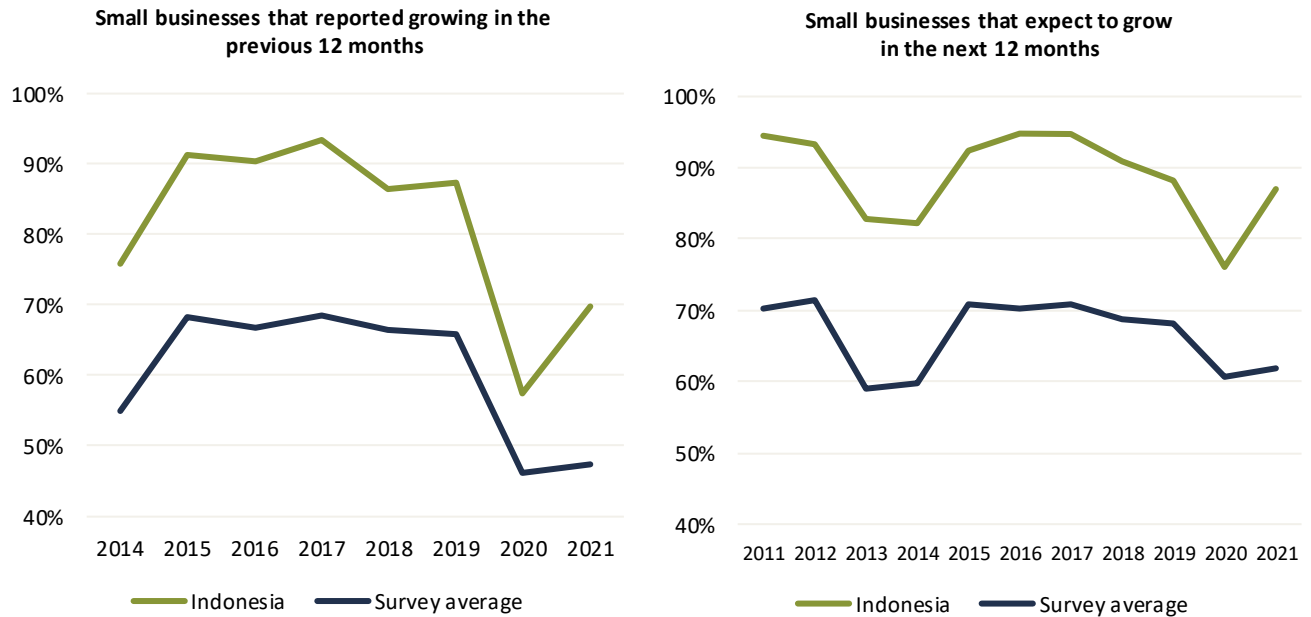


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2021-2022

INDONESIA MARKET SUMMARY

Indonesia

Business and economic growth



	Indonesia 2021	Survey average 2021	Rank 2021	Indonesia 2020	Rank 2020	Indonesia 2019	Indonesia 2018	Indonesia 2017
Businesses that grew in the last 12 months	69.8%	47.3%	1/11	57.5%	4/11	87.3%	86.6%	93.4%
Businesses that expect to grow in the next 12 months	87.0%	61.9%	2/11	76.1%	3/11	88.3%	90.8%	94.7%
Businesses that expect the local economy to grow in the next 12 months	73.8%	60.6%	2/11	68.8%	3/11	75.7%	79.0%	83.6%

2021 was a stronger year for Indonesia’s small businesses than 2020. 69.8 per cent grew last year, which is the highest of the markets surveyed. However, this is still below the 87.3 per cent that grew in 2019. 2022 is expected to be a better year for Indonesia’s small businesses. Eighty-seven 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 small businesses have characteristics strongly connected with growth, including a focus on:

- technology
- e-commerce
- improving customer satisfaction

- improving business strategy
- innovation

This suggests that many of Indonesia's small businesses may grow strongly in 2022 and beyond. Several of Indonesia's current small businesses are likely to evolve into large and successful global businesses in the next few years.

