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Overview of Social Finance in Indonesia



A report prepared for UNDP by AlliedCrowds

AlliedCrowds

With the support from the Canadian Embassy in Jakarta

Canada

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Abbreviations

AAAA – Addis Ababa Action Agenda
ANGIN – Angel Investment Network Indonesia
AVPN – Asian Venture Philanthropy Network
CSR – Corporate social responsibility
DFI – Development finance institution
DDI – Domestic direct investment
FDI – Foreign direct investment
GIIN – Global Impact Investing Network
GSEN – Global Social Entrepreneurship Network
GEEREF – Global Energy Efficiency and Renewable Energy Fund
HNWIs – High net-worth individuals
IPO – Initial public offering
KUR – Kredit Usaha Rakyat
MSMEs – Micro, small, and medium-sized enterprises
OJK – Otorita Jasa Keuangan (Financial Services Authority)
P2P – Peer-to-Peer
PE – Private Equity
PPP – Public-Private Partnership
SDGs – Sustainable Development Goals
SEA – Social entrepreneurship activity
SMEs – Small- and medium-sized enterprises
UNDP – United Nations Development Programme
VC – Venture Capital

Acknowledgements

AlliedCrowds prepared this document under the direction of founder and managing director Lars Kroijer. The report was researched and written by Anton Root, with help from Akachi Obijiaku. Malcolm Kapuza provided data analysis and technical support, with help from Barry McNamara.

AlliedCrowds would like to acknowledge the insightful comments made by UNDP Indonesia's team on earlier versions of this report. We are also grateful to the experts and industry stakeholders whom we interviewed as part of the research for this report.

Executive Summary

Social entrepreneurship is an emerging practice in many countries of the world. Though there is no single definition for the practice, most organizations describe social enterprises as mission-driven, innovative, and financially sustainable. The emphasis on financial independence from aid organizations or individual donors is especially important given today's uncertain funding landscape for aid and development initiatives.

This report provides a qualitative review of social entrepreneurship in Indonesia. Based on desk research, interviews with stakeholders, and quantitative analysis, it presents a review of the growing social entrepreneurship sector in Indonesia.

More specifically, we find that the industry has much room to grow, especially in the sustainable agriculture, financial services, and renewable energy sectors. Positive factors include the country's startup-friendly culture, emerging support ecosystem (including conferences and meetup groups), and a long history of combining a social and profit-seeking mission among Indonesian firms. Furthermore, the government has been active in exploring ways to support entrepreneurs and MSMEs generally (not targeted at social enterprises), which should indirectly benefit the sector. Negative factors include infrastructural difficulties in accessing markets, access to finance for young social enterprises, and lack of dedicated policy toward the sector, which could help to make socially-minded companies more visible and provide further legitimacy to the sector.

There are a number of potential funding options available to social enterprises, including banks, private equity / venture capital, impact investors, angel investors, crowdfunding platforms, and government schemes. However, the majority of these are not a great fit for social entrepreneurs.

This is for two reasons: first, most social enterprises in the country are early stage and likely cannot afford to pay interest payments when cash flows are highly variable and uncertain. Second, social entrepreneurs exist on a scale in their perceptions of profit- vs. impact-seeking; those that place too much emphasis on impact and not enough on profitability may not appeal to private capital, while those who place too much emphasis on profitability will not be appealing to impact-driven investors. For this reason, it is essential to examine a complete spectrum of funding options that may fit companies with various motivations.

The report also includes a set of preliminary recommendations that can make the social entrepreneurship landscape grow faster. These include: creating an SME credit scoring product; creating a designation for social entrepreneurship; and promote the sector on a regional level first, using insights to shape policy on a national level.

This report accompanies a custom-built database of alternative funders for social enterprises in the country, and the Entrepreneurs' Hub, a learning resource with further information on alternative finance providers; impact measurement approaches; business plan advice; and much more. The appendix includes a snapshot of the top social financiers in the country.

Chapter I: Introduction to the Study

Background

The United Nations Development Programme (UNDP) is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience, and resources to help people build a better life. It is on the ground in 177 countries and territories, including Indonesia, working with them on their own solutions to global and national development challenges. UNDP believes that the people of Indonesia should have ownership over the programmes and projects it supports. All UNDP programmes therefore actively promote the spirit of mutual respect, support and accountability and subscribe to the principle of national ownership as enshrined in the Jakarta Commitment — a declaration put forward by the government and its development partners in 2009 to strengthen aid effectiveness in Indonesia.ⁱ

Objective and Scope

This project aims to contribute to the work of the UNDP Indonesia team in the area of social finance and the development of innovative finance models. More specifically, this assignment aims to unpack the concept of social finance in the context of development with the specific focus on Indonesia with lessons for the wider region, develop a compelling narrative for advocating for the approach, map the incidence and influence of investors and networks in Phase 1 of the project. The expectation is that this lays the groundwork for a phase 2 recommendation on the design of social finance models in order to test out its feasibility within and across different sectors and national contexts as well as within UNDP context (with prototypes aimed at the nexus of country and UNDP priorities), and line up a series of investors and potential partners to implement those prototypes. The underlining assumption and intention is to test out to what extent the social finance landscape can leverage UNDP's presence, experience, and expertise in the region to support countries to meet their respective national and regional development priorities.

The project is divided into the following phases:

1. Desktop research to create an inventory of alternative capital providers in Indonesia, including venture capital (VC) firms, impact investors, crowdfunding platforms, angel investment networks, and semi-public investors. These sources of alternative financing will be ranked by their relevance to Indonesia.
2. Desktop research and mapping of investment opportunities within Indonesia, specifically taking into account the nexus of country priorities and UNDP corporate priorities, offering recommendations on the basis of needs, risks, and opportunities.
3. The creation of a social finance roadmap, which provides an overview of processes and policies that can help UNDP create greater capital formation and funding for social finance in Indonesia. This will also make a case for why UNDP Indonesia's national partners should pay attention to this landscape.

Methodology

In order to complete the assignment, AlliedCrowds draws on three sources of knowledge. The first is the AlliedCrowds Capital Finder, a proprietary database that lists alternative finance providers across the developing world (excluding China). This database categorizes the alternative finance providers by various vectors, including: geography (what country or region the provider is focused on); sector (what industries the provider funds); and type of capital (whether the providers offers loans, equity, grants, or a combination of any two). The data on the platform is compiled by contractors from their native countries, and is moderated by the AlliedCrowds team to ensure the data is as accurate as possible.

The second source that AlliedCrowds will draw on to complete the project is interviews with relevant experts. Finally, the AlliedCrowds team will also rely on desktop research to identify relevant trends in and provide context for alternative finance in Indonesia.

In order to create an Indonesia-specific social entrepreneurship and social finance landscape, the AlliedCrowds team will rely on the Domains of the Entrepreneurship Ecosystem framework developed by Daniel Isenberg of Babson College. This is a multi-stakeholder approach to viewing entrepreneurship that allows a researcher to more clearly understand what parts of the ecosystem exhibit strengths, and what ones exhibit weaknesses.

Structure

Having introduced the project in Chapter I of the study, Chapter II provides an overview of alternative finance, specifically in the context of development. It explains why there is a need for private funding in the development sphere, and provides an overview of the types of alternative finance providers discussed in this report.

Chapter III identifies key investment opportunities within Indonesia, focusing specifically on sectors that may be a good fit for social enterprises. Chapter IV analyses social enterprises and the Indonesian ecosystem they operate in.

Chapter V outlines financing options available to social enterprises. The last section concludes by providing an overview of the key concepts in this report, and proposes next steps for Indonesia to undertake to put the suggestions identified into practice.

Chapter II: Alternative Finance Overview

Background

In July 2015, prior to the announcement of the Sustainable Development Goals (SDGs), world leaders gathered at Addis Ababa for the Third International Conference on Financing for Development. Following the four-day event, the United Nations released the Addis Ababa Action Agenda (AAAA), a document affirming global leaders' commitment to addressing the challenges of financing for development.ⁱⁱ

One of the key messages of the AAAA was that funding from the public sector was not enough to finance the SDGs; UNCTAD estimated that the development shortfall was as large as \$2.5 trillion annually for key sustainable development segments.ⁱⁱⁱ In order to help the public sector in financing development projects, the AAAA suggests a greater role for private sector funding.

One way to do this is by leveraging blended finance, defined by the World Economic Forum as “the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets,” aimed at channelling private investment to sectors of high-development impact while delivering risk-adjusted returns.^{iv} A subset of blended finance is a Public Private Partnership (PPP), an arrangement that sees private investors finance services and infrastructure projects that are typically supplied by the public sector.

Given the emphasis on private funding, organizations are increasingly exploring alternative finance as a way to encourage private sector flows. Alternative finance is private funding that comes from outside of traditional funding sources: commercial banks and capital markets. Alternative finance solutions have become increasingly popular around the world, especially since the financial crisis which made banks more risk-averse and limited their ability to lend to SMEs across the world.^v This has forced businesses and projects to secure financing from other sources. Alternative finance is an emerging industry, and its definition varies. EY, for example, includes peer-to-peer (P2P) lending, crowdfunding, microfinance, and invoice trading within its definition;^{vi} others also include innovative financing structures like social impact bonds.^{vii}

AlliedCrowds's definition of alternative finance is tailored specifically to the developing world, where market imperfections prevent banks from working with all but the largest firms within a nation. Our definition includes five types of funders: VC firms, angel investors, impact investors, crowdfunding platforms, and public/semi-public sources of funding like government-run innovation competitions and development finance institutions. We discuss each category in detail in the next section.

One of the benefits of alternative finance providers is that they provide (to various degrees) non-financial benefits, including sector expertise, introductions to strategic partners, and perks like free office space with a^{viii} strong internet connection. This is especially important in emerging markets, where there is often a lack of available information, infrastructure, and resources for businesses and projects, and where finding the right suppliers and partners may be difficult.

In order to help the entrepreneurs and project owners become more comfortable with approaching the potential funders, AlliedCrowds has created an ‘Entrepreneur's Hub,’ a space that provides basic information for entrepreneurs to consider before asking for money. This includes help on

writing a business plan, information on how VCs operate, pitching advice, as well as the latest news relevant to the entrepreneurs. While every company is different, making it impossible to create an exact step-by-step guide that will work for every company, the Hub provides a roadmap of things each entrepreneur needs to consider and work out before he or she is able to approach potential investors.

Types of Funders

Venture Capital

VC activity has exploded in recent years, increasing from \$45 billion globally in 2012 to over \$130 billion (for 8,900 deals) in 2015, according to KPMG;^{ix} EY estimates the 2015 total closer to \$150 billion for 8,400 deals.^x Most of the activity takes place in the US and China, raising \$72 billion and \$49 billion respectively.

VCs tend to invest in ‘adolescent’-stage startups^{xi} which have potential to grow rapidly and earn the investors 10x to 30x return on their capital over a fairly short time period: 3 to 7 years.^{xii} Typically, VCs look to invest in companies within sectors that have the capacity to tap into economies of scale and expand rapidly, often backing IT and software companies. As the percentage of companies that are able to earn such profitable returns is small, VCs tend to diversify their investments across multiple firms, often co-investing with others to minimize exposure to a single company.

In exchange for taking on the risk, VCs take a significant ownership stake in the company — as much as 50 percent.^{xiii} In addition to providing significant funding for companies, VCs also often take leadership positions within firms, using their expertise in specific sectors to guide the companies. VCs make their return when a startup makes an exit, typically through an initial public offering (IPO) or acquisition.

VC funding does have drawbacks, however, in addition to the large stake that the investors take. The most significant negative associated with VC funding is the misalignment of incentives between the company’s founders, who care about creating a sustainable company that will be profitable in the long run, and the investors, who have a shorter investment horizon. This means they may push the company to make decisions that maximize the value of the company in the short term but are damaging for its long-term prospects.

How to Approach: Given VCs are looking for relatively long-term investment opportunities that have a chance to pay out a healthy return, an organization looking to crowd in VC money must evaluate how lucrative its investment may turn out to be. VCs are fairly comfortable with taking on risky projects, as long as the potential payout is commensurate with the risk. Organizations looking to approach VCs should have a solid business plan, with projected financials and a well-practiced pitch that emphasizes the growth opportunities of the sector of the venture, as well as the company itself. VCs prefer sectors that have considerable size for scale (typically, those in the tech sector), so those projects should be prioritized.

VCs can offer a vast amount of expertise and technical assistance to projects, and the approaching organization should be ready to ask the VC what services it will provide for a project or startup, in exchange for an equity position in the company or venture.

Angel Investor

Angel investors are wealthy individuals who want access to potentially highly lucrative investments in seed- and early-stage startups. Often, these investors form networks in order to be able to co-invest in a number of deals together. Investing in a group has a number of advantages: not only do the angels get the benefit of spreading risk, they also get better bargaining position when negotiating as a group, can go through startup screening more efficiently, and can tap into each others' expertise when mentoring the startups.

Much like VCs, angels invest in companies with high growth potential, though they tend to look at a wider range of sectors than VCs, who like to invest in sectors with very high growth potential, like tech.^{xiv} Angels typically step in to provide funding for companies that have exhausted any friend and family investments or personal savings they may have been able to access, and prior to investment from VCs.

Because the deals take place among individuals and early-stage startups, it's difficult to get a sense for how much money is being invested by angels on an annual basis. The potential, however, is massive: of 15.4 million high net-worth individuals (HNWIs) in the world, 6.4 million live outside of North America and Europe, controlling \$28.5 trillion in financial wealth.^{xv} If they invest even a tiny fraction of their wealth, it could unlock billions in funding for entrepreneurs in emerging markets.

One of the biggest challenges for angels is identifying promising startups, and identifying further sources of financing for future rounds; this is especially the case in emerging markets.

