

# Chapter 4

## Looking Ahead: Priorities for Fostering Women's Entrepreneurship in Eastern Indonesia

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## Chapter 4

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### 1. Key Challenges Facing Women Entrepreneurs in Eastern Indonesia

Women own nearly half of all MSMEs throughout Indonesia,<sup>1</sup> and these businesses cover diverse sectors, including tourism and the creative economy. Despite the strong presence and economic contributions of these women-led MSMEs, women entrepreneurs disproportionately face challenges in starting, operating, maintaining, and expanding their businesses. Women-led MSMEs are smaller than MSMEs led by men in Indonesia, and the rate of women's entrepreneurship declines as the size of the business increases (IFC, 2016). More than half of women-led MSMEs in Indonesia are informal or semi-formal businesses that do not offer as many advantages or protections as fully registered businesses (IFC, 2016).

The five main provinces of Eastern Indonesia include West Nusa Tenggara, East Nusa Tenggara, North Sulawesi, Maluku, and Papua, and these provinces are characterised by tremendous diversity in geographic situations, natural resources, cultures, ethnicities, religions, and languages. Each area's unique circumstances have a very significant influence on the development of local entrepreneurship, including the potential for businesses related to tourism and the creative economy: the provinces of Eastern Indonesia are all islands (or significant portions of larger islands, in the case of Papua) that boast tropical settings, including West Papua, which is known for some of the most sought-after scuba diving locations in the world, such as Raja Ampat. East Nusa Tenggara has a very rich history of basket-weaving traditions, which are supported by the province's local biodiversity – specifically, the availability of palmyra leaves used in weaving baskets. Within East Nusa Tenggara, Sumba has an especially rich history of textile craftsmanship, wherein textiles are only produced by Sumbanese women according to cultural traditions and customs (Nichols, Iverson, and Forshee, 2017).

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<sup>1</sup> The estimates of women-owned MSMEs vary amongst sources, ranging from nearly half to more than half; the conservative estimate is cited here based on Canada-Indonesia Trade and Private Sector Assistance Project (2019) and IFC (2016).

### **Box 3. Research Methodology**

In order to identify the challenges faced by women-led MSMEs in Eastern Indonesia – as well as proven and potential solutions for improving outcomes for these women entrepreneurs – a research methodology comprising both desk review and structured interviews was employed. This methodology consisted of a comprehensive literature review, a variety of structured interviews with stakeholders, focus group discussions with stakeholders, and an ongoing desk review to explore emerging topics.

The stakeholders included public, private, international organisation, and social sector professionals with expertise in women-led MSMEs in Eastern Indonesia, including several women entrepreneurs themselves. Overall, the majority of the stakeholders engaged were women. Specifically, these stakeholders possess expertise in one or more of the following areas: international, regional, and local economic policies relevant to women-led MSMEs in Indonesia and Eastern Indonesia; international, regional, and local economic programmes and initiatives relevant to women-led MSMEs in Indonesia (including incubator programmes to build capacity and research and advocacy to promote women’s equality); international and national investment schemes targeting Eastern Indonesia; lessons learnt from women-led MSMEs in other regions and countries; and direct experience in creating an MSME in Eastern Indonesia.

Source: Authors.

Since the provinces of Eastern Indonesia are all islands that are located at a significant distance from Jakarta, the economic hub of Indonesia, their businesses face logistical challenges, such as travel and shipping expenses that can prove prohibitively complex or expensive. Infrastructure varies significantly amongst these provinces, and certain areas have very limited internet connectivity, which prevents the possibility of business growth through e-commerce. Women in areas with very limited internet connectivity are further affected by the gender digital gap, which results in fewer opportunities for growing their businesses through e-commerce (ITU, 2019).

Women-led MSMEs have high rates of stagnation in Indonesia in terms of business growth: their business growth often reaches a plateau that is never surpassed, or their businesses may never start growing in the first place (IFC, 2016). Many discriminatory social norms and family constraints contribute to this business stagnation, including cultural expectations for women to take on the vast majority of household and caretaking responsibilities, which leaves insufficient time for business operations and skill building; beliefs that men – not women – should be the most financially successful family members and concerns that a financially successful woman will be threatening to her husband; beliefs that it is not appropriate for women to do certain forms of work, or that women are not capable of certain

forms of work; and the underrepresentation of successful women entrepreneurs in society and the media.

## **2. Key Recommendations to Foster Women's Entrepreneurship in Eastern Indonesia**

It is essential to address and revise these discriminatory practical issues and social norms in order to support women's entrepreneurship in the region. Many initiatives are already in place to address these issues, though they are in need of significant additional support, replication, and scale-up. For example, Prospera, an initiative of the Australia Indonesia Partnership for Economic Development, has achieved success through media campaigns used to portray women's equality and empowerment in the public sphere. In addition to strategic media campaigns that improve the representation of women in society, research and advocacy on discriminatory social barriers for women play a key role in establishing new social norms centred on equality and empowerment.

