



Disaster- Resilience Of Small And Medium Enterprises (SMEs) in Indonesia Survey Results and Policy Environment

Dr. Eugenia Mardanugraha
Faculty of Economics and Business - Universitas Indonesia



Veritas, Probitas, Iustitia
EST. 1849

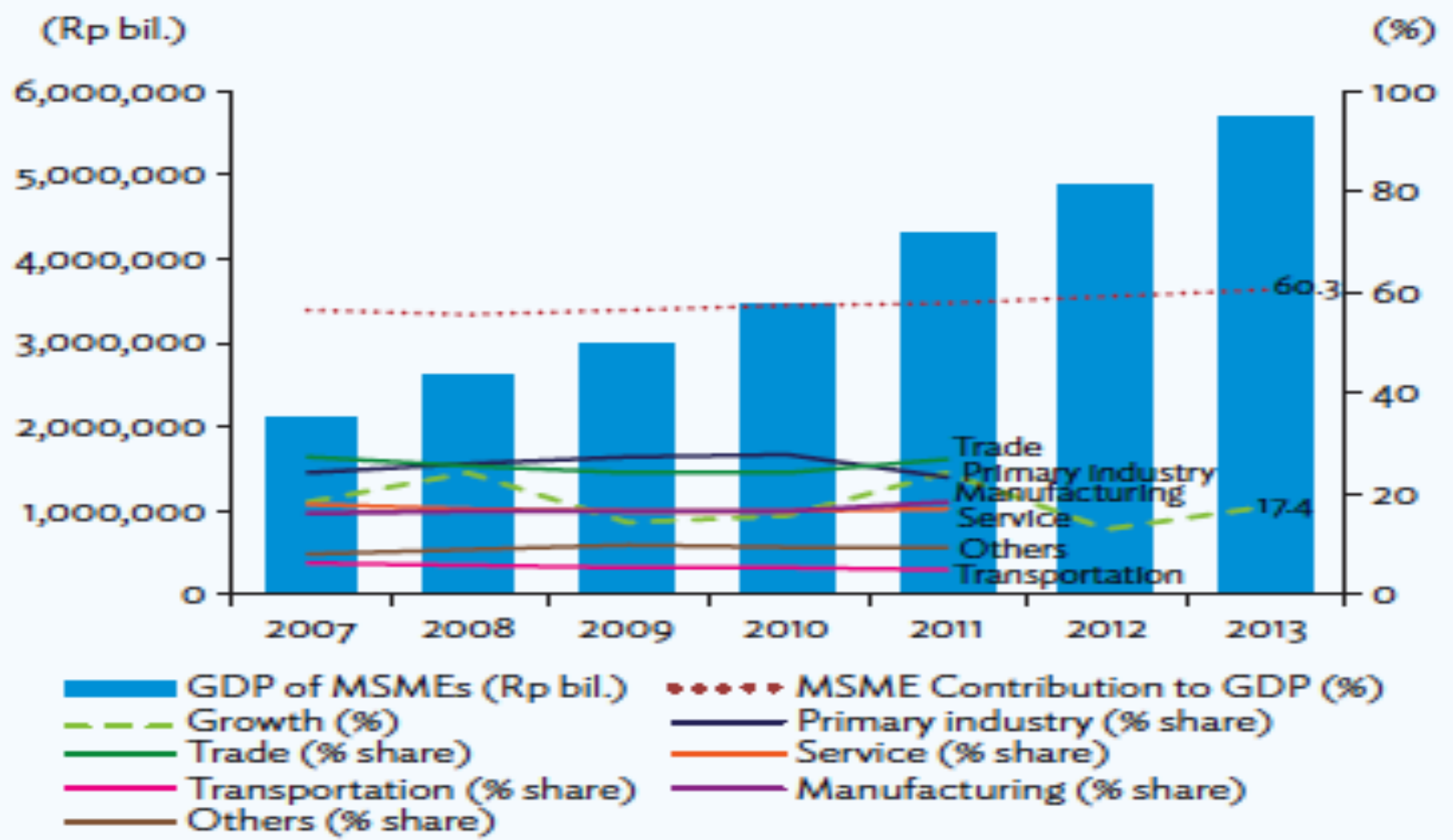
AGENDA

- Indonesian SMEs definition and profile
- Legislation and policies about SMEs development.
- Legislation and policies about DRM
- Key findings of the survey
- Key Challenges & Considerations for SME disaster resilience

