BACKGROUND REPORT

SME CONSTRAINTS AND NEEDS
RESULTS OF A SURVEY IN
SEMARANG AND MEDAN

WOLFGANG CLAUSS

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Background of the survey carried out by the ADB TA

Popular assumptions about constraints and needs of SMEs do not necessarily reflect reality. Almost all **available statistics and studies are micro biased** and do not provide sufficient information for the formulation of appropriate policies for SME development. This holds true especially for gender issues. Existing studies on the specific constraints of women entrepreneurs are based on a very weak database, concentrating on qualitative data. While several in-depth studies and qualitative interviews have been carried out with female entrepreneurs, quantitative data are lacking. This lack of data makes it difficult to discuss the subject on a sound basis free of emotional statements and opinions.

In line with the TA's main tasks – providing inputs for policy formulation – the project decided to conduct a quantitative survey in the cities of Semarang and Medan. The survey covered a total of 482 small and medium enterprises. **Micro enterprises were excluded** from the survey. The sample covers a broad sectoral mix comprising manufacturing and processing, services, wholesale, retail, restaurants and accommodation, transport, storage and communication. The share of enterprises owned by women is purposefully over proportional.

Data were collected and analyzed disaggregated by sex. The analysis was complemented with a qualitative focal group discussion to assess specific constraints and visions of female entrepreneurs and the division of tasks between men and women in family enterprises.

Main results of the survey

The SME sector is very dynamic: One quarter of the enterprises have been in business for less than 5 years. Of the enterprises that have been in business for more than ten years, 35% have employed an external manager or have already been transferred to the next generation. 78% of SME have not been negatively affected by the economic crisis; 47% even experienced a positive business development during the last two years.

Most SME managers are young, well educated and highly optimistic: 60% of SME managers are not older than 40 years. 40% of all managers have finished high school, and 36% hold a university degree. 60% of the respondents believe that their business will grow in the coming years, while only 8% expect deterioration. Consequently, nearly 70% of SME intend to expand their business in the future.

Regional conditions influence SME dynamics: Economic situation and business environment appear to be much better in Semarang than in Medan.

In first priority, SMEs expect the government to guarantee security of their environment and practice good governance. Provision of special credit schemes and protection from unfavorable competition are mentioned but seen as less important. The performance of the Government with regard to all SME expectations is rated as clearly negative.

In spite of licensing problems, the degree of formalization of enterprises is high: Three quarters of the SMEs hold the necessary business licenses. However, only 31% did not experience any problems in obtaining their licenses.

Tax knowledge and compliance is low: 45% of SME say they know only little or nothing about tax regulations. Only of SME 37% have paid VAT during the last year. There is a high correlation between not holding a business license and not paying tax. In general, acceptance of fees and taxes is relatively high. 66% of SME are prepared to pay if the amount is reasonable in relation to the services delivered by the government.

Cooperatives (90%) and KADIN (62%) are the best known **business organizations**. In general, the organization degree of SMEs is low: Around 60% of all respondents have no membership in business organisations and only 14% of the respondents are members of cooperatives. The main advantage of becoming member of a business organisation is the expectation to gain business relations and friends and to have access to information. While 45% of the respondents think that cooperatives would best represent the interests of SMEs, 37% feel that no institution actually does so.

Women are significantly involved as entrepreneurs in SMEs: In 22% of the male owned enterprises surveyed, the wives also work in the firm. Nearly all spouses are involved in central decision-making areas; either in finance, production, marketing, or even in overall management of the business.

Women are successful entrepreneurs: Women are no less successful than their male counterparts. To the opposite, survey results indicate that enterprises managed by a woman or by a woman and a man together are more successful than male-led enterprises. Female-led SME are successful, but rare. 30% of all female entrepreneurs in the sample are **widowed or divorced**, compared to only 3% of the male colleagues.

There is no specific discrimination against women entrepreneurs. Female entrepreneurs report fewer problems with business licenses, tax officials or illegal levies than their male counterparts. Women have equal access to bank credit. While women have proportionally received less bank loans, they are more often successful with loan applications than their male counterparts.

SMEs, in particular those in large cities, have a remarkable choice of increasing their investment and working capital with funds from third parties. One third of the enterprises were co-financed by suppliers who deliver goods but do not insist on immediate cash payments. About 28% of the respondents received financial support from family members or friends. With 20%, bank credit only comes in third place. 4% of SME have leased equipment.

Nearly one third of the respondents need a bank loan but have not yet applied.

BRI is the most popular Bank for SME. Loans from commercial banks and BPR are much more prominent than those from cooperatives (2% of all enterprises). 42% of all credits were given by BRI. Only 5% of all entrepreneurs have ever received a loan through a credit scheme.

SME want simple procedures for loan applications. The main reason for choosing a particular bank is a procedure that is deemed easy and uncomplicated. An ideal credit for SME should have low interest rates, easy procedures, long repayment period and require no collateral.

While SME solve most problems in their enterprise themselves, they start to use specialized **Business Developement Service** providers. SME have only **insufficient information** about existing providers. Whether insufficient knowledge relates to a mere lack of information or indicates insufficient service supply remains to be established.

SME are willing to pay for services. 90% of all users have paid for the external services. Given SMEs' high **willingness to pay** for BDS it is safe to assume the market for commercial BDS has high growth potential in Medan and Semarang.

Conclusion and recommendation

To a certain degree, common stereotypes about SMEs appear to be “micro-biased”. The results of the ADB-TA survey draw a clearer picture about the characteristics of SMEs.

Regular update on SME and gender development trends is required. In order to establish a sound basis for policymaking, regular data collection and monitoring of development trends is recommended. Future surveys should clearly distinguish between micro enterprises and SME, and provide gender-disaggregated data, including data on spouses holding management functions in the husband's enterprise.

V. EXECUTIVE SUMMARY BAHASA INDONESIA

Latar belakang survey

Asumsi umum tentang kendala dan kebutuhan UKM belum tentu sesuai dengan keadaan yang sebenarnya. Hampir semua data statistik dan studi yang tersedia mempunyai *micro bias* sehingga tidak menyediakan informasi yang dibutuhkan untuk perumusan kebijaksanaan untuk UKM yang sesuai. Hal yang sama juga berlaku khususnya mengenai masalah gender. Studi yang tersedia tentang kendala yang dihadapi oleh wanita pengusaha berdasarkan data yang terbatas dan lebih bersifat kualitatif. Sementara sejumlah studi mendalam serta wawancara kualitatif telah dilaksanakan, data kuantitatif hampir tidak tersedia. Kekurangan data ini mempersulit upaya mendiskusikan masalah jender dengan dasar yang kuat dan bebas dari opini yang emosional.

Sesuaia dengan tugas utama TA ini – penyediaan masukan untuk perumusan kebijaksanaan – proyek memutuskan untuk melaksanakan sebuah survey kuantitatif di Kota Semarang dan Medan. Survey mencakup sebanyak 482 usaha kecil dan menengah. Usaha mikro (kurang dari 5 pekerja) tidak termasuk dalam survey. Sampel meliputi sektor manufaktur dan pengolahan, jasa, perdagangan, restoran dan akomodasi, serta transpor, pergudangan dan komunikasi susuai dengan kriteria BPS. Jumlah perusahaan yang dimiliki/dikelola oleh wanita adalah sebanyak 85.

Data dianalisa berdasarkan gender. Analisa dilengkapi dengan sebuah *focus group discussion* untuk mengkaji kendala dan visi khusus wanita pengusaha serta pembagian tugas anatara pria dan wanita dalam usaha keluarga.

Penemuan Utama

Sektor UKM sangat dinamis: seperempat dari perusahaan beroperasi kurang dari lima tahun. Dari perusahaan yang telah beroperasi lebih dari 10 tahun, 35% mempekerjakan seorang manajer eksternal atau telah ditransfer pada generasi muda. 78% dari UKM tidak terpengaruh negatif oleh krisis ekonomi; 47% malah mengalami peningkatan usahannya dalam dua tahun terakhir.

Sebagian besar dari manajer UKM berusia muda, berpendidikan tinggi dan sangat optimis: 60% dari manajer berusia kurag dari 40 tahun. 40% telah tamat SMA, dan 36% memiliki ijazah perguruan tinggi. 60% dari responden yakin usahannya akan meningkat pada tahun mendatang, sementara hanya 8% khawatir usahanya akan merosot. Hampir 70% berminat untuk memperluas usahanya pada masa mendatang.

Keadaan setempat mempengaruhi dinamika UKM: situasi ekonomi dan lingkungan usaha kelihatan lebih kondusif di Semarang daripada di Medan.

Dukungan yang diharapkan **dari pemerintah** adalah terutama jaminan keamanan lingkungan serta pemerintahan yang bersih. Penyediaan program kredit khusus dan perlindungan terhadap persaingan yang tidak sehat juga disebutkan tetapi dianggap tidak terlalu penting. **Prestasi pemerintah** dalam hal-hal yang berkaitan dengan UKM **dinilai** sebagai sangat **tidak memuaskan**.

Tiga per empat dari perusahaan telah memiliki **Surat Ijin Usaha** yang dibutuhkan. Akan tetapi, hanya 31% dari responden mengaku tidak mengalami kesulitan dalam pengurusannya.

Pengetahuan tentang peraturan perpajakan dan pembayaran pajak rendah. 45% dari responden mengatakan kurang atau sama sekali tidak mengetahui peraturan perpajakan.

Hanya 37% dari UKM membayar PPN pada tahun yang lalu. 66% dari responden mengatakan tidak berkeberatan membayar pajak dan retribusi selama manfaatnya yang diperoleh sesuai dengan jumlah pembayaran.

Asosiasi Usaha yang terkenal adalah koperasi (90%) dan KADIN (62%). Sekitar 60% dari pengusaha tidak terdaftar sebagai anggota asosiasi, dan hanya 14% terdaftar sebagai anggota koperasi. Keuntungan utama dari keanggotaan dalam asosiasi adalah mendapatkan teman/relasi usaha dan informasi. 45% dari responden berpendapat bahwa pihak yang memperjuangkan kepentingan UKM adalah koperasi, sementara 37% mengatakan tidak ada pihak tertentu yang melakukan hal ini.

Wanita sangat berperan dalam UKM: pada 22% dari perusahaan yang dimilik oleh pria, isteri ikut bekerja. Hampir semuanya terlibat dalam pengambilan keputusan di bidang keuangan, produksi, pemasaran, ataupun dalam semua bidang.

Wanita adalah pengusaha yang berhasil: hasil survey menunjukkan bahwa perusahaan yang dipimpin oleh wanita atau oleh suami-isteri secara bersama lebih berhasil daripada perusahaan yang dikepalai oleh pria. UKM yang dipimpin oleh wanita cukup berhasil, tetapi jumlahnya sedikit. 30% dari wanita pengusaha berstatus janda, sementara pria yang berstatus duda 3%.

Tidak terdapat diskriminasi terhadap wanita pengusaha. Jumlah wanita pengusaha yang mengaku mengalami kesulitan dalam pengurusa surat ijin usaha, masalah perpajakan dan pungutan liar lebih sedikit dibandingkan dengan pria. Akses terhadap kredit tidak berbeda antara wanita dan pria. Walaupun jumlah wanita pengusaha yang pernah memperoleh kredit lebih rendah daripada jumlah pria, tingkat keberhasilan mereka dalam pengajuan permohonan kredit lebih tinggi.

UKM, terutama yang beroperasi di kota besar, mempunyai aneka ragam sumber untuk menambah modal investasi dan operasi. Sepertiga dari responden dapat menambah modalnya melalui utang dagang atau barang konsiniasi. 28% mendapat bantuan modal dari keluarga atau teman. Dengan 20%, kredit menempati urutan ketiga. 4% dari responden telah melakukan *leasing*.

Hampir sepertiga dari responden mengaku membutuhkan kredit, tetapi belum mengajukan permohonan. Dengan 42% dari seluruh kredit yang diterima oleh UKM, BRI adalah pemberi kredit yang paling perperan. Kredit dari Bank Umum dan BPR jauh lebih prominen daripada kredit dari koperasi (2%). Hanya 5% dari UKM pernah mendapat kredit program.

UKM menghendaki prosedur yang mudah dalam pengajuan permohonan kredit. Alasan utama untuk memilih bank tertentu adalah prosedur yang mudah dan tidak berbelit. Ciri-ciri kredit yang dianggap ideal adalah: bunga ringan, prosedur dan persyaratan yang mudah, jangka waktu pembayaran lama, serta tidak membutuhkan agunan.

Walaupun sebagian besar dari para pengusaha berusaha untuk menyelesaikan masalah yang timbul dalam pengelolaan usaha dengan sendiri, **jasa pengembangan usaha mulai digunakan**. **Pengetahuan** tentang ketersediaan jasa pengembangan usaha masih **sangat kurang**. Belum dapat dipastikan apakah kekurangan pengetahuan disebabkan oleh kekurangan informasi atau kekurangan ketersediaan. **Para pengusaha bersedia membayar untuk jasa pengembangan usaha.** 90% dari UKM yang telah menggunakan jasa eksternal tersebut membayar. Dengan demikian dapat disimpulkan bahwa potensi pertumbuhan pasaran untuk jasa pengembangan usaha yang komerisil sangat tinggi.

Kesimpulan dan rekomendasi

Asumsi umum tentang kendala dan kebutuhan usaha kecil dan menengah diwarnai oleh *micro bias*. Hasil survey yang dilaksanakan oleh ADB-TA memberi gambaran yang lebih jelas tentang ciri-ciri UKM.

Pengamatan secara berkala terhadap pengembangan UKM dan aspak gender sangat dibutuhkan. Dalam rangka penyediaan landasan yang solid untuk perumusan kebijaksanaan, pengumpulan data secara kontinu serta monitoring trend perkembangan dianjurkan. Pada masa mendatang, survey yang dilaksanakan hendaknya membedakan dengan jelas antara usaha micro serta usaha kecil dan menengah. Survey ini perlu menyediakan data berdasarkan gender, termasuk informasi tentang anggota keluarga yang terlibat dalam manajemen usaha.

1 INTRODUCTION

Popular assumptions about constraints and needs of SMEs do not necessarily reflect reality. Available statistics and studies do not provide sufficient information to correct this picture and for the formulation of appropriate policies for SME development. This holds true especially for gender issues. Existing studies on the specific constraints of women entrepreneurs are based on a very weak data base. While several in-depth studies and qualitative interviews have been carried out with female entrepreneurs, quantitative data are lacking. This lack of data makes it difficult to discuss the subject on a sound basis free of emotional statements and opinions.

In line with the TA's main tasks – providing inputs for policy formulation – the project decided to conduct a quantitative survey in the cities of Semarang and Medan. The survey covered a total of 482 small and medium enterprises. The definition of "small" and "medium" followed BPS criteria, i.e., enterprises with 5 to 19 employees are classified as "small", while "medium" enterprises employ 20 – 99 workers. The sample covers a broad sectoral mix (BPS categories) comprising manufacturing and processing (121 enterprises), services (120 enterprises), wholesale, retail, restaurants and accommodation (120 enterprises), transport, storage and communication (121 enterprises). The share of enterprises owned by women (n = 85) is purposefully over proportional.

Data were collected and analyzed disaggregated by sex. The analysis was complemented with a qualitative focal group discussion to assess specific constraints and visions of female entrepreneurs and the division of tasks between men and women in family enterprises.

Sectors	**Total**	**Small**	**Medium**	**Male owned**	**Female owned**
Manufacturing	121	83	38	104	17
Services	120	95	25	96	24
Wholesale, retail, restaurants, accommodation	120	100	20	92	28
Transport, storage, communication	121	98	23	105	16
Total	482	376	106	397	85

2 STEREOTYPES AND REALITY - RESULTS OF THE SME SURVEY

To a certain degree, common stereotypes about SMEs appear to be "micro-biased". The results of the ADB-TA survey, which did not include enterprises with less than five employees, draw a clearer picture about the characteristics of SMEs.