Impacts of COVID-19

	Indonesia 2021	Survey average 2021	Rank 2021	Indonesia 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	72.4%	51.0%	2/11	68.1%	2/11
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	45.2%	24.3%	1/11	37.9%	3/11

As in 2020, Indonesia's small businesses considered COVID-19 their biggest challenge in 2021. 72.4 per cent selected it as a major barrier to growth, the second highest result among the markets surveyed.

45.2 per cent of Indonesia's small businesses began or increased their focus on online sales in 2021 in response to the pandemic, the highest of the markets surveyed. As the survey results show a relationship between online sales and business growth, this strong focus on e-commerce will help many Indonesian small businesses navigate COVID-19 and be well positioned for long-term growth.

Use of technology

	Indonesia 2021	Survey average 2021	Rank 2021	Indonesia 2020	Rank 2020	Indonesia 2019	Indonesia 2018	Indonesia 2017
Did not earn any revenue from online sales	8.6%	19.0%	9/11	12.0%	8/11	14.0%	11.1%	6.9%
Did not use social media for business purposes	6.3%	17.2%	10/11	14.6%	6/11	11.3%	7.2%	8.2%
Investment in technology by the business over the past 12 months has improved profitability	73.8%	53.6%	3/11	74.4%	3/11	76.7%	77.4%	85.5%
Technology the business invested in most heavily over the past 12 months	Mobile apps	Computer equipment	N/A	Mobile apps	N/A	Computer equipment Mobile apps^	Computer equipment	N/A
Consider the business likely to be cyberattacked in next 12 months	59.8%	44.3%	3/11	63.8%	2/11	58.7%	65.6%	76.6%
Reviewed the business' cybersecurity protections in past six months	45.8%	46.7%	5/11	43.2%	4/11	47.0%	47.2%	N/A

More than 10 per cent of sales is received through digital payment options such as PayPal, OVO, GoPay and TCASH	63.8%	64.9%	4/11	60.0%	6/11	53.9%	61.4%	48.7%
--	-------	-------	------	-------	------	-------	-------	-------

^ equal first

One factor driving growth of Indonesia's small businesses is their strong uptake of new technologies. Online sales are important for many of Indonesia's small businesses with 67.8 per cent receiving more than 10 per cent of their revenue from that channel.

Further, an overwhelming majority of Indonesia's small business use social media. Only 6.3 per cent do not use social media in their business. Indonesia's small businesses are the most likely to use social media to promote their business to potential customers and to sell products and services.

Most of Indonesia's small businesses offer customers the choice of paying by new digital and mobile payment technologies, such as OVO, GoPay, PayPal and TCASH. 63.8 per cent received more than 10 per cent of their sales through such technology, slightly below the survey average.

Cash however remains an important payment option for Indonesia's small businesses. 62.8 per cent state that it makes up 50 per cent or more of their sales. This is up slightly from 60.1 per cent in 2020. Given the broad cross-section of industries represented in Indonesia's survey sample, it is assumed that many business-to-business transactions are done in cash.

Indonesia's small businesses could pay more attention to cybersecurity. While 59.8 per cent expect to be cyberattacked in 2022, only 45.8 per cent have reviewed their cybersecurity in the past six months.

Helping to drive this focus on technology are the strong returns such investments are generating. 73.8 per cent of Indonesia's small businesses that invested in technology in 2021 reported such investments were already profitable. This is the third highest result of the 11 markets surveyed.

