

# **Economic Empowerment for Women-led MSMEs in Rural Indonesia**

Lessons from Indonesian CSOs



**ECONOMIC EMPOWERMENT FOR WOMEN-LED MSMEs IN RURAL  
INDONESIA: LESSONS FROM INDONESIAN CSOS**

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**P R A K A R S A**  
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## **Economic Empowerment for Women-led MSMEs in Rural Indonesia: Lessons from Indonesian CSOs**

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# Table of Content

Table of Content	iii
List of Tables	v
List of Diagrams	v
Preface	vi
Executive Summary	viii
<b>Chapter I Introduction</b>	<b>1</b>
A. Literature Review	2
1. Women’s Economic Empowerment	2
2. Definition of MSME actors	3
3. Factors Affecting the Success of SMEs	4
4. Women and Financial inclusion	4
B. The Oretical Framework	4
C. Research Method	5
1. Research Objective	6
2. Research Question	6
3. Field Data Analysis Methods	6
4. Research Benefits	7
5. Selection Method for Respondents	7
6. Timeline	8
7. Research Code of Conduct	9
8. Research Location	9
<b>Chapter II Interview Findings</b>	<b>15</b>
A. Involvement of national CSOs in economic empowerment of women in rural areas	15
B. The Roles of National CSO on Women’s Economic Empowerment	20
C. Strengthening women’s access to finance	20
D. Improving Entrepreneur Skill for Women At Rural	21

E. Expanding women's SMEs to other stakeholders	24
<b>Chapter III Analysis and Discussion</b>	<b>43</b>
A. Women Economic Empowerment: Factors Affecting the Success of Women's MSMEs	44
1. Definition of Economic Empowerment:	44
2. Factors Enabling and Disabling the Economic Empowerment of Women led MSMEs	52
B. Financing and Technology for the Development of Women's MSMEs	58
C. The Impact of Women's Economic Empowerment on Gender Equality in the Village	61
<b>Chapter IV Conclusion and Recommendations</b>	<b>65</b>
References	67

## List of Tables

Table 1. MSME Criteria per Category	3
Table 2. Research Timeline	8
Table 3. Education level and Employment Status of the Working Population	11
Table 4. Employment Breakdown by Economic Sector and Gender (2018)	14
Table 5. Differences between National and Sub-national CSOs	16
Table 6. Definition of economic empowerment by themes	48
Table 7. Economic empowerment	51
Table 8. Enabling factors of empowerment	54
Table 9. Factors inhibiting empowerment	58

## List of Diagrams

Diagram 1. Distribution of the Five Largest Businesses Based on GDP at Current Prices in Pacitan in 2019	10
Diagram 2. Percentage of Working Population by Main Employment (August 2018 )	11
Diagram 3. Magentan's GRDP based on Economic Sector (2018)	13

# Preface

The COVID-19 pandemic had serious consequences for workers and MSMEs worldwide. Businesses experienced drastic decreases in turnover as well as numerous constraints in selling their products, particularly during the period when there were strict mobility restrictions in place (PSBB). Their capital had dwindled, and they were having difficulty obtaining new funds to purchase raw materials. The pandemic's impact also had a knock-on effect on MSMEs, forcing them to reduce working hours or even lay off employees.

Nonetheless, many women-led MSMEs survived and are still in operation because they were able to adapt. For example, by shifting to online marketing, changing business types, learning better financial management, and diversifying their product offerings, information technology enabled businesses to survive the pandemic. However, the proportion of MSMEs that use technology is still relatively small, accounting for only about 16% of all MSMEs in Indonesia (Kominfo, 2020).

Women-led MSMEs, in particular, received inadequate support from the government, civil society organizations (CSO), the private sector, and financial institutions. Women-led MSMEs continue to face challenges in obtaining capital from financial institutions due to a lack of knowledge or information about credit application procedures. For example, they do not meet the requirements, so their credit applications are denied. The lack of knowledge among women-led MSME actors about how to apply for credit demonstrates the need for improved financial literacy. This is exacerbated by the fact that financial institutions (banks) do not play a role in promoting MSMEs' financial literacy.

A small number of MSMEs who received CSO assistance reported that it had a positive impact on their businesses because they gained expertise in operational management, marketing, and raw material purchasing. Some MSMEs that received government assistance said it was beneficial in terms of lowering the cost of daily necessities, easing the burden of credit instalments, and providing additional capital. Meanwhile, formal financial institutions are still struggling to provide capital or financing to women-led MSMEs.

The purpose of this report is to advance collective understanding of the challenges of empowering women-led MSMEs, which include not only regulations and financing but also technology transfer. Access to finance, technical assistance, and technological tools are all examples of necessary support systems, particularly in rural areas. To assist women-led MSMEs, the government must form strategic partnerships with various stakeholders such as CSOs, academics, and the private sector. Stakeholders can provide business assistance services such as training in health-safe production techniques, technology skills, and

digital marketing. Pro-MSMEs policies will be one of the determinants of Indonesia's ability to recover quickly from the pandemic crisis.

Insights about the challenges of empowering women-led MSMEs in Indonesia are shared in the hope that policymakers, practitioners, civil society organizations, and academics will read this paper with keen interest. We also hope that the government and CSOs will continue to affirm, campaign for, and boost access to finance from official financial institutions for women-led MSMEs so that women can expand their enterprises and improve their economic standing.

Finally, thank you to the PRAKARSA research team and all other parties involved in the report's preparation. I hope that this report will add to the existing body of knowledge and inspire relevant stakeholders to do more to support women's economic development in Indonesia.

Jakarta, August, 31, 2020

**Ah Maftuchan**

Executive Director of The PRAKARSA



# Executive Summary

Compared to men, women's engagement on the Indonesian labour market remains low. Indonesia's Labour Force Survey (August 2018) revealed that just 52% of women were employed, or approximately 50.6 million individuals. In contrast, men's labour force participation reached 80.4 million persons, or 83%.

The reason why women have a lower participation percentage is due to societal and cultural conventions. According to the International Labour Organization (ILO), women in Asia and the Pacific perform unpaid care work 4.1 times longer than men. The burden of doing unpaid care work makes it more difficult for women to participate in the labour market, which requires them to work outside. Thus, women want to produce income and achieve financial independence, entrepreneurship is their best option.

In 2018, the number of Micro, Small, and Medium-Sized Businesses (MSMEs) reached 57.83 million, with more than 60%, or around 37 million, run by women. Nonetheless, the Organization for Economic Cooperation and Development (OECD) reports that MSMEs owned and managed by women are less focused on achieving rapid growth and creating large employment possibilities for others. According to a research conducted by Independent Research and Advisory Indonesia, 42% of women began a small business to complement their husband's income and are satisfied to remain small provided they achieve this objective. In the home, women have limited economic decision-making authority.

The purpose of this report is to illustrate how civil society organizations help women's economic emancipation. The concept of empowerment will be viewed based on three interconnected dimensions: resources (preconditions), agency (process), and accomplishments (outcomes). The report will highlight the characteristics of women's economic empowerment and its support system, including access to finance, government support, and technological use, in an effort to strengthen female-headed MSMEs in rural areas.

This study employs qualitative exploratory approaches by asking open-ended questions based on instruments/guidelines created by the research team. This method was used to record the experiences of rural MSMEs led by women. This strategy is also helpful for building the basis for future investigations and identifying topics that require additional investigation.

According to this study, female entrepreneurs in Pacitan and Magetan have a number of shared characteristics. The majority of women entrepreneurs in both regions are of

productive age, married, and have children. Their education levels range from junior high school to bachelor's degrees, and the majority of their businesses are classified as micro businesses with monthly incomes between 2.5 million rupiah and 15 million rupiah. Their industries range from food and retail trade to fashion and handicrafts. Regarding ownership, the majority are sole proprietorships, some are family-owned firms, and the majority of jointly-owned businesses are comprised of partners, and the majority of these enterprises have been operating for less than ten years

This study identified both enabling and inhibiting variables driving the economic empowerment of women in Pacitan and Magetan MSMEs. Entrepreneurs' strong will, the availability of material resources, human and social resources, and a network of social contacts were enabling elements. In contrast, the impeding variables include cultural influences, manufacturing difficulties, market networks, and program design obstacles. Women entrepreneurs in Pacitan and Magetan have the potential and ability to acquire financing and utilize technology to grow their businesses, but the majority of them continue to rely on outdated technologies.

Activities empowering women economically have contributed to the achievement of gender equality at the family and village levels. The concept of empowerment is visible and can be directly noticed in the better power relationships within the women's households, family economic benefits, and personal growth attained by women. Examining the enhanced educational accomplishments of women and their families, as well as their increased social status, provides indirect proof of empowerment.

There are a number of recommendations for government and CSOs to enhance the potential of women's economic empowerment and the growth of women's micro and small businesses, including:

1. Utilizing the potential of human and social resources and designing programs that are synergistic and collaborative;
2. Creating programs that are contextual in accordance with the needs of women to develop their businesses by involving all stakeholders;
3. Planned programs must be gender-sensitive and take into account the special conditions of women and their businesses and;
4. Providing financial and technological support according to the special conditions and needs of micro and small businesses.

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## Chapter I

# INTRODUCTION

This report presents an evidence about practice of women's economic empowerment that are supported civil society organizations . The purpose of this report is to highlight the characteristics surrounding women's economic empowerment and its support system, such as access to financing, government assistance, and the use of technology in an effort to strengthen women-led small and medium-sized enterprises (SMEs) in rural areas. The paper also addresses the success factors and problems faced by SMEs. The report is structured as follows:

**Section 2** provides a theoretical framework as well as a literature review to support the analysis of the research findings in the analysis and discussion section. This section describes women-led SMEs in Indonesia and elaborates on several factors that enable or limit women's economic empowerment through SMEs. Furthermore, this section discusses the definition of women's economic empowerment as researched from a variety of credible sources.

**Section 3** describes the research protocol, as well as the method used in the study. The analysis method used to process the findings is also explained. The selection of respondents and research locations is presented in this section along with the geographical and demographic overview of the research area.

**Section 4** discusses the key findings from the field research that were used to answer the research questions. The discussion follows the coding process from transcribing documents completed from in-depth interviews. The discussion is divided into two parts; part one examines the findings from the interviews with women-led SMEs and, part two examines other stakeholders involved in women's economic empowerment.

**Section 5** concludes by bringing together the main threads of the discussion and proposes further intervention improvement to strengthen outcomes intervention on SMEs.



### 1. Women's Economic Empowerment

In Indonesia, women continue to be underrepresented in the labour force in comparison to men. According to the Central Statistics Agency's Labour Force Survey (August 2018), there are 97.2 million men of productive age and 97.5 million women of productive age. Yet, women's labour-force participation makes up 50.6 million, or only 52% of the total productive age of women. In contrast, 80.4 million men are in the workforce, accounting for 83% of the total productive age of men. According to Halim et al. (2019), the participation rate of women working in Indonesia in 2016 was only 50.9%, significantly lower than the average of other Asian and Pacific countries. Laos, Vietnam, Cambodia, Japan, Singapore, and China are the countries with the highest rates of female labour-force participation. Along side Indonesia, working women are underrepresented in Korea, Mongolia, Malaysia, and Myanmar.

Social and cultural norms are a barrier to women entering the labour force. These socio-cultural barriers include: i) women need permission from their spouses or parents to participate in activities outside the home, particularly economic activities; and ii) social norms that have placed women in charge of unpaid care work in the family (Addati et.al 2018). According to an International Labour Organization (ILO) report, women spend 4.1 times as much time as men doing unpaid care work in Asia and the Pacific. The burden of unpaid care work makes it difficult for women to participate in the labour market, which necessitates working outside the home. For this reason, the choice available to most women if they want to generate income and be financially independent is through entrepreneurship.

According to the International Finance Corporation's 2011 report, *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries*, the formal employment ratio of women is correlated to the proportion of women-owned businesses in the sector. This is supported by World Bank's Enterprise Survey (2009), which found that 42.8 percent of formal SMEs are owned by women. In 2018, Bank Indonesia found that the number of MSMEs in Indonesia reached 57.83 million, with women managing more than 60% or 37 million, of the enterprises. Although, at first sight women appear to be well represented in the MSMEs sector, the OECD found that the average MSME owned and managed by women is less focused on achieving high growth and creating significant employment opportunities for others. Women-owned SMEs can only create jobs if they have been in business for at least 5 years

Female entrepreneurs in Indonesia face more time constraints to expand their businesses because they are expected to handle all domestic and caregiving demands while running

their businesses. Furthermore, women are not generally regarded as the primary breadwinners in the family. According to a study conducted in selected cities by the Independent Research and Advisory Indonesia, 42 percent of women have started a small business to simply supplement their husband’s earnings and are content to stay small if they are achieving that goal. Women also have little economic clout in their families. They typically defer to their husband in business matters, and they frequently require their spouse’s approval for any business-related actions (IRAI, 2018).

## 2. Definition of MSME actors

According to data from the Ministry of Cooperatives and Small and Medium Businesses, the number of MSMEs in 2018 increased by 2.02 percent from the previous year, reaching 64.2 million. MSMEs’ contribution to the Gross Domestic Product (GDP) in 2018 was 60.34 percent of the total GDP, according to the same data source.

Women drive the MSME sector where about 60 percent, or approximately 37 million MSME units, are run by women (Bank Indonesia, 2018). Unless they have been in operation for at least five years, however, MSMEs operated by women are less focused on rapid expansion and the creation of employment. The MSME sectors targeted by women include the trade (40%), food (16%), and manufacturing sectors (16 percent). Clothing, textiles, accessories, handicrafts, and fireworks are the most popular products in the commercial sector. The majority of MSMEs operate in the informal sector.

Table 1. MSME Criteria per Category

Size of business	Criteria	
	Asset	Turnover per year
Micro enterprises	Up to IDR 50 million	Up to IDR 300 million
Small enterprises	> IDR 50 million - IDR 500 million	> IDR 300 million - IDR 50 billion
Medium enterprises	> IDR 500 million - IDR 10 billion	> IDR 2,5 billion - IDR 50 billion

Source: Otoritas Jasa Keuangan (OJK)

Law 20/2008 defines MSMEs on the basis of asset and revenue criteria (Table 1). The Central Statistics Agency (BPS), on the other hand, defines MSMEs based on the number of employees. For example, the Home Craft Industry (IRT) employs 1-4 individuals, Small Industries (IK) or enterprises employ 5-19 individuals, and medium or medium size enterprises (IM) employ 20-99 individuals.

### 3. Factors Affecting the Success of SMEs

Two factors that influence economic and market activity are access to finance and the use of technology. However, according to some studies, these factors are also seen as a barrier to women achieving economic independence. Women have historically been less likely to receive financial assistance in developing and maintaining their businesses. The study of the PRAKARSA Association adds to this analysis (Mawesti et.al 2018). Their report on People's Business Credit (KUR) found that KUR has yet to be used as a tool for mainstreaming gender equality to support financial inclusion. Because of collateral and other administrative requirements, women have a difficult time obtaining loans from formal financial institutions. Family assets are typically owned by men in patriarchal societies. Women frequently lack valuable assets to use as collateral, so they are unable to obtain a loan. Furthermore, in many cases where women are eligible for loans, they use KUR funds not only to increase capital for family micro-businesses, but also to meet daily household and family needs.

### 4. Women and Financial Inclusion

According to the IFC, complicated procedures were cited as a barrier in dealing with banks by 40% of women and 28% of men (IFC, 2016). According to the survey results, men scored 39.94% and 77.24% on the gender literacy index and financial inclusion, respectively, while women scored 36.13% and 75.15%. More women (44%) than men (40%) want to borrow and invest in their businesses for equipment purchases, product development, and marketing (IFC, 2016). Better customer service and better trained staff can increase the frequency and amount of credit available to women from banks (IFC, 2016).