2.1 General Characteristics of SMEs

The SME sector is very dynamic: One quarter of the enterprises have been in business for less than 5 years. Of the enterprises that have been in business for more than ten years, 35% have employed an external manager or have already been transferred to the next generation. 78% of SME have not been negatively affected by the economic crisis; 47% even experienced a positive business development during the last two years. With more than 30% of enterprises in business for less than five years, and more than 50% of enterprises reporting business growth, the **service sector** appears to be particularly dynamic. SME in transport, storage and communication report the worst development, while the rate of young enterprises is lowest in the manufacturing sector (see Figures 1, 2 and Tables 1 – 3).

Most SME managers are young, well educated and highly optimistic: 60% of SME managers are not older than 40 years. 40% of all managers have finished high school, and 36% hold a university degree. 60% of the respondents believe that their business will grow in the coming years, while only 8% expect deterioration. Consequently, nearly 70% of SME intend to expand their business in the future. Expansion desire is highest in the manufacturing and service sectors, while SME in transport, storage and communication are more sceptical, albeit still in majority optimistic for the future (see Figures 3 – 6 and Tables 4, 5).

Apart from increasing market demand, a general upward trend in the sector/related enterprises, intensified relations with similar enterprises and cooperation with new business partners are mentioned as main supporting factors. Main hampering factors named by those whose businesses stagnated or even deteriorated are the economic crisis, increased competition and economic and political instability. However, business development was significantly better for enterprises with managers not older than forty years or with university degree, and better for enterprises that used external business services. This indicates that, aside from sector trends, management quality has considerably influenced enterprise performance (see Figures 7, 8 and Tables 6, 7).

Export orientation of SMEs is low: only 10% of all manufactures have a export orientation of more than 50%, only 14% of all manufacturers have export experience (see Figure 9).

Regional conditions influence SME dynamics: Economic situation and business environment appear to be much better in Semarang than in Medan. While entrepreneurs in both cities expect the government to guarantee security and practice clean governance, respondents in Medan emphasize more strongly that the government should safeguard a sound and fair legal system. This ties in with the information that many SMEs in Medan have to pay protection money and illegal levies. Business licenses are also more problematic than in Semarang.

84% of all SMEs in Semarang are interested in expanding business, compared to only 55% in Medan. 71% of all respondents in Semarang expect their enterprise to actually grow within the next year, while only 48% of the respondents in Medan share their opinion. Enterprises operating in the service sector are the most optimistic, followed by manufacturing.

	Medan	Semarang
Govt. should guarantee Security	61%	62%
Govt. should practice Clean Governance	39%	43%
Govt. should safeguard sound and fair legal system	37%	27%
Pay protection money/illegal levies	42%	13%
Business has improved	39%	56%
Business will improve	48%	71%
Interested in expanding Business	55%	84%
Have no Business License	40%	39%
Had license problems	17%	9%
No license problems because paid	18%	10%
No problems getting license	27%	35%

61% of all respondents think that the Regional Autonomy will not affect the development of their enterprise. Of those who think there will be an influence, 67% respondents in Semarang and 49% in Medan expect no positive effects for their enterprise, while 91% (Semarang) and 63% (Medan) even expect negative influences, mainly an increase of local taxes and levies (see Figure 10).

2.2 Government, Bureaucracy and Business Associations

THE ROLE OF GOVERNMENT

In first priority, SMEs expect the government to guarantee security of their environment and practice good governance.
Provision of special credit schemes and protection from unfavorable competition are mentioned but seen as less important. The performance of the Government with regard to all SME expectations is rated as clearly negative (see Figures 11, 12).

BUREAUCRACY

In spite of licensing problems, the degree of formalization of enterprises is high: Three quarters of the SMEs hold the necessary business licenses. However, only 31% did not experience any problems in obtaining their licenses. The others either had personal contacts to the institutions in charge or were willing to pay what was asked for, both official as well 'unofficial' fees. 18% of the SME that have licenses faced difficulties. The biggest obstacle was complicated procedures, followed by high fees, official and unofficial ones (see Figures 13, 14 and Table 8).

Tax knowledge and compliance is low: While some 80% of SME qualify for VAT, only 37% have paid VAT during the last year. 12% of SME think they have to pay VAT, but do not pay, while more than 30% do not even know that they are in principle subject to VAT. For income tax, it is more difficult to make respective assessments, as the survey did not collect information on enterprise profit. However, based on turnover per employee, it can be estimated that ratios for income tax should be similar to those for VAT. For land and building tax, tax payment is far higher at 84% (see Figures 15 – 19).

Tax payment	VAT	Income tax	Land tax
Taxpayers	37%	42%	84%
Do not pay, but think they have to	12%	15%	7%
Do not pay, because they do not know	~ 30%	~ 30%	n.a.
Not taxable	~ 20%	~ 15%	n.a.

A closer analysis yields the following insights:

- In general, acceptance of fees and taxes is relatively high. 66% of SME are prepared to pay if the amount is reasonable in relation to the services delivered by the government. 76% find clear regulation important, and for 86% it matters that they are not connected to additional unofficial payments. Also important is that payment is used for regional development and not misappropriated by officials.
- There is a high correlation between not holding a business license and not paying tax – some 20-25% of entrepreneurs, typically those that are less educated, obviously prefer to run their business on an informal basis.
- Tax knowledge in general is low. 45% of SME say they know only little or nothing about tax regulations. This suggests that better information to SME on tax regulation and tax use could considerably increase tax morale.
- Tax payment is strongly correlated with the education of the manager. While only 14% of managers with primary education pay income tax, 57% of university-educated managers pay income tax. This, however, is not linked to university-educated managers feeling they have a better tax knowledge. It rather seems that managers with university degree prefer to have their relations with the government in order (see Table 9).
- Relationship between the taxpayer and the tax official is good. Only 13% find it difficult to deal with tax officials – no wonder if one considers the low compliance rate. Of those who pay income tax, however, more than 17% find it difficult to deal with tax officials. In addition, some 10% of SME avoid problems with tax officials by paying more tax than they think they should.

MEMBERSHIP IN BUSINESS ORGANIZATIONS

Cooperatives (90%) and KADIN (62%) are the best known business organizations.

In general, the organisation degree of SMEs is low: Around 60% of all respondents have no membership in business organisations and only 14% of the respondents are member of cooperatives.

The main advantage of becoming member of a business organisation is the expectation to gain business relations and friends and to have access to information.

While 45% of the respondents think that cooperatives would best represent the interests of SMEs, 37% feel that no institution actually does so (see Figures 20 – 23).

2.3 Gender Issues

Women are significantly involved as entrepreneurs in SMEs: National statistics indicate that the number of women-headed enterprises decreases with growth in scale. 44% female entrepreneurs are found in home and micro enterprises compared to only 12% in small enterprises (BPS 1998). In 22% of the male owned enterprises surveyed, however, the wives also work in the firm. Nearly all spouses are involved in central decision-making areas; either in finance, production, marketing, or even in overall management of the business. If we add these women being in the position of an "invisible entrepreneur" to the 12 % female entrepreneurs officially registered in small enterprises, the share of women being actually involved as entrepreneurs in small and medium enterprises increases substantially to more than 30% (see Figure 24).

Women are successful entrepreneurs: Women are no less successful than their male counterparts. To the opposite, survey results indicate that enterprises managed by a woman or by a woman and a man together are more successful than male-led enterprises. While 51% of female-led enterprises have grown in the last two years, only 45% of male-led have. 25% of male-led enterprises have deteriorated, but only 13% of female-led.

Gender of Managers	Female	Couple	Male
Business has improved in last years	51%	51%	45%
Business has gone down in last years	13%	19%	25%
Business will improve in next years	61%	60%	60%
Wish to expand business	64%	71%	71%
No need for bank loan	49%	33%	35%
Business license	81%	75%	72%
Do not pay VAT and income tax	40%	50%	51%

Female entrepreneurs are apparently **more realistic and cautious**. In the group discussion, women described themselves as being more accurate and better in planning, so that they would know exactly about risks and challenges before starting a new investment. 11% of male entrepreneurs and couples want to expand their business even though they do not expect growth for the future, but only 3% of women. Female entrepreneurs feel much less a need for bank credits than their male counterparts. Accurateness is also reflected in female-led SME being more likely to having a business license and paying VAT and/or income tax. The other side of the coin, however, is a lower dynamic of female-led SME – they are over represented in SME with 5-6 employees and less likely to have more than 10 employees (see Tables 10 – 12).

There is no specific discrimination against women entrepreneurs. To the opposite, female entrepreneurs report fewer problems with business licenses, tax officials or illegal levies than their male counterparts. This suggests that female entrepreneurs are correctly describing themselves as having better social and communicative skills than men. There is no significant difference in the use of BDS, use of training programs or information about BDS providers.

Gender of Managers	Female	Couple	Male
Have received bank loan	16%	27%	19%
Successful loan applications	68%	68%	56%
No business license problems	43%	33%	27%
Difficulties with tax officials	6%	15%	12%
Pay more tax than I have to pay	8%	12%	18%
Have to pay protection money / illegal levies	23%	26%	29%

Women have equal access to bank credit. While women have proportionally received less bank loans, they are more often successful with loan applications than their male counterparts. As a matter of fact, survey data indicate that single men younger than 35 have the biggest problem in obtaining bank credit.

The survey gives reason to do away with the common assumption of a strong gender bias in credit procedures. Many studies state that female creditors require the **signature of**

their husbands, while men can take a credit without being asked for the signature of their wives. This survey proved the contrary. Of all married creditors who had ever asked for a credit, 82 % of the men had to bring the signature of their wife, while only 75% of the married women were asked to bring the signature of their husbands.

During the focal group discussion priority was given to the need for better access to credits. Compared to male entrepreneurs, women more often would need small credits with conducive conditions. Common belief is that women have less capital and collateral, as inheritance practices tend to favor men and most property certificates are registered under the name of the husband. This belief could also not be confirmed by the survey. While 22% of female entrepreneurs stated to have **sufficient equity**, only 14% of their male counterparts were of this opinion. Reasons for not applying for a loan did not differ between male and female entrepreneurs. In fact, male entrepreneurs placed slightly more weight on receiving credit without collateral. Female entrepreneurs were clearly less interested in leasing, a financial instrument that requires no collateral, than men.

The real problem is becoming a businesswoman, not being one. Female-led SME are successful, but rare. Women entrepreneurs in the sample have generally achieved a higher education level than men. Being in average younger than there male counterparts and equipped with more capital, one can assume an excellent family background. Survey results may primarily reflect the situation and achievements of the 'top performers" among women entrepreneurs.

Gender of Managers	Female	Couple	Male
High School Degree	51%	37%	37%
Academy/University Degree	36%	34%	36%
Rate of managers < 36 years	46%	41%	33%

The focal group discussion with 15 entrepreneurs of the survey sample revealed that most women established their business in order to "contribute to the husband's earnings". According to the Indonesian marriage law, it is the husband's duty to support the family while it is the wife's obligation to take care of the domestic duties. This inner concept of supplementary income has a negative impact on women's ambition from the very beginning. In the focal group discussion women stated that their husbands, being in the beginning very supportive to the business activities of their wives, had difficulties to accept their increasing success. Main reasons were jealousy and the fear that the wife would neglect her **duties as housewife**. The women considered it as crucial for their success in business that they could finally convince their husband to support their business.

30% of all female entrepreneurs in the sample are **widowed or divorced**, compared to only 3% of the male colleagues. Several widows among the respondents stated that they could only engage in business after their husband's death, because the enterprise had been registered under the name of the husband before and only formally transferred to the woman after his death.

2.4 Finance

SMEs, in particular those in large cities, have a remarkable choice of increasing their investment and working capital with funds from third parties. One third of the enterprises were co-financed by suppliers who deliver goods but do not insist on immediate cash payments. About 28% of the respondents received financial support from family members (one third of them as equity, two thirds as a loan) or friends. With 20%, bank credit only comes in third place. 4% of SME have leased equipment (see Figure 25).

Nearly one third of the respondents need a bank loan but have not yet applied. 43% of SME mentioned that they need a loan, but 70% of these (30% of total) have not applied for a loan. Most of those who did not approach a bank mentioned being afraid their enterprise would not qualify for a loan (35%). Lack of information also appears to be a problem. The reason not having a tax number was only mentioned by 17% of the respondents (see Figures 26 - 28).

Credit demand and credit problems vary substantially among sectors. Credit demand is highest for manufacturing enterprises. Only 27% of manufacturing enterprises feel they do not need credit, half of which give as reason that current interest rates are too high. With 41%, manufacturing enterprises have the highest share of SME that need credit but do not apply. Roughly half of these do not apply for credit, because they do not have sufficient collateral or feel their enterprise does not qualify. Only 9% of manufacturing SME feels their equity to be sufficient.

Credit demand is lowest for SME in transport, communication and storage. 50% of enterprises in this sector think they do not need credit, half of which because their equity is sufficient. SME from the trade and restaurant sector have the best access to bank credit and account for more than one-third of all SME that received credit.

Credit demand	SECTOR				Total
	Manufacturing	Services	Wholes, Retail, Rest & Accom.	Transp, Stor, Commun	
No credit needed	27.3%	35.0%	35.8%	49.6%	36.9%
Credit received	18.2%	19.2%	27.5%	15.7%	20.1%
Credit needed not applied	41.3%	30.8%	21.7%	24.0%	29.5%
Applied credit not received	13.2%	15.0%	15.0%	10.7%	13.5%

BRI is the most popular Bank for SME. Loans from commercial banks and BPR are much more prominent than those from cooperatives (2% of all enterprises). 42% of all credits were given by BRI. Bank BNI, another state bank (8%), and BCA, the largest private bank (5%) are less popular. Only 5% of all entrepreneurs have ever received a loan through a credit scheme (see Figure 29).

SME want simple procedures for loan applications. The main reason for choosing a particular bank is a procedure that is deemed easy and uncomplicated (62%). Personal relationship to bank staff (40%) as well as vicinity to the enterprise location (37%) does also attract clients. With 34%, low interest rates ranked only fourth. An ideal credit for SME should have low interest rates (86%), easy procedures (85%), long repayment period (77%) and require no collateral (59%). 29% of SME are interested in equipment leasing, but only 4% use this instrument already. The potential of the leasing market is clearly not yet exploited fully (see Figure 30).

2.5 Business Development Services

SME solve most problems themselves. More than 60% of SME feel confident in management, business planning, marketing, finance, production planning, technology and transport. For information, assistance is mainly sought from friends and business colleagues (37%), which also give significant assistance on almost all other company problems. However, financial problems are primarily consulted with the family and seldom with business colleagues. Services sought from Government agencies are confined to tax and legal matters only. Overall use of business associations is low, except for a limited role in information provision and legal advice (see Figures 31, 32).

SME start to use specialized BDS providers. Significant assistance in problem solving is only sought from private accounting, tax and legal consultants. However, SME have commenced to turn to external service providers for specific services. 28% of all SME have used external services during the last three years, in particular for advertising, tax advice and computer services. Next are management and technical training, legal services and marketing assistance. 93% of survey respondents, however, did not participate in any training during the last three years. Considering the high education of most managers this is not very surprising. Less than 5% of all SME or 15% of SME that sought external professional assistance have used more than two services.

Education is the key factor that influences use of external service providers. 60% of users are university graduates; high school graduates account for 31% of BDS users. Relevant other factors are:

- **Company size**: Medium-sized companies use slightly more often external service providers than small companies; in particular for tax and legal advice.
- **Sector:** While around one third of SME in services, wholesale, retail, restaurants, and accommodation use external services, so do only 22% of manufacturing enterprises. SME in the service sector use in particular computer and advertising services. For trade and restaurants, accounting, tax and advertisement services are most important. In the transport and communication sector, tax advice, computer services and management and technical training are most prominent. Manufacturing enterprises in particular lag behind in the use of computer services, accounting and training.
- **Age of manager and of enterprise:** Younger SME owners/managers with an age of up to 35 years use BDS more often than entrepreneurs older than 35 years.
- **Age of enterprise:** The user rate is highest for companies in business between 2 and 5 years. These companies have in particular invested in computer services, information, marketing assistance, management training, and legal and tax advice – in other words: looked for external assistance during the development from micro to small enterprise.

