

Original Article

# Poverty Alleviation and Women Entrepreneurship in Indonesia

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**Abstract:** *This paper examines poverty in Indonesia from an economic approach and discusses the significance of women's participation in the economic activities of business owners or entrepreneurs in efforts to achieve inclusive economic growth, whose impact is poverty reduction. The results of secondary data analysis suggest that Indonesia is quite good at reducing poverty. Every year, the poverty rate continues to decline, But it varies by province and by rural and urban areas. It is greater in the East (less developed region) than in the West (more developed region), and poverty conditions in villages are still worse than those in cities. Limited human resources, lack of various industries, especially manufacturing, and lack of infrastructure are some of the main causes of these differences. Meanwhile, the two indices' overall declines in urban and rural regions suggest that poor people's average spending tends to be closer to the poverty line and that the difference between rich and poor people's spending is also reducing. Growth in employment and business opportunities (as reflected in the reduction in open unemployment), which is in line with GDP growth, is the main contribution to poverty reduction. Getting opportunities to open their own businesses for women is also important to accelerate poverty reduction, especially in rural areas, which are usually centers of poverty. However, it demonstrates that Indonesian women's entrepreneurial development is still at an extremely low point. Heavy domestic duties, a lack of education, and business experience are all significant barriers to women starting their own enterprises.*

**Keywords:** *Women entrepreneurship, Poverty, Open unemployment, Economic growth, Poverty alleviation policy, MIEs.*

## I. INTRODUCTION

Poverty is a complex and multidimensional problem because it is closely related to a person's powerlessness in accessing economic, political, and socio-cultural and participating in social life. Poverty is also a humanitarian issue; it has repercussions and places a moral obligation on every person to consider the lives of others who are living in poverty. (Husnah, 2023) There is poverty that constitutes a violation of human rights, "...human rights become a constitutive element of development and human rights violations become both a causes and symptoms of poverty" (O'Neil, 2006; p.1).

The issue of poverty is indeed very troubling; it's no wonder that poverty became the primary concern that gave it the top spot among the 17 Sustainable Development Goals (SDGs). The world's goal is to move away from all types of poverty to achieve sustainable development. Discussing the issue of poverty is important and difficult, particularly in light of how it relates to a nation's growth. (Husnah, 2023).

Poverty in Indonesia is still a serious problem. Although the poverty rate in the country has shown a declining trend since the 1970s, in absolute terms, Indonesia's poverty rate is still large. The poverty rate peaked in 1999 at 24.43% and kept decreasing, reaching just one digit in 2019, or 24.7 million people in total. Based on World Bank Standards, out of a total of 24.7 million of the poor, 9.9 million of whom are included in the category of extreme poverty. On the other hand, early in 2020, everyone was astonished by the emergence of the epidemic coronavirus or COVID-19, which infects almost all countries. The pandemic's effects on the world economy, especially Indonesia, have been remarkable. (Husnah, 2023). Suryahadi et al. (2020) stated COVID-19's effects on economic growth caused the poverty level to rise from 9.2% in September 2019 to 9.7% at the end of 2020. This indicates that almost 1.3 million people live in poverty. In addition, the poverty rate is now 12.4%, meaning up to 8.5 million individuals might become impoverished.

The seriousness of the problem of poverty in Indonesia further reinforces the question of why it is that. Because Indonesia has very high natural resource reserves, the increase in oil and gas reserves (oil and gas) throughout 2017 reached 55.33% or 92.2% of the 60% target. According to government estimates, there are still oil reserves of 4.37 billion barrels with a potential of 4.558 billion barrels, while natural gas reserves are estimated at 94 trillion cubic feet with a potential of 93.1 trillion cubic feet (Sholikhin, 2020). The high income derived from natural wealth should be able to increase quality and societal welfare and decrease economic inequality in Indonesia. But in fact, Indonesia is still overshadowed by the problem of poverty. And it is very unfortunate, the highest level of poverty.



Even in mining areas, poverty is still large. For example, in Sulawesi, which is rich in natural resources and has a population of around 2.04 million people, the highest poverty rate in Indonesia is around 10.08% after Maluku (19.68%) and Papua (13.29%). In the province of Southeast Sulawesi, which is a center for nickel mining, the latest data shows poverty has increased from 11.27% in September 2022 to 11.43% in March 2023. The second highest poverty percentage increase is in the province of Central Sulawesi, which is also a center for nickel processing. In that province, poverty rose from 12.30% to 12.43%. In South Sulawesi province, another nickel-producing region, poverty rose to 8.70% from 8.66%. Also, as can be seen in Table 1, in other nickel areas such as Maluku and North Maluku provinces, additionally, more individuals are now residing below the poverty level.