## B. The Oretical Framework

One of the goals of this research, as stated in the introduction, is to assess women's economic empowerment programs supported by CSOs. As a result, it is critical to define the concept and framework that will be used to analyze research findings. Scholars have developed various definitions and measurements of empowerment, though some disagree with the notion that empowerment can be defined and measured. Naila Kabeer's (1999) definition, however, is appropriate for this study.

The term "empowerment" is derived from the word "power," which can mean "the ability to make decisions." Empowerment is inextricably linked with the condition of disempowerment, which means "being denied choices." Empowerment is defined as "the processes by which those who have been denied the ability to make choices acquire such an ability," and thus "entails a process of change" as well as "the possibility of alternatives,

the ability to have chosen differently” (Kabeer 1999: 437). It consists of three interconnected dimensions:



The ability of women to access and control “resources, agency, and achievement” can be used to assess women’s empowerment. The access and potential that can be used to exercise the ability are referred to as resources. The various human and social resources, as well as social relationships, that can be found in the various institutional arenas that comprise a society, are examples of resources (such as family, market, community). Agency is defined as “the ability to define one’s goals and act on them.” It is related to the actions that can be observed during the change process, as well as the meaning, motivation, and purpose that influence individuals in carrying out their activities. Meanwhile, achievement is the result of the interaction of resources and agency. Sen (1985) defined this as “the potential that people have for living the lives they want, of achieving valued ways of ‘being and doing’.”

### C. Research Method

This study employs exploratory qualitative methods with open-ended questions based on research team-developed instruments/guidelines. This method is thought to be effective because it allows respondents to explain in their own words and is based on their own experiences, as opposed to forcing them to choose from fixed responses as in the quantitative method (Mack et.al 2011). Open questions can elicit responses that are: meaningful and relevant to the respondent’s cultural context and; rich in detail which may in turn reveal unexpected information. Qualitative exploration methods are effective in laying the groundwork for future studies and may save resources by determining important questions that need further exploration.

Another advantage of qualitative research methods is that they allow researchers to be more flexible in their exploration of respondents’ initial responses, allowing them to ask why or how. Researchers using qualitative exploration methods must carefully listen



to what respondents say, engage them based on their personalities and styles, and use “inquiry” to encourage them to describe their answers.

### **1. Research Objective**

The research has three primary goals:

1. Examine the enabling factors and constraints of village-level women’s economic empowerment projects supported by civil society organizations, particularly in terms of financial / capital access and technology utilization.
2. Evaluate the impact of civil society organizations’ women’s economic empowerment projects on increasing women’s economic independence and gender equality in the village.
3. Identify lessons learned from economic empowerment interventions or village projects for women supported by civil society organizations..

### **2. Research Question**

1. What factors contribute to the success of village programs/interventions for women’s economic empowerment? What, on the other hand, are the impediments to the success of village programs/interventions for women’s economic empowerment?
2. How important is access to finance/capital and the use of technology in efforts to empower women’s economic development at the village level?
3. Has economic empowerment for women been successful in increasing women’s economic independence and strengthening gender equality in the village?

### **3. Field Data Analysis Methods**

The Data Taxonomy Analysis method will be used after the research team has collected continuous data through in-depth interviews, observations, and documentation. That is, by categorizing the data collected and performing observations on the data to be processed, a more detailed picture can be obtained. During the taxonomic analysis stage, researchers attempt to understand specific domains based on the problem or research target. Each domain begins with a thorough understanding and then divides into sub-domains, which are further subdivided into more specialized parts until there are no more left, or until the domain is exhausted. During these analysis phases, the researcher can delve deeper into important domains and subdomains by consulting library materials.

Taxonomic analysis is an analysis that is not just a broad exploration, but one that focuses on a specific domain that is very useful in describing the phenomenon or problem under investigation. Taxonomic results will allow researchers to determine whether the data obtained is adequate. If not, the research team can make an attempt to complete it. The

results of the taxonomy method data analysis will be presented in the form of contact diagrams/line diagrams/node diagrams.

#### **4. Research Benefits**

This study is expected to serve as a resource for civil society organizations, the private sector, and the government as they develop plans for women's economic empowerment in the village in order to be more effective in achieving women's welfare. This study will also serve as a resource for The PRAKARSA and Sasakawa Peace Foundation in developing a more effective program for women's economic empowerment based on lessons learned from previous projects.

#### **5. Selection Method for Respondents**

The snowball sampling technique, also known as chain reference sampling, was used to select respondents. Purposive sampling is used in this method. Respondents or informants use their work and social networks to refer the research team to other people who have the potential to participate or contribute to this research. Snowball sampling is frequently used to identify and recruit "hidden populations," or groups that are inaccessible to researchers through other sampling strategies.

The research area is in DKI Jakarta and East Java province. Snowball sampling began in DKI Jakarta with meetings with international organizations or donor agencies working in the field of women's economic empowerment in Indonesia. The data from these meeting provided a reference for the research team to choose a more specific area, specifically the regency/city and village in East Java where the women's economic interventions are carried out.

Although Snowball sampling was used to select respondents, the criteria for interviewees were determined in this study. Given the constraints of time and money, the number of respondents interviewed was limited to a maximum of 40 people. including:

01		5 people from government institutions
02		5 from civil society organizations at the regency / city and village level
03		20 beneficiaries or women who joined SME
04		5 people from the financial sector
05		5 people from donor agencies / international organizations

## 6. Timeline

Table 2. Research Timeline

Activity	Time
Research team selection	06 – 07 February 2020
Development of Research Protocol	06 – 11 February 2020
Development of research instruments	12 – 14 February 2020
Submitting research permission to Kesbangpol	10 – 19 February 2020
Jakarta respondent interview	17 – 19 February 2020
Interview of East Java respondents	20 February – 4 March 2020
Transcribe the results of the interview	22 February – 6 March 2020
Field data analysis and report writing	7 – 12 March 2020
Internal Review	13 March 2020
Report improvement	15 March 2020

Translation of reports into English	16 – 20 March 2020
Submitting a report to Sasakawa	21 March 2020

## 7. Research Code of Conduct

This research received written permission from the Directorate General of National Unity and Politics (Kesbangpol), Ministry of Home Affairs. Participation in this study was voluntary and respondents were free to withdraw at any stage. Study information was provided in written and verbal form, and written consent was obtained from each participant. The confidentiality and anonymity of participants is maintained by the de-identification of personal data and the use of anonymity identities.

## 8. Research Location

### a. Pacitan

#### Regional and Demographic Overview

Pacitan regency is located in the southwestern corner of East Java Province and shares a border with Central Java Province and covers an area of 1,389.87 km<sup>2</sup> (BPS, Kabupaten Pacitan Dalam Angka, 2020). Pacitan's topographic conditions include coastal areas, low land, and hills, with 85 percent of the land being mountainous and hilly, 10 percent undulating, and 5 percent flat. This diversity of natural conditions gives rise to its own uniqueness, both in terms of behaviour, environmental conditions, society, and population livelihoods, particularly in terms of cultural diversity (Bappeda, Potential and Leading Products of East Java, 2013). The population is nearly evenly divided with 299,595 men and 296,955 women. Pacitan's average population density in 2019 was 448 people per square kilometer (BPS, Kabupaten Pacitan in figures, 2020).

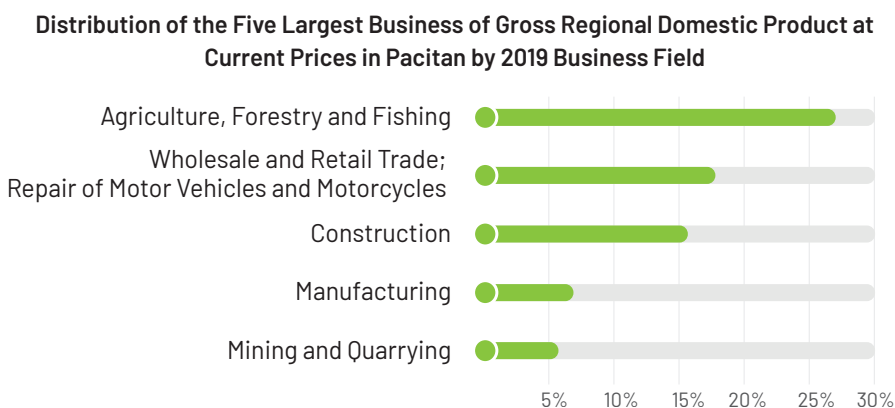
There has been a marked improvement in the accuracy of Pacitan's population count over the past year thanks to expanded access to vital records like birth certificates and driver's licenses. The infrastructure and user-friendliness of population management techniques have contributed to this success. As a result of the enhanced services, about 940 out of every 1,000 people in the regency now possess original birth certificates. Currently, 96.5 percent of Pacitan's population have an e-KTP (identity card) (Pemkab, 2019).

## Economic Aspects

As Diagram 1 below shows, in 2019, agriculture, forestry, and fisheries accounted for 27.01 percent of Pacitan regency's total economic output. Next came automotive and motorbike maintenance and repair shops, accounting for 17.79 percent. The building industry, the processing sector, and the mining and quarrying sector all trailed behind by 5.76 percent (BPS, Kabupaten Pacitan in Figures, 2020).

The following diagram illustrates the conditions above:

Diagram 1. Distribution of the Five Largest Businesses Based on GDP at Current Prices in Pacitan in 2019



Source: (BPS, Kabupaten Pacitan Dalam Angka, 2020)

In August of 2018, 445.62 thousand inhabitants in Pacitan were of working age, defined as those aged 15 and older. The employment rate in Pacitan in 2018 was 79.41%, which means that of the people of working age, approximately 79.41% were actively employed. The labour force totals 348,77,000. Employment status provides a quick and easy way to categorize the working population into formal and informal activities. Employees and permanent workers are considered formal workers, whereas all other workers fall into the informal category (BPS, 2019).

As Diagram 2 shows, the agriculture, forestry, and fishing industries employ the most people (57.65 percent), followed by the processing sector (10.60 percent), then the retail and wholesale sectors (9.58 percent), and finally the building industry (9.58%). (7.03 percent). About 277.89 thousand people (or 79.68 percent) are employed in the informal sector. Full-time workers (those who put in at least 35 hours a week) make up 53.26 percent of the labour force (185.77 thousand persons)(BPS, Kabupaten Pacitan Dalam figures, 2020).

Diagram 2. Percentage of Working Population by Main Employment (August 2018 )

Source: (BPS, Kabupaten Pacitan Dalam Angka, 2020)

### Aspects of Education, Socialization, and Culture

Until 2018, the working population in Pacitan was dominated by those with only an elementary school education or less. There are 191.38 thousand (54.87 percent) elementary school graduates, 81.41 thousand (23.34 percent) junior high school graduates, and 50.82 thousand (14.57 percent) senior high school graduates. There are 25.16 thousand (7.21 percent) workers with a diploma and above. This breaks down into 2.64 thousand diploma-educated workers and 22.51 thousand university-educated workers (BPS, 2019). Table 3 breaks down the working population based on their education level and employment status:

Table 3. Education level and Employment Status of the Working Population

Education Level	2017		2018	
	Thousand people	Percent (%)	Thousand people	Percent (%)
Highest education				
Primary school or below	199,56	57,13	191,38	54,87
Junior High School	75,17	21,52	81,41	23,34
Senior High School	25,96	7,43	22,97	6,58
Vocational High School	25,24	7,23	27,86	7,99
Diploma I/II/III	2,46	0,70	2,64	0,76
University	20,90	5,98	22,51	6,46

<b>Total</b>	<b>349,28</b>	<b>100,00</b>	<b>348,77</b>	<b>100,00</b>
<b>Main Employment Status</b>				
Entrepreneur	41,43	11,86	47,31	13,57
Business is assisted by temporary workers / unpaid workers	94,97	27,19	100,29	28,76
Helped by permanent workers / paid workers	2,73	0,78	3,72	1,07
Workers / Employees / Employees	79,97	22,90	67,16	19,26
Free Workers in Agriculture	7,73	2,21	4,32	1,24
Free Workers in Non-Agriculture	15,18	4,35	22,76	6,53
Family / Unpaid Workers	107,28	30,71	103,21	29,59
<b>Total</b>	<b>349,28</b>	<b>100,00</b>	<b>348,77</b>	<b>100,00</b>

*Source: (BPS, 2019)*

Despite the fact that people's livelihoods vary greatly, the Pacitan community kinship system is broadly similar to the Javanese kinship system. The formed kinship system is based on the principle of bilateral descent (lineage is calculated from two parties, father and mother).

## **b. Magetan**

### **Regional and Demographic Overview**

The Magetan regency is located in the western portion of East Java province, adjacent to the province of Central Java. Geographically, Magetan regency is bounded by the following jurisdictions: north Ngawi regency, south Ponorogo regency and Wonogiri regency (Central Java province), east Madiun regency, and west Karanganyar regency (Central Java province). The land area of the Magetan Regency is 668.84 km<sup>2</sup>. The Magetan regency consists of eighteen subdistricts (BPS, 2019). The topography of Magetan is divided into several types of regions based on soil fertility (topology), namely: mountainous regions with fertile soil conditions, mountainous regions with moderate soil, mountainous regions with less fertile land (critical), lowlands with fertile agricultural land, lowlands with moderate agricultural land, and lowlands with less fertile agricultural land (Bappeda, 2013).

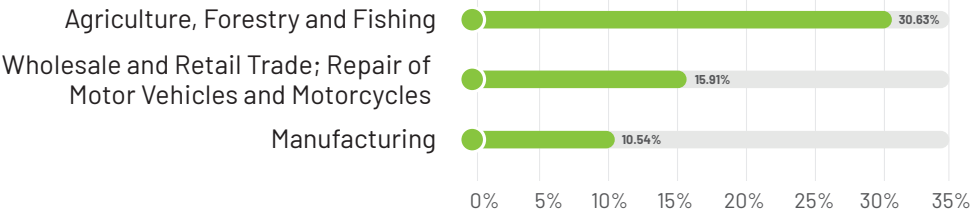
The total population of Magetan Regency was 691,919, composed of 340,041 men and 351,898 women. Magetan’s population density was 913 per square kilometer. The population density in the 18 subdistricts varies, with Magetan subdistrict having the highest population density at 2,018 inhabitants per square kilometer and Poncol subdistrict having the lowest at 565 inhabitants per square kilometer (BPS, 2019).

**Economic Aspects**

Magetan Regency’s GRDP was around IDR 17,673,223.9 million in 2018. Agriculture, forestry, and fishing make for 30.63 percent of Magetan’s gross domestic product (GRDP). Since 2017, its value has declined by 1.46 percent. The wholesale and retail sector contributes 15.91 percent, followed by the maintenance of motor vehicles and motorbikes. The manufacturing sector contributes 10.54 percent of the total (BPS, 2019). Diagram 3 depicts the GRDP of the three biggest economic sectors in Magetan.

Diagram 3. Magetan’s GRDP based on Economic Sector (2018)

**Distribution of the Three Largest Businesses of Gross Regional Domestic Product at Current Prices in Magetan According to 2018 Business Fields**



Source: (BPS, 2019)

The labour force of Magetan is dynamic as a result of population shifts and migration. In 2018, there were 1,868 job seekers registered with the Magetan’s social, employment, and transmigration agencies. The vast majority of job searchers are high school graduates (62,26 percent). There were 393.126 persons aged 15 and over in the labour force in the Magetan Regency, while there were 113.473 non-labor force residents. The number of people aged 15 years and over by educational levels was; 168,001 in elementary school, 73,976 in junior high school, and 66,515 in vocational senior high school (BPS, 2019).

