

Platform Usaha Sosial

● **Survey Report:**
Understanding the State and Profile of Social Enterprise in Indonesia
2022



Setting **The Context**

Research Purpose and Limitation

The main purpose of this research is to learn and capture the needs and challenges of social enterprises and to further identify the potential opportunity areas to support social enterprises (SEs). The research for this study was conducted from March to July 2022. The study draws from PLUS's existing database of around 1,000 organisations using method after survey and interview.

● Study Limitation

Data Limitation

Survey data received are limited to social enterprises within PLUS database and network; thus, results do not reflect the entirety of social enterprises in Indonesia nationwide.

Study Approach

Due to travel limitations during the pandemic, the research study was conducted through virtual outreach. This may have affected the outreach effectiveness and number of survey respondents.

Data Analysis

We used a similar approach to the previous study during the data analysis. We eliminated social enterprises that (1) claimed their business is not an impact-driven business and (2) their funding sources were only grants. In this study, we rely solely on the answers provided by the survey respondents and did not perform additional checking.

Definition

Though there has yet to be a consensus on the definition of social enterprises (SEs), social enterprises are commonly known as organizations that aim to tackle social and environmental challenges through an entrepreneurial approach.

According to our previous study with the British Council and UNESCAP, social enterprises existed in many sectors - including but not limited to the creative economy, agriculture and fisheries, education, and food and nutrition. In some cases, they significantly address social, economic, and environmental challenges, respond to unemployment, and foster inclusive growth.

The existence of social enterprises is legally highlighted and recognized by the government of Indonesia in the Presidential Decree No.2 of 22 on National Entrepreneurship, which shows that SEs play an essential role in addressing the social, economic, and environmental challenges.



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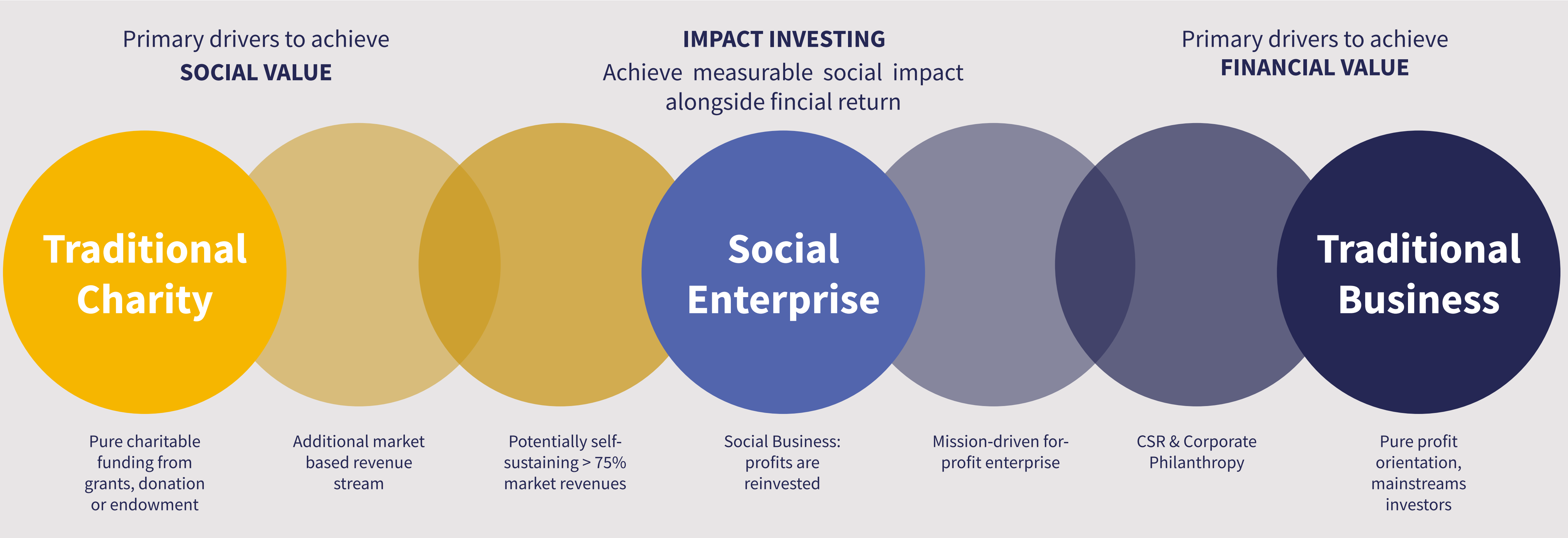
Social entrepreneurs have a high social spirit and excellent business skills. They can identify social problems, see them as opportunities, and provide solutions. They operate within the community and prioritize achieving social missions over material gain. Social enterprises work to assist the government in addressing social problems. To carry out its social mission, social entrepreneurs offer products, services, or innovative methods, in line with the Sustainable Development Goals (SDGs).

Definition of Social Entrepreneurs in the Presidential decree no.2 of 2022



Definition

We recognize social enterprises as: an organization that aims for both profit and also a social impact. As shown in the diagram below, social enterprises lay in the middle of the spectrum of organizations that covers from traditional non-profits (focus on creating social values) to traditional corporations (driven by profit).



While a traditional business seeks profit for its shareholders/owners, a social enterprise tends to seek profit from its business activities to achieve social impact. This will support for its intended social change to be self-sustainable and free of the need for continuous outside funding. This, the rise of social enterprise can stimulate economic growth while also contributing to various sustainable development goals.

Policy Framework

Policy frameworks bring clarity to the existence of social enterprises and contribute in enabling its ecosystem.

Essentially, a practical social enterprise policy framework has three components: (1) specific legal definition, (2) tax exemptions, incentives, and (3) incentives to invest in or buy from SE (market access)¹.

Although current efforts and support from the government of Indonesia in the form of social entrepreneurship are still broad, this increased interest can prove to be crucial to advocate for the push of deeper beneficial policies.



Legal definition and registry of SE

In 2022, social enterprises have been defined legally. However, there are no specified legal entity registration for social enterprises. On the flip side, an unclear or excessively narrow legal framework can harm social enterprises by causing confusion, limiting or failing to capture the array of entities that may qualify as social enterprises in a given context³.

According to our study, enterprise legislation varies depending on the legal entity a social enterprise chooses. Based on experts, the closest entity to social enterprise is a cooperative. Until today, some of the critical laws and regulations relevant to the most common legal entity types (LLC, foundation, and co-operative) are outlined below.

Presidential Decree No.2 of 2022 on National Entrepreneurship

This law regulates the determination of government policies that serve as guidelines for ministries, regional governments, and stakeholders in carrying out National Entrepreneurship development which is set for 2021 to 2024. In this decree, social enterprises are defined and stated legally, explaining the main character of social entrepreneurship.

¹ USAID. The Social Enterprises Landscape in Asean. 2018

² Presidential Decree No.2 of 2022

³ OECD. Designing Legal Frameworks for Social Enterprises. 2022

Policy Framework



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 shares or stocks. Their wealth, however, is separated from the entity. As a for-profit organization, LLCs are barred from obtaining public grants.

Law No.28 of 2004 refining Law No.16 of 2001 on Foundation

This law regulates foundations which are legal entities consisting of separated assets and are intended to achieve specific goals in the social, religious, and humanitarian fields with no members. Foundations can invest in prospective business forms, provided that the total participation is 25% (twenty-five percent) of the full value of the Foundation's assets.

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

Article 19 of the KUHD defines Commanditaire Vennootschap (CVs), 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 is 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 wealth.

Law No. 25 of 1992 on Co-operatives

Along with establishing the principle of justice in the cooperative, this law stipulates that co-operative administrators and managers can receive a share of the net income (Sisa Hasil Usaha/SHU) distributed fairly based on contribution by 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.

● Tax exemptions and incentives

In Indonesia, there is no policy regulating tax exemption and incentives for social enterprises. The amount of tax and incentives follows the legal entity they are registered under; this means that if they are registered as corporations, they have to compete on the same terms as a commercial business. This could be to their disadvantage as **it might affect their sustainability and impact created⁴**.

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 who earn more than 4.8 billion IDR (USD 324,000) 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 organization 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 (USD 324,000) 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 government approval, registration, confirmation, and recognition (e.g., SIUP, TDP). The government has also banned importing and exporting certain goods to protect national security, intellectual property rights, and the health and safety of people and the environment.

4 USAID. The Social Enterprises Landscape in Asean. 2018

Policy Framework

Investment and Funding

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

Law No.12.28.11 of 2020 on Youth Empowerment

This law states that young entrepreneurs are eligible to receive funding from government of Indonesia. The funding supports Socio-preneurs who have businesses prospectively in order to be able to develop businesses, as well as to strengthen the capacity of new young entrepreneurs in order to strengthen the nation's economy.

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 are registered 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), a private company based with capital from outside Indonesia. A PMA company may register as a PT if it makes an initial capital investment of at least 10 billion IDR (USD 675,000), excluding the value of land and buildings.

Regulation of the Coordinating Ministry of Economic Affairs No. 13 of 2015 on the Micro-Credit Program

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

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

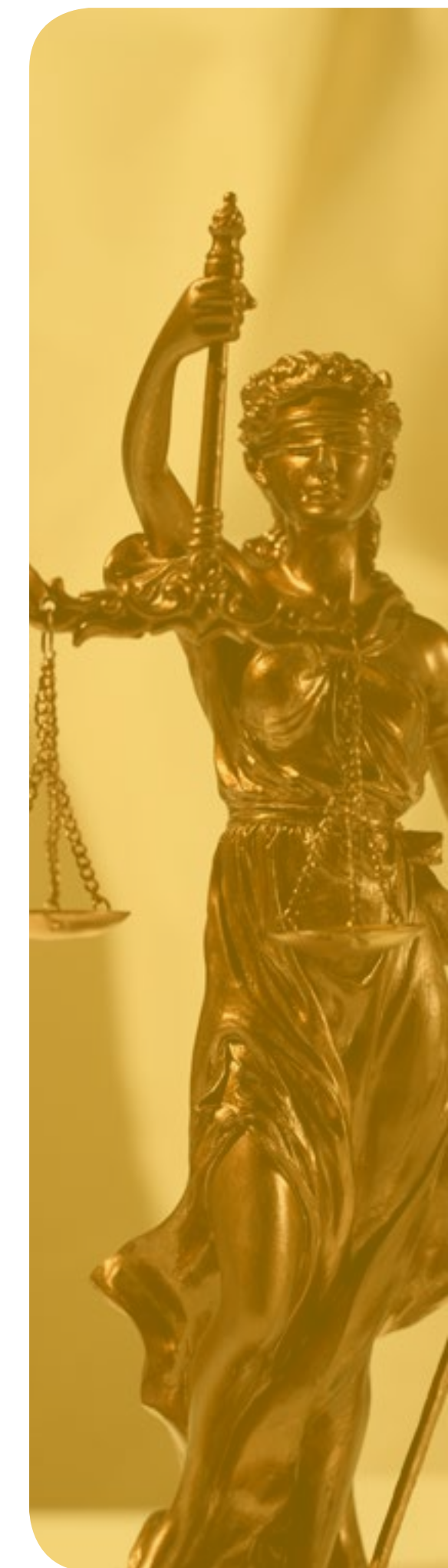
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Key Players in Social Enterprises Ecosystem

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. On this report, we mapped out key players that actively support the social enterprise ecosystem. For details of the key players, refer to page [page 44](#):

● Enablers (Ecosystem Builders, Incubators, Accelerator, Capacity Builders)



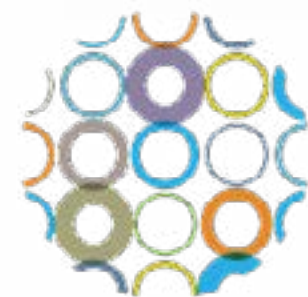
● Business Support



UKMINDONESIA.ID



● Investors/ Financiers



FORD
FOUNDATION



Citi Foundation



● Policy Makers/ Academics





Research Methodology

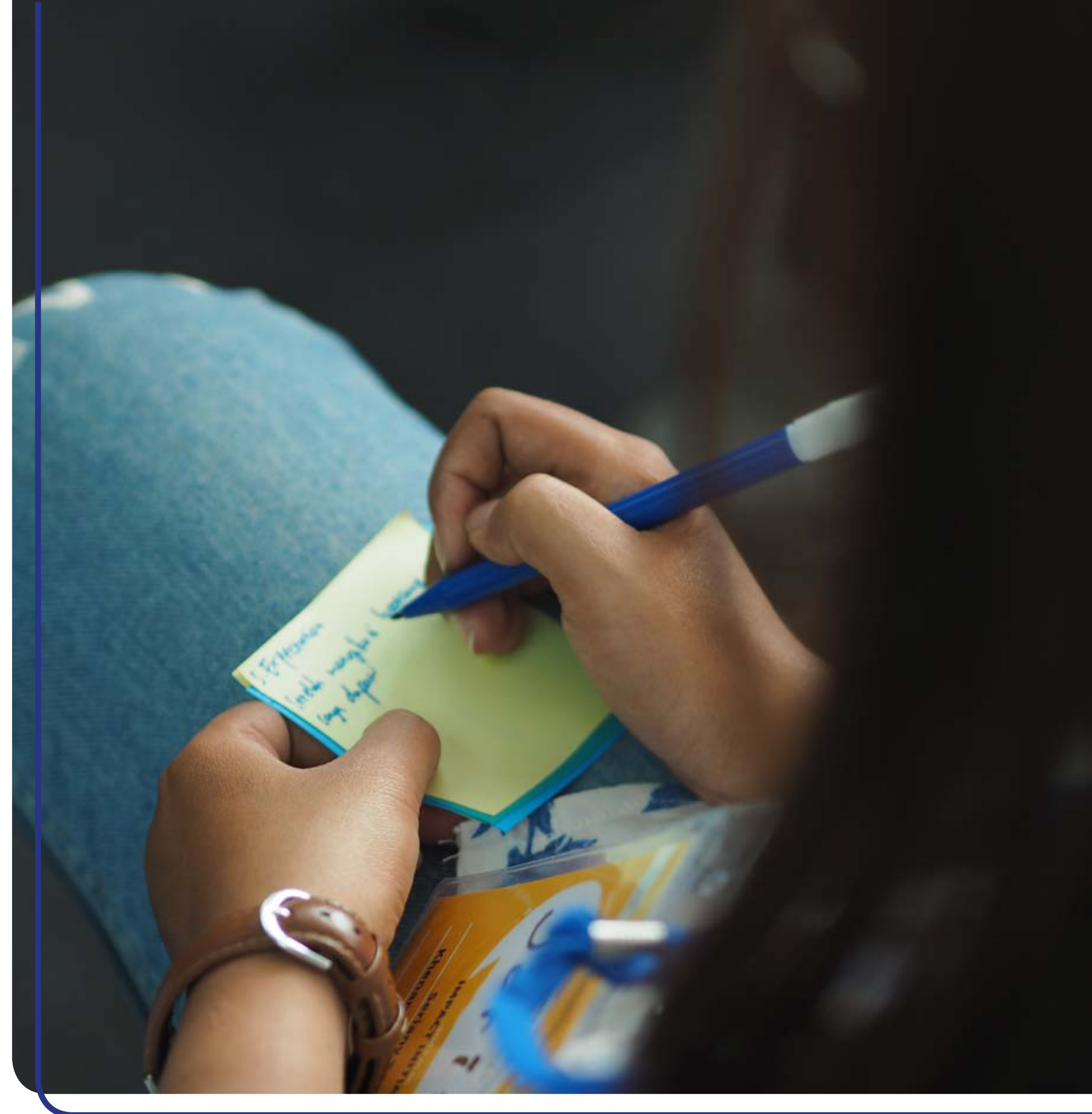


Research Methodology

In data collection process, both quantitative and qualitative methodologies were used.