Business activity over the past 12 months

	Indonesia 2021	Survey average 2021	Rank 2021	Indonesia 2020	Rank 2020	Indonesia 2019	Indonesia 2018	Indonesia 2017
Increased employee numbers	34.9%	28.7%	3/11	30.9%	2/11	50.7%	55.7%	65.5%
Improved customer satisfaction had a major positive impact on my business	36.9%	23.0%	2/11	27.6%	4/11	41.0%	46.6%	48.4%
Increasing costs had a major negative impact on their business	24.9%	29.2%	9/11	20.3%	8/11	33.3%	42.0%	35.5%
Required funds from an external source	80.1%	60.2%	2/11	72.1%	3/11	70.3%	75.7%	88.8%
Sought external funds for business growth	60.2%	48.2%	2/11	50.7%	3/11	64.9%	74.9%	77.8%
Sought external funds for business survival	54.4%	49.0%	3/11	51.6%	1/11	37.9%	48.9%	48.5%

Found it easy or very easy to access external finance	27.4%	45.9%	8/11	30.9%	6/11	25.6%	36.4%	47.0%
A bank was the business' main source of external finance	34.0%	34.2%	6/11	31.3%	4/11	34.6%	43.7%	55.2%

Planned business activity over the next 12 months

	Indonesia 2021	Survey average 2021	Rank 2021	Indonesia 2020	Rank 2020	Indonesia 2019	Indonesia 2018	Indonesia 2017
Expect to increase employee numbers	50.8%	39.9%	3/11	44.5%	3/11	61.7%	67.2%	75.3%
Will introduce a new product, service or process unique to their market or the world	27.9%	27.0%	4/11	30.9%	3/11	40.3%	33.1%	49.3%
Expect revenue from overseas markets to grow strongly	15.9%	19.3%	5/11	14.6%	5/11	25.7%	22.6%	44.4%
Will seek external funds	28.2%	27.3%	4/11	36.2%	3/11	32.0%	36.7%	50.3%
Expect easy to very easy access to finance	25.3%	40.6%	8/11	27.4%	5/11	26.5%	31.5%	45.5%

Innovation

Indonesia's small business sector continues to be innovative. 27.9 per cent will introduce a totally new product, process or service to Indonesia or the world in 2022, slightly higher than the survey average. This focus on innovation is likely to result in a stronger and more competitive small business sector in the long term.

Employee growth

The higher number of Indonesian small businesses that grew in 2021 is reflected in a rise in the number that created new jobs. 34.9 per cent added to their employee numbers in 2021, up from 30.9 per cent in 2020.

With more of Indonesia's small businesses forecasting they will grow in 2022, it's not surprising that more of them expect to increase their employee numbers. 50.8 per cent expect to increase their headcount this year, beating the survey average of 39.9 per cent.

Access to finance

Indonesia's small businesses were very likely to have sourced external finance in 2021. 80.1 per cent needed external finance last year, up from 72.1 per cent in 2020. 60.2 per cent sought that finance for business growth, up from 50.7 per cent in 2020.

Respondents from Indonesia found accessing external finance in 2021 harder than 2020. 27.4 per cent found accessing finance in last year was easy or very easy, down from 30.9 per cent in 2020. 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 2021	Top four factors that had a positive influence on Indonesian small business in 2020	Top four factors that had a positive influence on Indonesian small business in 2019
Customer loyalty	Customer loyalty	Improved customer satisfaction
Improved customer satisfaction	Improved customer satisfaction	Customer loyalty
Improved business strategy	Improved business strategy	Improved business strategy
Technology	Cost control	Cost control

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	Top four factors that had a negative impact on Indonesian small business in 2019
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	Difficulty expanding into new markets

Small businesses in Indonesia found that “increasing competition” was the second most likely barrier to growth in 2021. However, this is likely to have positive long-term implications, as it encourages innovation and expansion into new markets – essential ingredients of growth.

Demographics

	Indonesia 2021	Survey average 2021	Rank 2021	Indonesia 2020	Rank 2020	Indonesia 2019	Indonesia 2018	Indonesia 2017
Business has been established for 10 years or less	80.7%	62.8%	2/11	79.4%	4/11	84.7%	77.0%	79.2%
Respondent is aged under 40	64.5%	45.2%	1/11	62.5%	6/11	68.7%	68.2%	71.7%
Respondent is the business owner	67.4%	39.0%	2/11	57.5%	4/11	63.7%	50.2%	26.0%
Business has 10 to 19 employees	26.9%	30.1%	7/11	25.2%	7/11	26.7%	37.7%	43.4%