

Social Enterprises in Indonesia

COUNTRY REPORT

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At the heart of the project is the promotion of international and inter-sector collaboration. Staff from universities and social enterprises share knowledge and ideas through staff exchanges incorporating information from both research and practice. FAB-MOVE focuses on comparative analyses of social enterprises; their environments, innovations and challenges in diverse contexts

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TABLE OF CONTENTS

Social Enterprises in Indonesia	1
SUMMARY	4
1.INTRODUCTION	5
2. HISTORY AND DEVELOPMENT OF SOCIAL ENTERPRISES IN INDONESIA.....	6
2.1 History.....	6
2.2 Definitions.....	7
2.3 Areas and fields of activity.....	8
2.4 Relationship to other sectors	9
2.5 Country specific SE forms and development paths.....	10
3. POLITICAL AND ECONOMIC ENVIRONMENT	12
3.1 Political environment.....	12
3.2 Economic environment.....	12
3.3 Legal framework.....	13
3.4 National welfare system	15
3.5 Public social services system.....	16
4. DISCOURSE ON SOCIAL ENTERPRISE	17
4.1 Existing literature.....	17
4.2 Existing data	17
4.3 Political debate	17
5. CURRENT TRENDS AND PERSPECTIVES	18
6. REFERENCES.....	19

SUMMARY

Very little research and formality surrounds the concepts and application of Social Entrepreneurship and the use and operation of Social Enterprises within Indonesia. Therefore, this report can merely outline what is in play and what our research has found. It will provide a short synopsis of the history of both Social Entrepreneurs and Social Enterprises. It will also cover political and economic environment, discourse on social enterprise, and current trends and perspectives.

Based on the Indonesian context we identify a Social Entrepreneur as an individual or organisation that makes a change for the betterment of a marginalised group or an ecosystem, and whose main objective is to fill the “Social Gap” and where its operation is sustained by means of business activities.

A Social Enterprise is the entity that is established by the Social Entrepreneur. The characteristics of a Social Enterprise in Indonesia are:

- 1. It is established by one or more social entrepreneurs who have high social concern*
- 2. Its main objective is filling a social gap*
- 3. The change may be delivered through business activities*
- 4. To ensure the sustainability of the change, the organisation creates income-generating activities.*

1.INTRODUCTION

This report provides an insight into the complex, confusing, and uncertain world of Social Entrepreneurship and Social Enterprises in the largest archipelago in the world. With its diverse range of religions, ethnic origins, periods of colonization, and languages, Indonesia is emerging as one of South East Asia's powerhouse economies. It is rich in natural resources, but its history has left it with poor infrastructure, a large domestic demand-driven economy fueled by a population of over 250 million people, decades of corrupt activities from the lowest to the highest levels of office, and devoid of any social welfare system enjoyed by most western democracies. It is within this context that Social Entrepreneurs and Social Enterprises operate.

Very little research and formality surrounds the concepts and application of Social Entrepreneurship and the use and operation of Social Enterprises within Indonesia. However, these concepts have existed informally from about the 1950's and have peaked today with the introduction of the first master's Degree Program for Social/Community Entrepreneurs run by Trisakti University in Jakarta under the stewardship of the Founding Director of the Centre for Entrepreneurship Change and Third Sector (CECT). This program, the first of its kind in Asia, now provides a platform for the consolidation of learning and skill development for current and future Social Entrepreneurs and when linked to the master's Degree Program in Corporate Social Responsibility (CSR) it provides the bridge between the world of business and the work of entrepreneurs by linking those with financial capital to those with social capital.

Therefore, this report can merely outline what is in play and what our research has found. It will provide a short synopsis of the history of both Social Entrepreneurs and Social Enterprises. It will also cover political and economic environment, discourse on social enterprise, and current trends and perspectives.

2. HISTORY AND DEVELOPMENT OF SOCIAL ENTERPRISES IN INDONESIA

2.1 History

There have been no publications about the history of Social Enterprise in Indonesia. Based on desktop research, we identified some Social/Community Enterprises, which created significant positive impact for their respective communities in every decade, starting from the 1950s.

