

SME Development in Indonesia

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ISSUES TO BE DISCUSSED HERE:

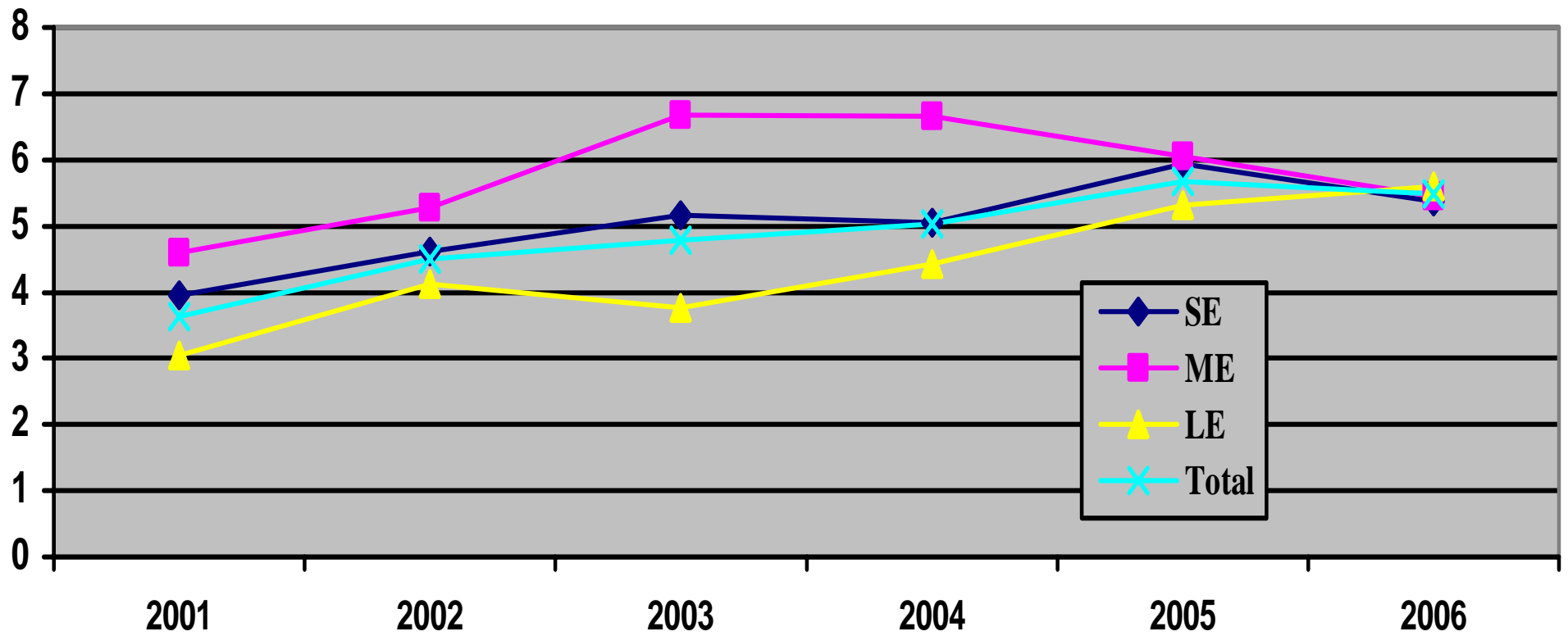
- **MAIN CHARACTERISTICS**
- **PERFORMANCE**
- **DEVELOPMENT OF CLUSTERS AND NETWORK**
- **EXPORT PERFORMANCE**

