

Women-Owned Agri-SMEs in Indonesia: Investment Needs and Opportunities

Informed by a jointly-hosted initiative to mobilize capital for women-owned small- and medium-sized agricultural enterprises (agri-SMEs) in Indonesia, this investment analysis provides a summary of women-owned SMEs' important place in agricultural value chains in the country, discusses key challenges faced by these enterprises to raising capital for expansion, and makes recommendations for value chain actors on how to strengthen this crucial part of the Indonesian economy by overcoming barriers and driving value chain resilience and increased impact.

Introduction

Mobilizing capital into women-owned agri-SMEs in Indonesia is crucial to fostering the growth and development of inclusive and sustainable food systems, while promoting food security and export competitiveness in Indonesia. In September and October 2022, the World Business Council for Sustainable Development (WBCSD), Grow Asia, Just Rural Transition, and CrossBoundary co-hosted an Agri-SME Investment Platform Deep Dive to mobilize capital for women-owned agri-SMEs in Indonesia, which included a briefing, training for capital seekers and capital providers to develop profiles and leverage a digital matchmaking tool, a value chain dialogue, and a networking week. Activities involved a range of stakeholders from agri-SMEs, investors, and capacity-building organizations to incubators and large companies.

Why focus on supporting women-owned agri-SMEs in Indonesia

Investing in women-owned agri-SMEs in Indonesia provides significant benefits from economic and social standpoints. Accounting for 61% of the country's GDP, SMEs are Indonesia's growth engine, propelling the economy forward and absorbing most of the nation's workforce. During the decade ending 2019, Indonesian SMEs' economic output grew 14% per year on a compounded basis – twice as fast as SMEs in other ASEAN countries.¹ Many SMEs are active in the agricultural sector, a crucial space for Indonesia as it seeks to maintain export competitiveness, achieve import substitution for food items, and generally promote food security and nutritional health. Furthermore, many agricultural SMEs are led by women.

Investing in Indonesia's women-led agri-SMEs makes good business sense and drives triple wins for people, climate and nature. These women agripreneurs face barriers to growth, however, that can be systemic, entrenched, and difficult to overcome. With facilitating a flourishing female agri-SME space as its primary goal, the partnering organizations are excited to present the below findings and recommendations.

Agricultural enterprises in Indonesia

The agricultural sector in Indonesia is dominated by smallholders and is characterized by high concentration in crop types. The country's top three crops (palm oil, rice, and maize) make up 74% of total crop production in the country.²

Research by Mercy Corps AgriFin and Rabo Foundation³ found that a majority of smallholder farmers in Indonesia: (a) do not have advanced education beyond primary school; (b) are over 45 years of age; (c) do not use the internet; (d) own a farm of less than 0.5 hectares; and (e) operate independently and in a semiformal or informal manner.

For these and other reasons, most face limited access to finance from banks and investors. Most loans are accessed through semi-formal or informal credit providers (mainly through verbal agreements with other value chain stakeholders, sometimes with in-kind repayment).⁴

Primary barriers for Indonesian women agripreneurs

Barriers to growth and poor access to finance are experienced by many Indonesian agri-SMEs. Some, however, are more severe for (or unique to) SMEs led by women. Investors, large agricultural corporates, and capacity-building organizations that participated in the value chain dialogue on 15 September 2022 have highlighted the following unique challenges.



Common among Indonesian agri-SMEs:

- Lack of access to resources and training needed to build commercially viable business models, especially when grants or subsidies had previously been available
- Lack of access to technical knowledge around farming best practices to protect yields against natural shocks like the effects of climate change, or farmer errors like over-fertilization
- Underdeveloped infrastructure and market systems cause limited physical access to markets, leading to negative consequences like spoilage, high logistics costs, or poor ability to negotiate prices with traders and middlemen
- For certain crops, exposure to global commodity prices causes unforeseen volatility in margins
- Weak institutions, especially regarding property registration: 90% of smallholders in Indonesia do not have a formal title to their land, according to IFC,⁵ due to high cost and administrative burdens associated with property registration⁶
- Value chain informality leaves few or no records of previous business activity or borrowing, meaning banks have no credit history to assess risk, driving down lending
- Transactions in agriculture remain mostly cash-based (or in-kind), and many farmers (c. 50%) do not have bank accounts⁷ – making payments and recordkeeping much more burdensome
- A low willingness to pay for (and therefore adopt) technology, due to a limited understanding of its value proposition and lack of familiarity with the benefits of digitization

