinates and synchronises policy making to develop the economy of Indonesia.



The Indonesian Chamber of Commerce and Industry (Kadin) is an umbrella organisation for the Indonesian business community. Based on Act No. 1 of 1987, Kadin Indonesia is the main organisation which advocates on behalf of Indonesian businessmen.



The Ministry of National Development Planning (BAPPENAS) formulates Indonesia's national development planning and budgeting. The ministry drafts policies and national development strategies.



The Ministry of Co-operatives and Small and Medium Enterprises is responsible for providing support to and supervising the implementation of programs to empower co-operatives, micro, small and medium enterprises. The Ministry has five divisions working on policies and programs to support co-operatives and small and medium enterprise ranging from business processes, production, marketing, and human resources development.



The Ministry of Trade creates and implements Indonesia's trade policies. It formulates policies and programmes to strengthen and develop foreign and domestic trade, promote consumer empowerment, improve trade standardisation and supervise the quality of goods.

Case Study

Interview with BAPPENAS - Ir. Ahmad Dading Gunadi, M.A. Director of Co-operatives and Small-Medium Enterprises

Indonesia's Ministry of National Development Planning (BAPPENAS) supervises several ministries that provide training and funding programmes for social development, although there are not yet any aimed specifically at social enterprise. According to Dading, there should be a clear distinction made between conventional and social enterprise as social enterprises present a unique opportunity to solve problems in community.

There are at least 16 ministries which currently have an entrepreneurship programme, but none of them are explicitly supporting social entrepreneurs. However, according to Dading, the Indonesian government's support for entrepreneurship has increased over the past years. The National Entrepreneurship Draft Bill is number six on the agenda for Parliament to ratify. Despite this progress, the government faces several challenges in developing social enterprise policy at the national level. Co-ordination between government ministries, agencies and other actors has also been a significant challenge.

Dading hopes to see social impact funding attract more attention from relevant ministry, allowing social entrepreneurs to make an even bigger impact. He emphasises the importance of working hand-in-hand with various actors (government and social entrepreneurs) to implement effective entrepreneurship programmes. He also believes that co-ordinating and collaborating with universities across Indonesia will be key to support social enterprise.

Interview with BAPPENAS - Dr. Leonardo A. A. Teguh Sambodo, PhD Director of Industry, Tourism and Creative Economy

In 2015, the term “Social Entrepreneurship” was introduced for the first time in an official government document – the National Mid-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional* - RPJMN) 2015-2019. BAPPENAS has been working on social enterprise issues since 2013, partnering with several ministries related to the development of social enterprises.

According to Teguh, those working in the lower levels of government ministries are now more aware of social enterprises. Raising awareness among higher level officials and those in strategic positions, however, remains difficult. Nonetheless, Teguh is confident that social enterprises will be featured in the RPJMN 2020-2024. This is in line with the development of Norms, Standards, Procedures, and Criteria document (NSPK - *Norma, Standar, Prosedur, dan Kriteria*) which include entrepreneurship and cover the issue of social entrepreneurship.

Two major obstacles, according to Teguh, are the absence of a leader who ‘owns’ the issue of social enterprise in Indonesia and the absence of a legal umbrella that can be the reference for all social enterprise activities in Indonesia. The legal umbrella also has implications for tax incentives. Teguh also believes that the government can support the social enterprise sector by becoming an impact investor for social enterprises in Indonesia.

Interview with Ministry of Co-operatives and MSMEs - Ir. Agus Muharram, MSP Special Advisor to the Minister of Co-operatives and MSMEs

The Indonesian government has been paying attention to the issue of entrepreneurship for a long time. Presidential Instruction No. 4 of 1995 includes instructions for a national movement to encourage entrepreneurship. It led to the annual National Entrepreneurship Movement, which launched for the first time in 2010. However, in developing co-operatives and SMEs, there are challenges.

The first challenge is the current system for establishing non-financial co-operatives (e.g. production, trading). Co-operatives with financial service, such as micro-loans, can directly register and manage their business activities in the Ministry of Co-operatives and MSMEs, yet other co-operatives must register their business activities with other ministries relevant to their sector. As a result of this complexity, people were reluctant to create co-operatives, especially those that conducting production or trading activities. The other challenge for co-operatives is that some of the existing policies require members to meet face-to-face. As the technology continues to progress, it will be easier for people to meet some administrative requirements using more flexible platforms to do business activities. There is also a need to simplify overlapping responsibilities between different ministries. The National Entrepreneurship Draft Bill, for example, overlapping with the Creative Economy Bill - contributing to ongoing delays in ratification.

Social enterprise, according to Agus Muharram, is any enterprise which uses business to empower the community. The absence of a dedicated legal entity for social enterprise means they often register as Limited Liability Company (LLCs). This legal entity helps them to have more flexibility in conducting business activities and serving their social mission. Even though co-operatives share similar values with social enterprises, there are misconceptions about co-operatives. The slogan “from members to members” creates a sense of exclusivity and perception that the benefits from the co-operatives is only for their members, whereas the initial purpose of co-operatives is to improve the welfare of community.

So far, the government has supported MSMEs and co-operatives through multiple programmes:

- One programme offers 2.5 million IDR (\$170 USD) for micro-co-operatives to make a notarial deed.
- Entrepreneurs can also register their intellectual property rights directly through the Ministry of Co-operatives and MSMEs.
- Through the National Entrepreneurship Movement, organises competitions and provides training in co-operatives, entrepreneurship, technical operations, management, and training trainers.
- The ministry facilitates funding for early-stage enterprises who have completed the training.
- Credit and loans to MSMEs and co-operatives through the Micro-Credit Programme (*Kredit Usaha Rakyat*) or through the Institute for Managing Revolving Funds (*Lembaga Pengelola Dana Bergulir*).
- Financing is also available for ultra-micro-scale enterprises through the Government Investment Center (*Pusat Investasi Pemerintah*) or Public Service Agency (*Badan Layanan Umum*).
- Specific loans for female entrepreneurs are offered by state-owned financing and investment firm PT Permodalan Nasional Madani, through their Mekaar programme.
- Import relief programme (*Kemudahan Impor Tujuan Ekspor*) to reduce duties on exported goods and on goods imported for the purpose of exportation.

Higher Education Institution

Higher education institutions in Indonesia support social enterprise by conducting research and providing training to entrepreneurs. Many also have community outreach programmes to encourage students to work in rural areas.



Sanata Dharma University offers Green Entrepreneurship Training (GET) organised by Social Business and Entrepreneurship Development (SBED) department in the Master of Management Studies Center at the Faculty of Economics Sanata Dharma. GET is a training programme for young entrepreneurs to develop profitable productive economic enterprises, uphold human dignity, and care for environmental sustainability. The university also conducts research through the Economic Development Center, SBED, Community Development Programme, Entrepreneurship Center of Faculty of Economics, and Center for Environmental Social Studies.



The Bogor Agricultural School (SB-IPB) has Social Entrepreneurship as one of the elective courses, covering the areas of social enterprise, actors and social entrepreneurial business structures, work mechanisms and how to start and manage social enterprise. The university also collaborates with a bank, BTPN, which allows students to apply their knowledge by assisting SMEs (Micro, Small and Medium Enterprises) who become BTPN customers.



Binus Business School offers Design Thinking for Social Innovation courses as part of a short course programme. In addition, through the Center for Innovation and Entrepreneurship, Binus University has a Project Hatchery course where students are expected to apply design thinking to solve problems. Binus University students also initiated CIDER - Center for Innovation, Design, Entrepreneurship & Research.



The University of Mercu Buana Yogyakarta (UMB Yogyakarta) is using their online course to build the capacity of co-operatives, *Sekolah Koperasi Indonesia* (Sekopia), and promote collaboration between lecturers, students and community. Sekopia aims to empower co-operatives through business models classes, business planning, and co-operative case studies.



Universitas Padjadjaran conducts community empowerment programmes. Although social entrepreneurship has not been included in the curriculum, Universitas Padjadjaran provides other support in the form of consultations and incubation programmes by lecturers and other experts. Universitas Padjadjaran developed a social enterprise support community called The Local Enabler.



Universitas Atma Jaya supports social entrepreneurship through several programmes such as the Community Outreach Programme, UKM, Desa Binaan and other activities. Through society empowerment programmes, students are also able to apply their research and identify new areas to explore.



Universitas Ciputra has made entrepreneurship as a key focus area, but is still working to integrate social entrepreneurship. First year students are required to get involved in activities designed to raise their awareness of issues facing society, such as living in local communities, fundraising for social purposes, and attending social innovation lectures. This learning process encourages students to eventually start social enterprises on their own.



Case Study

Universitas Prasetiya Mulya

In Prasetiya Mulya, students are taught to recognise different types of social enterprises in Indonesia. Graduates from Universitas Prasetiya Mulya are expected to focus not only on making a profit, but also on empowering society. The undergraduate programme includes a social entrepreneurship class, and the Master's degree programme includes a social innovation class. The social entrepreneurship class emphasises the recognition of social problems, while the social innovation class seeks opportunities to integrate social aspects into an ongoing business.

There are several initiatives at Prasetiya Mulya to promote social enterprise. First, students are expected to address the social contribution of their business model in their final paper. Second, lecturers are encouraged to do research on social enterprises. Universitas Prasetiya Mulya also collaborates with other institutions, such as the British Council, in order to spread awareness of social enterprise and to engage in projects that are beneficial for business and society.

Case Study

Gadjah Mada University

Gadjah Mada University (UGM) is based in Yogyakarta. UGM students regularly organise competitions around social enterprise and innovation, such as the ASEAN Youth Socialpreneurship Program (AYSPP) and the Competition and Expo of Youth Sociopreneur (Soprema) by Faculty of Social and Political Sciences.

UGM aims to increase the social awareness of its students through their Community Outreach Programme, which is under the Institute of Research and Social Contribution. Through this programme, the students develop a social programme plan which supports community development, education, and economics based on their own research about the needs and problems of a community.

The entrepreneurship classes at UGM try to balance this knowledge with more direct experience of doing business. Some of the businesses that students work with are social enterprises, and around 5-10% alumni of UGM chose to be entrepreneurs after they graduate.