MAIN CHARACTERISTICS

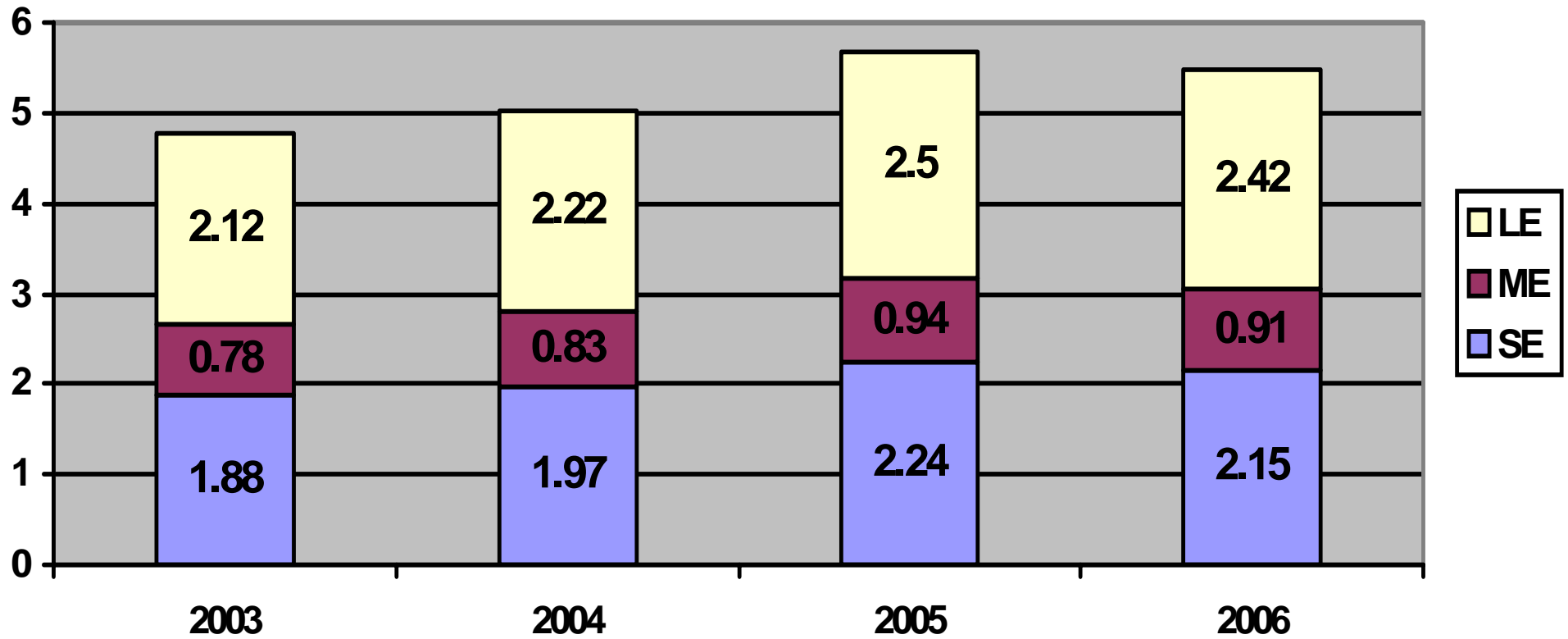
- 1) SMEs consist of:
 - micro enterprises (MIEs): 1 to 4 workers
 - small enterprises (SEs): 5 to 20 workers
 - medium enterprises (MEs) 21 to 100 workers
- 2) SMEs account for more than 90% of all firms
- 3) SMEs account for over 90% of the country's workforce, especially women and the young.
- 4) The majority of SMEs, especially the smallest units, i.e. (MIEs), are scattered widely throughout the rural area
- 5) MIEs are dominated by self-employment units
- 6) SMEs are concentrated in agriculture
- 7) In manufacturing industry: involved mainly in simple traditional manufacturing activities: wood products, including furniture, textiles, garments, footwear, and food and beverages.