How to Approach: Angel investors and networks respond to similar motivations as VCs — getting in on the ground floor of a potentially lucrative startup or project. However, they tend to invest in a wider range of companies, and at earlier stages. Because they are individuals, or small groups of individuals, they may have motivations that extend beyond pure financial gain. For example, they may be more willing to invest in projects that have a social purpose in order to improve their standing within their community; they may wish to get involved in a project that may benefit them in the long term — for example, by allowing them to work with people or companies they admire; or, they may be driven by advancing a certain industry or technology.^{xvi} Understanding each angel investor's, or group's, motivations is key to crafting the right pitch.

Much like with VCs, angel investors will be able to provide technical assistance and expertise to the project, so it's important for an organization to get an understanding of what each potential angel investor and group will be willing to do in order to help the project succeed.

Impact Investors

Impact investors are an eclectic group, looking to invest “capital with intent to generate positive social impact beyond financial return.”^{xvii} They include HNWIs, family offices, foundations, banks, pension funds, impact-focused VCs and angels, and development finance institutions (DFIs).

Unlike VCs and angel investors described above, who invest purely for a return, impact investors look to maximize not just potential profits, but also the potential beneficial good of the investment on society.

The Global Impact Investing Network (GIIN) identifies four characteristics of impact investing:^{xviii}

- **Intentionality:** the investor must consciously be looking to maximize social as well as financial returns;
- **Expectations of return:** the investment is meant to generate a return, or at least a return of capital;
- **Range of asset classes and return expectations:** the investments range from concessionary, or below-market rate, to risk-adjusted market rate; and
- **Measurement of impact:** in order to judge how the investment has fared, the investors must commit to measuring impact, ensuring transparency.

As the industry is relatively young, there are few data to estimate its size and the impact it has had to date. One estimate comes from GIIN, which tracks the activity of its members. The network reported that in 2015, 157 of its members had committed \$15.2 billion toward 7,551 projects.^{xix} Given that some impact investors may not be members of GIIN, or did not respond to the report survey, the number of projects and the amount invested is likely higher.

Impact investors can also provide a level of expertise to entrepreneurs and project owners in emerging markets, especially when it comes to making sustainable decisions. Because they tend to be global institutions that focus on impact as well as financial gain, however, their expertise is likely to be limited — many of GIIN's members, for example, are based in the developed world and may not have the appropriate expertise on the ground. Furthermore, they must spend resources on examining impact, which means potentially fewer resources toward providing entrepreneurs and project owners with technical expertise.

How to Approach: Unlike the previous two funder types, impact investors have a stated mandate to invest in projects that have a financial as well as social and / or environmental return. For that reason, it's less important to emphasize the potential financial return if the social impact can be especially transformative. Impact investors care a lot about measuring the social / environmental impact of a project, which is less straightforward than measuring just the financial return; therefore, an organization approaching an impact investor should have a good idea of how it can potentially measure the outcomes.

As impact investors tend to have fewer resources and less local expertise than VCs and angel networks, projects should not rely too heavily on obtaining such technical assistance and

expertise; therefore, this funder may be better for projects with an experienced team and a clear and achievable mission.

Crowdfunding

Crowdfunding is the practice of raising money from a large group of individuals, typically through an online portal. Though crowdfunding is a fairly new term, the novel fundraising mechanism taps into a more innate human desire to help others. Community-driven financial practices have a long history across nearly all regions around the world: *harambees* in East Africa, *susus* in West Africa and the Caribbean, *tandas* in Latin America, and *huis* in parts of Asia, among many other similar informal arrangements.

There are four prevalent models of crowdfunding:

- **Donation-based:** in this model, the crowd donates money to a cause, individual, project, or business, without expectation of any financial or non-financial return. This is typically used to fund campaigns for arts, medical, disaster relief, and other charitable causes.
- **Reward-based:** in this model, the crowd gives money to an individual, project, or business, in exchange for a non-financial reward. The rewards are generally either items like shirts or stickers, or an early version of a product (essentially, a pre-sale via crowdfunding). This is typically used to fund campaigns for innovative tech, hardware, food, design, and other innovative products.
- **Lending-based:** in this model, the crowd lends money to an individual or business, with expectations of getting the principal back with interest. The interest rate is set by the risk profile of the individual or business. This is typically used to fund a variety of campaigns, from loan refinancing to business growth.
- **Equity-based:** in this model, the crowd invests in a business, with hopes of sharing in the business's success as it grows. This is best suited to startups, who are inherently highly risky; for this reason, regulators in some countries across the world are taking a close look at how to enable the industry to grow without exposing investors to too much risk.

Crowdfunding as we know it today did not emerge until the advent of social media, which enabled, for the first time in history, the facilitation of the many-to-many form of communication. This ultra-connectivity allows individuals to discuss and share ideas and resources, and campaigns in an efficient manner, enabling more grassroots campaigns to become widespread. Online crowdfunding portals emerged for individuals to be able to fund these projects.

The macroeconomic environment of the late 2000s facilitated the emergence of financial (lending- and equity-based) crowdfunding. As the global community weathered the economic crisis, banks became more hesitant to lend money to startups and small businesses. The credit crunch pushed startups and small businesses to seek seed-stage and growth capital from alternative financing sources, one of which was crowdfunding. At the same time, savers / investors frustrated with low interest rates across much of the developed world sought ways to increase their return on

investment, pushing them toward riskier assets like crowdfunding investments / loans, among others.

Since then, crowdfunding has grown into a \$34.4 billion industry, growing by over 100 percent annually.^{xx} While it has not had a huge impact in LDCs to date, crowdfunding has high potential in emerging markets. InfoDev, for example, estimates that crowdfunding can reach an annual turnover of \$96 billion in emerging markets by 2025.^{xxi} In the developing world, the diaspora can be a potentially transformative source of flows for crowdfunding, helping to channel remittances in a more targeted and efficient manner.

How to Approach: Crowdfunding platforms are the intermediaries between the potential backers (investors or donors) and the project owners. They are typically flexible in terms of the fees they charge, so they may be more open to cutting their fees if they believe a project is likely to help improve brand recognition and lead to more funding in the long term.

The real audience, however, is the crowd. There are different ways to appeal to the crowd, and it is highly specific to the project at hand. However, backers tend to support projects that they somehow feel a connection to: for instance, members of the diaspora, inhabitants of a region or town, people interested in a specific cause, as well as those interested in a financial return, if the regulatory framework allows. In order to entice individuals who have no direct or indirect connection, the project owners must create a compelling and straightforward story that will appeal to a wide range of individuals.

Though the crowd typically provides a smaller potential for expertise, it can do a stellar job of marketing a company or venture via social media, emails, and word of mouth; a successful crowdfunding campaign can be picked up by news outlets. It also makes the project potentially more appealing to other funders, like VCs and angels, who will use a successful crowdfunding campaign as proof of concept and market buy-in.

One model of engagement that is currently being trialed in developed markets is matched funding,^{xxii} with a government body committing to match a certain amount raised through a crowdfunding campaign. That can lower the government's bill, while obtaining buy-in from local residents.

Public/Semi-Public Funders

This is a wide group that includes a wide range of capital providers. These include fully or partially publicly-funded organizations that work in various sectors to promote access to capital and technical assistance. These may include annual government-funded startup and / or innovation competitions, industry consortiums and development banks, multilateral aid organizations, credit guarantee schemes, development finance institutions (DFIs), etc.

In Indonesia, for example, there are a number of regional organizations focused on helping cooperatives and SMEs by providing financial as well as non-financial support. Examples include the [Department of Cooperatives and SMEs, Surakarta City Government](#), and the [Department of Cooperatives and MSMEs, West Java Province](#).

Because they are backed by the government, they enjoy trust among entrepreneurs and project owners, and can be the first place they look to when they search for capital.

How to Approach: As the public and semi-public category is wide-ranging, it is difficult to come up with a specific criteria on how to approach the funders. In general, however, these funders may be more open to providing grants or concessionary loans, which makes them a good choice for ventures that have less potential to make a return.

As these funders are typically focused on a specific sector, an organization approaching them should tap into this sectoral expertise in addition to accepting any money that they make available.

Table 1: The following chart provides an overview of alternative capital providers, including the potential for funding and technical expertise provided by each category (out of five stars)

Type of Provider	Funding Potential	Expertise Provided	Notes
Venture Capital	*****	*****	<ul style="list-style-type: none"> For-profit investors who bring in expertise as well as considerable funding Tend to invest in 'adolescent-stage' companies
Angel Investor Network	**	*****	<ul style="list-style-type: none"> Individuals (or groups of individuals) who back seed-stage firms and projects
Impact Investor	***	***	<ul style="list-style-type: none"> Organizations that have a mandate not only to provide financial, but also a social and environmental return
Crowdfunding	**	*	<ul style="list-style-type: none"> Emerging method of funding for a variety of projects and firms May be able to attract diaspora interest, or secure local project buy-in
Public/Semi-Public	****	***	<ul style="list-style-type: none"> Various government-backed organizations (DFIs, development banks, multilateral aid agencies, etc.) that are active in funding projects and entrepreneurs

Chapter III: Investment Opportunities

Indonesia's Economic Profile

Indonesia is the world's fifth-most populous nation, home to 258 million people, and is the largest economy in Southeast Asia, at \$862 billion, with per capita GDP of \$3,350.^{xxiii} ^{xxiv} The country is experiencing relatively strong growth, projected to reach 5.1 percent in 2016 and 5.3 percent in 2017.^{xxv} This represents a return to accelerating growth for the country after years of slippage — from 6.2 percent in 2010 to 4.8 percent in 2015.

Figure 1: Indonesian Economy — Sector Comparison^{xxvi}



Indonesia's economy has seen a strong growth in the manufacturing sector, while agriculture has declined significantly in the last 50 years. The services sector has remained steady, contributing to around a third of the country's GDP.

Though agriculture accounts for a relatively small part of national GDP, it is a source of jobs for many Indonesians, employing nearly 40 percent of the population, according to 2012 estimates; services accounted for 47.9 percent of the labor force, while industry came in at 13.2 percent.^{xxvii} On the surface, Indonesia boasts robust employment figures, with an unemployment rate around 5.5 to 6.5 percent, and a relatively high labor participation rate that fluctuates in the 65 to 70 percent range. There are, however, worrying signs, including high youth unemployment rate (~20 percent), low female labor participation rate (~50 percent), and the percentage of people working below normal hours in rural areas (~40 percent).^{xxviii}

Still, Indonesia is seen as a relatively stable country with a very promising economy, which has led to huge inflows of investment from abroad. Foreign direct investment (FDI) has grown very rapidly in the past 10 years, reaching a high of \$26 billion in 2014, before receding to \$15.5 billion the following year, according to the World Bank.^{xxxix} (It should be noted Indonesia's own estimates place FDI for 2015 much higher — at \$29 billion.)^{xxx} It's among the most desirable FDI destinations in the region, superseded only by China, Hong Kong, and Singapore.^{xxxi} A significant portion of FDI flows comes from within the region, with Singapore (20.4 percent), Japan (9.5 percent), and Malaysia (6.2 percent) contributing over 35 percent of investments into the country in 2014.^{xxxii}

The Indonesian government has promoted foreign investment, especially by promoting privatization in key sectors, like transport and financial services, since 1998.^{xxxiii} The government keeps a close eye on what industries are attracting too much or too little foreign investment and controls this by placing certain industries on a 'negative investment list,'^{xxxiv} which sets limits or conditions on maximum foreign ownership stakes in businesses like staple food crop cultivation.^{xxxv}

Investment Opportunities

There is little specific country-level data available about what sectors can be a good fit for social entrepreneurship. Due to this, AlliedCrowds estimated investment opportunities on a sectoral level by looking at various other measures, including current investment levels in various sectors within Indonesia, the sectors that are seeing the most social entrepreneurship activity on a global level, as well as data for various sectors (microfinance, access to electricity, tourism) that have fit well with social entrepreneurship in other countries.

The following figures show the total amount directly invested in various sectors by foreign and domestic investors, respectively, in 2010 to 2015. This is a relatively crude way to examine investment opportunities in the country, as it accounts not for social finance, but financing for companies seeking to maximize profits only. It can, however, show which sectors are growing faster and therefore attracting more investment; on the other hand, it shows which industries are underperforming in terms of attracting investors. In general, it should be noted that FDI is much higher than domestic direct investment (DDI).