UKM Center, Faculty of Economics and Business, University of Indonesia (UKM-C FEB UI)

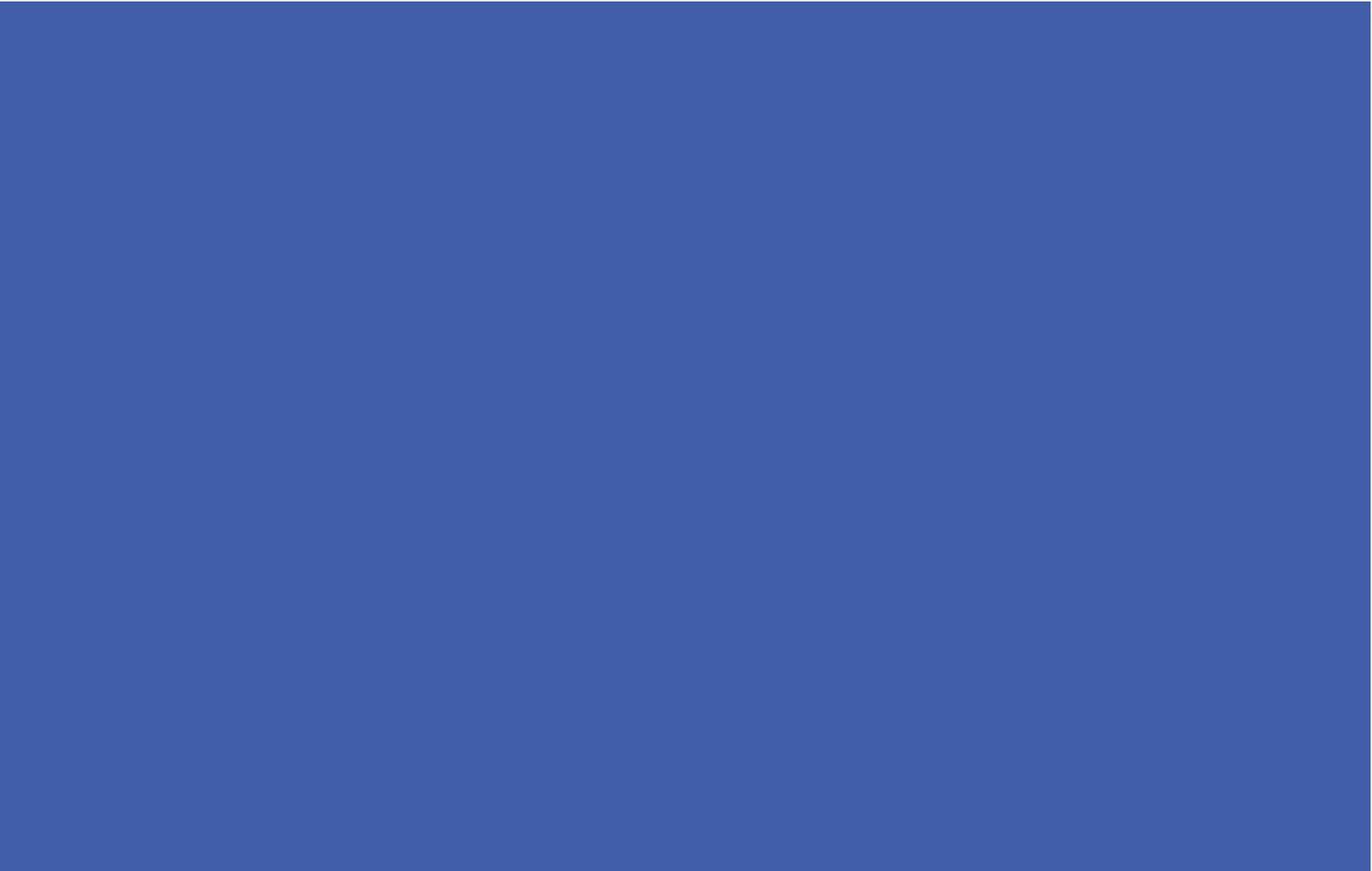
Established in 2005, UKM Center is the community outreach arm of the Faculty of Economics and Business, University of Indonesia. The main focus of UKM-C FEB UI is the development of small and medium sized enterprises based in the community around University of Indonesia, although the coverage is not limited to the local community.

In 2016, under the leadership of Dewi M. Haryanti, UKM-C FEB UI conducted a Social Enterprise Bootcamp in partnership with the DBS Foundation. From 240 applicants, 17 social enterprises selected to join the Bootcamp. The bootcamp supported early-stage social enterprises by educating the entrepreneurs and helping them to restructure their business models. Mycotech, one of the participants, has since received a grant from DBS Bank.



4

STUDY FINDINGS



Study Findings

This section describes the findings from our survey of social enterprises across Indonesia. A total of 495 organisations participated in the survey. Of these, a total of 467 organisations met our criteria for “social enterprise” (94.34%). Of all respondents who met the social enterprise criteria, 405 regarded themselves as social enterprises, while 60 did not.

Age and Gender of Leadership

The study suggests that more and more young people are establishing social enterprises, with the majority (67%) of social enterprises leaders between the ages of 18 to 34. There are fewer social enterprises led by those aged 35-44 (22%), aged 45-54 years old (10%), and 55-60 years old (1%).

Indonesian business more widely are older¹². More than 50% of commercial entrepreneurs are 35-54 years old, while more than 30% are over 55 years old. Roughly 14% of commercial entrepreneurs are aged 25-34, while just 2% fall in the 15-24 age bracket.

Women are also strongly represented in social enterprises, with 40% of social enterprises in this research reporting that women held leadership positions. These results are broadly in line with UKM’s study on *Women-Owned SMEs in Indonesia*, which found that the proportion of women-led micro, small and medium enterprises in Indonesia, was 52.9%, 50.6%, and 34%, respectively. Women-led social enterprises in Indonesia also tend to have a higher proportion of female employees than men-led social enterprises.

Age of Social Enterprise Leaders by Gender

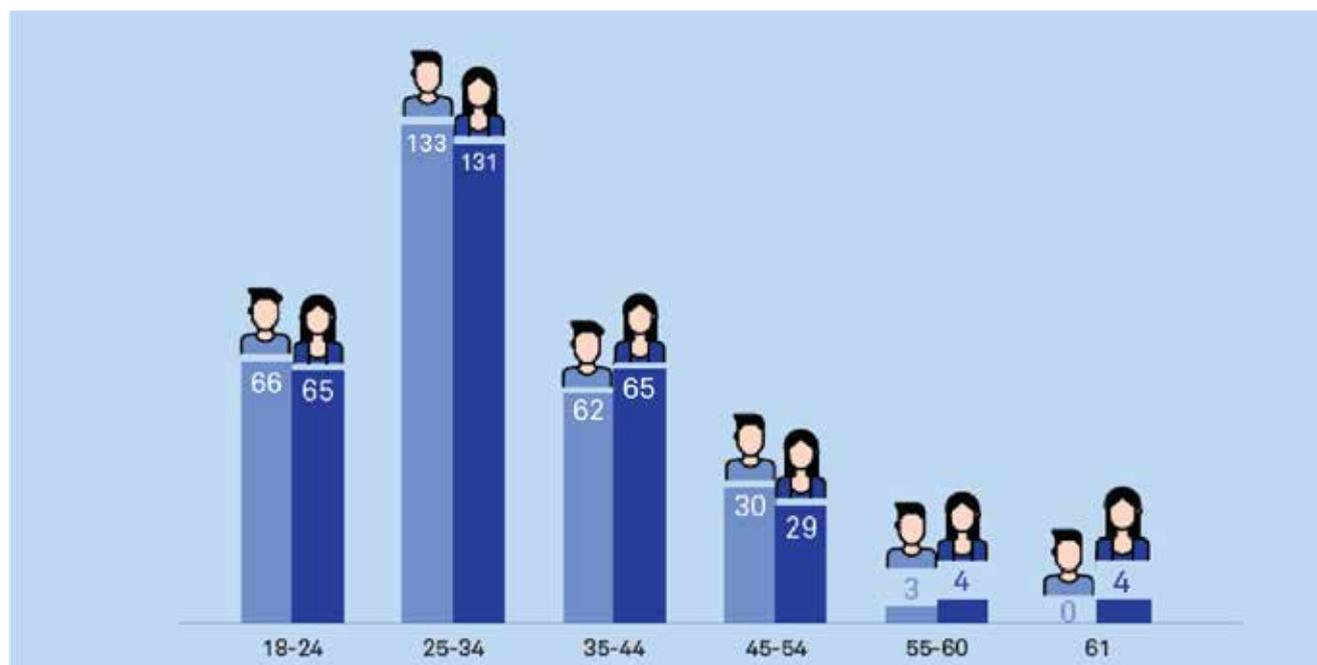


Figure 2: Age of Social Enterprise Leaders by Gender

¹² Based on National Bureau of Statistics data about the *Condition of Economically Active Population in Indonesia 2017*

Year of establishment

Number of Social Enterprises Established Per Year

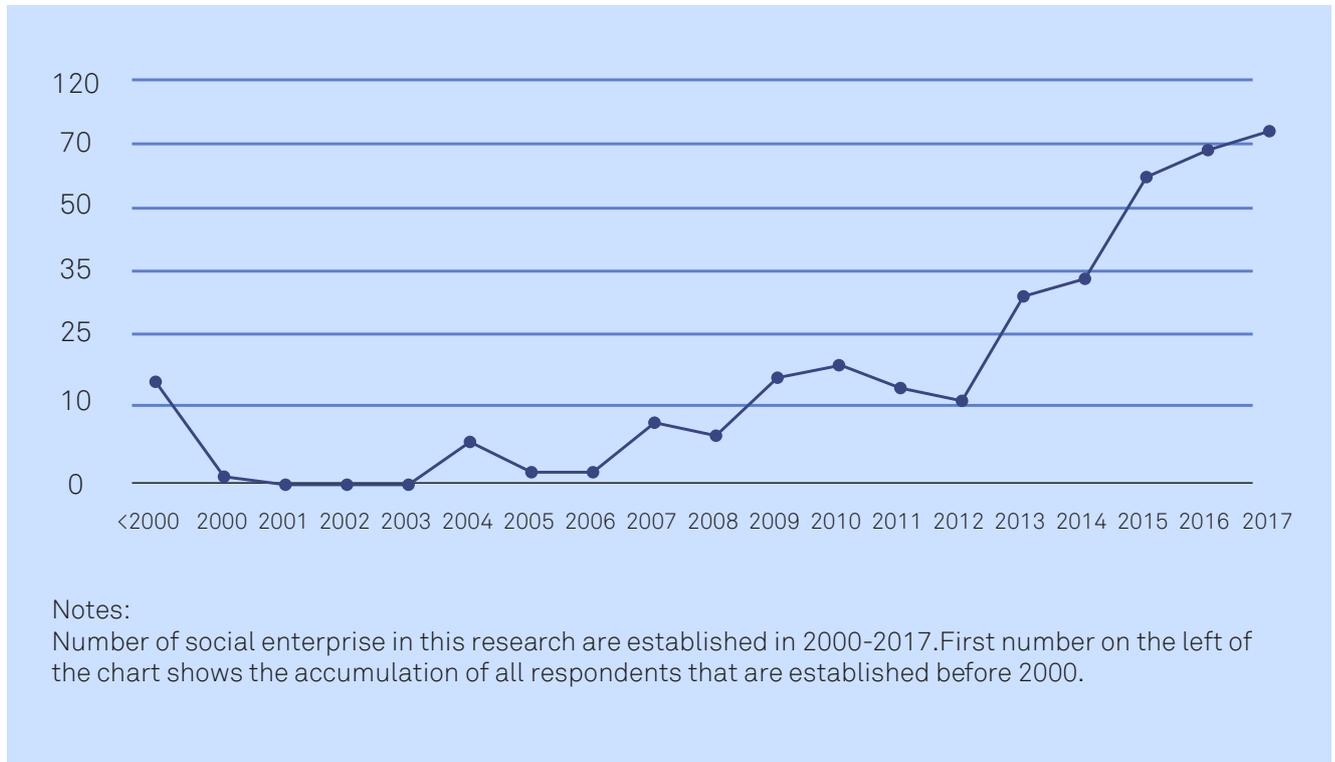


Figure 3: Number of Social Enterprise Established Per Year



Photo source: PLUS Documentation

Most social enterprises in our study were established relatively recently – more than 70% have been in operation for only two years. This number is aligned with previous studies, which found that 62% of social enterprises were less than two years old¹³.

Most social enterprises established less than five years ago registered as LLCs (PT or *Perseroan Terbatas*), while social enterprises founded over five years ago were mostly registered as foundations. This suggests that before 2012 many social enterprises were non-profit organisations which began experimenting with new ways to obtain funding.