- A lack of technical familiarity within local or regional commercial banks of agricultural business models and considerations, leading to the perception of a high upfront cost to agricultural lending or investing
- Small ticket sizes and a requirement for flexible repayment terms mean agricultural value chain borrowers are unattractive for banks without dedicated agricultural mandates

Unique to Indonesian women agripreneurs:

- Asset ownership to serve as loan collateral: Even where property or assets are adequately documented, they are almost always registered in a man's name, preventing female agripreneurs from obtaining loans to grow their own enterprises⁸
- Balancing dual responsibilities between the household and business operations – In more traditional societies, a woman is still expected to tend to household tasks even if she is also running a business

Recommendations:

From a high-level perspective, the following aspects are key areas of focus for improving:

- **Boosting productivity, efficiency, and commercial viability of agri-SMEs** by enhancing technical knowledge and accelerating technology adoption
- **Promoting digitization** is key to streamlining processes and improving productivity across agricultural value chain activities. Key areas for digital solutions identified by the Mercy Corps AgriFin and Rabo Foundation research⁹ include digital information services (such as agronomy advisory, farm and inventory management tools, and market and price information), market access, supply chain and data management, and precision agriculture
- **Formalizing agricultural sectors** by enabling proper documentation of business activity, increasing alternative credit scoring capabilities and boosting availability and capture of data
- **Taking a gender-lens approach** to support a segment of Indonesia's quickly growing SME space that benefits enormously from female leadership
- **Increasing availability of right size, flexible financial products appropriate for agricultural enterprises** through, for example, provision of flexible, unsecured working capital loans with cash-flow based repayment. This type of instrument is more applicable and appropriate to the business models of very small, growth-stage firms in agricultural sectors than equity in many cases.

Recommended actions for capital providers

- Invest in better understanding of agricultural value chain dynamics in order to accurately assess risk and return profiles at each stage of the value chain and design financial instruments accordingly
- For lenders, consider how to get comfortable with unsecured debt to finance working capital requirements; alternative credit scoring metrics or methodologies may be available through impact-oriented partners, which often collect large amounts of data as part of normal development mandates
- Consider the commercial merits of taking a gender lens perspective, which goes beyond social impact and recognizes the business case for supporting female-owned and -led businesses, or those that employ and/or engage with large numbers of women

“BIDUK applies four gender lenses (1) women owners; (2) women employees; (3) women leaders; and (4) businesses that serve women disproportionately. This aims to ensure that empowering women does not limit to just having women ‘own’ a business. Women can be empowered as managers, employees, or have products and services that meet their needs”

Kaylene Alvarez

Founder & CEO of Athena Global and Managing Director of BIDUK Indonesia

Recommended actions for women agripreneurs

- Adopt modern technology (such as use of smartphones) as a way to access better data and training that can improve crop yields and resilience against environmental shocks like climate change. Better data through technology includes but is not limited to market and pricing information, access to end markets and value chain communities, and financial knowledge and training
- Embrace the use of digital payments systems, where available, as an alternative to cash or in-kind transactions; data generated by use of technology platforms may also make it easier to qualify for loans
- Formalize businesses through setting up business bank accounts, maintaining proper documentation regarding business transactions, and storing financial accounts and information, particularly those that may be required for accessing credit and other forms of financing
- Seek assistance from TA providers to improve organizational capacity, and from investment facilitators to enhance an ability to interact more effectively with capital providers
- Maintain relationships and stay connected with key marketplace actors, such as output collectors, and retailers such as kiosks



Recommended action for large corporate firms

- Consider entering into long-term purchase agreements with agri-SMEs such that they can use these agreements as cash flow collateral (in lieu of fixed assets) with lenders
- Provide, directly or through third-party service providers, technical and soft-skill trainings and education to women agripreneurs in the value chain
- Collaborate with a specialized market development actor in the agricultural space to undertake a comprehensive market study identifying the business case for integrating gender inclusion in the value chain

