

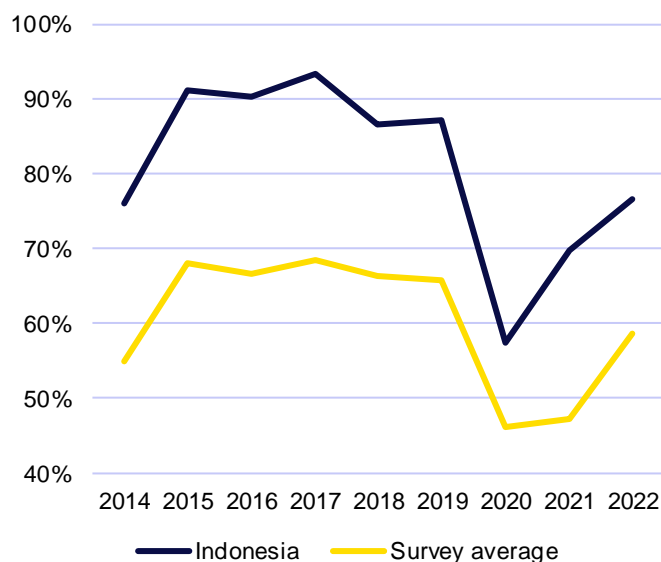
# CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

Indonesia market summary

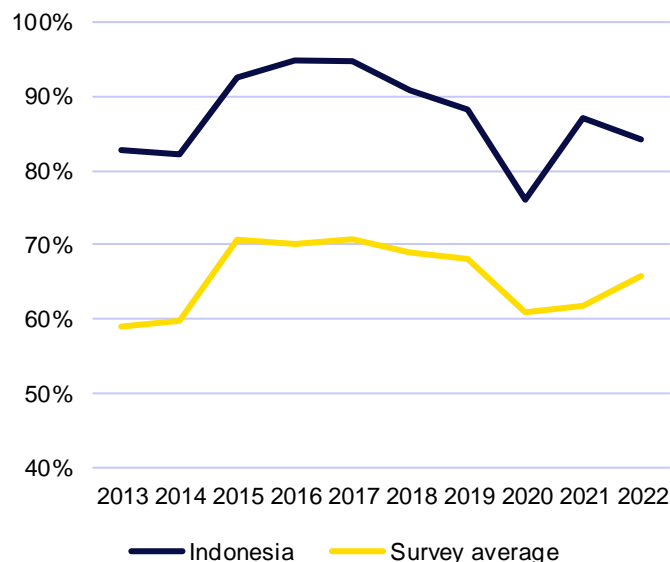
# Indonesia

## Business and economic conditions

Small businesses that reported growing in the previous 12 months



Small businesses that expect to grow in the next 12 months



	Indonesia 2022	Survey average 2022	Rank 2022	Indonesia 2021	Rank 2021	Indonesia 2020	Indonesia 2019	Indonesia 2018
Businesses that grew in the last 12 months	76.8%	58.6%	2/11	69.8%	1/11	57.5%	87.3%	86.6%
Businesses that expect to grow in the next 12 months	84.3%	65.7%	2/11	87.0%	2/11	76.1%	88.3%	90.8%
Businesses that expect the local economy to grow in the next 12 months	71.9%	62.5%	5/11	73.8%	2/11	68.8%	75.7%	79.0%
Satisfied or very satisfied with the financial return of the business <sup>1</sup>	74.1%	68.9%	5/11	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Limited to the owner, director, CEO/managing director or principal.

2022 was a strong year for Indonesia's small businesses. They were the second most likely of the 11 markets surveyed to report growth and the number of businesses that grew was up from 2021. 76.8 per cent grew last year, up from 69.8 per cent. However, this is still below the 87.3 per cent that grew before the pandemic in 2019.

2023 is expected to be an even better year for Indonesia's small businesses. 84.3 per cent of businesses expect to grow, the second highest result of the 11 markets surveyed.

There are many positive aspects of the results from Indonesia. Many of Indonesia's small businesses focus on characteristics strongly associated with growth, especially:

- technology
- e-commerce
- improving customer satisfaction
- improving business strategy.

This strong focus on drivers of business growth is likely to help several of Indonesia's small businesses evolve into large, successful global businesses in the next few years.

These positive results are reflected in the high-level of satisfaction Indonesia's small business owners have with the financial return they are receiving from their business.