**Table 1: Provinces Rich in Nickel and Poverty**

Province	Poverty (%)		Growth of the Mining Sector (%)	Number of mining business permits	Nickel mine area 2022 (hectares)
	Sep. 22	March 23			
Central Sulawesi	12.30	12.41	17.35	85	115,397,57
North Sulawesi	7.34	7.38	-4.61	Na	Na
North Maluku	6.37	6.46	46.27	44	156,197,04
West Nusa Tenggara	13.82	13.85	-0.48	Na	Na
South Sulawesi	8.65	8.70	15.06	34	198,624,66
Southeast Sulawesi	11.27	11.43	9.91	154	198,624,6
Maluku	16.23	16.42	1.13	2	4,389

*Source: BPS*

The natural wealth in these countries is often not followed by the high performance of economic development and governance (good governance), and often even worse than in countries that have less natural wealth potential. Many facts show that countries that are exporters of natural resources tend to have a better life lower (Husnah, 2023). Countries with abundant natural wealth tend to have poorer work performance in construction compared to others. This event is known as the “paradox of plenty.” As stated in some literature, it is called the curse of natural resources (Sholikin, 2020).

All efforts have been made by the Indonesian government in an integrated manner since 1995 to reduce or eliminate poverty, especially extreme poverty, namely by issuing a Presidential Instruction (Inpres) for Disadvantaged Villages and Presidential Regulation (Perpres) of the Republic of Indonesia number 15 of 2010 concerning the Acceleration of Poverty Reduction, and has the formation of the National Team for the Acceleration of Poverty Reduction (TNP2K). This team is led by the Vice President. This national initiative demonstrates that poverty remains a significant issue in Indonesia. (Ishartono and Raharjo, 2016). The policy to reduce poverty includes several components, one of which is assisting the growth of MSMEs.

Policymakers in Indonesia have recently shown a substantial rise in interest in the growth of women’s entrepreneurship. This is because it is well acknowledged that the emergence of female entrepreneurs, particularly in rural regions, will lead to the emergence of numerous rural enterprises that will strengthen regional capacities to provide rural growth in the economy. In other words, female business owners may significantly contribute to the economic and social advancement of rural communities. The active participation of women in the economy outside the home—rather than just as wage employees, as is frequently the case in labor-intensive sectors in developing nations—is more crucial (e.g. textiles and garments, leather products, food and beverages, and tobacco products), but also as a business owner or an entrepreneur, will significantly contribute to the reduction of poverty.

In fact, many women in Indonesia, especially in rural areas, conduct and they are compelled to start their own enterprises as a means of subsistence since there are no alternative opportunities for them to obtain better employment outside the house, or those that do exist are unacceptable. This category of women entrepreneurs is referred to as need entrepreneurs in the 2007 study of the Global Entrepreneurship Monitor (GEM), which is based on a survey conducted in 41 countries, including emerging nations in Asia and Latin America. Women who run their own enterprises because there are chances in the market for them to increase their income are referred to as opportunity entrepreneurs. The paper demonstrates that the ratio of need-to-opportunity entrepreneurship is substantially larger in low-income/poor nations compared to high-income countries, as is widely predicted.

Therefore, women’s empowerment policies through full access to education and business opportunities are also integrated with the poverty alleviation policy. It is hoped that with access to business opportunities, women will have the opportunity to develop their entrepreneurship and, at the same time, increase the source of household income and hence reduce household poverty.

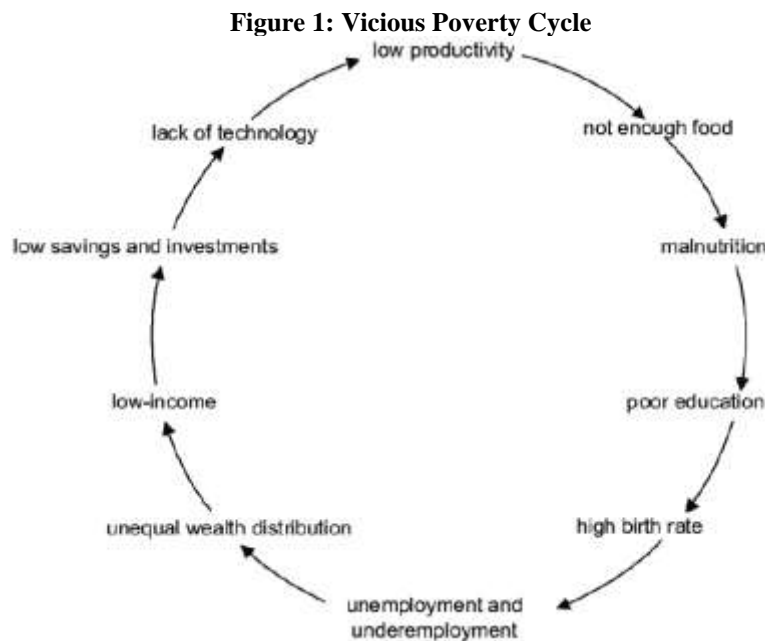
Based on the background above, this chapter aims to examine poverty in Indonesia from an economic approach and discusses the essentiality of women's involvement in the economic activities of business owners or entrepreneurs in efforts to achieve inclusive economic growth, whose impact is poverty reduction.