In 1954, the earliest Social Entrepreneur appears to be Mursia Zaafril from Malang, East Java, who established a cooperative for women. Her intention was to help women who were trading in the traditional market and always borrowed money from loan sharks and had pay them a very high daily interest rate. She developed a unique way of raising funds through a saving-lending cooperative “*tanggung-renteng system*,” in which a group of 10-15 women gather once a month to conduct saving and lending activities. Every month they gather to receive and record savings, then those who need working capital can ask for a loan from the co-operative. The remainder of the group members must approve any and all loan requests. In the monthly meeting, each member must deposit some saving and pay an instalment towards their loans. If someone fails to make an instalment in a particular meeting, because of sudden financial difficulty, then the rest of the members in the group must pay her loan instalment in that month. The following month the member who was unable in the previous month must pay twice the instalment amount. This system is called Tanggung-Renteng (Mutual Liability) (Radyati, 2008). This type of organisation is established and owned by its members using a cooperative system. From this point forward, this type of organisation will be referred to as a Community Enterprise. Mutual Liability cooperatives are still operating with more than 15,000 members in approximately 30 provinces. To sustain its operations, this organisation has created other businesses such as bed and breakfast accommodation, car rental services, and mini markets.

In 1967 the Yayasan Bina Swadaya foundation was established for assisting farmers in capacity building, mentorship, maintaining sustainability of supplies for agricultural farming and marketing of agriculture products. This organisation is still operating but has diversified its operations to include: the publication of a ‘how-to’ magazine, TRUBUS, written and read by farmers; the provision of consultation services for farmers; and community development programs especially for farmers. Those income-generating activities are used to support the sustainability of this organisation. This is a non-membership and non-profit organisation.

In 1970 Father Pater Albrecht, a Roman Catholic priest, established the Credit Union Counselling Office (CUCO) as the embryo of the development of many other Credit

Unions (CUs) throughout Indonesia. The main objective was to eradicate poverty by introducing the concept of saving. This CU is a saving-lending cooperative, owned and controlled by members, but open to the public regardless of his/her religion. More than 900 CUs are still operating with more than 250,000 members.

In 1983 the Ashoka Foundation established an entity in Indonesia. Since its establishment here, it now has over 120 fellows. It was the first organisation to introduce the term Social Enterprise to the country. Since then the use and application of the term Social Enterprise gained interest from media, general public and donor agencies.

In 1992, Iskandar Kuntoadji established the IBEKA foundation. It specialises in providing electricity to communities in remote areas using an eco-friendly, micro-hydro system. It develops off-grid and on-grid hydro schemes with the community. IBEKA seeks capital funding and investors willing to be partners with the community. The communities then work with IBEKA to develop the scheme. Community members learn new skills, including how to run a co-operative as a profit-making business for the benefit of the community, as well as for other projects such as improvements to road infrastructure, increasing the productivity of farmland from one crop per year to three, and improving health and hygiene through the introduction of clean water. As the co-operative makes a profit, the members can pay back the initial capital over time. IBEKA is a non-membership and non-profit organisation. In order to sustain its operation, this organisation established a private limited company with specialisation in micro-hydro technology.

In 1997, Telapak evolved from its initial foundation type organisational structure to a membership-based association. It started as an investigative Non-Government Organisation (NGO) specialising in illegal logging but has expanded beyond this initial purview. Telapak is now a holding entity that now has under its umbrella several private limited companies and cooperatives. These entities cover areas, amongst others; exporting certified wood products, certified herbal products, establishing and operating local radio and television stations, boat building, and providing community bed and breakfast accommodation. This is another form of community enterprise as ownership is by the community and members of Telapak. Currently, this is the largest Community Enterprise with more than 15 Chapters throughout Indonesia and the only enterprise that has many businesses within its structure.

2.2 Definitions

In Indonesia, there is no single and agreed definition for a Social Enterprise (SE). Many Indonesian scholars are using the definitions derived from the Ashoka Foundation, the Schwab Foundation, and the Skoll Foundation amongst others, or from Western literature.