Figure 2: FDI by Sector^{xxxvi}

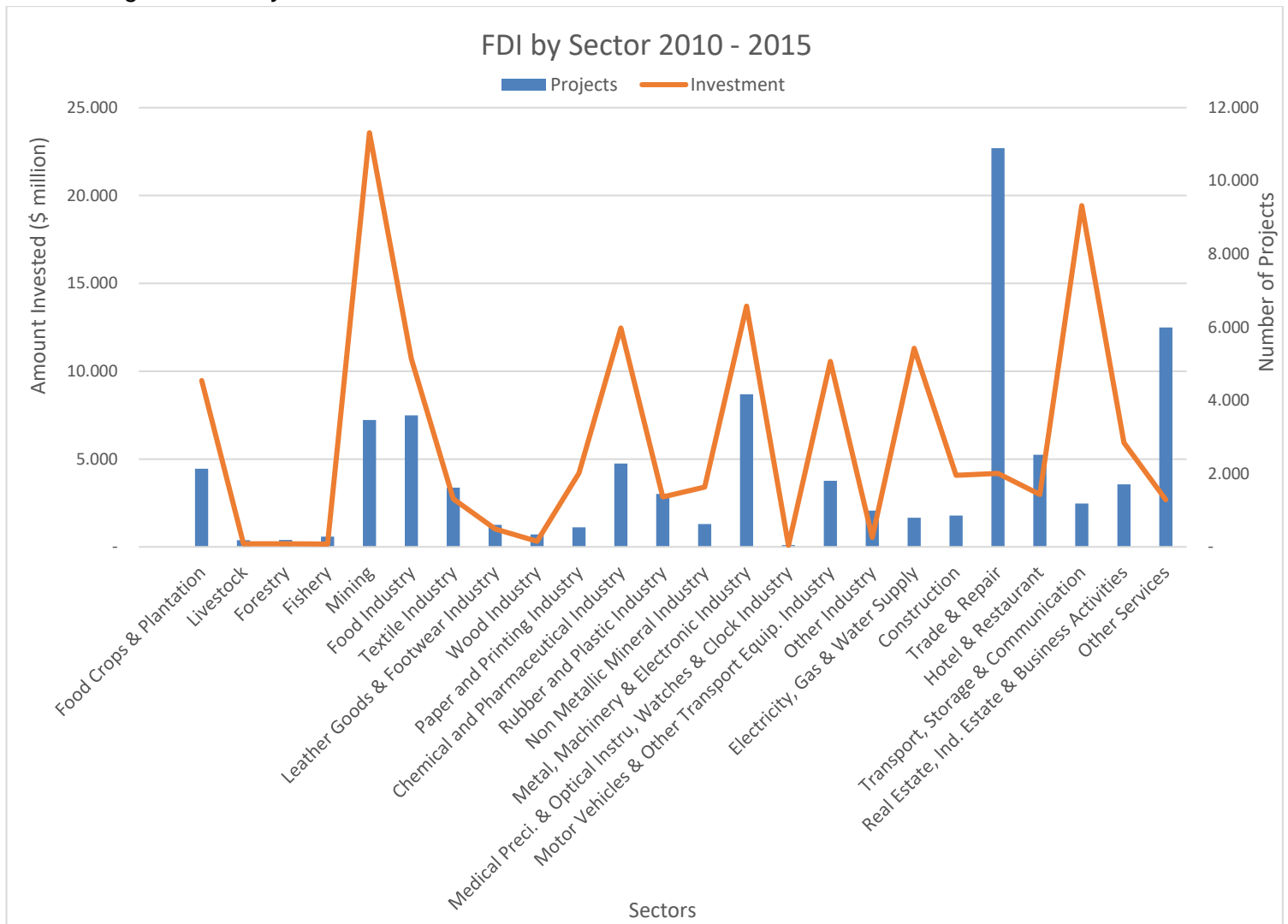
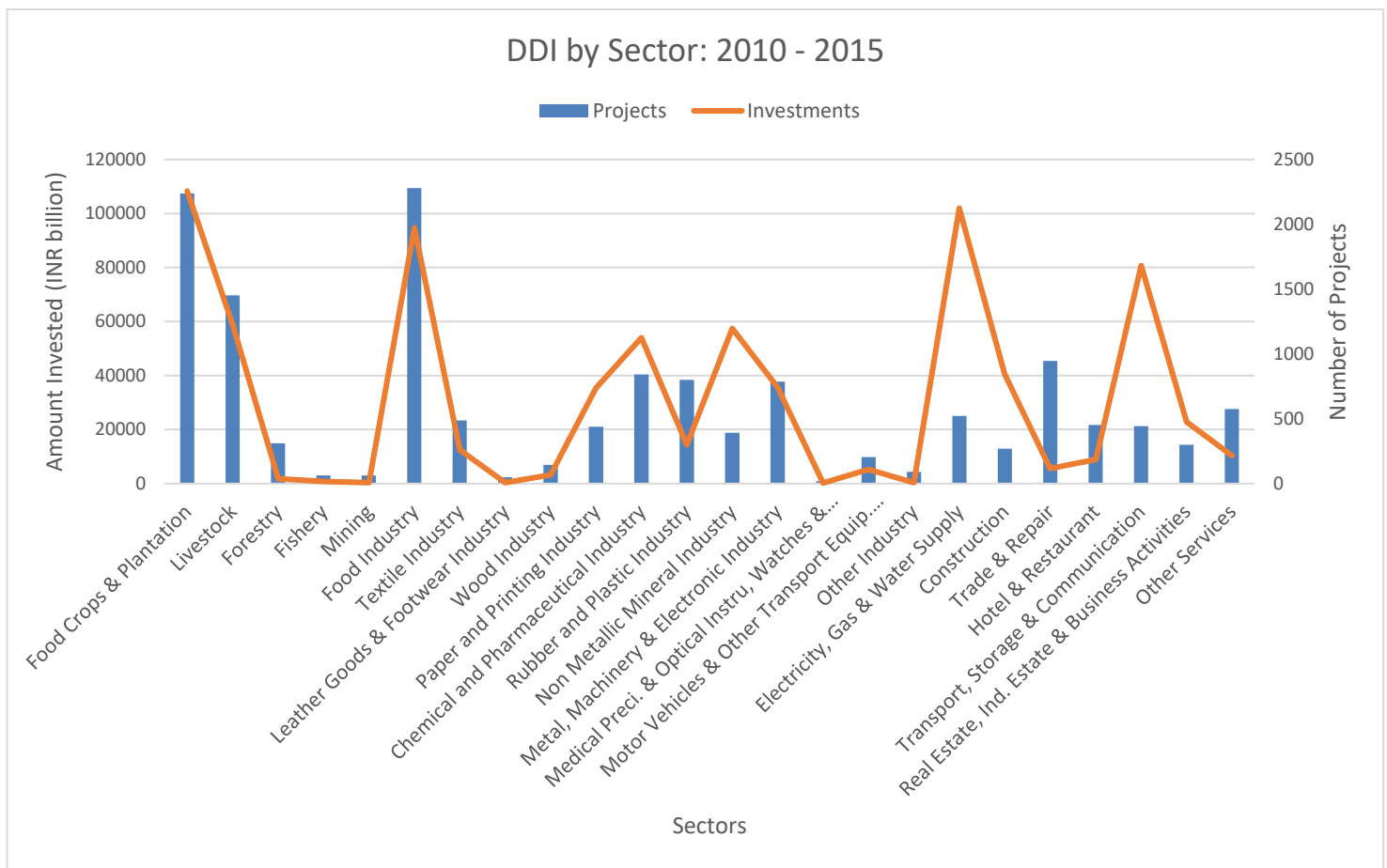


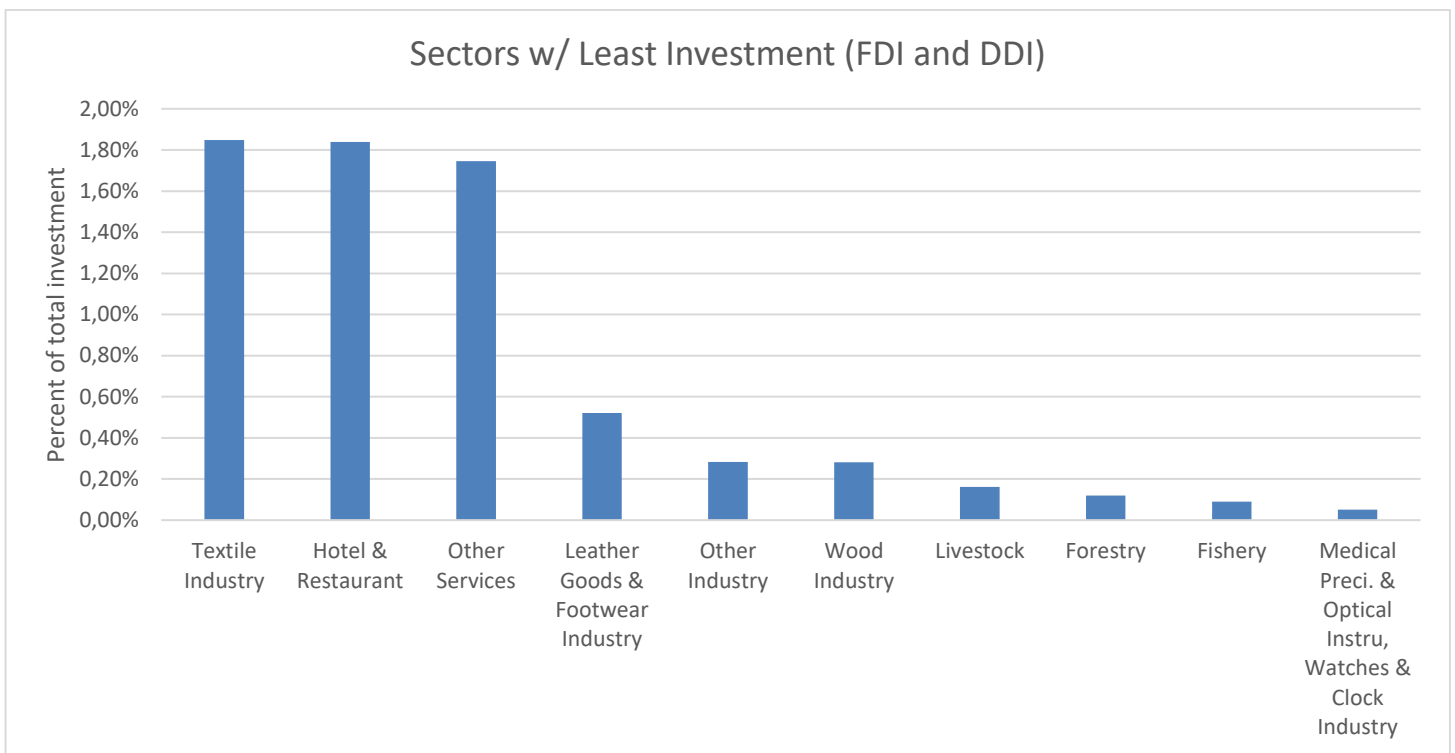
Figure 3: DDI by Sector^{xxxvii}



The sectors attracting the most investment are mining; electricity, gas, and water supply; and transport, storage, and communication. These sectors combine for 36 percent of all investment in the Indonesian economy.

On the other end of the spectrum, figure 4 shows the sectors with the least investment (FDI and DDI). These sectors may present an opportunity for social entrepreneurs to step in where there may currently be a gap in the market. The chart shows that the forestry and the wood industries are especially underinvested at the moment. Given Indonesia's high rates of deforestation,^{xxxviii} ^{xxxix} which is tied to the palm oil and other agricultural outputs, there is a clear need for socially-minded entrepreneurs to explore more sustainable agricultural methods.

Figure 4: Sectors with Least Investment (FDI and DDI)^{xi}



Another way to determine investment opportunities for social entrepreneurs is to examine how social finance is allocated today on a global scale. As each country — and, indeed, each municipality — faces different challenges, it is again an imperfect way to determine investment opportunities. It does, however, show which sectors are generally well-suited to social entrepreneurship, and may point a way forward for Indonesia's social enterprises.

Figure 5: Impact Investing by Sector^{xli}

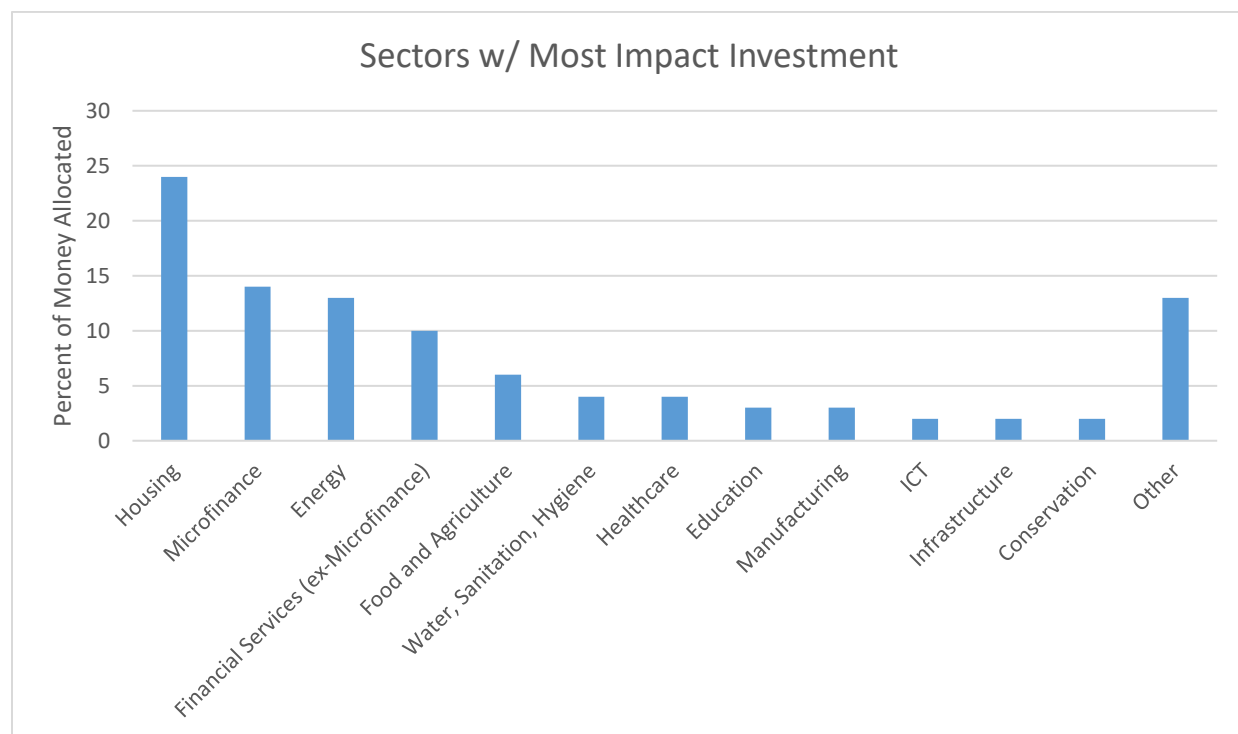
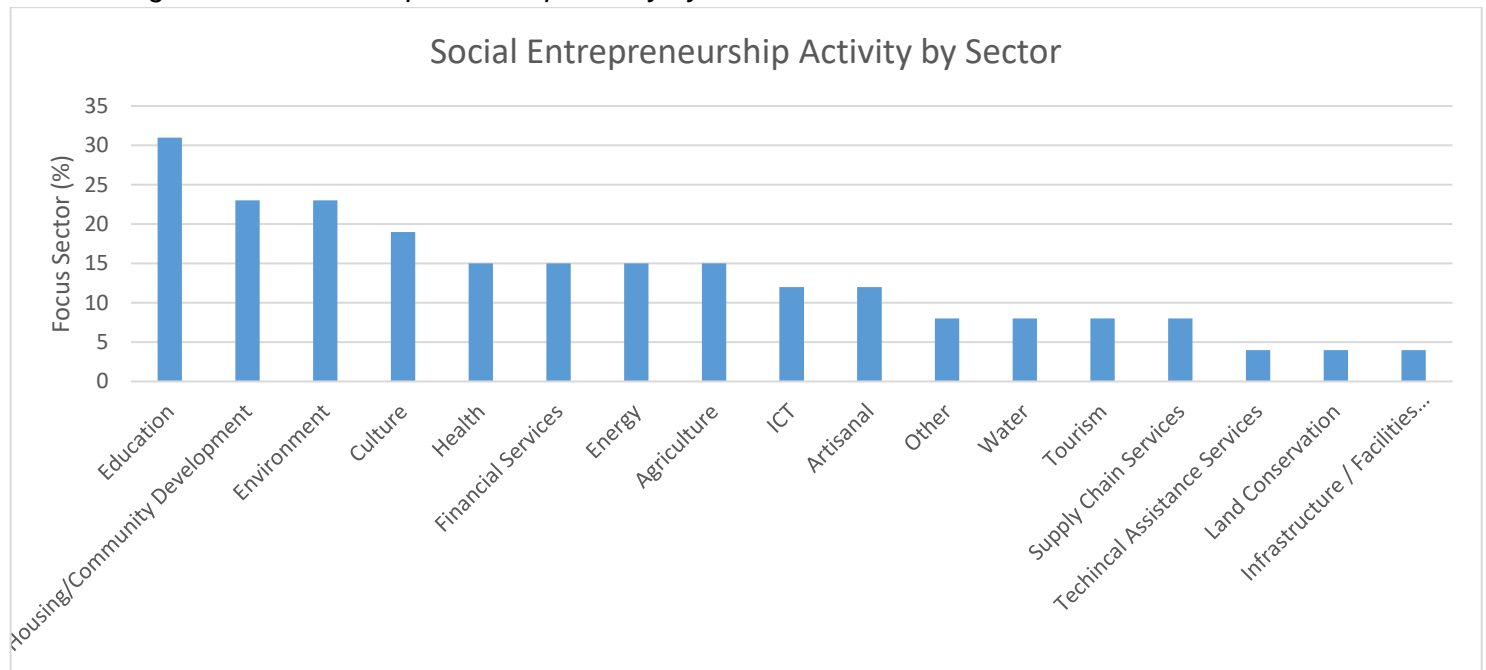