Definition of SMEs under Law No. 20 of 2008 and the structure of MSMEs

- Large Scale Business 5,066 enterprises (0,01%)
 - Sales/year > Rp 50 billion
 - Asset > 10 billion
- Medium Scale Business 52,106 enterprises (0,09%)
 - Sales/year Rp 2.5 - Rp 50 billion
 - Asset Rp 500 million - Rp 10 billion
- Small Scale Business 654,222 enterprises (1,13%) → Dominate in the trade and hotel sectors.
 - Sales/year Rp 300 million - Rp 2.5 billion
 - Asset Rp 50 million - Rp 500 million
- Micro Scale Business 57,189,393 enterprises (98,77%) → mostly in the agricultural sector.
 - Sales/year < Rp 300 million
 - Asset < Rp 50 million
- By aggregated industry sectors:
 - 48.8% are in the agricultural sector (including forestry, and fishing industries),
 - 28% are in the combined wholesale and retail trade, and hotel and restaurant sectors

SMEs contribution to the economy



GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; primary industry = agriculture, forestry and fisheries

Legislation for SMEs and cooperatives

- SME policy
 - Ministry of cooperatives and SMEs (MOCSME)
 - Law No. 20 of 2008 on SMEs and Law No. 25 of 1992 on Cooperatives.
- Most ministries have a role in SME development.
- Coordinating ministry for the economy includes SMEs in national economic development policies
 - Most recent - banks to decrease credit lending interest rate for SMEs to under 10% (from about 17%).

Legislation and policies about DRM

Disaster Risk Management policy

- National Disaster Management Agency (BNPB)
- Law No. 24 of 2007 on Disaster Management (DM Law).

Climate change adaptation

- Directorate General of Climate Change in the new Ministry of Forestry and Environment (MoFE) and
- Ministry of National Development Planning (MNDP/ BAPPENAS).

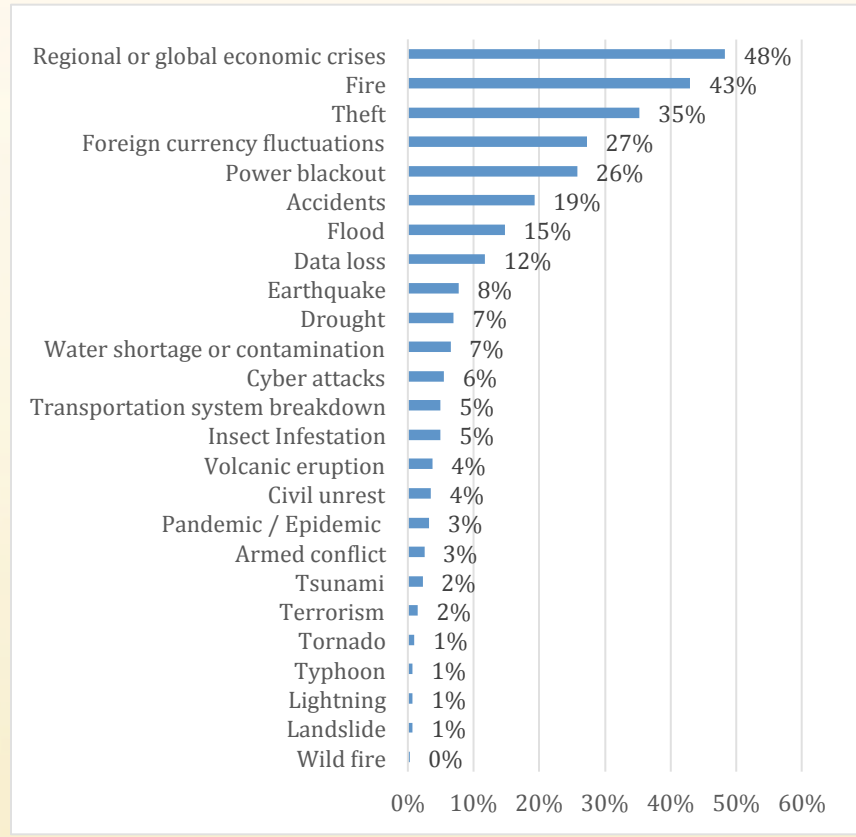
SME Resilience Survey in Indonesia

- The SME Survey of 400 respondents focused on SMEs in urban areas of Indonesia that have experienced disasters from natural hazards.
 - DKI Jakarta and surrounding areas (Bogor, Depok, Tangerang, Bekasi), which often experience flooding;
 - Yogyakarta, which experienced the eruption of volcano Merapi in 2010, and prior to that the major earthquake in 2006;
 - Aceh, which suffered massive losses from the Indian Ocean earthquake and tsunami in 2004.