The term social entrepreneur gained its popularity in early 2010, when the British Council Indonesia (BCI) organised a national competition for Start-Ups and “Semi-Established” social entrepreneurs, namely the “Community Entrepreneurs Challenge” (CEC).

The report will discuss specific and derived definitions from our research in later paragraphs.

2.3 Areas and fields of activity

Based on the work of the BCI and the CEC during the period 2010-2014, we found many different practices of Social Entrepreneurs and Enterprises in Indonesia. Some of the activities of the CEC involved Due Diligence. Due diligence in this sense means to investigate to what extent the entrepreneurs are addressing social issues. The other activity was writing case studies. The output, over the last 4 years from the CEC, was about 30 case studies of Social/Community Enterprises in Indonesia. The case studies were not published by the BCI for unknown reasons. Since one of the writers was part of Board Advisory of this program in 2010-2014, we will use this in addition to other limited formal references, to elaborate the nature and extent of Social Enterprises in Indonesia.

The areas of activities of Social Enterprises in Indonesia are, among other things:

1. Solving Social issues, such as:
 - a. Juvenile truancy, such as skipping school to go to ‘play station rental’ or ‘online game rental’. Komunitas Hong was established by Mohammad Zaini to create children’s toys. He created a children’s group which was designed to have regular activities such as making toys from dry leaves, bamboo, coconut shell, and other materials from nature. These materials were previously classified as waste. He also trained the children in the group to play folks-play and conduct performances in Birthday parties or other parties. The income gained from the performances then saved to support the children’s education in the future, so it becomes “Education Saving” of the group of community, “Komunitas Hong”.
 - b. Solving cost of health issues for poor people in Malang (East Java), that is “Klinik Asuransi Sampah”, which was established by a Medical Doctor, Dr Gamal Albinsaid, who has concern with the lack opportunities of poor people to get good health services. The members of this Clinic can bring non-organic waste then exchanged with savings that can be used to pay for health services.
 - c. Youth problem: health (drugs) and education (Yayasan Cinta Anak Bangsa), which was established by Veronica Collondam, that provides primary prevention of risky behaviour including drug abuse and HIV/AIDS through

- education and the adoption of a positive lifestyle. YCAB also provides education for youth to have skills to find jobs and entrepreneurship
- d. Transportation problem using online application (GOJEK), which was established by Nadiem Makarim and Michael Angelo Moran to provide motorcycle taxi to ease transportation in a very traffic jam city of Jakarta
 2. Environmental issue: sustainable community logging and “Coral Adoption Program” (Telapak), sea urchins for food supplement (Koperasi Urchindonesia), saving orangutans (Sumatran Orangutan), etc.
 3. Economic issues: women saving-lending cooperative (Koperasi Tanggung-Renteng), farmers economic development (Yayasan Bina Swadaya), Credit Unions, skills for economic development (Rumah Perubahan), etc.

2.4 Relationship to other sectors

Social Enterprises in Indonesia can be categorized as part of the third sector. Our context of a Third Sector Organisation includes organisations that are non-governmental and incorporated. They may or may not be registered. The legal entities of some Third Sector Organisations which typically used by social enterprises are Foundation, Association, or Cooperative (Radyati, 2008).

What makes a social enterprise different from a common enterprise in the Indonesian context is based solely on the motive for its establishment. If the motive for the establishment of an enterprise is to take advantage of the market, when there is, for example, a demand but no supply, or only small number of suppliers available, then it is more likely to be a common enterprise. If the motivation is to tackle/address a specific social/environment/economic issue as outlined earlier, it is more likely to be known as a Social Enterprise (Radyati, 2014).

The difference between a Social Enterprise and a Social Organisation is the mechanism used to generate funds to sustain operations. For example, a foundation (*Yayasan*) that seeks donations as its only funding source would be classified as a Social Organisation. On the other hand, a foundation (refer to paragraph 3.3 below) that establishes a business entity and uses business activities, such as selling products or services to generate funds, is called a Social Enterprise. In Indonesia, a foundation can legally establish a business entity called a Private Limited Company or create an academic institution.