## II. ECONOMIC THEORY OF POVERTY

### A) Determinant Factors

There are three factors that cause poverty when viewed from an economic standpoint (Sharp et al., 2000; Husnah, 2023). First, poverty occurs due to differences in patterns of ownership resources, which results in the distribution of income in an unequal manner. Poor people only have access to scarce and inferior resources. Second, disparities in the calibre of Human Resources (HR) contribute to poverty. Low productivity and low-quality human resources all contribute to low earnings. Poor education, unfortunate circumstances, and racial prejudice are the main causes of the low quality of human resources. Third, disparities in access to capital contribute to poverty.

From the explanation of these three factors, everything boils down to the theory of the Vicious Circle of Poverty that ensnares poor people. The causes include a low level of real income, causing a lack of ability to save and a lack of capital capacity for investment, which causes low productivity, resulting in a low level of income. This incident continues to circle, which makes it difficult for the poor to get out of poverty if there is no intervention from outsiders (Nurkse, 1961). The poverty trap has become a barrier for someone to get access to good and decent education and health. This condition is weakened by the poor condition of infrastructure that does not support its activities and the lack of access to electricity and its supporters. This is exacerbated by other factors that lead to a person's low productivity, which then leads him back into poverty (Husnah, 2023). This reciprocal relationship is called the vicious cycle of poverty (Figure 1).



*Source: Ongkiko dan Flor (2006)*

### B) Economic Growth and Poverty

Similar to the scenario of economic development with unequal income distribution, the theoretical underpinnings of the link between income per capita or economic growth and poverty levels are the same. According to Kuznets' theory, the rate of poverty tends to rise in the initial phases of an economic growth process and progressively declines as the ultimate stage of advancement draws near. Of course, there are many other factors besides economic/income growth that also have an impact on the degree of poverty in a region/country, whether directly or indirectly. Examples include the level of education of the population or workforce, the rise in job opportunities brought about by economic growth (the size of the economic growth elasticity), economic structure, prices, and so on.

There have been quite a number of empirical studies with various analytical approaches, including cross-country analysis, examining the link between poverty and economic growth, and the findings indicate that there is, in fact, a significant correlation between the two macroeconomic factors. For example, Hasan and Quibria (2002) empirically tested the impact of

sector-specific output growth patterns on poverty reduction using panel data from 45 countries in East and South Asia, Latin America, the Caribbean, and Sub-Saharan Africa. The findings indicate that there's a negative relationship between income and poverty levels: the lower the poverty rate, the higher the per capita income levels. In other words, nations with higher per capita national income levels typically have lower rates of poverty than nations with lower per capita national income levels. According to the study's findings, East Asia has the largest elasticity of income growth relative to poverty, followed by Latin America, South Asia, and Sub-Saharan Africa. In light of these findings, poverty would thus decrease by 1.6 percent in East Asia and 0.71 percent in Sub-Saharan Africa with every 1 percent increase in per capita PN.

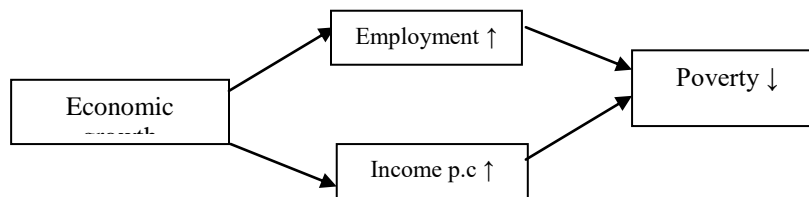
The estimation results from Dollar and Kraay (2000) show GDP elasticity growth of the per capita income of the poor is 1 percent, which means that an average output growth of 1 percent creates a 1 percent increase in the income of the poor. Meanwhile, the estimation results from Timmer (1997) using the same econometric techniques report that the elasticity is only around 8 percent, which means less than the proportional benefit for the poor from economic growth. Numerous additional studies, like one from the World Bank (2005) that also demonstrate a conflict between poverty and economic growth, complement the findings of this calculation.

So, the current academic debate about the key question is whether economic expansion benefits the poor in terms of the link between growth and the elimination of poverty. In the late 1990s, the term 'pro-poverty growth' (PPG) gained prominence when economists began to analyze policy packages that could achieve faster poverty reduction through economic growth and changes in income distribution. PPG is generally defined as economic growth that results in a significant reduction in poverty. In an effort to provide analytical and operational relevance to the concept, two approaches appear in the literature. The first strategy is based on the idea that economic expansion, especially when it is lopsided, unquestionably benefits the poor. That is, economic development is beneficial to the poor if it is accompanied by a decline in inequality or, to put it another way, if it results in an increase in the percentage of income earned by the poor. This approach is also called the relative definition of PPG. While intuitively appealing, this approach or definition is limited, especially when applied within an operational context. In PPG's definition, growth can reduce inequality. However, by focusing too heavily on inequality, a policy package can produce suboptimal outcomes for both groups of households, poor and non-poor households, or the rate of poverty reduction could be lower (World Bank, 2005).