Figure 5 is taken from the 2016 Global Impact Investing Network (GIIN) report; the data is based on a survey sent to 156 investors who operate across the world and manage over \$77 billion. Impact investors are a good proxy for social finance, as they are looking to invest in businesses that aim to have a positive social and environmental impact, in addition to making a financial return.

The findings are not entirely surprising: among the (non-extreme) poor, access to housing, financial services, and energy are some of the most important needs. There are also relatively well-established business models to support these sectors — though more innovation is always welcome.

Figure 6 depicts sectoral activity of Global Social Entrepreneurship Network (GSEN) members, who were able to choose multiple sectors, instead of picking a single focus sector.^{xlii} The results are somewhat different from the GIIN survey, though there is some overlap (housing, for example, is high up on the list).^{xliii}

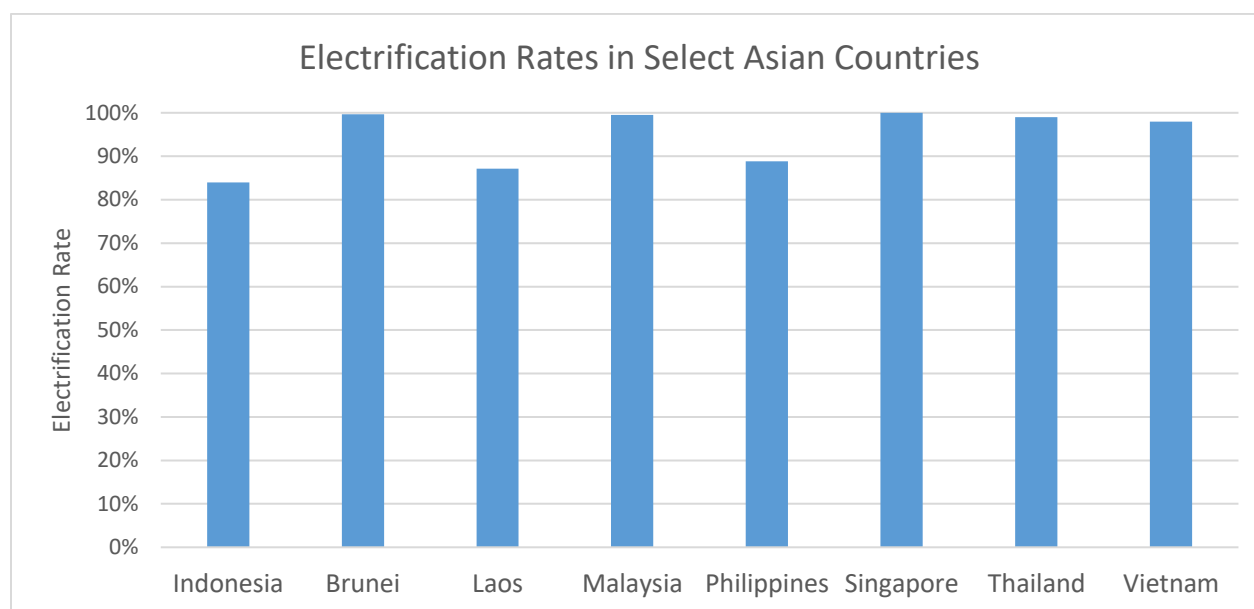
Figure 6: Social Entrepreneurship Activity by Sector^{xliv}



Finally, AlliedCrowds examined potentially promising sectors (based on data on top social entrepreneurship sectors globally) to determine whether there is a potential fit for these sectors to also become successful in Indonesia.

First, we looked at the country's electrification rate, which shows the percentage of households with access to electricity. While Indonesia's rate is relatively high compared to other developing nations (at 84 percent vs. developing country average of 79 percent^{xlv}), the country is lagging behind its neighbors.^{xlvi}

Figure 7: Electrification Rates in the Region^{xlvi}



Furthermore, there is regional variance when it comes to energy access, with some of the less populated islands seeing electrification rates well below the national average.^{xlvi}

Next, we looked at the potential for socially-focused financial services, including microfinance (and other services like mobile money, micro-insurance, etc.). Again, there seems to be an opportunity here for social entrepreneurs to increase access to financial services. For instance, only 36 percent of adults in Indonesia have access to an account at a financial institution^{xlvi}, compared to 42 percent for all lower-middle income countries. The 36 percent account access figure is relatively low, but represents an improvement from 19.6 percent in 2011. Furthermore, more than 56 percent of adults borrowed money in the past year, which is above the average for the lower-middle income country group (47.4 percent). Most of this borrowing (41.5 percent) came from friends or family, suggesting that there is much scope for financial services companies.ⁱ That may be enticing to investors, who often choose companies to invest not only judging the strength of the company's team and business plans, but also by judging the industry they are in.

There is also potential for social entrepreneurs in the housing sector. This stems from the fact that the government has, since mid-2015, been focusing on the low-income sector through its One Million Houses Program. The program aims to address the country's housing backlog from 11.4 million houses at the start of 2016 to 6.9 million by 2019.ⁱⁱ The government has allocated a pot of money towards building the houses; in order to incentivize homeownership, it has subsidized mortgage rates to 5 percent, as well as down payments as low as 1 percent.ⁱⁱⁱ

The program, however, has been quite slow on the uptake, which has led the government to act; earlier this year, the number of permits needed for developers fell from 33 to 11. In addition to making it cheaper for developers to apply, the lessening of restrictions should make the process speedier.ⁱⁱⁱⁱ Given the government's focus on the industry, there is potential for social entrepreneurs to create housing in a sustainable and low-impact way.

Additionally, there is potential for social entrepreneurs to enter promising sectors like sustainable tourism,^{liv lv} which is currently one of the sectors seeing the least amount of funding from foreign and domestic investors. In interviews with Jolkona, an NGO focused on training Indonesian social entrepreneurs, the group's CEO stated that agriculture, software, and textiles as sectors that are seeing a lot of interest among social entrepreneurs. Entrepreneurs working in agribusinesses are looking to promote sustainable farming and business models that can boost output without damaging the environment. Textiles, like tourism, are seeing a relatively low level of foreign and domestic investment, meaning there is scope for social entrepreneurs to fill the gap.

Social enterprises, broadly defined as companies that apply business solutions to solving problems, can operate in virtually any sector of an economy. In order for UNDP Indonesia to provide a value add to the social enterprises it works with, it should focus on those enterprises that operate in its areas of core competency. This includes poverty reduction and environment and energy projects. More specifically, it can work with entrepreneurs looking to provide off-grid access to electricity in rural areas of the country, and promote the spread of financial services across the country.

Chapter IV: Social Entrepreneurship in Indonesia

Background

Social entrepreneurship is a fairly broad term that has eluded a universal definition to date. In a review of how various organizations define the term, Abu-Saifan identifies a number of characteristics ascribed to social entrepreneurs, from persistence and dedication, to social alertness and innovative thinking.^{lvi} Synthesizing the various definitions into a single one, Abu-Saifan creates his own definition, which combines the four factors he believes make social entrepreneurship distinct from other forms of entrepreneurship. His definition is:

“The social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviours to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable.”

Among the most salient features of this, and other, definitions of social entrepreneurship is the focus on financial sustainability. Unlike non-profit charities that seek to effect positive social change by relying on donations, fundraising, and grants (as well as profit-seeking activities), social enterprises attempt to overcome social and environmental challenges in a way that also generates a financial return. The profit-making aspect of social enterprises allows them to reinvest profits back into their business, potentially expanding their reach and / or upgrade the impact they are having on the ground.

Social enterprises and entrepreneurs are experiencing a boom, for a number of reasons that are complex and context-specific. However, one reason for their surge appears to be related to financing: as funding for charities becomes harder to come by due to increased competition and

(in some cases) smaller aid budgets, organizations are looking to become more flexible and self-sustaining.^{lvii lviii}

In Indonesia, the first example of a modern social enterprise is often cited to be the launch of Ashoka's country program in 1983, seeking to identify, train, and fund entrepreneurs; this was Ashoka's second country office after India.^{lix}

Some, however, trace social entrepreneurship's roots in the country much further back — to the struggle against Dutch colonisers in the late 19th and 20th centuries. In their research, Aida Idris and Rahayu Hijrah Hati identified seven major organizations involved in the social movement for independence. The organizations were focused either on commerce or education, but were united in their common goal of "political, religious, and economic freedom."^{lx}

The authors continue: "Evident... were the four characteristics of social entrepreneurship defined previously, which they all shared: social aims and impact, innovativeness, sales activities, and relative autonomy from government control. In short, these organizations were operating as social enterprises to realise their social movement goals."

In other words, the organizations were looking to solve problems created by Dutch colonizers (for example, excessively high interest rates on loans) in a way that ensured financial self-reliance and, ultimately, sustainability.

For this reason, Romy Cahyadi, director of UnLtd Indonesia, a social enterprise incubator and accelerator, declared: "Social entrepreneur is just a label. People have been doing this for nearly a hundred years in Indonesia."^{lxi}

As its name suggests, social entrepreneurship is intimately linked to entrepreneurship more generally — the challenges faced by social entrepreneurs are much more similar to those faced by small businesses and startups, than charitable organizations or larger enterprises. Indeed, as one of the respondents interviewed for this report stated, his company was a profit-driven businesses first and foremost, with the social mission a by-product of the company's activities.

For this reason, we believe it is appropriate to evaluate social entrepreneurship as being within a wider entrepreneurship ecosystem. The next section in this chapter establishes a framework developed by Daniel Isenberg to evaluate and examine the entrepreneurship ecosystems. Then, the framework is applied to Indonesia, paying special attention to social enterprises. Finally, the chapter concludes by expanding on the social finance landscape within Indonesia — that is, funding for social enterprises — and proposes next steps for stakeholders in Indonesia to consider in order to increase the flow of funds to social entrepreneurs.