Additional priorities can be identified for women-led MSMEs in Eastern Indonesia, including the need for more advanced government support for the development of women's businesses. Business incubator programmes have been identified as especially useful initiatives for supporting the development of women-led MSMEs in Eastern Indonesia. When conducted through close collaboration between highly skilled mentors and motivated entrepreneurs, incubator programmes are able to provide key support to MSMEs, including teaching the entrepreneurs essential knowledge and skills, such as business literacy, financial literacy, accounting, digital skills, as well as marketing, branding, and communication skills – in addition to providing expert advice on business strategy and operations. Many business incubators also focus on the social aspects of entrepreneurship – which may have additional benefits for women entrepreneurs – such as teaching leadership skills and building entrepreneurs' motivation, ambition, and self-confidence. Examples of existing business incubators in Indonesia include the government-led PLUT KUKM initiative, the entrepreneurial learning facility from Sekolah Seniman Pangan (founded and led by Helianti Hilman, a female entrepreneur from Eastern Indonesia), and capacity-building support provided by social impact accelerator Kopernik.

Given the tremendous diversity of environments and traditions throughout Eastern Indonesia, local-based solutions are fundamental for fostering entrepreneurship. Local-based solutions are equally crucial for supporting the equality of women as gender roles are significantly influenced by local cultures and religions. In this context, both vertical and horizontal coordination is essential for implementing government strategies for fostering women's entrepreneurship. Vertical coordination from Jakarta, the seat of the central government and the financial centre of Indonesia, can make use of ambitious strategies that have already been tested and refined throughout Java and other regions of Indonesia, whereas horizontal coordination amongst the ministries of Eastern Indonesia can allow for local-based solutions and innovations.

### 3. Framework for Action: Empowering Women entrepreneurs in Eastern Indonesia

The research has identified the challenges facing women-led MSMEs in Eastern Indonesia, as well as proven and promising solutions for fostering women’s entrepreneurship through an enabling environment and direct forms of support. Whilst the overall context of the COVID-19 pandemic presents worsened inequalities and dire economic challenges for MSMEs, it also ushers in an era of recovery and transformation that allows for ‘building back better’ and placing women’s equality at the centre of emerging economic policies (UN Women, 2021).

In order to achieve an enabling environment and direct forms of support, all key stakeholders have a clear role to play, including:

1. governments;
2. investors;
3. corporates;
4. foundations and philanthropists; and
5. women-led MSMEs.

Government actors play an especially key role in supporting both equal rights for women and fostering entrepreneurship through national legislation that is well-coordinated with government at the levels of the provinces and local jurisdictions. In the context of a supportive enabling environment, other stakeholders, such as investors, corporates, and foundations/philanthropists, can provide valuable inputs in terms of funding and business practices that prioritise women entrepreneurs. Women entrepreneurs can themselves seek out opportunities for learning new business skills and ultimately improve the representation of successful women entrepreneurs through the entrepreneurial landscape of Eastern Indonesia – and throughout Indonesia and Southeast Asia at large.

**Table 4.1. Framework for Action**

<b>A. Governments</b>	<p><i>Fostering equality for women:</i></p> <ul style="list-style-type: none"> <li>• Equal representation of women in government positions.</li> <li>• Enhanced policies and practices to protect women from issues that affect them disproportionately, including:               <ul style="list-style-type: none"> <li>- unequal access to banking services,</li> <li>- predatory lending,</li> <li>- workplace harassment, and</li> <li>- online harassment.</li> </ul> </li> <li>• Strengthened national policies supporting women entrepreneurs that are feasible to adapt to local conditions in Eastern Indonesia, taking into account the great diversity in</li> </ul>

	<p>geographic situations, cultures, ethnicities, religions, and languages, etc.</p> <ul style="list-style-type: none"> <li>• Enhanced coordination between the central government and province-level governments in order to support local women entrepreneurs.</li> <li>• Horizontal coordination across ministries and initiatives in order to improve the implementation of national policies to support women entrepreneurs.</li> <li>• Campaigns in partnership with media experts to promote women’s social equality nationwide, addressing and influencing issues such as: <ul style="list-style-type: none"> <li>- the overall importance of gender equality;</li> <li>- examples of gender equality across different cultures and religions;</li> <li>- gender equality throughout all labour industries (i.e., the representation of women as capable of all forms of work);</li> <li>- shared household and childcare responsibilities (instead of unpaid labour that typically falls on women); and</li> <li>- examples of women entrepreneurs whose business success benefits their families and communities (rather than threatening their involvement in their families and communities).</li> </ul> </li> </ul>
	<p><i>Fostering entrepreneurship:</i></p> <ul style="list-style-type: none"> <li>• Recognition of the economic importance of MSMEs within the Indonesian economy, as well as their untapped potential for economic development in Eastern Indonesia.</li> <li>• Enhanced policies and programmes that promote entrepreneurship in a manner that is adapted to the great diversity of the local environments and cultures throughout Eastern Indonesia.</li> <li>• Enhanced coordination between the central government and province-level governments in order to support the development of local entrepreneurship (notably women entrepreneurs).</li> <li>• Horizontal coordination across ministries and initiatives to improve the implementation of national policies to support the development of local entrepreneurship (notably women entrepreneurs).</li> <li>• Long-term political commitment to policies and programmes that promote entrepreneurship over time (not initiatives solely based on a single election cycle, since business cycles</li> </ul>