There are several sources of funding for Social Enterprises. Social Enterprises in their early stage, like start-ups, usually have difficulty accessing loans and financing because banks usually require high levels of collateral. In early February 2016, however, President Joko Widodo instructed banks to provide Society Business Loans (*KUR-Kredit Usaha Rakyat*) without requiring any collateral for a loan value of up to \$2,500 (1 USD = Rp.10,000). This interest rate was set at only 9%, compared to an average commercial

loan interest rate of about 18% (Putra, 2016). Hence, KUR has become one of the sources for capital for Social Enterprises.

Another source of funds for Social Enterprises within Indonesia is through Corporate Social Responsibility (CSR) programs, particularly those conducted by State-Owned Enterprises (SOE). All SOE in Indonesia must allocate 2% of their net-profit for low interest rate loans at a set rate of 6% to Small-Medium-Enterprises (SMEs). This type of loan is called PKBL (*Program Kemitraan dan Bina Lingkungan*). PKBL funds are not easy to access. Rather than create open access to all types of SMEs, there seems to be some discriminative application, which means that individual SMEs will generally not be the recipients of PKBL Funds. The mechanism to distribute PKBL Funds is generally through a certain group of SMEs in a particular area. For example, if the SOE is conducting its business (typically through a subsidiary type structure) in a certain locality like in Aceh Province, then they will distribute their funds using this subsidiary in that provincial area. Funds may be distributed to groups of SMEs rather than a single SME, for example a group of farmers or group of fishermen rather than an individual farmer or fisherman. The main reason appears to revolve around ease of control for PKBL funds distribution. The loan recipients must provide collateral, usually in the form of assets. The value of the loan depends on the value of the collateral, and the amount of the loan generally is between \$500 and \$2500 (Radyati, 2014).

Other alternative funding sources come from the Ministry of Cooperatives and SMEs - Revolving Funds and from the Ministry of Research and Technology (Haryanti, Hati, Wirastuti, & Susanto, 2016). The Revolving Funds are loans provided through *Lembaga Pengelola Dana Bergulir* (LPDB)/Revolving Funds Management Agency of the Ministry of Cooperatives and SMEs for Cooperative, Micro and Small Medium Enterprises who meet the requirements and need to expand their businesses. The interest rate is very low, about 0.3% monthly, and the period of loan is between 1-5 years.

2.5 Country specific SE forms and development paths

It is imperative to understand the context of Indonesian social enterprise.

Indonesia is the largest archipelago country in the world with more than 17,000 islands, 1000 ethnic groups, and an estimated population of over 250 million. With only a limited government budget for development, social issues, particularly those centred on the environment and the economy, permeate the country. There are many basic social issues that in wealthier countries are solved by the government, but this is not the case in Indonesia. Islands in the Indonesian archipelago face issues of water safety, electricity, infrastructure, waste management, basic education, basic health services and other public services. Other more serious issues such as deforestation, extinction of endangered animals, biodiversity, human trafficking, and economic development in these remote areas appear to be out of the hands of the Government of Indonesia (GOI). Also, the aforementioned social issues do not spark interest from the private sector, unless there is

a need to gain a social license to operate from the community who live in their area of operation. The companies usually conduct CSR activities to address the basic social issues of the community, but there are not always companies that operate in these remote areas and islands. Therefore, there is a huge gap in fulfilling social needs where the government does not budget funds to solve the issue and the private sector and SOEs have no interest or presence. We named this gap the “Social Gap” which social entrepreneurs help to fill.

Based on the Indonesian context, we identify a Social Entrepreneur as an individual or organisation that makes a change for the betterment of a marginalised group or an ecosystem and whose main objective is to fill the “Social Gap” and where its operation is sustained by means of business activities.

A Social Enterprise is the entity established by the Social Entrepreneur. Social Enterprises in Indonesia can be classified based on three aspects: 1) the type of legal entity; 2) the process of establishment; and 3) How the ownership of surplus/profit is distributed. A detailed explanation will be elaborated later in the report.