Entrepreneurship Framework

Entrepreneurship has been studied by economists for centuries to varying degrees; however, it was Schumpeter's image of the entrepreneur as a relentless, resourceful innovator that has

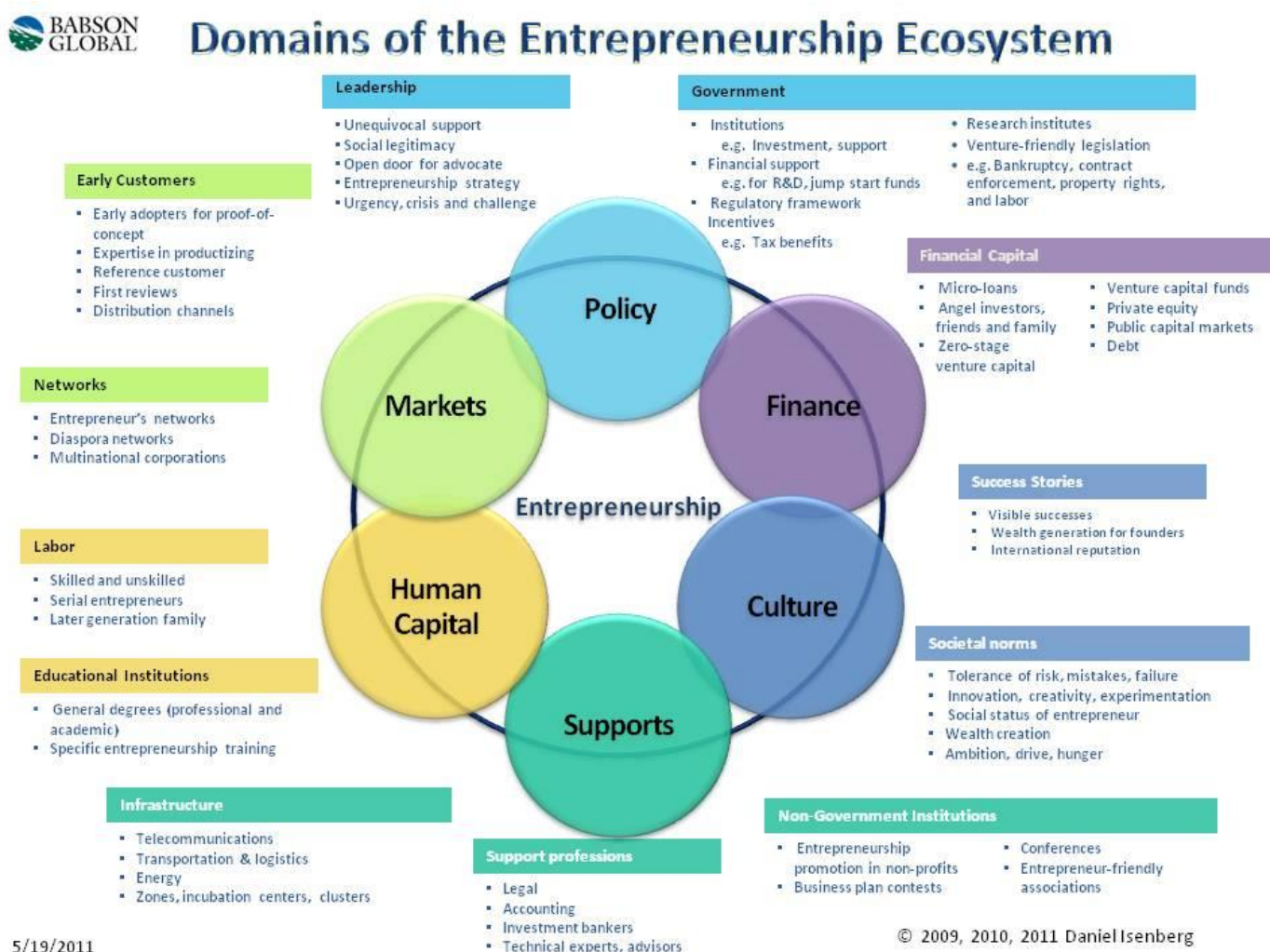
largely resonated in people's minds in recent years, boosted by successes of the first internet companies.^{lxii}

Despite the centuries of scholarly research into the topic, entrepreneurship is difficult to characterize. This is because it requires quantifying features of entrepreneurs that are inherently unmeasurable: good judgement, drive, etc. And, entrepreneurship is highly context-specific, with successful entrepreneurs looking to take advantage of unique market opportunities and benefitting from ecosystems that may not exist anywhere else in the world.^{lxiii}

In short, creating a replicable framework for entrepreneurship is extremely challenging. However, a number of researchers have identified factors that benefit entrepreneurship within an economy. By identifying some common characteristics, researchers have been able to roughly map out an environment in which entrepreneurship can thrive.

One of the most effective and influential such schemas is Daniel Isenberg's *Domains of the Entrepreneurship Ecosystem*, displayed below.^{lxiv lxv}

Figure 8: Isenberg's Entrepreneurship Ecosystem



It should be noted that this framework is not aimed at conceptualizing a social entrepreneurship ecosystem, specifically. Social entrepreneurship, however, cannot exist without a system in place to support purely profit-seeking entrepreneurs. Additionally, social entrepreneurs consulted during the research of this report expressed the view that they are entrepreneurs first and foremost, with similar constraints and opportunities to entrepreneurs more generally. For these reasons, we believe that the framework is helpful for placing social entrepreneurship within an Indonesia-specific context.

Isenberg's framework focuses on six key domains, which are further broken down by dozens of interconnected elements. The six domains are: "a conducive culture, enabling policies and leadership, availability of appropriate finance, quality human capital, venture friendly markets for products, and a range of institutional supports."^{lxvi}

Each domain is subdivided into further elements, which include various stakeholders, policies, societal and cultural norms, etc.^{lxvii} Importantly, these must be viewed as highly interconnected. Though the framework varies by country, it varies mostly in degree, rather than in structure. That is, in one country, there may need to be more proactive government support for entrepreneurship than in another country; but they are key components of any entrepreneurial system.

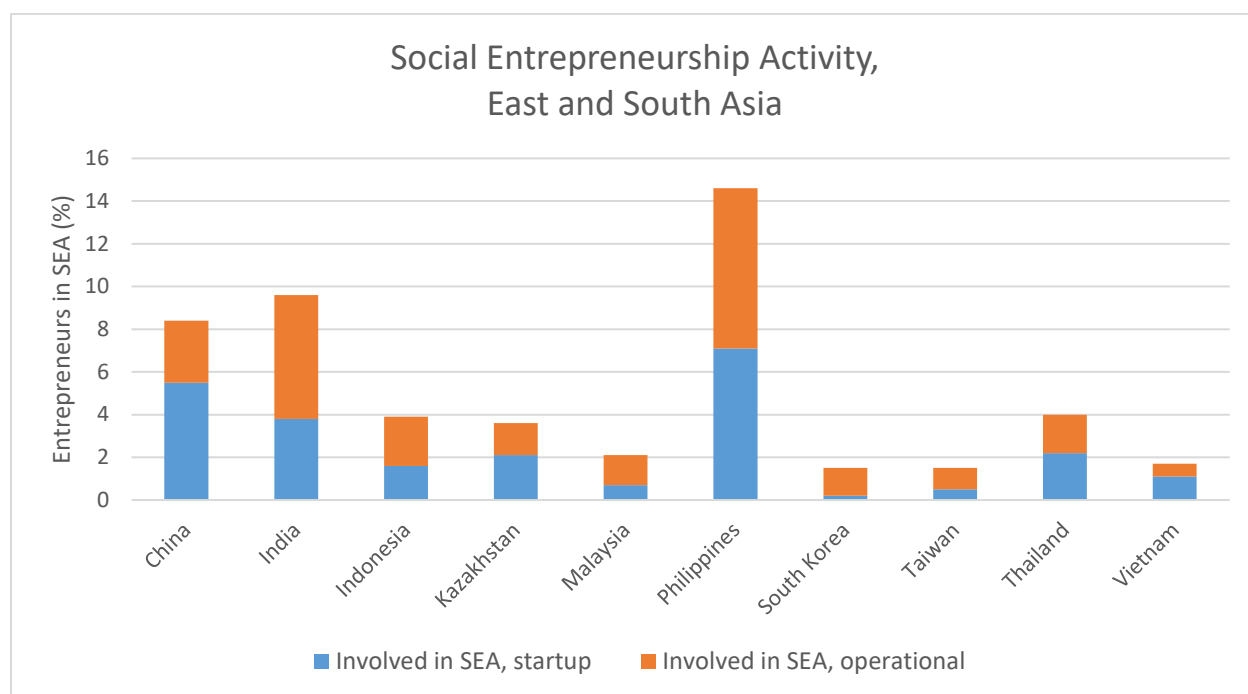
Indonesia's Entrepreneurship Scene

Indonesia is an emerging social entrepreneurship ecosystem, with a long history and potential to disrupt numerous sectors.

Because there is no special designation for social enterprises in the country, it is difficult to find out their number. Estimates by BCG placed the figure at just over 450, though the authors also noted that stakeholders interviewed as part of the report placed the number much higher, at 1,400.^{lxviii} Our own conversations with industry experts also placed the number in the low thousands.

A study carried out by the Global Entrepreneurship Monitor measuring social entrepreneurship activity (SEA) among all entrepreneurs within a number of countries found that just under 4 percent of entrepreneurs in Indonesia are engaged in SEA. This means Indonesia is ahead of neighbors like Vietnam and Malaysia, but behind regional leaders Philippines, India, and China.

Figure 9: SEA Across East and South Asian Nations



Legally, there is no classification for social enterprises, like there are in some nations (for example, community interest companies in the UK). Therefore, the enterprises are typically registered as: cooperatives, financial institutions (for financial service enterprises), foundations, non-profit organizations, or enterprises. A 2014 survey of 59 social enterprises found that 39 percent were registered as non-profit organizations, 34 percent as cooperatives, and 27 percent as for-profit companies.^{lxix} The lack of an established regulatory framework for social enterprises is forcing entrepreneurs to come up with innovative solutions. Some organizations start as foundations, and spin off revenue-generating activities as separate companies;^{lxx} this is the case, for example, with YCAB, one of the more prominent foundations in the country, which has since spun off five separate businesses.^{lxxi}

The rest of this chapter will explore the ecosystem and lay out a roadmap for social enterprises in Indonesia, broken down by Isenberg's six domains. The finance domain is given a cursory overview below, with a more detailed analysis focused specifically on social finance provided in the following section.

Support

This category includes infrastructure (including telecommunications), non-government institutions, and support professions, which are meant to create an enabling environment for social entrepreneurs.

Given social entrepreneurs' need to sell goods and services in order to support operations, both consumers' and producers' access to markets is crucial in order to sustain social enterprises. On a macro level, Indonesia's infrastructural indicators are quite robust. Importantly, the number of

mobile phone subscriptions is 330 million (from a total population of over 250 million).^{lxxii} Additionally, around 55 million have access to a smartphone.^{lxxiii} Internet penetration figures vary by source, from just over 20,^{lxxiv} to 34,^{lxxv} to around 40 percent.^{lxxvi} According to We Are Social, 25 percent of the population is made up of 'active' mobile social media users.^{lxxvii} These digital connections allow Indonesians to overcome poor transport infrastructure, which is inadequate to serve the nation's population that is spread across 6,000 inhabited islands. As expected, transport infrastructure is especially poor in rural areas, which are more difficult to access.^{lxxviii} This not only makes inhabitants in these areas more difficult to access, but serves to exacerbate the rural-urban divide.

Regarding other types of support (technical experts, conferences, business plan contests, entrepreneurship promotion, etc.), there is little data. However, there is evidence that support for social entrepreneurship is growing. There are various kinds of social entrepreneurship enablers, including awareness builders (e.g., Ashoka and British Council), network builders (e.g., GIIN and Platform Usaha Sosial [PLUS]), and capacity builders (e.g., UnLtd Indonesia and Jolkona).^{lxxix} Social Ventures Challenge, a regional business plan competition launched in 2014, consistently draws entries from Indonesia;^{lxxx} 2015 saw the inauguration of the Indonesia Sociopreneur Challenge.^{lxxxi} These play an important role in helping to raise awareness and strengthen capacity of social entrepreneurs.

Finance

The government of Indonesia defines micro and small enterprises as "firms with total assets up to Rp. 200 million (\$22,500) excluding land and building or the total annual sales are not more than Rp. 1 billion (\$112,700), while the medium enterprises are firms with total assets more than Rp. 200 million but not exceed Rp. 10 billion (\$1.127 billion) excluding land and buildings."^{lxxxii}

Micro, small, and medium-sized enterprises (MSMEs), are central to the Indonesian economy. They count for over 99 percent of all firms in the country and employ over 95 percent of the population.^{lxxxiii} Nearly half of MSMEs are in the agricultural industry and majority of the owners are self-employed.^{lxxxiv}

Despite their importance, MSME owners in Indonesia face challenges in accessing financial services as they are often dismissed or excluded by formal financial institutions for various reasons. Business owners' lack of collateral and / or income, inability to provide financial reports, and lack of relevant skills amongst the workforce makes them too risky to lend to. Often labelled as 'non-bankable,' they are viewed as high-risk borrowers who might be unable to repay loans.^{lxxxv} These challenges affect social enterprise in two ways — they face similar challenges in securing funding, and potential clients for their interventions may not get the funding they need.

According to the IFC, just 15 percent of the 400 million MSMEs in developing countries and 12 percent of MSMEs in Indonesia have access to credit.^{lxxxvi} This credit gap amongst Indonesian MSMEs, especially those in remote areas, tends to have a constraining effect on the daily activities of the businesses. They lack the internal and external financing to fund, for example, one-time purchases like stocking up on inventory during busy periods in the year, meaning they are not able to capitalize on business opportunities.

Microfinance, which may be appropriate for some social enterprises, is well established, but has yet to reach its potential; according to a report by Bank Indonesia, only about 10 million microenterprises (out of over 55 million) have formal accounts.^{lxxxvii}

While there are a number of emerging alternative capital providers in the country, including business plan challenges, impact investors, VCs, angels, etc. (see appendix), these funders need to be better educated about social enterprises in order to better target their services for the entrepreneurs' needs. Crowdfunding and P2P lending is emerging rapidly in the country, but it is still too early to make a sizeable difference for more than a small number of social enterprises in the near future.

Indeed, throughout interviews we conducted, most social entrepreneurs identified access to finance as a key constraint, specifically for smaller social enterprises. However, there is tremendous potential to increase funding — in addition to the growth of the crowdfunding, impact investing, and venture capital industries, Indonesia can also benefit from Islamic finance, which is well-established in the country.^{lxxxviii}

Policy

The national government has implemented some promising programs that are likely to have a positive effect on the social entrepreneurship sector. One is a mandatory CSR program (discussed further below),^{lxxxix} which has had a limited impact to date but may still develop into an important source of financing in the long term.