PERFORMANCE

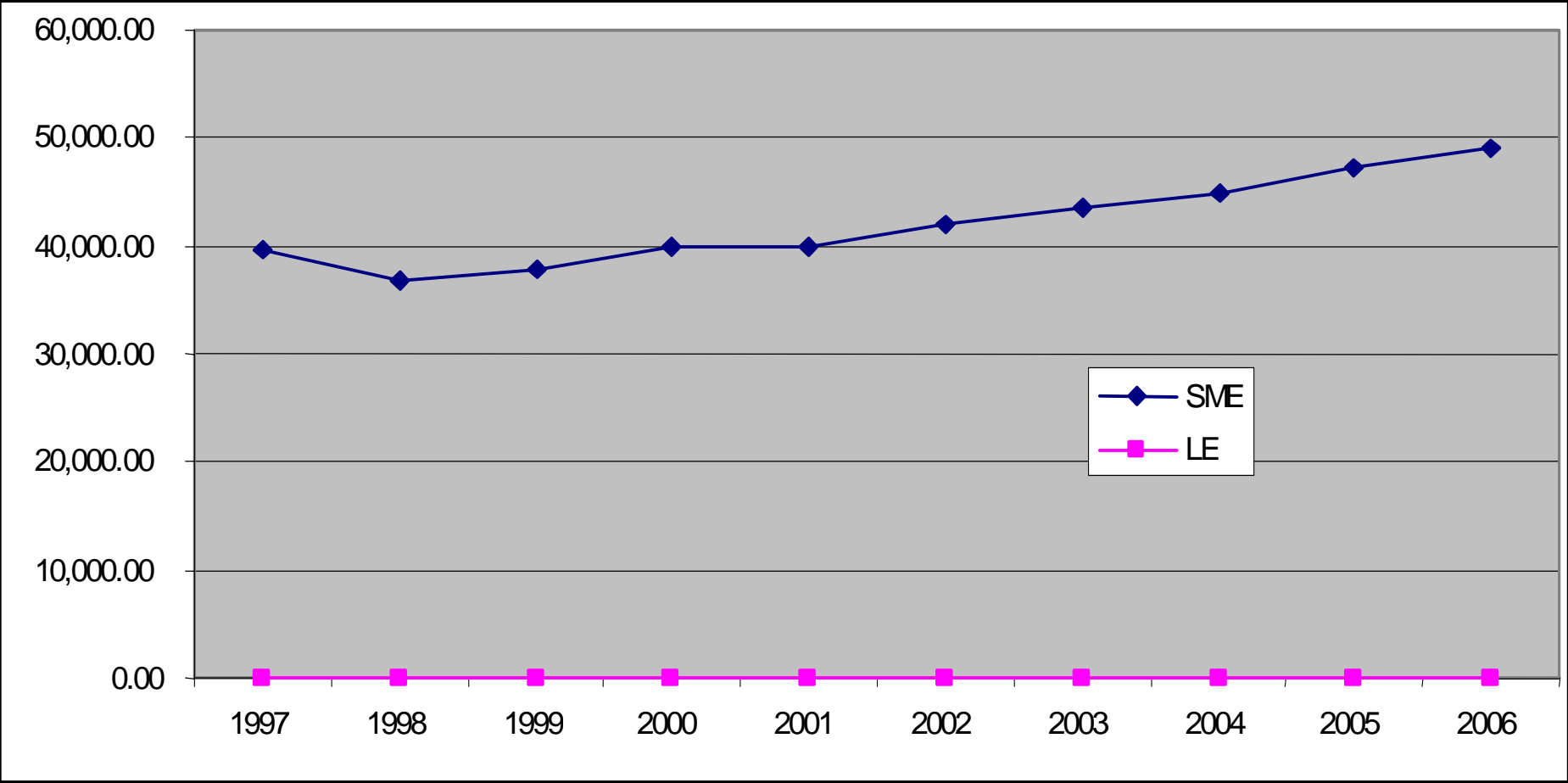
Output Growth Rates of SEs, MEs and LEs, 2001-2006 (%)



GDP growth contribution by size of firms, 2003-2006 (%)