The second approach focuses on the rate of growth acceleration increase in the incomes of those in poverty by economic growth that is more rapid and by giving them more possibilities to take part in growth, which results in increasing the rate of poverty reduction. Empirical evidence suggests that economic growth is the main driver of the PPG rate, but changes in inequality can increase or decrease the rate. Thus, accelerating the pace of PPG requires not only more rapid growth but also efforts to enlarge the capacities of the poor to take advantage of the opportunities created by economic growth. With an emphasis on accelerating the pace of poverty reduction, this approach is consistent with the commitment of the world community to the first Millennium Development Goal (MDG), which is to cut the number of people on Earth in half who live on less than 1 US dollar per day (so-called extreme poverty) between in 1990 and 2015. In 2016, the MDGs were continued with the Sustainable Development Goals (SDGs), and poverty reduction remains one of the goals that must be achieved by all UN member states.

The findings of the studies cited above regarding the connection between economic growth or higher output and poverty lead to a fundamental mindset, namely that economic growth has a trickle-down effect that results in more employment opportunities or lower unemployment as well as a rise in the wages/income of the poor. Economic growth may be a powerful weapon for reducing poverty if the proper structures are in existence to promote the "downstream" transmission of benefits reaching the poor (Figure 2)

**Figure 2: Theoretical Framework: "Pro-Poor" Economic Growth and Poverty Reduction**



### C) Entrepreneurship and Poverty

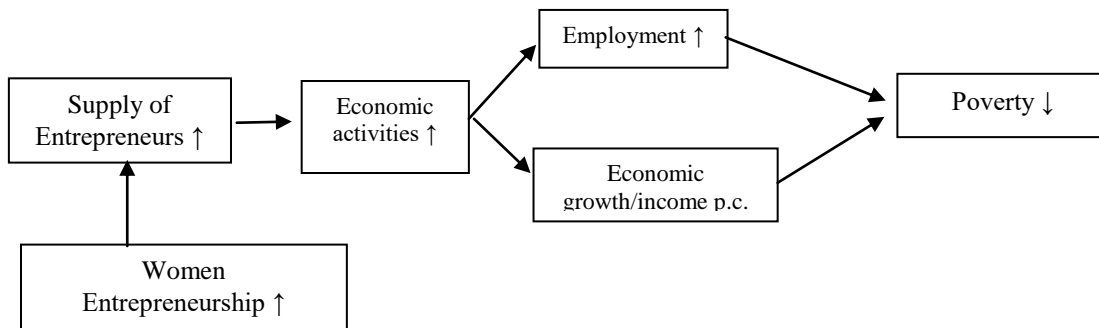
But to drive economic activity apart from skilled workers, technology, and funds, entrepreneurs are also needed. As a result, entrepreneurial growth should be seen as a weapon for tackling poverty. The introduction of new inventions for boosting production efficiency, the creation of new employment in the nation, an increase in population income, and an improvement in

the socioeconomic development of the nation are all benefits of entrepreneurship. As a result, it helps to lower the number of individuals living in poverty in the nation. (Azamat et al., 2023).

Findings from many studies, e.g. Minniti (2013), Audretsch and Keilbach (2004), Adenutsi (2009), Acs (2006), Slivinski (2015), Nistotskaya and Cingolani (2016), and Azamat et al. (2023) shows that worldwide, entrepreneurship significantly and favourably contributes to the fight against poverty. Additionally, incentives for entrepreneurship development boost the effectiveness and ability of entrepreneurial actions to fight poverty.

In Indonesia, the vast majority of the impoverished reside in rural regions and come from tiny agricultural families who do not have their own land (called farm laborers) and with very small land of less than 0.5 hectares. Another part of the poor population are families without a source of income because the head of the household is unemployed and those who have very low and uncertain incomes, such as construction workers, fishermen, bus or truck drivers, janitorial workers, hawkers, market traders, and other activities. Other activities in the informal sector. Therefore, it is believed that if these poor families can have a second source of income or a more stable income by providing opportunities for women (wives or daughters after graduating from school) to open their own businesses, this will certainly greatly help increase the income of poor households. In other words, women must also have the opportunity to take part in the supply of entrepreneurs (Figure 3).

**Figure 3: Theoretical Framework: Growth of Women Entrepreneurship and Poverty Reduction**



### III. EVIDENCE

#### A) *Economic Growth and Poverty*

Economic growth during the New Order era (1966-1998) and since the recovery from the 1998 Asian financial crisis until the Jokowi era (Figure 4) made a significant contribution to the decrease of poverty (as determined by the proportion of the population that lives below the poverty line) in Indonesia, as can be seen in Table 2. With the exception of September 2013, March 2015, March 2020, and September 2020, Indonesia's poverty rate has generally declined between March 2011 and March 2023, both numerically and proportionally. The rise in the price of basic necessities as a result of the rise in the price of fuel oil was what caused both the percentage and the number of impoverished people to rise between September 2013 and March 2015. Meanwhile, the COVID-19 epidemic that struck Indonesia was the cause of the rise in the number and proportion of impoverished people between March 2020 and September 2020. In March 2023, there were 25.90 million people living in poverty in Indonesia, making up about 9.36% of the whole population.