Quantitative: To get numerical and statistical insights on the social entrepreneurship landscape in the bigger picture, online survey forms were distributed to Social Entrepreneurs through email and other channels and platforms.

Qualitative: In-depth interviews were scheduled with several social enterprises participating in the survey to dig deeper into their experiences and challenges in running social businesses. This interview enriches the data and gives more nuanced insights into understanding SE in Indonesia. Interview sessions were also conducted with key enabling organizations to get their perspective on the SE ecosystem.



Research Methodology

● Primary Data

Insights gathered covers the following data and topics:

- Age and gender of leadership team
- Location and geographical of business and activities
- Legal entity
- Area of focus
- Social impact and beneficiaries
- Job creation
- Profit allocation
- Future expectation
- Growth plan
- Barriers to growth
- Financial sources
- Financial constraints

Research Participants



174 participants completed the survey remotely



20 session of interview with SEs and enablers.

14 social enterprises and **6** enablers

Classification of social enterprises for data analysis

The defining characteristics of social enterprises are identified as follows:

- 1.** Having a social mission to address social problems in society and/or create a positive impact for the welfare of society and the environment.
- 2.** Having multiple sources of income, thus not only relying solely on grants.
- 3.** Having business activities, from which most of the profit is returned to the social vision and mission.

Data Exclusion Criteria



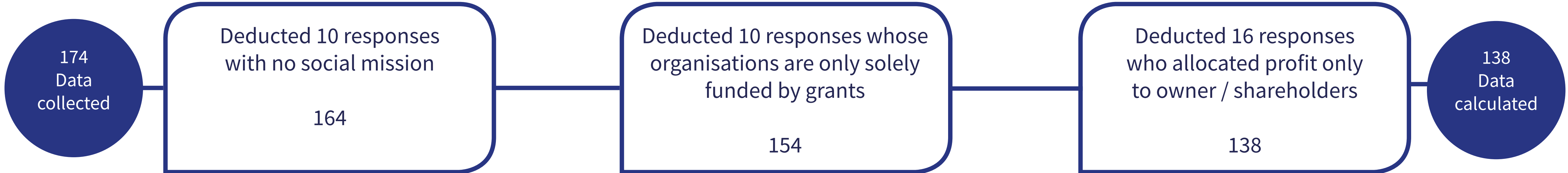
We eliminated respondents whose have no social or environmental mission.



Excluded respondents whose source of income is only form donor/grants.



We excluded respondents who allocate their profit only to owner and shareholders.

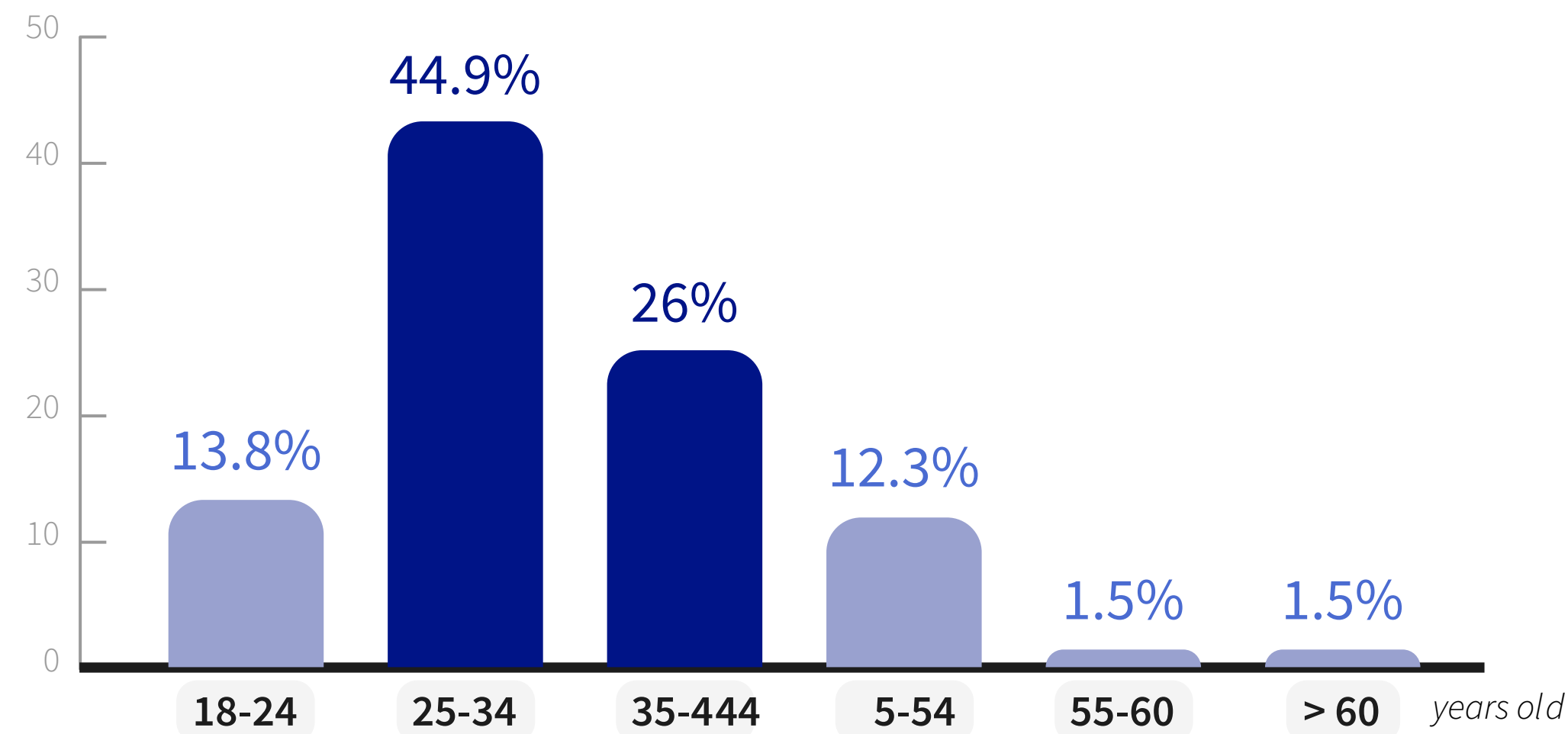




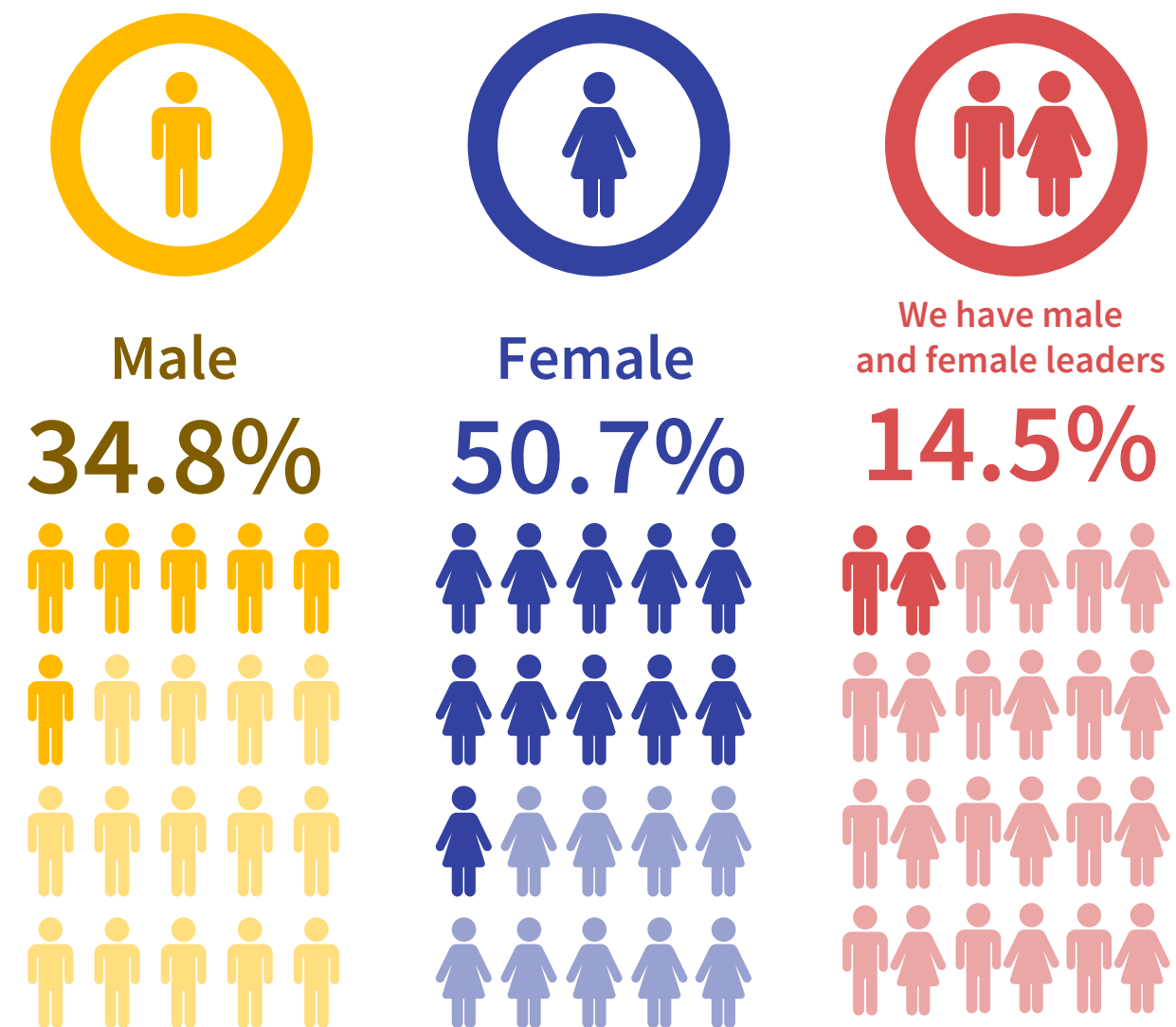
Study Findings

Youth and women accounts for the majority in leadership positions.

Age

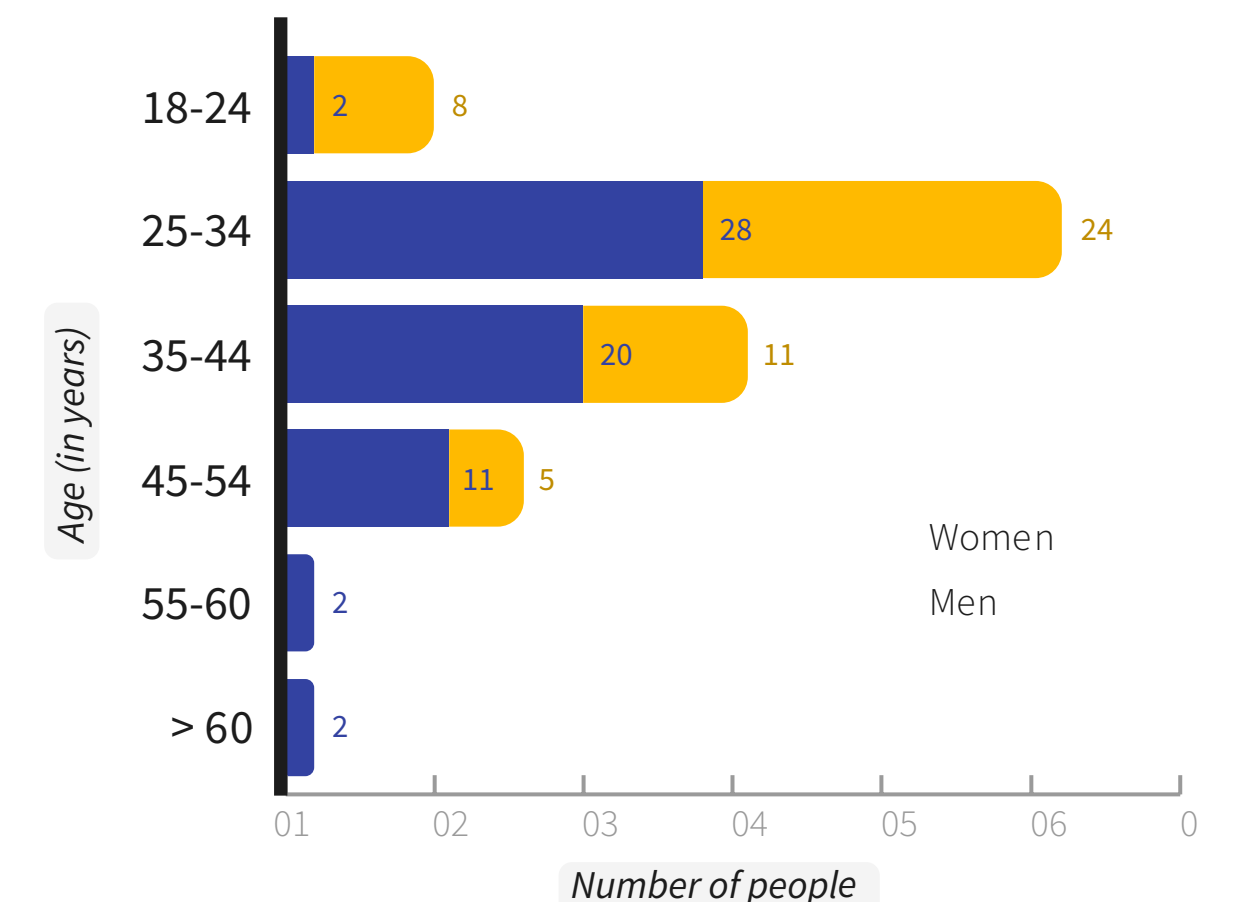


Gender



The study finds that the leader of social entrepreneurs are still dominated by youth, where **58.7% of business leaders are 18-34 years old, and only 15.22% of leaders are above 45 years old.** These findings are consistent with our previous study with the British Council, where the younger generation continuously create and grow social enterprises.