Recommended actions for government and policymakers

- Fund and implement personal finance and business finance education programs focused on women, given that women play a significant role in making financial decisions, often independently, for households and their businesses¹⁰
- Implement a top-down policy to promote use of modern technology in the agricultural sectors, in order to increase productivity¹¹
- Demonstrate use cases through curated activities for farmers to foster accelerated transition to digital platforms
- Implement policies or program interventions to promote digital lending initiatives, particularly for fintech companies that aim to serve the agriculture segment – An example includes *digiKU*, the digital lending program launched in 2020 for micro, small, and medium-sized enterprises (MSMEs), which is backed by the Indonesian government

- Strengthen the existing Bank of Indonesia-led QR Code Indonesian Standard (QRIS) program which aims to accelerate mobile wallet adoption to increase digital uptake and elevate ecosystem infrastructure
- Work with market systems development actors (e.g., PRISMA) to assess ways to bring greater awareness of market potential to private sector actors
- Implement gender awareness initiatives across relevant government ministries and organizations that deal with rural populations and agricultural value chains
- Improve the investment climate for women agripreneurs through implementation of supportive regulations (e.g., streamlining business registration and licensing procedures) and training initiatives for agri-SMEs to foster sustainability of growth in the long term, enhancing investability and feasible projects available for investment
- Increase availability of blended finance platforms (through cooperation of government and regulators) dedicated to women agri-SMEs that facilitate various sources of funding from governments, international development actors, conventional donors, philanthropists, etc.¹²

“Our study found that women agents are not only preferred by most women farmers, but are also appreciated by men farmers, due to their communication skills and agricultural knowledge. This is one of the reasons why we believe women agents can have an integral role in reaching more farmers.”

Maryam Piracha

Portfolio Adviser – Agriculture, Gender Equality and Social Inclusion, PRISMA

Recommended actions for donors

- Design special incentives for lending to and/or investing in women-owned enterprises through increased use of blended finance mechanisms (first-loss capital, guarantees, etc.) to de-risk and facilitate commercial capital providers in agricultural lending
- Publicize success stories offering blended finance ‘proof-of-concept’ to encourage other types of capital providers to pilot their financial products in the agricultural sectors focusing on women economic empowerment
- Seed a dedicated gender-lens agricultural fund (using grant capital or at-risk program-related investment capital). An example of this in Indonesia is BIDUK Indonesia, an impact-oriented lending platform, funded by the Department of Foreign Affairs and Trade (DFAT), that bridges the financing gap for women-led or environmentally sustainable small and growing businesses in Indonesia
- Support business incubators, accelerators, and technical assistance providers to engage with female-owned agri-SMEs through funding programs featuring innovation grants either to the service providers or to the enterprises directly. This includes a widespread provision of TA and investment facilitation to women-owned agri-SMEs, particularly those that are small and early-stage, to help them become investment-ready
- Link the provision of technical assistance to concrete incentives and milestones for agri-SMEs, such as access to recoverable grants, small-scale, low-interest loans (potentially from dedicated revolving loan funds)

An example of a dedicated state credit fund utilizing catalytic capital in Indonesia is the existing credit guarantee scheme ‘Kredit Usaha Rakyat (KUR)’, which helps mobilize bank credit to the underserved, particularly in agriculture. Key features of this guarantee include risk-sharing (a partial coverage of loan risk of 70%) and interest rate subsidy (resulting in effective interest of 6% p.a.).¹³

What’s next?