Growth in Unit of SME and LEs, 1997-2006

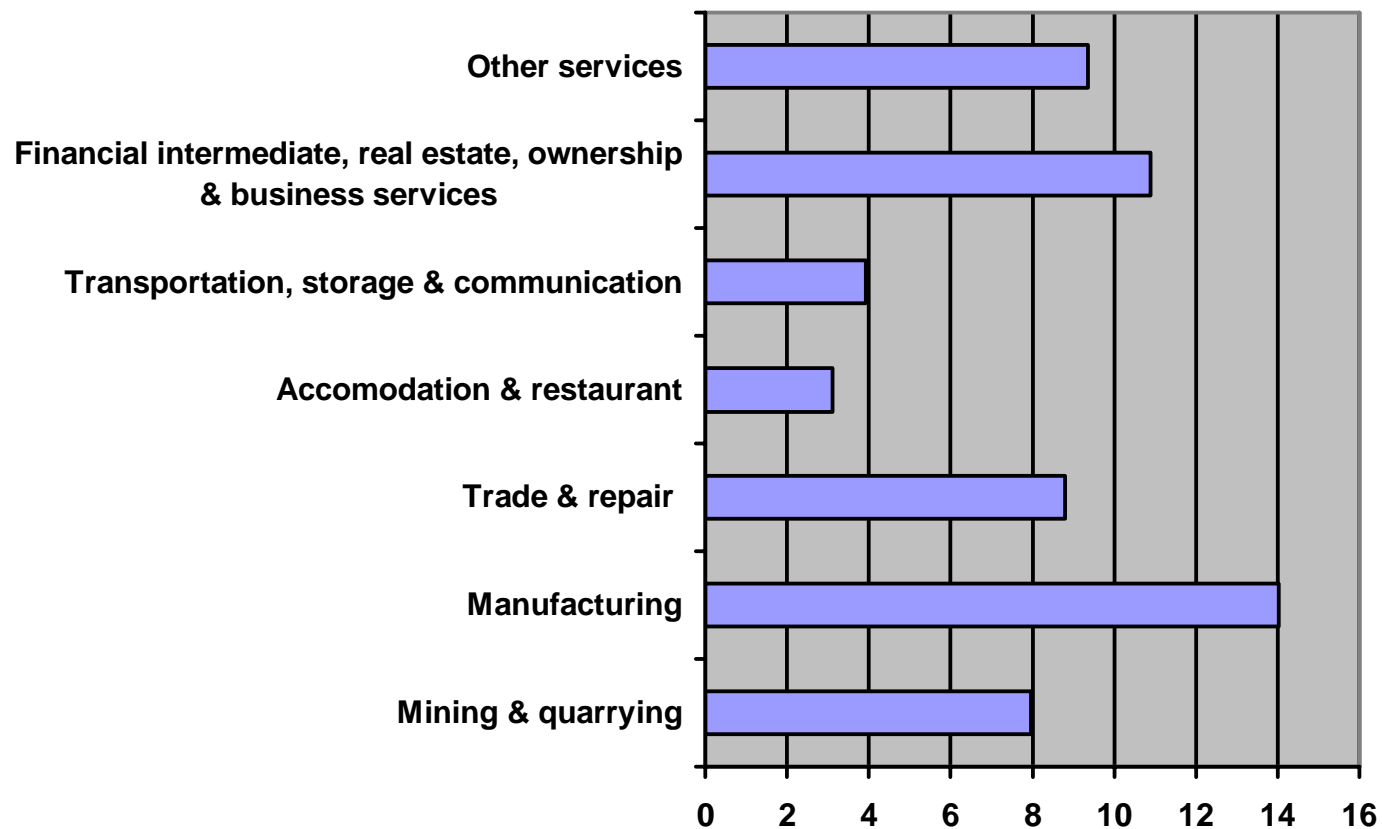


Non-agricultural SMEs in ASEAN and selected countries in East Asia

Country	No. of non-agricultural SME in 2002 or later or best estimation ('000)	Percentage of GDP/value added (VA)/output	SMEs as a % of	
			All Firms	Workforce
Brunei Darussalam	30 ²	-	98	92
Cambodia	26	-	99	45
Indonesia	21,895.996 ³	57 (total VA)	99.9	99.6
Lao PDR	22 ⁴	-	-	-
Malaysia	205	15 (total gross output) 47.3 (total VA) 26 (manufacturing VA)	99.2	65.1 32.5 ⁸
Myanmar	34 ⁴	-	96	78
Singapore	60-72 ⁵	41 (manufacturing output) 34.7 (total VA)	97	58
Thailand	1,640	47 (total VA)	99.6	76 ⁸
Philippines	68 ⁶	32 (total VA)	99.6	99
Viet Nam	2,700 ⁷	42 (total VA)	96	85
East Asia¹				
China	8,000	60 (industrial output)	99	78.8
Chinese Taipei	1,050	-	98.1	78.4
Hong Kong, China	292	-	98.2	60.7
Japan	6,140	52 (manufacturing output) 55.3 (total VA)	99.7	77.6
ROK	2,700	47.5 (total gross output) 50 (total VA)	99.8	86.7

DEVELOPMENT OF CLUSTERS AND NETWORKS

SMEs doing Partnership by Sector, 2004 (% of total surveyed firms in the sector)



