

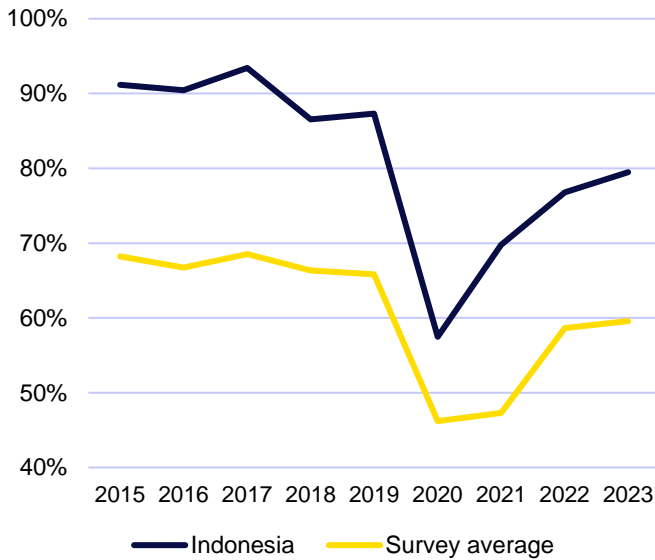
# CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2023-2024

Indonesia market summary

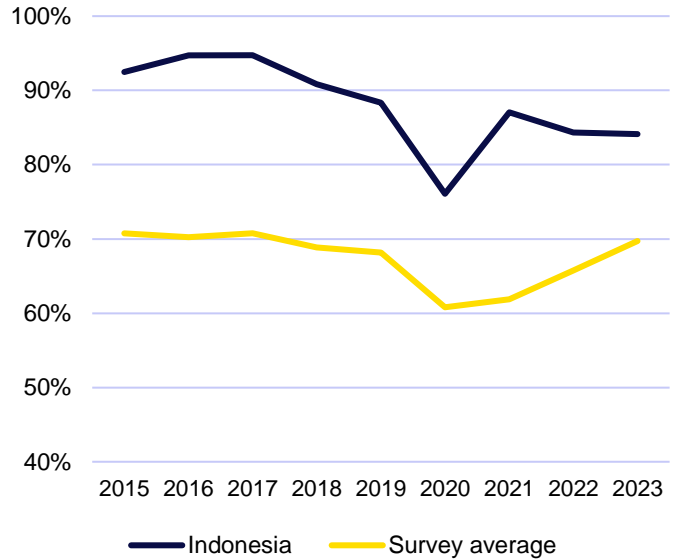
# Indonesia

## 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 2023	Survey average 2023	Rank 2023	Indonesia 2022	Rank 2022	Indonesia 2021	Indonesia 2020	Indonesia 2019
<b>Businesses that grew in the last 12 months</b>	79.5%	59.6%	1/11	76.8%	2/11	69.8%	57.5%	87.3%
<b>Businesses that expect to grow in the next 12 months</b>	84.1%	69.7%	4/11	84.3%	2/11	87.0%	76.1%	88.3%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	75.8%	65.0%	4/11	71.9%	5/11	73.8%	68.8%	75.7%
<b>Satisfied or very satisfied with the financial return of the business<sup>1</sup></b>	72.1%	65.3%	4/11	74.1%	5/11	N/A	N/A	N/A

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

2023 was a strong year for Indonesia's small businesses. 80 per cent grew last year, up from 77 per cent in 2022. They were the most likely of the 11 markets surveyed to report growth.

2024 is expected to also be a strong year for Indonesia's small businesses. 84 per cent of businesses expect to grow.

Key factors contributing to this positive result is the focus Indonesia's small businesses have on technology, e-commerce, and improved customer satisfaction and business strategy. Our survey results show these factors are deeply associated with high growth businesses.

High levels of small business confidence in Indonesia's economy is also influencing small business growth. Over three quarters (76 per cent) expect the local economy to grow this year, the fourth highest result of the surveyed markets.

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.

Another likely contributing factor to the success of Indonesia's small businesses is the youthful age profile of their owners. According to our survey, only 15 per cent of Indonesia's small business owners were aged 50 or over, the second lowest result of the surveyed markets. Our survey data shows younger owners are much more likely to run businesses that grow, and use technology such as e-commerce and social media in their business. They are also much more likely to innovate and export.

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.