When we looked at gender distribution, **women leaders are the majority in the Social Entrepreneurship ecosystem at 50.72%, while male leaders lead around 34.78% of SE.** This is also in line with the Badan Pusat Statistik (BPS) data (2021), which states that women run 64.5% of MSMEs. Another study by the Sasakawa Peace Foundation and Dalberg also highlights that the percentage of women entrepreneurs is moderately high in Indonesia, (21%).



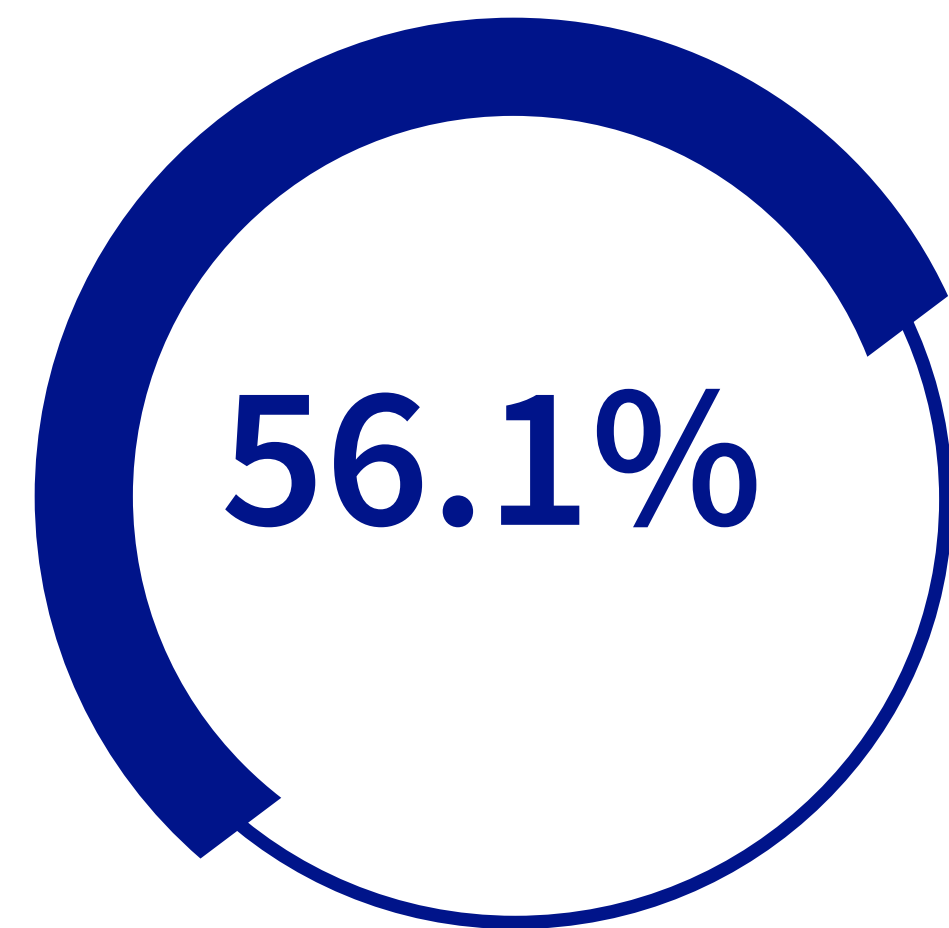
From the study, we found that most women-led social enterprises are between the ages 25-44 years old (52) and, followed by men-led SE (41) in the same age range.

Majority of social enterprises are centralized in Java Island.



According to our survey data, **social enterprises in Indonesia are operating mostly in Java Island, especially in Jakarta Special Region (11.59%), and West Java (10.87%), followed by East Java (5.80%).** Outside of Java, most entrepreneurs operate in West Nusa Tenggara and South Sulawesi. This is in line with data from Badan Pusat Statistik (BPS) which shows that West Nusa Tenggara is one of the provinces with the highest number of MSMEs in Indonesia after East Java, Central Java, West Java, and DKI Jakarta, and the highest among central and eastern Indonesia.

Most social enterprises operate their business at the local (provincial) level.



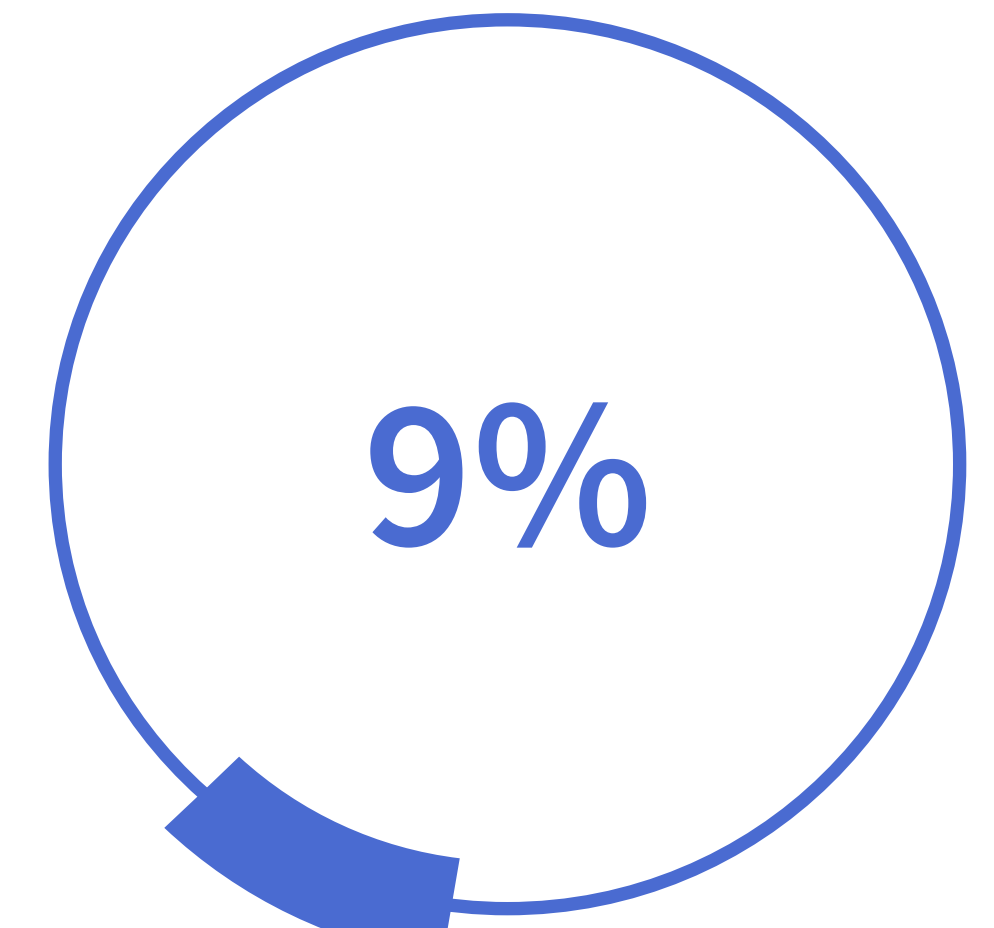
Operational coverage
in **one** province



Operational coverage
in **more than 3** provinces



Operational coverage
in **1-3** provinces



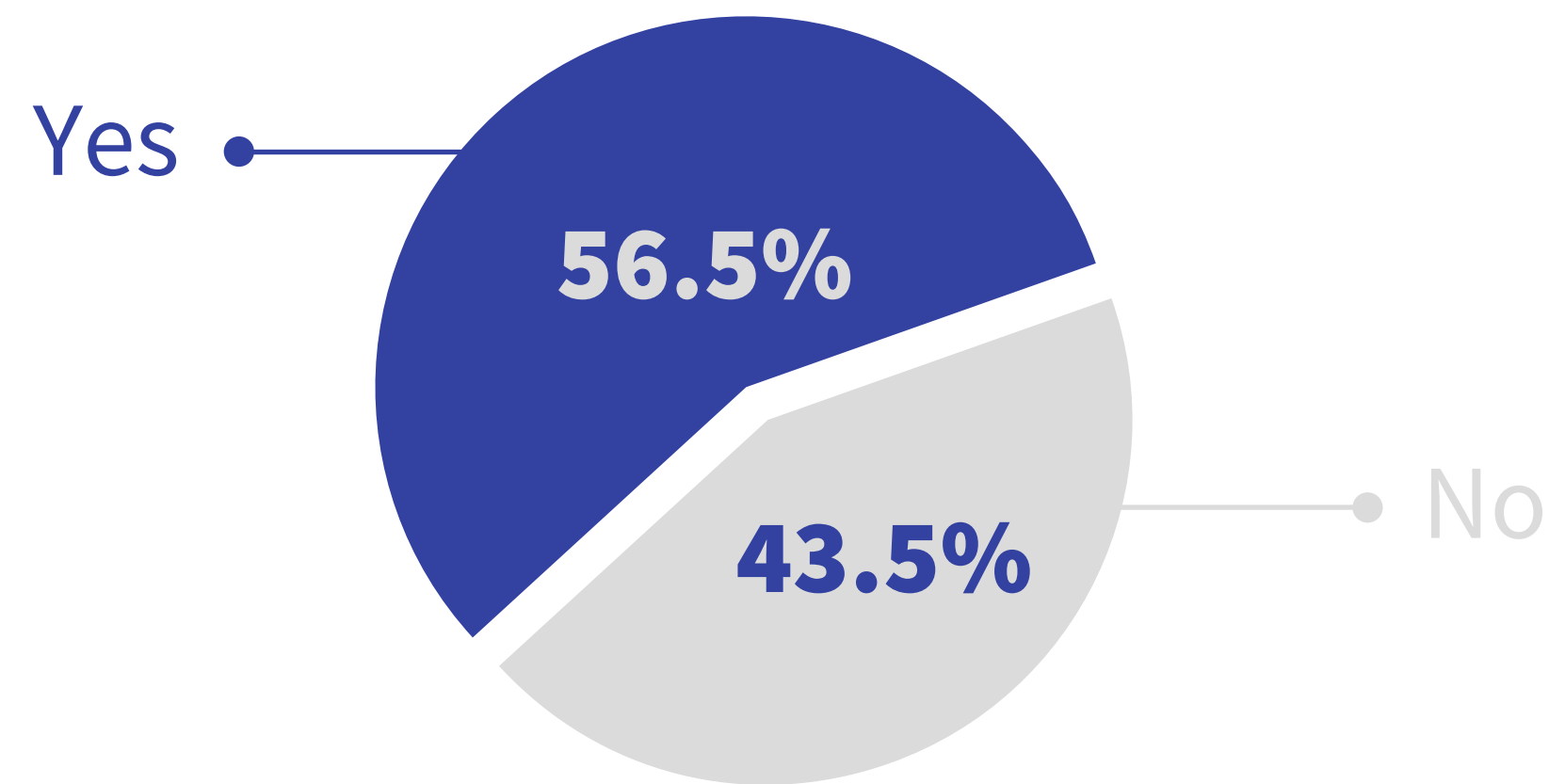
World wide
operational coverage

Most respondents operate their social enterprise at the local (provincial) level (56.1%), followed by the national scale (21.3%). According to the survey data, only 9% of respondents have already expanded their business internationally, including but not limited to SukkhaCitta, House of Diamond, and Mycotech.

Social enterprise respondents who operate their business locally (provincial level) are mostly based outside Java, including but not limited to West Nusa Tenggara, South Sulawesi, and Central Sulawesi.

56.5% of social enterprises have legally established their businesses. Out of that, 40% chose Private Company (PT) as their legal entity.

Does your SE have a legal entity?