**Figure 4: Indonesia's Economic Growth, 1970-2022**



Source: BPS (<http://www.bps.go.id>)

**Table 2: Poverty in Indonesia, 1976-2023**

Year	Number of Poor People (Million)			Percentage of poverty		
	Urban	Rural	National	Urban	Rural	National
1976	10.00	44.20	54.20	38.79	40.37	40.08
1980	9.50	32.80	42.30	29.04	28.42	28.56
1984	9.30	25.70	35.00	23.14	21.18	21.64
1987	9.70	20.30	30.00	20.14	16.14	17.42
1990	9.40	17.80	27.20	16.75	14.33	15.08
1996	9.42	24.59	34.01	13.39	19.78	17.47
1998	17.60	31.90	49.50	21.92	25.72	24.23
1999	15.64	32.33	47.97	19.41	26.03	23.43
2000	12.30	26.44	38.74	14.60	22.38	19.14
2001	8.60	29.27	37.87	9.76	24.84	18.41
2002	13.30	25.09	38.39	14.46	21.10	18.20
2003	12.20	25.14	37.34	13.57	20.23	17.42
2004	11.30	24.85	36.15	12.13	20.11	16.66
2005 <sup>1)</sup>	12.40	22.70	35.10	11.68	19.98	15.97
2006 <sup>2)</sup>	14.49	24.81	39.30	13.47	21.81	17.75
2007 <sup>2)</sup>	13.56	23.61	37.17	12.52	20.37	16.58
2008 <sup>2)</sup>	12.77	22.19	34.96	11.65	18.93	15.42
2009 <sup>2)</sup>	11.91	20.62	32.53	10.72	17.35	14.15
2010 <sup>2)</sup>	11.10	19.93	31.02	9.87	16.56	13.33
2011 <sup>3)</sup>	10.95	19.06	30.01	9.09	15.59	12.36
2012 <sup>3)</sup>	10.51	18.20	28.71	8.60	14.70	11.66
2013 <sup>3)</sup>	10.39	18.21	28.60	8.42	14.28	11.46
2014 <sup>3)</sup>	10.51	17.22	27.73	8.34	14.17	10.96
2015 <sup>3)</sup>	10.65	17.86	28.51	8.29	14.21	11.13
2016 <sup>3)</sup>	10.49	17.27	27.76	7.73	13.96	10.70
2017 <sup>2)</sup>	10.67	17.10	27.77	7.72	13.96	10.64
2018 <sup>3)</sup>	10.13	15.54	25.67	6.89	13.10	9.66
2019 <sup>3)</sup>	9.86	14.93	24.78	6.56	12.60	9.22
2020 <sup>3)</sup>	12.64	15.51	27.55	7.88	13.20	10.19
2021 <sup>3)</sup>	11.86	14.64	26.50	7.60	12.53	9.71
2022 <sup>3)</sup>	11.98	14.38	26.36	7.53	12.36	9.57
2023 <sup>2)</sup>	11.74	14.16	25.90	7.29	12.22	9.36

Notes 1) February; 2) March; 3) September

Source: BPS (<http://www.bps.go.id>)

Table 3 demonstrates how the number and proportion of Indonesia's impoverished changes by province. There have been certain provinces where the poverty rate has dropped from the conclusion of the 1998–1999 Asian financial crisis up until the Jokowi era, although there have also been some provinces where poverty circumstances have stayed the same or worsened. The differences between provinces in many aspects, including the rate of growth in the economy (low or high) and its nature (whether it is labor-intensive, meaning economic growth develops many fresh job possibilities, or capital-intensive, meaning the rate of growth of employment opportunities is lower than the rate of economic growth), are to blame for this variation in changes in poverty between provinces. Economic structure (whether the economy remains agricultural or is dominated by non-primary sectors, specifically the manufacturing industry, which is the largest sector adding value to the economy), infrastructure conditions (quantitative and qualitative), size of the effect of the recession on the relevant province (which is determined, to various factors, by the transparency of the economy of the area concerned to the larger regional or global economy, and the province's preparedness for a shock to the economy). Besides these variables, the performance of a province in eliminating poverty is also significantly influenced by how poverty alleviation initiatives from the federal and regional governments are implemented at the provincial level, particularly in instances of crises.