## Use of technology

	Indonesia 2022	Survey average 2022	Rank 2022	Indonesia 2021	Rank 2021	Indonesia 2020	Indonesia 2019	Indonesia 2018
More than 10 per cent of revenue came from online sales	66.0%	67.9%	6/11	67.8%	4/11	58.1%	62.7%	65.9%
Did not use social media for business purposes	5.2%	15.4%	10/11	6.3%	10/11	14.6%	11.3%	7.2%
Investment in technology by the business over the past 12 months has improved profitability	67.3%	55.2%	3/11	73.8%	3/11	74.4%	76.7%	77.4%
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Mobile apps	N/A	Mobile apps	Computer equipment Mobile apps^	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	52.3%	47.2%	4/11	59.8%	3/11	63.8%	58.7%	65.6%
Reviewed the business' cybersecurity protections in past six months	45.4%	46.0%	7/11	45.8%	5/11	43.2%	47.0%	47.2%
More than 10 per cent of sales is received through digital payment options such as GoPay, ShopeePay, OVO, Dana, LinkAja, WeChat Pay	65.3%	73.7%	8/11	63.8%	4/11	60.0%	53.9%	61.4%
Sought advice from IT consultants/specialists	25.5%	28.6%	5/11	23.6%	4/11	21.3%	N/A	N/A

**Business operation is frequently or very frequently affected by internet connectivity issues**

16.3%

30.5%

11/11

N/A

N/A

N/A

N/A

N/A

^ equal first

One factor driving the growth of Indonesia's small businesses is their strong use of technology. Online sales are important for many of Indonesia's small businesses with two-thirds receiving more than 10 per cent of their revenue from that channel.

Related to e-commerce, most of Indonesia's small businesses offer customers the choice of paying by new digital and mobile payment technologies, such as OVO, GoPay, ShopeePay and Dana. 65.3 per cent received more than 10 per cent of their sales through such technology.

An overwhelming majority of Indonesia's small businesses use social media. Only 5.2 per cent did not use social media in their business last year. Many Indonesian small businesses use social media to promote their business to potential customers and to communicate with existing customers.

Helping to drive this focus on technology are the strong returns such investments are generating. 67.3 per cent of Indonesian small businesses that invested in technology in 2022 reported such investments were already profitable. This is the third highest result of the 11 markets surveyed.

Indonesia's small businesses could pay more attention to cybersecurity. While 52.3 per cent expect to be cyberattacked in 2023, only 45.4 per cent reviewed their cybersecurity in the past six months.

## Business activity over the past 12 months

	Indonesia 2022	Survey average 2022	Rank 2022	Indonesia 2021	Rank 2021	Indonesia 2020	Indonesia 2019	Indonesia 2018
Increased employee numbers	32.0%	35.0%	3/11	34.9%	3/11	30.9%	50.7%	55.7%
Improved customer satisfaction had a major positive impact on the business	40.8%	27.0%	1/11	36.9%	2/11	27.6%	41.0%	46.6%
Improved business management had a major positive impact on the business	24.8%	22.0%	4/11	20.9%	3/11	16.3%	22.3%	31.1%
Increasing costs had a major negative impact on the business	29.7%	31.1%	7/11	24.9%	9/11	41.0%	33.3%	42.0%
Required funds from an external source	73.2%	62.5%	4/11	80.1%	2/11	72.1%	70.3%	75.7%
Sought external funds for business growth	60.7%	52.1%	3/11	60.2%	2/11	50.7%	64.9%	74.9%
Sought external funds for business survival	50.4%	44.3%	4/11	54.4%	3/11	51.6%	37.9%	48.9%
Found it easy or very easy to access external finance	29.5%	45.9%	9/11	27.4%	8/11	30.9%	25.6%	36.4%
A bank was the business' main source of external finance	30.8%	38.2%	6/11	34.0%	6/11	31.3%	34.6%	43.7%
Did not spend any time and resources on ESG practices	20.6%	21.4%	6/11	N/A	N/A	N/A	N/A	N/A

## Impacts of COVID-19

	Indonesia 2022	Survey average 2022	Rank 2022	Indonesia 2021	Rank 2021	Indonesia 2020
<b>COVID-19 had a major negative impact on the business in the past 12 months</b>	47.7%	36.7%	1/11	72.4%	2/11	68.1%
<b>My business' major reaction to COVID-19 was to begin or increase its focus on online sales</b>	40.5%	24.8%	1/11	45.2%	1/11	37.9%
<b>My business' major reaction to COVID-19 was to increase investment in technology</b>	19.6%	19.1%	5/11	17.9%	5/11	17.6%