Different Types of SME Cluster in Indonesia

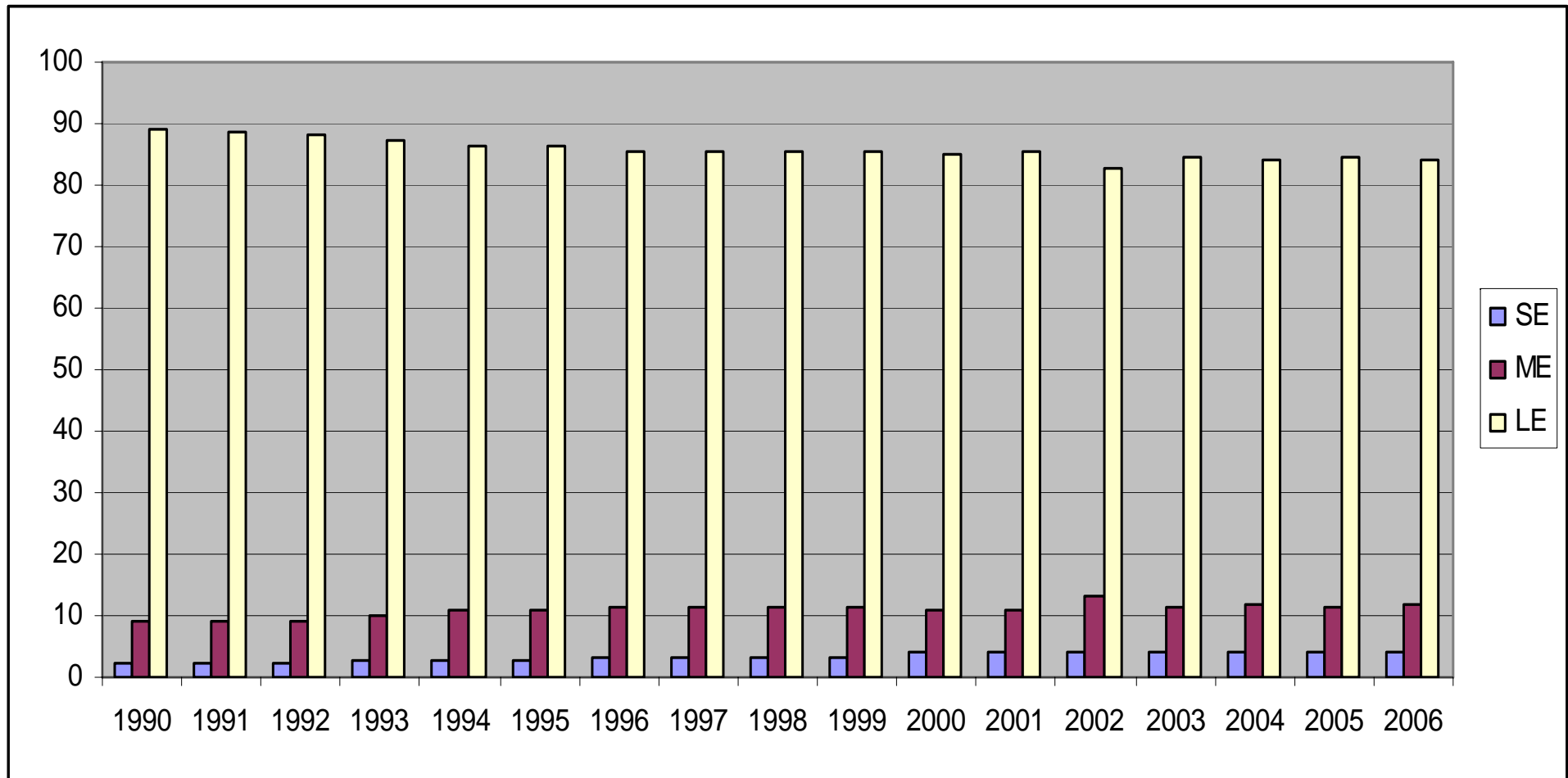
No	Type	Characteristics
1	“Artisinal”	Mainly MIEs; low productivity and wage; stagnated (no market expansion, increased investment and production, improved production methods, and management, organization and production development; local market (low-income consumers) oriented; used primitive or obsolete tools and equipment; many producers are illiterate and passive in marketing (producers have no idea about their market); the role of middlemen/traders is dominant (producers are fully dependent on middlemen or trader for marketing); low degree of inter-firm cooperation and specialization (no vertical co-operations among enterprises); no external networks with supporting organizations.
2	“Active”	Used higher skilled workers and better technology; supplied national and export markets; active in marketing; the degree of internal as well as external networks is high
3	“Dynamic”	Trade networks overseas are extensive; internal heterogeneity within clusters in terms of size, technology, and served market is more pronounced; leading/pioneering firms played a decisive role.
4	“Advanced”	The degree of inter-firm specialization and cooperation is high; business networks between enterprises with suppliers of raw materials, components, equipment and other inputs, providers of business services, traders, distributors, and banks are well developed; cooperation with local, regional or even national government, as well as with specialized training and research institutions such as universities is good; many firms are export-oriented (mainly through trading houses or exporting companies).