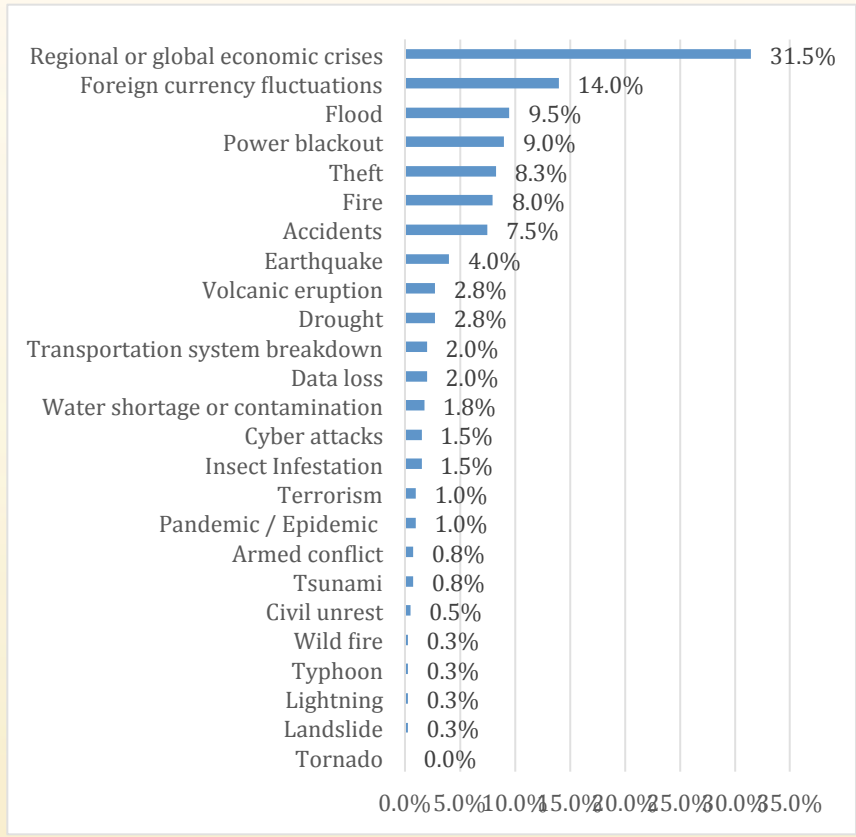
Place taken	Number of respondents
One-on-one interview in Aceh	100
One-on-one interview in Jabodetabek	165
Seminar in Depok	65
Seminar in Jogja	70
Total	400