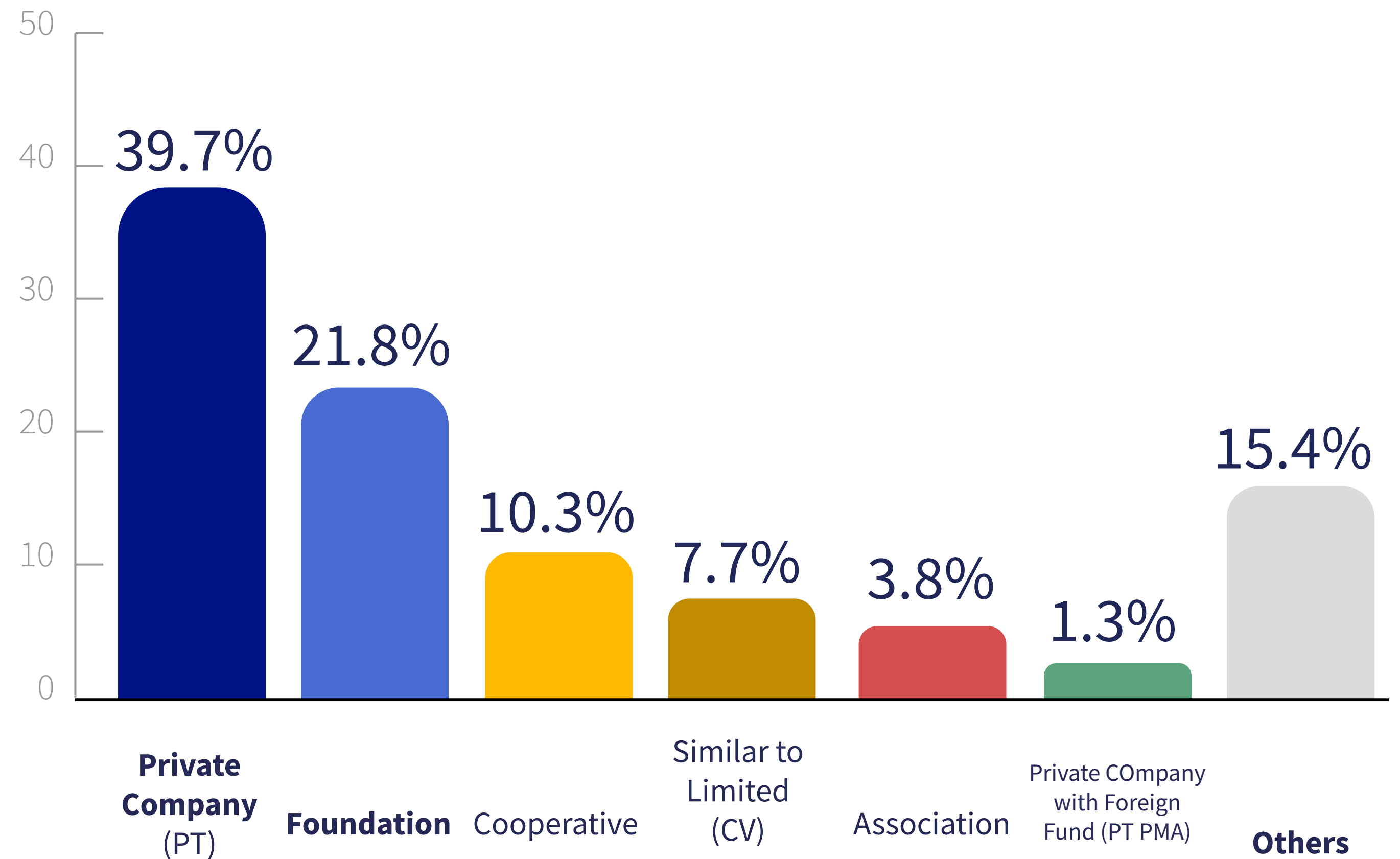


More than half of our survey respondents stated that their businesses have been legally registered (56.52%)

Out of the respondents who have not been legally registered, the majority of them started their business in the past four years – 2018 (18.64%), 2019 (10.17%), 2020 (25.42%), and 2021 (11.86%).

** % categorized as others consist of non-formal association, sole proprietorship, and Usaha Dagang (UD).*

Types of legal entity



Selling products and/or service is the main business activity of their social enterprises.

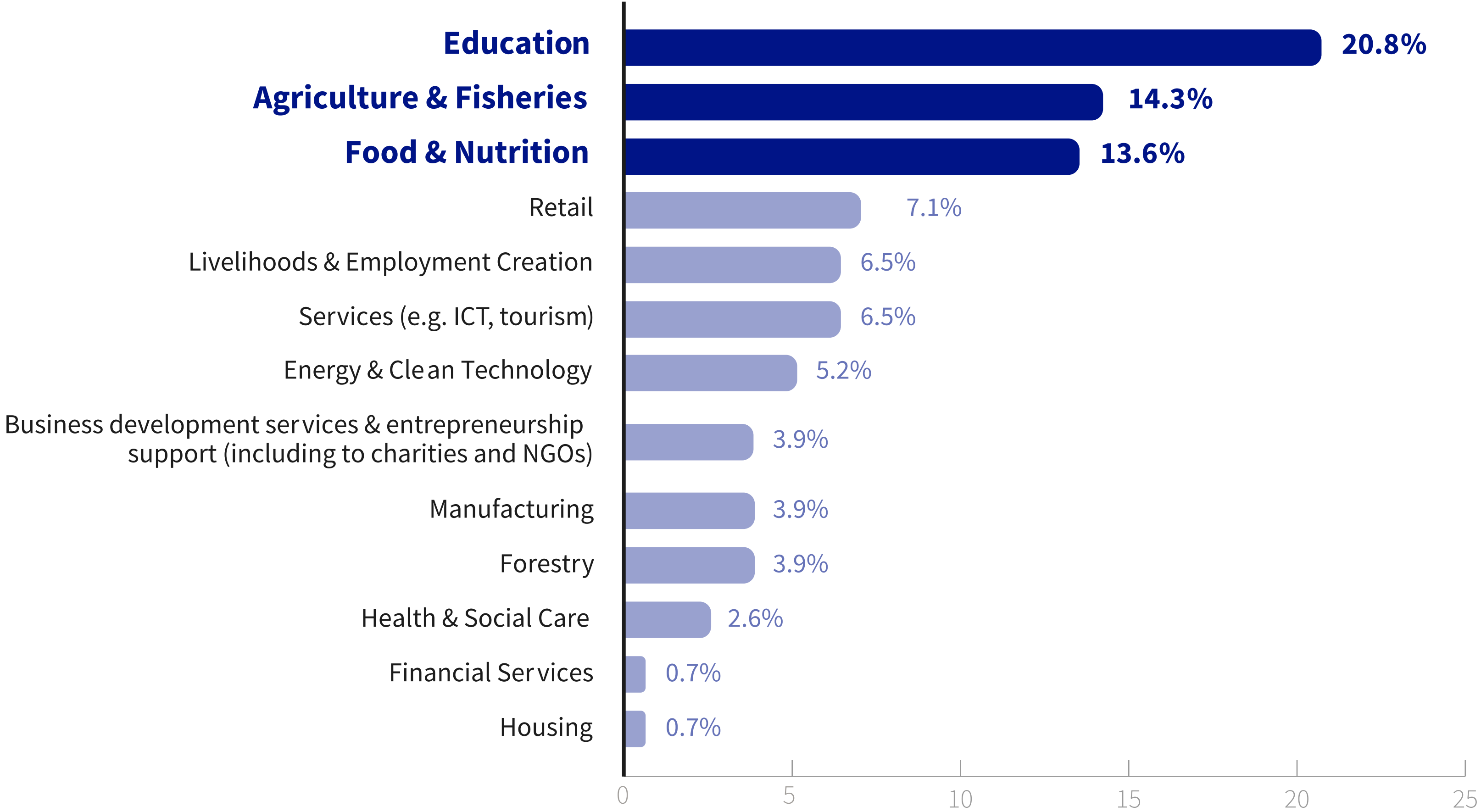


As a social enterprise, 70.3% of respondents positioned their primary business objective in selling product or service.

64.5% claimed their organization was established to create more inclusive employment opportunities, and 61.6% aimed to improve a particular community.

These findings are consistent with our previous study, where the main business objectives of the social enterprises are selling products/ services, employment opportunities, and contributing to community improvement.

Education and Agriculture & Fisheries are the top sectors of social enterprises.

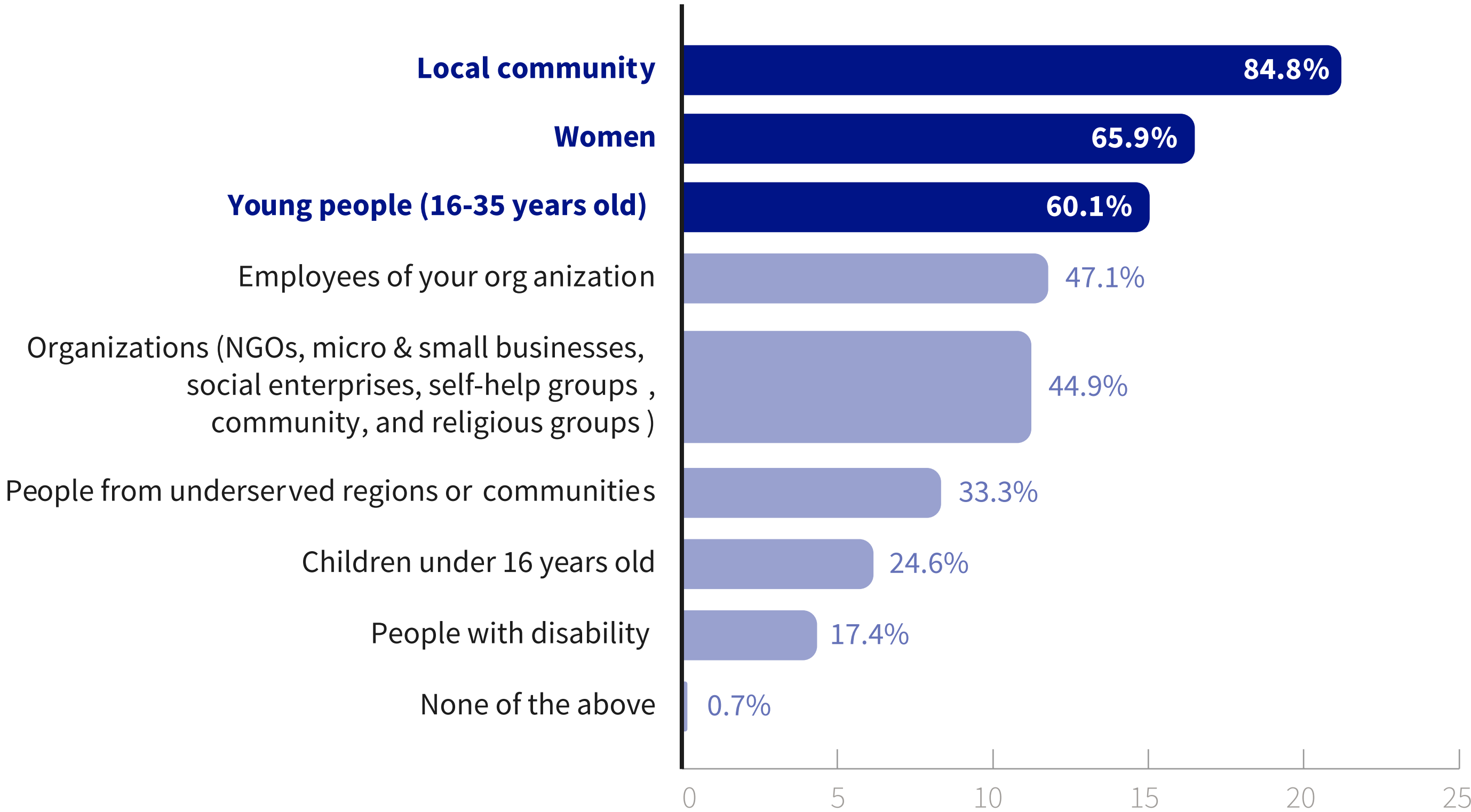


Among our social enterprise respondents, the majority of them are focused on the Education sectors (20.8%). Followed by Agriculture & Fisheries (14.3%) and Food & Nutrition (13.6%).

This study also shows that women-led social enterprises are more concentrated in specific sector, such as Education and Food and Nutrition. Whereas men-led social enterprises are in sectors such as **agriculture and fisheries**.

Geographically, social enterprises operating in the Education sector are most found in Java, Sumatra, and Sulawesi. In West Nusa Tenggara, the most common social enterprise sector is food and nutrition.

The impact created by social enterprises mostly targets to benefit local communities, women, and youth.



The barrier to measuring impacts

SE respondents know and understand the importance of maintaining their impact. However, some struggles to maintain the balance of business profit and impact. Thus, it is not uncommon for SE to find the need to momentarily focus more on profit targets to sustain their business.

SEs are also still lacking in proper and accurate assessments of their impact, both socially and environmentally. This is amplified when other SE enablers also stated the importance of SE to create their impact framework to accurately claim their delivered impact.

Based on survey data, most of the social enterprises claimed beneficiaries are local communities where their business operates (84.8%), women (65.9%), and youth in the age range 16-35 years old (60.1%).