EXPORT PERFORMAMCE

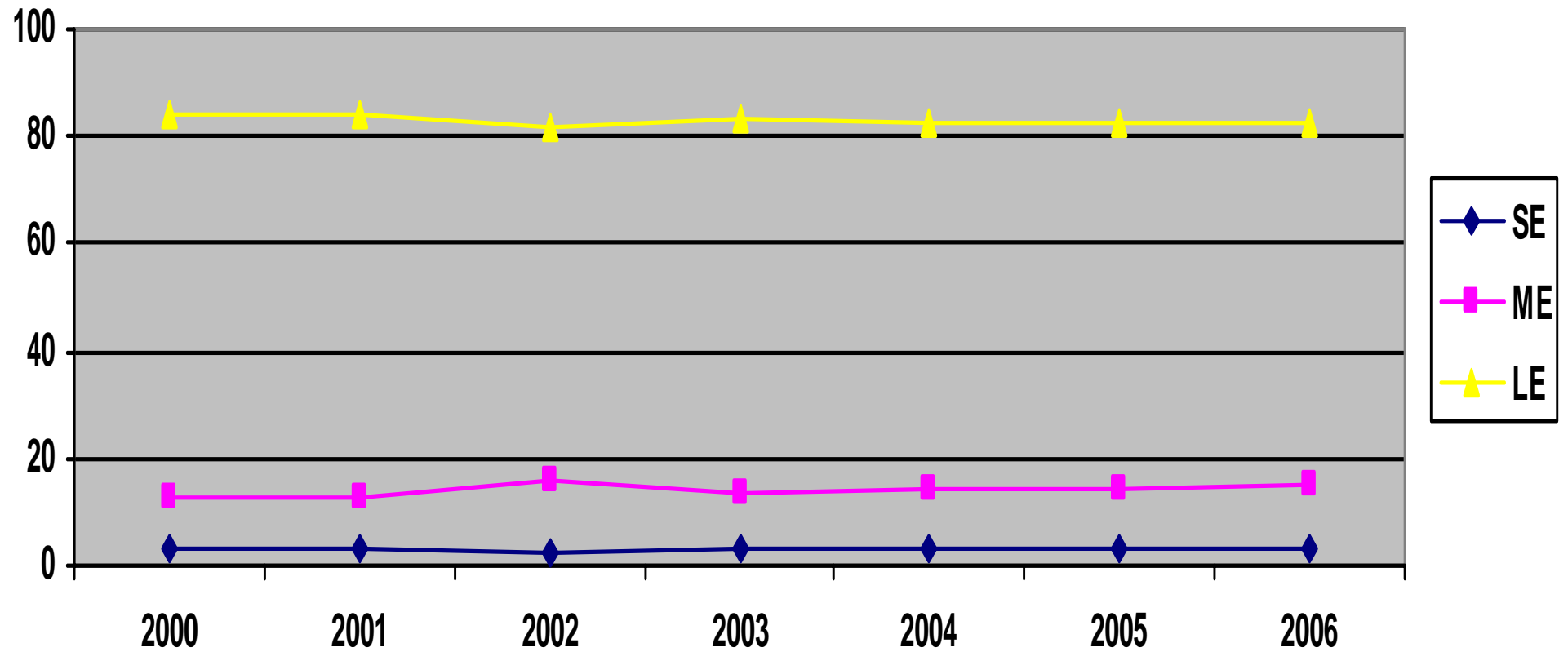
Share of SME exports in selected Asian countries, 1990s

Country	Share (%)
China	40-60 ¹⁾
India	38 ¹⁾
Chinese Taipei	56
South Korea	40 ¹⁾
Vietnam	20 ¹⁾
Singapore	16 ¹⁾
Malaysia	15 ¹⁾
Indonesia	11 ¹⁾
Thailand	10 ¹⁾ (38.22%) ²⁾ (45.5%) ³⁾ 26.5%) ⁴⁾

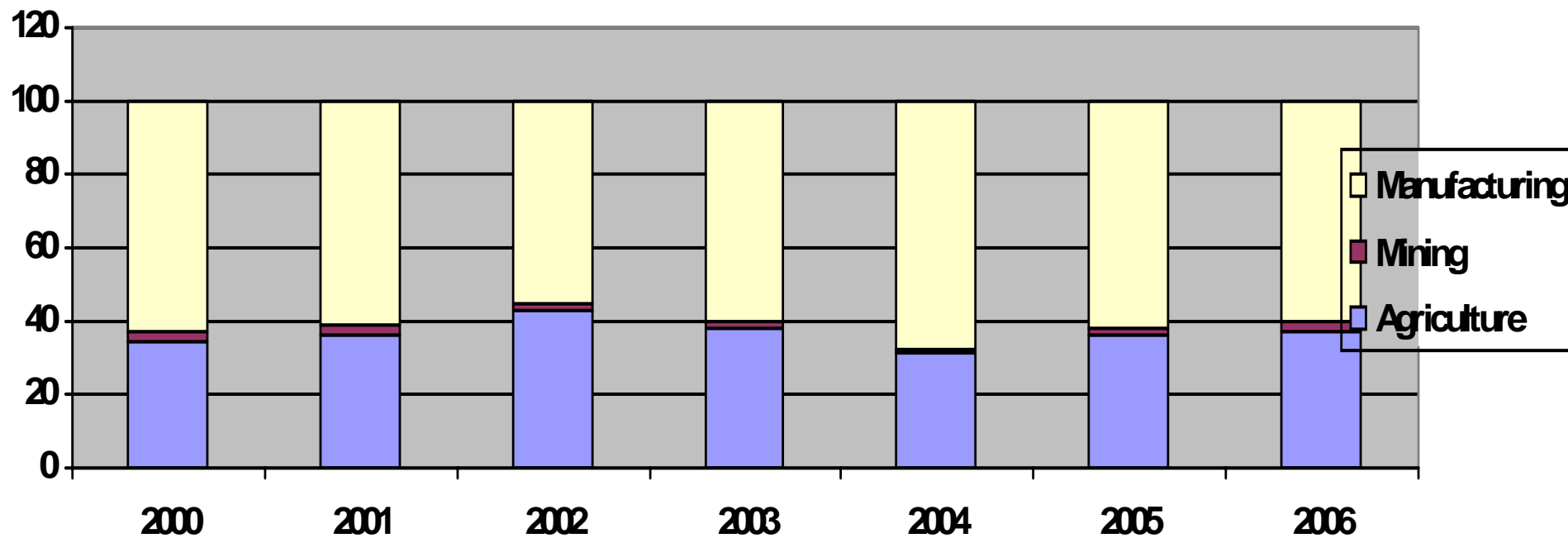
SMEs' Contribution to Total Export Value, 2000-2006 (%)