As presented in Table 4 below, the sectors that absorb the most labour are agriculture, forestry, hunting and fisheries (139,212 people); wholesale and retail trade, restaurants and hotels (81,073 people); processing industry (63,368 people); social, social and personal services (48,629 people) and construction (26,020 people)(BPS, 2019).



Table 4. Employment Breakdown by Economic Sector and Gender (2018)

Main Employment Field	Gender		
	Man	Women	Total
Agriculture, forestry, hunting and fisheries	74.068	65.144	139.212
Wholesale, retail, restaurants & hotels	31.808	49.265	81.073
Processing industry	31.313	32.555	63.868
Community, social and personal services	20.917	27.712	48.629
Construction	25.646	374	26.020

Source: (BPS, 2019)

### Social and Cultural Aspects

Magetan regency's social protection programmes include Non-Cash Food Support (BPNT), Smart Indonesia Program (PIP), Social Protection Card (KPS) / Prosperous Family Card (KKS), and the Family Hope Program (PKH). Several measures of social assistance in the Magetan regency reach individuals in dire need. The following are the percentages of each social protection programme. 22.47 percent BPNT, 8.35 percent PIP, 12.30 percent KPS / KKS, and 13.55 percent PKH. Pension / old age insurance and insurance / layoffs are the types of social security available to the residents of Magetan regency. Nonetheless, at 15.25%, the ratio of both social security and welfare is still quite low compared to the total population (BPS, 2019).

Population growth will undoubtedly have an effect on the standard of living. Patterns of expenditure and consumption serve as an indicator of the population's standard of living. The general public's consumption patterns can be divided into two categories: food and non-food. At a particular income level, households will allocate funds to satisfy both demands.

Inevitably, a person's food requirements will reach a maximum, whereas their non-food requirements will have no limit. Consequently, the amount of a household's income spent on food can be used as an indicator of the household's standard of living. If a household's food consumption expenditures exceed its non-food expenditures, then this household has a lower standard of living. In contrast, if a household's food consumption expenditures are less than its non-food expenditures, this indicates a higher standard of living (BPS, 2019). better (BPS, Magetan regency People's Welfare Statistics 2019, 2019).



## Chapter II

# Interview Findings



### A. Involvement of national CSOs in economic empowerment of women in rural areas

Four national CSOs were interviewed to determine the scope of their contributions to women's economic empowerment. Theoretically, the concept of national CSOs has not yet been defined in the literature; nonetheless, the government, CSOs themselves, and community have recognised the existence of national and sub-national CSOs. The vastness of Indonesia, which comprises of 34 provinces, 416 regencies, and 98 cities, has had an effect on the establishment of national and subnational CSOs. Thus, it is essential to have a greater number of CSOs with a national scope. Without the backing of subnational CSOs, national CSOs will face significant obstacles.

To gain a deeper knowledge of the distinctions between national and subnational CSOs, the study team conducted interviews with a number of national CSO directors, including Sugeng Bahagijo, the director of INFID, and Ah Maftuchan, the director of PRAKARSA. The following distinctions can be made between national and subnational CSOs based on

the interviews: Summarizing from their interview, National and sub-national CSO can be distinguished as follows:

Table 5. Differences between National and Sub-national CSOs

Characteristic	National CSO	Sub-National CSO
Location and registration based	At national level and based in Jakarta as the capital city of Indonesia	At sub-national level (city/regency level)
Scope of geographic	At national level and outreaching to the province and city/regency level	Specific in particular city/regency
Scope of Work	<ul style="list-style-type: none"> <li>• Policy advocacy at the national government (national law)</li> <li>• Promoting national policy to be adopted at sub-national as city/regency law</li> <li>• Engaging sub-national CSO</li> <li>• Providing support for the sub-national CSO to strengthen their capacity on advocacy, campaign, project implementation and policy advocacy at local level</li> <li>• Research based at national and sub-national</li> <li>• Rarely to deliver direct intervention to the community but through local CSO</li> </ul>	<ul style="list-style-type: none"> <li>• Policy advocacy at the city/regency level (local law)</li> <li>• Engaging national CSO to obtain support in promoting policy</li> <li>• Involve in the research activities that conducting by national NCO</li> <li>• Delivering direct intervention to the community</li> </ul>
Scope of Program	<ol style="list-style-type: none"> <li>1. Social Welfare</li> <li>2. Education</li> <li>3. Religious Affairs</li> <li>4. Agriculture,</li> <li>5. Forestry and env Environmental</li> <li>6. Health</li> <li>7. Economy</li> <li>8. human rights</li> <li>9. Trade</li> </ol>	<ol style="list-style-type: none"> <li>1. Social Welfare</li> <li>2. Education</li> <li>3. Religious Affairs</li> <li>4. Agriculture,</li> <li>5. Forestry and Environmental</li> <li>6. Health</li> <li>7. Economy</li> <li>8. Human rights</li> <li>9. Trade</li> </ol>

Scope of network and fundraising	<ul style="list-style-type: none"> <li>• Work with national and subnational governments</li> <li>• Receive support from international donors</li> <li>• Build collaboration with international CSOs and forums</li> <li>• Receives funds from national government</li> <li>• Acting as intermediary for donors</li> </ul>	<ul style="list-style-type: none"> <li>• Works with subnational governments</li> <li>• Rarely builds an international or national network</li> <li>• Rarely receives funds directly from international donors</li> <li>• Receives funds from national donors, national CSO, and local government, local companies.</li> </ul>
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Four national NGOs were selected that represent the spectrum of national NGO characteristics in Indonesia: CSOs with a large national network with a vertical structure from the national level to the village level, CSOs that formed a forum with 72 CSOs as members, CSOs that were operationalized by universities, and faith-based CSOs.



**INFID (International NGO Forum on Indonesian Development)**

INFID is a non-governmental organisation that was established in 1985 as INGI (Inter-NGO Conference on IGGI Matters). INFID was founded at the initiative of a number of notable personalities and their partners in the Netherlands, as well as several others. INFID was founded to perform international and national lobbying activities on development concerns and democratisation in Indonesia. In 2004, INFID was granted consultative status with the United Nations Economic and Social Council (ECOSOC). INFID now focuses on three areas: Inequality Reduction, Sustainable Development Goals (SDGs) Implementation, and Human Rights and Democracy. INFID, which has 72 members scattered throughout Indonesia, undertakes policy studies, monitoring, and advocacy.

INFID played a pivotal role in shaping Indonesia’s democratisation process (human rights and development) (1985-2000) at a time when the country was under the iron grip of Soeharto’s authoritarian rule through a wide range of efforts and proposed regulations, among others on human rights, freedom of the press, rule of law, labour rights, citizens’ participation, and gender equality. From 2000 to 2007, INFID prioritised the crucial issue of external debt (finance and development) as the top priority of the government and donor organisations. The Indonesian government has imposed a debt limit of no more than 2% of

its gross domestic product (GDP). As a result, creditor nations such as Germany, the United States, and Italy have proposed numerous debt swap proposals :

1. Raising public awareness about the values of Human Rights, democracy, equality, social justice and peace through public education.
2. Conducting research and policy studies.
3. Conducting policy dialogue to encourage the creation of policies that guarantee the fulfilment of human rights for all people, especially the poor and marginalized group.
4. Cooperating and building social solidarity networks at the national and international levels.



### **Empowerment of female heads of household (PEKKA)**

PEKKA was initiated in late 2000 as part of National Commission on Women (Komnas Perempuan) to document the lives of widows in conflict-ridden areas, to address the pressing needs of widows of the conflict in Aceh so that they could gain access to much-needed resources in order to better cope with their economic hardships and traumatic experiences. This endeavour was referred to as the "Widows Project." Komnas Perempuan then collaborated with the Women's Resource Development Center (Pusat Pengembangan Sumberdaya Wanita (PPSW) to establish a National Secretariat (Seknas) for advancing the initiative, and requested that Nani Zulminarni, the Director of PPSW at the time, to serve as the Project Coordinator.

The PEKKA Foundation was created in 2004 to organise women household heads into Pekka Groups in order to facilitate them more effectively. The Union of Women Household Heads, often known as Pekka Union, was founded in 2008 as an independent mass-based organisation in response to the proliferation of similar groups in other regions of Indonesia. In 2009, Pekka Unions from throughout Indonesia founded the Pekka Union Federation at the national level, to advance the Women Household Head Social Movement. By mid-2018, the national Pekka Union Federation Secretariat was operational.



**LAZISMU**

LAZISMU is a national-level zakat institution dedicated to community empowerment through productive utilization of zakat, infaq, waqf and other charitable funds from

individuals, institutions, companies and other agencies. Created by Muhammadiyah in 2002, the Indonesian Minister of Religion then strengthened its role in the collection and distribution of zakat via decree in the same year. Presently, LAZISMU has 764 offices throughout the country which allow it to deliver services where they are most needed.

**VISION:**

Becoming a trusted zakat institution.

**MISSION:**

1. Just, professional, and transparent in managing of Zakat, Infaq and Sadaqah (ZIS).
2. Creative, innovative, and productive optimization in utilizing ZIS.
3. Optimization of donors' services.



UKM Indonesia is a project administered using an online portal by LPEM UI. UKM Indonesia is the first website to offer comprehensive information regarding business licencing in Indonesia. This web platform is a concrete manifestation of FEB UI's aim to contribute to the improvement of the business climate, beginning with the promotion of licence transparency for SMEs. With a user-centric design, this web portal aims to make it easier for users to search and acquire information regarding business licencing, which is frequently deemed difficult, particularly by SMEs.

Through collaboration with the central government and eight city governments - Bandung, Bekasi, Bogor, Denpasar, Depok, Sukabumi, Surabaya, and Payakumbuh - the pilot project known as ukmindonesia.org has collected and analysed more than 130 national regulations, 371 regional regulations, and 85 supporting documents in the form of forms, brochures, and other printed material to be packaged in more popular languages to be more clearly understood. This information is then organised in a standardised and exhaustive structure, supported by a selection of information filters in the form of business sector and city name, so that users can obtain information relevant to their business context.



## B. The Roles of National CSO on Women's Economic Empowerment

Among the four interviewed in the research expressed their role in providing direct assistance to SMEs at rural areas. The form of assistance provided varies as follows:

- 1 Policy advocacy for women and youth employment
- 2 Improving policies to support business and human rights, particularly women's rights
- 3 Direct assistance in facilitating access to cash and funds
- 4 Improving the management of enterprises led by women-owned SMEs
- 5 Facilitating SME market access as part of the supply transformation
- 6 Help in enhancing abilities, such as technology use, business management, marketing, and financial management
- 7 Enhancing the SME network with key government and private sector players



## C. Strengthening women's access to finance

None of the four national CSOs contacted for this study played a role in enhancing access to finance, particularly financial institutions or banks. Being a member of the ResponsiBank alliance, a national network that works to enhance financial inclusion, INFID has never approached banks individually to route funding to SMEs managed by women. Similar to UKM Indonesian, they did not serve as a link between the banking industry and SMEs. UKM Indonesian, on the other hand, pushes SMEs to have competent management in order to become bankable and gain access to microcredit from banks.

PEKKA, on the other hand, has a distinct perspective on the existing financial institutions. PEKKA critiques the banking sector for its gender bias system, claiming that it does not

support women's groups, particularly female heads of households. The banking sector, according to PEKKA, does not foster gender equality. PEKKA believes that the high interest rates in the banking sector cannot be paid by PEKKA members. The bank's lending mechanism, which often needs collateral, is also a barrier for PEKKA members, the majority of whom are women with no access to property.

As a result, PEKKA has created savings and loan programmes that are crowdfunded by women, administered by women, and given at a cheap cost to women. Women who have taken part in the programme are not only female heads of households, but also women with low to middle-incomes. Members can borrow the monies gathered for consumption and production purposes. The PEKKA savings and loan programme has been deemed successful and sustainable thus far.

LAZISMU is a faith-based national CSO that collects money from Muslims in the form of zakat and sadaqoh. Zakat is a mandatory minimum donation by Muslims in the form of money and property or things that can support Muslims in need, whereas Sadaqah can take the shape of money, deeds, property, or salutations. In Islam, the term 'sadaqah' was used to refer to both zakat and charity. The funds raised are subsequently provided to disadvantaged communities in order to help them with their livelihoods and economic empowerment. Economic empowerment is classified into two types: capital grant funds that do not need to be returned and capital grants that must be returned at extremely low interest rates. Lazismu has assisted 1.000 SMEs led by women in the last two years.



## D. Improving Entrepreneur Skill for Women At Rural

### Technology

Based on the findings of the interviews with the four national CSOs, there have been no direct interventions to improve the technological capabilities of SMEs managed by women. Each of the organizations, however, acknowledges the importance of technology for SMEs. Nonetheless, each organisation recognises the significance of technology for SMEs. Unfortunately, due to a lack of expertise, they have not yet developed technological training programmes. For instance, PEKKA recognizes the use of technology in managing savings and loan programmes but they require assistance in building a more sophisticated savings and loan system to reduce errors caused by the manual system. With the proper training and technology mobile phones could be used to check savings or loan repayments so that members do not need to visit the PEKKA office thus improving efficiency and saving costs.



Although UKM Indonesian does not provide direct support to train and improve technological abilities, they have trained SMEs on how to utilise current digital systems. Courses developed by UKM Indonesian and uploaded on internet platforms can be easily accessed by SMEs, hence facilitating their learning of the new technology. Famous online shopping platforms in Indonesia should be accessible and well-known to even the most remote SMEs. This will help them expand their marketing and networks and enable them to participate in the supply chain.

- **Access to Market**

Out of the four national CSOs interviewed, only INFID conducted a SME market entry assistance programme. INFID has connected prawn producers with a company interested in purchasing their product. The organization has also been successful in recruiting shrimp pond farmers to supply Indonesia's leading shrimp company. In addition, INFID has urged the company to teach the farmers in improved agricultural techniques so that the final product meets the required standards. The purpose of INFID's women's economic empowerment programme is to assist female prawn growers in adapting to climate change. Shrimp aquaculture is highly susceptible to the effects of climate change, which can result in failed harvests. In addition, INFID provides training and other forms of capacity building related to corporate inclusion and economic development, primarily to mitigate the effects of climate change. INFID is promoting company compliance with the United Nations Guidance Principle on Business and Human Rights (UNGP). Their main focus is incorporating the principles of women's economic empowerment and climate change resilience. This is essential to ensure that both companies and SMEs have safeguards in place that conform to international standards.

In contrast to INFID, PEKKA has not integrated SMEs into the supply chain. The organization is still focused on more conventional methods of advertising SME products in the market place. With a countrywide network and membership PEKKA can promote products at the national level.

Rather than incorporating SMEs into its supply chain, UKM Indonesian, markets SME products on digital platforms utilised by SMEs.. With the vast reach of online marketing, this has proven effective.

LAZISMU 's market access has thus far consisted solely of promoting SME products on social media as a form of market strategy. Prior to providing financial assistance, LAZISMU does a market assessment to see whether the products to be manufactured by SMEs are marketable. LAZISMU has successfully connected women with the cosmetics firm Wardah. The organisation offers training in business skills, financial management, and marketing.



## • Business management

INFID is the only national CSO interviewed that does not offer business management training. Its focus is on advocating for business and human rights regulation. The organization wants to ensure that SMEs integrated into the supply chain and that major enterprises working with SMEs comply with required safeguards. LAZISMU and PEKKA, on the other hand, stated that they provide business management training to women-owned SMEs using a variety of methodologies. The precise nature of training, however, requires further investigation.