**Table 3: Poverty by Provinsi Indonesia. 2013, 2017, 2021, 2023 (%)**

Povince	2013 <sup>2)</sup>	2017 <sup>2)</sup>	2021 <sup>1)</sup>	2023 <sup>2)</sup>
Aceh	17.60	16.89	15.53	14.45
North Sumatera	10.06	10.22	8.49	8.15
West Sumatera	8.14	6.87	6.04	5.95
Riau	7.72	7.78	7.00	6.68

Jambi	8.07	8.19	7.67	7.58
South Sumatera	14.24	13.19	12.79	11.78
Bengkulu	18.34	16.45	14.43	14.04
Lampung	14.86	13.69	11.67	11.11
Bangka Belitung	5.21	5.20	4.67	4.52
Kep. Riau	6.46	6.06	5.75	5.69
DKI Jakarta	3.55	3.77	4.67	4.44
West Java	9.52	8.71	7.97	7.62
Central Java	14.56	13.01	11.25	10.77
DI Yogyakarta	15.43	13.02	11.91	11.04
East Java	12.55	11.77	10.59	10.35
Banten	5.74	5.45	6.50	6.17
Bali	3.95	4.25	4.72	4.25
West Nusa Tenggara	17.97	16.07	13.83	13.85
East Nusa Tenggara	20.03	21.85	20.44	19.96
West Kalimantan	8.24	7.88	6.84	6.71
Central Kalimantan	5.93	5.37	25.16	5.11
South Kalimantan	4.77	4.73	4.56	4.29
East Kalimantan	6.06	6.19	6.27	6.11
North Kalimantan	Na	7.22	6.83	6.45
North Sulawesi	7.88	8.40	7.36	7.38
Central Sulawesi	14.67	14.14	12.18	12.41
South Sulawesi	9.54	9.38	8.53	8.70
Southeast Sulawesi	12.83	12.81	11.74	11.43
Gorontalo	17.51	17.65	15.41	15.15
West Sulawesi	12.30	11.30	11.85	11.49
Maluku	19.49	18.45	16.30	16.42
North Maluku	7.50	6.35	6.38	6.46
West Papua	26.67	25.10	21.82	20.49
Papua	31.13	27.62	27.38	26.03

Notes: 1) September, 2) March

Source: BPS (<http://www.bds.go.id>).

One thing that is clear from the data in Table 3 is that poverty in Indonesia is greater in the East than in the West. In accordance with PP No. 131 of 2015 concerning the determination of underdeveloped areas for the 2015-2019 period, several underdeveloped regions in Indonesia have reached 122, and most of them are indeed in eastern Indonesia. There are five provinces in the eastern region with the most underdeveloped areas, namely Papua, West Papua, Central Sulawesi, West Kalimantan, and West Nusa Tenggara (NTB).

Further, as can be seen in Table 4, in March 2023, Maluku and the Papuan Islands had the highest proportion of the poor, at 19.68 percent. On the other hand, the island of Kalimantan had the smallest percentage of the poor, at 5.67 percent. Yet, in terms of population, the majority of the poor continue to reside on Java Island (13.62 million), whereas Kalimantan Island has the least amount of impoverished citizens (0.97 million).

**Table 4: Percentage and Number of Poor Population by Island, March 2023**

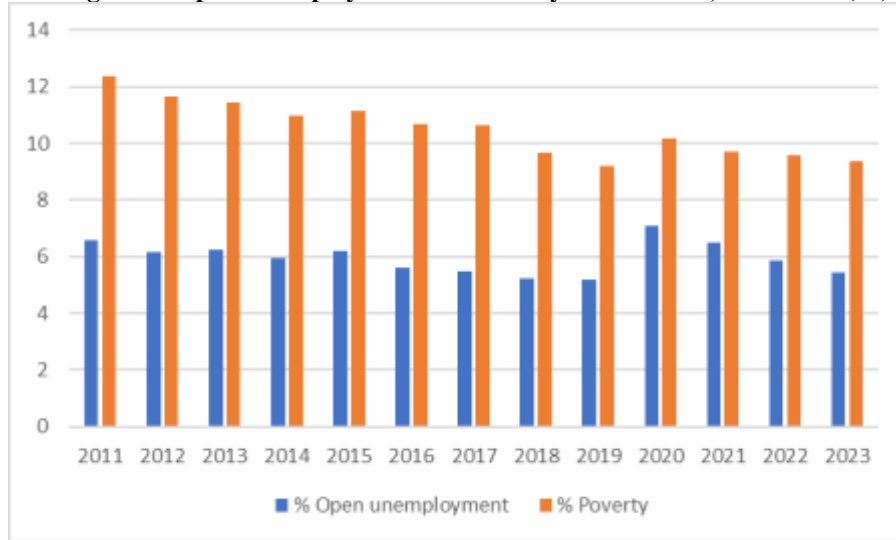
Island	% Poverty			Number of poor people (thousands)		
	Urban	Rural	Total	Urban	Rural	Total
Sumatera	7.97	10.33	9.27	2.20	3.47	5.67
Java	7.40	11.81	8.79	7.85	5.77	13.62
Bali & Nusa Tenggara	8.50	17.73	13.29	0.65	1.44	2.09
Kalimantan	4.45	6.88	5.67	0.38	0.59	0.97
Sulawesi	5.87	13.16	10.08	0.50	1.54	2.04
Maluku & Papua	6.13	26.73	19.68	0.16	1.35	1.51
Indonesia	7.29	12.22	9.36	11.74	14.16	25.90

Source: BPS (<http://www.bds.go.id>).