SME are willing to pay for services. Around 25% of all SMEs surveyed, that is 90% of all users, have paid for the external services. 75% of the companies have paid only fairly small fees up to Rp 1 million. However, one quarter of the companies have paid consultant fees in the range of Rp 1 to 10 million, mainly for accounting, legal, taxation and business planning services. The share of companies that are willing to pay for specific services is drastically higher than the share of companies that have actually paid for BDS. Willingness to pay for BDS differs greatly according to the type of services. It is highest for marketing, promotion and financial services. It is lowest for legal services, production advice, computer services and communication and correspondence, i.e. those areas where assistance is primarily sought from friends, business colleagues, the government (legal services) or comes free of charge from technical suppliers (see Figure 33).

SME have only insufficient information about existing providers: Only around half of the SME surveyed knew about any advertising firm, marketing and financial consultants, and legal and tax advisers in their city. Only one quarter of SME knew about the existence of consultants on production and operation processes and for business planning. 14% of SME did not know about any external service provider. Knowledge about the existence of services was distinctly higher in Semarang than in Medan. Whether insufficient knowledge relates to a mere lack of information or indicates insufficient service supply remains to be established. In any case, given SMEs' high willingness to pay for BDS it is safe to assume the market for commercial BDS has high growth potential in Medan and Semarang (see Figure 34).

3 CONCLUSIONS

Results of the survey, which excluded micro enterprises, shed new light on common assumptions about small and medium enterprises:

- **SMEs are remarkably dynamic**. The majority of managers are young and well educated. Most SME have not been affected negatively by the economic crisis. Their future outlook is extremely optimistic.
- **SME do not expect preferential treatment** from the government, but rather security of their environment and good governance. There is high acceptance for taxes and public levies, provided payments are reasonable in relation to services received, and funds are managed transparently and contribute to local and regional development.
- **Compliance with existing regulations** concerning licensing and taxation is not uniform – while some entrepreneurs seem to evade on purpose, others complain on difficult procedures and bureaucratic practice. Although informal levies are not uncommon, the majority of SME are not experiencing major problems when dealing with public officials.
- With respect to **Business Development Services**, SME confine government's role to information on tax and legal matters. In addition to assistance from friends, business colleagues and the family, SME start using commercial services. **Willingness to pay for services is high**, but SME have only insufficient information on existing services and providers. The market is still small but has high growth potential.
- While SMEs have a remarkable choice of increasing their investment and working capital with funds from third parties, there is considerable **unfulfilled demand for bank loans and leasing services**.
- **Female-led SME have outperformed** many of their male colleagues during the last years. Women entrepreneurs tend to be more realistic, accurate and cautious than their male counterparts. However, even when including the sizeable number of women co-managing their husband's enterprise, women are clearly underrepresented among SME managers and owners.
- Regarding the **specific constraints** female entrepreneurs face, it becomes obvious that it is not law or regulations, but the underlying cultural values, which mainly contribute to women's disadvantaged position in SME. Women's work is invisible; they are facing double and triple burdens, having less access and control over resources and are less involved in decision-making processes.

Regular update on SME and gender development trends is required.

In order to establish a sound basis for policymaking, regular data collection and monitoring of development trends is recommended. Future surveys should clearly distinguish between micro enterprises and SME, and provide gender-disaggregated data, including data on spouses holding management functions in the husband's enterprise.

In view of the overall need to streamline and reduce licensing requirements, only basic gender data should be collected during registration. Data is better collected in the framework of specific surveys. Aside from the regular SME surveys carried out by the Indonesian statistical office, gender-specific SME surveys may be carried out in cooperation with business associations.

4 ANNEX 1: TABLES

Table 1: Manager employed by Years in Business

Years in business	Manager employed: No	Manager employed: Yes	Total
< 2	39 67%	19 33%	58 100%
2 - 5	56 67%	27 33%	83 100%
5 - 10	87 70%	38 30%	125 100%
10 >	149 69%	67 31%	216 100%
Total	331 69%	151 31%	482 100%

Table 2: Age of Manager by Years in Business

Years in business	Age of Manager: <30	31-35	36-40	41-45	45-50	51+	Total
< 2	19 33%	18 31%	13 22%	3 5%	2 3%	3 5%	58 100%
2 - 5	30 36%	22 27%	15 19%	9 11%	5 6%	2 2%	83 100%
5 - 10	22 18%	27 22%	31 25%	20 16%	10 8%	15 12%	125 100%
10 >	30 14%	26 12%	35 16%	36 17%	44 20%	45 21%	216 100%
Total	101 21%	93 19%	94 20%	68 14%	61 13%	65 13%	482 100%

Table 3: Past Development by Sector

SECTOR	Past Development			Total
	better	no change	worse	
Manufacturing	57 47%	34 28%	30 25%	121 100%
Services	62 52%	37 31%	21 17%	120 100%
Wholes, Retail, Rest & Accom.	56 47%	45 36%	19 16%	120 100%
Transp, Stor, Commun	53 44%	34 28%	34 28%	121 100%
Total	228 47%	150 31%	104 22%	482 100%

Table 4: Future Development by Sector

Future development	SECTOR				Total
	Manufacturing	Services	Wholes, Retail, Rest & Accom.	Transp, Stor, Commun	
better	70 24%	81 28%	73 25%	64 22%	288 100%
no change	38 25%	33 21%	40 26%	44 28%	155 100%
worse	13 33%	6 15%	7 18%	13 33%	39 100%
Total	121 25%	120 25%	120 25%	121 25%	482 100%

Table 5: Interest in expanding Enterprise by Sector

Interest in expanding business	**SECTOR**				**Total**
	Manufacturing	**Services**	**Wholes, Retail, Rest & Accom.**	**Transp, Stor, Commun**	
Yes	90 74%	91 76%	77 64%	78 64%	336
No	31 26%	29 24%	43 36%	43 36%	146
Total	121 100%	120 100%	120 100%	121 100%	482

Table 6: Past Development by Age of Manager

Age of Manager	**Past Development**			**Total**
	Better	**no change**	**worse**	
<30	49 49%	32 31%	20 20%	101 100%
31-35	52 56%	28 30%	13 14%	93 100%
36-40	58 62%	21 22%	15 16%	94 100%
41-45	26 38%	27 40%	15 22%	68 100%
45-50	23 38%	20 33%	18 29%	61 100%
51+	20 31%	22 34%	23 35%	65 100%
Total	228 47%	150 31%	104 22%	482 100%

Table 7: Past Development by Education of Manager

Education of Manager	Past Development			Total
	better	no change	worse	
Primary school	29 52%	12 21%	15 27%	56 100%
Secondary school	25 39%	19 29%	21 32%	65 100%
High school degree	83 44%	71 37%	36 19%	190 100%
University degree	91 53%	48 28%	32 19%	171 100%
Total	228 47%	150 31%	104 22%	482 100%

Table 8: Business Licenses

	Frequency	Percent
No License	124	26%
License Problems	63	13%
No problems, because paid and had contacts	16	3%
No problems, because paid	52	11%
No problems, because had contacts	78	16%
No problems	149	31%
Total	482	100%

Table 9: Tax Payment by Education of Manager

Taxes Paid	Education of Manager				Total
	Primary school	Secondary school	High school degree	University degree	
Neither VAT nor income tax	44 19%	41 17%	93 40%	57 24%	235 100%
Income tax, no VAT	4 6%	9 13%	30 44%	25 37%	68 100%
VAT, no income tax	4 9%	4 9%	18 42%	17 40%	43 100%
Income tax and VAT	4 3%	11 8%	49 36%	72 53%	136 100%
Total	56 12%	65 13%	190 39%	171 35%	482 100%

Table 10: Credit Demand by Gender of Manager

Manager by gender	Credit demand				Total
	no credit needed	credit received	credit needed not applied	applied credit not received	
male	108 35%	59 19%	94 31%	47 15%	308 100%
female	39 49%	13 16%	22 28%	6 8%	80 100%
couple	31 33%	25 27%	26 28%	12 13%	94 100%
Total	178 37%	97 20%	142 29%	65 13%	482 100%

Table 11: Tax Payment by Gender of Manager

Manager by gender	Tax payment: Neither VAT nor income tax	Income tax, no VAT	VAT, no income tax	Income tax and VAT	Total
male	156 51%	39 13%	24 8%	89 29%	308 100%
female	32 40%	13 16%	10 13%	25 31%	80 100%
couple	47 50%	16 17%	9 10%	22 23%	94 100%
Total	235 49%	68 14%	43 9%	136 28%	482 100%

Table 12: Number of Employees by Gender of Manager

Manager by gender	Employees categorized: 5-6	7-9	10-14	15-19	20-25	26+	Total
male	91 30%	70 23%	56 18%	24 8%	38 12%	29 9%	308 100%
female	30 38%	18 23%	11 14%	5 6%	9 11%	7 9%	80 100%
couple	24 26%	23 24%	19 20%	5 5%	7 7%	16 17%	94 100%
Total	145 30%	111 23%	86 18%	34 7%	54 11%	52 11%	482 100%