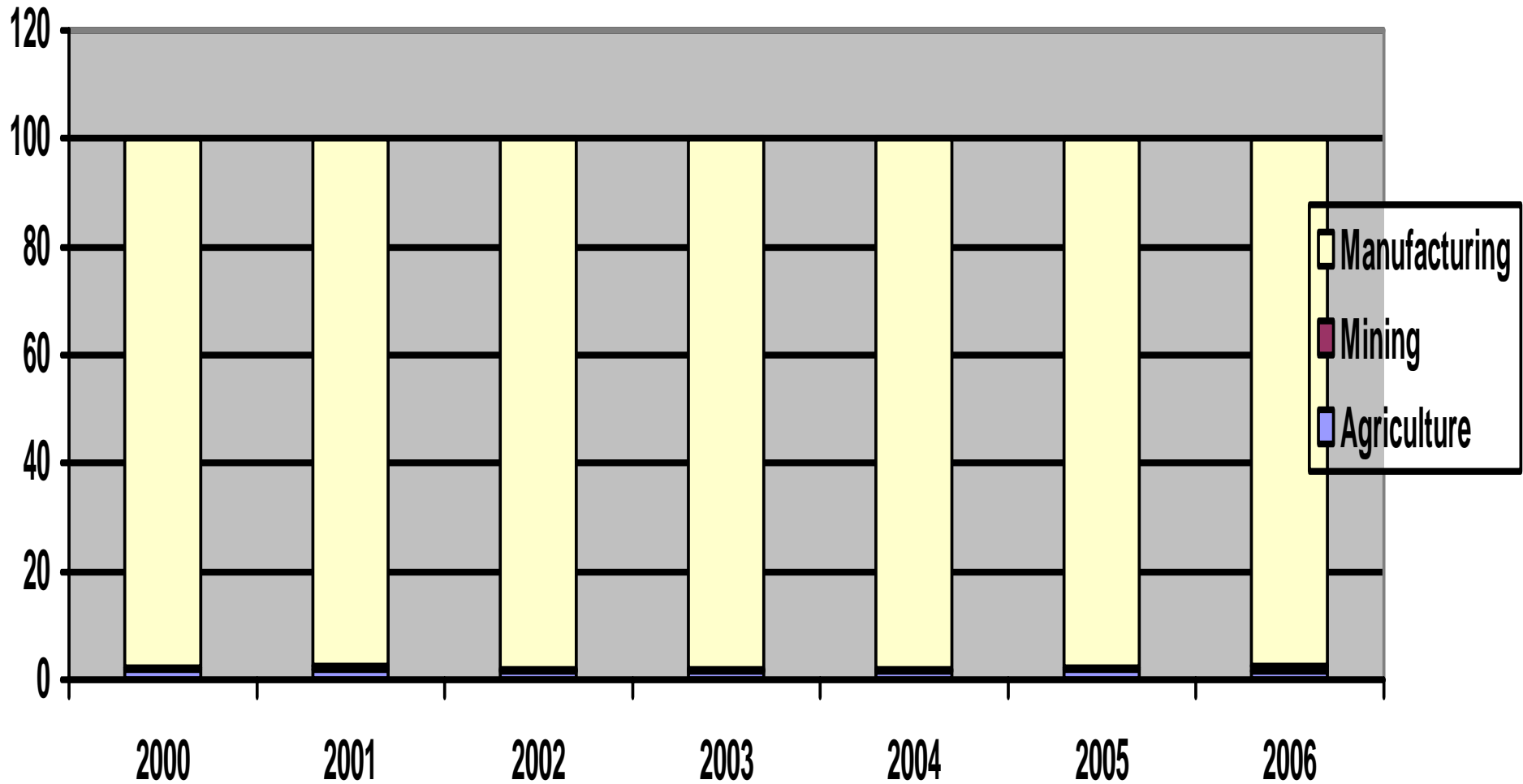
Share of SMEs in Total Export Value of Manufacturing Industry, 2000-2006 (%)