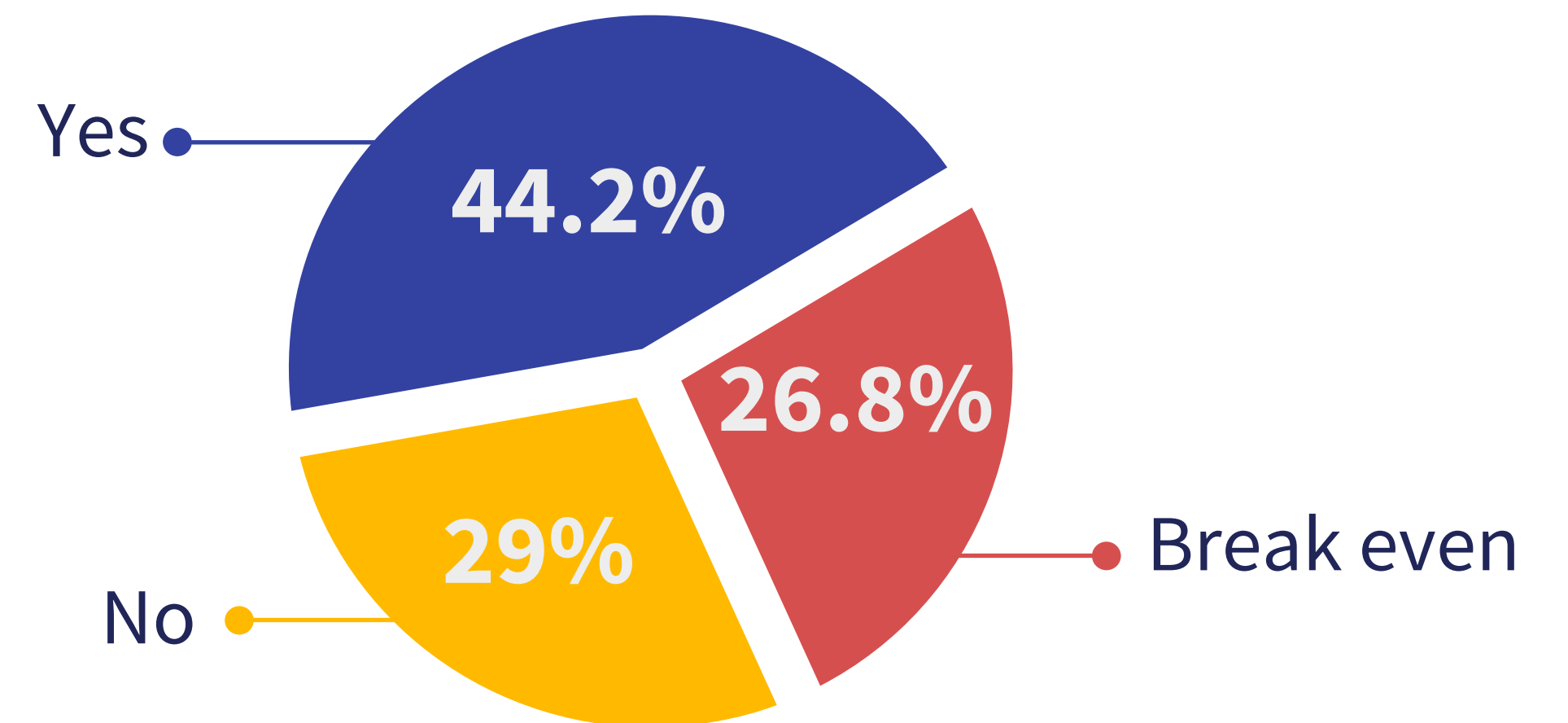
As most respondents’ operating regions focused on the provincial level (58.3%), it makes sense that their target beneficiary is the local community in their areas. Deeper dive with the respondents reveals the perception that contributing to local communities is seen as a form of responsibility and a way to create more impact.

The most common social impact activity is training and workshops to increase the capacity and skills of individuals in the communities. There are also training and seminars to help create job opportunities.

44.2% social enterprises have reached profit. (1/2)



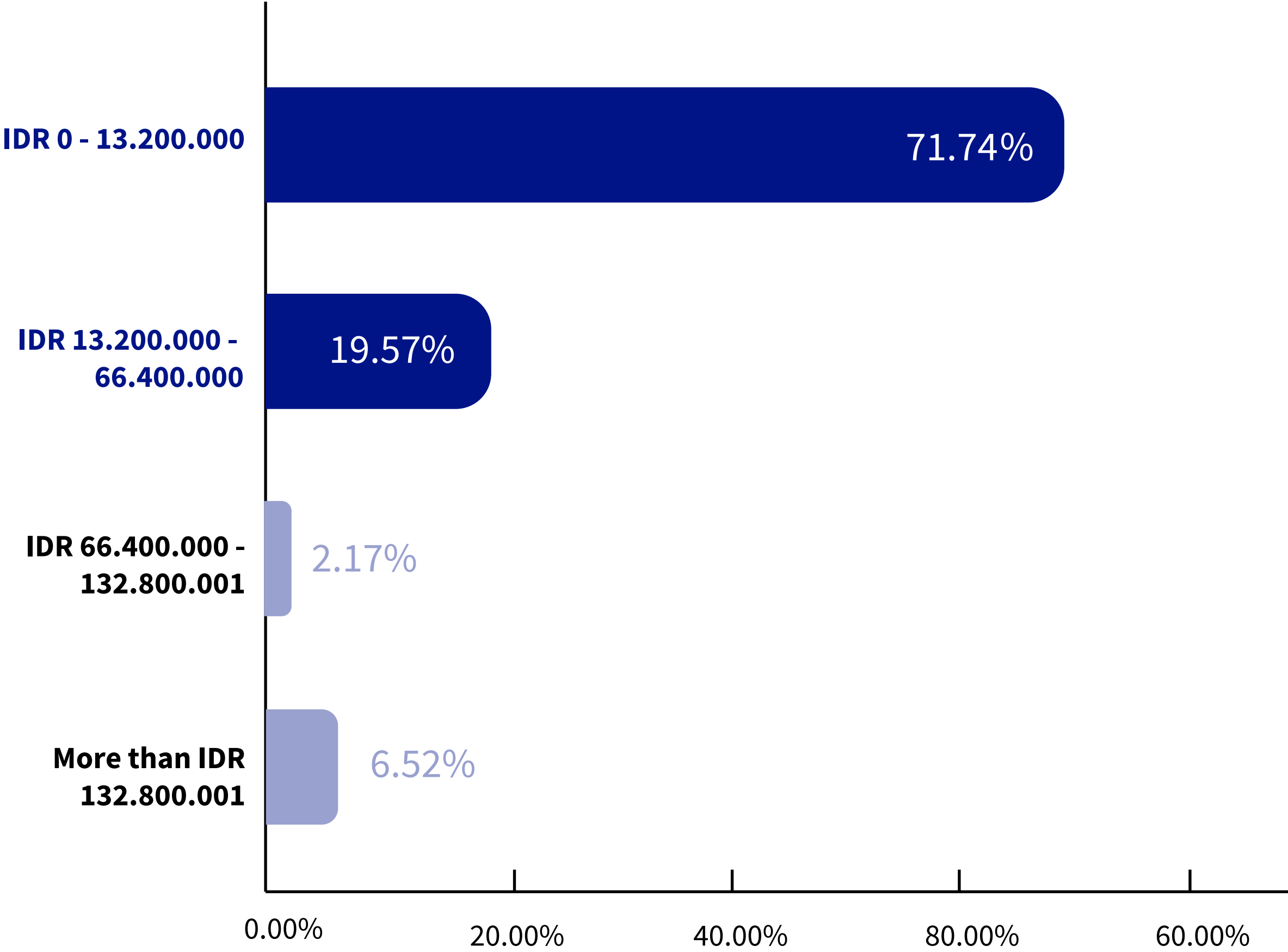
Has your SE reached profit?



Most respondents claimed their business had turned over profits last year (44%). Meanwhile, 26.8% reported reaching the break-even point, and 29% have not **made a profit**. When utilizing the profit, most social enterprise respondents allocate their profit to maintain the growth and development activities of their social business (42.9%), and around 18.8% of them used their profit to cross-subsidize the social mission in business activities.

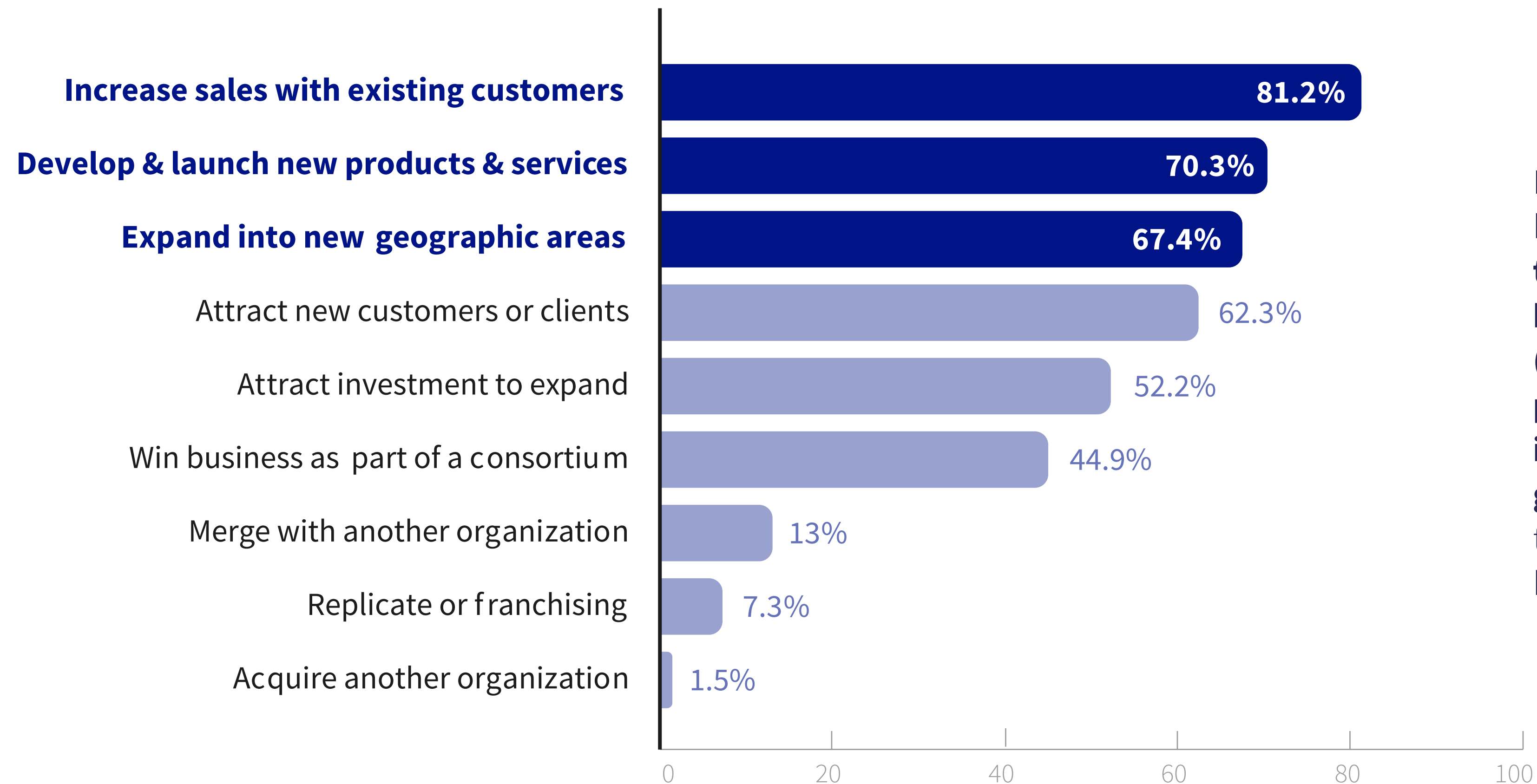


44.2% social enterprises have reached profit. (2/2)



Our respondents from the study shared **their estimated profit in the last six months (December 2021 - May 2022); the majority of them earned a profit maximum of IDR 13.200.000 (71.74%)**, whereas nine respondents earned more than IDR 132 Mio –women lead at least 50% of them. Most SEs who earn more than **IDR 132 million** have established their business for at least five years and have operated their business on a national and international scale.

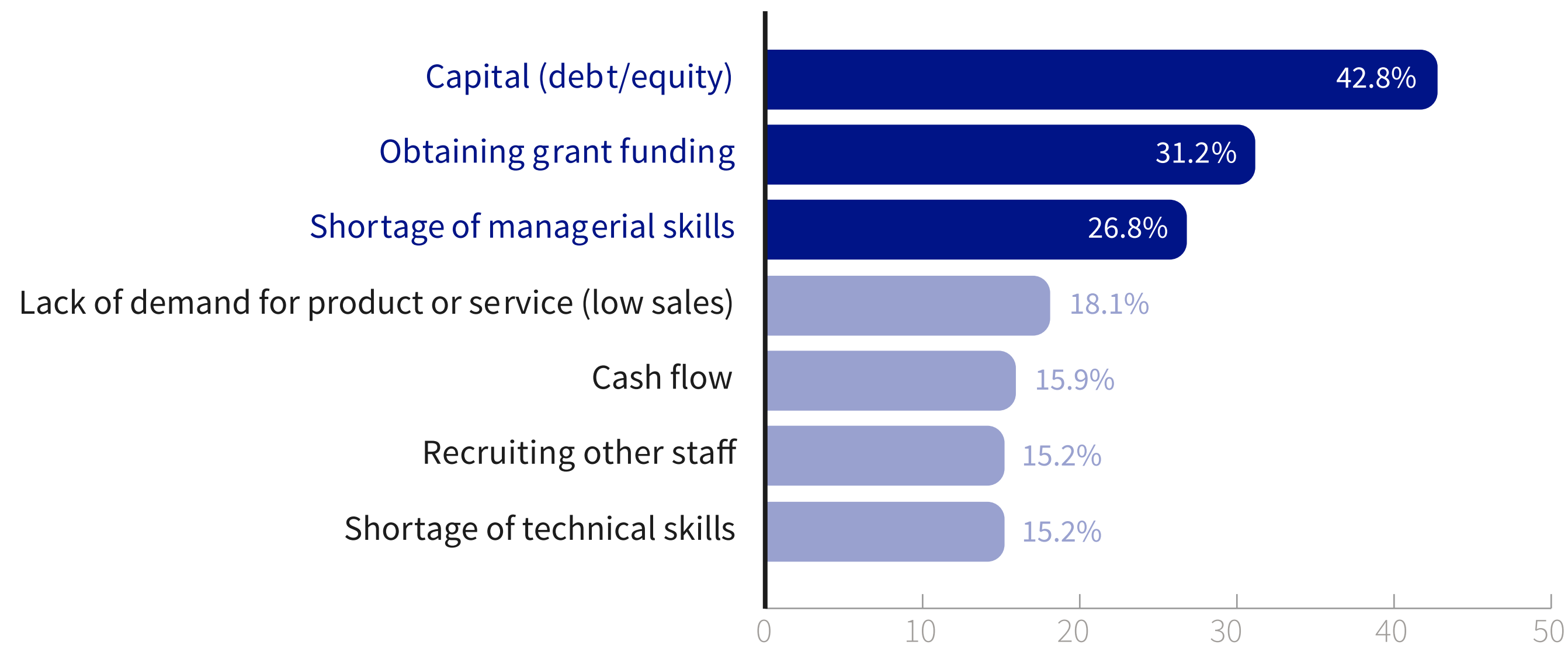
Increasing the existing customers is social enterprises' priority plan for maintaining their business. (1/2)



In planning business growth, more than half of social enterprise **respondents plan to keep their loyal customers in the business by increasing sales to them (81.2%), developing and launching new products and services (70.3%), expanding into new markets outside their region – geographically (67.4%),** and also planning to attract new customers and client to their business activities.