## Technology uptake

	Indonesia 2023	Survey average 2023	Rank 2023	Indonesia 2022	Rank 2022	Indonesia 2021	Indonesia 2020	Indonesia 2019
<b>More than 10 per cent of revenue came from online sales</b>	68.5%	62.2%	4/11	66.0%	6/11	67.8%	58.1%	62.7%
<b>Did <u>not</u> use social media for business purposes</b>	5.0%	15.4%	11/11	5.2%	10/11	6.3%	14.6%	11.3%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	66.2%	52.8%	2/11	67.3%	3/11	73.8%	74.4%	76.7%
<b>Technology the business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	Mobile apps	Mobile apps	Computer equipment Mobile apps <sup>^</sup>
<b>Consider the business likely to be cyberattacked in next 12 months</b>	56.6%	44.2%	3/11	52.3%	4/11	59.8%	63.8%	58.7%
<b>Reviewed the business' cybersecurity protections in past six months</b>	47.7%	49.5%	6/11	45.4%	7/11	45.8%	43.2%	47.0%
<b>Lost time and/or money due to a cybersecurity incident in the past 12 months</b>	38.7%	40.7%	7/11	N/A	N/A	N/A	N/A	N/A

<b>More than 10 per cent of sales is received through digital payment options such as GoPay, ShopeePay, OVO, Dana, LinkAja, WeChat Pay</b>	68.2%	70.8%	7/11	65.3%	8/11	63.8%	60.0%	53.9%
<b>Sought advice from IT consultants/specialists</b>	21.2%	25.8%	8/11	25.5%	5/11	23.6%	21.3%	N/A

^ equal first

One factor driving Indonesia’s small business growth is their widespread use of technology. Online sales are important for many of Indonesia’s small businesses with more than two-thirds (69 per cent) 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. 69 per cent received more than 10 per cent of their sales through such technology, up from 54 per cent before COVID in 2019.

An overwhelming majority of Indonesia’s small businesses use social media. Only 5 per cent did *not* use social media in their business last year, making them the most likely to use social media among the 11 markets surveyed.

Helping to drive this focus on technology are the strong returns such investments are generating. 66 per cent of Indonesian small businesses that invested in technology in 2023 reported such investments were already profitable. This is the second highest result of the 11 markets surveyed.

Indonesia’s small businesses could pay more attention to cybersecurity. While 57 per cent expect to be cyberattacked in 2024, only 48 per cent reviewed their cybersecurity in the past six months.

## Business activity over the past 12 months

	Indonesia 2023	Survey average 2023	Rank 2023	Indonesia 2022	Rank 2022	Indonesia 2021	Indonesia 2020	Indonesia 2019
<b>Increased employee numbers</b>	37.4%	32.0%	4/11	32.0%	3/11	34.9%	30.9%	50.7%
<b>Improved customer satisfaction had a major positive impact on the business</b>	40.4%	28.6%	1/11	40.8%	1/11	36.9%	27.6%	41.0%
<b>Improved business management had a major positive impact on the business</b>	23.8%	23.5%	6/11	24.8%	4/11	20.9%	16.3%	22.3%
<b>Increasing costs had a major negative impact on the business</b>	39.4%	39.7%	7/11	29.7%	7/11	24.9%	41.0%	33.3%
<b>Required funds from an external source</b>	73.5%	62.7%	4/11	73.2%	4/11	80.1%	72.1%	70.3%
<b>Sought external funds for business growth</b>	61.3%	52.6%	3/11	60.7%	3/11	60.2%	50.7%	64.9%
<b>Sought external funds for business survival</b>	48.6%	39.7%	2/11	50.4%	4/11	54.4%	51.6%	37.9%
<b>Found it easy or very easy to access external finance</b>	29.3%	43.3%	9/11	29.5%	9/11	27.4%	30.9%	25.6%
<b>A bank was the business' main source of external finance</b>	39.2%	40.2%	6/11	30.8%	6/11	34.0%	31.3%	34.6%
<b>Did not spend any time and resources on ESG practices</b>	17.2%	19.9%	5/11	20.6%	6/11	N/A	N/A	N/A