5 ANNEX 2: FIGURES

Figure 1: Years in Business

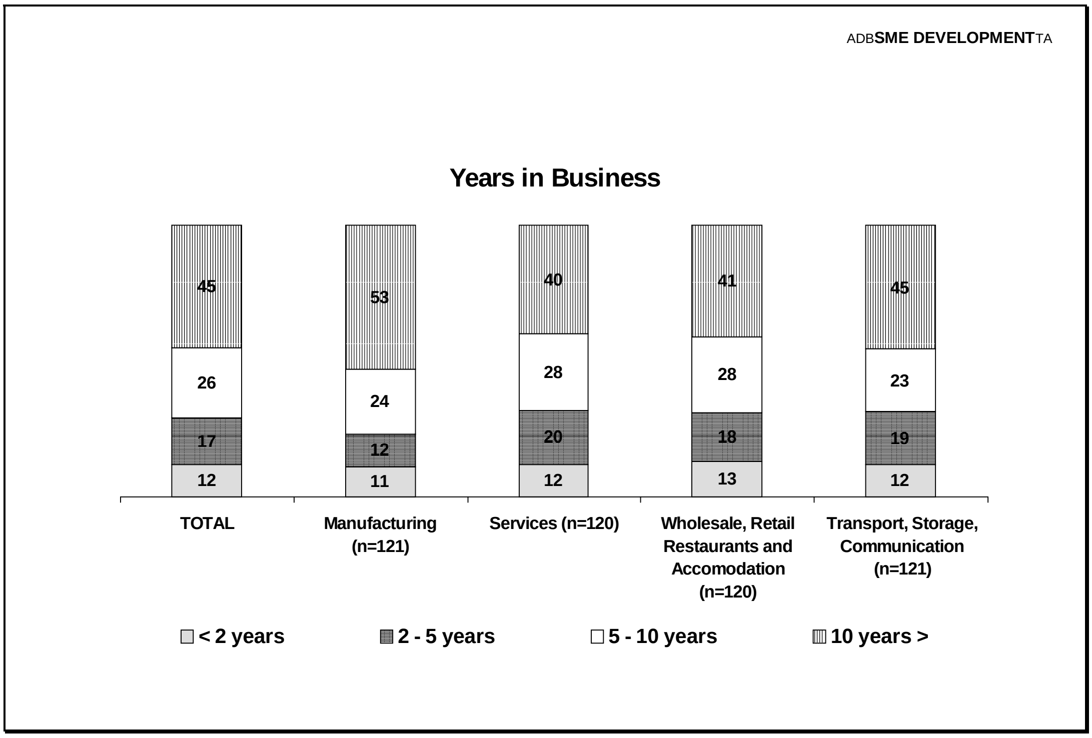

Figure 2: Development of Enterprise

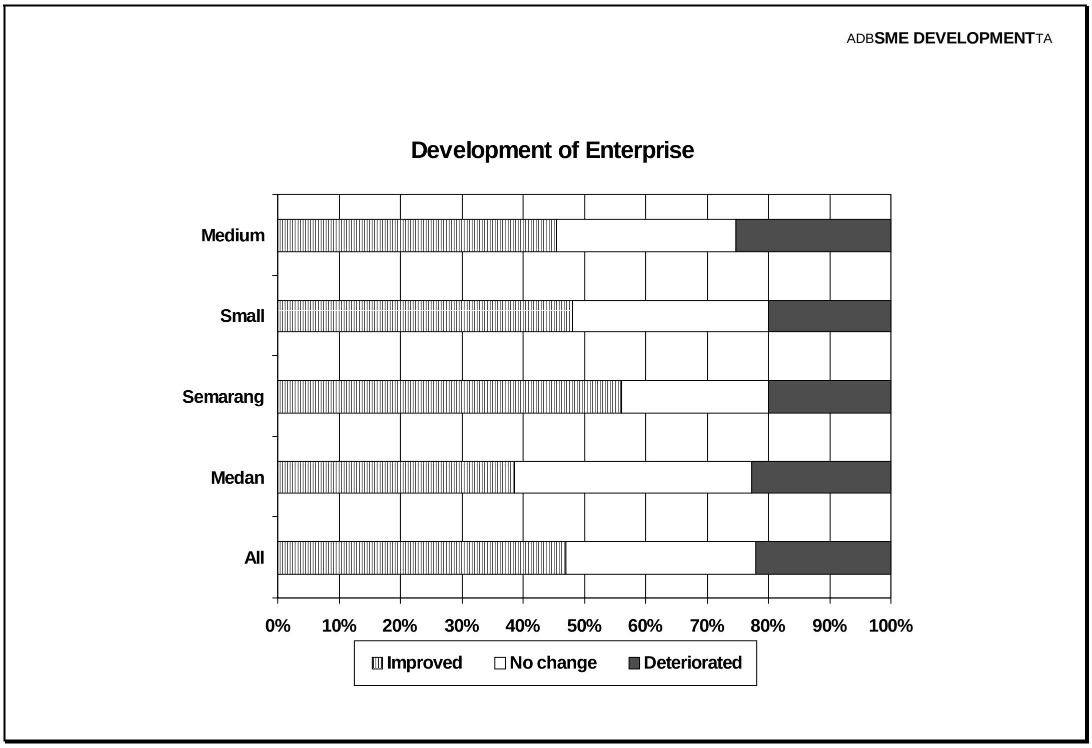

Figure 3: Age of Managers

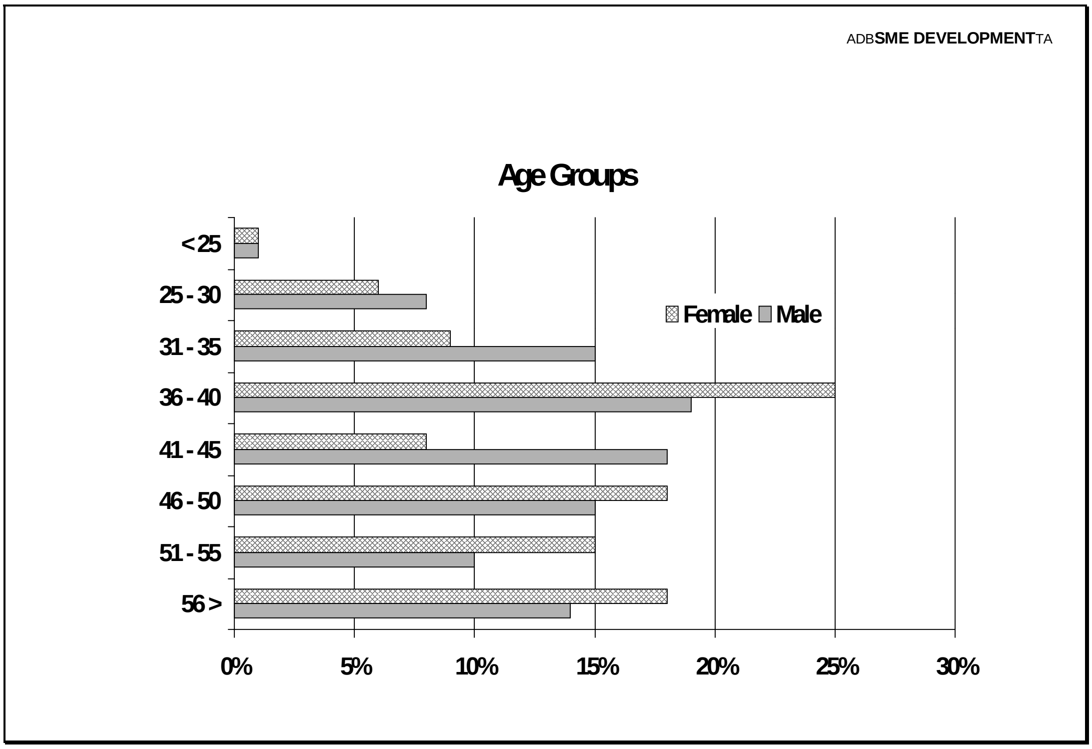

Figure 4: Education of Managers

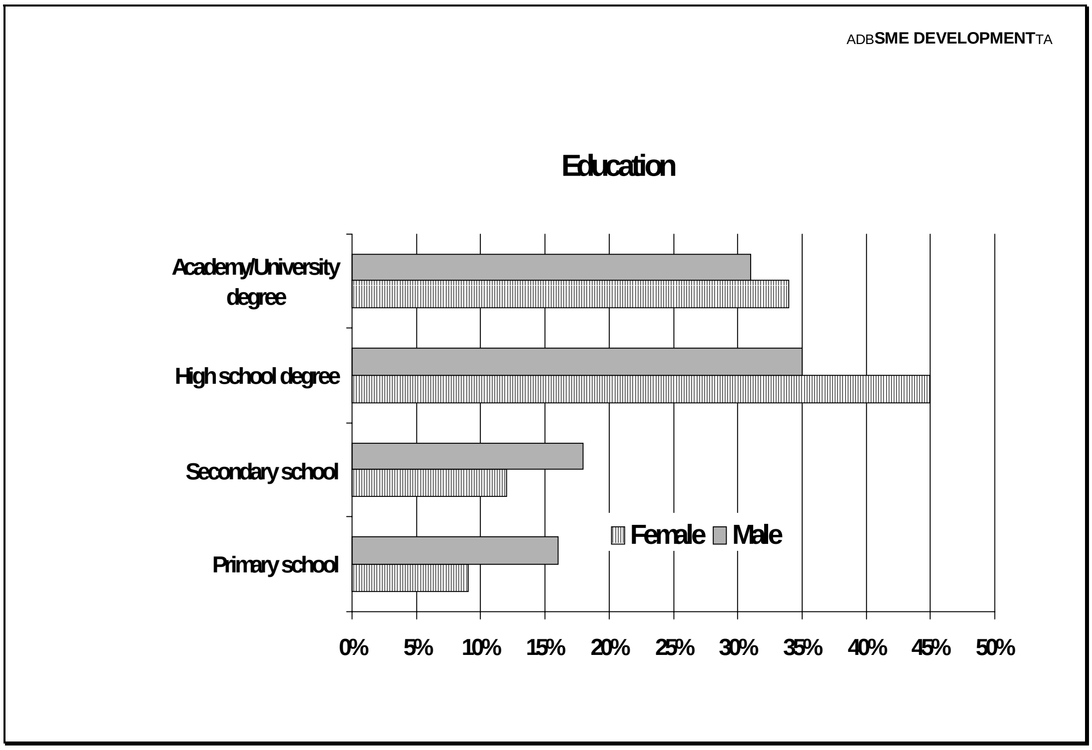

Figure 5: Future Business Development

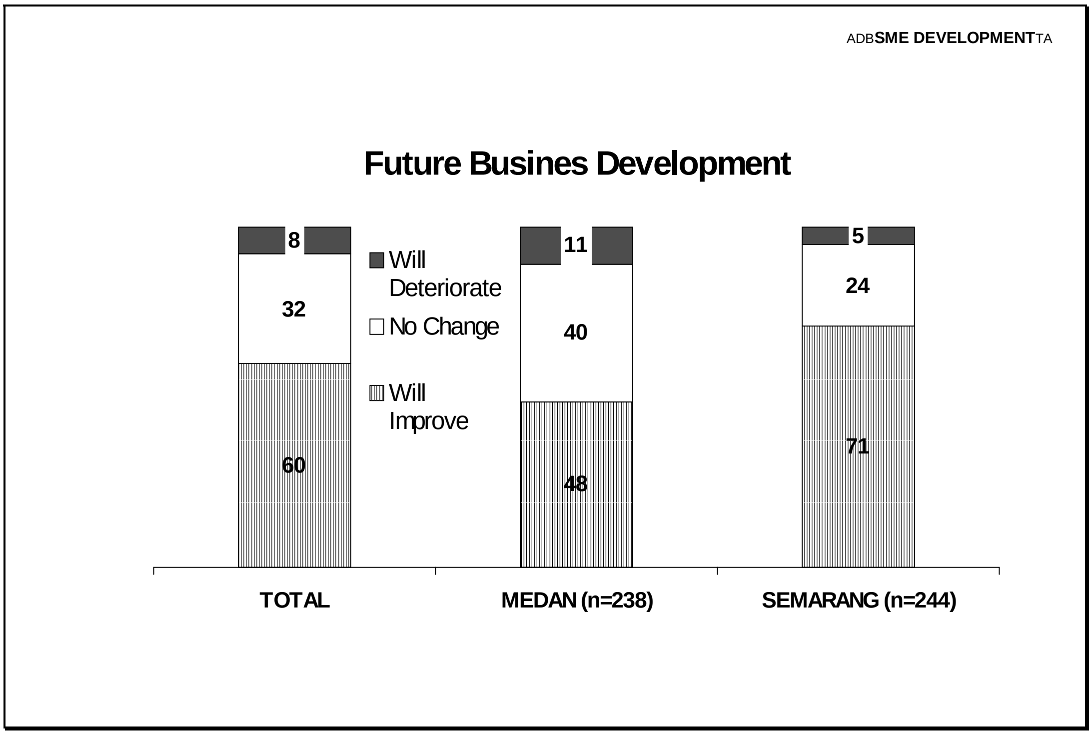

Figure 6: Interest in expanding Business

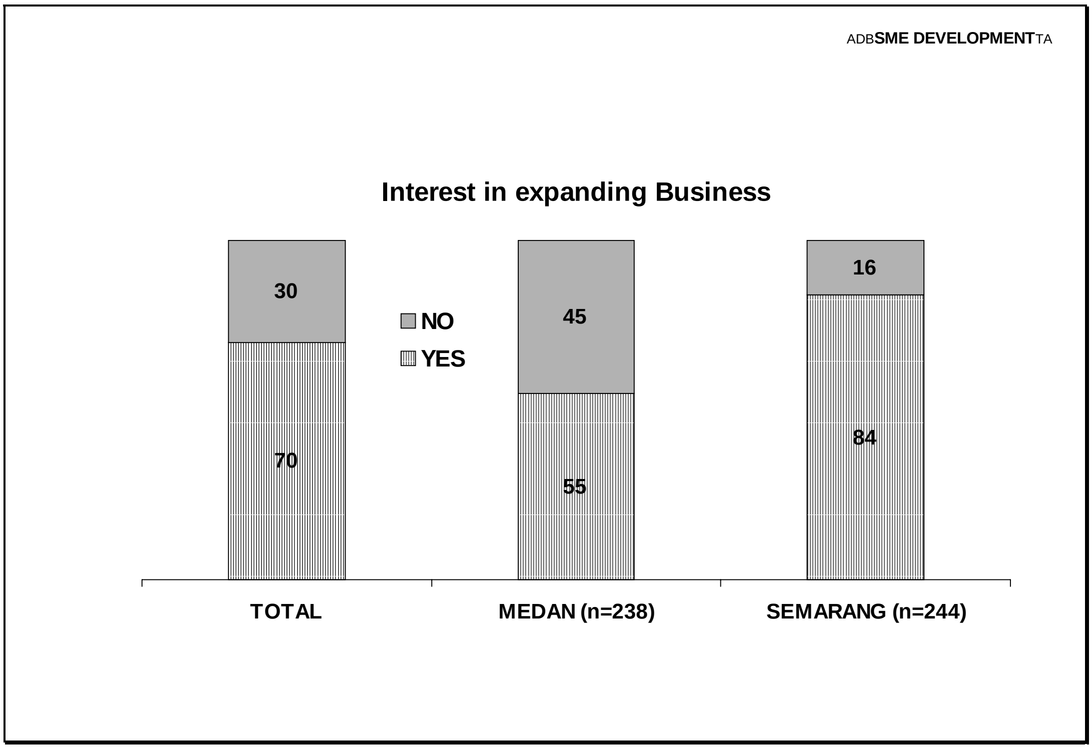

Figure 7: Supporting Factors