UKM Indonesia takes a comprehensive and holistic approach to business management as evidenced by the series of modules available on digital platforms. Their approach to training is based on 10 years of experience. UKM Indonesia portrays itself as a

hub of business-capacity-improving information, expertise, and opportunities for SMEs. UKM Indonesia provides a variety of information online about exhibitions and coaching resources from various ministries, enterprises, and NGOs. The objective of UKM Indonesia is to establish an online learning platform at [www.welearn.unwomen.org](http://www.welearn.unwomen.org). The modules are comprehensive, addressing business planning, digital marketing, operational management, financing and budgeting, business legalities, and HR management. UKM Indonesia has also developed an offline support programme that is currently provided in three cities: Jakarta, Malang, and Jogjakarta.

UKM Indonesia recently offered 250 women-led SMEs three months of support, out of a list of 800 SMEs. Priority was given to those SMEs with a monthly average revenue of IDR 8-10 million. The first module addressed the entrepreneurial mind set and business plan creation. If the SME fails to complete the business plan, they cannot move to the subsequent stage which focuses on digital marketing. SMEs that successfully pass this stage are trained in finance and legal matters. By using standard modules, it is expected that the training can be replicated by organizations that are interested in training SMEs.



## E. Expanding women's SMEs to other stakeholders

Of the four national CSOs, INFID assists SMEs in expanding their networks with government and private sector stakeholders. INFID also advocates for policies to ensure gender-sensitive budgeting at the village level in order to encourage business inclusion. In contrast, LAZISMU as philanthropy organization appears to have a broader network with the private sector. A number of corporations have collaborated with LAZISMU to provide SMEs with financial support and skills training. UKM Indonesia has also enlisted the assistance of the government in order to assure the project's sustainability. The digital platform has effectively aggregated SMEs and facilitated their market access. The SMEs listed on the platform have been acknowledged by corporations. It is time for the government to promote this platform and provide funding for its maintenance and expansion.

### 1. Pacitan Regency

#### Interview Findings with Women Entrepreneurs

##### Educational and Family Background & Business Profile

Pacitan's female entrepreneur respondents were between the ages of 21 and 60 years old. The majority of them are married with one to three children. Two respondents completed middle school, while the majority hold either a high school diploma or a bachelor's degree. Their educational background, however, is not necessarily the determining factor underpinning their attitude and motivation.

In Pacitan, micro-businesses owned by women are primarily engaged in food and retail trade, including culinary, fashion, and arts and crafts. In terms of business ownership, the majority of enterprises are sole proprietorships, although some are family-owned and others are partnerships. While the majority of these businesses have been operating for less than ten years, one of the respondents began her own business line in 1995 and has since transformed her accessories store into a fashion boutique. In addition, the majority of women-owned firms in Pacitan have fewer than ten employees, with the remainder being independent contractors. Typically, they employ local citizens, interns, and family members. The amount of time necessary for production varies based on the sort of goods and services being produced. For instance, food firms that specialise in dried snacks often require up to two days to produce while ready-to-wear clothing requires approximately three to four days.

The revenue of small enterprises in Pacitan varies between IDR 2.50 million and IDR 15 million each month. This varies based on the seasonality of product and service demand, which tends to increase during holidays, special occasions, and market events. While some

firms' revenue depends on the seasonality of their products or services, others' revenue peaks when clients buy in bulk.

Pacitan's small enterprises target a variety of clientele. The home food industry and culinary firms target office workers, tourists, and general consumers. In contrast, one entrepreneur that sells basic kitchen items prioritises marketing to other businesses over direct selling to consumers. Businesses that provide services such as salons and automobile rentals prioritise selling to women's groups and tourists, respectively. Most of the small-scale businesses target local customers as their main buyers, but some export their product to other cities such as Yogyakarta, Surabaya, Jakarta, Solo, Riau, Batam.

The majority of Pacitan's SMEs are members of government and entrepreneurial organisations. Women entrepreneurs participate in the following organizations: Integrated Business Service Center (PLUT), Sahabat UMKM, Rumah Kreatif BUMN, Department of Industry and Trade (Dinas Perindustri dan Perdagangan), Department of Labour (Dinas Tenaga Kerja), Berbagi Berkembang Bersama (BBB) community, and East Java Food Association.

### **Motivation, Hopes and Challenges in Operating a Business**

Economic reasons inspire women in Pacitan to become entrepreneurs. They created a business to boost their family's economic well-being in addition to raising their living standards. Running a business has helped Pacitan women to send their children to college and pay for their families' necessities. While some female entrepreneurs are motivated by a clear vision of financial success, others are motivated primarily by a desire to own their own business.

Most women in Pacitan have had previous work experience in variety of industries before becoming entrepreneurs. For example, Inayah Ayu Sudarmi worked as a vegetable vendor and cooperative employee before opening a small eating establishment (warung), while Sri Widayati worked as a tailor and rice vendor before becoming an entrepreneur. Some of them also own several enterprises. Personal health issues such as pregnancy and illness are among the reasons why some female entrepreneurs opt to leave their former businesses. Others decided to leave their jobs after having a child, while others departed their former business due to frequent customer complaints.

One of the primary challenges for Pacitan women entrepreneurs is the inability to access resources owing to a lack of personal mobility and long-distance travel. Women businesses in Pacitan are particularly affected by the rising cost of components and raw resources, which are becoming increasingly scarce. This means that some firms will be required to pass on their costs to their customers. While some enterprises can obtain supplies in Pacitan district, others must go to nearby towns and cities such Magetan, Solo Yogyakarta

and even Magelang to purchase raw materials or other needs. In addition to having to drive large distances, another barrier to obtaining resources is a lack of personal mobility.

“ One of my primary problems is transportation, especially when I need to get goods from neighbouring places like Madiun and Yogyakarta. I need to use a pickup truck, which I don't have.

\_\_\_\_\_  
**Yohana,** (Women entrepreneur in Pacitan)

Although women entrepreneurs in Pacitan already have sufficient skills, they frequently deal with untrained and inexperienced staff. Several businesses are also seeing high levels of employee turnover. According to Eka Pujiastuti, a boutique owner, hiring personnel with an educational background and previous work experience is exceedingly tough. As a result, she hired people with no prior industry experience and spent months training them. Yet, many of them merely work to take benefit of training and then quit as soon as they reach an advanced level.

“ They have their own will to become independent, therefore it's quite normal for me if people leave after being trained.

\_\_\_\_\_  
**Eka Pujiastuti,** (Boutique owner in Pacitan)

Furthermore, employee's poor skills result in decreased productivity, greater operating expenses, and slower production times. There is not a scarcity of labour; rather, there is a shortage of skilled workers. When some female entrepreneurs grow more selective, they hire fewer employees and prefer to work independently. As a result, some female entrepreneurs have heavy workloads and work longer hours. Another challenge is the integrity of employees. Yohana recounted her experience with employees who stole money.

In terms of market access, some female entrepreneurs encountered significant challenges in marketing their products. One of the reasons is a lack of awareness on how to use technology like online marketplaces, which limits sales potential and product visibility. Another reason is due to the difficulty in exporting the product.

“

I don't want to sell my stuff at retail shops because they are too far away, It is expensive to carry, heavy, and dangerous.

**Sri Widiyati**, (Women entrepreneur in Pacitan)

Boga Lestari, also known as Bogati, a small-scale business that sells modified cassava flour, is another entrepreneur facing significant sales challenges. According to Nining Faryaningsih, the proprietor, there is low enthusiasm for the product due to customer's lack of understanding and familiarity with the product. Even after years of product marketing they are still having difficulty selling their product.

The majority of Pacitan's female entrepreneurs do not view competition as a significant threat. The capacity to establish a competitive advantage has enabled businesses to develop resilience. For example, Dwi is quite confident in selling her goods despite having numerous competitors; "Providing and maintaining great product quality has always been our first concern, and this is what sets us apart from the competition."

Some businesswomen in Pacitan have time constraints with regard to business monitoring and training initiatives. This is because they continue to assume the majority of domestic and childcare obligations. Pipit Puspita Sari from Warsan Mbak Pipit stated,

“

My family is my main challenge. In addition to caring for my parents and children, I must also clean the house. It is difficult for me to focus.

**Pipit Puspita Sari**, (Women entrepreneur in Warsan)

This does not imply, however, that women in Pacitan have limited authority over their enterprises.

Women entrepreneurs in Pacitan have received a large number of complaints due to poor product quality and inadequate service delivery. Nonetheless, it appears that Pacitan's female entrepreneurs are competent and already have methods for resolving customer problems. Inayah stated, "I frequently receive many orders from events such as car-free days. One of my employees was in charge of cooking at the time, and the results were disappointing. I received some customer complaints, apologised to them, and then informed my coworker of the issue. After that, she improved her cooking, and I commended her for it.

Pacitan women entrepreneurs have a distinct expansion strategy. One of their objectives is to increase their market penetration by distributing their products to retailers or by opening a new store.



Initially, my business will focus on the local market, namely the Sragen district in Central Java. For now my strategy is to distribute the product to local retailers Alfamart and Indomaret.

**Dwi Pujiastuti**, (Women entrepreneur in Warsan)

The next step is to go global by participating in international market events. To take her product to the next level she plans to improve the quality of her packaging. She stated, “I want to utilise more durable packaging to make it easier for everyone to carry.” Yohana IIsafira, on the other hand, is considering opening a new accessories store adjacent to her salon. Nining Faryaningsih’s dream is to construct a one-stop shop including a toro root processing factory, a bakery and snack store. She plans to work with the commercial sector to develop a branding strategy.

While Dwi and Yohana focus on market expansion, Eka Pujiastuti and Inayah Ayu Sudarmi decided to boost profitability and sales by diversifying and innovating their product line. Eka Pujiatuti intends to introduce new apparel. Inayah, on the other hand, intends to add new items to her food stall’s (warung) menu and enrol in a culinary class to improve the quality of her food. Sri Widayati is planning to buy new equipment increase productivity and improve waste management. Similarly, Nining’s plans to invest in a drying house.

### Access to Finance

The majority of Pacitan women entrepreneurs began their businesses with personal savings. As their company grows, they are more likely to rely on personal borrowing from other family members, such as their spouse, parents, or siblings, rather than formal financial institutions. Businesses with larger capital requirements received micro loans from cooperatives, while others received KUR loans from BRI, a state-owned bank with village-level branches. Rina Setyani, owner Raya Rent Car, initially had difficulty obtaining bank loans. But she was able to expanded her business with the help of bank loans and now her assets include six Toyota Avanza and Isuzu Elf multi-purpose vehicles. In contrast to the early days, she can now easily obtain bank loans through the convenience of her mobile phone.

Yohana IIsafira, the proprietor of Yoa Beauty Salon, has utilised bank loans for renovations and the purchase of salon equipment. But, in order to obtain a bank loan, collateral is needed

in the form of BPKB (car Ownership Document) and land/house certificate in addition to the husband's consent. Despite the fact that women already have collateral and their husband's consent, banks are nonetheless slow to complete their loan applications. Hence, Nur preferred to obtain loans from cooperatives because the application process was less complicated. Since cooperatives did not undertake surveys prior to credit approval, she was able to obtain loans more quickly. Inayah Ayu Sudarmi, the proprietor of a food stall, expressed her aversion to borrowing money from loan sharks due to their exorbitant interest rates and short repayment terms.

“ If you borrow 1 million rupiah from a loan shark, you will only receive 900 thousand rupiah and must pay back 130 thousand rupiah per week for 12 weeks. “That’s crazy!

**Inayah,** (The proprietor of a food stall)

Several female business owners continue to be hesitant to obtain money from traditional banking institutions. Sri Widayati, owner of Tahu Tuna Pacitan, was once offered a IDR 5 million KUR loan from BRI to expand her firm. She declined the offer, however, out of concern that she would not be able to return the loan when business slowed down. Nining Faryaningsih, who inherited a family business that produces taro root flour and other cassava-based food products, prefers soft loans from BUMDES (Village Owned Enterprises) because they are more accessible.

In conclusion, lack of capital remains a key concern for certain Pacitan women entrepreneurs. This has prohibited their firms from expanding and growing consistently. Although the majority of women entrepreneurs in Pacitan have access to formal loans, they are nevertheless unwilling to borrow from banks because they lack confidence in their ability to repay. In addition, while their firm is still in its infancy, personal loans from family members are still favoured above loans from established financial institutions. As their firm continued to thrive, they began to gain confidence in borrowing from formal institutions.

### Use of Technology

As is the case with the majority of small enterprises, the majority of women entrepreneurs in Pacitan continue to rely on manual equipment, particularly in the food home industry. There are, however, businesses that employ simple technologies such as vacuum sealers and heat sealers for food packaging. Rumini employs clay mixers, a potter's wheel, and a kiln for production for her clay craft business. One reason why the majority of small firms in Pacitan continue to rely on manual processes is the high cost of investing in new equipment.



Despite the absence of advanced technology for producing commodities, there are women entrepreneurs that use Whatsapp, Facebook, Instagram, and online marketplaces such as Shopee and Tokopedia. Some of these businesses also advertise their products on local government websites for SMEs. Tri Wahyuni, the owner of Larissa Boutique House, stated that she had a BisnisKu account, an online application developed that helps local businesses appear on the Google search engine. One respondent who operates a beauty shop stated that she requires bookkeeping applications to prevent staff fraud and maintain financial transparency and accuracy. Although the majority of women entrepreneurs have already benefitted from online platforms, one woman entrepreneur is unable to boost the awareness of her product because she does not understand how to leverage such technology. Only a few enterprises in Pacitan have received equipment grants and assistance from government offices such as: Office of Community and Rural (Dinas Pemberdayaan Masyarakat Desa) and Department of Industry and Commerce (Dinas Pemberdayaan Masyarakat Desa) and (Dinas Perindustrian dan Perdagangan).

### **Programmes for Economic Empowerment**

Department of Cooperative and SMEs, Commerce and Industry, Department of Labour (Dinas Tenaga Kerja), Directorate of Labour Inspection Empowerment (DPMD), and Directorate of Food (Dinas Pangan) are examples of government institutions that provide facilities and help to micro businesses. Assistance includes programmes for vocational training, financing, and equipment subsidies. Yohana Elsafira, a participant who owns a salon, received one month of vocational training from the Job Training Center (BLK), whereas Rumini received a business loan of IDR 25 million. Rumini noted that Surabaya, Malang, and Sidoarjo local governments have granted her with bazaar stalls on numerous occasions.

### **Key Drivers of Successful Business**

Capital is essential for the survival of a business. Capital enables businesses to acquire new equipment, additional assets, raw materials, and other necessities for operation. Lack of capital will impede the expansion and growth of businesses. For instance, Inayah Ayu Sudarmi stated that she lacked the cash to purchase new equipment and as a result she was unable to invest product development.

Access to broader market also allows businesses to reach and increases its potential sell products and services to customers. Indeed, the government and CSOs have an important role to support small-scale businesses in Pacitan to access wider market such as through entrepreneurship programs and technology utilization.

Businesses with adequate technology are able to reduce production time and increase output. Utilized appropriately, business automation can eliminate errors and reduce

production costs. Yohana Elsafira purchased additional equipment for her salon, allowing her salon to accommodate more customers.

The combination of the skills and experiences of both entrepreneurs and employees is also crucial to the success of a business. This is essential for assisting businesses in producing high-quality goods and services, which, in turn, will enhance their reputation and garner customer confidence. Sri Widayati, for instance, would never sacrifice quality despite having to purchase pricey ingredients. Sri believes that by doing so, she will be able to increase customer satisfaction and increase sales by utilizing technology.