This initiative was hosted by the WBCSD, Grow Asia, Just Rural Transition, and CrossBoundary. Supporting partners included PISAgro and Corteva Agriscience. Moving forward, the partners will seek to elevate learnings and recommendations into B20 and G20 discussions in Indonesia in 2022 and use them to inform continued activities on this agenda within their respective organizations and networks. Agripreneurs, investors, and other ecosystem actors are welcome to join the [Agri-SME Digital Finance Tool](#) to meet and exchange specific opportunities for financing. To connect, learn more, and collaborate with the initiative’s hosting partners, please contact:

Melanie Levine, Manager, Food & Agriculture, WBCSD, at levine@wbcsd.org

Erin Sweeney, Lead Sustainable Investment and Inclusion, Grow Asia, at erin@growasia.org

Victoria Crawford, Senior Manager, Investment Partnerships, The Just Rural Transition and WBCSD, at crawford@wbcsd.org

Pink Sakdiarpa, Senior Associate, CrossBoundary, at pink.sakdiarpa@crossboundary.com

REFERENCES

- ¹ ADB 2021, CAGR. ASEAN average includes Indonesia, Malaysia, Thailand, and Brunei given data availability.
- ² Data as of 2018.
- ³ Mercy Corps AgriFin and Rabo Foundation: [Landscaping of Digital Agriculture System of Indonesia \(2020\)](#).
- ⁴ Per an interview with PRISMA's portfolio advisor and Survey on Financial Inclusion and Access (SOFIA): [Understanding people's use of financial services in Indonesia \(2017\)](#).
- ⁵ IFC: [Women-owned SMEs in Indonesia - A Golden Opportunity for Local Financial Institutions \(2016\)](#).
- ⁶ AIP-Rural: [Strengthening Agricultural Finance in Rural Areas \(SAFIRA\) \(2015\)](#).
- ⁷ See footnote 3
- ⁸ In Asia, based on BIDUK Indonesia, only 7% of agricultural assets are in a woman's name.
- ⁹ See footnote 3
- ¹⁰ [Survey on Financial Inclusion and Access \(SOFIA\) – Focus Note on Gender](#)
- ¹¹ See footnote 3
- ¹² [USAID: Economic Growth Support Activity \(EGSA\) Blended Finance in Indonesia \(2021\)](#)
- ¹³ See footnote 3



THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing "how-to" CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

www.wbcsd.org

Follow us on [Twitter](#) and [LinkedIn](#)

GROW ASIA

Established by the World Economic Forum in collaboration with the ASEAN Secretariat in 2015, Grow Asia is a multi-stakeholder platform that builds partnerships to broker market driven solutions for more inclusive, resilient, and sustainable food systems in Southeast Asia. We do this by convening global and regional stakeholders from key public, private, civil society and farmer organizations to: (1) co-create programs and interventions around macro-level issues (e.g., climate change adaptation and resilience) or specific commodities (e.g., corn), (2) develop and share best practice, and (3) create an ecosystem that supports pre-competitive collaboration.

The Grow Asia network comprises our regional office in Singapore and six national chapters - which we refer to as our Country Partnerships - in Cambodia, Indonesia, Myanmar, Papua New Guinea, the Philippines and Viet Nam. The network collectively engages 600+ partner organizations and supports 44 Working Groups that are reaching close to 2.5 million smallholders across Southeast Asia.

As of 2020, Grow Asia has been accredited as an Entity Associated with ASEAN. The accreditation recognizes the important role Grow Asia plays in the region, particularly in facilitating multi-stakeholder partnerships for more inclusive, resilient and sustainable food systems in our region.

THE JUST RURAL TRANSITION

The Just Rural Transition brings together food producers, governments, businesses, investors, civil society, rural and indigenous peoples to champion people-centered solutions to food system challenges. JRT is a partnership between Meridian Institute, who host the secretariat and manage the Policy Action workstream, and WBCSD, who manage the Investment Partnerships workstream.

CROSSBOUNDARY

CrossBoundary is a global investment firm with a mission to unlock capital for sustainable growth and strong returns in underserved markets. CrossBoundary's advisory team provides bespoke transaction advisory services to investors and capital-seeking firms in emerging and frontier geographies from 19 offices across South and Southeast Asia, the Middle East, North Africa and Central Asia, sub-Saharan Africa, emerging Eastern Europe and Latin America. The team works with private debt and equity investors, venture capital, development finance institutions, donors, governments, corporates, and SMEs to deliver impactful deals and blended finance solutions in challenging markets worldwide.