¹³ based on *The Art of Sustainable Giving* by Yulius, Siregar, and Tampubolon in 2015

Location and Geographical Area of Activities

Location Distribution of Social Enterprise in Indonesia

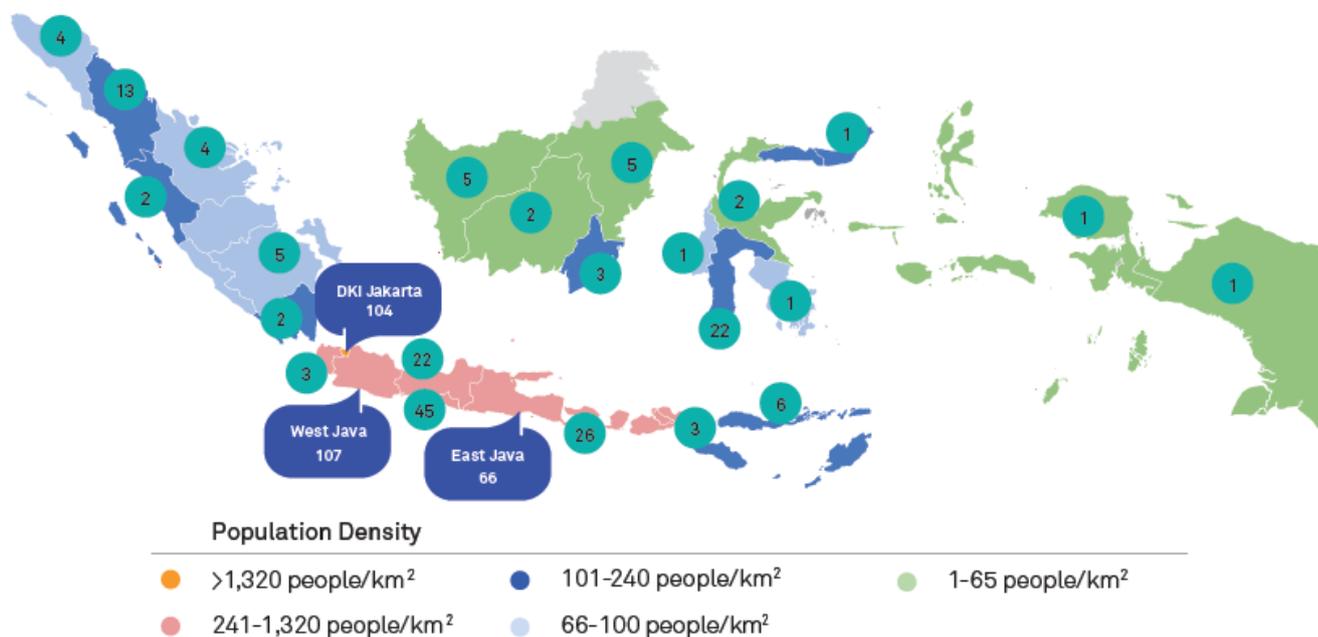


Figure 4: Location of Respondents

The picture above shows the distribution of respondents in this study. From the map above, it is clear that the respondents are heavily concentrated in Java. The majority of respondents have headquarters in West Java (23%), Jakarta (22%), and East Java (14%). A similar trend occurs in MSMEs-according to BPS data, Central Java, East Java, and West Java are the provinces with the largest number of MSMEs¹⁴.

Our study found that social enterprises in provinces with large numbers of university graduates (DKI Jakarta, West Java, East Java, Central Java, Yogyakarta, South Sulawesi, South Sumatera and North Sumatera) are more likely to be led by young founders.

The majority of respondents operate at either a local (37%) or national (35%) scale, rather than at the regional scale. Respondents whose social enterprises are more mature, were more likely to expand their operations beyond the local level. However, not all businesses indicated interest in expansion.



Figure 5: Sphere of Operation of Respondents

¹⁴ Provinces with the largest number of MSMEs in 2015 by BPS.

Legal Form

Just over half of all social enterprises that were surveyed (53%) are legally registered. These numbers are similar to the number of MSMEs that report having no legal registration and no business licence (52.5%)¹⁵. Based on our survey, the majority of unregistered social enterprises started their operations within the last two years. According to the findings in *Rethinking Indonesia's Informal Sectors*, these unregistered enterprises are most likely informal and sole-proprietorship (Rothenberg et al 2016). Through interviews with enterprises, that study found that most informal businesses view legal registration as little more than a requirement to access funding, e.g. bank loan, and therefore not urgent if funding is not needed. Other interviewees mentioned that most informal enterprises do not register to avoid taxes due to their skepticism of the government's tax management. That study also correlates sole-proprietorship with informality in small firms, and found that 72.7% of small sole proprietorship firms were informal. Although this measure does not perfectly classify the informal sector, it is highly correlated with informality (Rothenberg et al., 2016).

Legal Registration of Social Enterprises

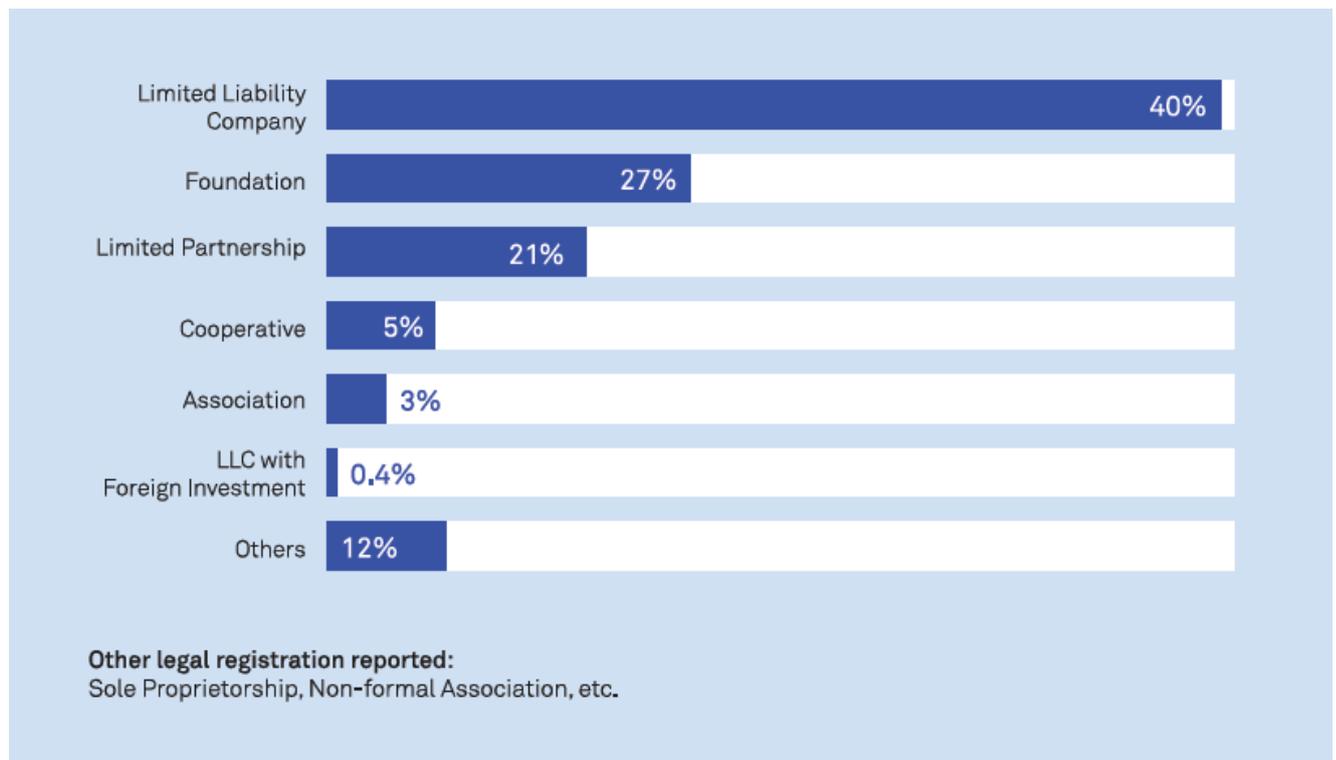


Figure 6: Legal Registration of Social Enterprises

¹⁵ based on *UKM yang dimiliki wanita di Indonesia/Women-owned SMEs in Indonesia* study by International Finance Corporation in 2016.

From 269 registered social enterprises, the most common legal entities adopted were Limited Liability Companies (*PT*) (37%), Foundations (*Yayasan*) (25%) and Limited Partnerships (*Commanditaire Vennootschap - CV*) (20%).

Only about 1% of respondents registered their business under two or three legal entity types. One example is an e-commerce site for SME products which is registered as a Foundation, Co-operative, and CV. Another case is a foundation which provides entrepreneurial training in creative industries--specifically textiles--to increase empowerment, is registered as a *PT*, a *PT PMA (Perseroan Terbatas Penanaman Modal Asing)* or foreign-based Limited Liability Company, and as a Foundation. Despite the potential benefits from registering as both a *Yayasan* and a *PT*, this is rarely done because of the higher initial costs and resources required to manage two legal entities.

Business Licences

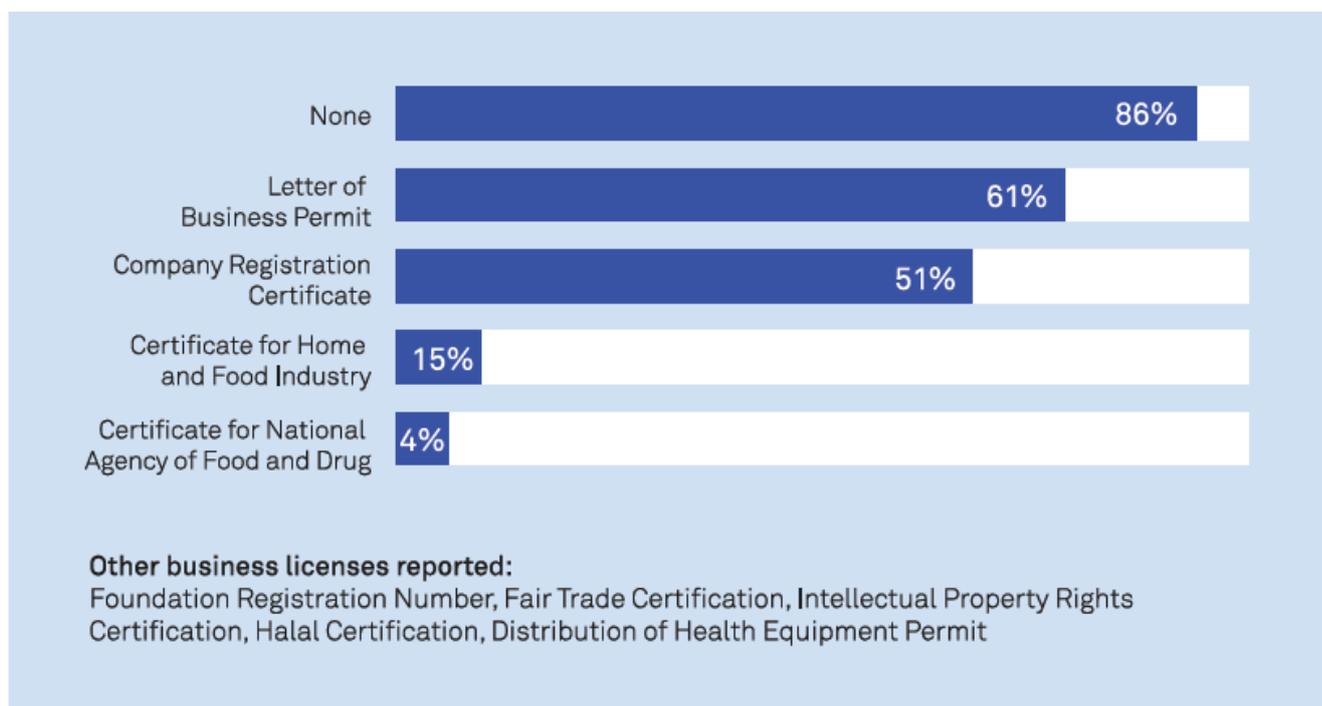


Figure 7: Business Licences

“Indonesia does not yet have any specific regulations governing social enterprises, the required legal entity, taxes, or any other specific issues

Photo source: PLUS Documentation



The majority of organisations in this research are structured as independent organisations, rather than as subsidiaries of other organisations. Only 10% of all respondents reported that they operate under the umbrella of another organisation. Of that 10%, over 40% were formed by businesses which had been established for more than 5 years.