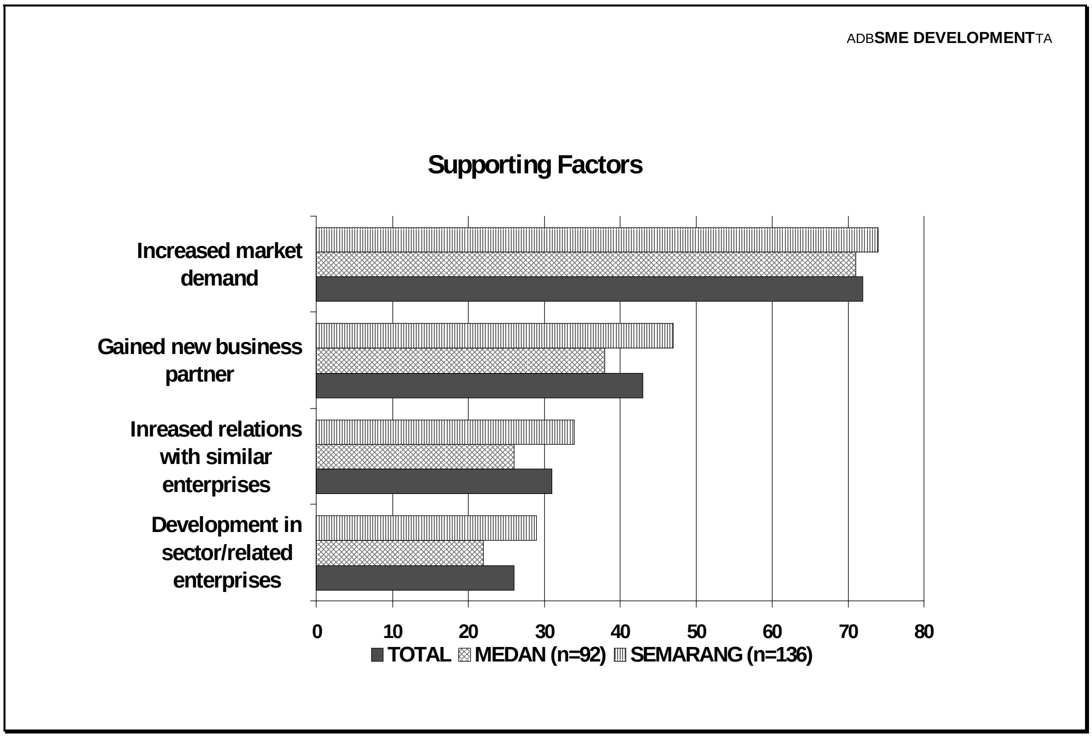

Figure 8: Hampering Factors

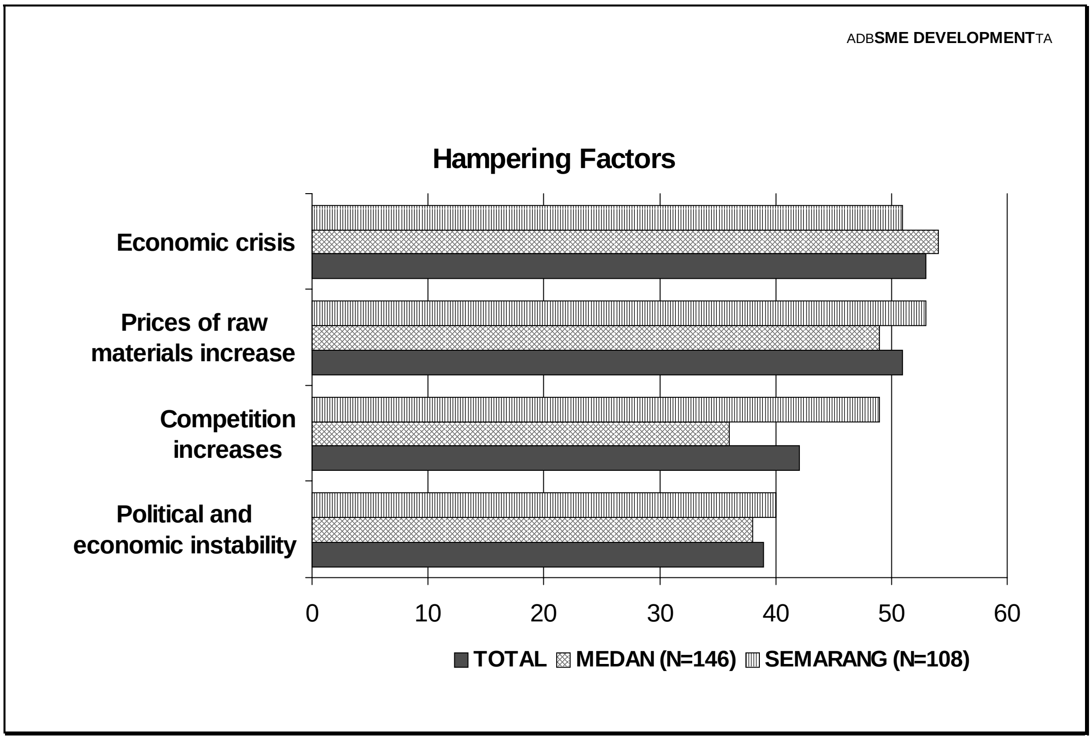

Figure 9: Production for local market

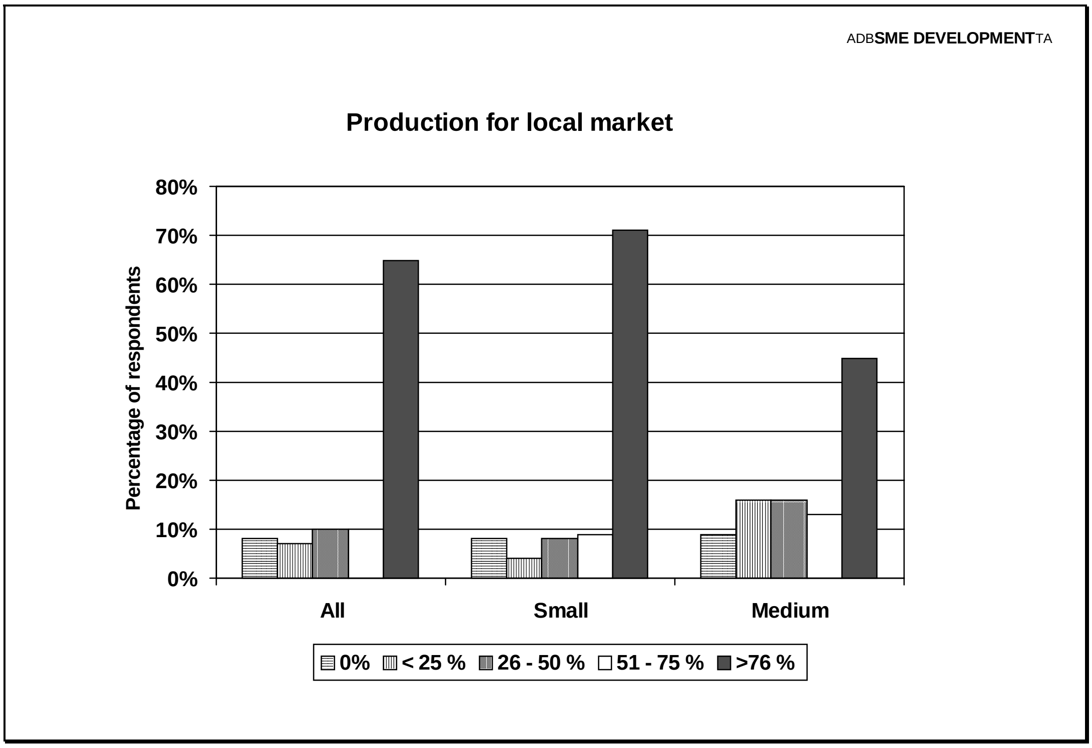

Figure 10: Effects of Decentralization

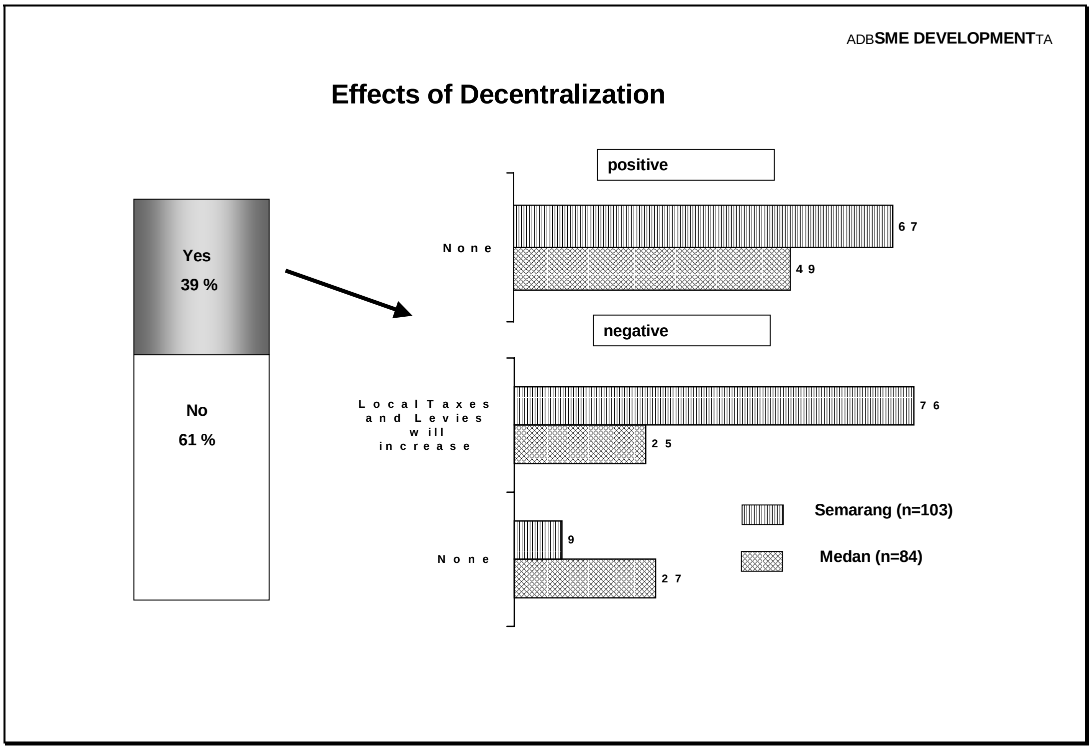

Figure 11: Responsibilities of Government

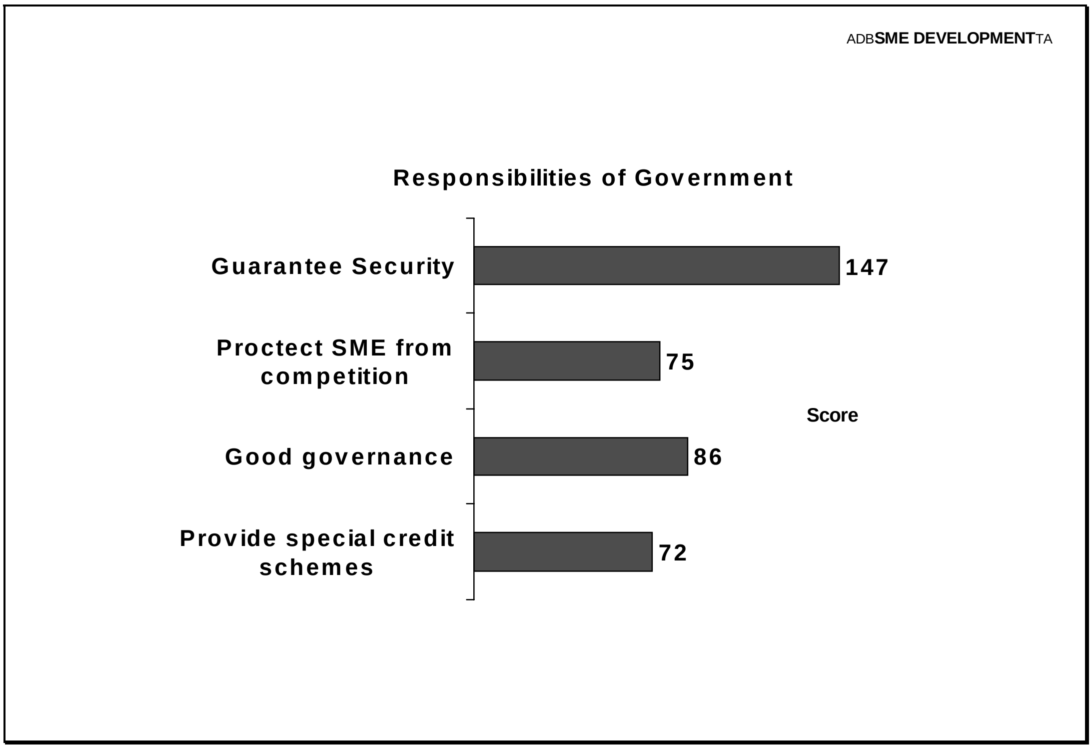

Figure 12: Performance of Government

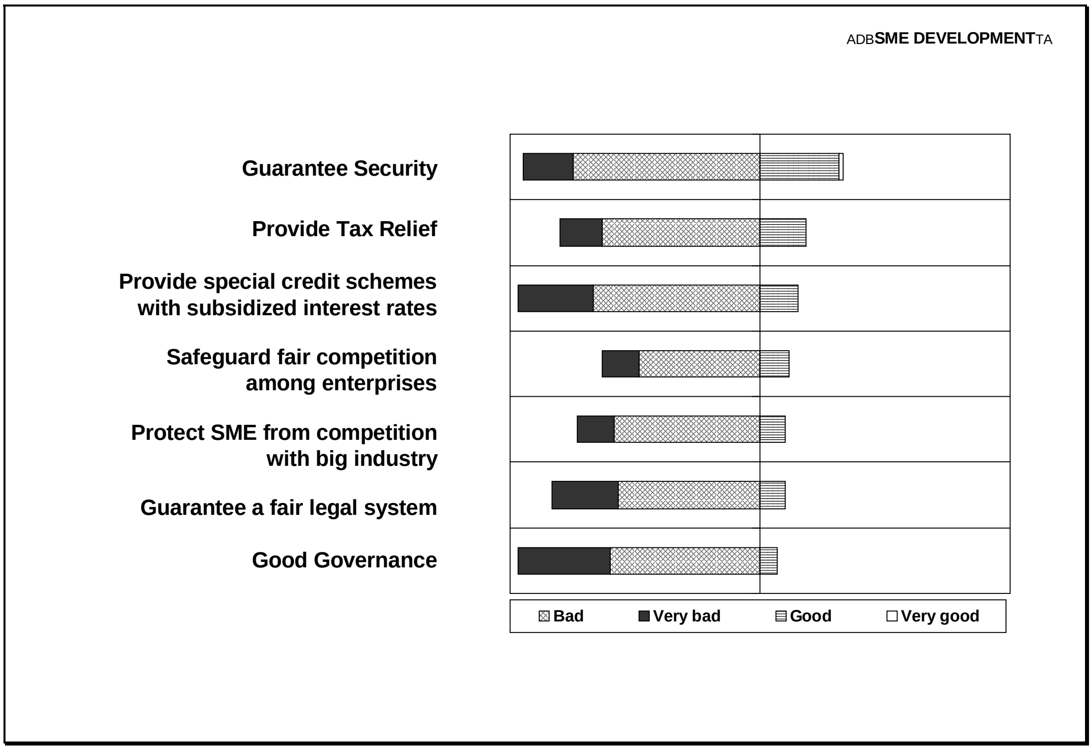

Figure 13: Business Licenses

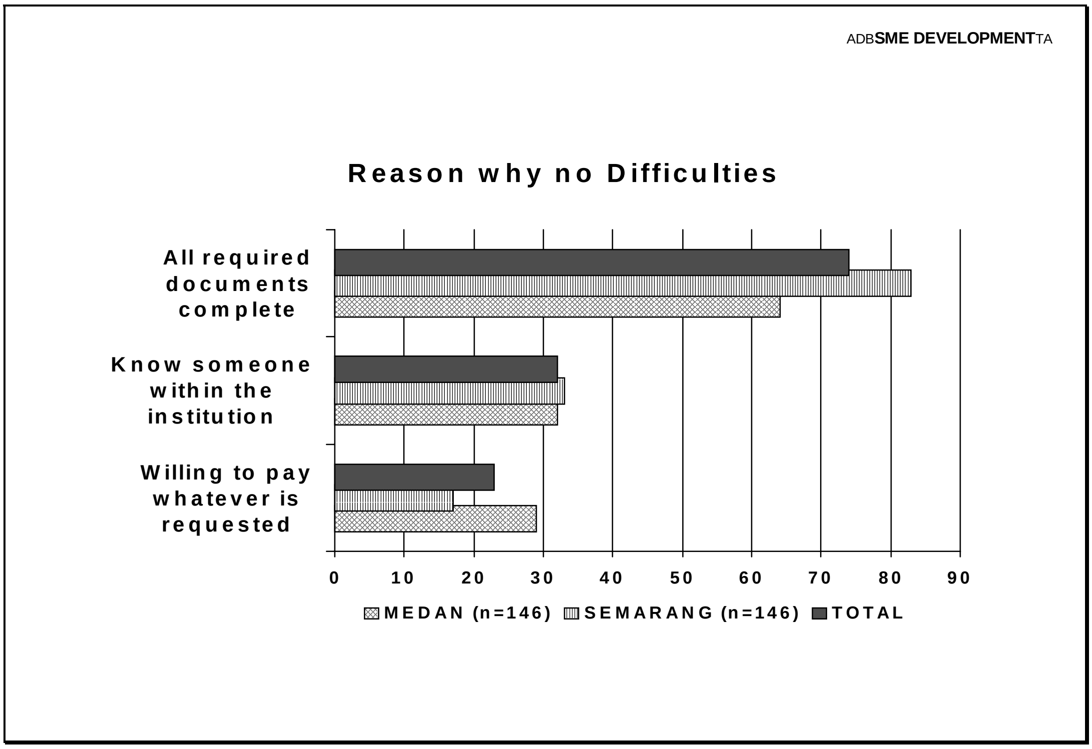

Figure 14: Difficulties faced