Hazards that cause SME business disruption

Perception of hazards that will potentially disrupt operations

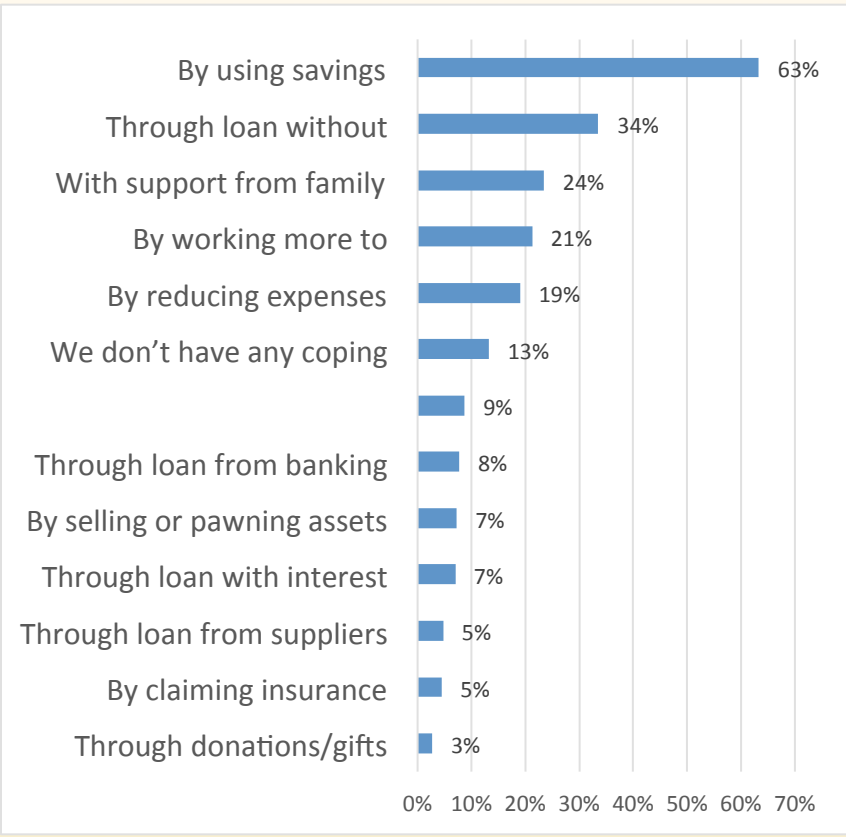


Respondents' experience of major disruptions

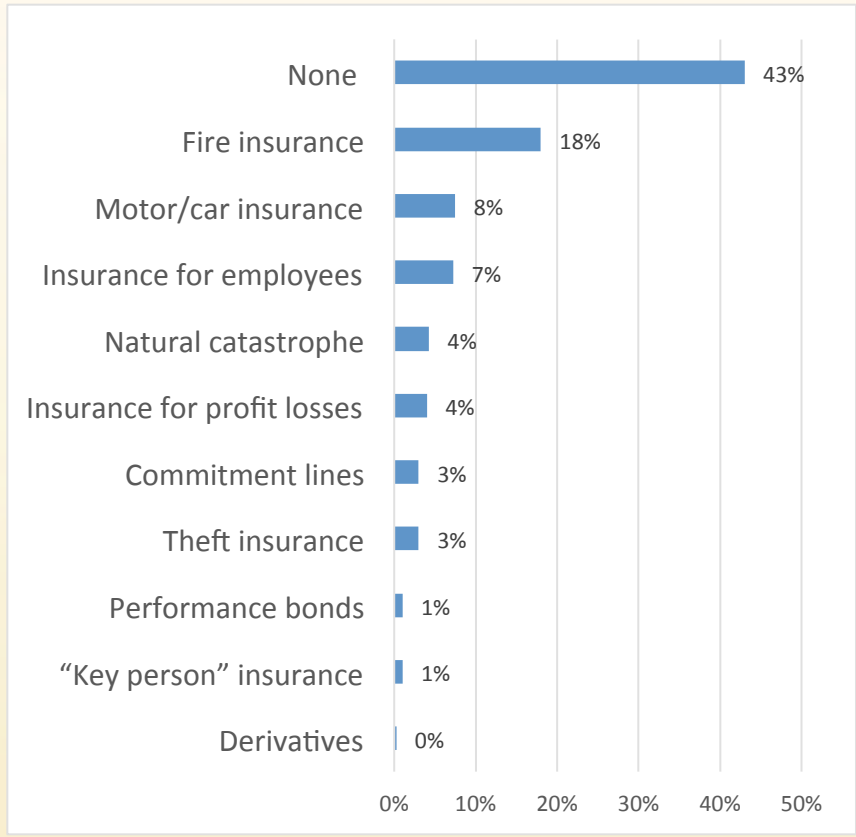


SME Disaster Coping Mechanisms

Top coping mechanisms used to deal with business disruption and emergencies



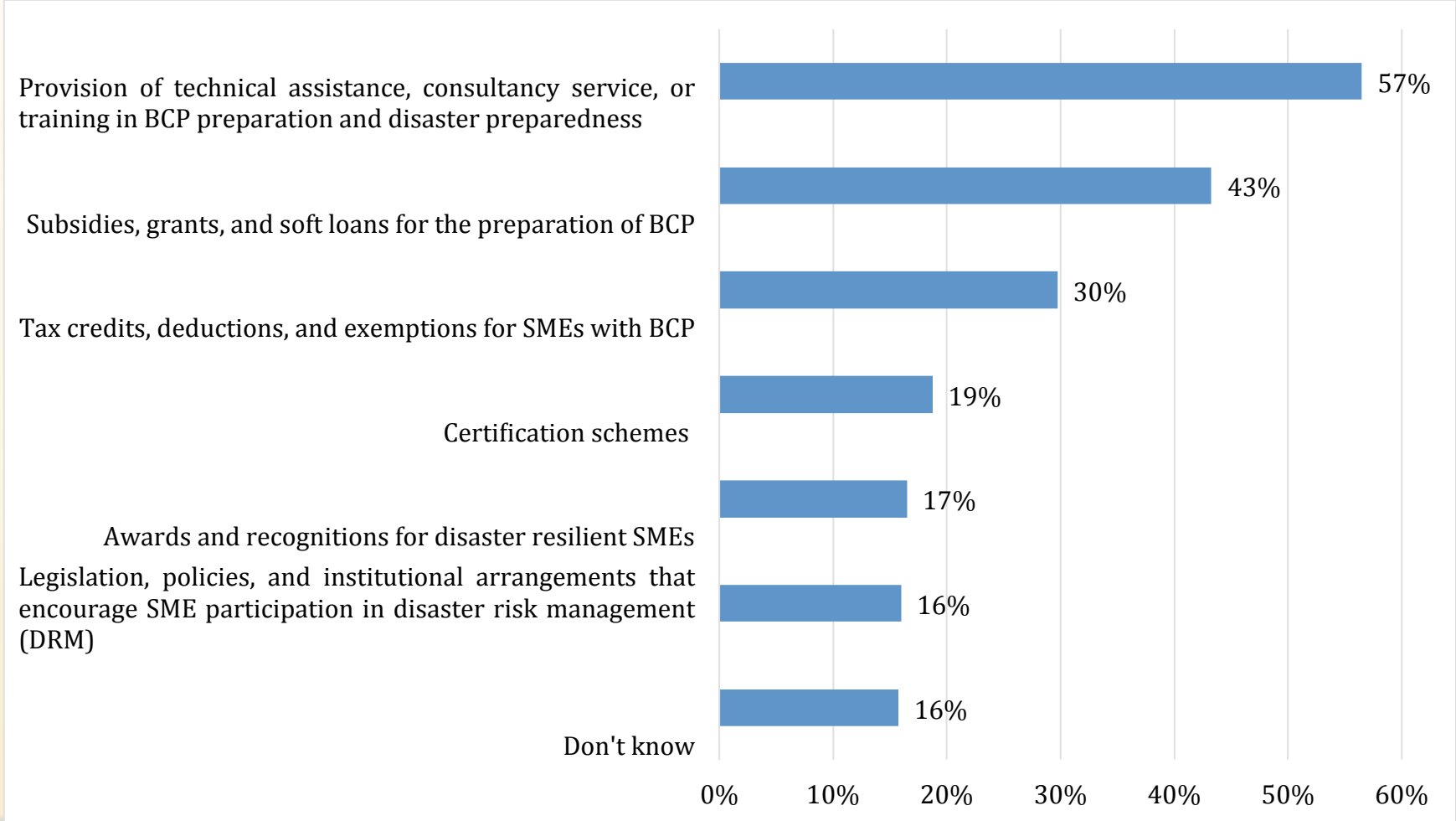
Top risk financing mechanisms in use



About BCP

- **The majority of respondents were not familiar with BCP:**
 - Only 10% of respondents had ever attended any training related to BCP.
 - Only 9% having attended relevant training related to disaster risk management
- **Top reasons for not preparing BCP:**
 - Our enterprise has not heard of BCP before (62%)
 - Lack of information on procedure for preparing a BCP (32%)
 - Lack of human resources to handle BCP preparation (19%)
- **Top reasons for developing a BCP:**
 - To avoid economic losses (55%)
 - To protect employees (26%)
 - To gain our clients' confidence (17%)
- **82% of respondents would like to participate in a national planning process to support SMEs to prepare for and recover from hazards and disasters**

SMEs preferred government incentives to encourage BCP adoption



Key Challenges

- Lack of disaster prevention and risk financing for SMEs.
- No reliable SMEs data base.
- Lack of coordination between institutions in developing SMEs and disaster reduction.
- DRM modules for regulators and SMEs are still scattered.
- More commitments from stakeholders in SMEs Disaster resilience issues.

Key Considerations for a SME Roadmap

- Legislative base for government SME support
- Statistical base for government SME policy targeting
- Multi-hazard BCM for SMEs
- Disaster prevention and climate change adaptation - reducing underlying risk
- Disaster Insurance and Risk Financing
- Institutional cooperation mechanisms for response and recovery support
- Private Sector and SME Capacity