Case Study

PT Sosial Bisnis Indonesia

As an example, PT Sosial Bisnis Indonesia, also known as SOBI, is a social enterprise working in the forestry sector. As a Limited Liability Company, SOBI was founded in 2003 and became the business arm of their 'older sister' non-profit organisation, Telapak, which was established in 1995 to educate the community about the benefits of *legal* logging. SOBI was founded to provide economic opportunities to illegal loggers, by offering Forest Stewardship Council (FSC) certification so that timber can be harvested and sold responsibly. Local people now participate in running the business and own stock in SOBI.

Organisation Objectives

Over two thirds of the social enterprises in our study agreed that selling products was their primary objective. Another 58% reported that their primary objective was to improve a particular community while almost half (49%) reported that it was creating more inclusive employment opportunities. Based on this study, the majority of social enterprises are working to create better and more inclusive communities, ranging from religious institutions, community spaces, private museums, organisation with environmental mission, community-based organisation and many others.

Organisation Objectives

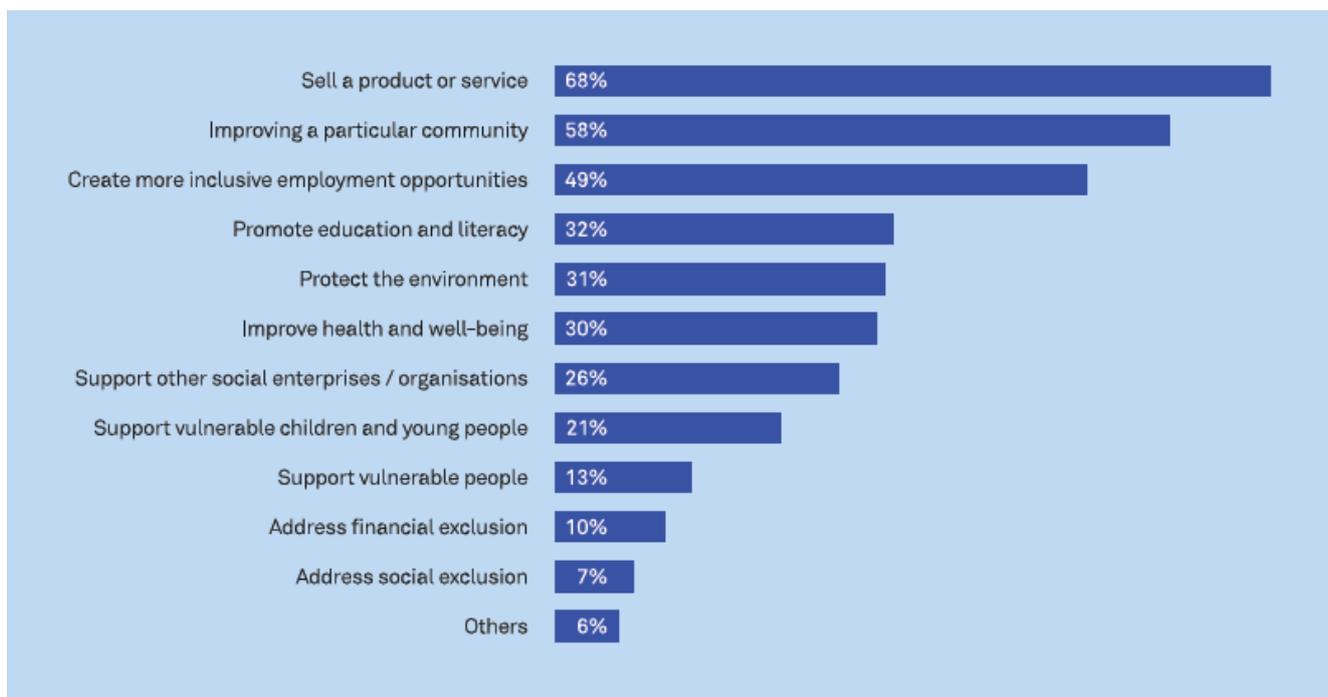


Figure 8: Organisation’s objectives



Photo source: PLUS Documentation

Religious Institution: Muhammadiyah

Muhammadiyah is a religious organisation registered under the Ministry of Law and Human Rights. Muhammadiyah works in social and religious activities (*da'wah*), and provides education and health services. Its strong Islamic identity has enabled Muhammadiyah to specialise in developing religious-based social enterprises, such as religious schools and health institutions, pilgrimage tour agencies and more.

With more than 20 trillion IDR (\$1.4 billion USD) in assets, the organisation is not only involved in education and health care services, but also in the commerce and financial sectors. Members of Muhammadiyah, which includes traders and entrepreneurs across Indonesia, play a significant role in the economy. Muhammadiyah manages more than 350 microfinance institutions, 14,000 schools, 192 universities and 400 hospitals as of 2015. Part of their success and sustainability comes from the reinvestment of their profits into more facilities and infrastructure, rather than distributing the profit to founders and stakeholders. Muhammadiyah has also established more than 200 orphanages and houses for the elderly.

Community & Maker Space: House of Natural Fiber (HONF) Foundation, Interdisciplinary Collaboration

HONF Foundation began operating in 2011 as a hub for artists, scientists, students, and the general public to create innovation. Since then, they have conducted numerous art projects and workshops, focusing on cultural development and interactive art. Concerned about youth in Indonesia, through their Education Focus Program, HONF Foundation runs various workshops with children to spark their interest in art, science and technology. One example of their workshops is storytelling and puppet performance as a form of entertainment and therapy for children in rehabilitation centers.

Community-based Organisation: The Kartini School

The Kartini School was established by Kartini, the daughter of a Javanese aristocrat, in 1903, in an era when women were not allowed to receive formal education. She wanted to empower local girls and to revive Javanese traditions in public health, welfare and education. She then established a vocational school for girls and generated revenue from the supervision and sale of crafts by young artists. Products included wood carvings, textiles, and gold, silver and shell crafts.

Private Museum: Rumah Budaya Tembi

Rumah Budaya Tembi is a private museum involving the local community in preserving Javanese culture. Rumah Budaya Tembi is now growing into a prospective business and becoming a place where visitors can experience Javanese culture through a museum showcasing Javanese culture, discussion forums, performances, and regular classes to learn about Javanese culture.

The founder of Rumah Budaya Tembi, Polycarpus Swantoro, was a historian and documentarian who was concerned about Javanese culture. Saddened by the fading of Javanese culture, he established the Cultural Study Institution in 1995 which became Rumah Budaya Tembi in 2000. All the activities of Rumah Budaya Tembi – such as *gamelan* (traditional music) classes, dance classes and plowing rice fields – have been designed to educate visitors.

The government of Yogyakarta has recognized the Museum of Tembi as a must-see museum. As a result, there has been a recent surge in the number of visitors. The museum responded by limiting the number of visitors to preserve the place and building, with about 100 people attending each event. Visitors to the lodge have also increased and the Tembi classes - that are capped at 30 people - always have a waiting list.

Totok Anindya Barata, Head of Cultural Affairs Department, recognises the enormous potential for establishing social enterprise in the cultural and tourism sectors. Totok hopes Indonesian culture can be preserved and passed on to the younger generations.

Organisation with Environmental Mission: Heystartic

HeyStartic started as a social project with the belief that fashion can be used as a tool to promote an eco-friendly lifestyle and reduce waste. HeyStartic upcycles waste products such as cement sacks and turns them into fashion apparel products. They also empower the community by engaging workers from underprivileged backgrounds in the production process. In 4 years, they have produced over 80 designs of eco-friendly products and have sold over 1,000 items.

Sectors

Among our social enterprise respondents, the most common sectors of operation were creative industries (22%), agriculture and fisheries (16%), and education (15%).

The definition of creative industries in Indonesia from the Blueprint for Indonesia's Creative Economy Development 2009-2015 is as follows:

“The industry is derived from the utilization of creativity, skills, as well as individual talents for creating prosperity and employment.”

In Presidential Regulation No. 72 of 2015, creative economy products are classified into 16 sub-sectors - architecture, music, interior design, fashion, visual communication design, applications and game developers, publishing, film, animation and video, advertising, photography, television and radio, crafts, performing arts, culinary, and fine arts.

Case Study

SukkhaCitta

One example of a women-led social enterprise in the creative industries is SukkhaCitta. The company was founded in 2016 with the mission of benefitting rural women artisans in Indonesia.

By providing direct capacity building and access to the urban market for rural artisans, SukkhaCitta empowers women to earn a living using their talent in craft with the aim of lifting them out of poverty. SukkhaCitta has supported over 50 artisans across Java, through batik and business training, preserving local traditions and culture, capacity building in natural dyeing, and revitalising lost crafts.



Photo source: sukkhacitta.com

Social enterprises operating in the creative industries sector are most commonly found in Java, Bali, and Kalimantan. In Sumatera, the most common sectors for social enterprises are education, creative industries, and agriculture. In Java, the creative industries ranked first, followed by education and agriculture. Meanwhile in Sulawesi, agriculture is the most common sector for social enterprises, followed by food and the creative industries. In Eastern Indonesia, the top three sectors are the creative industries, services, and agriculture.

This study also shows that women-led social enterprises are more frequently concentrated in certain sectors, such as the creative industries (61%) and food and nutrition (58%). On the other hand, in sectors where the jobs are already dominated by men, such as mobility and transport (100%), energy and technology (67%), and business development (58%), the enterprises are also mostly led by men.

Focus Sectors of Social Enterprise

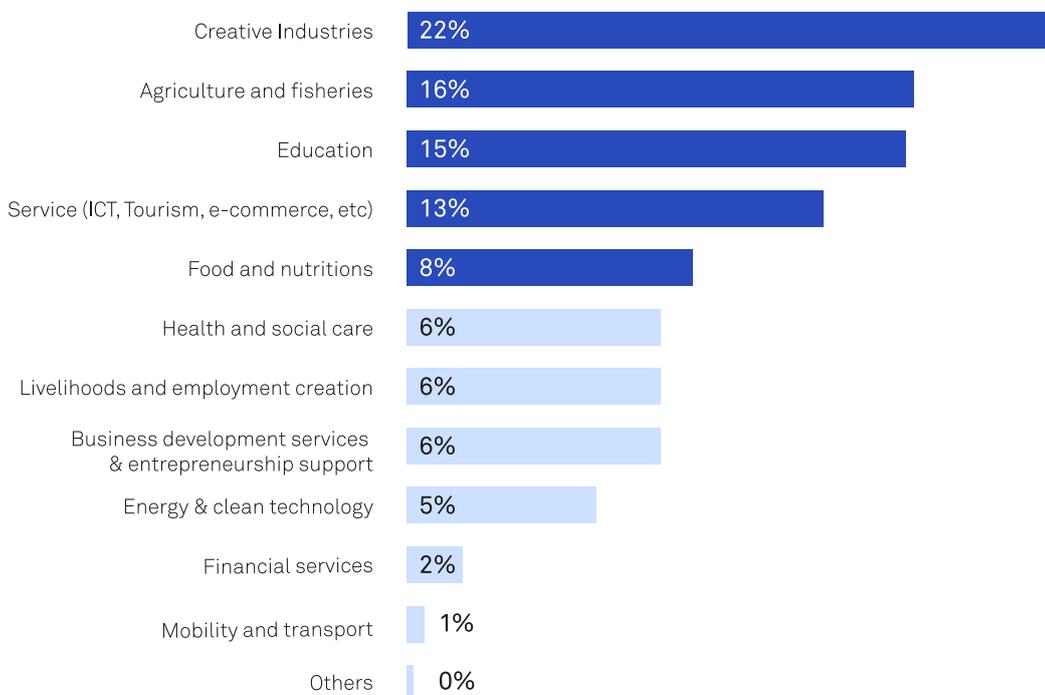


Figure 9: Focus Sectors of Respondents

Social Impact: Beneficiaries



The main beneficiaries of social enterprises are the local community (61%), women (48%), and young people (44%). Many social entrepreneurs help youth find productive work as there is a large population of unemployed youth in Indonesia.