Entrepreneurial success is directly correlated with characteristics such as patience, discipline, hard work, perseverance, curiosity, and passion

“ I remember my struggle when my business was declining and now that it is thriving, I cannot give up so easily as I did before

**Yohana IIsafira**, (Salon owner in Pacitan)

Some Pacitan business women realised the importance of self-reflection, which helped them develop a deeper understanding of their own qualities and passion. Likewise with Dwi Pujiastuti who has an insatiable curiosity for innovation. Because of his passion and interest in business, he seems to always want to innovate. Dwi believes that innovation is fundamental to business in order to ensure her company's adaptability and competitiveness. She believes that her business will be able to thrive despite operating in a highly competitive environment because she has the necessary skills and the ability to innovate.

Women entrepreneurs in Pacitan agree that moral support from their families has a positive effect on their business confidence.

“ My husband has been a tremendous source of inspiration for me.

**Yohana IIsafira**, (Salon owner in Pacitan)

According to Yohana IIsafiri, her husband is always attempting to persuade others to innovate. Similarly,



My husband and I are the only ones in charge of the business, so we are extremely dependent on each other.

**Rina Setyani**, (Owner Raya Rent Car)

## Findings from interviews with NGOs, banks, and government agencies

### Profiles of the Institutions

The following institutions were interviewed for this study: Sukoharjo Village Secretary, SMEs Agency (Dinas UMKM), SMEs Integrated Business Center (PLUT), a branch of the national SMEs community Sahabat UMKM in Pacitan, a branch of Bank Jatim in Pacitan, and RKB (House of Creativity) funded by state-owned enterprises.

SMEs are important actors in the informal sector and as such they contribute to the local and national economies. The government operates a variety of programmes to support and empower small and medium-sized enterprises. For instance, the Ministry of Cooperatives and SMEs is orchestrating efforts to improve small and medium businesses through SMEs Agencies based in provinces and cities/regions. The SMEs Agency of Pacitan is not only involved in expanding the local market for SMEs, but also in fostering synergies between cooperatives and village-based businesses (BUMDES). The agency manages PLUT as an integrated business centre that provides SME business development assistance and consultation.

PLUT was established in 2013 as part of a programme administered by the Ministry of Cooperatives and Small and Medium-Sized Enterprises. PLUT became an independent organisation in 2020 and severed all ties with government agencies. PLUT provides the following types of support:

1. Human resources: improve capacity through training
2. Production: Support for quality control and capacity building for packaging and branding
3. Institutional: Support for legal compliance for business registration
4. Finance: provide assistance to improve financial literacy, bookkeeping skills by introducing digital financial solutions
5. Marketing: provide offline and online market support

Sahabat UMKM has positioned itself as a sharing platform for SMEs. It conducts training and business development to address the numerous challenges faced by SMEs such as digital literacy. Sahabat UMKM also connects SMEs through digital platforms to the government and private sector in order to enhance competitiveness and expand their networks.

In Sukoharjo village, Pacitan, there are more than 15 home industries ranging from food (tuna tofu, salty crackers, cassava chips, glutinous rice candy, sweetened banana) to batik craft. These micro businesses are mostly owned and managed by women because most of the men in the village are either farmers or work in the city to earn a better income. Mahpud, who held the position of village secretary since 2018, admitted that the village has limited resources to support SMEs and has to rely on funding from regency agencies. The village apparatus is working with other relevant stakeholders including NGOs and the private sector to improve small and micro businesses.

At the regency level, Pacitan has a facility known as the House of Creativity (RKH) for SME training and capacity building and is funded by the state-owned electricity company, PLN. PLN has also built similar facilities in Sumenep and Blitar Regencies in the east Java. Since the programme aims to create jobs for women who are primarily engaged in domestic labour, the majority of the beneficiaries are women-owned businesses. Additionally, RKB offers a programme to help former migrant workers launch their own businesses.

Bank Jatim is an East Java-based regional bank. Initially, their responsibility was to disburse local government budgets, including payroll for government equipment and payments for government-funded programmes. When the national government launched the People's Credit Program (KUR) in 2010, Bank Jatim expanded its market to include SMEs. But this program is no longer offered. Instead, they offer a low-interest loan product called Kredit Pundi Kencana with an annual interest rate of 13% and microcredit with an annual interest rate of 12%. Bank Jatim also has an agreement with the Cooperative Agency to disburse soft loans as part of the Revolving Fund Management Institution programme for micro businesses with interest rates as low as 10% per year. These loans are intended for very small businesses such as street vendors. They advertise SME credit programmes via pamphlets, websites, and local television.

### **Economic Empowerment Program for Women SMEs**

According to Eny Setyowati from Pacitan's SMEs Agency, most of 23,000 small and micro businesses that are spread across 18 sectors are owned or led by women, most of which are home industry. Not all of the empowerment programs for these businesses, however, are under the SMEs Agency, especially the businesses are sector related like agriculture or manufacturing.

Pacitan's SMEs Agency collaborates with other parties to enhance the government's women's economic empowerment programmes. They are active not only at the village level with BUMDES, but the Agency also works with CSO programmes like USAID-KOMPAK, financial institutions, cooperatives (KOPWAN/ Women Cooperatives) and banks (Bank Jatim). Since 2003, the Pacitan Regency government has provided credit facilities for micro businesses in the form of revolving funds disbursed by Bank Jatim. SMEs receive soft-loans with 5% interest rate per year and a four-month grace period. Although not

specifically designed for SME training, Pacitan's Vocational Training Center (BLK) offers several programmes aligned with the skills required by SMEs.

Pacitan SMEs Agency has also launched the Independent Young Entrepreneur Network (JAWARA) and Pacitan Young Entrepreneur Network (JAPRI) programmes to foster the development of young entrepreneurs. To support SMEs, they create synergies between the various BUMDES and women's cooperatives at the village level in collaboration with KOMPAK USAID. They provide mentoring to enhance the capacity of SME owners to grow their businesses by expanding their market, creating a business blueprint, and implementing financial management. The role of the SMEs Agency is to facilitate and guarantee the partnership through a Memorandum of Understanding (MoU). "For instance, with Bogati, cassava flour products, we collaborate with BUMDES to provide the raw materials, while KOPWAN handles the production process," Enny Setyowati explained.

Whereas the SMEs Agency is focused on facilitating businesses at the village level, PLUT concentrates on micro businesses at the regency level. Medium-sized businesses, on the other hand, fall under provincial authority. PLUT also plays a crucial role in connecting SMEs with financing facilities and enhancing their access to capital sources. They are employing a bottom-up strategy to ensure that start-ups can benefit the most from the ease of access to capital amounting to IDR 1-2 million in the form of interest-free loans or grants.

There are various sources of low-interest funds, including revolving funds from local government budgets and CSR funds of up to IDR 40 million for SMEs and IDR 200 million from cooperatives. PLUT directs businesses that have amassed assets and have collateral to apply for the government's KUR programme or conventional lending for credit up to IDR 500 million. PLUT has conducted feasibility studies in all 12 sub-districts and villages in Pacitan, to ensure equitable distribution of revolving funds.

Access to the market remains a significant obstacle for women entrepreneurs. In addition to supporting offline marketing through exhibitions and guest visits, PLUT seeks to expand market penetration using digital platforms. They encourage small and medium-sized enterprises to use online marketplaces like Shopee and Tokopedia to access online clients. PLUT promotes the use of digital technology not only for marketing purposes, but also for accounting. Instead of manually recording all transactions, SMEs are taught to utilise a digital application. While the majority of small enterprises are home-based, the manufacturing process is still manual or employs only simple technology, such as cutting tools, mixers, and package sealers.

PLUT provides SMEs with capacity building in bookkeeping, packing, and production, as well as education on product copyright and business law. They are also attempting to solve waste issues by educating SMEs to recycle and repurpose their garbage. Some craft manufacturers, for instance, obtain their materials from local plywood factories, and tofu

producers sell the soy leftovers as bovine feed. PLUT also helps SMEs develop standard operating procedures (SOP), particularly for food goods. "We teach small businesses about cleanliness and food safety standards. For instance, using gloves when handling food ingredients and ensuring the packaging is safe," Abdul Basir from PLUT Pacitan explained. According to Basir PLUT holds monthly sharing sessions for its members in order to monitor the business's success or consult on any challenges they have experienced.

RKB not only supports SMEs in the form of training and capacity building but also provides access to capital in the form of flexible soft loans that can be repaid in the form of goods. RKB is also planning to provide support by giving production tools for SMEs. These tools can only be accessed by a group of SMEs and not by individuals. RKB has linked all the SME products in their website with online marketplaces such as blanja.com, Shopee, Tokopedia and Bukalapak which means greater market access. One of their pending programs is to connect SMEs with their buyers through bazaars and exhibitions that will be held in cooperation with PLN Surabaya. Although the offline marketing tactics are considered to be effective especially for food and crafts, the packaging of SME products need to be upgraded to compete with other commercial products in the market.

All RKB-assisted SMEs are required to attend four consultation sessions, and RKB staff will be accessible daily to discuss solutions to any challenges encountered by SMEs. When a business is having trouble sourcing production materials, RKB will investigate whether there are cheaper possibilities outside the city and whether it is possible to purchase goods in bigger quantities.

Before providing a training, RKB will determine its members' needs. The participant has the option of proposing themes for the training or selecting one from a list of themes. RKB Pacitan once provided knitting training, followed by export-import training to expand the potential for knitted products on the global market. Digital marketing training, however, is mandatory at least once a month. SME participants in digital marketing training are required to install Google Business on their smartphones in an effort to expand their consumer base within the digital ecosystem. The majority of SMEs lack physical stores to display their wares hence online platforms are central to selling their products.

RKB also provides online monitoring, mentoring and assessment services to women-led SMEs enrolled in their online portal. Their progress is tracked in real time. Several challenges, however, continue to plague small enterprises in Pacitan, such as a lack of raw materials, expensive branding and packaging, and marketing.

Bank Jatim does not have specific lending programmes aimed at women's groups. Nevertheless, according to Ero Medhian of Bank Jatim Pacitan, women creditors are preferred since they are disciplined in repaying their loans on time. Yet, only one out of

every eleven credit applicants in February 2020 was female. This is because collateral to guarantee the credit application, should be in the applicants' name which is more often than not a man.

### Factors Inhibiting and Driving Women's Economic Empowerment Success

According to Ria Badriyah of UMKM Indonesia, two of the most crucial attributes required to become an entrepreneur are willingness and confidence. When a woman starts a business, she does not require a large quantity of capital. She can begin from scratch, utilising any resources she has at home.

“ For example, if a woman owns a blender, she can sell juices at the Regency Square. She only requires water, fruits, and sugar.

\_\_\_\_\_  
**Ria Badriyah**, (UMK Indonesia)

The government and NGOs are offering various types of assistance to empower women's businesses. "Because Pacitan is a small city, almost all SMEs receive coaching from various regency government agencies." Unfortunately, coaching is frequently undertaken for the sake of programme implementation, with little regard for its long-term viability for the firm. The next step after the training for female entrepreneurs is more crucial than the programme itself.

“ We can't just pick a sample of a successful case and discard the rest,

\_\_\_\_\_  
**Ria Badriyah**, (UMKM Indonesia)

Prior to 2017, Eny Setyowati of Pacitan's SMEs Agency noted that a lack of coordination and evaluation led to miss-targeting of empowerment programs, particularly when the programmes were designed from the top down. In one instance, the Ministry of Cooperatives and SMEs conducted shoemaking training in Pacitan, despite the fact that the shoemaking industry is primarily based in Magetan. Since Pacitan does not have the necessary raw materials, the skills, instruments, and funds could not be used effectively. She also acknowledged that, due to limited resources, only a small number of individuals were able to benefit from the government's empowerment programmes at the time. This is one of the primary reasons why the government is presently focused on connecting businesses to the market. Such an approach aims to ensure the businesses' sustainability.

According to Eny Setyowati, if businesses are to be sustainable, government support for SMEs must include regulations, skill development, and capital.

As a local government official, Eny has also observed the importance of technology in empowering SMEs. She contends that, given the current state of the local business, she argues, significant improvement is needed to develop the skills and capacity to operate the business, including innovating with the newest technology. She views SMEs as a complete business cycle consisting of production, marketing, promotion, and distribution. Consequently, every empowerment programme must be able to integrate all of these processes. Eny hopes that PLUT can become a space where SMEs can develop together, not only by increasing their capacity but also by using it as a gallery to display their products.

Similarly, Abdul Basir from PLUT Pacitan acknowledges that the majority of SMEs in Pacitan lack the necessary skills to transition to new technologies, and thus mentoring and coaching are crucial. He is aware that only sixty percent of PLUT-affiliated SMEs are able to utilise technology for marketing and promotion via digital platforms from marketplaces such as Shopee and Tokopedia or even social media such as Facebook and Instagram. This is primarily due to the fact that many of these female entrepreneurs are not digital natives and are unfamiliar with technology. In addition, they are already preoccupied with their family and business, as they are solely responsible for production and distribution, so they do not have time to study or use technology to grow their business.

Abdul also observed that rural women with low-education backgrounds are less interested in obtaining credit, particularly from formal financial institutions. Women are typically content with their current situation and less willing to take risks to advance their business, even if doing so could result in greater opportunity. PLUT has positioned itself as a mentor that connects SMEs with banks to obtain additional capital to fund their business plans. PLUT, however, with only five employs cannot reach all 13,000 SMEs in Pacitan, particularly when it comes to preparing SMEs for feasibility studies as part of the bank's credit assessment. Micro and small enterprises frequently struggle to satisfy bank requirements due to a lack of legal documents and/or collateral. "However, on a personal level, discipline, consistency, and creativity have become are major success drivers for entrepreneurs". Abdul concluded.

RKB Pacitan's women's empowerment program is also aimed at SMEs and former migrant workers. This program has various activities such as training and business assistance. The challenge for the training program organized by RKB Pacitan is the lack of participants and the lack of enthusiasm of the participants to actively participate in the training. To gather more participants, Rinawati from RKB Pacitan mentioned that training should not be held on weekends or holidays when local tourists occupy public areas which means sales opportunities for many small businesses. In addition, the obstacle to reaching former



migrant workers is the assumption that former migrant workers have assets and savings from their remittances, so they do not need to open a business.

The success of women's economic empowerment programmes has also been hindered by institutional obstacles. Sectoral ego among both government agencies and the private sector has limited collaboration efforts. Rinawati stated that RKB has had difficulty to work collaboratively with the local government. "We went to the Cooperative Agency where we were asked to join PLUT. We want to support the government with the resources that we have, but we also have our own facilities and budget so we cannot integrate our program with PLUT. It is mandatory for state owned enterprises to build an RKB, so we want it to stand out and be visible."

Moreover, Ero Medhian of Bank Jatim Pacitan found that SMEs in Pacitan are not disciplined financial managers. "We must educate people that when they take out a loan, they should only use it for business purposes and avoid using the money for personal purposes, such as paying for their children's education," he argued. In addition, he discovered that a small number of debtors delayed credit payments due to personal needs. If SMEs are to be able to manage their finances prudently, he believes that financial management training is essential.



## 2. Magetan Regency

### Interviews Findings with Women Entrepreneurs

#### Profile: Education and Family Background

According to field data, female entrepreneurs in Magetan Regency are between 30 and 55 years of age and have. Every respondent had a family. The number of their offspring ranged from one to four, but there were also those that did not have children. Five respondents have a Bachelor of Arts (S1) degree with the other respondents' level range

from primary school up to vocational school. The majority of this study's respondents operate enterprises in the culinary, artisanal, and health services industries. Some of their enterprises were established in 2019, while others in 2003. Some of their businesses were launched in 2019, while others were launched in 2003. The majority of businesses are self-owned or family-owned, but some businesses also appear to be managed collaboratively with the community. In the early stages of developing the business, family members were active. In the culinary sector, the study found that family recipes were used that had been handed down. Spouses and offspring were often involved in financial management and other business operations. Although there was family support for the business they were still expected to look after domestic matters. In many cases, the women entrepreneurs had to care for their parents or where a young child became ill they had to stop production.