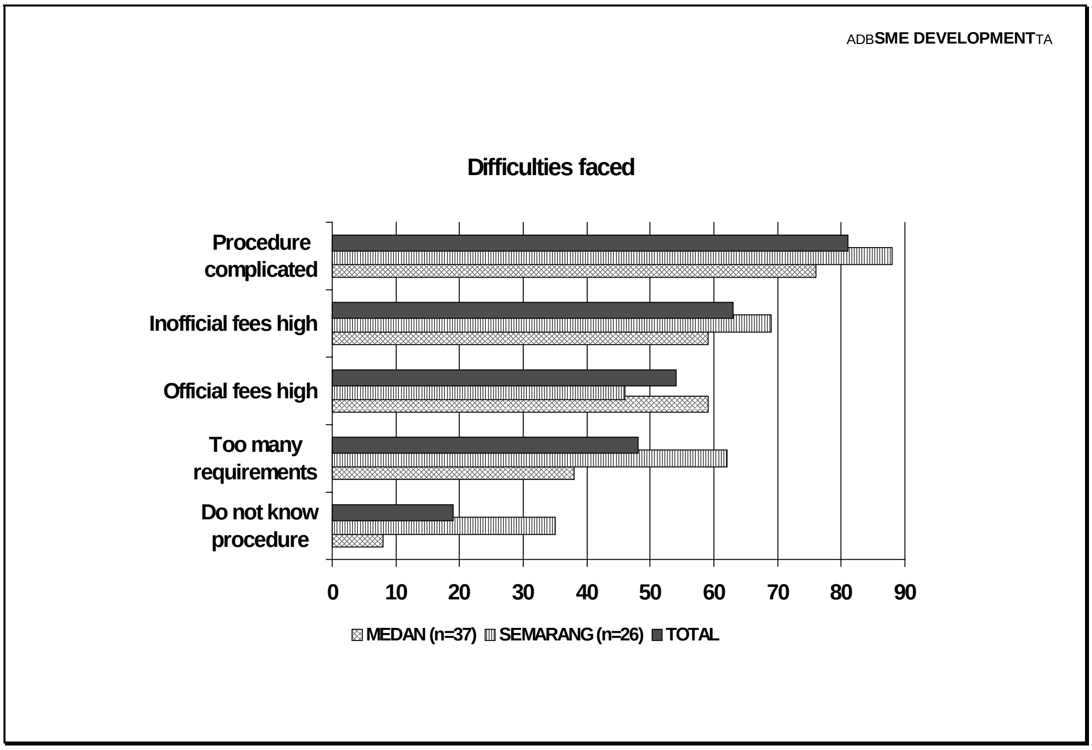

Figure 15: Knowledge of Tax Regulations

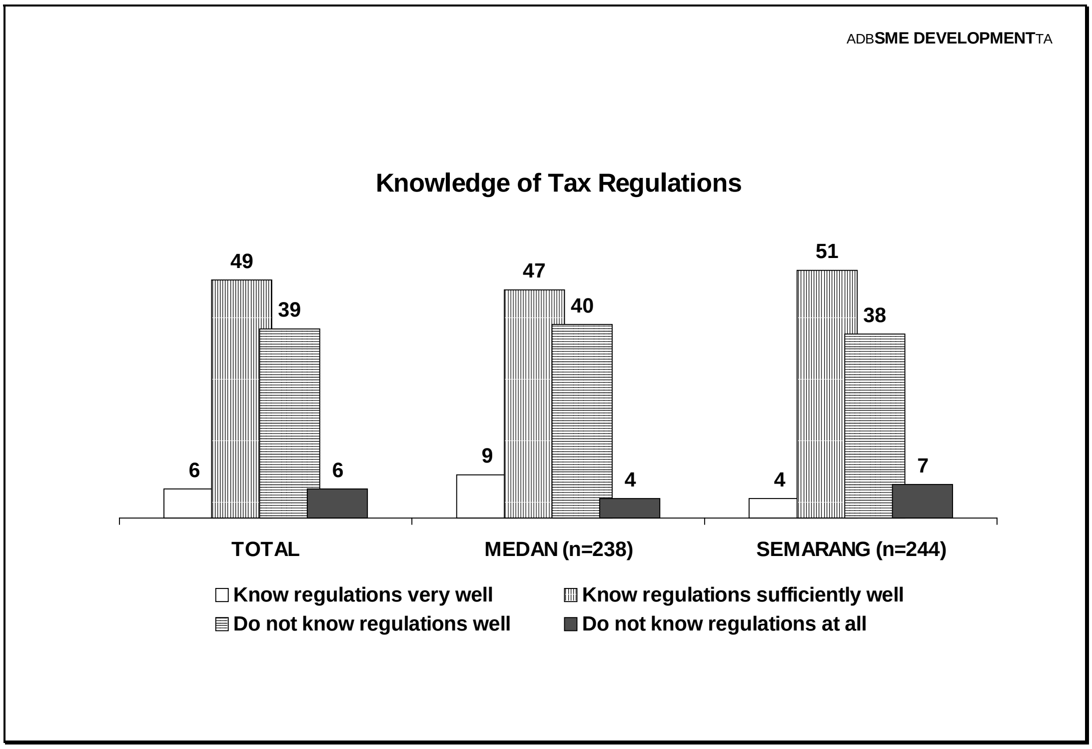

Figure 16: Taxes known

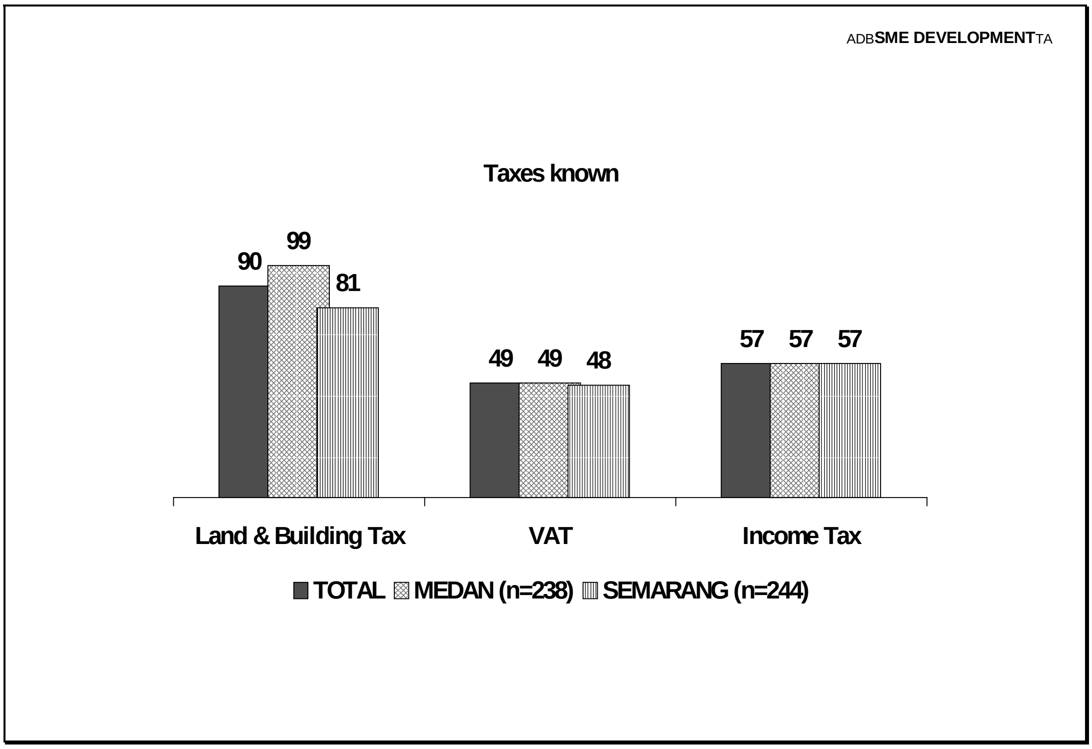

Figure 17: Taxes paid

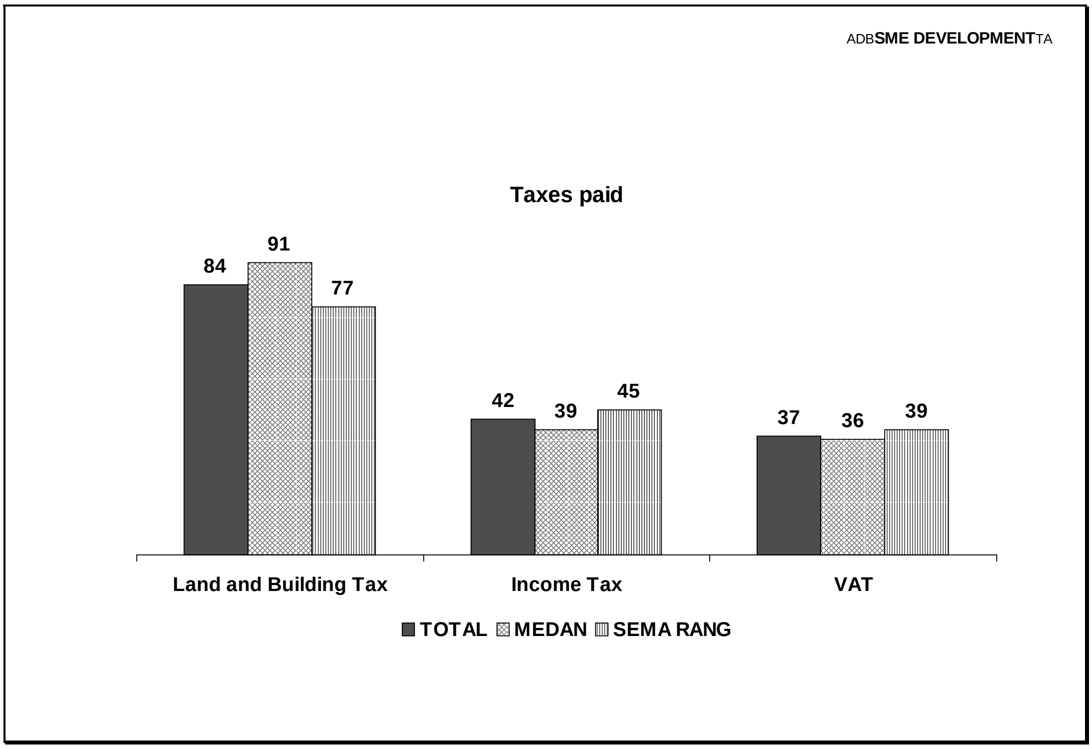

Figure 18: Reasons for not paying Taxes

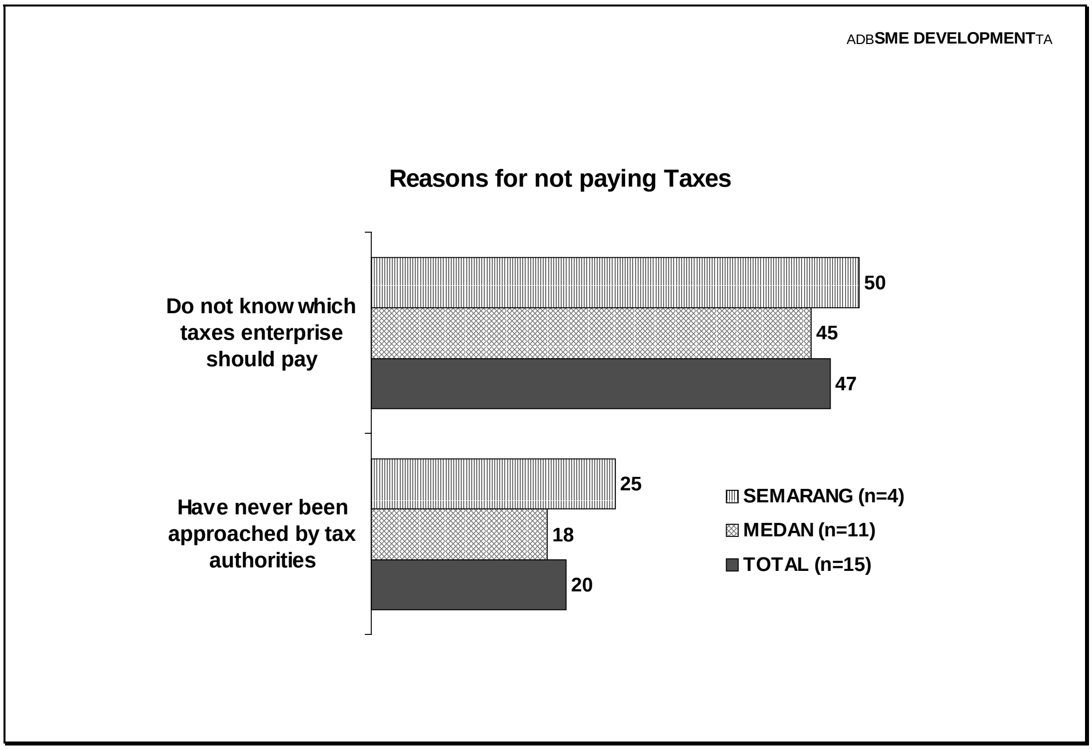

Figure 19: Opinions about taxes and levies

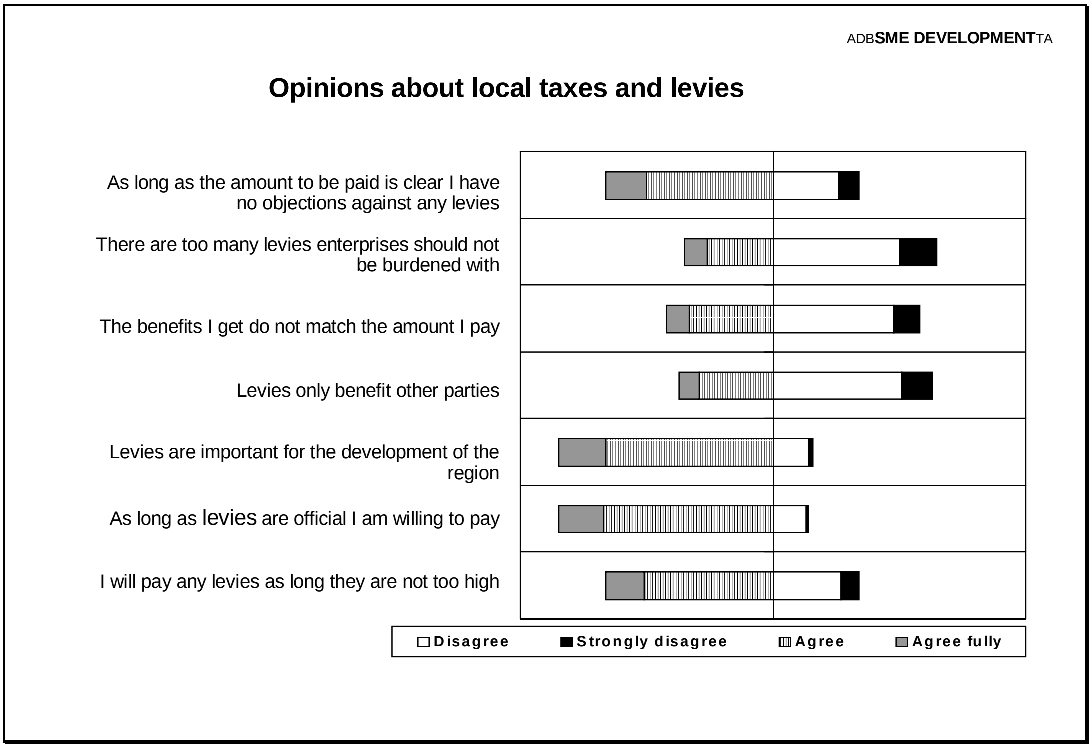

Figure 20: Known Business Associations

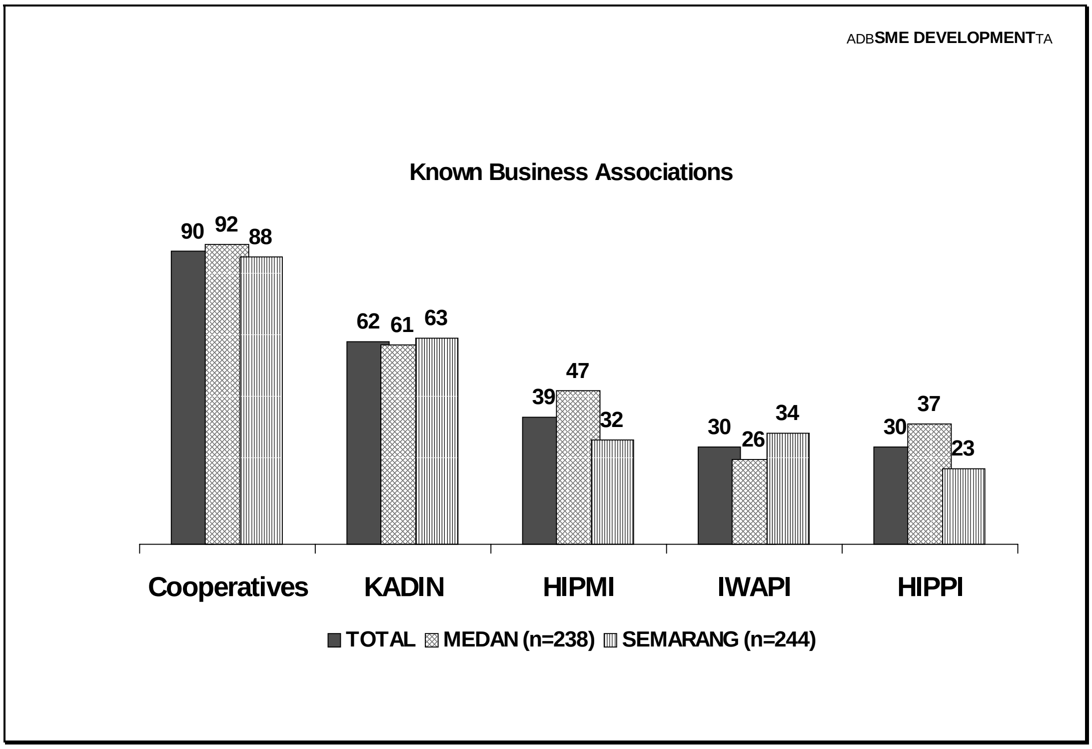

Figure 21: Membership in Business Associations