Increasing the existing customers is social enterprises' priority plan for maintaining their business. (2/2)



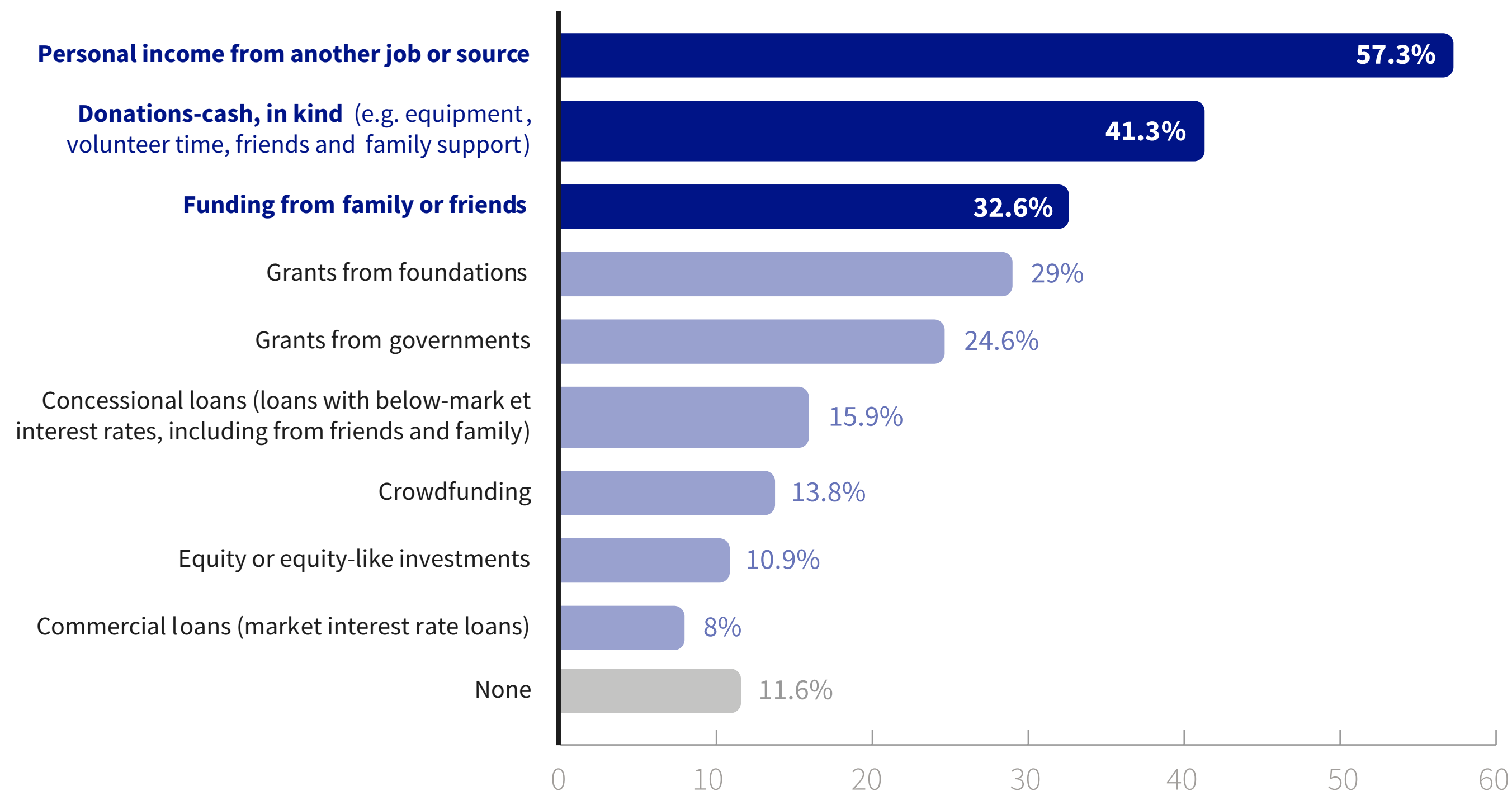
Other challenges: Understanding/awareness of social enterprise among banks and support organisations (12.3%). Understanding/awareness of social enterprise among general public/customers (11.6%). Lack of access to support and advisory services (10.9%). Production capacity (10.1%). Access to market - no access to distribution channel (8%). Economic climate (fiscal regulations, prohibitive commissioning, exchange rate losses) (6.5%). Expensive transportation/Logistic or distribute your product (6.5%). Regulations/red tape (4.4%). Late payment (2.2%). Taxation, VAT, business rates (1.5%). Access to public services (transport, energy, water and sanitation) (1.5%). Availability or cost of suitable premises (0.7%).

Most respondents agreed that barriers around finance become the most significant barrier to growth: **limited capital (debt/equity) 42.8% and obtaining grant funding 31.2%.**

For non-financial related barriers, social enterprise respondents reported that they still lack **managerial skills to keep up their business (26.8%) and have difficulty recruiting the right staff in the team (15.2%).**

The latter is highlighted by many founders as they initially started the social business based on personal interest and experiences, with a lack of business experience. They have also expressed difficulties in finding right people who share similar visions and armed with the right skillset. Furthermore, not only is it challenging to build up a team, it is also difficult to retain the team's focus and commitment.

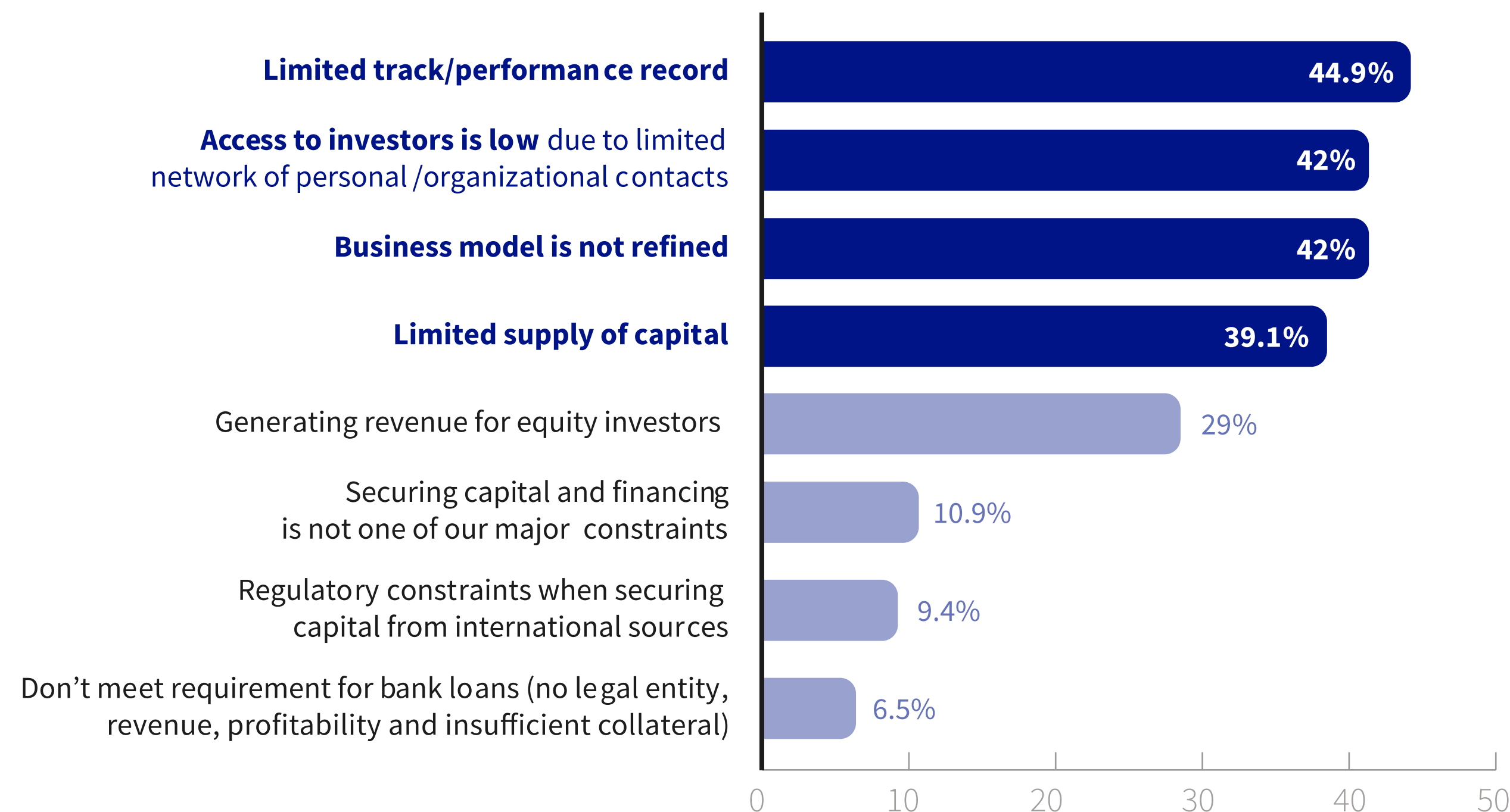
More than 50% of social enterprises is taking money from their personal wallet to keep running their operation and impact.



According to our survey respondents, the financial sources to operate the business vary, but the most **common source come from founders' income from other jobs (51.3%), donations or cash in kind (37.01%), and contributions from relatives and friends (29.22%). Only 7.14% of the social enterprise respondents are willing to have a commercial loan.**

Based on BRI Research Institute⁵, the number of loan disbursements in Indonesia is still low. At least 30 million MSMEs do not have access to formal financial services. There are many reasons for this, such as infrastructure inequality and the fragmented collateral system. However, the government have a target of 30% of businesses to have formal funding access to be achieved by 2024.

Access to the investor is one of many struggles social enterprises face.



The survey respondents share their most difficult financial barriers, which are limited track/performance record (44.9%), access to investors (42%), unrefined business model (42%), and limited supply of capital (39.1%).

According to the enablers, supporting programs and investments for Social Entrepreneurship are still centered in Java Island. This can potentially create further discrepancies and uneven opportunities for businesses outside of Java.

So far, the beneficiaries of the support programs are still based in Jakarta and other cities on the island of Java; taking the example of the funding investment program, although entrepreneurs are very diverse, social enterprises in Jakarta still dominate the success rate for obtaining funding.

“Entrepreneurs are very diverse. Outside Java, there are many new SEs, but the success rate is low. Unfortunately, most of SEs that receives assistance are in Jakarta, where the founders are fluent in English and well-educated.”

Being aware of this, most of SE enablers have encouraged and designed programs to support social business actors outside of Java. Usually, programs like this are run and supported by the government or NGOs/CSOs that have specific regional mandates related to entrepreneurship.



What We Learned



(+) Positive

1. Gotong Royong
2. Praktek Tanah
3. Musyawarah
4. Sopan Santun

Social enterprise founder's personal interest and experiences are the primary motivation for starting a social enterprise.

The social and environmental challenges, unmet needs, and dissatisfaction in the community often becomes the main drive for these entrepreneurs to create change. Their interest and experiences act as fuel that turn ideas into concrete action. From the research, we found that many social entrepreneurs went through this stage. Some initially started their social enterprises from a personal project and transformed it into a profitable enterprise.

Driven by social mission, they identify the potential business opportunity and what they can do to combat these challenges. However, business acumens and skills are not always the focus until they have reached certain milestones.

A good business is a combination of motivation, opportunities, and ability/skill. In our interviews, we noticed that although all the SE share similar motivations, not many possesses adequate business knowledge and skills. They may have the influence, willingness, and knowledge on social impact, but turning that into a profitable social business is still a work in progress for most. It is not uncommon for these social entrepreneurs to work outside of their business for additional income while building their social enterprise.



Social entrepreneurs are aware of the importance of collaboration for growth, but find difficulties in getting the right partnership.



According to the Social Entrepreneurs, partnership and collaboration are important for their business and impact sustainability and growth. Collaborative and strategic partnerships imply a win-win solution for diverse stakeholders, such as social enterprises, public agencies, government, and private sector entities.

The types of highly beneficial collaborative partnership and support are pretty varied—at least based on the experiences from the social enterprises we discussed with—including but not limited to partnering with stakeholders who specialize in opening access to market, funding, and developing business strategy. Some social enterprises have created partnerships and collaborations with specific stakeholders that share similar interests in the social mission they pursue.

Social entrepreneurs also find the need to expand their social network to refine and improve their innovation process, business, and impact growth. From the research, we found that some mature SE successfully build collaborative partnerships with the private sector's CSR programs. While partnerships between social enterprises and private sectors is very high in potential and impact, many social enterprises lack the access and knowledge to engage, communicate and deal with the private sectors.

Building relationships and networking opportunities are essential for social enterprises of all scales. Enablers should create opportunities to not just provide knowledge tools, but also networking opportunities and skills to help social enterprises create strategic partnerships.

To expand the knowledge and skill, social enterprises need more practical curriculum and mentorship program.

Social enterprises can highly leverage learning platforms, webinars, workshops, educational programs and competitions. However, there are claims that available activities are often too generic and broad. Thus, social entrepreneurs need further support to contextualize and implement what they learned in their organization.

One of the most effective ways of helping social enterprises to become viable and sustainable is by expanding their knowledge, skill, and know-how. Although learning events and activities are helpful, providing tailored and practical curriculum and mentorship are often vital for social enterprises to sustain and grow.