### B) Factors Causing Poverty

Determining a person's primary causes of poverty or a community group or a village is difficult because it has to distinguish between immediate and secondary effects, as well as distinguishing variables that are apparent or discernible and invisible. There are two factors that directly cause poverty, namely (i) lack, loss, or absence of job opportunities and (ii) low real wages/income. The first factor causes a person to have no source of income because he is not working. From an economic approach, Figure 5 gives the impression that, indeed, unemployment is the main cause of poverty. The second reason is a worker whose salary is insufficient to cover daily necessities or whose daily wage is below the official poverty level.

**Figure 5: Open Unemployment and Poverty in Indonesia, 2011-2023 (%)**



Note: for unemployment 2023: February; for poverty 2023: March

Source: BPS (<http://www.bps.go.id>)

In Indonesia, the ones that provide the most employment opportunities are microenterprises (MIEs). This is also the enterprise group with the largest proportion of women who own or manage businesses compared to other business groups. Nearly 99 percent of all businesses in Indonesia fall into this category, and they account for about 89 percent of all jobs created in the nation, according to statistics from the Indonesian State Ministry of Cooperatives and SMEs (Menegkop & UKM). (Table 5).

**Table 5: Number of Enterprises by Size and Their Workers by Sub-category in Indonesia, 2018-2019**

Description	unit of measure	2018		2019	
		Total	Share (%)	Total	Share (%)
-MIEs	Unit	63,350,222	98.68	64,601,352	98.67
-SEs		783,132	1.22	798,679	1.22
-MEs		60,702	0.09	65,465	0.10
LEs		5,550	0.01	5,637	0.01
-MIEs	People	107,376,540	89.04	109,842,384	89.04
-SEs		5,831,256	4.84	5,930,317	4.81
-MEs		3,770,835	3.13	3,790,142	3.07
LEs		3,619,507	3.00	3,805,829	3.08

Notes: MIEs= microenterprises; SEs=small enterprises; MEs=medium enterprises; LEs=large enterprises

Source: Menegkop & UKM (<http://www.depkop.go.id/>)

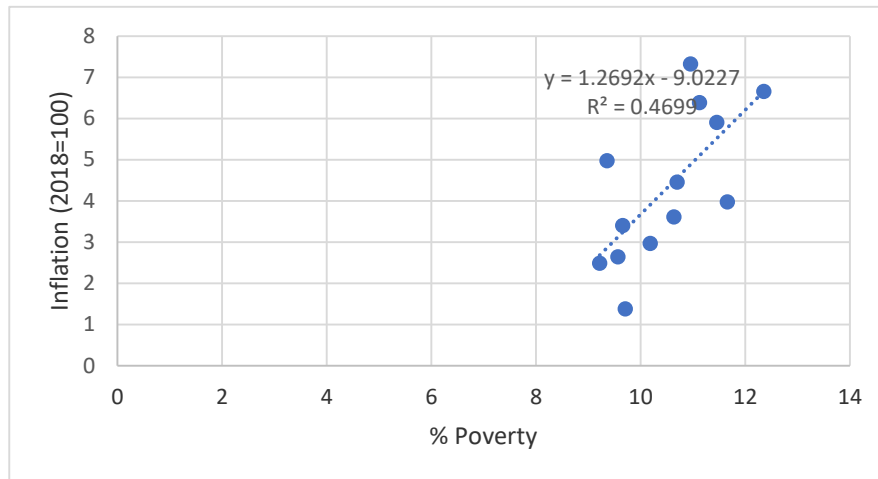
Furthermore, the absence of a job for someone can be caused by many factors, starting from the low education of the job seeker or not having the skills required so that his applications are always rejected or terminated for various reasons (for example, because the company closes, the volume of activity/production decreases, making mistakes huge, or as a result of technology advancements, where labor is no longer required for some sorts of work), there is no demand for new workers from existing companies (while there are no new companies), the job applicant's physical limits (health issues), or it might be the result of discriminatory practices based on a variety of criteria, including gender, race, religion, area, alumni, and others. These factors are considered the root causes of joblessness and poverty (With the assumption, of course, that the job applicant has no precious possessions like land, structures, or gold that keep him from being poor even though he is not working).



For instance, a slow economy or recession that prevents the formation of new businesses or even drives many current ones out of business and results in widespread employee layoffs are examples of the secondary reasons for a person's poverty, limited infrastructure or energy supply to an area so that there is no development in the area, due to limited or reduced agricultural land so that the volume of agricultural activities decreases, the job seeker has no chance to acquire the knowledge or skills necessary by the market (this may be because he hails from a low-income household or since there are no universities, polytechnics, or relevant courses in the area).