### **Motivation, Expectations and Business Challenges**

Several Magetan women entrepreneurs began their enterprises through self-taught learning. Aliffuanna Irnilasanti began her batik crafts business by watching YouTube videos. Herlina Perwita Sari learned how to make leather craft patterns after watching her father. Other women received training and mentoring from the government or institutions. Wahyuti received training from the Magetan agricultural service to make sweets. Siti Aminah, participated in numerous training sessions to acquire marketing experience and knowledge for her business products. Then there are women entrepreneurs who started their businesses as a hobby. Finally, there were women that started a business because the price of harvesting the raw materials dropped so they seized the opportunity to process it to create greater value. Monthly revenue ranges between hundreds of thousands to tens of millions of rupiah.

In some instances, turnover is influenced by the season such as taking care of agriculture. Business people have to have a tenacious character, willing to learn and are diligent in managing their business. Skill development is often a result in participation in local government-sponsored activities and training programmes. A commitment to continuous learning is critical to keep up with the competition.

Some businesses in Magetan have been successful in expanding their market to outside of Java and some have penetrated the export market. The SMEs use a variety of marketing strategies; word-of-mouth marketing, social media, consignment of products in small shops/stalls and, product sales in traditional markets. Social media marketing needs to be increased, however, because it has proven to be effective in attracting consumers.

Magetan's government agencies such as industry, trade, cooperatives and fisheries are active supporters of MSMEs. Several types of assistance is provided, including; business equipment, skills training, business finance / business management and grant funds. Although respondents felt there was synergy between the government agencies and the

needs of the MSMEs, the administrative requirements for MSMEs to obtain machinery were considered too complicated. Likewise, requests for grants from the cooperative agency took too long. Given these barriers not all business actors can benefit from the government's programmes.

### **Financial Access**

The majority of Magetan's business owners can access government grants with relative ease. Obtaining KUR loans and loans from other financial institutions is simple, provided applicants satisfy a number of criteria. Some banks offer KUR programmes to enterprises that have been in operation for at least four years. (BRI Magetan). Banks will conduct a selection procedure prior to loan disbursement followed by periodic oversight of the enterprises, once the loan is agreed. So long as the SME remains responsible for loan repayment in accordance with the agreement, the bank will not interfere with the business actor's financial management. A major hurdle to obtaining a loan is age. The average business actor in Magetan is over 30 years old, whereas the age limit for requesting a loan is typically 30 year.

### **Use of Technology**

To be competitive, MSMEs need to have up to date equipment, whether it is in the culinary business, batik crafts or shoe production. To market their products, digital literacy is needed to understand how the internet works. But there are some business actors who still do not use the internet to market their products.

### **Access to the Market**

The marketing strategies used by businesses in Magetan are quite diverse, ranging from traditional methods such as leaving their products in the stalls / shops around their places of residence, to more modern ways of offering them through social media. One SME in the ginger powder business is selling to other provinces as well and to Hong Kong and Europe. Although the marketing networks have expanded to other countries, business players in Magetan still face several obstacles in accessing the market. Penetrating a new market takes persistence and capital. Convincing consumers about the quality of a product can take time.

There are differences in the types of assistance provided by agencies in Magetan that have direct contact with business actors. On one hand this can be very positive in terms of the range of support that can be provided, but on the other hand when it comes to exhibitions this can be a barrier to marketing products. Each of the agencies focuses on marketing certain products, The Department of Cooperatives focuses on food and beverage products; whereas the Department of Industry and Trade (Deperindag) will promote batik and other

handicrafts. This is fine when different department or agencies are co-sponsoring an exhibition, but in the case of the Deperindag is the sole sponsor, they will not market, food and beverage products, for example.

According to a number of MSME actors in Magetan, coordination between regional government offices has thus far been well maintained. It only needs to be improved in terms of equalizing opportunities for SMEs to access the programs they are organizing. Because there are issues regarding the age limit of businesses to be able to submit grant proposals from the cooperative department. There are also problems with updating regulations on business licenses that are not disseminated to business actors. Even though when the businessman took care of the permit at the beginning of the establishment of his business, the health department said that there were no regulations so that the business permit could not be taken care of. However, a few years later, after the cupping business was established, the health department asked for a business permit from business operators (Astuti, Cupping Services and Therapy). This kind of obstacle must be handled by the government so that business people can truly benefit from the program provided by the government. Of course, criticism and input from business actors also need to be taken into consideration in improving the quality of service from related agencies .

### **The Benefits of Economic Empowerment Programs**

SMEs are active in several organizations including; Friends of MSME, MSME Forum, Magetan MSME Whatsapp group, PKH Cooperative, Pesantren Bisnis Indonesia, Entrepreneurship in Pojok Village, Ecoprint Group, Obras Magetan, Indonesian Tailor and End Times Medicine. As can be expected, these networks play an important role in expanding marketing opportunities, skill development, share learning and building confidence. The SMEs expect that the training can help with standardization of product quality and in turn increase income.

Business actors need capacity building in order to have a greater impact on the surrounding community. It also needs improvement in terms of business management and product quality which is expected to increase their turnover and income. Local governments, especially through the cooperatives and the Ministry of Industry and Trade, have tried to reach out to these business actors. The Cooperative Ministry office focuses on the program of organizing loans and grants for MSMEs, while the Ministry of Trade and Industry focuses on the procurement of tools / equipment that help MSMEs to increase their production output.

### **Key Drivers of Successful Business**

The following is a list of traits that can be found in SMEs in Magetan:

<b>Tenacious</b>	Do not easily give up, not easily discouraged and continues to fight tirelessly to advance their business.
<b>Risk Taker</b>	They are ready into invest the capital to market their products to test the quality of the product until they create consumer demand.
<b>Patience</b>	Their motivation is not only profit but also a desire to help marginalized groups (disability groups).
<b>Learning by doing</b>	Attending a variety of trainings with a desire to apply the knowledge to their business operations.
<b>Willing to move forward</b>	Continually upgrade local products so that they are competitive internationally.
<b>Discipline</b>	Consistently implementing business operations in accordance with the principles of good and correct business management

In addition to the above internal factors, to be successful, customer / consumer confidence must be maintained. As noted by Mrs. Sumarni, "The trust of the people is very important, especially concerning the quality of the product. We must maintain the good taste of the food, if not, the customers will be disappointed.". Where Mrs. Sumarni continues to pay attention to the cleanliness of her products because it is also very important.

One of the external factors that is the key to the success of MSME entrepreneurs in Magetan is the existence of regulations from city leaders regarding the use of local products for the State Civil Apparatus (ASN). So that local batik artisans and tailors can add to the profits of the business. Of course, it is hoped that policies like this will continue to be reproduced and will favor advancing local businesses in their respective regions.



## Chapter III

# Analysis and Discussion

The previous chapter presented the results of the research in Jakarta and the regencies of Pacitan and Magetan in East Java. First, the research found that Pacitan and Magetan women's MSMEs have diversified their operations and goods, demonstrating their creativity while remaining small and local. Second, as a form of economic empowerment for women, women's MSMEs are part of a larger system whose growth is influenced by the system's dynamics.

This chapter will analyze the findings using Kabeer's empowerment framework. It functions by analysing three interconnected dimensions of empowerment, namely resources, agency, and accomplishments. The findings will be analysed using Kabeer's empowerment framework in this chapter. It functions by analysing three interconnected dimensions of empowerment, namely resources, agency, and accomplishments. After identifying these dimensions, the discussion moves on to examine factors enabling and disabling empowerment, focusing particularly on the significant role of access to finance and technology in the development of women-led MSMEs. Finally, the impact of women's economic empowerment on gender equality in the village is examined.

The analysis will be divided into three topics:

1. Women's Economic Empowerment: Factors Affecting the Success of Women's MSMEs;
2. Access to Finance and the Use of Technology for the Development of Women's MSMEs and;
3. The Impact of Women's Economic Empowerment on gender equality in the Village.



## A. Women Economic Empowerment: Factors Affecting the Success of Women's MSMEs

Before analyzing the factors that influence women's economic empowerment, this section will investigate our interviewees' perspectives on women's empowerment. The purpose of this examination is to provide a framework to capture what women's economic empowerment means according to women-led MSMEs and other stakeholders. This will bring to the foreground the factors influencing the success of the programs. Their understanding is rooted in their experiences because they have been involved economic empowerment programs. Furthermore, the women interviewed are operating businesses and therefore they have firsthand experience .

Women's empowerment requires "a process of change" and "the possibility of alternatives, the ability to have chosen otherwise" (Kabeer 1999). These two requirements can be applied in analyzing the experience of women-led MSMEs and other stakeholders. The way of presenting the analysis is inspired by MI Bustamante-Gavino et.all (2011) who studied women's empowerment in Pakistan.

### 1. Definition of Economic Empowerment:

#### Theme 1: Economic stability

The majority of interviewees, including women-led MSMEs, indicated that economic stability is the most significant change resulting from economic empowerment. With economic stability they can fulfill basic needs, pay loans and cover daily expenses and enjoy the luxuries of life. Economic stability is a common thread found among women, regardless of educational level and business type. The following statements reflect this theme :



Before I asked [to my parents for money], now I give [money to] them. I am able to fulfil my personal and family needs

**Siti Amirah**, (Pacitan)

“

It was difficult to buy rice as there was no money left. Now, we did not feel hard to buy it

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**Yuliana Wati**, (Magetan)

## Theme 2: Personal Development

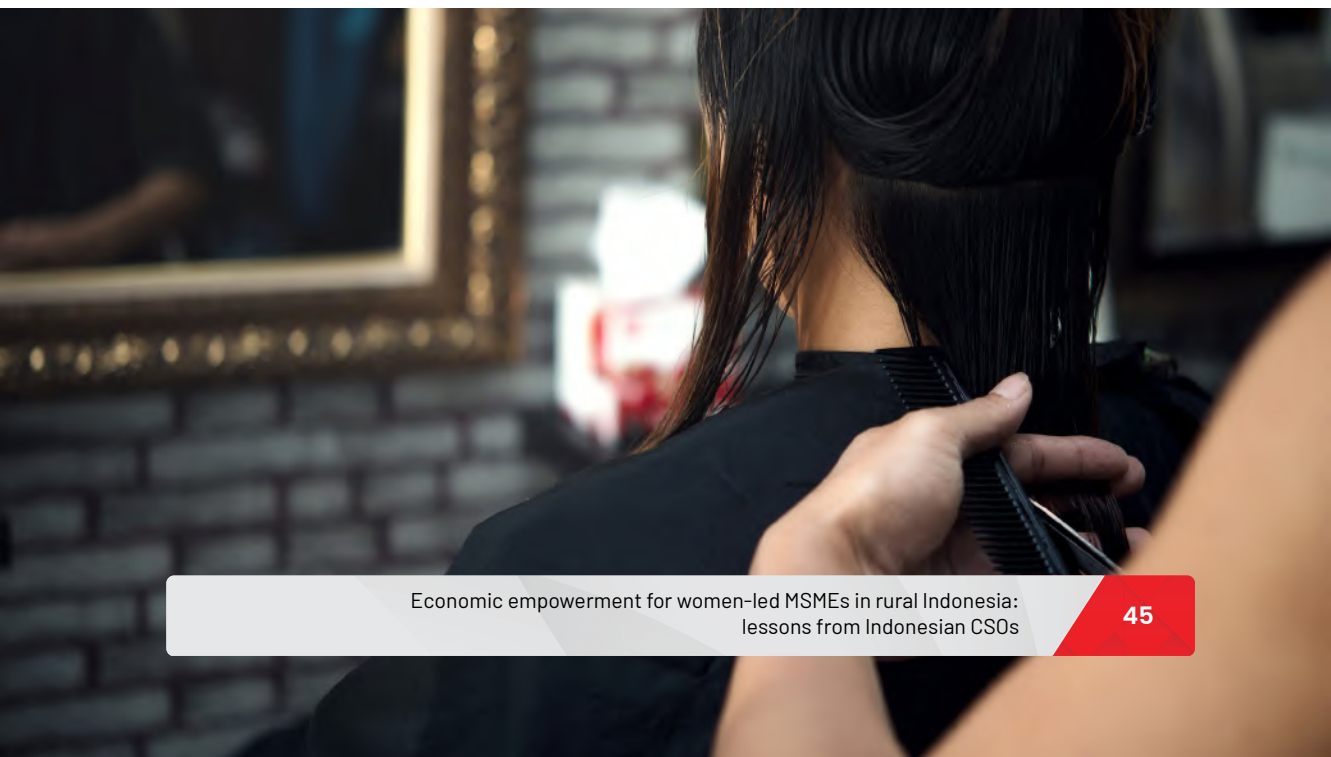
Most of the women explained that economic empowerment relates to the development of their personal qualities. Having a business creates confidence in actualizing “the self” as business women. They are creative in diversifying products and have the ability to manage their businesses. Personal development was a common thread among women as well age and type of business:

“

First, [I had only] the building over there [for my salon]. The equipment was still limited. Then gradually, [I had a building in] the back. I used [it] for facial [treatment]. [For hair wash and cut] it was located in one [place] in the front. So, there were only 3 chairs. After that, [I added this room] upstairs. I moved the facial treatment here. Then, another room was built for a body spa and nail art treatment. My subsequent plan is to open a shop next to the fence of the house.

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**Yohana Elsafira**, (Pacitan)





“ [I am running this business] because of a calling, especially with regard to the children [with disabilities] we handle every day. I said, please help us, we will make a show room for our children. But every time I negotiated, they were always countered.

**Maryani,** (Magetan)

### Theme 3: Educational Achievements

Educational accomplishments include children's education and the skills, knowledge, and experiences acquired through trainings and workshops. Some of the women believe that being empowered means being able to send their children to excellent schools and to attend trainings and workshops to enhance their skills, knowledge, and experience. In some instances this may require a tuition fee and travel to another city. The importance of education is reflected in the following statements:

“ I am a divorcee of 15 years, and it is challenging. [People asked me] can you raise your children? Can you send them to school? But I had strong will that I could raise and send my children to school, God willing. And yes, finally I did it.

**Inayah Ayu Sudarmi,** (Pacitan)

“ Because I have a mentor and often take various trainings, my ability in running a business has increased considerably compared to before. My mindset is changing, and I know what I should do to develop this business

**MK Ratri Wardhani,** (Magetan)

### Theme 4: Gender Balance in the Family

Women's economic empowerment also relates to gender balance in the family. Women are able to perform roles that defy gender stereotypes such as becoming breadwinners, taking responsibility for family businesses and the ability to manage the business. The ability to work reciprocally with spouses, for example, in decision making, has been influenced by

the self-assurance and personal skill development resulting from business ownership. The role of gender balance in the family is reflected in the following statements:

“ [I used to say husband’s words], but now I have many comments [regarding his decision]

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**Sri Widayati**, (Pacitan)

“ My husband is too soft and loose with our employees, whereas I am strict and disciplined. Then finally, [he found out that] the employees manipulated [our money]. So, I learned, if I run a business again, even if it’s my husband, I do not want any other people involved. So, this business is purely my business.

