

New Survey: In North Sulawesi and South Sumatra, Women Entrepreneurs Lack Access to Financial Services

October 2021. JAKARTA, INDONESIA — A new survey from Innovations for Poverty Action (IPA) in Indonesia shows that despite ambitions for growth, women-owned micro, small, and medium enterprises face significant barriers in accessing financial services, especially credit.

Researchers conducted phone surveys of 500 women entrepreneurs in North Sulawesi and South Sumatra from April—May 2021. Businesses were identified through the 2016 Economic Census and filtered based on their “growth potential.” Researchers used criteria from MCC to identify entrepreneurs operating in high-growth sectors, and leveraged a series of survey questions from the [Mastercard Foundation](#) to identify entrepreneurs who self-identified as “capable of achieving significant objectives on their own.”

Of the women entrepreneurs in this study, only 40 percent of respondents had accessed credit from a formal financial institution at the time of the survey. Despite the low rate of borrowing from banks or microfinance institutions, 75 percent owned a savings account and 54 percent have used some form of credit to grow their business.

“When we ask the reasons for borrowing, we see that women borrow to expand their businesses or for a specific growth opportunity. We also see that women-owned businesses can be very deliberate and strategic about the loan amounts they request. They only request the amount that they need or based on what they can pay back. We’re not seeing a lot of overborrowing or over-indebtedness,” said [Kate Glynn-Broderick](#), Associate Director of Financial Inclusion at IPA. “And yet, when asked, the majority of respondents said they preferred informal credit because it was easier. The hassle of formal paperwork and proximity of informal credit makes informal credit a more attractive option.”

Previous studies of credit and entrepreneurship have shown that access to collateral is a persistent barrier in women’s ability to access finance. In this study, researchers found that over 65 percent of all firms had either joint or sole ownership of business assets that could be used for collateral. Despite this, about 70 percent of women still needed their husband’s approval for a loan—even if she owned the asset entirely herself.

“There are opportunities here for financial service providers to engage more with women-owned firms when they are trying to access credit,” said Glynn-Broderick. “This can include streamlining the paperwork process or easing spousal requirements. It could also mean expanding collateral eligibility.”

Addressing these challenges is therefore an opportunity for formal financial service providers to expand their client base. Researchers, government officials, and representatives from financial service providers discussed these opportunities during a June 23rd workshop, “[Delivering Last Mile Financial Services: A Focus on Women Entrepreneurs](#),” co-hosted by IPA, the Millennium Challenge Corporation (MCC), the Indonesian National Development Planning Agency (Bappenas), and the Indonesian Financial Services Authority (OJK).

In their opening remarks, Bappenas and OJK further underlined the link between improving women-owned micro, small, and medium-enterprises (WMSMEs) access to finance and Indonesia’s economic productivity. Bappenas highlighted the importance of micro, small, and medium-enterprises (MSMEs) as employment generators; nearly 97 percent of Indonesia’s labor force is employed by MSMEs—45 percent of which are women-owned. Bappenas emphasized that improving women’s access to finance will translate to real gains for the labor force. OJK also expressed a commitment to support and strengthen financial intermediation for WMSMEs in Indonesia, specifically by using alternative credit assessments, increasing the use of financial technologies, and supporting innovative lending approaches.

In order to expand the availability of appropriate financial services to women entrepreneurs in North Sulawesi and South Sumatra, IPA will work with financial providers to better understand these survey results and incorporate them into the design of new innovative financial products for women-owned businesses in these underserved provinces.

Innovations for Poverty Action (IPA) discovers and promotes effective solutions to global poverty problems. IPA designs, rigorously evaluates, and refines these solutions and their applications together with decision-makers to ensure that the evidence created is used to improve opportunities for the world’s poor. Since its founding in 2002, IPA has worked with over 600 leading academics to conduct over 830 evaluations in 52 countries.

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