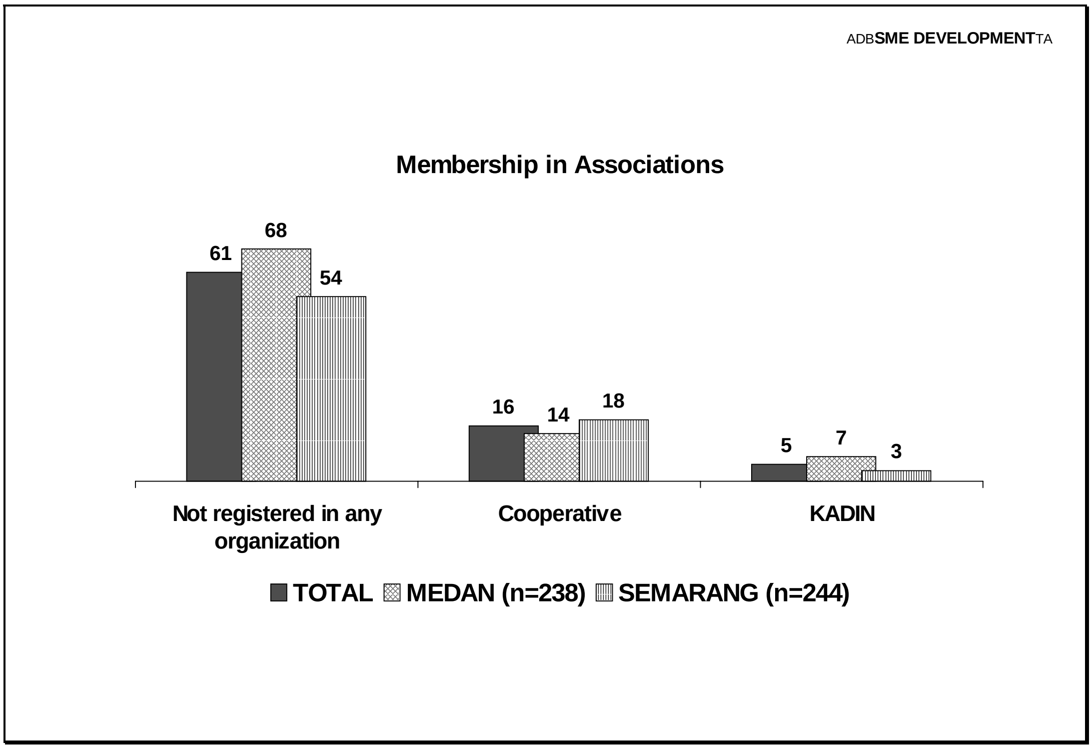

Figure 22: Advantage of Membership in Associations

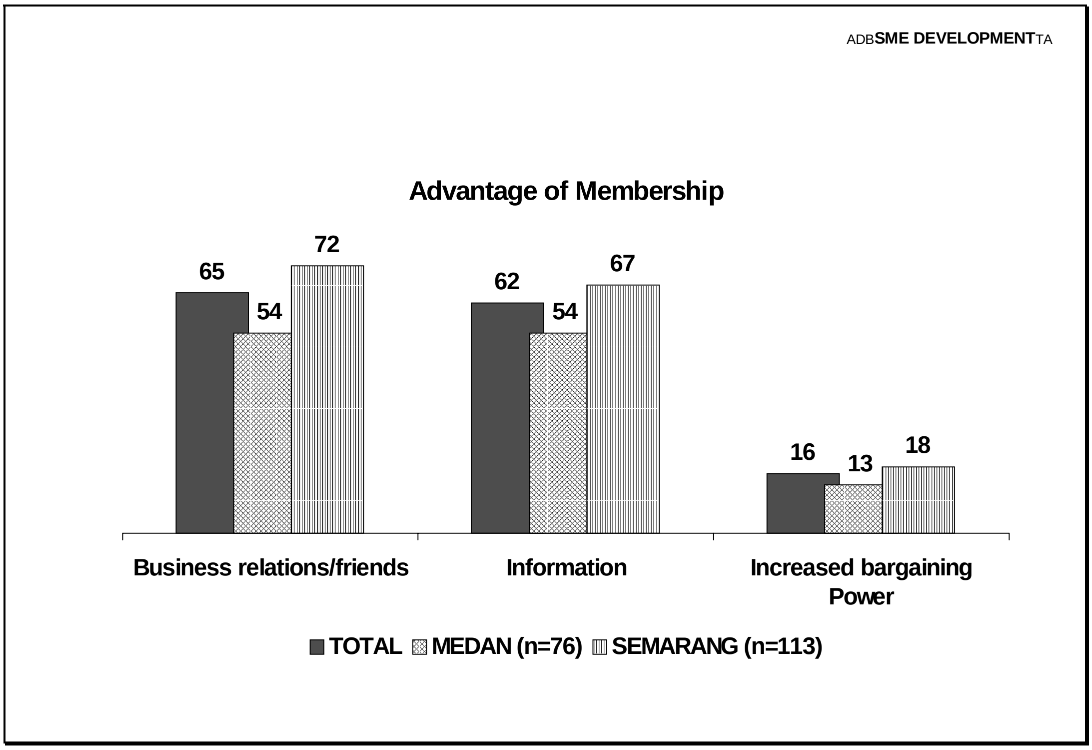

Figure 23: Representation of SME Interests

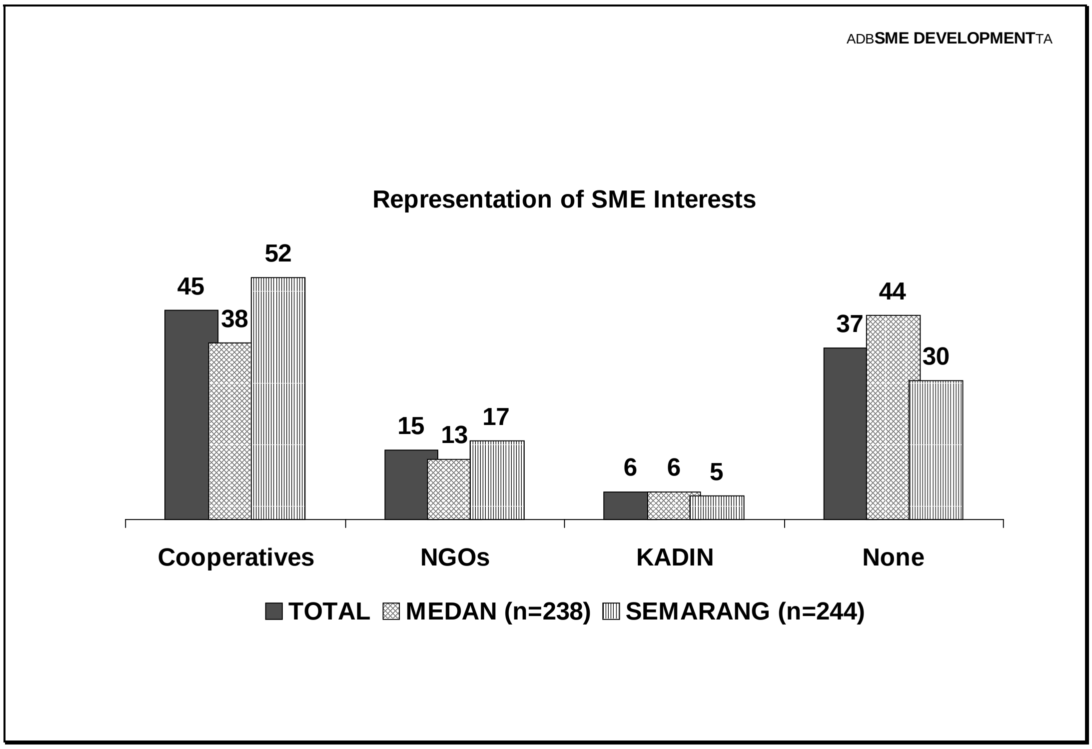

Figure 24: Occupation of Spouse

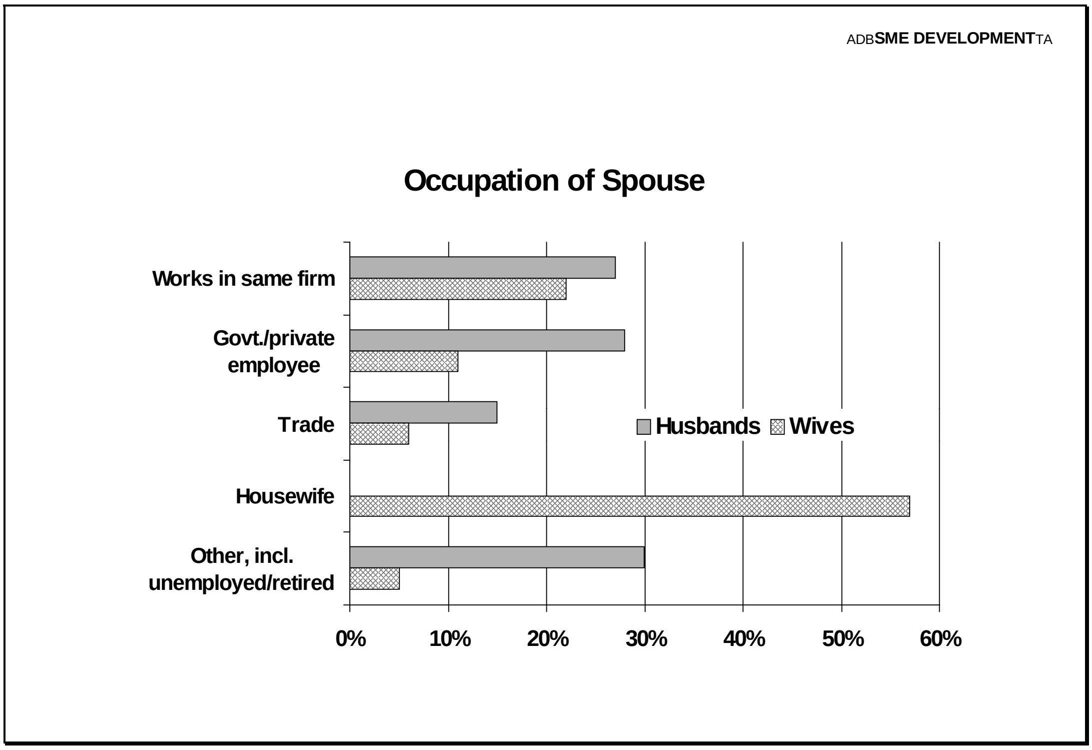

Figure 25: Sources of Finance

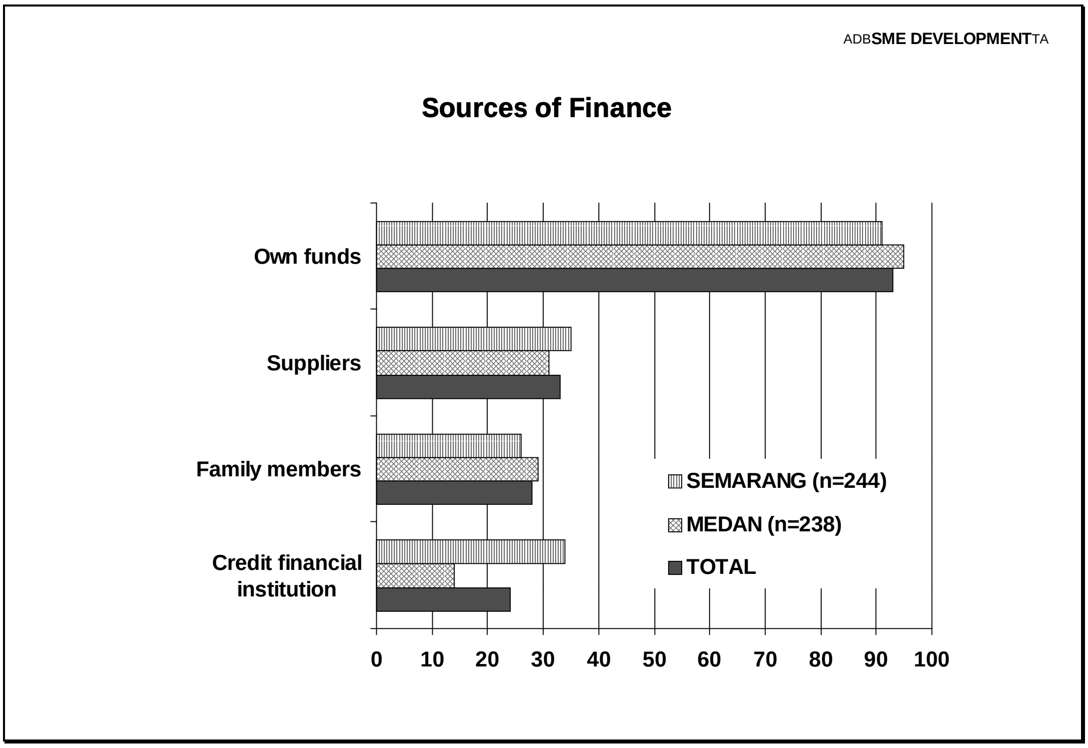

Figure 26: Credit Demand

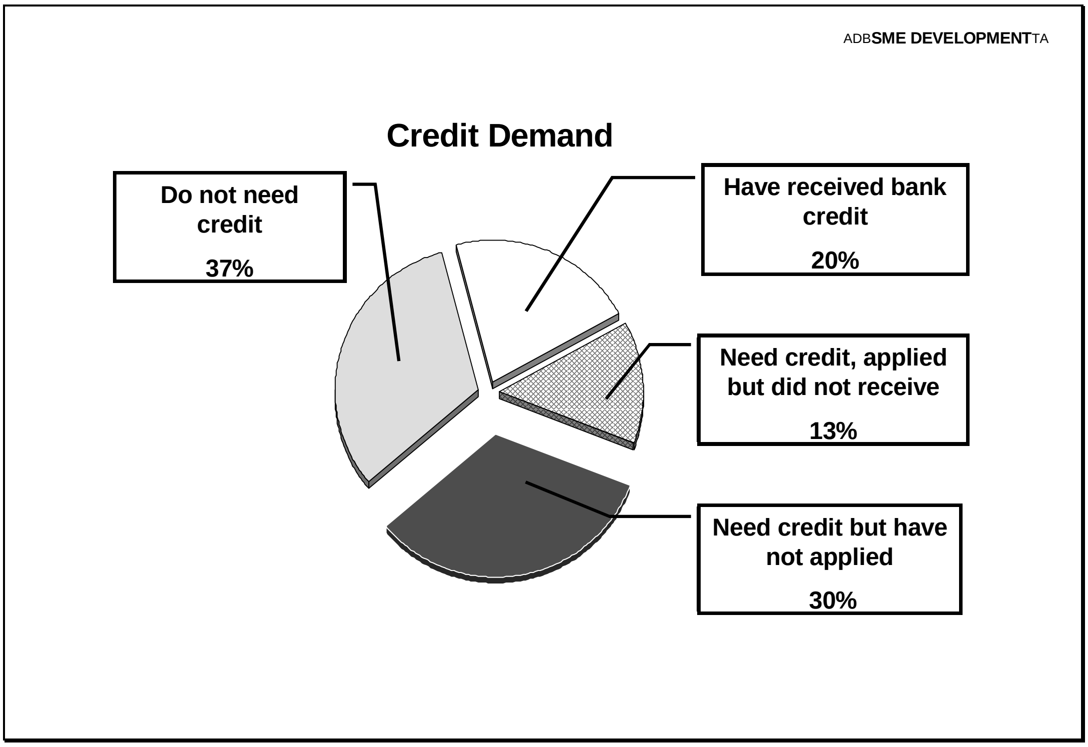

Figure 27: Reason for not applying for Bank Loan

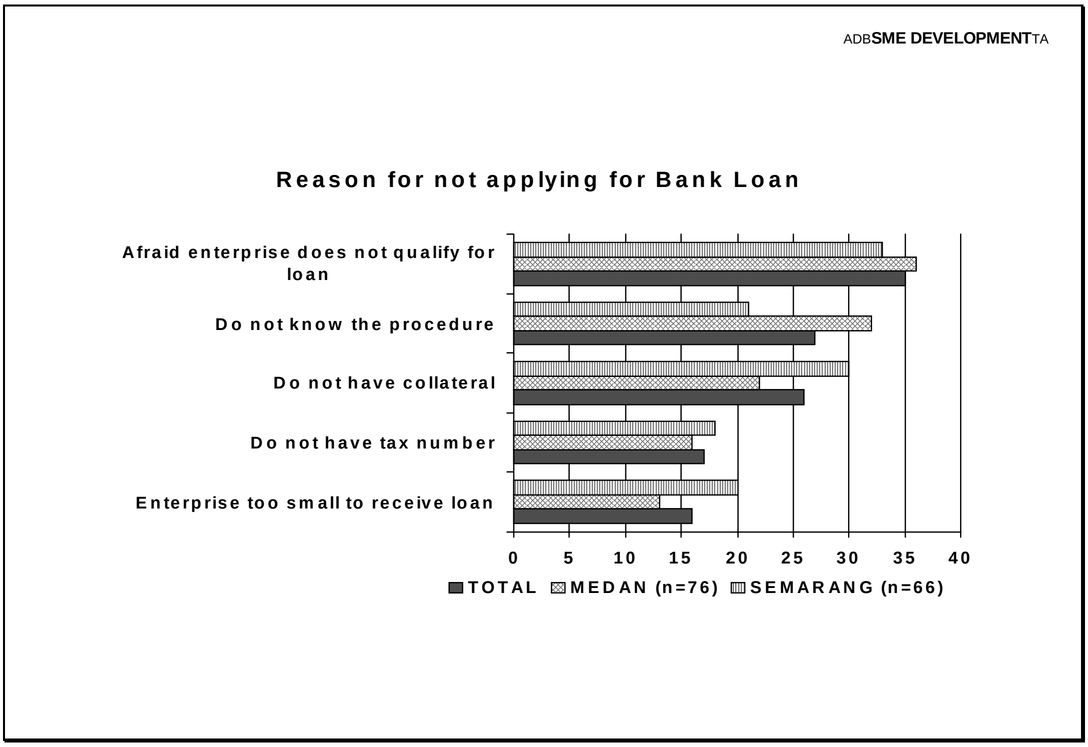