One example of a SE founder we talked to shared: She is actively seeking learning material on learning platforms and online courses to enrich her knowledge as a founder and knowledge sharing with the team. However, when it comes to business strategy, she instead hold discussions with other social entrepreneurs that she refers to as mentors.

Enablers should note that social enterprises can highly benefit from general learning tools. But in order to expand their knowledge deeper, enablers should also be aware that tailored and curated programs are more are needed, even though it's more resource and labor-intensive, and enablers should create opportunities to not just provide knowledge tools, but also networking opportunities and skills to help social.



Raising more awareness towards social entrepreneurship to the public is important.



Despite the growing number of social enterprises in Indonesia and multi-stakeholders recognition, SE and SE support organizations still need to tackle the general public's lack of understanding of social enterprises and its concept.

Raising awareness and visibility to avoid misconceptions about social enterprises is urgent. Even when many organization (private sector, potential donors) have started to invest in social enterprises, there is still a lack of understanding and knowledge around impact measurement and around impact investing itself. As a result, without proper understanding about impact measurement in investor side, organization/company who invests in social enterprises has a tendency to do so as a part of the organization's responsibility and branding (public image).

For social enterprises where product and service trading is the primary activity, there is an importance to increase the consumers' awareness about the social enterprises' product and values. According to discussions with several social enterprises, their products are often underestimated by customers and lowly regarded because it is created from waste, or their product is more expensive than others. Awareness-raising of social enterprises' value is essential to support SE in order to sustain and grow.

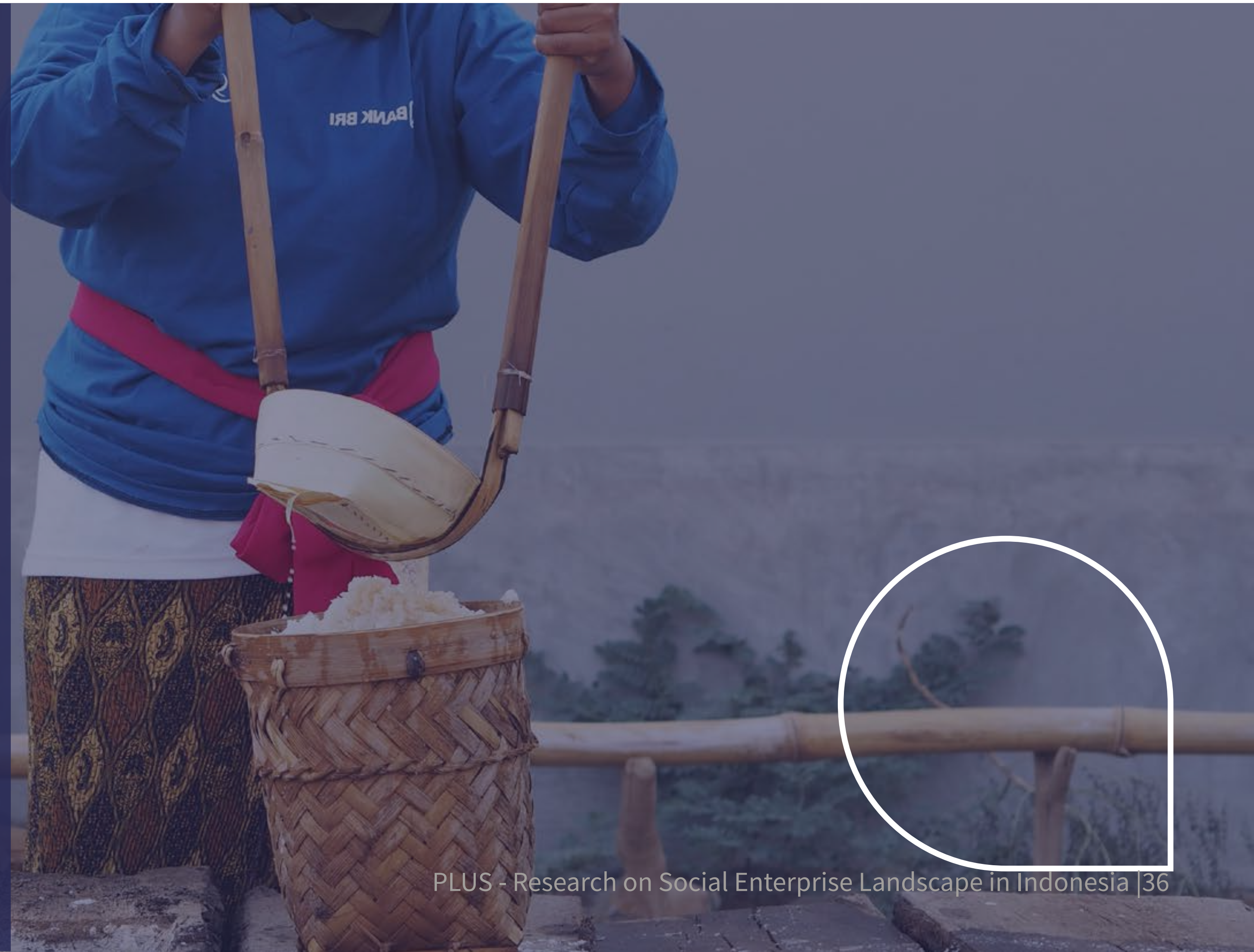


Conducting proper impact measurement and evaluation should be a priority for social enterprises.

As impact-driven businesses, social enterprises are responsible for measuring and evaluating their profit and the impact given. In this study, 94% of respondents claimed their business has a social and environmental mission and the majority of impact-related objectives of their business are to create more inclusive employment, improve a particular community by giving skills and adding values, and protect the environment.

Following up on those objectives through interviews, social enterprises still lack evidence in their impact measurement and evaluation. They still rely on measuring visible output indicators, such as the number of staff they recruited or how many training conducted; not so much the outcome impact measurements. In some case, measuring impacts are required for reporting to donors, not designed as for the organization.

It is important to note that measuring impact does require specific skills and resources of financial and time. Many social enterprises often lack what they need to conduct the impact measurement.



Social enterprises still struggle in expanding their market.

A man with glasses and a beard is speaking into a microphone. He is gesturing with his right hand. The background is a wall with various logos, including Mercedes-Benz, National Geographic, DBS, and Ethically Handcrafted. There is a white circular graphic element in the bottom left corner of the image.

Access to public and private markets is required to keep social enterprises sustainable and growing.

From this study, 70.3% of the social enterprise respondents' objective is to sell products and services, and 81.2% of them plan to increase their sales to the existing customers; it shows that generating sales is an essential activity to keep their organization and impact sustainable. However, access to market has become the biggest challenge for social entrepreneurs; it is not uncommon to see SE shift their focus or pivot their business operation altogether to survive.

To drive its business and growth, social enterprises need strong marketing schemes to sell its products and make them widely known. According to our research, the majority of social entrepreneurs are young (58.7% of respondents are in age 18-34 years old). In further discussion, young entrepreneurs often market through family, friends and social media such as Instagram and Facebook to gain public awareness. However, they still find challenges to access broader market and generate more sales.



What areas we can design to support the social enterprises in Indonesia?

Design for Collaboration

Cross-sector collaboration between SEs and other stakeholders is an essential support for social enterprises to achieve their growth and sustainability. Collaboration can help improve access to markets, capacities, and competencies; and, thus, social impact.

Collaboration and strategic partnership can potentially result in mutually beneficial pathways for a range of stakeholders; it's not only social enterprises themselves but also other entities with similar visions in tackling social or environmental issues. These partnerships can include but not limited to government, public agencies, SE enablers, and non-profit organizations.

- Networking and match-making events that allow social enterprises to meet and share their stories and mission with potential partners or collaborators
- Creating social enterprise space as a medium to make SE more known and recognized by the stakeholders.



Design for Accountability

As impact-driven businesses, social enterprises are responsible for measuring and evaluating their business revenues and the impact they create. Impact measurement and evaluations must be injected into organizations' pillar to ensure the social mission they formulated runs well alongside the business activity. While designing the proper impact measurement becomes a challenge for many social enterprises, this could help to ensure its credibility and longevity in the long run.

Some actions we could take to encourage and support SEs to design their impact measurements as a part of their organizations' accountability are:

- Conducting workshops and tailored consultative sessions to formulate the impact measurement framework for social enterprises
- Advocating the importance of having impact measurement as part of partnership requirements.
- Peer-to-peer learning which allows SEs who have conducted proper impact measurement to share best practises with the early stage of SEs.
- Enabling collaboration between SE enablers/supporters to design impact measurement tools.



Design for Market Access

For social enterprises, especially those with product-based business model, access to public and private markets is required. Support for opening market access in multi-channels is one big opportunity area that can be designed to scale and expand business growth and sustainability of social enterprises. Some activity ideas we can work on are:

- Strengthening the partnership and networking channels between SEs
- Conducting workshops and training for SEs on marketing and product branding
- Assisting SE in improving the quality of their products



Design for Visibility

Despite the increasing interest in social enterprises, there is a lack of understanding on social entrepreneurship. This limited knowledge and experience by stakeholders, policymakers, potential funders, users, and customers breeds misconceptions that can dampen social enterprises' growth in impact-driven business ecosystems. Policymakers can actively improve social enterprise' visibilities and help SE enablers raise awareness on social entrepreneurship. Some ideas we can work on to gain public awareness to avoid misconceptions are:

- Organizing regular convening events and annual meetings bringing together social entrepreneurs, investors, and public sectors representatives.
- Creating joint efforts and partnerships between organizations that supports social enterprises through advocacy, social campaign or other awareness-raising activities.
- Conduct creative communication campaigns about social enterprises and a strong media and social network presence.



Appendix

● Key Players on Social Enterprises Ecosystem

AKM (Akademi Kewirausahaan Masyarakat)

What/Who they are

AKM is a university-based creative hub for students and the public to learn more about social entrepreneurship.

What kind of support they give to SEs

AKM aims to empower Indonesian youth to leverage on social entrepreneurship to positively support the nation. Their online platform enables young social entrepreneurs nationwide in Indonesia to access mentorship and learning materials. This platform has already been used for incubation programs such as Ideathonesia 2021. They have also designed workshops on social entrepreneurship for public and aspiring social entrepreneurs.

ANGIN (Angel Investment Network Indonesia)

What/Who they are

ANGIN is the first and one of the most notable investment platform committed to building an entrepreneurship ecosystem through financial, intellectual, and social capital.

What kind of support they give to SEs

ANGIN has two primary services: ANGIN Investment & ANGIN Impact. ANGIN Investment works in bridging enterprises and investors within Indonesia's entrepreneurship ecosystem. ANGIN Impact offers research, capacity building, on-demand consultation, mentoring, to education content to push social impact to broader audiences. In addition, ANGIN also took part in launching Impact IDN - a space dedicated to learning, reflecting, and sharing ideas on impact investment and social entrepreneurship.

ASHOKA

What/Who they are

Ashoka aims to support everyone to be a changemaker. Ashoka focuses on three strategic priorities: Social entrepreneurship, Empathy, and Young Changemaking, and Organizing for Changemaking to help people understand and adapt to a world of accelerating change, where everyone is called on to be a leader.

What kind of support they give to SEs

Ashoka supports social enterprises through programs, tools, financial support, and networking. Ashoka also collaborates with educational organizations, media, and communities to make and accelerate their “Everyone is a Changemaker” movement. Ashoka runs some social innovation programs for social enterprises in Indonesia, such as Ashoka Venture and Fellowship and Ashoka Young Changemakers.

AVPN

What/Who they are

AVPN is a leading ecosystem builder that works to increase the flow of capital and resources towards impact in Asia. AVPN approaches social investment as a continuum of capital, in which funders may combine grants, debts, and equity across multiple investments within their portfolio, to achieve a deeper impact.

What kind of support they give to SEs

AVPN has five pillars to support social enterprises: mobilizing capital, building impact communities, creating resources and tools, running an Academy, and organizing events to share learnings and best practices for practitioners. AVPN also hosts offline conferences to convene regional stakeholders together.

BCG

What/Who they are

BCG Jakarta Social Impact is a local initiative led by a group of BCG Jakarta consultants.

What kind of support they give to SEs

BCG designed Giving Back Programme to support social enterprises in Indonesia. This program delivery combines both BCG consultants and top-performing Indonesian university students to provide pro-bono consulting services for selected social entrepreneurs. Furthermore, BCG wants to ensure their longevity and sustainability through potential collaborations with stakeholders.

Bandung Institute of Technology (ITB)

What/Who they are

ITB is the oldest institute of technology in Indonesia, established in 1959. This institute has in total 12 faculties and school.

What kind of support they give to SEs

Under the Institute for Innovation and Entrepreneurship Development (Lembaga Pengembangan Inovasi Kewirausahaan) ITB, they support young social entrepreneurs with capacity building and networking.

CAMPAIGN

What/Who they are

Campaign.com is a social-tech enterprise that helps governments, corporates, and social purpose organizations to create and organize campaigns. Through Campaign Clinic, Community Gathering, and Next Gen Program, Campaign.com leverages their broad community network to share their knowledge with social enterprises about sustainable campaigns.

What they do

Campaign.com connects donors, supporters, and beneficiaries to solve social problems together. They promote the small social habits of giving back and support social movements by daily challenges and highlights. For every challenge finished by supporters, Campaign.com will release donations from sponsors.

CITI FOUNDATION

What/Who they are

The Citi Foundation is an institution that invests heavily in efforts that increase financial inclusion; catalyze job opportunities for youth; and reimagine approaches to building economically vibrant communities. In many cases, the Citi Foundation proactively invites applications from individual organizations.