In November, the government rolled out a policy package aimed at making access to funding for businesses in the e-commerce and related industries, including crowdfunding and social enterprises.^{xc} The government has also committed to looking at equity crowdfunding regulations in order to ease access to funding for SMEs, which can also help social entrepreneurs.^{xc}

Furthermore, the government has run a number of programs aimed at helping entrepreneurs more generally. These include efforts to help entrepreneurs by improving their skills, creating greater incentives, and expanding opportunities, as well as efforts to improve the infrastructure, culture, and education around entrepreneurship more broadly.^{xcii}

Additionally, the government's 2013 regulation requiring banks to allocate at least 20 percent of their portfolio to the SME sector by 2018 is likely to cut down interest rates for SMEs (with more money available for SMEs, the price of the loans should fall) and improve access to funding for both social and general small enterprises.^{xciii}

That's not to say, however, that there isn't more for the national government to do. It must do more to cut down on the company registration time, which can take between 22 and 47 days,^{xciv} and cost a fifth of an entrepreneur's per capita income.^{xcv} It has been slow in encouraging investment and innovation in some industries that are well-suited to social entrepreneurship, like solar energy.^{xcvi} Outside observers have noted that "government enthusiasm for the [social entrepreneurship] sector is less evident" than in neighboring countries.^{xcvii}

One social entrepreneur argued that the government doesn't fully understand social entrepreneurship. This may be due to recent events in Indonesia's history — some have suggested that social entrepreneurship was discouraged during the Suharto regime, setting no precedents for subsequent governments, meaning officials had to start from scratch in building a policy.^{xcviii}

In addition to efforts on a national scale, entrepreneurs we interviewed also identified an important role for regional governments, who are closer to their constituents, in allocating budget to social enterprises and pushing the national government to follow suit.

Market

The market for social entrepreneurs' implementations is large. Indonesia has made great progress in reducing poverty among its population. But with over 36 percent of Indonesians living under \$3.10 per day (purchasing power parity), there is much more to be done.^{xcix}

The poor's condition is worsened by the lack of access to financial instruments in the country. Indonesia has an established microfinance industry, with roughly 60,000 institutions reaching over 50 million people.^c However, that represents only a fifth of the population. In total, formal account penetration among those aged over 15 is 36 percent, well below the regional average (69 percent), and the lower middle income country average (43 percent). Indonesia's poor also lag their regional and income-level peers: only 22 percent of the poorest 40 percent have accounts, compared to 61 percent in the region and 33 percent among lower middle income nations.^{ci}

This suggests that the poor, who have the biggest need for social enterprises' interventions, may be the least able to afford them. It also underscores the importance of social enterprises that focus on financial inclusion as a foundation to support further interventions. Digital payment solutions are especially important in the island nation, where engaging in market transactions is geographically challenging.

A positive indicator for the market for social enterprises is the diaspora, estimated to be around 8 million people.^{cii} These individuals can contribute to social enterprises back home as a way to improve the livelihoods of their peers.

Human Capital

In addition to access to finance for small social enterprises, human capital was another issue brought up among entrepreneurs we interviewed — there is a shortage of skills social entrepreneurs view as being important to the success of their businesses.

The tertiary education gross enrolment ratio was 31 percent for both sexes in 2014, on par with regional neighbors like Malaysia, the Philippines, China, and Vietnam.^{ciii} Overall, however, Indonesia lags the world average for government expenditure on education as percentage of GDP, at 3.4 percent (global average is 4.4 percent).^{civ}

Furthermore, though there are over 1,000 tertiary education institutions in the country, BCG suggests that there is a large divide between the ones at the very top, and the rest.^{cv} Students that can afford to study outside the country are doing so in increasing numbers, opening the potential for brain drain.^{cvi} Additionally, research and development spending in the country is low, and it accounts for very few scientific and technical journal articles, despite its high population.^{cvi}

More encouragingly, our research shows that entrepreneurship programs are offered among the top universities. Indeed, several have programs or courses dedicated specifically to social entrepreneurship (see table 2 below).

Additionally, Indonesian entrepreneurs have been positive in the direction of their educational systems, citing improvements in conferences and seminars, informal networks, and courses at universities.^{cvi} This confirms anecdotal evidence: one social entrepreneur told us that he had been to at least five social entrepreneurship events in the past year alone.

Table 2: Social Entrepreneurship Programs at Select Indonesian Universities

Educational Institution	Entrepreneurship Program(s) Offered	Social Entrepreneurship Program(s) Offered
Universitas Gadjah Mada	Yes	No
Universitas Indonesia	Yes	Yes
Universitas Sebelas Maret	Yes	No
Institut Teknologi Bandung	Yes	Yes
<u>Universitas Brawijaya</u>	Yes	Yes
Universitas Pendidikan Indonesia	No	--
Universitas Trisakti	Yes	Yes
Bogor Agricultural University	No	--
Universitas Mercu Buana	Yes	No

Culture

Indonesia is among the most entrepreneur-friendly nations in the region, both by amount of activity, and by entrepreneurs' perceptions.

For example, an EY survey showed that 44 percent of entrepreneurs see business failure as a learning opportunity. This is despite the fact that cost of resolving insolvency is 18 percent of one's estate.^{cxix}

Furthermore, a 2011 BBC survey found that Indonesia was perceived to be the top country in the world to be an entrepreneur.^{cx} This corresponds with data in table 3, obtained by the Global Entrepreneurship Monitor, which found that the country has some of the highest levels of activity within the region, a relatively positive perception of the sector, and low fear of failure.

Curiously, the Global Entrepreneurship Monitor found that despite the relatively low number of entrepreneurs involved in the social sector, the percentage of adults agreeing with the statement "In my country, you will often see businesses that primarily aim to solve social problems" was over 60 percent.^{cxii} This may be due to Indonesia's CSR mandate, which forces the biggest firms to fund socially-responsible campaigns.

The positive view of entrepreneurship may be due to the realities on the ground: the poor have few realistic alternatives to formal employment, which is often dependent on one's education level.^{cxiii} Another worrying sign is that while entrepreneurship overall is celebrated, cooperatives are seen as small and slowly growing businesses, and struggle to attract quality talent.^{cxiii}

Still, the culture is strong, and is likely to benefit social entrepreneurs just as much as general ones. The fact that Indonesia has the world's largest Muslim population may help, too — one of the pillars of Islam is *zakat*, or charitable giving. This may help social entrepreneurs better explain their mission, and to gain more funding.

Table 3: Perceptions of Entrepreneurship^{cxiv}

	Total Entrepreneurial Activity	Established Business Ownership	Perceived Opportunities	Perceived Capabilities	Entrepreneurial Intention	Fear of Failure
Indonesia	26	21	47	62	35	35
Philippines	18	6	46	66	43	38
Malaysia	7	6	41	28	12	33
Thailand	18	28	45	44	18	49
Vietnam	15	22	39	58	18	50

Conclusion

Overall, the social entrepreneurship landscape is fairly strong in Indonesia. Positive factors include the country's culture, emerging support ecosystem, and a long history of combining a social and profit-seeking mission. Negative factors include logistical difficulties in accessing markets, access to finance for young social enterprises, and lack of dedicated policy toward the sector, which could help to make socially-minded companies more visible and provide further legitimacy.

While the lack of a government focus came up consistently throughout desk analysis and in some interviews with social entrepreneurs, it should be noted that a number of individuals interviewed did not identify policy toward social entrepreneurs, specifically, as a bottleneck. Because social entrepreneurs are, in their view, entrepreneurs first and foremost, there is no need for a specific approach to the sector. Instead, they believe the government should ease up the regulatory environment for entrepreneurs, more generally, and to focus on sectors that social entrepreneurs are already involved in (agriculture, renewable energy, etc.).

Table 4: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> - Friendly culture - Growing support system (conferences, competitions, etc.) - History of social entrepreneurship - Relatively tech-savvy (mobile, internet, social media) population - Large, growing economy with a high population - Scope for intervention - Government programs promote (general) entrepreneurship, crowdfunding - University focus on sector 	<ul style="list-style-type: none"> - Poor access to finance for young social enterprises - Long time to start business, cost of insolvency - Lack of digital payments among population - Difficulty in accessing markets (due to poor infrastructure, geographical constraints) - Lack of government emphasis on sector
Opportunities	Threats
<ul style="list-style-type: none"> - Growing awareness of social entrepreneurship - Increased global focus on impact / 'triple bottom line' investing - Increased lending to SMEs as mandated by the government - High Muslim population with aligned goals of promoting socially-beneficial firms - Continued need for social intervention to alleviate poverty, environmental damage, etc. 	<ul style="list-style-type: none"> - Potential for brain drain as well-educated entrepreneurs obtain education and move elsewhere - Low spending on research and development - More welcoming policy environment in neighboring countries can lure entrepreneurs away

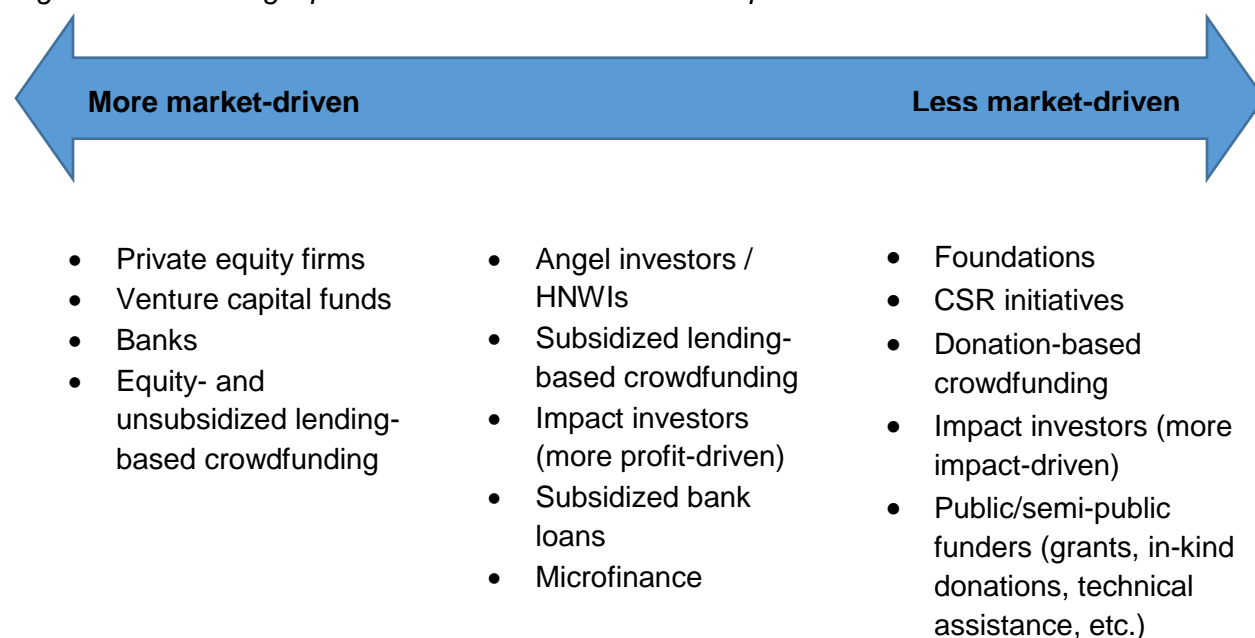
Chapter V: Social Finance in Indonesia

Despite the relatively healthy environment for entrepreneurship in Indonesia, MSME financing can be described as an inefficient market characterized by information asymmetries, as it is in many other developing nations. There is no specific social enterprise legal entity in Indonesia, meaning that there is not a lot of funding earmarked for social entrepreneurs outside of impact investors, crowdfunding platforms, and grants.

It's important to keep in mind that social enterprises exist on a scale. Some consider themselves more profit-oriented, believing that the more successful they are financially, the more beneficiaries they can reach; therefore, they seek to maximize profits. Others put the social mission first — generating a profit is still core to their business, but they consider it secondary to the social impact they generate.

Likewise, the financing options available to social entrepreneurs exist on a spectrum (see figure 10). Profit-only driven funders sit on one side of the spectrum, and funders who prioritize social benefit over financial returns on the other. In other words, the former evaluate investment into social enterprises as being purely market-driven, while the latter are willing to subsidize credit and receive below-market returns if the social enterprise can prove its impact. Below we review some of the ways businesses get funding for their activities, how well those work in Indonesia for social enterprises.

Figure 10: Financing Options for Indonesian Social Entrepreneurs



Bank Financing

In developed markets where they are a key source of SME funding, banks finance companies based on the strength of their audited financial statements, use credit scoring techniques (evaluating both the business and the founders), or use ‘soft’ qualitative information obtained through relationship-building. Many small businesses, however, are unable to pay for their statements to be audited, may have relatively poor credit scores, and no established relationships with a bank. In that case, businesses typically put up assets as collateral, meaning the bank will have ownership rights to the assets in case of default, mitigating risk. Even then, however, there are problems associated with bank financing, including: loan tenure mismatch, meaning a bank requires the loan to be paid back sooner than an SME owner may wish; and high interest rates — as SMEs are typically risky, the price on the borrower capital (i.e., the interest rate) can be very costly, which can be highly detrimental to SMEs that are typically cash-strapped.^{cxv}

The latter problems are magnified in developing countries, including in Indonesia. Even though Indonesia’s benchmark interest rate has been falling over the past year,^{cxvi} which should be passed down to all borrowers, interest rates are still relatively high: typically in the low teens

(annual), they can be as high as high 20s.^{cxvii} The high rate is exacerbated by the fact that inflation has been falling steadily over the last two years, to reach 3 percent in 2016.^{cxviii}

The government has been instrumental in pushing bank lending to MSMEs. The most important initiative has been a 2012 Bank Indonesia order mandating banks to direct at least 20 percent of their credit portfolio to SMEs; this is meant to go in effect next year. Unsurprisingly, 81 percent of local, *shariah*, and state-owned banks in Indonesia named growing SME loans as a high priority in 2015.^{cxix} In addition to promoting dialogue, which should help banks and borrowers better understand each others' needs and motivations, the mandate may lower interest rates for all borrowers. With a larger supply of capital available for SMEs, if borrower demand stays constant, the cost of credit should fall.

