

# Mobilizing capital for women-owned agri-SMEs in Indonesia



CROSSBOUNDARY



Briefing memo

The World Business Council for Sustainable Development (WBCSD), Grow Asia, Just Rural Transition (JRT) initiative, and CrossBoundary are hosting an initiative focused on mobilizing capital for women-owned small- and medium-sized agricultural enterprises (agri-SMEs) in Indonesia. Strengthening the investability of Indonesia's women-led agri-SMEs creates substantial social impact to foster a just rural transition and holds great potential for value creation and sustainable commercial scaling.

This initiative is intended to generate momentum around gender-lens investing in the lead-up to November's G20 Summit in Jakarta, which will feature 'B20' [Women in Business Action Council](#) and 'W20' Dialogue Forum with Women initiatives. To this effect, this program aims to:

- Promote understanding of the diversity and growth potential of Indonesia's women-owned agri-SMEs, and how private capital can help close the equity gap for Indonesian women;
- Identify the financing and technical assistance needs of Indonesia's women agripreneurs in the context of actual or perceived barriers and constraints to investment in the sector while offering strategies to overcome the costs and information asymmetries that impede investment, growth and enhanced impact;
- Facilitate investor access and introductions to women agripreneurs (entrepreneurs in the agribusiness sector) to promote commercial growth and financial returns alongside strong social and environmental outcomes; and
- Provide women agripreneurs a chance to meet, pitch and network with investors and service providers through a curated digital finance tool and dedicated networking week.

This briefing memo offers a preliminary overview of women-owned agri-SMEs in Indonesia, discusses both opportunities and challenges to investing in these enterprises and puts forward potential solutions to drive value chain resilience and equity.

## What role do women entrepreneurs play in Indonesia's growth story?

As the world's fourth-most populous country and a sprawling archipelago, Indonesia is a unique and exciting market with enormous investment potential. Regaining upper-middle-income country status amidst COVID recovery was a testament to the nation's drive and promise. But while megadeals or tech ventures may steal the headlines, Indonesia's 64 million SMEs<sup>1</sup> (one for every five citizens) remain a huge driver of the country's growth. In 2021, SMEs contributed 61% to GDP.<sup>2</sup> Over the decade ending in 2019, their economic output

grew 14% year-over-year – compared to an ASEAN average of 7%<sup>3</sup> – with similar growth expected going forward.

Moreover, these SMEs account for around 99% of existing businesses in Indonesia today<sup>4</sup> and employ 97% of the workforce – or about 117 million people, of whom over 75 million (c. 65%) are women.<sup>5</sup> [Investing in Women \(2022\)](#) reported that women-owned/-led enterprises account for about half of all SMEs in Indonesia. Even at the macro level, women's role in Indonesia's economic success story is clear.



## Indonesia's agripreneurs: Fueling growth, food security and export revenues

Indonesia's endowment of harsh island topography means most farmers must tend tiny plots, making for a highly fragmented agricultural sector. At the same time, geographical and climate realities prevent certain staple crops from thriving. As a result, Indonesia imports most of its food. Nevertheless, even before recent interruptions in global food supply chains, a need to enhance domestic food production was broadly recognized. Due to the nature of the sector, this means supporting Indonesia's agri-SMEs, which play a critical role in the growth and development of inclusive and sustainable food systems. Though still not enough to offset high import levels, in the decade ending 2021, Indonesia's agricultural sector grew by 8% year-over-year,<sup>6</sup> with agriculture-focused businesses accounting for nearly half (49%) of all SMEs and employing roughly 50 million people.

Fortunately, investors have taken notice of the opportunity. Over the past five years, 23%<sup>7</sup> of Southeast Asia ag-tech investments (by deal count) and 14% (by value) flowed into Indonesia – second only to Singapore.<sup>8</sup> Narrow the scope to only venture capital ag-tech investments, and account for 22% of all deal flow across ASEAN and brought in 41% of total ag-tech capital deployed regionally across the same period.<sup>7</sup> These figures demonstrate investors' recognition that innovation spurs not just greater domestic food production, food security and export revenues, but also high potential returns. Promising investments do not just lie in tech-enabled agriculture, though. For example, Indonesia's status as the leading producer globally of palm oil, an essential ingredient to countless consumer goods worldwide, is general knowledge. Perhaps surprising, though, is that 40%<sup>9</sup> of the country's palm oil – or USD \$14 billion in export revenues last year<sup>10</sup> – is produced by smallholders. These women and men play a crucial role in the supply chains of multinational companies selling household brands to consumers both regionally and a world away.

## Investing in women agripreneurs: Opportunities, challenges and solutions

Given their prominence in SMEs across other sectors, it is unsurprising that Indonesian women are also critical to agriculture: approximately 30 million women<sup>11</sup> in Indonesia earn a livelihood by working in agricultural value chains.<sup>12</sup>

What may not be as obvious is that women bring certain differentiated advantages to both entrepreneurship and agriculture. A recent study by *PRISMA*, a development partnership, found that in a majority of agricultural households, women are the financial decision-makers. Further, this research stated that targeting Indonesia's rural women as a distinct customer segment was the most effective way to improve the uptake of existing and new products and services.<sup>13</sup> As elsewhere in the world, Indonesian women often prefer to receive information from other women. When this is in the form of marketing for agricultural technologies, services and inputs, women agripreneurs are uniquely placed to better understand the market and tap into hidden demand – at the consumer decision-maker level.

Despite the promise of the sector and its importance to women's and families' livelihoods, barriers to investment in women-led agri-SMEs persist. Some of these factors are common to most agri-SMEs, while others are unique to those led by women.