What kind of support they give to SEs

Citi Foundation actively encourage and push the development of youth entrepreneurs through access to capital and mentorship. Furthermore, they provide capacity building programs that are designs for and targets young entrepreneurs, such as the Creative Youth programme at Indonesian Heritage Sites, and Youth Co:Lab

DBS FOUNDATION

What/Who they are

Established in 2014, DBS Foundation is a foundation dedicated to growing innovative social enterprises/businesses for impact. They are committed to championing social entrepreneurship in Asia

What kind of support they give to SEs

To address Asia's evolving social needs, DBS Foundation focuses on building a more inclusive Asia by championing social enterprises in various countries. They designed two programs which strengthen SEs financial and institutional structure. Through DBS Foundation social enterprise Grant Programme, they provide financial and resources support to promote sustainable operations, while DBS social enterprise Bootcamp provides incubation program to support innovation.

FORD FOUNDATION

What/Who they are

The Ford Foundation is a non-profit and independent funding provider. The Ford Foundation aims to create economic opportunity and increase access to and participation in governance for poor and socially marginalized communities.

What kind of support they give to SEs

Ford Foundation's mission is to reduce poverty and injustice, strengthen democratic values, promote international cooperation, and advance human achievement. Not only are they a funding agency, Ford Foundation also partners with organizations and individuals who are at the forefront of social change around the world to tackle poverty and injustice, and promote international cooperation.

IDX INCUBATOR

What/Who they are

IDX Incubator is an initiative held by IDX (Indonesia Stock Exchange) to support startups with large-scale business prospects and wide-range impact.

What they do

IDX INCUBATOR supports startups to grow their business through intensive programs such as tailor-made training, intensive mentorship, access to funding sources, and access to listed companies. IDX INCUBATOR also provide workshop space for participants outside their program. Other than incubating program, they also help entrepreneurs to prepare themselves for IPO.

INTELLAR

What/Who they are

Instellar is a purpose-driven company that helps businesses be more impactful, sustainable, and scalable through incubation, consultancy, and investment in other mission-driven companies.

What kind of support they provide to SEs

Instellar provides business development training for social enterprises from various sectors. The business development program - supported by Hyundai Startup Challenge (HSC) - is a business acceleration program for young entrepreneurs with innovative ideas in the environment, employment, electric vehicle, and healthcare sectors. In addition, there is a program named Hack-SUP Innovation Lab. It is a part of The SUP Challenge with a focus on reducing the use of single-use plastics in the food and beverage industry. Instellar also regularly hold programs for their community and alums, such as ARISE and Instellar Impact GIG.

INOTEK

What/Who they are

INOTEK is a Business Incubator that supports the development of start-up, small and medium-sized businesses by leveraging on relevant technology. INOTEK achieves this through incubation and acceleration programs on prototype-to-market products for entrepreneurs, workshops and mentoring.

What kind of support they give to SEs

Supported by National Economic Recovery (PEN) initiative, INOTEK kickstarted Women Technopreneur Indonesia (WTI) - a subprogram of One Thousand Technopreneur One Million Jobs (STSP). WTI aims to help women technopreneur overcome the challenges of starting and building a business through incubation services and access to investment. In addition, INOTEK hosts INOTALK webinar, where various speakers encourage innovation, inspire the public and introduce new technologies in the energy sector.

IMPACT HUB

What/Who they are

Impact Hub Jakarta is a part of the global network of Impact Hub based in Austria. Their mission is to provide a unique ecosystem for social entrepreneurs and changemakers.

What kind of support they give to SEs

Impact Hub Jakarta offers a tailored ecosystem that provides resources, network and collaboration opportunities for businesses to grow in their impact. They also have a diverse community of members and partners in nationwide and worldwide to support social entrepreneurs. These opportunities can be accessed through their coworking spaces, upskilling programs, and matchmaking sessions for members.

KINARA

What/Who they are

Kinara Indonesia is an early-stage impact investment firm that focuses on providing financial access and scaling-up support to impact businesses in Indonesia. Kinara aims to solve early-stage ventures' problems by giving them access to alternative business financing.

What kind of support they give to SEs

Kinara focuses on delivering its values to Indonesian early-stage impact businesses through business acceleration and venture financing programs. One of the business development programs carried out by Kinara is Youth Co: Lab 2020 that is focused on providing end-to-end solutions to the challenges of youth entrepreneurship in Indonesia through training, mentoring, and advocacy to ensure that the young entrepreneurial ecosystem becomes productive.

KOPERNIK

What/Who they are

Kopernik is a non-profit organization that focuses on reducing poverty with innovative potential solutions and to reach last mile communities to live free of poverty in Indonesia and within Southeast Asia region.

What kind of support they give to SEs

Some examples of Kopernik's works includes micro-entrepreneurship development programs and market research consultation. Furthermore, Kopernik strongly encourages innovation through experimentation and technology distribution to achieve their innovative vision.

KOALISI EKONOMI MEMBUMI

What/Who they are

KEM is a joint movement to encourage the advancement of the investment ecosystem in Indonesia. Aiming to advance the development of sustainable business products, Koalisi Ekonomi Membumi (KEM/Earthly Economic Coalition) leverages the power of multi-stakeholder of government representatives, private associations, ecosystem enablers, business actors, and other networks.

What kind of support they give to SEs

KEM pushes Indonesia's ESG investment readiness through supporting community business entities that promote localized products and business. They have supported businesses such as sustainable farming and cultural art products.

KEMENPORA (Ministry of Youth Affairs and Sports)

What/Who they are

The Ministry of Youth and Sports of the Republic of Indonesia is the ministry within the government of Indonesia in charge of the development and promotion of youth and sports affairs.

What kind of support they give to SEs

Establish youth and sports development policies, support and supervise various youth and sports development activities. Provide capital assistance for young entrepreneurs during the Covid-19 pandemic. They provide capital assistance for Youth Entrepreneurship course participants. Youth Entrepreneurship Lecture programme is also a program by KEMENPORA that acts as a socialisation forum to foster entrepreneurial interest.

KEMENPAREKRAF (Ministry of Tourism and Creative Economy)

What/Who they are

The Ministry of Tourism and Creative Economy of the Republic of Indonesia is under and responsible to the President and assists the President in carrying out government affairs in the tourism sector, and government duties in the creative economy, as part of national development goals.

What kind of support they give to SEs

To grow entrepreneurship in Indonesia, The Ministry of Tourism and Creative Economy carries out various support such as, implementation of technical policies, product development, infrastructure, local industries, investment, marketing implementation of tourism activities; and as well as the digital economy and creative products in the tourism and creative economy sectors.

KLHK (Ministry of Environment and Forestry)

What/Who they are

The Ministry of Environment and Forestry has the task of administering government affairs in the environmental and forestry sector to assist the President in administering state government.

What kind of support they give to SEs

The Ministry of Environment and Forestry carries out the various ways of support such as stipulation, implementation of policies in the field, sustainable environment practices, conservation of natural resources and their ecosystems, watersheds and forest rehabilitation, sustainable forest management, and many more

KEMENKOPUKM (Ministry of Cooperatives and Small and Medium Enterprises)

What/Who they are

The Ministry of Cooperatives and Small and Medium Enterprises has the task of administering affairs in the field of cooperatives and small and medium enterprises within the government to assist the President in administering state government.

What kind of support they give to SEs

One of the important way KEMENKOPUKM gives support is by providing start-up capital for entrepreneurs. They also issued Regulation of the Minister of Cooperatives and Small and Medium Enterprises No. 24/2015 on Norms, Standards, Procedures and Criteria for the Implementation of Entrepreneurial Incubators. Carries out an integrated data collection on Medium, Small, and Micro-scale Enterprises (UMKM).

LTKL (Lingkar Temu Kabupaten Lestari)

What/Who they are

The regency-level government Association under APKASI (Asosiasi Pemerintah Kabupaten Seluruh Indonesia, Indonesia Regency-Level Association) created governance for sustainable development in the localized communities. LTKL focuses on three main activities: bridging incentives between regencies, capacity building for government, and building networks and communication for a sustainable economy.

What kind of support they give to SEs

LTKL helps regencies in training localized MSMEs to build community-based entrepreneurship that leverages local commodities. They also work with local youth training programs and the establishment of PUKL (Pusat Unggulan Komoditi Lestari) in Musi Banyuasin and PUPL (Pusat Unggulan Perkebunan Lestari) in Aceh Tamiang. In support of their the vision of sustainable development, LTKL also function to unite various experts, academics, NGOs, and other stakeholders, to develop superior products in Musi Banyuasin.

MOONSHOT VENTURES

What/Who they are

Moonshot Ventures is an organization that provides impact investment, venture building and support programs to purpose-driven founders and startups to develop innovative and disruptive solutions to the most difficult problems facing Southeast Asia.

What kind of support they give to SEs

Moonshot Ventures are committed to help solve pressing social and environmental problems through commercial solutions. They design and manage programs that provide investment, venture building, and in-kind support to ambitious early-stage founders.

PLUS

What/Who they are

PLUS is a social enterprise hub and a thinking partner for social entrepreneurs in Indonesia. Through pro-bono consultation, thousands in their mapped network, free learning resources and tools - PLUS fosters a nationwide community of social enterprises to collaborate, learn and grow.

What kind of support do they give to SEs

PLUS collaborates with stakeholders in Indonesia such as UNDP, Ford Foundation, British Council to upskill social enterprises with capacity-building and social innovation projects. Furthermore, PLUS allocates free consultation hours to help social enterprises with their challenges, connect with relevant resources and the broader PLUS nationwide community.

SIAP

What/Who they are

SIAP is an incubator, accelerator & learning platform to help impactful organizations such as early-stage social enterprises, purpose-driven companies, and NGOs to maximize their impact.

What kind of support they give to SEs

SIAP runs many collaborative programs with various parties, one of which is the Catalyst Changemaker Lab (CCL) which is a program for changemakers (startups, CSOs, communities) to collaborate and to overcome the lack of access to safe drinking water and increase resilience to hydro-meteorological disasters. SIAP is also developing SIAP SCALE, which is a 4-week founder-focus experimental lab that brings the social impact ecosystem together. It is designed to accelerate and scale ventures that pioneer social, economic, and environmental impact.

SOCOLAS

What/Who they are

Socolas is an association of corporate law practitioners and organizations that are committed to provide legal assistance on organizational and operation for social enterprises, remote-based micro-small & medium enterprises and social initiatives.

What kind of support they give to SEs

Socolas has hosted a number of classes on legal frameworks related to social entrepreneurship and micro, small, and medium enterprise (MSME). They have also worked in partnership with other organisations to hosts workshops and seminars, such as BEBAS (Bincang Bersama Socolas) and Apindo, to provide constant updates in regards to the constitution.

TLE (The Local Enablers)

What/Who they are

The Local Enablers (TLE) is an inclusive ecosystem designed as a development mode for early-stage social entrepreneurs. TLE aims to build a strong creative entrepreneur community that upholds local values to be a positive impact in their communities.

What kind of support they give to SEs

TLE creates many human resource development curricula, conducts research, and empowers local ecosystems through design thinking and a human-centered approach. TLE School of Inclusive Creative Economy aims to increase capacity through learning about building social enterprises and maximizing its existing potential. TLE also has a business unit that is engaged in organizational and community development as well as products and services to support reformulation on local potential/commodities.

UNDP

What/Who they are

UNDP is a United Nations lead agency whose mission is to eradicate poverty and reduce inequality through policies, upskilling, and resource support.

What kind of support they give to SEs

UNDP supports Indonesia's fight against poverty, promotes inclusive economic growth, reduces inequalities between groups and regions, and helps to achieve the 17 Sustainable Development Goals by 2030. Through many programs, such as Youth Co:Lab and SMSE Survey, UNDP supports social enterprises by conducting studies in the social enterprise sector and various capacity-building activities. UNDP also provides access to funding to social enterprises with their Innovative Financing Lab

Universitas Indonesia (UI)

What/Who they are

Universitas Indonesia is one of the oldest university in Indonesia. Located in Depok, West Java. They currently have 14 faculties, two school, and one vocational school.

What kind of support they give to SEs

UI provides capacity building and incubating program for young social entrepreneurs, especially for their students under Direktorat Inovasi & Science Techno Park (Directorate of Innovation and Science Techno Park). Their most recent program is UI Incubate.

UKM INDONESIA

What/Who they are

UKM Indonesia is a web portal to educate MSME in regards to obtaining permits. They have collected up to 900 guides about business permit for almost every business sub sectors in Indonesia, including: food industry, textile industry, food and beverages suppliers, accommodation services, retail, tourism services, and more.

What kind of support they give to SEs

They provide free-to-access guide on how to obtain business permit on their portal. They also held several seminars and incubation services for SMSE to give them more and tailored information.

WILLIAM AND LILY FOUNDATION (WLF)

What/Who they are

The William & Lily Foundation (WLF) is a philanthropic organization set up to continue the philanthropic legacy of William and Lily Soeryadjaya in Indonesia. WLF is committed to support the development of Eastern Indonesia. Working closely with local implementing partners, WLF continues to implement development programs in Southwest Sumba, East Sumba, and Amed, Bali.

What kind of support they give to SEs

WLF provides conditional grants to local organizations/institutions to implement social programs in Eastern Indonesia. They have three approaches to empowering their beneficiary communities: (1) Capacity building through the implementation of activities for beneficiaries to increase knowledge, awareness, and skills, (2) Building linkages through determined efforts to take advantage of formal and informal dialogue between various stakeholders, (3) Advocacy through engagement and ongoing collaboration between relevant stakeholders at village and district levels.

YCAB

What/Who they are

YCAB Foundation a non-profit organization that focuses on creating independence for young people through education, economic empowerment and promotion of a healthy lifestyle.

What kind of support they give to SEs

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.



Youth Studies Centre Fisipol UGM (YouSure)

What/Who they are

Universitas Gadjah Mada is a state university located in Yogyakarta. They are established in 1949 and have 18 faculties, one postgraduate school, and one vocational school.

What kind of support they give to SEs

UGM have study centers, incubators, and activities that aims to support young social entrepreneurs. Soprema is an annual competition for social entrepreneurs created by YouSure, a study center for youth issue. Gamainkuba is University incubator that nurtures and incubates new businesses in agro-industry, health, information technology, and manufacturing in Yogyakarta and Central Java Province.



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