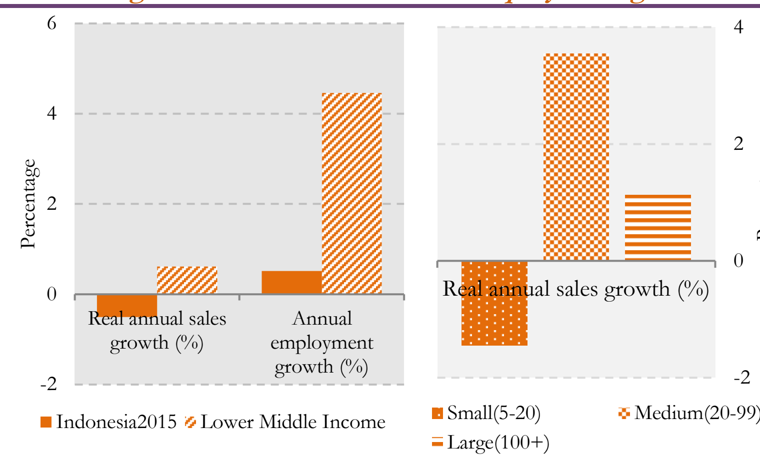
INDONESIA 2015

The World Bank Group conducted face-to-face interviews with top managers and business owners of 1,320 enterprises in Indonesia from April 2015 through November 2015. The Enterprise Survey (ES) sample is representative of Indonesia's formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

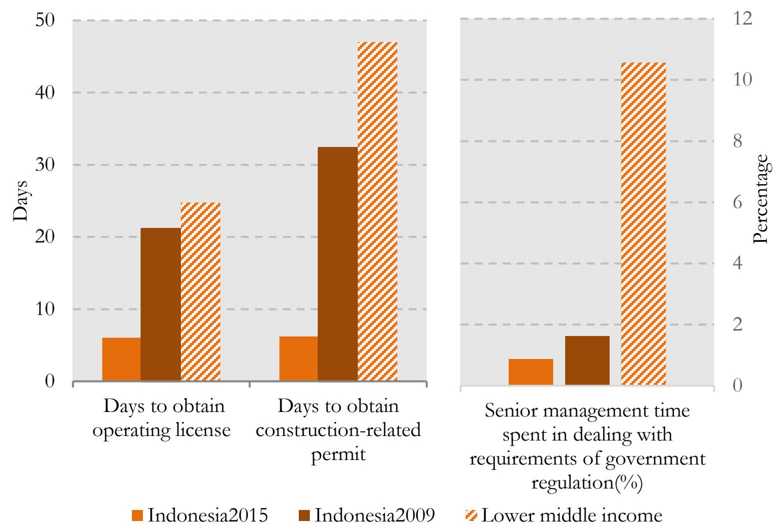
Indonesia's private sector experienced negative annual sales growth and anemic annual employment growth

Between 2012 and 2014, Indonesia's private sector experienced negative real annual sales growth (-0.5%), while the average in lower middle income economies was 0.6%. Small firms (5-19 employees) had the worst performance with negative annual sales growth (-1.4%), while sales for large firms (100 or more employees) grew by 1.1% annually. Medium firms (20-99 employees) were the best performers with annual sales growth of 3.6%. In the same period, the annual employment growth rate for Indonesia was only 0.5%, well below the average for lower middle countries (4.5%).



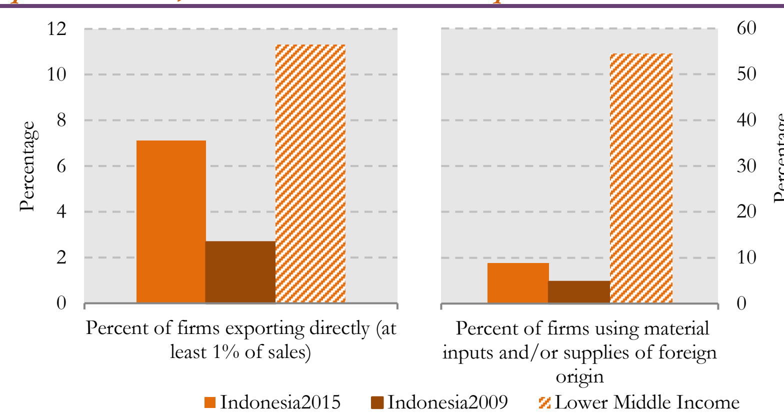
The time required to obtain licenses and permits has significantly reduced

In comparison to 2009, the time required to obtain licenses and permits has declined substantially. The average time to obtain an operating license went down from 21 days in 2009 to 6 days in 2015. For a construction permit, the wait was also 6 days in 2015, compared to 32 days in 2009. These wait times are also shorter than the average for lower middle income countries (25 days for an operating license and 47 days for construction permits). Further, the "time tax", the percentage of time senior managers spend dealing with regulations, is only 0.9% in Indonesia, less than the average for lower middle income countries (11%).