Two of the social enterprises who took part in the FGD in Bali exemplify how social enterprises can benefit the communities in which they operate. Papaya Papa Farm is a business that helps papaya farmers cultivate and promote their products to a larger market and Yayasan Wisnu focuses on conservation and the environment. Both organisations are working to increase the capacity of local people to manage their own land and natural resources so that they can manage the resources sustainably for the community and its economy.

Various Beneficiaries of Social Enterprises

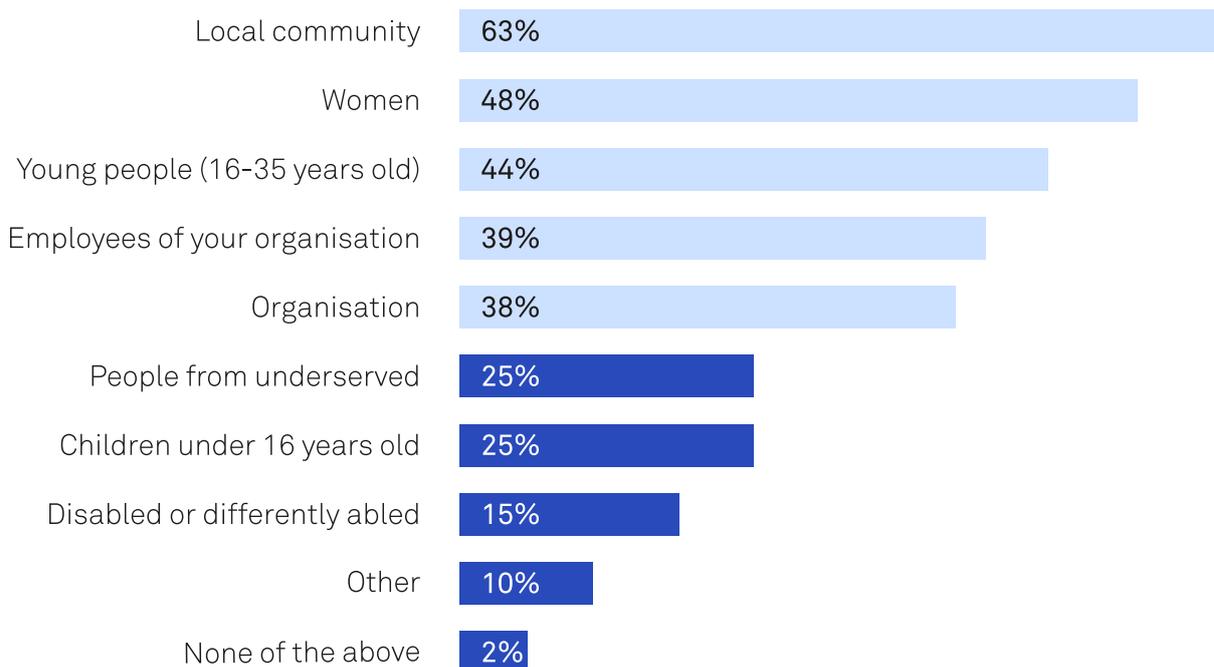


Figure 10: Various Beneficiaries of Social Enterprises

Amartha

Amartha is a fintech peer-to-peer lending platform that aims to facilitate access to capital for female business actors in rural areas.

Amartha believes that empowering a mother means empowering the whole family. Therefore, since its beginning in 2010, this microfinance-turned-fintech company has always only provided capital to women. After spending seven years as a banker, Aria, one of the founding team of Amaritha realised that Indonesian financial institutions tend to provide services only to the middle classes. However, there is a real need for capital amongst those on lower income who do not have access to banks. To respond to that need, Amaritha tried to create easy access to financial services to improve the situation of lower-income women.

Since Amaritha's establishment, it has provided over 435 billion IDR (\$29 million USD) of collected and loaned capital to 108,000+ micro-entrepreneurs, with 99.73% of loans repaid on time. Furthermore, Amaritha has collaborated with various parties such as Avrist and Unilever to integrate economic, education, and sanitation impacts with their peer-to-peer lending programme.



Photo source: PLUS Documentation

Job Creation of Social Enterprise

In 2017, the social enterprises included in this study employed 9,776 people. If this rate of employment were replicated across the total estimate social enterprises in Indonesia, this would amount to over 7 million jobs or 3.73% of the Indonesia’s workforce. By comparison, the Ministry of Co-operatives and MSMEs estimates that MSMEs absorb approximately 69% of the workforce. However, on a per enterprise basis, social enterprise contribute nearly as many jobs (12 on average, based on survey respondents) as MSMEs (19 jobs on average)¹⁶. Furthermore, according to our findings, the number of full-time workers employed by social enterprises increased by 42% from 2016 to 2017. This growth rate is significantly higher than the year-on-year growth rate of full-time employment in MSMEs of just 5.9% over the same period (BAPPENAS, 2016).

While social enterprises are still a relatively small part of Indonesia’s economy, their rapid growth compared to traditional enterprise is notable. More importantly, as social enterprises tend to create more inclusive employment opportunities, social enterprises’ economic and job creation contributions are significant. For example, our study found that the number of women employed by social enterprises increased 99% for full-time workers and 30% for part-time workers.

Our findings indicate that these growth trends are likely to hold for at least the near future, with almost 80% of respondents indicating that they plan to increase the number of their employees in the next year. However, some respondents have indicated that they are facing challenges in hiring management-level staff with the appropriate skill set (e.g. finance, marketing).

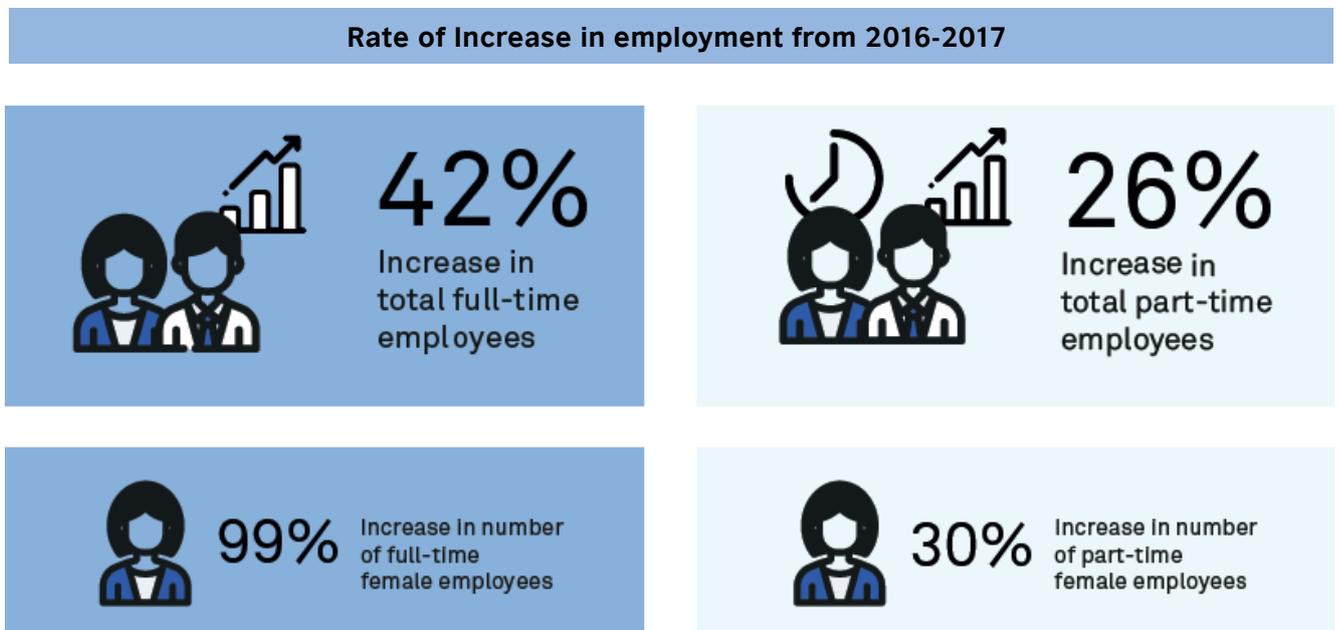


Figure 11: Rate of increase in Employment from Social Enterprise

¹⁶ based on *Annual Report: Membangun Koperasi dan UMKM Mandiri, Kreatif dan Berdaya Saing Tinggi* by Ministry of Co-operatives and SMEs in Indonesia

Business Size

Our 361 respondents who reported their annual revenue earned a total of \$26.8 million USD, or an average annual revenue of \$57,467 USD per business. If we use this figure to estimate the potential contribution of the sector to Indonesia’s GDP, it would be worth approximately \$19.6 billion USD, or 1.9% of Indonesia’s GDP.¹⁷

The above calculation is a very rough estimation, but demonstrates that social enterprises make both a social and economic impact. Furthermore, 97% of social enterprise leaders surveyed, both men and women, expressed optimism and confidence regarding their businesses’ future prospects, indicating that the sector’s economic contributions may continue to grow.



Figure 12: Business Size of Social Enterprise

¹⁷ This size of the sector was derived by multiplying the average annual revenue of survey respondents with the estimate number of social enterprises in Indonesia of 342,025. The annual revenue per business was calculated by dividing the total annual revenue with the total number of respondents. However, the actual number of respondents who reported their annual revenue was 361. Using the latter, the estimated contribution to GDP can be as high as 2.5%.



Photo source: PLUS Documentation

Profit Allocation

Nearly half of all respondents reported that they made a profit in the previous year (44%). Roughly 19% of respondents reported reaching a break-even point but not generating a profit, while 37% have not yet reached a break-even point in profitability.