## Planned business activity over the next 12 months

	Indonesia 2024	Survey average 2024	Rank 2024	Indonesia 2023	Rank 2023	Indonesia 2022	Indonesia 2021	Indonesia 2020
<b>Expect to increase employee numbers</b>	52.3%	43.1%	3/11	43.5%	5/11	50.8%	44.5%	61.7%
<b>Will introduce a new product, service or process unique to their market or the world</b>	22.8%	28.7%	9/11	27.5%	6/11	27.9%	30.9%	40.3%
<b>Expect revenue from overseas markets to grow strongly</b>	16.6%	18.9%	7/11	13.7%	10/11	15.9%	14.6%	25.7%
<b>Will seek external funds</b>	27.8%	28.7%	6/11	30.1%	5/11	28.2%	36.2%	32.0%
<b>Expect easy to very easy access to finance</b>	32.6%	40.3%	6/11	31.3%	8/11	25.3%	27.4%	26.5%

### Innovation

Indonesia's small business could increase their focus on innovation. Only 23 per cent stated they will introduce a new product, process or service to Indonesia or the world in 2024, the third lowest result of the markets surveyed. Data shows that a focus on innovation will support long-term growth and improve competitiveness.

### Employment

Reflecting a strong 2023, the percentage of Indonesian small businesses creating new jobs increased from 32 per cent in 2022 to 37 per cent last year. The hiring sentiment for this year remains robust with 52 per cent expecting to add to their headcount.

### Access to finance

Most of Indonesia's small businesses sourced external finance in 2023. 74 per cent needed external finance last year. Of that, 61 per cent sought finance for growth, the third highest result among surveyed markets.

Respondents from Indonesia are more likely to find financing conditions neutral; that is neither difficult nor easy. Last year, 40 per cent found accessing finance neither difficult nor easy. Banks were the most likely source of that finance.

### Environmental, social, and governance (ESG)

Indonesia's small businesses have a strong focus on activities linked to ESG. The survey showed only 17 per cent did *not* spend any time or resources on activities linked to ESG in 2023. The activities linked to ESG that Indonesia's small businesses were most likely to focus on were staff health and safety policies, diversity and inclusion policies and supply chain sustainability.

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on Indonesian small business in 2023	Top four factors that had a positive influence Indonesian on small business in 2022	Top four factors that had a positive influence on Indonesian small business in 2021
Customer loyalty	Customer loyalty	Customer loyalty
Improved customer satisfaction	Improved customer satisfaction	Improved customer satisfaction
Improved business strategy	Improved business strategy	Improved business strategy

Top four factors that had a negative impact on Indonesian small business in 2023	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
Increasing competition	COVID-19	COVID-19
Increasing costs	Increasing competition	Increasing competition
Poor overall economic environment	Increasing costs	Increasing costs

Indonesia’s small businesses continued to place a strong focus on “improved customer satisfaction” and “improved business strategy” in 2023. The survey results show those factors are strongly associated with high growth businesses than most other factors.

Small businesses in Indonesia rated “increasing competition” last year as their highest barrier to growth. However, this is likely to have positive long-term impacts, as competition encourages innovation and expansion into new markets – both essential for growth. Interestingly, Indonesia is the only market where increasing costs were not the top business challenge.

## Entrepreneurship

Indonesia 2023	
Primary reason for starting their business	Financial
Biggest concern when first started a business	Uncertainty whether your business will succeed
Most common attitude and approach to managing business risk of owner	Risk averse

In contrast to entrepreneurs in other markets, who are most likely to start their business to be their own boss, Indonesian entrepreneurs are most likely to start their business for financial reasons.. The biggest concern they had when they started out in business was their uncertainty whether their business will succeed.

The greater propensity for Indonesian small business owners to be risk averse may help explain their relatively lower inclination to innovate in comparison to small businesses from other countries in the region.

## Demographics

	Indonesia 2023	Survey average 2023	Rank 2023	Indonesia 2022	Rank 2022	Indonesia 2021	Indonesia 2020	Indonesia 2019
<b>Respondent aged under 40</b>	57.9%	46.0%	2/11	64.7%	2/11	64.5%	62.5%	68.7%
<b>Business established for less than 11 years</b>	82.5%	61.1%	1/11	84.0%	2/11	80.7%	79.4%	84.7%
<b>Respondent is the business owner</b>	66.9%	37.4%	2/11	70.3%	1/11	67.4%	57.5%	63.7%
<b>Business has 10 to 19 employees</b>	25.8%	38.3%	8/11	29.1%	7/11	26.9%	25.2%	26.7%

One advantage Indonesia's enjoys is the high percentage of people under 40 owning or filling important positions in small business. The survey results show that businesses with younger respondents are more likely to be growing, innovating, using emerging technologies and exporting.