Additionally, a 2007 presidential order established the Kredit Usaha Rakyat (KUR) program^{cxx} ('Business Credit for People'), a guarantee scheme that is meant to promote bank loans to MSMEs. The program provides a guarantee of either 70 or 80 percent (the latter is for priority sectors, including agriculture, fisheries, small industry, and forestry) to the bank, capping losses in case of default. There are two components of the program:

- Micro KUR: maximum loan of 20m rupiah (\$1,500), with a maximum interest rate of 22 percent annually (reduced from 24 percent in 2010)
- Retail KUR: maximum loan of 500m rupiah (\$37,500), with a maximum interest rate of 13 percent annually (reduced from 16 percent), up to 5 years^{cxxi}

While there is a guarantee on the loan, reducing risk to the lender, the government is not providing a subsidized rate for MSMEs. Typically, banks ask for additional collateral to protect themselves against risk. Maybank, for example, asks for either a cash deposit, or land/building.^{cxii}

According to analysis by BCG, 76 percent of social enterprises in Indonesia are in the seed or venture stages. This means they are often less than a year old, have little, if any, revenues, and may not have formally registered as a corporation, foundation, or cooperative.^{cxiii} If social enterprises can obtain funding via the KUR scheme, bank financing can be a viable option for some social enterprises. However, because the majority are in the seed and venture stages with limited cash flows, they may struggle to repay the loans. For that reason, equity or grant funding is likely to be a better option for most.

Private Equity, Venture Capital and Angel Financing

Private equity (PE) and VC funds are similar in that they provide equity financing to companies, with the aim of eventually exiting at a multiple return. Exits can be achieved via an initial public offering (IPO), share buyback, or sale of business; the latter is the most common in countries with underdeveloped capital markets. PE firms are typically focused on more established businesses, while VCs deal with younger firms.

PE and VC activity grew sharply in the country in 2016, to reach nearly \$1.5b (see table 5). The average deal sizes point to larger firms getting funding, but they are somewhat misleading: in 2016, for example, two companies out of 33 received \$1.3b of the total. Excluding those, the average deal size for the remaining 31 companies would be ~\$5m.

Table 5: PE/VC Activity in Indonesia 2014-16^{cxxiv}

Year	Total \$ Funded (m)	Number of Deals	Average \$ per deal (m)
2014	230	6	38.33
2015	432	26	16.62
2016	1,470	33	44.55

Until late 2015, Indonesian law did not distinguish between private equity and VC funds.^{cxxv} Regulations by the Financial Services Authority (OJK) established VCs as a separate entity, with a number of requirements that must be met by the funds. One that may be directly beneficial to social enterprises is the mandate to place a certain portion of funds into cooperatives.^{cxxvi}

Additionally, a government tax amnesty program in 2016 has been successful in identifying and repatriating billions of dollars to Indonesia.^{cxxvii} One social entrepreneur identified this as a potential source of capital for entrepreneurs (socially-driven or not). The same respondent pointed out that some banks are creating their own VC funds and incubators (for example, Bank Mandiri^{cxxviii}), which can channel more funding to SMEs. However, the respondent stated that private capital in the country is fairly conservative, preferring to invest in well-established and understood sectors like real estate, rather than investing in SMEs. Ultimately, social enterprises may be able to unlock this stream of funding, but only if they present a good risk-adjusted return on the investment; therefore, this type of capital is best for later-stage social enterprises that have a proven business model and can scale.

One potential exception to this are angel investors and angel networks, made up of HNWIs. As stated in Chapter II, these investors may invest not just to gain a return on capital, but for other reasons, including an aligned social mission or a desire to support innovative entrepreneurs. Angel Investment Network Indonesia (ANGIN), for example, is made up of 42 individuals, investing in a range of startups, from IT to social enterprises. The organization has been active in the social entrepreneurship sector, for example supporting the PLUS platform.^{cxxix}

Crowdfunding

Crowdfunding offers an exciting opportunity for social enterprises in the country. The industry is relatively small at the moment, with a handful of sites providing lending-, donations-, and rewards-based crowdfunding options. (OJK has been considering regulations for equity crowdfunding since 2015.) However, the early results have been positive, with Indonesians seemingly attracted to the idea, especially to donation-based crowdfunding.

For example, [KitaBisa](#), one of the leading crowdfunding platforms that funds a variety of projects (and an ANGIN portfolio company), has raised over \$5.5m for 4000 projects from 230,000 users. Socially-minded campaigns are among the most popular, according to KitaBisa's CEO.^{cxxx}

One reason for the industry's emergence is that the population is relatively active on social media (see above). The country also has a budding e-commerce industry, expected to reach \$130b by 2020,^{cxxxi} which will help to make consumers more comfortable with online transactions, and kickstart the rewards-based crowdfunding activity, which is very small today.

In addition to donation-based crowdfunding, there are also a number of lending-based (P2P) platforms. These have been operating for some time in Indonesia, but are likely to grow even further following the OJK's regulatory update on the industry.^{cxxxii} The regulations are not burdensome, with no caps on interest rates, and capital levels lower than what were proposed in draft regulations.^{cxxxiii} The regulation also allows both foreign and domestic lenders;^{cxxxiv} because there are a number of established platforms in neighboring countries like Singapore, these may quickly move in to challenge existing platforms like KoinWorks and Modalku. The latter claims to offer loans with no collateral requirements, though interest rates are still quite high, between 15-20 percent annually. In other words, while lending-based crowdfunding should make it easier for social and other entrepreneurs to access funding, it will still be a relatively expensive option that is more likely to benefit growing rather than cash-strapped early stage enterprises.

In conversations with social entrepreneurs, crowdfunding came up as a funding source with high potential, especially as a way to fund specific initiatives and projects (rather than funding general business expenses). It can also help entrepreneurs to raise awareness of their mission as a marketing tool, and help show proof of concept for VCs or angels in later stages of funding. With the government eager to continue promoting crowdfunding (in addition to supporting the ecosystem, it's even looking to create its own platform^{cxxxv}) the future looks bright for crowdfunding.

Impact Investors

Impact investors are a fairly eclectic group, made up of foundations, pension funds, family offices, development finance institutions, VCs, angel investors, and others.^{cxxxvi} They are united in their interest in creating not only financial returns, but also a positive impact. This can mean a variety of things, including environmental sustainability, job creation, financial inclusion, improved healthcare, education, affordable housing, and other potential social benefits. Impact investors often operate like more traditional funds, with funding coming from outside investors (limited partners) and operations overseen by general partners, who evaluate, finance, and manage investments.

As they are a relatively large group, impact investors vary in their motivations. Some place more emphasis on financial returns, while others are happy to subsidize companies and projects if they believe in their social mission. Figure 11 below examines the spectrum of motivations for impact investors.

Figure 11: Spectrum of Impact Investors^{cxxxvii}



Impact investors often approach investments with the methodology of ‘patient capital’ — the idea that funding should have a long time horizon, and be flexible.^{cxxxviii} Despite the fact that some impact investors may not demand a market rate of return on their investments, making it a good fit for some earlier-stage social enterprises, impact investors can be highly specific in the impact methodology and demanding in proof of impact. Those who place an emphasis on impact view it as a second risk — will the planned impact actually be delivered? When approaching these investors, therefore, social entrepreneurs need to not only have a compelling business model in their pitch deck, but also a clearly defined and measureable plan to effect change.^{cxxxix}

The impact investment industry in Indonesia is fairly new. While there are a number of home-grown impact funds and groups interested in the topic (for example, Impact Network Indonesia^{cxl}), the majority are still international investors. Though Ashoka has been operating in the country since the 1980s, the vast majority have entered the market in the past ten years. That helps to explain the relatively small allocation of funds to Indonesia among the leading impact investors, as Table 6 below shows.

Table 6: Global Funders’ Total and Indonesia Allocation^{cxli}

Funder	Total Allocation (\$ million)	Indonesia Allocation (\$ million)
Triodos Bank	814	6
Kiva	632	4
Omidyar Network	58	3
Grameen Credit Agricole	33	3
Ashoka	29	2
Unitus Impact	25	2
responsibility	700	1.5
Grassroots Business Fund	21	1.3
Grameen Foundation	7	0.3
LGT Venture Philanthropy	41	0.0

Triodos Bank, for example, currently funds four microfinance institutions in Indonesia. Collectively, they've helped over a million women (primarily in rural areas) to secure loans.^{cxlii} However, Triodos works with microfinance institutions in 45 countries, and it also invests in sectors like agriculture, renewable energy, healthcare, and housing.^{cxliii} With experience on the ground, and with Indonesia being a large and rapidly developing economy, it seems natural for the Bank to increase its presence on the ground in the coming years. This suggests there is much scope for impact investing to grow in the country — likely aiding social entrepreneurship.

Other Financing Options

In addition to the financing options above, we examine two more — CSR funding and regional Departments for Cooperatives and MSMEs across Indonesia — as they came up as potential social enterprise funders in conversations with stakeholders.

CSR is a well-developed sector and source of funding for various organizations in Indonesia. A 2007 law^{cxliv} mandated firms in the natural resources sector to invest in CSR activities. While this may seem like a lucrative pool of funding for social enterprises, there is still a relatively limited understanding of how to allocate funds effectively; most see it as a cost, rather than an investment.^{cxlv} Some companies believe donating to Independence Day celebrations is considered to be CSR.^{cxlvi} Indeed, some see it as a marketing cost or a way to get PR.

Social entrepreneurs interviewed as part of this report have had generally negative experiences when approaching CSR. As mentioned above, most found that understanding of CSR programs was limited among corporates, who saw their CSR funding as a marketing tool. Explaining to companies why they should give companies — not charities — funding was a key challenge. One entrepreneur stated that only around one in twenty conversations materialized in funding, which ultimately was not worth the time spent engaging. Without better education on effective CSR programs, it is likely to continue to be an appealing but untapped pool of funding for social enterprises.

The other type of funding option available to social and general entrepreneurs is via regional Departments of Cooperatives and MSMEs. These offices provide a number of services for entrepreneurs, including help with marketing, office space, and funding.^{cxlvii} Social entrepreneurs interviewed as part of this report also identified regional governments' efforts as key to pushing the national government on promoting the social enterprise agenda.

Case Study: Funding for Social Enterprises in the UK

The United Kingdom is a pioneer of social entrepreneurship globally. According to government figures, there were roughly 740,000 social enterprises in the UK in 2014; one in five SMEs have a social mission. Three quarters are profitable, and they contribute £55b to the UK economy, employing 2m people. There are a number of funding options available to social enterprises, as well as government initiatives to promote investments in these firms. Crowdfunding is a developed market for social enterprises — not only are there a variety of donation-, reward-, lending-, and equity-based crowdfunding platforms, there are also more country-specific models like community share crowdfunding.

Furthermore, the UK is home to world's largest social investment bank (Big Society Capital), and has introduced a number of funding schemes to help social entrepreneurs to attract further financing (for example, funding meant to finance the writing stage of a grant proposal). The government has also introduced tax incentives to encourage investment in social enterprises.

Sources^{cxlviii}

Conclusion and Recommendations

Social entrepreneurship is a small but rapidly growing sector in Indonesia, and in neighboring countries. This report has examined potential investment opportunities for social entrepreneurship; placed social entrepreneurship within the wider entrepreneurship sector in Indonesia; and mapped out the social finance industry that supports social enterprises.

Based on this research, AlliedCrowds has come up with a list of recommendations — a Social Finance Roadmap — that can help to bolster Indonesia's social entrepreneurship sectors. Coming up with recommendations to help develop an industry is challenging, as any suggested change or initiative may have unintended outcomes, cause indirect effects, and create perverse incentives; it may also have positive short-term effects that do not hold up in the long term. With that caveat in mind, we propose a set of recommendations that can be a useful starting point for exploring how to strengthen the social entrepreneurship sector in Indonesia.

1. Create social entrepreneurship programs in offices of select regional Departments of Cooperatives and MSMEs. Regional offices work much closer with entrepreneurs and constituents than national offices, so they are likely to better understand the specific needs of both target beneficiaries and social enterprises. This means they are an ideal starting point for trialing social entrepreneurship education initiatives, training sessions, and potential funding programs.

2. Create an SME Credit Rating Agency. Indonesia's government and central bank have explored the possibility of creating an SME credit agency, which would be uniquely focused on SMEs (as defined by national standards); furthermore, there have been a number of idea-sharing initiatives among ASEAN countries^{cxlix} to create such an agency. We encourage the central bank and the relevant ministries to finish these efforts, which should ease the loan burden for SMEs in all sectors, and give them more options on where they can access funding, and at what rates.

3. Establish a Social Enterprise legal entity. While there was mixed feedback from entrepreneurs about whether this was needed, or whether they should act as all other entrepreneurs, our belief is that a Social Enterprise designation would be beneficial primarily because of its intangibles. For example, the designation would enable the government to raise awareness of social entrepreneurship as a sector and could make it easier to entrepreneurs to tap into CSR funding. If the initiative sees considerable uptake by social entrepreneurs, it may be a starting point for creating tax incentives for social enterprises in the future.

4. Create a Social Enterprise Investment Tax Incentive Scheme. While it would be easiest to implement after creating a Social Enterprise legal entity, it is possible to structure this within the existing framework (for example, by requesting firms that apply to get tax incentive benefits to list their social mission and impact to date). This can be especially useful in channeling funding reclaimed via tax amnesty programs.

5. Create a platform for social enterprises and funders to alleviate information asymmetries. In every country, it is difficult for entrepreneurs to know all their options when it comes to fundraising.

We recommend a platform to be created that helps to connect social enterprises to funders and other potential stakeholders in the ecosystem (see below).

Potential for UNDP's Involvement

Given the overall positive social entrepreneurship ecosystem in the country, we propose for UNDP Indonesia to play the role of convenor in the sector. Specifically, it should focus on aiding young social enterprises in accessing funding.

This can be achieved by combining three interconnected factors. The first is a database of capital providers. These can be both traditional (especially, banks and microfinance institutions), and alternative (as defined above) financiers. The AlliedCrowds Capital Finder database has identified a number of the latter, and ranked them according to their relevance to the country and the social enterprise sector; the top 60 providers are shown in the appendix.

The second factor is an online educational resource. This would allow UNDP Indonesia to help social entrepreneurs get a better understanding of different capital providers, what non-financial benefits they may offer, and what (if anything) they will expect in return. Because this would be an online resource, it would enable the UNDP team to reach more entrepreneurs than it would by engaging each one individually. This Entrepreneur's Hub would contain information on how to create a business plan, including a marketing plan, sector analysis, financial projections, etc. It would also contain templates and examples of successful plans and pitch decks. This would enable the entrepreneurs to be able to improve their chances of obtaining funding, at no marginal cost to UNDP.