	<p>are significantly longer than election cycles and require long-term strategies).</p> <ul style="list-style-type: none"> <li>• Strong political commitment to prioritise and incentivise business growth by their own citizens, not international/foreign groups.</li> <li>• More business incubators offered to support MSMEs, including capacity building for e-commerce, digital skills, and new technologies.</li> <li>• Improved infrastructure for Eastern Indonesia, including improved internet connectivity to support digital business opportunities.</li> </ul>
<p><b>B. Investors</b></p>	<p><i>Fostering equality for women:</i></p> <ul style="list-style-type: none"> <li>• Equal representation of women in leadership positions.</li> <li>• A systematic review of potential investees’ policies and practices related to women’s equal rights and representation.</li> <li>• Measurable targets for increased investment in women-owned, women-led MSMEs.</li> <li>• Financial instruments that are adapted to women entrepreneurs, for example practices that are trade-based instead of asset-based (since women are often secondary, not primary, asset owners).</li> </ul>
	<p><i>Fostering entrepreneurship:</i></p> <ul style="list-style-type: none"> <li>• Measurable targets for increased investment in MSMEs.</li> <li>• Investment through patient capital and other financial instruments with long-term horizons that are better adapted for MSMEs.</li> </ul>
<p><b>C. Corporates</b></p>	<p><i>Fostering equality for women:</i></p> <ul style="list-style-type: none"> <li>• Equal representation of women in leadership positions (including boards of directors).</li> <li>• Equal employment policies and practices for women, including issues that disproportionately affect women, such as: <ul style="list-style-type: none"> <li>- discrimination against women in hiring processes,</li> <li>- discrimination against women in professional development and advancement,</li> <li>- workplace harassment, and</li> <li>- online harassment.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Buy-in for women’s equality at all company levels (including boards of directors).</li> <li>• Empowering women’s views within the corporate culture.</li> </ul>
	<p><i>Fostering entrepreneurship:</i></p> <ul style="list-style-type: none"> <li>• Business partnerships with MSMEs that prioritise the services/products of local MSMEs within the business’s own country or geography.</li> <li>• High standards for socially and environmentally sustainable business activities, both internally within the company and externally with suppliers.</li> </ul>
<b>D. Foundations/ Philanthropists</b>	<p><i>Fostering equality for women:</i></p> <ul style="list-style-type: none"> <li>• Equal representation of women in leadership positions.</li> <li>• Empowering women’s views in organisational policies, practices, and communications.</li> <li>• Increased funding provided to women-owned, women-led MSMEs.</li> <li>• Increased funding provided to programmes that support women's entrepreneurship, such as women’s education, business literacy training, and capacity-building support.</li> </ul>
	<p><i>Fostering entrepreneurship:</i></p> <ul style="list-style-type: none"> <li>• Increased funding for MSMEs, especially MSMEs led by women.</li> <li>• Increased funding for programmes that support entrepreneurship, such as education, vocational training, business literacy training, and digital skills, etc.</li> </ul>
<b>E. Women-led MSMEs</b>	<p><i>Fostering equality for women:</i></p> <ul style="list-style-type: none"> <li>• Continue to develop innovative MSMEs that demonstrate value-added and business growth across all sectors – including in sustainable tourism and the creative industries.</li> <li>• Become primary asset owners (rather than secondary owners who need consent from their husbands or parents to access their finances).</li> <li>• Join existing networks and/or form new networks of women entrepreneurs to form solidarity and provide mutual support.</li> </ul>



	<p><i>Fostering entrepreneurship:</i></p> <ul style="list-style-type: none"> <li>• Proactively identify and pursue opportunities for capacity-building support from the government, business incubators, and philanthropists.</li> <li>• Prioritise learning digital skills in order to access e-commerce opportunities.</li> <li>• Leverage the enterprise’s unique environment and culture for powerful storytelling through branding and marketing.</li> <li>• Become investment-ready by continuing to develop high-performing practices and skills, including digital skills.</li> <li>• Improve scalability by ensuring the enterprise’s product-market fit across a wider geography.</li> <li>• Pursue sustainable business practices socially and environmentally.</li> <li>• Highlight the enterprise’s sustainability through powerful storytelling and marketing.</li> </ul>
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Source: Authors’ research.

This ensemble of stakeholders can achieve tremendous advancement for women’s entrepreneurship throughout Eastern Indonesia, ultimately serving as a successful model for enabling women’s entrepreneurship in other regions of the world. The achievements of many women-led MSMEs have already begun to demonstrate the socio-cultural and economic impacts of women’s entrepreneurship in Eastern Indonesia. Through these forms of strategic support from all stakeholders, women-led MSMEs can be supported to thrive and achieve lasting results for improved social equality and a stronger, more sustainable economy.