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**Rulis Abidah**, (Magetan)

### Theme 5: Social Acceptance

The interviews revealed that women’s economic empowerment has an impact on social acceptance. Women’s social status changes as their incomes rise allowing them to participate in more activities outside the home. They have more friends, a larger network and are now able to empower other women by providing skills development and job opportunities. The importance of social acceptance is reflected in the following statements:

“ I saw a group of women [in my village] who often gathered, but it was only for social gathering, savings and loans. I came up with a business idea [and suggested to them] what if we made *mocaf* flour. Then, we made a group at that time, and I came here [to PLUT]

---

**Nining Faryaningsih**, (Pacitan)

“

[I have a] business. I can go anywhere by myself. There are also many friends. Sometimes when [I am attending] a training and take pictures, my children like to comment. I am happy to get new friends. They are nice people and my husband was surprised when he met them. He wondered how they are so nice although they are from urban areas.

Sumarni, (Pacitan)

Table 6. Definition of economic empowerment by themes

Concept	Themes	Categories
The meaning of economic empowerment	Economic stability	<ul style="list-style-type: none"> <li>• The fulfilment of basic needs</li> <li>• Earning money</li> <li>• The sustainability of businesses</li> <li>• Having the luxuries of life</li> </ul>
	Personal development	<ul style="list-style-type: none"> <li>• Having a job</li> <li>• Self-confident</li> <li>• Self-actualization</li> <li>• The ability to manage businesses</li> <li>• Creative in diversifying products</li> </ul>
	Educational achievement	<ul style="list-style-type: none"> <li>• Education for children</li> <li>• Skills, knowledge, and experience development for self</li> </ul>
	Gender balance in the family	<ul style="list-style-type: none"> <li>• Playing roles beyond gender expectations</li> <li>• The ability to work reciprocally with husbands</li> <li>• Becoming economically independent</li> </ul>

The meaning of economic empowerment	Social acceptability	<ul style="list-style-type: none"> <li>• Having more friends</li> <li>• Having market networks</li> <li>• Achieving better social status</li> <li>• The ability to helping and empowering other people</li> </ul>
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The notion of empowerment can be broken down into resources, agency and achievement. Resources can be categorized into, first, material resources that support women to achieve success with their enterprises and to be economically empowered. For example, raw materials, equipment, technology and finance. Second, is human and social resources that help women to enhance their ability to develop their skills and to make choices, for example, trainings, workshops, courses, mentoring programs, consultants, trainers, and mentors. Third, social relationships covers, for example, the family, friends, market networks, profession-based community such as Sahabat UMKM (Friends of MSMEs) and Forum UMKM (MSME Forums), All of these relationships are important contribute to the empowerment of women.

Agency is concerned with action that is driven by motivation, goals, and “a sense of agency or power within” (Kabeer 1995). As a result, exercising agency implies the ability to make decisions and act in response to anticipated problems or goals. Women’s agency is manifested in women’s empowerment as can be seen in decisions about how to manage their enterprises . Based on interviews women’s agency is evident in the different stages of business management:



**To take initiative**

The motivation to establish a business arises out of a number of factors such as; wanting into improve family income, the need to add value to a product to get a better price or a desire to improve their social status. Although some women took over family run businesses, most of them have had to start with very few financial and human resources.



**To make decisions and take action:**

The majority of women interviewed recognized the importance of skill development in order to launch a business. For instance, they taught themselves how to create products by watching videos on YouTube, enrolling in classes, and attending seminars and workshops. The new knowledge gave them the confidence to start planning their business, look for financing and invest in technology.

In the decision-making process, women may have discussed their ideas with their husbands or parents, but they are the ones who ultimately decided and take action, particularly in regards to production, promotion, marketing, business management, and development. For example, they developed their own recipe and spend years sourcing the appropriate ingredients.



### **Access and control over resources**

Access and control over resources is critical to operating a business. In the course of running a business women learn how to access the raw materials, equipment, financing, technology, human resources and social resources to achieve their goals.

Women appear to have certain requirements for accessing and controlling social relationships. This is due to the fact that accessing these resources noted above necessitates adherence to a set of rules and norms that govern their distribution based on institutional contexts (Kabeer 1995). The principles of distribution can be determined by actors with authority, such as the head of the Department of Cooperatives and the chairman of a professional-based organisation. Women do not have access to resources without an abundance of authority from the authorities, particularly for resource control. Therefore, the extent to which women have access and control over social relationships is contingent upon both their agency and structural authority.

The third dimension is achievement, which is defined as “results and well-being” (Kabeer 1995). Access to resources and the capacity to make decisions and take action can result in outcomes, that Sen (1985) defined as “the potential that people have for living the lives they want, of achieving valued ways of ‘being and doing’.” Regarding women’s economic empowerment, the capabilities discussed at the beginning of this chapter may be referred to as economic empowerment.

Table 7. Economic empowerment

Resources (Pre-condition)	Agency (Process)	Achievement (Outcome)
<p><b>Material resources:</b> Raw materials, Equipment Technology, Finance</p> <p><b>Human and social resources:</b> Courses, trainings and workshops, mentoring programs, business consultants, mentors, trainers, and employees</p> <p><b>Social relationships:</b> Family, friends, professional networks such as: Rumah Kreasi Bersama (RKB), PLUT, Sahabat UMKM (Friends of MSMEs), Forum UMKM (MSME Forums), Dinas Koperasi (Department of Cooperative), Dinas Perindustrian dan Perdagangan (Department of Industry and Trade), Dinas Pertanian (Department of Agriculture) and Dinas Kesehatan (Department of Health), and banks and other sources of finance.</p>	<ul style="list-style-type: none"> <li>• To have initiative</li> <li>• To make decisions and take actions</li> <li>• To access and control</li> </ul>	<ul style="list-style-type: none"> <li>• Being economically empowered means to have:</li> <li>• Economic stability</li> <li>• Economic stability</li> <li>• Personal development</li> <li>• Gender balance in the family</li> <li>• Educational achievements</li> <li>• Social acceptability</li> </ul>

As a system, women’s economic empowerment functions properly when women have access to and control over resources, allowing them to make decisions and select alternatives in order to become economically empowered. Nonetheless, the system does not always function as intended. As will be explained in the following section, women’s economic empowerment is driven by and hindered by a number of factors.

## 2. Factors Enabling and Disabling the Economic Empowerment of Women led MSMEs

The enabling and disabling factors of empowerment are those that facilitate or impede women's ability to make decisions and select alternatives. The factors cannot be attributed to laziness, incompetence, or due to personal preferences and priorities (Kabeer, 1995). The list of enabling and disabling factors below is based on interviews with women-led MSMEs and stakeholders in Jakarta, Pacitan, and Magetan.

### Enabling Factors

#### Theme 1: Strength of entrepreneurs

Women entrepreneurs in Pacitan and Magetan are exemplified by two characteristics: a strong personality and entrepreneurial ability. The interviews revealed that the women are determined, persistent, eager to learn, inventive, progressive, disciplined, and have an entrepreneurial mindset. In addition, all of the women agreed that the ability to manufacture and sell products was one of the most important requirements for running a business.

These qualities evolve and grow in the course of developing and operating a business which is not always easy. A strong personality and skillfulness enable women to have an "agency", which is the ability to initiate, make decisions and take actions, as well as to have to access and control over resources that are needed to accomplish goals.

#### Theme 2: Availability of material resources

To start a business, women need material resources. As noted above, material resources consists of availability of capital, equipment, raw materials, and manufacturing products. Capital means finance that is obtained by women-led MSMEs from three sources namely personal savings, loan received from families, banks, and other financial sources, such as savings and loan cooperatives and grant funds (dana hibah) from governmental institutions.

Strong-willed and competent women use the funds to acquire the basic materials and machinery necessary to manufacture high-quality goods. This suggests that the availability of material resources that women can access and control is a factor that facilitates women's economic empowerment.

#### Theme 3: Availability of human and social resources

Women-led MSMEs have access to a range of sources that can support their businesses such as business consultants, trainers, and mentors including the heads of professional based organizations. Given the large number of public and private programs for MSEMES, courses, trainings, workshops, and mentoring programs are available. Employees are another important source of human and social resources for women who own and operate their own businesses.

The experience of women-led MSMEs reveals that they make an effort to participate in learning programmes offered by government institutions or professional-based organisations to advance their business knowledge and skills. They are able to make decisions regarding this access, although they do not always have direct access to local government programmes. At times, they require assistance from their mentors to gain entry to these programmes. This topic is related to theme 4 below.

#### **Theme 4: Availability of social relationships**

In keeping with this theme, encouragement from friends and family has become a motivating factor for women to become economically independent. Families members may be a business partner, provide financial support or help with administrative and manufacturing tasks. The interviews found that friendships between women and their coworkers, neighbors, and business partners can develop into business-related relationships.

Buyers, MSMEs, financiers, and market systems including collective branding and market intermediaries (keperantaraan pasar) are all part of these social networks. Some women-owned MSMEs noted that customer loyalty and trust in the brand has an impact on their ability to succeed in business. As a result, they work hard to maintain product quality and finish orders on time. Similarly, it is crucial to keep up contacts inside the business network so that group members can support one another and engage in fair competition

Access to institutional networks that establish the rules, codes of conduct, and authorities in their respective fields falls under the third category. Institutional networks consist of banks and other sources of finance, local government from village to regency, and professional based organizations. See Table 7 above for examples.

These institutions have the power to govern resources such as capital and equipment, whether they are loans or grants, and set the rules such as who gains access to capital. They also oversee social and human resources, such as mentoring and training programmes that are crucial for women in order to grow their businesses. Women's access to these institutions, however, is influenced by their agency, the degree to which they establish positive working relationships with institutional leaders, and the institutions' leadership.

Therefore, the success of women's empowerment can be influenced by the presence of innovative and progressive leadership in these institutions. According to several interviewees, a number of institutions have undergone significant change as a result of the innovative and progressive leadership of new leaders, particularly in relation to women's MSMEs. For instance, the Office of Cooperatives and Micro Enterprises in Pacitan administers a programme for sustainable empowerment that provides opportunities for women-led MSMEs. In Magetan, the Regent issued a decree requiring government employees to wear batik ciprat made locally, thus benefitting local businesses.



Table 8. Enabling factors of empowerment

Concept	Themes	Categories
Enabling factors of empowerment	Strength of entrepreneurs	<ul style="list-style-type: none"> <li>• Entrepreneur’s strong personality</li> <li>• Entrepreneur’s skillful</li> </ul>
	Availability of material resources	<ul style="list-style-type: none"> <li>• Availability of capital</li> <li>• Availability of equipment</li> <li>• Availability of raw materials</li> <li>• Manufacturing good quality products</li> </ul>
	Availability of human and social resources	<ul style="list-style-type: none"> <li>• Access to source of business knowledge and management</li> <li>• Able to take courses, trainings, workshops, and mentoring programs</li> <li>• Having employees</li> </ul>
	Availability of social relationship	<ul style="list-style-type: none"> <li>• Support from family and friends</li> <li>• Access to market network</li> <li>• Access to institutional domains</li> <li>• Availability of creative and progressive leadership</li> </ul>

## Disabling Factors

### Theme 1: Cultural influences

As noted throughout this report the cultural context plays a critical role in the development of the women-led MSMEs. The cultural values at play can have either a positive impact or a negative impact. This section will focus on those factors or values in the culture that hinder women’s economic empowerment.

Society’s cultural values influences understandings of women-led MSMEs. Looking at their experience, the attitudes and behaviours of women in managing their businesses have been affected by the dominating values at play. Ultimately result in them being unable to focus and for having overload works.

There is a notion that MSMEs are a home-based and side-business, so they do not require accurate planning. Most women entrepreneurs develop their businesses based on their manufacturing expertise. They may not know, however, about the market needs regarding the product or the marketing network. Product innovation tends to occur based on momentary considerations which ultimately results in them being unable to focus and become overburdened with work.

This side-business mindset also influences the way women manage the enterprise. There are women who work on their business during their free time and manufacture products when they receive an order or when it is not a planting or harvest season. They do not have an accurate record of the quantities of ingredients for the food product which is important to maintain the product quality. Their marketing objective is that all the products are sold out so that the business can survive. Developing a market network or buyers is not part of their calculations. Some of the women entrepreneurs rarely maintain product stocks. In addition, they do not allocate specific time, for example, to recapitalize financial records. They utilise “patchwork management” to cover required expenditure items, combining the use of finances for business and household expenses.

The second misconception is that women are obligated and responsible for domestic tasks, particularly caring for children and elderly parents. This misconception affects women’s approach to prioritization. In order to avoid neglecting their families, some women choose to cancel their participation in skills development trainings and limit their time spent managing and developing a business. They avoid negotiating with other family members about the issue and as a result the business suffers. Also, women appear reluctant to take risks whenever a new business development opportunity presents itself. Women-led micro enterprises, however, recognize that these circumstance can hinder their efforts to achieve their business objectives.

## **Theme 2: Challenges in manufacturing products**

When it comes to manufacturing goods, women entrepreneurs confront a number of obstacles in terms of access to capital, supply of raw materials, equipment, and skilled labour. The availability of capital, for example, is often hampered by the consignment sales system where they have to wait until the product is sold. Raw materials are often high, only available in big cities or the supply is seasonal. Transporting the raw materials adds to the production costs. Purchasing equipment is often expensive thus limiting the quantity of products that can be produced. In instances where grants were available to buy equipment, at times it was not up to standard.

Related to this is the inability to maintain product quality, especially for food products. This can in part be attributed to a reliance on manual production methods as opposed to using machinery that would ensure that quality and consistency is maintained. Finally, although

there is a large workforce, skilled workers are in short supply. They have to be trained and the business has to absorb the costs of the training. A frustrating aspect for the women entrepreneurs is that once their employees gain the expertise and experience, they quit and start their own business.

### **Theme 3: Challenges with the marketing network**

There are market-related obstacles that prevent women from developing successful businesses. As noted above, the consignment system implies futures sales and with this system women have difficulty sustaining production due to shortages in cash flow. Therefore, they need capital in reserve to manufacture products while waiting for the payment of previous product sales. Most of women market their products this way, especially food products. Direct selling is also used by which women receive the payment directly at the point of sale. They can find potential buyers through friends and colleagues, and ultimately buyers can become loyal consumers. Most of the owners of craft and service businesses, such as *gerabah* (earthenware) and batik crafts, as well as car rental and *bekam* (cupping) treatment, engage in direct marketing.

Direct selling benefits women-owned businesses. To attract more customers, women must expand their marketing network and promotional efforts. This is possible through the use of online marketing and media technology, which women have not yet utilised to their full potential. They utilise Whatsapp and Facebook and attend trainings, but their understanding of technology is still lacking. Others do not utilise online media at all, while others ask a family member to manage it. Overall, more work and investment needs to go into maintaining and expanding the marketing network.

Each MSME group has its respective priorities and interests, especially with regard to obtaining support from government agencies. In fact, collaboration among groups and business owners is essential, but is often difficult to achieve. For example, Astuti, the owner of a *bekam* business has been trying to synergize the visions of all the *bekam* practitioners in Magetan. She argues if they all worked out of the same location would bring marketing down costs and overcome the shortage of workers with the required special skills.

### **Theme 4: Challenges of program design and institutional barriers**

Women entrepreneurs have benefited from the support of Local government agencies and professional based organization both in Pacitan and Magetan. They have implemented economic empowerment programs for women-led MSME's owners varying from trainings to the provision of equipment and financial support. Although these programs have strengthened the operations women-owned micro enterprises, there are issues related to the programs and structural authorities that may affect women's achievement as shown in the interviews.

Local government agencies in Pacitan and Magetan, in collaboration with professional

organisations, have implemented economic empowerment programmes for MSME owners, including women entrepreneurs. The programmes are diverse and include trainings, equipment, and financial aid. As evidenced by the interviews, the programmes have aided women-owned microbusinesses in operating their businesses, but there are still issues related to the government sponsored programmes that may hinder women's success.