### Common barriers among agripreneurs in developing countries<sup>14</sup>

- Building commercially viable business models and removing reliance on grants and/or subsidies
- Forming partnerships with other SMEs and value chain actors to ensure efficiency and market access
- Access to sufficient finance to grow businesses and achieve sustainable scaling

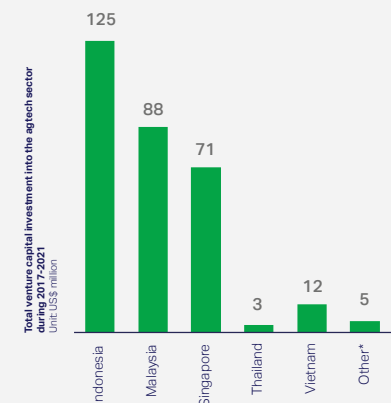
On top of these challenges, unique barriers are faced by women agripreneurs in Indonesia. Some include social norms that prevent property ownership for use as loan collateral, balancing dual responsibilities between household and business, and a lower level of technology availability and adoption.

From an investor's point of view, agriculture as a sector is sometimes considered intolerably risky. In addition to high upfront costs for market entry and deal diligence (coupled with small ticket sizes), investors must consider environmental factors and climate change, unreliable enabling infrastructure, underdeveloped market systems and uneven capacity for value addition. When challenges specific to women agripreneurs are factored in, some investors may lose appetite for the sector.

### Ag-tech investment and agricultural geographical breakdown

- Most ag-tech deals in Indonesia involve enterprises headquartered in Jakarta and West Java.
- However, the nation's key agricultural geographies are located across the islands of Sumatra (including Riau and Lampung), Kalimantan, and Java where palm oil, natural rubber and coffee production are abundant.

### Recent agricultural investment in Indonesia



Remarks: \* Including Brunei, Cambodia, Myanmar, and the Philippines. Source: Pitchbook (2022)

Fortunately, there is a broad ecosystem of support to help overcome these challenges and give both agri-SMEs and investors the clarity they need to focus on creating value and driving impact. Subsidized technical assistance can aid agripreneurs with formalizing their business models, connecting them to key market partners (from industry associations and advocates to suppliers and customers directly) and maximizing their investability and compatibility with international supplier standards. Investment facilitation through a neutral intermediary can assist women agripreneurs with tapping into gender lens investing (GLI) networks, while also

preparing them for and assisting them with the dealmaking process to reach a successful financial close.

For their part, investors benefit from reduced initial uncertainty at the sector level, as well as access to vetted, high-quality and potentially investable deal pipelines. Diligence costs may be offset and negotiations supported to ensure efficiency and fairness. Post-investment assistance to the agripreneur can advance not just social and environmental impact, but can also enhance potential investor returns.

### What's next?

The Indonesia-focused initiative hosted by GA, WBCSD, JRT and CB aims to engage a diverse set of stakeholders relevant to Indonesia's agri-SMEs' value chains, all with a dedicated gender lens. Diverse perspectives will be offered through a dialogue event, providing a chance for agripreneurs and investors to directly connect.

Importantly, this thought leadership will be complemented by immediate business opportunities, curated and facilitated by our experienced consortium. After the event and networking week, the co-hosts will publish an investment analysis and facilitate a series of networking opportunities for sector stakeholders.



Credit: Grow Asia



## REFERENCES

- <sup>1</sup> [World Economic Forum: Indonesia's SMEs hold the key to growth. How can they scale up?](#)
- <sup>2</sup> The Ministry of Cooperatives and SMEs (2021)
- <sup>3</sup> ADB 2021, CAGR. ASEAN average includes Indonesia, Malaysia, Thailand, and Brunei given data availability.
- <sup>4</sup> [Indonesia Investments: Micro, Small & Medium Enterprises in Indonesia: Backbone of the Indonesian Economy](#)
- <sup>5</sup> [World Economic Forum: How digitalization is accelerating the growth of MSMEs in Indonesia](#)
- <sup>6</sup> World Bank.
- <sup>7</sup> Pitchbook; first citation includes investment across all types (VC, PE, M&A, IPO, and etc.)
- <sup>8</sup> Many agri-tech enterprises are headquartered in Singapore but do not operate there.
- <sup>9</sup> [Statista: Total value of palm oil exports from Indonesia from 2012 to 2021](#)
- <sup>10</sup> [Meridian Institute: The Mighty Impact of Smallholder Palm Oil Farmers in Indonesia \(2021\)](#)
- <sup>11</sup> Given the scarcity of gender-related data in Indonesia, these figures have been extrapolated from (a) the latest women share to total workforce per World Economic Forum (2021) and (b) the MSMEs breakdown and related employment contribution by sector as of 2012 per ADB Data Library (2021). ADB Data Library: [2021 ADB Asia SME Monitor - Indonesia](#).
- <sup>12</sup> ADB Data Library: [2021 ADB Asia SME Monitor - Indonesia](#). Latest data available is as of 2012.
- <sup>13</sup> [PRISMA: What Businesses Need to Know About Women Farmers in Indonesia](#)
- <sup>14</sup> [SME Finance Forum: The state of the agri-SME sector - bridging the finance gap \(2022\)](#)



This initiative is hosted by WBCSD, Grow Asia, the Just Rural Transition, and CrossBoundary. Supporting partners include PISAgr and Corteva Agriscience.

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For further information on this topic and to engage in this agenda, please visit our implementing partners' websites and/or the following resources:

- WBCSD and the Just Rural Transition's [Agri-SME Digital Finance Tool](#)
- [GrowHer.org](#)
- [PISAgr](#)

## 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 580+ 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 (JRT) 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.

## 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.

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