Finally, after the entrepreneurs have created a business plan, reviewed the documents in the Hub, and identified potential capital providers to approach, UNDP Indonesia can provide a 'fixer' who would introduce entrepreneurs to capital providers and would help them improve their pitch. Because the entrepreneurs would come to this person having already conducted their own research and prepared much of the necessary documentation, the fixer would be able to focus on the non-replicable, 'last-mile' parts of the pitch: initial introduction, refinement of business plan and pitch, and, if appropriate, strategic guidance.

UNDP Indonesia can experiment with blended finance throughout this process, making investment in the social enterprises more appealing. This can be via guarantees, co-investment, subordinated debt, non-financial benefits (like securing free office space), etc. Ultimately, the aim of the initiative is improve entrepreneurial education in the country, and to enhance the flow of capital to socially-focused enterprises.

Given that social enterprises operate in a number of sectors, by helping social entrepreneurs access financing, UNDP can advance Indonesia's progress toward achieving the Sustainable Development Goals. Social enterprises are especially well-suited to goals: ending poverty (goal 1), decent work and economic growth (8), and industry, innovation, and infrastructure (9).

Appendices

Data Collection Methodology

Over the course of this study, AlliedCrowds has greatly improved and expanded its data on alternative finance capital providers in Indonesia. In order to fill out the database, AlliedCrowds hired Indonesia-based contractors in order to ensure that language had little (if any) effect on the data collection method. The contractors looked through various search terms (“Indonesian venture capital,” “crowdfunding Indonesia,” etc.), searched relevant databases, looked through news articles, and scoured other sources of information to identify the alternative capital providers that are of relevance to Indonesia.

In total, the database includes over 750 entries. This set likely includes type I errors (false positives), as capital providers who claimed to participate in Southeast Asia (but may not actually be active in Indonesia), for example, would be included. The AlliedCrowds screening method, however, mitigates type II errors (false negatives), by encouraging contractors to include capital providers if they thought (but weren’t sure about) they were active in the country.

AlliedCrowds has created the Relevancy Score, a methodology to filter out superfluous information from data to separate the signal from the noise. AlliedCrowds examines social media follower location, office location, and other data points to attempt to filter the most relevant capital providers to the top. Crucially, it conducts keyword analysis of the capital providers’ websites to determine which ones are relevant for specific sectors and countries. In other words, if a venture capital firm had many followers in Indonesia, has an office in the country, mentioned Indonesia frequently on its site, and also mentioned search terms like “social entrepreneurship,” “social finance,” “social entrepreneur,” etc., it would show up higher in the ranking than an Indonesian venture capital firm that invested in a wide range of sectors, or one that invested in solar panels, but more broadly across the continent.

Finally, AlliedCrowds conducted a manual data check, visiting the websites of the top capital providers based on the ranking and throwing out any potential funders who were deemed to be not entirely relevant to Indonesia or social entrepreneurship. The list of the more relevant 60 funders is included in the appendix.

Analysis

The most common type of capital provider among the top 60 was venture capital, with 23 providers, followed by impact investors (18). It’s important to note that this understates the relevance and importance of regional offices tasked with promoting cooperatives and MSMEs, which were combined into one entry within the top 60. This was done because we are unable to identify which region an entrepreneur operates in. The majority of capital providers are young, having been established in the past ten years.

Figure 12: Count of Types of Capital Providers

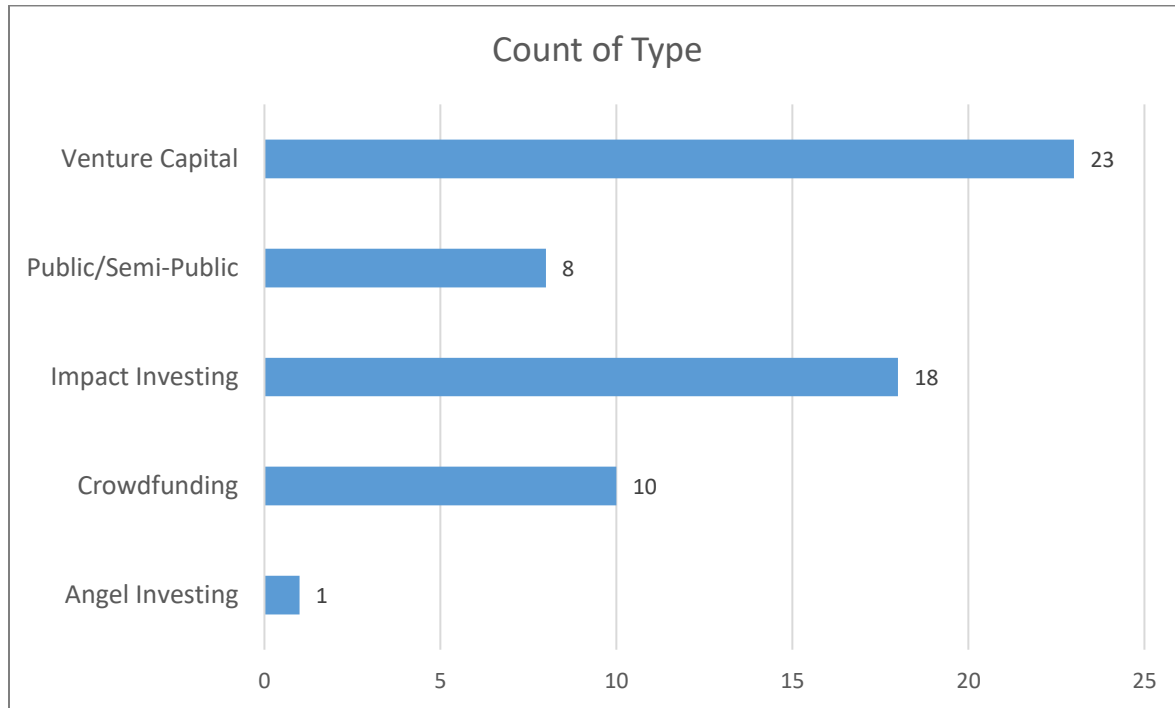
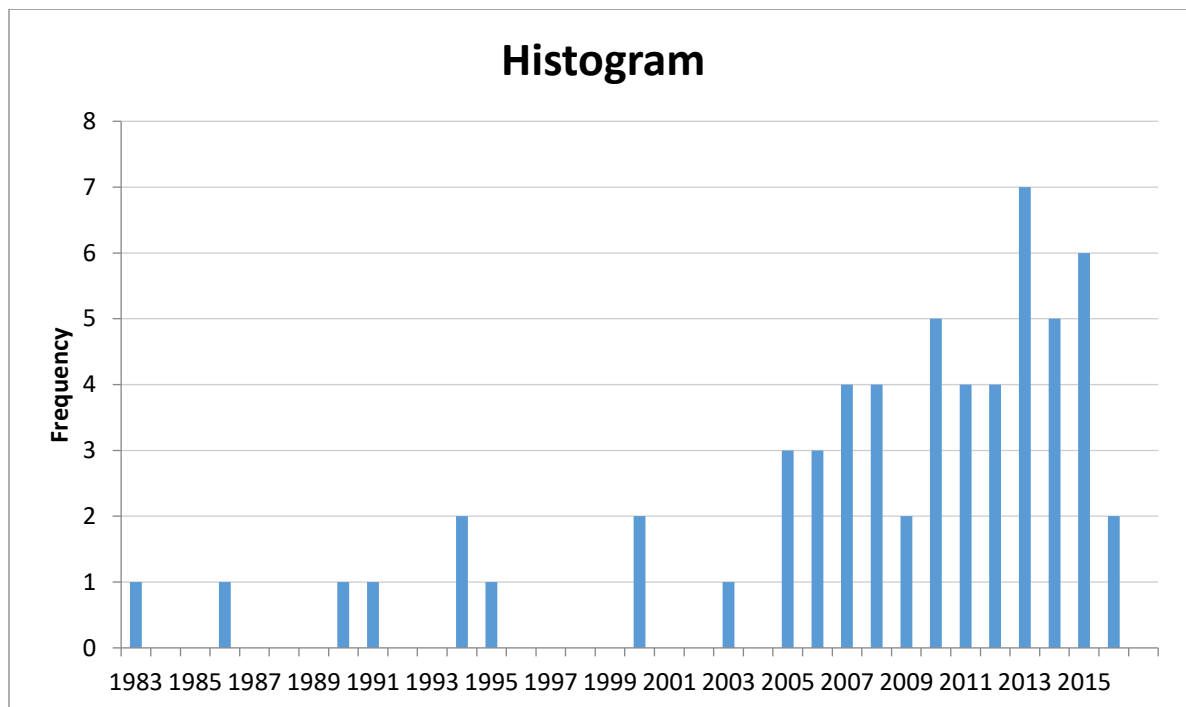


Figure 13: Capital Provider Year Founded



List of Indonesia-based Capital Providers

Name	Website	Type	Year Founded
UnLtd Indonesia	http://unltd-indonesia.org/	Impact Investing	2014
Amartha Microfinance	https://amartha.com/	Crowdfunding	2010
Sosial Enterprener Indonesia	http://www.se-indo.com/	Venture Capital	2008
Kitabisa	https://kitabisa.com/	Crowdfunding	2013
Indonesia Impact Investment Fund	http://www.indonesia-initiative.com/	Impact Investing	2013
PBMT Social Ventures	http://pbmtsv.com/	Impact Investing	2005
Ashoka Indonesia	https://www.ashoka.org/	Impact Investing	1983
D-Prize	http://www.d-prize.org/	Venture Capital	2013
Komunitas Pengusaha Muslim Indonesia	http://www.kpmi.or.id/	Venture Capital	2008
Indonesia Sociopreneur Challenge	http://sociopreneurchallenge.com/	Public/Semi-Public	2015
ICCO Investments	http://icco-investments.org/	Impact Investing	2014
Angel Investment Network Indonesia	http://angin.id/	Angel Investing	2013
Kinara Indonesia	http://kinaraindonesia.com/	Impact Investing	2011
Modalku	https://modalku.co.id/	Crowdfunding	2015
Mercatus Capital	http://mercatus-capital.com/	Venture Capital	2006
New Ventures Indonesia	http://new-ventures.or.id/	Impact Investing	2005
Permodalan Nasional Madani Ventura Syariah	http://www.pnmventurasyariah.co.id	Venture Capital	2009
PLUS Social Business	http://usahasosial.com/	Impact Investing	2016
GAWA Capital	http://www.gawacapital.com/	Impact Investing	2008
Local Gov't SME Companies		Public/Semi-Public	
Social Venture Challenge Asia	http://socialventurechallenge.asia/	Public/Semi-Public	2014
alterfin	https://www.alterfin.be/en	Impact Investing	1994

Vasham Kosa Sejahtera	http://vasham.co.id/	Venture Capital	2013
Uberis Capital	http://www.uberiscapital.com/	Impact Investing	2012
Marvelstone Group	http://www.marvelstone.co/	Venture Capital	2010
LGT Impact Ventures	http://www.lgtvp.com/	Impact Investing	2007
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	http://geeref.com/	Impact Investing	2008
chuffed	https://chuffed.org/	Crowdfunding	2013
PT. Insight Investments Management	http://i-invest.co.id/	Venture Capital	2003
The Impact Programme	http://www.theimpactprogramme.org.uk/	Impact Investing	2012
StartSomeGood	https://startsomegood.com/	Crowdfunding	2011
Astra Ventura	http://www.astraventura.co.id/	Venture Capital	1991
Sumut Ventura	http://sumutventura.co.id/	Venture Capital	1994
Lembaga Pengelola Dana Bergulir Koperasi, Usaha Mikro, Kecil dan Menengah	http://www.lpdb.id/	Public/Semi-Public	2006
Asian Venture Philanthropy Network (AVPN)	https://avpn.asia/	Impact Investing	2010
Kiva	http://www.kiva.org/	Crowdfunding	2005
Sinergi Muda Foundation	http://sinergimuda.org/	Impact Investing	2012
PT. IFS Capital Indonesia	http://www.ifscapital.co.id	Venture Capital	1990
Ideabox	http://ideabox.co.id/	Venture Capital	2013
Ideosource	http://ideosource.com/	Venture Capital	2011
Oxdream	http://www.oxdream.co.id/	Venture Capital	2016
Microfinance Innovation Center for Resources and Alternatives	http://www.micra-indo.org/	Impact Investing	2006
Insan Mulia Investama	http://www.investama.co.id	Venture Capital	2009

PNM Ventura Syariah	http://www.pnmventurasyariah.co.id/	Public/Semi-Public	2000
ImpactAssets	http://impactassets.org/	Venture Capital	2010
Yunus Social Business	http://www.yunussb.com/	Impact Investing	2011
RMKB Ventures	http://rmkb.vc/	Venture Capital	2015
Impact Guru	https://www.impactguru.com/	Crowdfunding	2014
Biznet Ventures	http://www.biznetnetworks.com/en/company/biznet-ventures/	Public/Semi-Public	2000
Koinworks	https://www.koinworks.com/	Crowdfunding	2015
CSUL Finance	http://www.csulfinance.com/	Venture Capital	1995
Al-Ijarah Indonesia Finance	http://alijarahindonesia.com	Venture Capital	2007
DANAdidik	http://danadidik.com/	Crowdfunding	2015
BMT Gunungjati	http://bmtgunungjati.com/	Venture Capital	2007
MerahPutih	http://www.merahputih.co.id/	Venture Capital	2010
Taralite	https://www.taralite.com	Venture Capital	2015
CLSA	https://www.clsa.com/	Venture Capital	1986
Smesco Indonesia	http://smescoindonesia.com/	Public/Semi-Public	2007
TOP Finance	http://topfinance.co.id/	Venture Capital	2012
Wujudkan	https://wujudkan.com/	Crowdfunding	2014
RMKB Ventures	http://rmkb.vc/	Venture Capital	2015

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