Program design does not always meet the needs of the entrepreneurs. This can be seen with KUR program which has been criticized by LPEM UI because it gives the regional government, ministry or technical institutions authority to determine which businesses receive credit. In contrast, there are more suitable local institutions and organization at the grassroots level such as professional based organizations who have data and know about MSME entrepreneurs. There was often a mismatch between the type of training program that was promised and what was actually provided.

For example, a bookkeeping training that focusses on taxation. Women anticipate receiving training on enhancing product quality, but the speaker does not know, for instance, how to maintain the flavour quality of orange dry candy. In addition, the research revealed instances in which entrepreneurs with close ties to particular departments were granted preferential access. Finally, bazaars are expected to connect women entrepreneurs with other business actors, but instead it is only a sales place such as a shop or market.

Missing from program design is a gender perspective to business development. Based on data from the Department of Cooperatives and Micro Enterprises in Pacitan and Magetan, the number of women-led MSMEs is higher than that of men. Yet, the income earned by women is recorded as additional income given that men are considered as the main breadwinners in the family. Consequently, programmes designed without a gender perspective can hinder the achievement of women's economic empowerment goals.

Institutional barriers and regulatory framework were identified has hampering the development of women's businesses. Data shows that village level of government and BUMDES have the potential to support women's businesses, but the village authorities are not responsive to the development of MSMEs. As noted above, there are a range of government institutions and professional organizations supporting MSMEs, yet their programs often lack synergy. Each institution works on its own to accomplish its targets and takes credit for the assisted groups. This tendency can create gaps and disharmony between the MSMEs at the grassroots level.

The data also indicates that the number of government employees who provide assistance to microbusiness owners is still limited, so they cannot ready all microbusiness. Moreover, according to some women, there are regulations that impede business development efforts. For instance, obtaining a business license for beverages and frozen foods from BPOM takes

time, and changes in licensing regulations for non-medical treatment businesses have made it difficult for women to establish service-based enterprises.

Table 9. Factors inhibiting empowerment

Concept	Themes	Categories
Factors inhibiting empowerment	Cultural influences	<ul style="list-style-type: none"> <li>• Mind set about micro enterprises as home-based or are merely a side business.</li> <li>• Misconceptions about women as domestic caretaker</li> </ul>
	Challenges in manufacturing products	<ul style="list-style-type: none"> <li>• Issues related to accessing material resources</li> <li>• Barriers to manufacturing good quality products</li> <li>• Issues related to developing a skill workforce</li> </ul>
	Challenges of marketing network	<ul style="list-style-type: none"> <li>• Traditional ways of marketing products</li> <li>• Unexplored online marketing and media technology</li> <li>• The issue of solidarity within MSMEs</li> </ul>
	Issues related to program design and structural authorities.	<ul style="list-style-type: none"> <li>• The issue of program design</li> <li>• The issue of structural authorities</li> </ul>



## B. Financing and Technology for the Development of Women's MSMEs

Finance and technology are crucial material resources for the growth of women-owned enterprises. Accessing finance and utilizing technology in the context of women's economic empowerment refer to the means by which women can have access to and control these resources in order to achieve economic empowerment. So, the impact of women's access to money and technology extends beyond their commercial success to include their

economic stability, personal development, gender balance in the family, educational accomplishments, and social acceptability.

Chapter two explained that women entrepreneurs in Pacitan and Magetan have access to capital to launch and grow their businesses. They obtained funding through personal savings, borrowing from their spouse, parents, or siblings, official financial institutions, or government awards. The majority of Pacitan and Magetan women-owned businesses, particularly those in the food home industry, continue to rely on manual equipment. They purchase the equipment using a variety of sources: earnings from sales, borrowed funds, or equipment grants from government agencies such as the Department of Rural Community Empowerment (Dinas Pemberdayaan Masyarakat Desa) and Department of Industry and Trade (Dinas Perindustrian dan Perdagangan). Some of them have already utilised simple technologies such as sealers and vacuum machines for food packing, as well as clay mixers, potter's wheels and kilns for craft production. Others have employed digital platforms such as Facebook, Instagram, and WhatsApp to market and sell their products.

The research indicates that women exert agency in a variety of ways with regard to access to finance and the use of technology. Women evaluate if they require financial aid and how to acquire it.



Women entrepreneurs in Pacitan and Magetan have access to loans from official and non-formal financial organisations, but the majority choose personal borrowing due to a lack of confidence in their capacity to repay the loan in a timely manner. This, however, does not mean that they forgo all funding from official financial institutions.

Some of the women have received bank loans with a repayment schedule. Despite the fact that the loan is in the name of the spouse since the collateral is in his name, women have access to and control over the funds. According to research from Jatim Bank in Pacitan, women are more likely to manage their finances efficiently and repay debts on time than men.

Women-led micro-enterprises also exercise their agency by deciding how to utilise equipment and technology. The interviews revealed that when purchasing equipment women typically consider their financial resources and day to day experience. For example,

Yuliana Wati, the owner of Yulia's instant ginger drink in Magetan, experienced pain in her hands after manually extracting ginger for long hours. After buying a machine to grate the ginger she no longer had to work long hours manually extracting the ginger, thus alleviating the pain in her hands.

To foster the growth of women's micro-enterprises, women should have greater access to and control over finance and technology. To accomplish this, however, they need to be financially and technologically literate in order to manage and utilize these resources for the growth of their businesses. The government professional-based organizations has responded to this need by sponsoring literacy programmes in Pacitan and Magetan. For example, female entrepreneurs received training in financial administration and online store creation but the majority of them explained that they cannot implement the training because it is too difficult and they do not have enough time.

The previously described impediments to women's economic empowerment indicated the need for gender-sensitive financial and technical literacy. The literacy programme needs to take into account the unique requirements and circumstances of women. In other words, affirmative action is required to empower women with financial and technological literacy in light of the disadvantages women face due to societal and cultural barriers. A mentality regarding women as domestic care workers has conditioned women to prioritize domestic tasks over business activities in their spare time. A worldview where women are seen primarily as domestic care givers has conditioned women to prioritize domestic responsibilities in their leisure time over economic activities.

Hence, financial and technical literacy should be easy and applicable so that women can implement the strategies. In addition, men should be encouraged to participate in the learning process. The experiences of Yohana, proprietor of Yoa Salon in Pacitan, and Octavia, proprietor of Omah Semprong in Magetan, are instructive. In both instances the husbands played a role in the financial administration.

Second, the financial and technological support and economic empowerment of women must take into account the particular needs and circumstances of women-owned microbusinesses. It is necessary to define upstream-to-downstream guidelines based on the capacity and potential of women's microbusiness development, including the level of financial and technological support required.

The research found that the future business goals of women-owned micro enterprises can be classified into four categories: facility expansion, product quantity, company and market expansion and product quality. Plans include: constructing new facilities to support their businesses, such as a drying house (*rumah pengering*) to prepare cassava flour; a cosmetics shop; a production kitchen and; a centre for learning about garment and batik

production. Some women intend to increase the quantity of manufactured goods in order to expand their market share. Finally, some of the women wish to expand their business and market by forming partnerships with other aspiring entrepreneurs.

To implement their business plans, microenterprises run by women require financial and technological help that is tailored to their needs. The research demonstrates that there is a range of interrelated factors that must be taken into consideration such as capital, production and packaging technologies, human resources and markets. The advanced technology required by women-owned microbusinesses will be need to be supported by product marketing.

Micro-businesses managed by women utilize manual technologies to manage their home-based, small-scale industry organic waste. Food production generates waste, which is managed as follows: first, it is combined with household waste, and then it is taken to a waste management site. Second, they bury production byproducts such as tuna spines, which may be converted into catfish meal, in the garden. Female entrepreneurs, however, require a fish bone shredder to convert the bones in catfish meal. Thirdly, they utilize waste or residual production materials for other reasons, such the water drained from taro root that has been soaked to be used as a natural insecticide in rice fields. Or, Pamelorange peels are utilized that for animal feed.

The research also found that the technology was needed for the management of non-organic waste. For example, waste materials from leftover leather shoes and waste from stitching is used to make crafts. Rulis Abidah, a businesswoman in the batik industry located in Mageten had to design her own manual system for treating the waste water that her produce.



### C. The Impact of Women's Economic Empowerment on Gender Equality in the Village

Assessing the impact of women's economic empowerment requires assessing the veracity of an "achievement," which in this context of this section refers to gender equality. Kabeer (1999: 452) argued that the legitimacy of an achievement can be determined by presenting "proof" or by making a "reasonable guess, as to whose agency was involved and the extent to which the achievement in question transformed prevailing inequalities in resources and agency". In the following discussion, interview data will be utilized to examine the direct and indirect effects of women's economic empowerment on gender equality in the village.

The first section of this chapter provides an overview of the economic empowerment of women. The results demonstrate that women's economic empowerment has had an impact



on gender equality in both the private and public spheres. The following experiences are separated into two categories: direct and indirect evidence:



### **Direct evidences of empowerment**

- Gender balance in the family: performing roles beyond gender norms, the ability to work reciprocally with husbands, and economic independence.
- Economic stability: the satisfaction of fundamental necessities, the generation of income, the viability of enterprises, and the enjoyment of life's luxuries
- Personal growth: having a job, being self-assured, achieving self-actualization, being able to manage businesses, and being creative in diversifying productsproducts.

As the above findings indicates, women-led microenterprises have an impact on traditional family roles that do not conform to gender norms.

Women have the same capacity for initiative, decision-making, action, and access to and control over resources as men. As women earn money from their enterprises, some become breadwinners and acquire the ability to manage and expand the firm.

Entrepreneurship has enabled women to collaborate with their spouses in areas such as family decision-making and gaining economic independence. Women's organisations are also active in the transformation from disempowered to empowered. Before, they lacked



a job, felt inadequate, and lacked a place to actualize and develop themselves. But as they operate enterprises, women progressively built self-assurance and strengthened their business management skills.

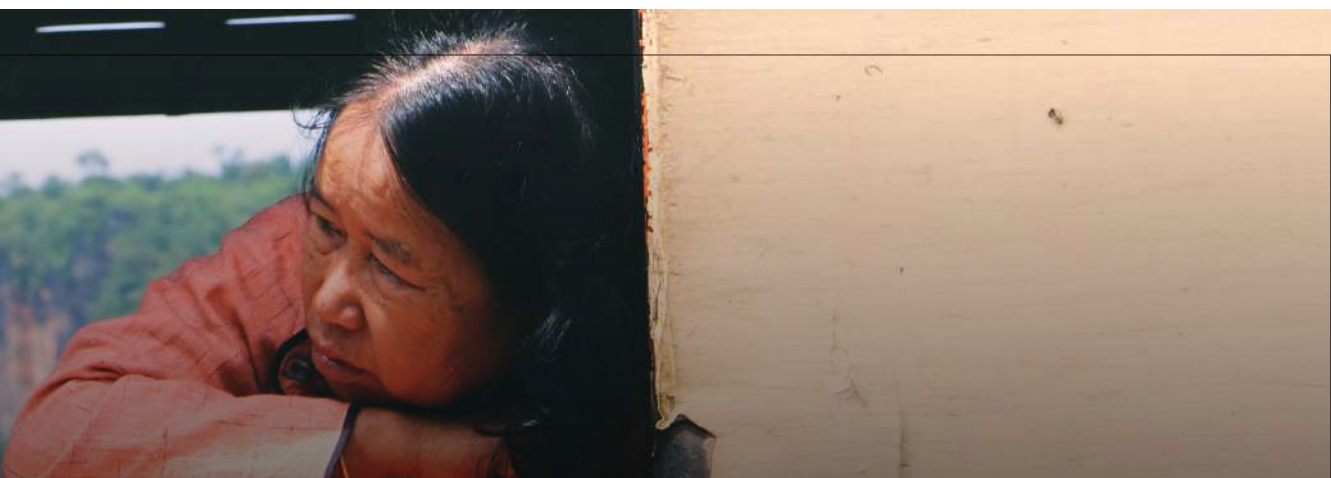


### Indirect evidence of empowerment

- Education accomplishments: education for children; growth of skills, knowledge, and experience for oneself
- Social acceptability: having more friends, having market networks, gaining a higher social status, and the ability to assist and empower others

These indicators suggest an indirect relationship between economic empowerment of women and gender equality. For instance, having educated children is not necessarily indicative of gender equality in the household. Men may have control over the family's money and authority and be able to send their children to good schools without recognising the role of women. But, it is evidence that children are able to attend decent schools because women are making an income and are participating in decision-making alongside their husbands.

Similarly, the capacity for assisting and empowering others is indirect evidence because it does not immediately correspond with gender relations in the family or community in order to discern whose agency is at play. Yet, this research suggests that women and men can share equally public roles. Likewise, the fact that women can now exert agency by successfully developing businesses is proof of rising women's economic engagement.



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## Chapter IV

# Conclusion and Recommendations

The study has highlighted the research findings and analysis of microbusinesses owned by women in Pacitan and Magetan, as well as the empowerment program implemented by CSOs and government agencies in the two areas. Pacitan and Magetan share similar characteristics in terms of their physical location and circumstances. Similarly, the features of women entrepreneurs, businesses, and resources share a number of similarities.

Women entrepreneurs in Pacitan and Magetan are between the ages of 21 and 60 years old. The majority of them are married with one to three children and hold junior high school diplomas to bachelor's degrees. The majority of their operations are classified as micro enterprises, with monthly revenues ranging from IDR 2.5 million to IDR15 million. There are also tiny firms with revenues up to IDR 80 million per month. Their companies are diverse, ranging from food and retail to fashion and handicrafts. The majority of these firms are single proprietorships, some are family-owned, and jointly-owned enterprises. The majority of these businesses have been operating for less than ten years.

The enabling factors promoting the economic empowerment of women through MSMEs in Pacitan and Magetan include the entrepreneurial strength of women, the availability

of material resources, the availability of human and social resources, and the availability of social relationships. In contrast, the disabling variables consist of cultural effects, manufacturing obstacles, market network challenges, and program design and structural authority issues.

Women entrepreneurs in Pacitan and Magetan have access to capital and technology for the purpose of expanding their businesses and accelerating the manufacturing and marketing processes. Yet, they continue to use rudimentary technology, such as kitchen appliances and simple machinery, as well as social networking platforms such as Facebook, Instagram, and Whatsapp. In addition to considering their ability to manufacture and sell items, their access to and usage of financing and technology are contingent on their individual circumstances and needs as operators of micro and small enterprises.

Women's economic empowerment through micro, small, and medium-sized enterprises has contributed to the building of gender equality in the home and community. Indicators of women's empowerment include gender equality in the family, economic stability, and personal advancements made by women. Indirect indicators of empowerment include the educational achievements of women and their families, as well as social acceptance.

To enhance the economic empowerment of women and the growth of their micro and small businesses the following measures are recommended:

- 01 Use human and social resources and social relationships to empower women. Professional organisations and government agencies have economic empowerment programmes in both Pacitan and Magetan. To ensure that there is no overlap between the stakeholders, they may need to coordinate programmes.
- 02 For the development of women-owned businesses, it is essential that programs and resources are always tailored to their specific requirements and circumstances. In this endeavour, it is crucial to design contextual programs with the participation of all stakeholders.
- 03 Develop initiatives for female entrepreneurs that are gender-sensitive and take into account the unique conditions of women and their businesses
- 04 Women entrepreneurs may require financial and technological help, but their access to and use of these resources is contingent on their particular status and requirements of micro and small enterprises, as well as their ability to make and sell products.

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