Most profits were allocated to growth and development (72%), with a smaller percentage used to cross-subsidise the social missions (29%) and reward employees (27%). The profit allocation from social enterprises is as follows:

Profit Allocation

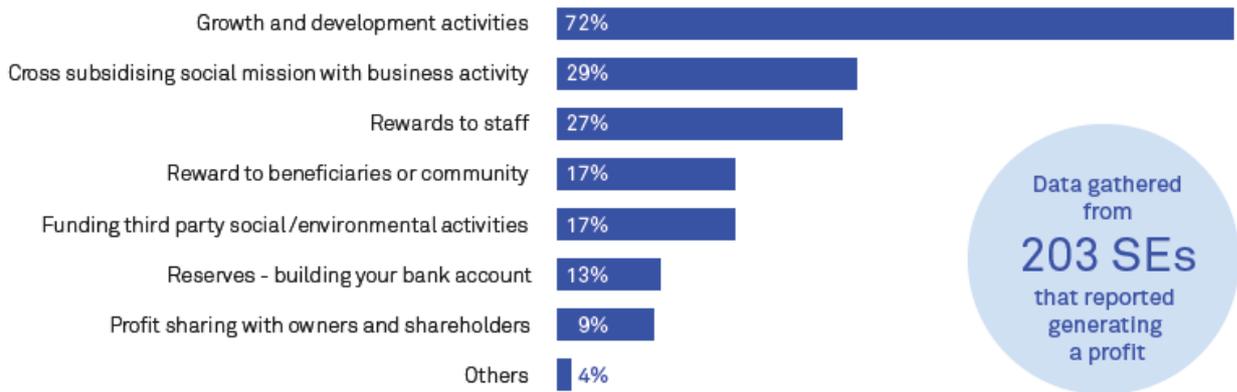


Figure 13: Profit Allocation

Case Study

WeCare

One example of how social enterprises allocate their profits to support their growth and development activities comes from WeCare, which reinvests its profits into community engagement and hiring more developers and field team members. Founded in 2015, WeCare tries to address the issue of access to health care by providing financial support to cover the costs of care and transportation. Their vision is to promote good and fair access to health care for the people of Indonesia.

WeCare collects donations to assist patients who are in remote areas and have no medical insurance. WeCare also offers at-home medical consultations for regular donors. During its two years of operations, WeCare has collected over 3.5 billion IDR (\$242,550 USD) in donations for more than 350 patients. This year, WeCare aims to collect 5 billion IDR (\$346,500 USD) from 300 regular donors.

Initially, the aim was simply to enable people to donate with ease. However, as WeCare grew, Gigih, CEO at WeCare.id saw the opportunities and needs in the health sector – in particular, the difficulties that the communities faced in accessing long-term health facilities due to distance and cost. WeCare’s solution is to become a crowdfunding platform that focuses on channeling donations towards these systemic issues to improve health equity in Indonesia.

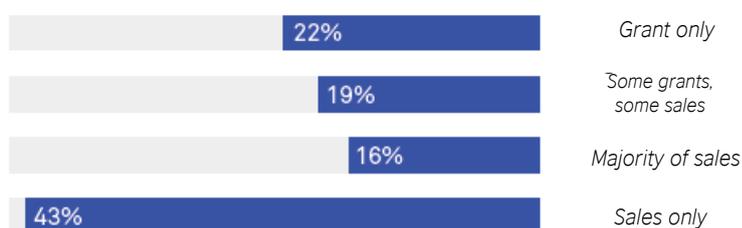
Future Expectation

Diversifying funding sources will be crucial to the development of social enterprise in Indonesia. Roughly 43% of social enterprise respondents have relied upon sale revenue alone and 22% have relied upon grant revenue alone, although they hope to begin generating more sales revenue.

Revenue Road Map

Current Revenue States

22% respondents only rely on grant and donation



Future Revenue Plan

Majority shift to mix grant and sales as revenue stream

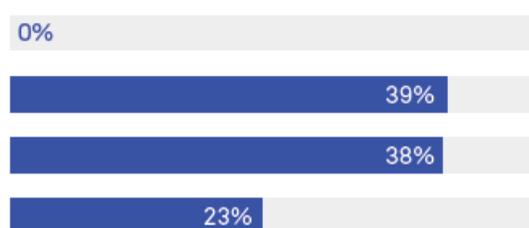


Figure 14: Revenue Roadmap

Case Study

Greeneration Indonesia

Greeneration Indonesia is a social enterprise that successfully combines several revenue streams. Greeneration Indonesia focuses on solving the issue of environmental damage caused by waste. Through collaboration with the government and the private sector, Greeneration Indonesia has introduced an integrated waste management system.

Greeneration Indonesia realised that, to create meaningful change, collaboration is key. The organisation partnered EcoBali Recycling to create Waste4Change, a consulting and waste management company that serves multinational corporations like CocaCola.

Greeneration also produces reusable bags and other environmentally friendly products which are sold under Pasar Greeneration, a green merchandise provider for companies in Indonesia and beyond. Since their founding, more than 1,000,000 kg of solid waste has been managed responsibly and about 100,000 people have been educated about proper waste management and living an eco-friendly lifestyle. By developing multiple revenue streams, they are able to maintain both their financial sustainability and their focus on creating an impact.

Growth Plans

Regarding their growth plans, most respondents indicated a focus on developing and launching new products and services (71%), marketing to new customers or clients (64%), and increasing sales with existing customers (62%). Many social enterprises are also considering expanding to another geographical area (60%), scaling the business with an investment (55%), or winning new business as part of a consortium (20%). These findings are aligned with findings from our discussions with social enterprises, many of which indicated a strong focus on growing their business.

Growth Plans

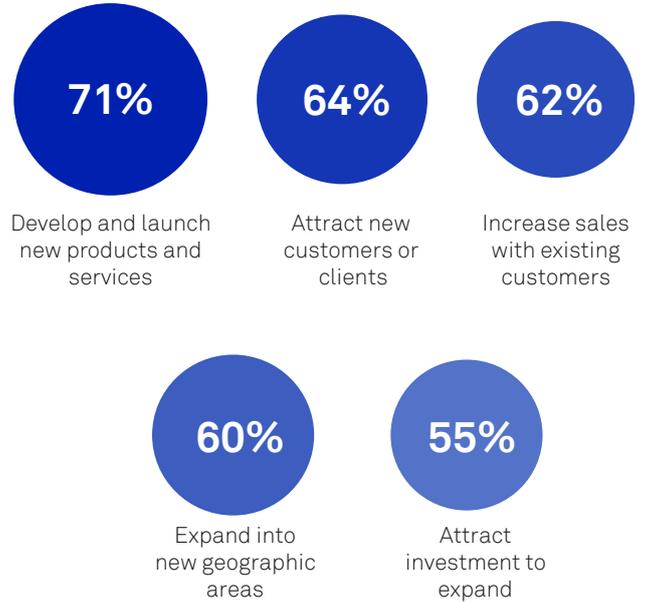


Figure 15: Growth Plans

Photo source: PLUS Documentation



Barrier to Growth

Respondents reported that the main obstacles faced by social enterprises in developing their businesses include securing capital (debt/equity) (47%), obtaining grant funding (31%), a shortage of managerial skills (31%), and recruiting other staff (29%). Social enterprises also noted insufficient production capacity (27%), poor cash flow (23%), and a low understanding or awareness of social enterprise among the general public (23%) as barriers to growth.

Social enterprises face many of the same challenges as MSMEs, such as complex business environment in Indonesia, limited access to funding, and a small pool of human resources with sufficient managerial skills. Two out of four prevalent challenges faced by MSMEs are also funding and human resource related. However, the percentage of MSMEs facing difficulties in securing funding is estimated at 60-70%, higher than the 47% of survey respondents which indicated funding difficulties.

MSMEs also struggled to find skilled human resources (49.4%).¹⁸ Both MSMEs and social enterprises reported challenges in finding the necessary skills among candidates (e.g. quality control, strategic planning, marketing, legal matters, financial planning).¹⁹

Social enterprises also indicated ongoing challenges in maintaining good business processes, including lean business practices, securing capital, financial administration, addressing legal matters, and choosing the right business model. Social enterprises that cannot maintain good business practices may also face difficulties in securing the right type of external funding to further their mission, be it from grants, debt, or equity.

¹⁸ based on the article 'Masalah teknologi dan SDM hambat produksi selaku UKM' by Bachdar in 2016.

¹⁹ based on *Profil Bisnis Usaha Mikro, Kecil dan Menengah (UMKM)* study by Bank Indonesia in 2015.

Barrier to Growth

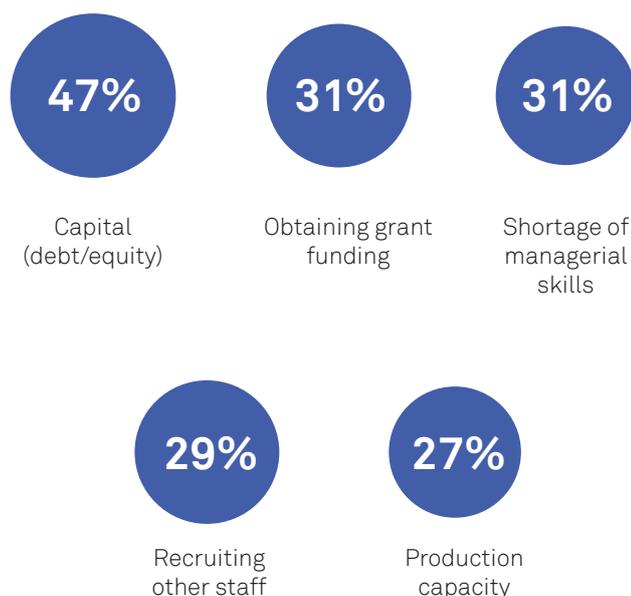


Figure 16: Barrier to Growth

Financial Source

Findings from the survey show that in Indonesia, the top three sources of funding are personal income from another job (51%), funding from family or friends (31%), and cash or in-kind donations (28%). These findings are aligned with ANGIN's 2016 *Social Finance and Social Enterprises* study. Funding from friends and family is commonly used by social enterprises in Indonesia to cover early business operations and is often reported to be the most preferable option as it requires little documentation and can be secured quickly.

Also reinforcing ANGIN's earlier findings, we found that social enterprises are less interested in concessional loans (13%) and commercial loans (5%). To qualify for bank loans, social enterprises need to provide collateral and pass due diligence. Almost half of our social enterprise respondents do not have a legal entity, which restricts their access to bank loans. Crowdfunding, the practice of using an online platform to fund a project or venture by raising money from individuals, is also not a commonly used financial resource for social enterprises, although 11% of respondents reported using it as a tool.

Various Financial Source of Social Enterprise

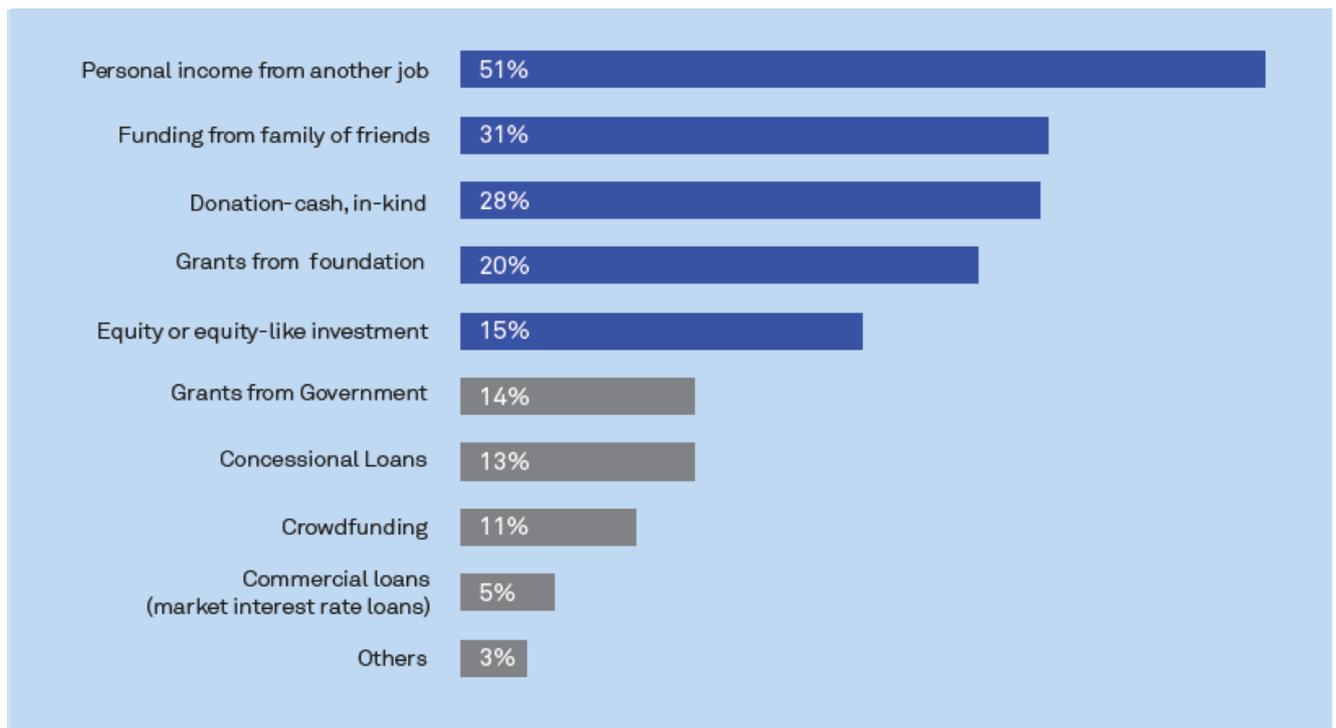


Figure 17: Various Financial Source of Respondents

Financial Constrains

A limited supply of capital (59%), unrefined business model (45%), and a limited track/performance record (43%) are the main obstacles social enterprises face in trying to secure funding in Indonesia.