The characteristics of a Social Enterprise in Indonesia are:

1. It is established by one or more social entrepreneurs who have a high level of social concern
2. Its main objective is to fill a social gap
3. The change may be delivered through business activities
4. To ensure the sustainability of the change, the organisation conducts income-generating activities.

3. POLITICAL AND ECONOMIC ENVIRONMENT

3.1 Political environment

There are no specific regulations or laws directly referring to Social Enterprises. Currently, there is a draft law about national entrepreneurship. This draft is still under consideration by the House of Representatives, and it is unlikely to be scrutinised or debated in the near future. The draft of the law contains three articles pertaining to a social enterprise: the definition, the characteristics, and legal entity.

3.2 Economic environment

The Gini-coefficient of inequality is the most commonly used measure of inequality. The latest GINI comparative data for several Asian countries is covered the table below (UNDP, 2014):

Country	Ratio
India	33.9
Vietnam	35.6
Cambodia	36
Indonesia	38.1
Thailand	39.4
China	42.1
Phillipines	43
Malaysia	46.2

In 2010 Indonesia was scored at 38, then slipped to 41 in 2011 and held at that level until 2015. As of 2016 Indonesia has maintained an average index of 40, meaning no significant improvement nor worsening of its position. But it still means that there is a long road to improvement. The huge wealth held in Indonesia is not distributed uniformly across the nation but concentrated mainly on the island of Java. This is prima facie evidence of the large “Social Gap” identified earlier in the report where remote areas are disadvantaged. Therefore, the role of Social Enterprises in fulfilling the “Social Gap” has had significant and positive change for the betterment of marginalised groups and ecosystems in Indonesia.

SMEs have been involved in most of the economic development. This is due to the fact that they rarely utilise imported-raw materials or use loans for working capital. As such,

they are not exposed to increased foreign currency fluctuations and can survive even during global financial crises. The number of SMEs currently stands at more than 60 million (Dinisari, 2015).

Many Social Enterprises are part of these SME and they optimise the use of local resources and to a large extent create close engagement with local communities. Through Social Enterprises, the Social Entrepreneurs collectively create solutions with beneficiaries to address social issues and sustain business activities.

3.3 Legal framework

Indonesia has no specific legal entity for a Social Enterprise. Social Entrepreneurs usually establish one of the following legal entities (Social Enterprises) to achieve their objectives:

1. A Foundation (*Yayasan*).
2. An Association (*Perkumpulan/Asosiasi*)
3. A Cooperative (*Koperasi*)
4. A Private Limited Company (*Perseroan Terbatas (PT)*)
5. A *Commanditaire Vennootschap (CV)*

The following provides further detail on each of the legal entities:

1. A Foundation (*Yayasan*)

A foundation is regulated under the following laws:

- a. The Law No.16 about Foundation, year 2001 (Undang-Undang No. 16 tentang Yayasan, Tahun 2001)
- b. The Law No.28, year 2004 about the Amendment of Law No.16 about Foundation, year 2001 (Undang-Undang No. 28 Tahun 2004 tentang Perubahan UU No. 16 Tahun 2001)
- c. Government Regulation No.63, year 2008 about The Implementation of The Law on Foundation (Peraturan Pemerintah No. 63 Tahun 2008).

A foundation is a non-membership organisation (Article 1). It can be incorporated by one or more people, with separation of the founders' assets from the organisation's assets (Article 9), and with the main objectives of addressing social, religious, and humanity issues. A foundation is not allowed to distribute surpluses to its board members (Article 3).

Examples of Social Enterprises using the legal form of a foundation are: the Putra Sampoerna Foundation (PFT) for general education and YCAB (*Yayasan Cinta Anak Bangsa*) for youth drug use eradication and microfinance. A conglomerate or philanthropists established these entities. There are also foundations, which were founded by individuals with a minimum amount of capital to start the foundation (\$1000 is legally required) who then raised funds to maintain its operations, such as: Yayasan Bina Swadaya in the farmer's economic development, Yayasan Satu Nama in education for democracy and transparency, and Yayasan LP3ES in education and research on social, economic, political and social systems.