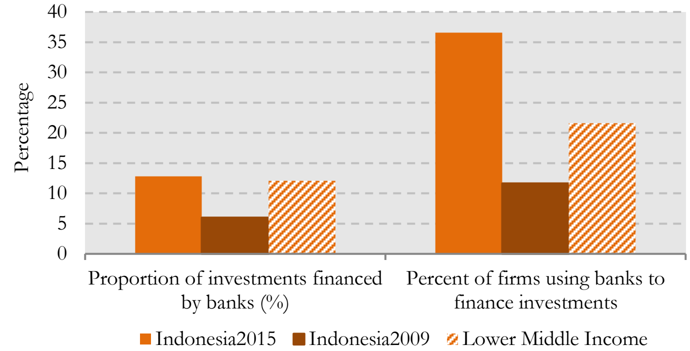
More firms are engaged in international trade compared to 2009, but still less than in comparator economies

The percentage of firms that are exporting or importing has increased since 2009. At that time, 3% of firms were exporting directly compared to 7% in 2015; however, this is still slightly lower than the average for lower middle income economies (11%). The percentage of Indonesian manufacturing firms using material inputs or supplies of foreign origin is significantly lower than the average for lower middle income countries (9% vs. 55%), but it is still higher than in 2009 (5%).



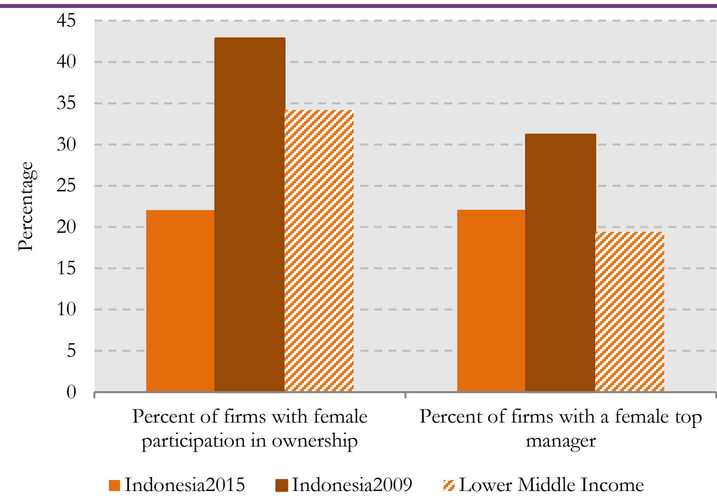
Firms use more bank financing for investments compared to 2009

The use of bank financing for investments has improved since 2009. Back then, 6% of investments were financed by banks, while in 2015 this percentage has grown to 13%, almost comparable with the average for lower middle income economies (12%). Even more remarkable is the improvement in the percentage of firms using banks to finance investments, which tripled between 2009 and 2015 from 12% to 37%, and surpassed the average for lower middle income countries (22%).



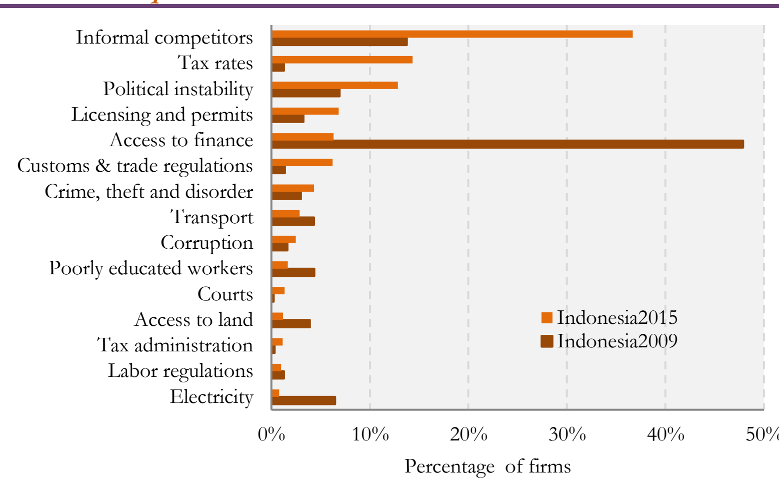
Female inclusion in ownership and top management has deteriorated since 2009

The percentage of women that participate in firm ownership and top management has declined since 2009. The percentage of firms with a female top manager has decreased from 31% in 2009 to 22% in 2015; however, Indonesia still outperforms the average for lower middle income economies (19%). Indonesia lags behind the average for lower middle income economies in terms of the percentage of firms with female owners: 22% in Indonesia compared to 34% in lower middle income economies. More concerning is the fact that this percentage in Indonesia has declined by almost 50% since 2009, when 43% of firms had female ownership.



Informal competitors are the biggest obstacle to private firms' operations

The ES asks business owners and top managers to name the biggest obstacle that they face in their everyday operations. Informal competitors were the most frequently cited top obstacle in Indonesia (by 37% of firms). Tax rates ranked second, cited as the top obstacle by 14% of private businesses. Political instability and licensing and permits ranked 3rd and 4th with 13% and 7% of firms respectively. Interestingly, access to finance is no longer the top-rated obstacle in 2015 as it was in 2009; and informal competitors which was the second ranked obstacle in 2009 is now the top obstacle for many firms.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org