UNDP Indonesia staff interviewed for this study reported finding that most social enterprises have limited experience of dealing with investors, resulting in a mismatch of expectations. Investors reportedly find it difficult to find social enterprises with a proven track record and scalable business model. This is aligned with our findings, as social enterprises who reported difficulties in accessing capital often also reported difficulties in refining and proving their business models.

Financial Constraints

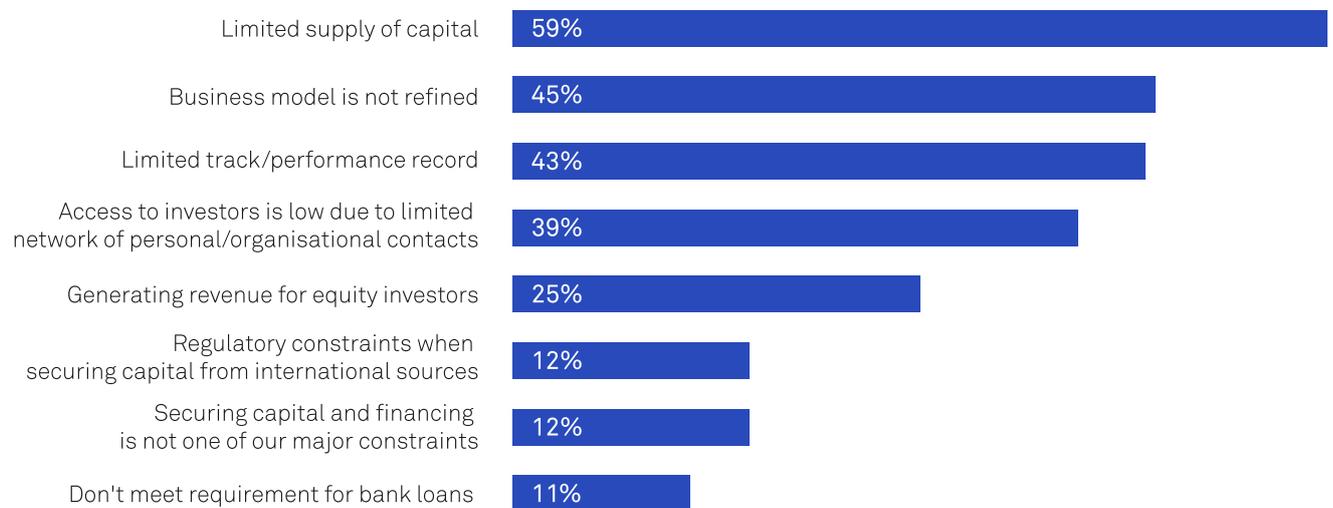


Figure 18: Financial Constraints

Conclusion

Social enterprises in Indonesia have shown significant growth in recent years. In the last 5 years alone, the number of new social enterprises is 5 times greater than the previous 5 years. Social enterprises have diversified into new sectors while strengthening their presence in the creative industries (22%), agriculture and fisheries (16%) and education (15%). Here are the highlights of the study findings:

- Social enterprises in Indonesia are creating more inclusive jobs than mainstream MSMEs, and have very high levels of women employment, at almost 70%.
- Even though social enterprises are thriving and awareness about the sector is gradually expanding, respondents reported several barriers to growth, especially around funding and human resources.
- Most social enterprises can be categorised as micro and small-sized business with an average yearly income of \$57,467 USD.
- Social enterprise leaders are relatively young--almost half of the leaders of social enterprises are 25-34 years old (46%).
- Half of social enterprises surveyed (48%) do not yet have any formal legal entity, largely due to the absence of a specific legal entity for social enterprises, complex registration processes, and low awareness of the importance of legal registration.
- In terms of geographical location, most social enterprises in this research are based in Java (78%), along with most of Indonesia's economic resources. Social enterprise enablers are also mainly based in Java, specifically in Jakarta and its surrounding areas.



Photo source: Nusa Berdaya

Recommendations

Recognition

Policymakers should recognise the unique contributions that social enterprises can make in providing employment opportunities, especially for women and young people. The government could harness this potential by ensuring that programmes to support business growth and job creation and employment are open to social enterprises, enabling them to better achieve their own objectives. Policymakers should also recognise the particular contribution that social enterprise makes to economic growth and job creation more widely and its particular power and potential in the creative industries.

Business support

Young social enterprise leaders have relatively limited background and experience in doing business, and could greatly benefit from greater integrated support, especially to validate their product and test the market. Support providers and enablers can strengthen social enterprise' management by, for example, connecting social entrepreneurs with experienced mentors who can offer support with key business functions.

Higher education institutions

Higher education institutions can also play a role in generating a skilled talent pool and building organisational capacity with their extensive resources and experience with research, entrepreneurship, and community service.

The private sector

The private sector can also help social enterprises to access broader market opportunities by bringing social enterprises into their value chains. They could set targets for procuring from social enterprises or develop partnerships with start-ups, host special meet-the-buyer events, or even invest in promising social enterprises.

The legal framework

There is a clear need for greater legal support for social enterprises to register a legal entity. The government could also support the sector by creating a more social enterprise-friendly regulatory environment and setting clear guidelines to distinguish commercial enterprises and social enterprises. The government should also consider creating a new type of legal entity tailored to the unique needs of social enterprises in the National Entrepreneurship Draft Bill.

The support ecosystem

In order to maximise their impact, social enterprise enablers need to ensure their own sustainability. Enablers must choose between several business models and many face challenges in terms of funding, as most of the enablers' revenue stream is project-based. One of the financial models that enablers should explore is an endowment fund model – with the private sector, government or even public crowdfunding, and long term partnerships with investors or venture capitalists.

Funding and finance

Based on the main barriers reported by social enterprises, namely poor access to capital and grant funding, social enterprises need more support in finding appropriate funding based on their current stage. As around half of the social enterprises surveyed do not yet have a legal entity and more than 70% are still very early-stage, micro-credit programmes and lower-risk investments are two appropriate funding options. Some Indonesian banks provide micro-credit programmes with low interest rates and do not require a company to have a legal entity to qualify for a loan. Crowdfunding, grants from donors, and competitions can also be good funding options and opportunities to validate the market. Meanwhile, more mature businesses that want to scale and expand could consider angel investment or impact investment as funding sources. Enablers and government could offer more training and capacity building services to help social enterprises become investment-ready.

Staff and skills

As a solid team is integral in growing and scaling a business, social enterprises could consider investing more in human resources to attract high-quality talent. This could involve offering competitive salaries benchmarked to the industry standard. Also, in terms of developing human resources, social enterprise enablers could explore the possibility of offering development program that focus not only on developing organisations, but also individuals, for example leadership skills, project management, or communication skills.

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ANNEX 1: INTERVIEWEES AND FOCUS GROUP DISCUSSION PARTICIPANTS

OUTREACH EVENTS AND WORKSHOPS

To enrich the findings of the social enterprise survey, several interviews and focus group discussions were conducted. We build case study based on the interview with social enterprise leaders, higher education institutions, and policy makers. Additional interviews with lecturers at higher education institution were also done to refine the methodology used by this research.

The following table shows the individuals interviewed to enrich the findings of the study:

List of Interviewees

No	Name	Organisation
1	Gijih Septianto	WeCare.id
2	Totok Anindya Barata	Rumah Budaya Tembi
3	Aria Widyanto	Amartha
4	Astan Jaya	Sosial Bisnis Indonesia (SOBI)
5	Dicky Ahmad	Greeneration Indonesia
6	Andri Madian	Akseleran
7	Ellen Nio	Patamar Capital
8	Romy Cahyadi	UnLtd Indonesia
9	Dian Wulandari	Instellar
10	S. William Hendradjaja	Impact Hub Jakarta
11	Dading Gunadi	BAPPENAS
12	Leonardo A. A. Teguh Sambodo	BAPPENAS
13	Agus Muharram	Kementerian Koperasi dan UMKM
14	Iwan Faidi	Kemenko Perekonomian
15	Nurul Indarti	Universitas Gadjah Mada

16	M. Setiawan Kusmulyono	Universitas Prasetiya Mulya
17	Dwi Purnomo	Universitas Padjadjaran
18	Nono Carsono	Universitas Padjadjaran
19	Agustinus Prasetyantoko	Universitas Katolik Atma Jaya
20	Kumala Susanto	Universitas Ciputra
21	Dewi Meisari	UKM Center FEB Universitas Indonesia
22	Catharina Badra Nawangpalupi	Universitas Parahyangan
23	Risa Bhinekawati	Podomoro University
24	Anastasia Diana Tumimomor	Universitas Kristen Wira Wacana Sumba
25	Steffi Adam	Universitas Universal
26	Maya Cendana	Universitas Trilogi
27	Stephanus Eri Kusuma	Universitas Sanatha Dharma
28	Andi Nur Bau Masepe	Universitas Hasanuddin
29	Awan Santosa	Universitas Mercu Buana Yogyakarta
30	Anggraeni Permatasari	President University
31	Siti Jahroh	Sekolah Bisnis Institut Pertanian Bogor
32	Ina A. Murwani, Misani Mariani, Dahlia Darmayanti	Binus Business School, Binus University
33	Tulus Tambunan	Universitas Trisakti
34	Muhammad Ariono Margiono	Binus Business School

The following table shows the participants of focus group discussion conducted in Jakarta to enrich the findings of the study:

List of Participants FGD Jakarta (14 May 2018)

No	Name	Organisation
1	Ahmad Aziz	Campaign.com
2	Martin Kreshna A. Asda	Timurasa Indonesia
3	Muhammad Nanda Putra	Tanjjoy
4	Pandu Truhandito	Engrasia
5	Rahma Utami	Suarise
6	Retno Hapsari	XSProject
7	Rosa Hutagaol	YoExplore
8	Sari Handayani	YoExplore
9	William Gondokusumo	Campaign.com
10	Novita L. K.	Socolas
11	Brian Chandra	Waterplus

The following table shows the participants of focus group discussion conducted in Bali to enrich the findings of the study:

List of Participants FGD Bali (4 June 2018)