2. An Association (*Perkumpulan/Asosiasi*)

There is no specific law to regulate this type of Social Enterprise. The basis for establishment of this type of enterprise is civil law tradition inherited from the Dutch Colonial era (*Burgerlijk Wetboek voor Indonesie*) Article No. 1652.

An association is a membership-based organisation. It can be incorporated by one or more people, established for a specific purpose that accommodates the interests of its members. Members pay a membership fee established by the members themselves.

An example of the biggest, oldest and most internationally recognised Social Enterprise operating under the legal framework of an association is Telapak. Its main interest is in the area of environment and economic development. One of its internationally accredited programs is the creation of sustainable community logging, which resulted in the eradication of illegal logging in specific regions of Indonesia.

3. A Cooperative (*Koperasi*)

The Law of Cooperative No.25, 1992 (UU Koperasi no.25, tahun 1992) governs the establishment and operation of this type of Social Enterprise.

A cooperative is a membership-based organisation. It can be incorporated with a minimum of 10 people. The capital comes from contributions of its members and business activities usually associated with the selling of products and/or services generated by the members.

An example of some Social Enterprises with a legal entity of a Cooperative are: Koperasi Hutan Jaya Lestari – selling certified wood products; and Koperasi Wanita Tanggung-Renteng (Women Saving-Lending Cooperative).

4. A Private Limited Company (*Perseroan Terbatas (PT)*)

The Law of Private Limited Company No. 40, 2007 (UU PT.No.40 Tahun 2007) governs the establishment and operation of this type of Social Enterprise.

A Private Limited Company is established by one or more people with a minimum capital base of \$5,000 (1 USD = IDR 10,000) with a separation of assets. Capital is raised through shareholder contributions and business activities usually associated with the selling of products and/or services.

An example of Social Enterprise operating under this framework is PT Kampung Kearifan Indonesia, with its main operational focus to assist farmers to add value to their agricultural products. Their activities include: capacity building and mentoring programs for converting traditional agriculture products such as whole fruits and vegetables into chips, jam, powder, etc.; designing the brand and packaging; doing the packaging for the value-add products; registering the new products for international certification; and marketing and distributing the products. The famous brand of this Social Enterprise's products is JAVARA.

5. A Commanditaire Vennootschap (CV)

A CV is regulated under the trade law inherited from the Dutch Colonial era (Wetboek van Koophandel voor Indonesie S.1847-23), particularly in articles 19 through 21.

A CV type Social Enterprise is established by one or more people but with no separation of assets. A CV cannot open a bank account under its own name. A CV is actually not considered a legal entity and as an incorporated organisation must pay tax. A CV cannot join a tender offer with the value of more than \$1 million (1 USD = Rp.10,000).

CV Roas Mitra is one example of a Social Enterprise, helping farmers to produce organic sago in West Halmahera. They designed new stoves that are fuelled by the biomass produced from the sago. This work assists poor people in a remote area in North Maluku, East Indonesia.

TAX OBLIGATION

All the aforementioned legal entities (Social Enterprises) must pay tax on income generated from the sale of products and services. If a Social Enterprise receives donations to maintain its working operations, it must treat this source of funds as income and pay the relevant tax rate. If the donations received are used for conducting social activities for identified beneficiaries, however, then they can claim that type of income as tax exempt.

3.4 National welfare system

In Indonesia, there is no national welfare system that is standard practice in industrialized countries. The government only provides free education until grade 9 in public schools. When individuals or families are having difficulties in the area of health, housing or any other area, they usually seek support from family members or close friends who are more fortunate or, depending on their religious beliefs, there are religious-based community

organisations that can only offer limited support. There is no support for childcare or housing.