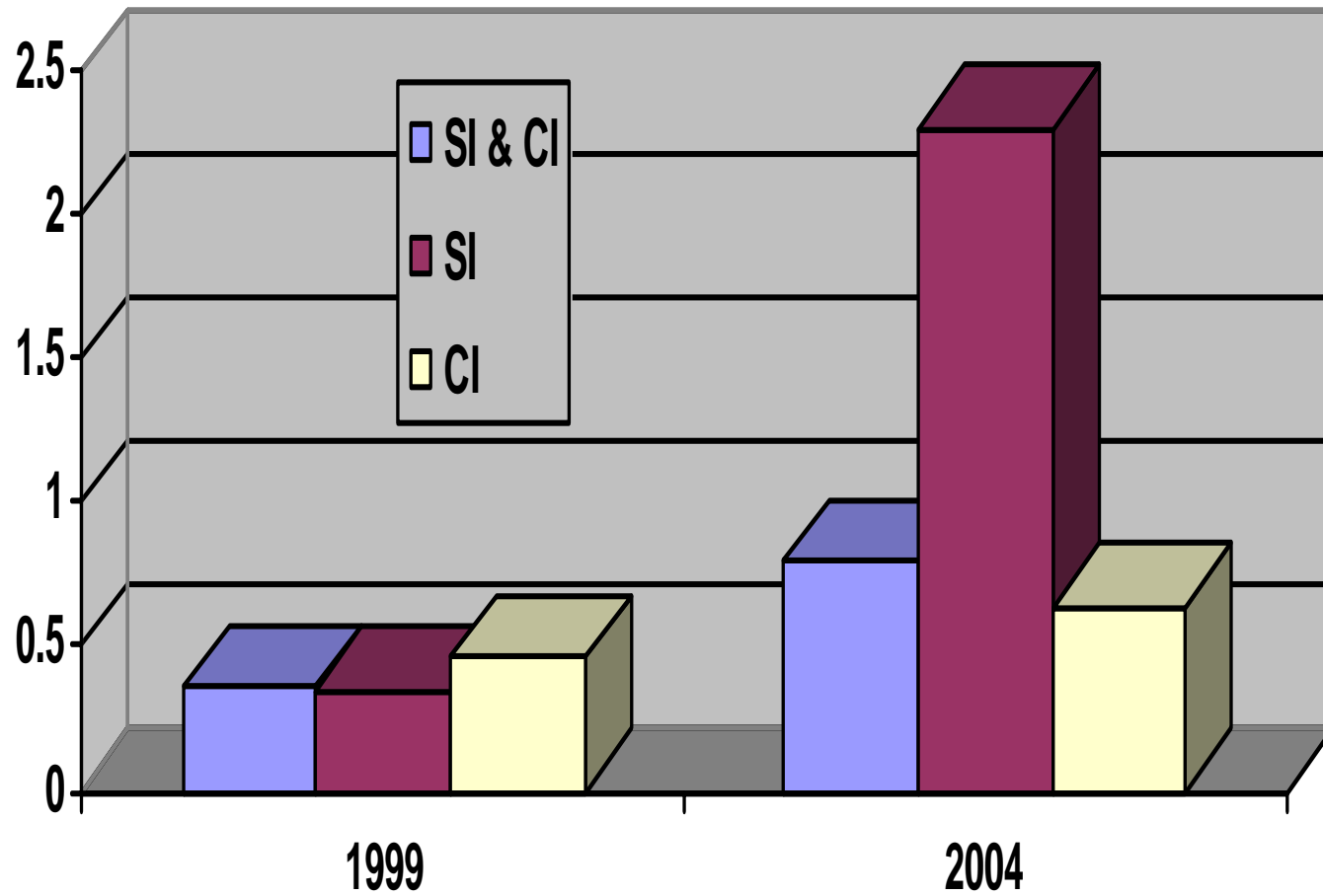
Distribution of SEs' Export Value by Sector, 2000-2006 (%)



Distribution of MEs' Export Value by Sector, 2000-2006 (%)



Percentage of total number of Manufacturing SEs and MIEs doing Export, 1999 and 2004



**Export-oriented Manufacturing SEs and MIEs by Percentage of Total Production for Export,
1999 and 2004 (unit)**

Category	Unit	Period	Percentage of total production for export				
			<15	15-39	40-64	65-79	? 80
SEs & MIEs	9,124	1999	268	2,470	1,899	183	4,304
MIEs	1,956		62	518	379	45	952
SEs	7,168		206	1,952	1,520	138	3,352
SEs & MIEs	21,104	2004	1,472	2,013	2,786	513	14,320
MIEs	15,472		1,157	1,055	2,082	378	10,800
SEs	5,632		315	958	704	135	3,520