## Planned business activity over the next 12 months

	Indonesia 2023	Survey average 2023	Rank 2023	Indonesia 2022	Rank 2022	Indonesia 2021	Indonesia 2020	Indonesia 2019
<b>Expect to increase employee numbers</b>	43.5%	44.9%	5/11	50.8%	3/11	44.5%	61.7%	67.2%
<b>Will introduce a new product, service or process unique to their market or the world</b>	27.5%	34.4%	6/11	27.9%	4/11	30.9%	40.3%	33.1%
<b>Expect revenue from overseas markets to grow strongly</b>	13.7%	23.7%	10/11	15.9%	5/11	14.6%	25.7%	22.6%
<b>Will seek external funds</b>	30.1%	33.6%	5/11	28.2%	4/11	36.2%	32.0%	36.7%
<b>Expect easy to very easy access to finance</b>	31.3%	42.3%	8/11	25.3%	8/11	27.4%	26.5%	31.5%

## COVID-19

Although Indonesia's small businesses still considered COVID-19 to be their biggest challenge last year, the number of businesses reporting it having a major negative impact eased considerably. 47.7 per cent selected it as a major barrier to growth, the highest result among the markets surveyed. However, this is down from the 72.4 per cent reporting the same sentiment in 2021, and 68.1 per cent in 2020.

Many small businesses in Indonesia began or increased their focus on online sales (40.5 per cent) in 2022 in response to the pandemic. This is the highest result of the markets surveyed. As the survey results show a positive relationship between online sales and business growth, this growing focus on e-commerce will help many Indonesian small businesses expand at an even faster pace.

## Innovation

Indonesia's small business sector is comparatively innovative. 27.5 per cent will introduce a new product, process or service to Indonesia or the world in 2023. This focus on innovation should support long-term growth and improve the competitiveness of Indonesia's small businesses.

## Employment

Despite a very strong 2022, there was a slightly decline in Indonesian small businesses creating new jobs last year (32 per cent) than in 2021 (34.9 per cent).

Reflecting strong business confidence, hiring sentiment is robust for this year with 43.5 per cent expecting to add to their headcount.

## Access to finance

Most of Indonesia's small businesses sourced external finance in 2022. 73.2 per cent needed external finance last year, down from 80.1 per cent in 2021. 60.7 per cent sought that finance for growth, the third highest result among surveyed markets.

Respondents from Indonesia continue to say that accessing external finance is more likely to be difficult than easy. 38.8 per cent found accessing finance "difficult" or "very difficult" last year, above the survey average of 32.5 per cent. Banks were the most likely source of that finance.

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on Indonesian small business in 2022	Top four factors that had a positive influence Indonesian on small business in 2021	Top four factors that had a positive influence on Indonesian small business in 2020
Customer loyalty	Customer loyalty	Customer loyalty
Improved customer satisfaction	Improved customer satisfaction	Improved customer satisfaction
Improved business strategy	Improved business strategy	Improved business strategy
Entering new markets	Technology	Cost control

Top four factors that had a negative impact on Indonesian small business in 2022	Top four factors that had a negative impact on Indonesian small business in 2021	Top four factors that had a negative impact on Indonesian small business in 2020
COVID-19	COVID-19	COVID-19
Increasing competition	Increasing competition	Increasing competition
Increasing costs	Increasing costs	Poor overall economic environment
Poor overall economic environment	Poor overall economic environment	Political instability

Indonesia's small businesses placed a greater focus on "improved customer satisfaction" and "entering new markets" in 2022. This shift is likely to have contributed to that year being better for some of Indonesia's small business. The survey results show those factors are more strongly associated with high growth businesses than most other factors.

Small businesses in Indonesia rated “increasing competition” last year as their second highest barrier to growth, after “COVID-19”. However, this is likely to have positive long-term impacts, as competition encourages innovation and expansion into new markets – both essential for growth.

## Demographics

	Indonesia 2022	Survey average 2022	Rank 2022	Indonesia 2021	Rank 2021	Indonesia 2020	Indonesia 2019	Indonesia 2018
<b>Respondent aged under 40</b>	64.7%	47.6%	2/11	64.5%	1/11	62.5%	68.7%	68.2%
<b>Business established for less than 11 years</b>	84.0%	61.1%	2/11	80.7%	2/11	79.4%	84.7%	77.0%
<b>Respondent is the business owner</b>	70.3%	36.9%	1/11	67.4%	2/11	57.5%	63.7%	50.2%
<b>Business has 10 to 19 employees</b>	29.1%	37.1%	7/11	26.9%	1/11	25.2%	26.7%	37.3%

One significant and enduring advantage Indonesia enjoys is the high percentage of people under 40 owning or filling important positions in small businesses. The survey results have shown over many years that businesses with younger respondents are more likely to be growing, creating jobs, innovating, using emerging technologies and exporting.

## Policy suggestions

Policymakers should consider options for supporting Indonesia’s young (and potentially inexperienced) small business owners. One way is incentivising them to access business advice from their adviser of choice. We also suggest policymakers consider how to increase the sector’s focus on cybersecurity and reduce its reliance on cash sales.