Figure 28: Reasons for not needing Bank Loan

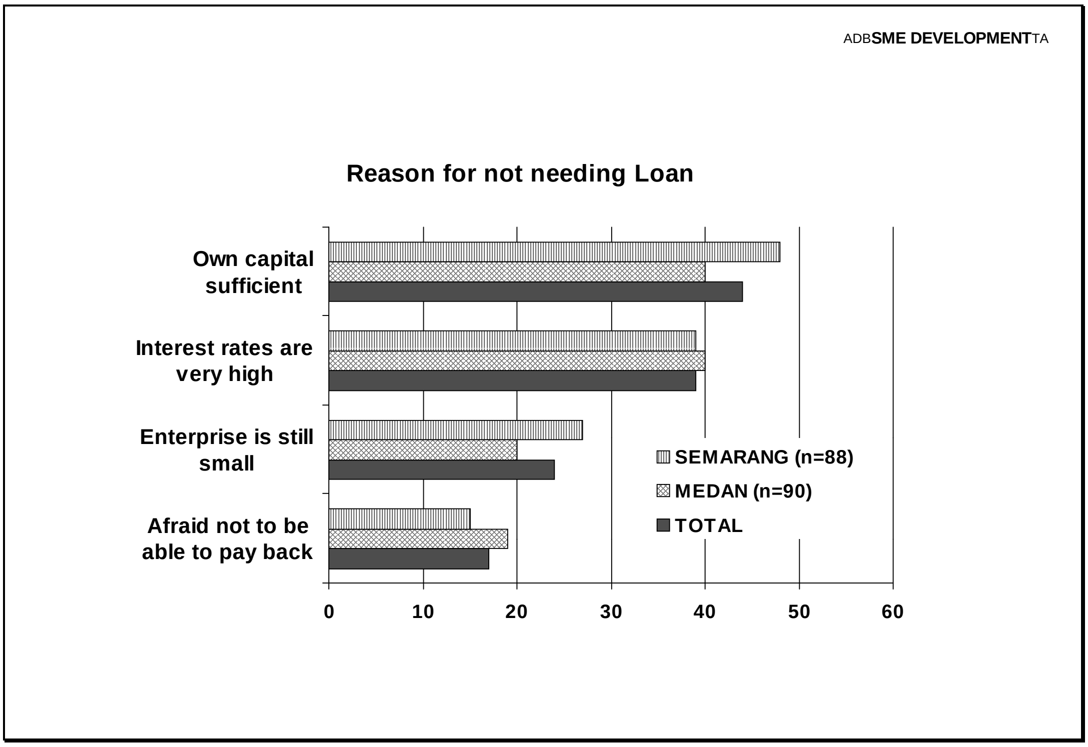

Figure 29: Banks providing Loans

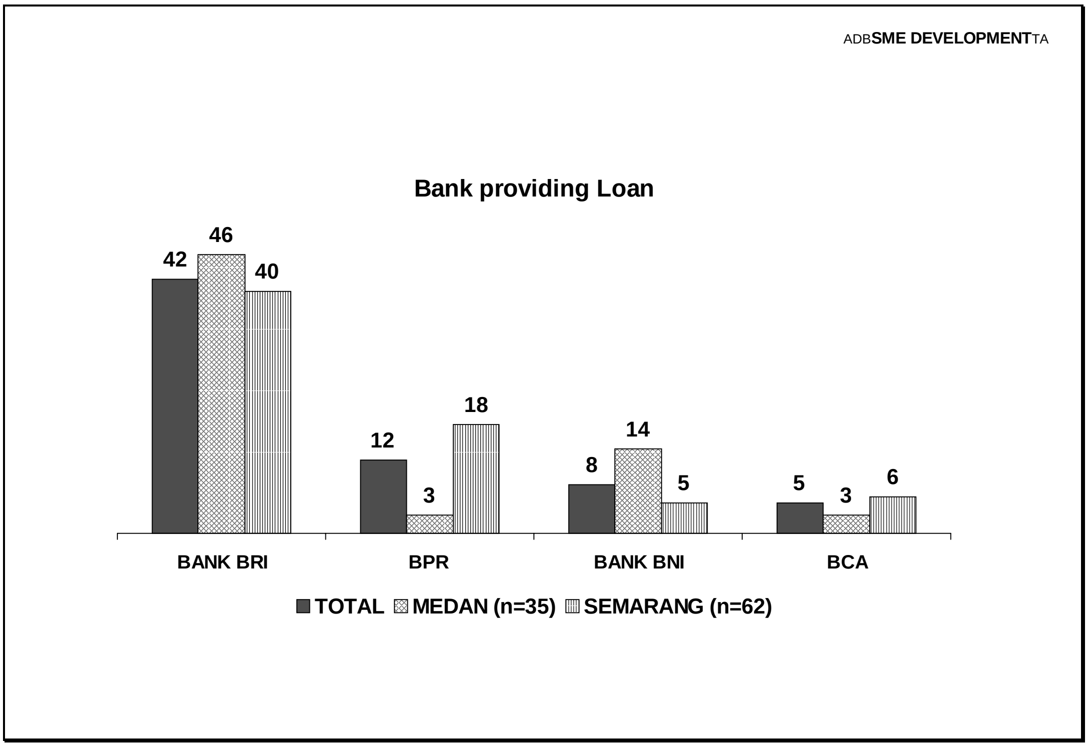

Figure 30: Reason for choosing Bank

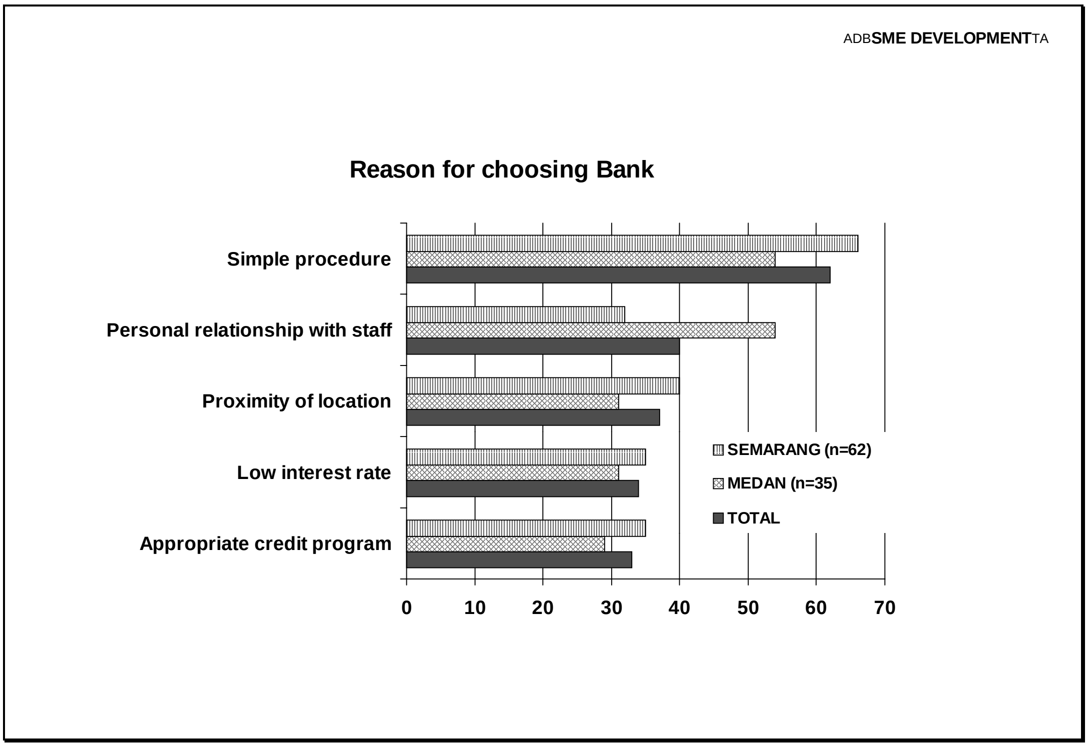

Figure 31: Assistance in Problem Solving

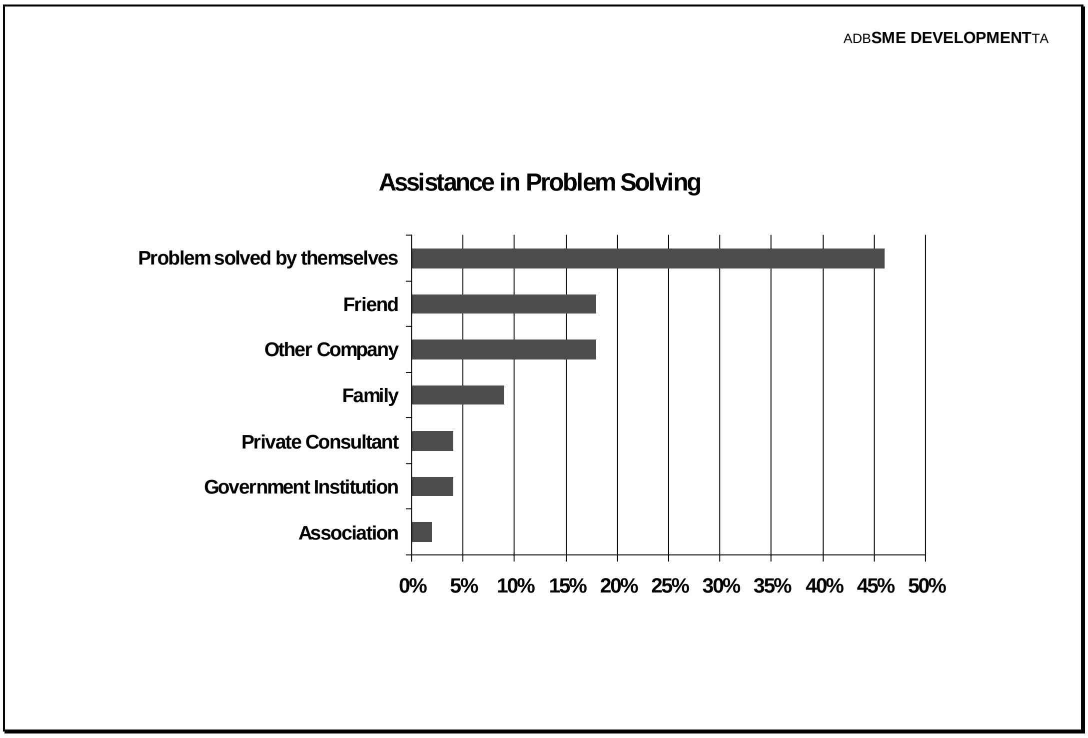

Figure 32: Problem Solving

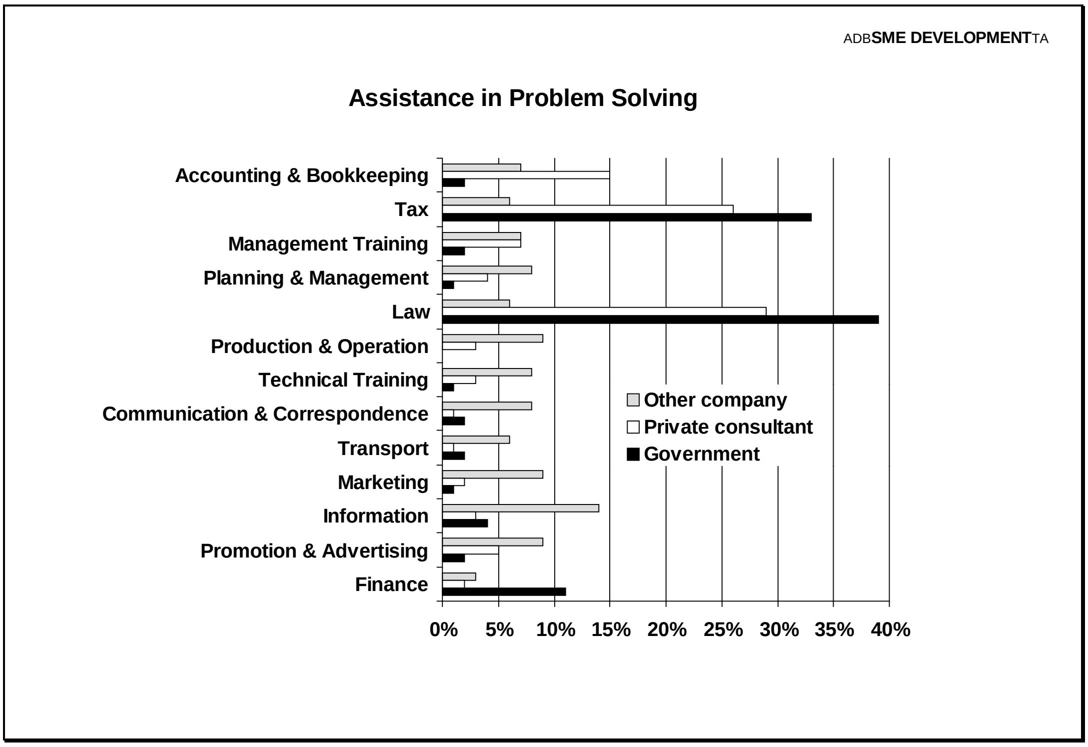

Figure 33: Willingness to pay for BDS

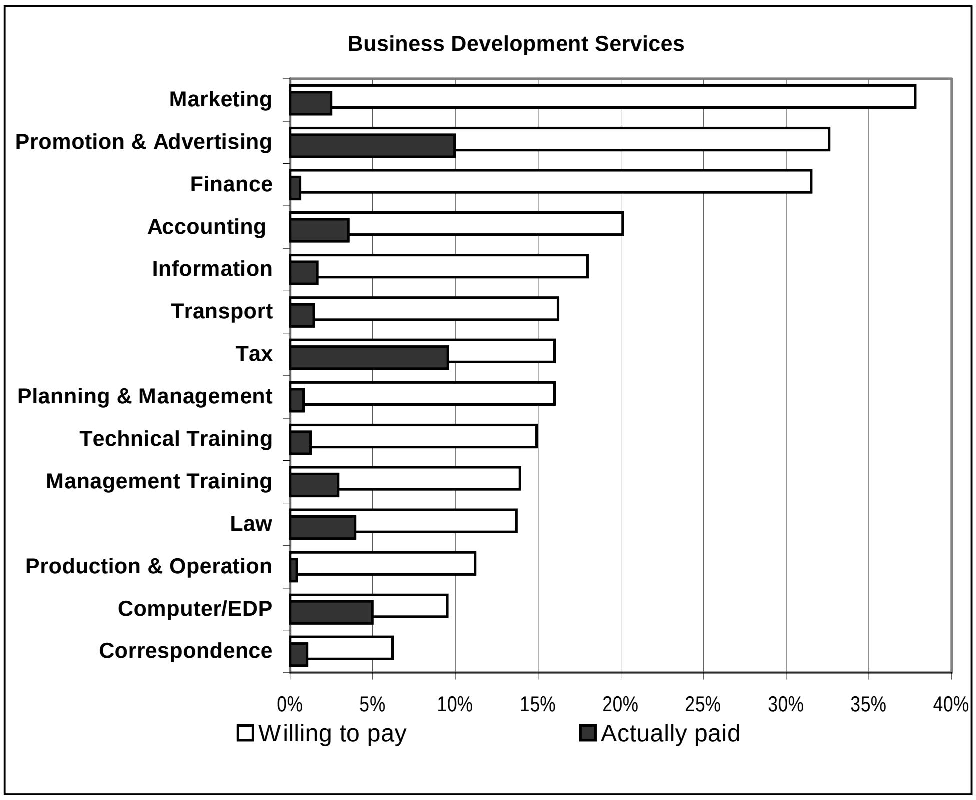

Figure 34: Information about BDS