3.5 Public social services system

The public or social service systems available in Indonesia are limited to health issues and disaster victims, which is in the form of government funding for society. The government support is *Jaminan Kesehatan Nasional* (National Health Guarantee) through the agency of *Badan Penyelenggara Jaminan Sosial* (BPJS)/Agency of Social Security (<https://www.bpjs-kesehatan.go.id/bpjs/index.php/pages/detail/2010/2>) and *Bantuan Sosial* (Social Support). The program for social support is called PKH (*Program Keluarga Harapan*) and provided every quarter of the year for children under 5 years old, pregnant women, breastfeeding mothers, and school children until Junior High School (<http://www.tnp2k.go.id/id/tanya-jawab/klaster-i/program-keluarga-harapan-pkh/>). There is also a support for the elderly, namely ASLUT (*Asistensi Sosial Lanjut Usia*.) It seeks to enable them to live active lives. For example, those who like to do cooking will be able to join cooking class, and through this program they will also receive donation in the form of stove. This program is not effectively run, due to a limited budget, long bureaucracy, and lack of human resources provided by the Ministry of Social Welfare.

The related laws and regulations are the Law No. 40, 2004 about System of National Health Guarantee, the Law No. 24, 2011 about the Managing Agency for Social Guarantee and Domestic Minister Regulation No. 32, 2011 about Social Support and Domestic Minister Regulation No. 39, 2012 about Amendment of Domestic Minister Regulation no. 32, 2011.

4. DISCOURSE ON SOCIAL ENTERPRISE

4.1 Existing literature

Aside from the case studies derived from the British Council Indonesia's "Community Entrepreneur Challenge", existing literature on Social Enterprises in Indonesia is very limited. Most of Indonesian literature on this topic has been in the form of blogs, study papers, online power-point slides, free e-books and similar sources. Those sources are often anecdotal and not grounded in theory.

4.2 Existing data

There is no statistical data available about Social Enterprises. Since Indonesian social enterprises operate under five legal framework, then the data can be obtained from the government agencies where each legal entity must be registered. The data about Social Enterprises (SE) operating under the legal framework of a foundation can be acquired from the Ministry of Domestic Affairs. Data on SE with the legal entity of cooperative is with the Ministry of Cooperatives. The data on CSR with the legal entity of associations and private limited company can be obtained from the Ministry of Law and Human Rights. The data regarding CV is available at local courthouses.

4.3 Political debate

There is currently little political debate about social entrepreneurship in Indonesia, because the government does not recognize the importance of Social Enterprises. There is, however, a draft of an entrepreneurship law still under consideration. There seems to be no indication that government will provide support for Social Enterprises in the near future due to a lack of knowledge and understanding about SE.

5. CURRENT TRENDS AND PERSPECTIVES

After the December 26th, 2004 Tsunami that hit the province of Aceh, donor organisations shifted their focus away from the traditional social and economic development activities in Indonesia and focused their attention on disaster mitigation and recovery activities. This has meant that social organisations had difficulties in getting funds from donor agencies. Therefore, to maintain the sustainability of their operations and to achieve their objectives, they had to create income-generating activities. Hence, many of these social organisations transformed into Social Enterprises.

Some SEs are also trying to get support from companies, for example through CSR (Corporate Social Responsibility) funds. Usually SEs operating under the legal framework of foundation and association do this because it is easier for them to get donation from companies. On the other hand, the SEs operating under other legal entities must conduct their business professionally to be financially sustainable. When an SE fails to survive in business competition, there is a risk that it will collapse and no longer able to accomplish its missions.

Based on the research we have undertaken, we can summarise the current entities for Social Entrepreneurs and will remain so for the foreseeable future:

Legal Entity	Source of Funds	Ownership or Control	Distribution of Profit/Surplus
1. Foundation	1. Founders 2. Donors	Founders	1. No distribution to founders or board members 2. Used to fund activities
2. Association	1. Members 2. Donors	All members	1. No distribution to founders or board members 2. Used to fund activities
3. Cooperative	1. Members 2. Donors	All members	1. No distribution to founders or board members 2. Used to fund activities
4. Private Limited Company	1. Shareholders 2. Commercial Loan 3. Donors	Shareholders	1. Distribution to shareholders 2. Mostly used to fund activities
5. CV	1. Founders 2. Donors	Founders	1. Distribution to founders 2. Mainly used to fund activities

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