No	Name	Organisation
1	Probo Raharjo	Papayapapa Farm
2	Saniy Amalia Priscila	For Good
3	Irma	For Good
4	Ni Putu Candra Dewi, S.H.	Bumi Setara
5	Ni Komang Ayu Suriani	DIFFAGO
6	Arief Budiman	Rumah Sanur Creative Hub
7	Arifah Suparni	ZAKKI
8	I Wayan Gede Eka Sudiarta	Nyambu Ecotourism
9	Agung Alit	PT. Mitra Bali Fair Trade
10	Komang Adiartha	PT. Mitra Bali Fair Trade
11	Fransiska Natalia	KONO green living company
12	Annisa	Tri Upcycle
13	Jeroen van Overbeek	Social Impakt
14	Rizki	Kopi Kultur
15	Denik	Yayasan Wisnu
16	Stefani Alouw	To-ko Concept Store

ANNEX 2: SURVEY QUESTIONS

1. What is the name of your organisation?

2. In brief, what does your organisation do?

3. In what year did your organisation formally begin operating?

**4. Where in Indonesia does your organisation have its headquarters? Just one answer allowed
Just one answer allowed**

- | | | |
|--|---|---|
| <input type="checkbox"/> Aceh | <input type="checkbox"/> West Kalimantan | <input type="checkbox"/> West Papua |
| <input type="checkbox"/> Bali | <input type="checkbox"/> Central Kalimantan | <input type="checkbox"/> Riau |
| <input type="checkbox"/> Bangka Belitung | <input type="checkbox"/> East Kalimantan | <input type="checkbox"/> Riau Islands |
| <input type="checkbox"/> Banten | <input type="checkbox"/> South Kalimantan | <input type="checkbox"/> West Sumatera |
| <input type="checkbox"/> Bengkulu | <input type="checkbox"/> North Kalimantan | <input type="checkbox"/> South Sumatera |
| <input type="checkbox"/> Gorontalo | <input type="checkbox"/> Lampung | <input type="checkbox"/> North Sulawesi |
| <input type="checkbox"/> Jakarta | <input type="checkbox"/> Maluku | <input type="checkbox"/> North Sumatera |
| <input type="checkbox"/> Jambi | <input type="checkbox"/> North Maluku | <input type="checkbox"/> West Sulawesi |
| <input type="checkbox"/> West Java | <input type="checkbox"/> West Nusa Tenggara | <input type="checkbox"/> South Sulawesi |
| <input type="checkbox"/> Central Java | <input type="checkbox"/> East Nusa Tenggara | <input type="checkbox"/> Central Sulawesi |
| <input type="checkbox"/> East Java | <input type="checkbox"/> Papua | <input type="checkbox"/> Southeast Sulawesi |
| | | <input type="checkbox"/> Yogyakarta |

**5. Is your organisation operating at a local, regional, national or international scale?
Require just one selection**

- Operational coverage in one province
- Operational coverage in one to three provinces
- Operational coverage more than three provinces
- Worldwide operational coverage

6. Is your organisation a subsidiary of another organisation?

- Yes
- No

7. What is the gender of the person currently in charge of your organisation?

- Male
- Female
- We have female and male leaders

8. In what age range is the person in charge of the organisation?

- Under 18
- 18-24 years old
- 25-34 years old
- 35-44 years old
- 45-54 years old
- 55-60 years old
- 61 years old or above

9. Does your organisation have a formal legal registration?

- Yes - continue to question number 10
- No - continue to question number 11

10. If yes, what kind of legal entity do you have? Multiple answers allowed

- Private Company
- Private Company with Foreign Fund
- Foundation
- Co-operative
- Association
- CV (Commanditaire Vennootschap / Similar to Limited Liability Company)
- Others: _____

11. Do you have any other legal permit/licences?

- Letter of Business Permit
- Company Registration Certificate
- Certificate for Home and Food Industry
- Certificate for National Agency of Food and Drug
- Others: _____
- None of the above

12. What are your organisation's overall objectives (select all that are applicable)?

- Sell product or service
- Improve a particular community
- Create more inclusive employment opportunities
- Support vulnerable people
- Improve health and well-being
- Promote education and literacy
- Address social exclusion
- Protect the environment
- Address financial exclusion
- Support vulnerable children and young people
- Support other social enterprises / organisations
- Others: _____

13. Is the social or environmental mission the main purpose of the business?

- Yes
- No

14. Do you plan to generate earned income / trading revenue?

- Grant only
- Some traded revenue (or sales or earned income), some grants
- Mostly supported by traded revenue (or sales or earned income)
- Traded revenue (or sales or earned income) only

15. Current revenue: On average, what proportion of your total revenues come from earned income/sales (in comparison to grants, donation, etc.)?

- 0-24% (a little)
- 25-49% (some, but less than half)
- 50-74% (more than half)
- 75-100% (most or almost all or all)

16. In what currency, if at all, will you provide information on your organisation's annual turnover in the previous financial year?

- Rupiah / Indonesian Rupiah
- Dolar Amerika / US Dollars
- Pound Sterling / British Pounds

17. What is your average monthly sales in the last 6 months?

- USD 0 - USD 100 / GBP 0 - GBP 70
- USD 100 - USD 500 / GBP 70 - GBP 350
- USD 500 - USD 1,000 / GBP 350 - GBP 700
- USD 1,000 - USD 5,000 / GBP 700 - GBP 3,500
- USD 5,000 - USD 10,000 / GBP 3,500 - GBP 7,000
- More than USD 10,000 / More than GBP 7,000

18. What was the total of your organisation's annual sales in the previous financial year? (In IDR / USD / GBP) - optional

19. What do you expect to happen to your organisation's turnover next financial year?

- Increase substantially
- Increase a little
- Stay the same
- Decrease a little
- Decrease substantially

20. Do you currently make a profit or surplus?

- Yes - continue to question 21
- No - continue to question 22
- Break even - continue to question 22

21. How is your profit/surplus used? Select as many answers as relevant

- Growth and development activities
- Rewards to staff
- Reward to beneficiaries or community
- Profit sharing with owners and shareholders
- Cross subsidising your social mission with your business activity
- Building Reserves
- Funding third party social/environmental activities - For example: grant to other organisations
- Others: _____

22. How many paid staff do you currently employ?

Full-time employees (35+ hours per week)

- Number of current full time employees: ____
- Number of current full-time female employees: ____
- Number of full-time employees a year ago: ____
- Number of full-time female employees a year ago: ____

Part-time employees (34 or fewer hours per week)

- Number of current part-time employees: ____
- Number of current female part-time employees: ____
- Number of part-time employees a year ago: ____
- Number of part-time female employees a year ago: ____

23. How do you expect the number of people you employ to have changed by this time next year? Please provide your best estimate.

- Increase substantially
- Increase a little
- Stay the same
- Decrease

24. Do you consider any of the following groups to benefit directly from your organisation's core business activities? Multiple answers allowed

- Local community
- Organisations (NGOs, micro and small businesses, social enterprises, self-help groups, community, and religious groups)
- Employees of your organisation
- Women
- Children under 16 years old
- Young people (16-35 years old)
- Disabled or differently abled people
- People from underserved regions or communities
- Others: _____
- None of the above - continue to question number 27

25. How many people do you estimate that you have supported in total in the last 12 months? Or any other metrics that you can share?

Example: 100 people get access to free education, 200 get free access to healthcare service. Another example of other indicators: 15ha idle land has been used for productive agriculture, 1000kg waste has been recycled

26. What is the main sector you operate in? Just one answer allowed

- Agriculture and fisheries
- Business development services & entrepreneurship support (including to charities and NGOs, including service for business or organisation purpose, such as Advertising, Graphic Design)
- Education
- Energy, Clean Technology and Environment
- Financial services (P2P Lending, crowdfunding, micro finance, etc)
- Food & Nutrition
- Health & social care
- Creative Industry:
 - Art
 - Crafts
 - Fashion
 - Films
 - Music

- Interior Design
- Performing Art
- Publishing
- Games
- Video & Photography
- Livelihoods & employment creation
- Mobility & transport
- Services (ICT, tourism or any other service for personal purpose)
- Others: _____

(For example: housing, infrastructure development and maintenance, justice and rehabilitation, retail, manufacturing, forestry, and etc)

27. Do you have expectations for growth over the next year?

- Yes - continue to question 28
- No - continue to question 29

28. How does your organisation plan on achieving growth over the next year? (Choose as many options as applicable)

- Increase sales with existing customers
- Expand into new geographic areas
- Develop & launch new products & services
- Attract new customers or clients
- Replicate or franchising
- Attract investment to expand
- Merge with another organisation
- Acquire another organisation
- Win business as part of a consortium
- Others: _____

29. What are the major barriers which your organisation faces. Maximum three answers allowed

- Capital (debt/equity)
- Obtaining grant funding
- Cash flow
- Recruiting other staff
- Shortage of managerial skills
- Shortage of technical skills
- Lack of access to support and advisory services
- Understanding/awareness of social enterprise among banks and support organisations
- Understanding/awareness of social enterprise among general public/customers
- Lack of demand for product or service - low sales
- Economic climate (fiscal regulations, prohibitive commissioning, exchange rate losses)
- Access to public services (transport, energy, water and sanitation)
- Taxation, VAT, business rates
- Availability or cost of suitable premises
- Late payment
- Regulations/red tape
- Access to market - no access to distribution channel
- Expensive transportation/Logistic or distribute your product
- Production Capacity
- Others: _____

30. What are your organisation's top 3 constraints to financing? Requires exactly 3 answers

- Generating revenue for equity investors
- Business model is not refined
- Access to investors is low due to limited network of personal/organisational contacts
- Limited track/performance record
- Don't meet requirement for bank loans (no legal entity, revenue, profitability and insufficient collateral)
- Limited supply of capital
- Regulatory constraints when securing capital from international sources
- Securing capital and financing is not one of our major constraints

31. What forms of finance and funding have you received? Multiple answers allowed

- Grants from governments
- Grants from foundations
- Donations-cash, in kind (e.g. equipment, volunteer time, friends and family support)
- Concessional loans (loans with below-market interest rates, including from friends and family)
- Commercial loans (market interest rate loans)
- Equity or equity-like investments
- Crowdfunding
- Personal income from another job or source
- Funding from family or friends
- None
- Others: _____

32. Would you describe your organisation as a social enterprise?

- Yes
- No

33. About Organisation

Your Name : _____

Organisation e-mail : _____

Phone Number : _____

Organisation address : _____

Organization Website : _____

ANNEX 3: REPORTING AND CAVEATS

Data from the survey was subjected to second-level analysis, by region, age of organisation, gender of leader, size (by turnover and jobs) and sector. Findings have only been presented where there are significant or interesting distinctions to be drawn through disaggregation.

Survey results have been rounded off to zero decimal places due to which some figures might not add up to 100%. Some survey questions have multiple answers (such as beneficiaries of social enterprise, multiple barriers faced by social enterprise); responses in these cases will add up to more than 100%.

The survey responses are self-declared by social enterprises. Data was not systematically verified with respondents, however outlying results and gaps were verified with respondents over the phone.

It is likely that the survey results contain biases due to the nature of outreach and sampling. It is expected that there are a higher proportion of social enterprises that are located in metropolitan cities with access to networks and a stable internet connection than is nationally representative. It is also expected that responses are far higher from areas where events and outreach activities were conducted, so again regional spread is not representative.

The estimates of total social enterprise numbers were challenging to compile – accessing SME and NGO databases did not yield comprehensive results: the absence of harmonised terminology to define SMEs was problematic. The methods used in this research are resulted from consultation with the experts. The method of generating the number of social enterprise are used through refinement process with lecturers from high education institutions.