The State of Social Enterprise in Indonesia

Developing an Inclusive and Creative Economy
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).
About 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 British Council

- 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.
Study Objective
Fostering social enterprises to be investment ready

Together we are cooperating 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.
Research Partners
Social Enterprise UK & PLUS

Social Enterprise UK
Research Partner

The UK body for social enterprise - business with social and environmental mission. We support business where society profits.

PLUS - Platform Usaha Sosial
Implementation Partner

PLUS is a social innovation hub to grow social enterprises through capacity building, connection, and community.
Methodology

As 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.

By using questionnaires and interview, 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
Classification of Social Enterprise in Indonesia

467 out of 495 respondents:

- They have social or environmental mission as their main purpose
- They generated income not only from grants
- They distributed their profit not only for owners and shareholders.
Study findings
**Summary**

**Estimated number of Social Enterprise**
The estimate number of SE in Indonesia is about 342,000 organisations while currently only for about 2,000 social enterprises identified.

**Business Objective**
- **68%** Sell product or services
- **58%** Improving a particular community
- **49%** Create more inclusive employment opportunities

**Sectors**
Top 3 sectors of social enterprises
- **22%** Creative Industries
- **16%** Agriculture & Fisheries
- **15%** Education

**Beneficiaries**
Top 3 beneficiaries of social enterprises
- **63%** Local Community
- **48%** Women
- **44%** Young people
Summary

Social Enterprises Leadership in Age and Gender
Young leaders are dominating social enterprise sector and the number of men and women-led SE are nearly equal.

Employment
The workforce of social enterprise is increasing and dominated by women (69%). This is higher than the 57% women employment rate in the MSMEs sector.

- 31% increment of full time female employees
- 99% increment of full time male employees
- 69% increment of part time female employees
- 23% increment of part time male employees
Summary

**Barriers to growth**
Funding and human resources are the main challenges facing social enterprises

- **47%** Lack of capital (debt/equity)
- **31%** Difficulties obtaining grant funding
- **31%** Shortage of managerial skills

**Growth Plans**
Social enterprise respondents plan to grow their business and impact by focusing on product and customers outreach

- **71%** Develop and launch new product or service
- **64%** Attract new customers or clients
- **62%** Increase sales with existing customers
Year of Establishment

There is an increasing trend of Social Enterprise in the past 5 years and 45% have been in operation within the last two years.
Location and geographical area

The respondents are heavily concentrated in Java and they operate at either local (37%) or national (35%) scale.
Social Enterprises
Legal Form in Indonesia

Just over half of all social enterprises (53%) are legally registered.

A small number of social enterprise respondents have more than one legal entity.

- 40% Limited Liability Company (PT)
- 27% Foundation
- 21% Limited Partnership
- 20.4% Others
Business Size

64% of social enterprises respondents are micro business with $57K USD as average annual revenue of each enterprises

64% of our respondents are micro business

$57 K USD
average annual revenue each social enterprise

$19.6 bio USD
estimated annual revenue of social enterprises

1.9%
contribution to Indonesia GDP
From 203 social enterprises generated profit, most profits were allocated for growth and development activities, cross subsidy, and rewards to staff.

**Profit Allocation**
- Growth and development activities: 72%
- Cross subsidising social mission with business activity: 29%
- Rewards to staff: 27%

*Respondents can choose more than one option*
Future Expectation

- The majority of respondents are expecting to have hybrid models by combining grant and sales as their revenue stream.
- All of them agree that they want to not only rely on grant.
Financial Source

Since majority of respondents are early stage social enterprises with only 50% of them has legal form, therefore bootstrapping and donation become the most accessible options for financing.

- **51%** Personal income from another job
- **31%** Funding from family of friends
- **28%** Donation-cash, in-kind

*Respondents can choose more than one option*
Financial Constraints

Capital, business model and track record are the top three financial constraints for Social Enterprises in Indonesia

- 59% Limited supply of capital
- 45% Business model is not refined
- 43% Limited track/performance record

*Respondents can choose more than one option*
Social Enterprise Ecosystem in Indonesia

Enablers
- Incubators
- Accelerators
- Capacity builders
- Ecosystem builders

Impact Investors & Financiers
- Impact investment
- Venture capital
- Peer-to-peer lending platforms
- Crowdfunding platforms

Policy Maker
- Government bodies and agencies

Business Support
- Legal advisory
- Accounting platform
- HR platform

Media
- TV Shows

Social Enterprises
Let’s create more impact together!