The direct cause of the low real income could be due to two possibilities. First, due to increases in the prices of basic necessities (inflation) while the value of nominal wages or monthly income (e.g. harvests) remains constant. So, this is a case where an increase in price causes wages or income in real value to fall (while the nominal value remains constant). The scatter diagram in Figure 6 confirms the presence of a favorable correlation between poverty and inflation.

**Figure 6: Scatter Diagram Inflation And Poverty 2011-2023 (March)**



**Source:** BPS (<http://www.bps.go.id>)

Second, the company had to cut wages due to declining sales, but the number of workers wanted to be maintained. Alternatively, the company does not cut workers' hourly or per-day wages but reduces working hours due to a decrease in production volume. In the case of agriculture, incomes decline as production declines or crops fail. This second approach is consistent with the idea that wages should be set according to productivity: the more output a worker creates each day, the higher their nominal daily compensation will be. As a result, in this instance, the actual worth of income is dropping due to a decline in its nominal worth rather than a rise in price.

While the factors that affect the low real wages/income indirectly are, for example, crop failure so that the prices of basic food needs increase, or the result of expansionary monetary policy (indicated by low-interest rates), which ultimately causes the inflation rate to increase, or the economy experience a sluggishness that causes sales to decline, or raw material prices increase sharply which forces reduction in production in companies, and many more. In the agricultural sector, it could be due to extreme weather (prolonged rainy/dry season) or pest attacks resulting in the failure of crops, land transfer, and others.

### C) Women Entrepreneurship

Recently, politicians, academics, and practitioners in Indonesia have been much more interested in female entrepreneurship. This is a result of the widespread acceptance that encouraging female entrepreneurship, particularly in rural regions, will lead to the development of numerous rural businesses, boosting local capacity to spur rural economic growth. In other words, female business owners may significantly contribute to the social and economic development of rural communities. What is more, the active participation of women in economic endeavors outside the home—not just as wage-paid workers, since they are frequently found in labor-intensive sectors in developing nations (such as textile and apparel, leather goods, food and beverages, and tobacco items), as well as proprietors or entrepreneurs—would have a major effect on reduction in poverty. Gender equality is the fifth Sustainable Development Goal (SDG)—achieve gender equality and provide all women and girls with the power to make decisions for themselves and female entrepreneurship development empowers women and brings gender equality (see discussion in, e.g. UN-DESA, 2020; Lessidrenska, 2019; Liu, 2020; OECD, 2017).

Because of factors including simple entrance requirements, flexible work schedules, production methods that allow women to run a business while performing their traditional home tasks, low capital requirements, and no demand for highly educated individuals, more women entrepreneurs are found in micro and small enterprises (MIEs and SEs) than in medium enterprises (MEs). MIEs and SEs have characteristics that are suitable for women, especially those who are married, have children, and have low education (Table 6).

**Table 6: Main Characteristics of MIEs, SEs, and MEs in Indonesia.**

Aspect	MIEs	SEs	MEs
Formality	Operate in the unlicensed, unregulated, and tax-free industry	Some are registered, work in the formal economy, and pay taxes.	They all pay taxes, work in the formal sector, and are registered.
Location	Majority in villages and rural regions	Many in urban areas/cities	Mostly in urban areas/cities
Organization & management	- run by the owner - no internal labor division - no formal management & the accounting system (bookkeeping)	- run by the owner - no labor division (majority), - no formal management and accounting system (bookkeeping)(majority)	- many hire professional managers, - many have labor division, formal organizational structure and formal accounting system (bookkeeping)
Nature of employment	most people employ unpaid family members	Some employ wage workers.	- all hire wage laborers - some have a formal recruitment system
Nature of the production process	- degree of mechanization very low/mostly manual - level of technology very low	Some people employ modern equipment.	Many are highly mechanized or have access to current technologies.
Market orientation	most sell to local customers and people with limited financial resources.	- many sell to the national market and export - many serve middle to high-income group	- all sell to the national market, and many also export - all serve middle and high-income consumers
Social and economic profiles of owners	- low or uneducated - from poor households - main motivation: survival	- some have a good education and are from non-poor households - many have business/profit motivation	- the majority have a good education - many are from wealthy families - main motivation: profit
Sources of inputs	- the bulk spend their own money and local raw resources	- some imported raw materials - some people have possession of banks and other types of official credit organizations.	- many use imported raw materials - most people can obtain official credit sources
External networks	- the majority lacks business connections with LEs as well as entry to government initiatives.	- many have positive economic relationships with LEs, including MNCs and FDI, and they enjoy favorable connections with government agencies.	- the majority have good access to government programs - many have business linkages with LEs (including MNCs/FDI)
Entrepreneurship level of the owner	Very low	Low to middle	High
Women entrepreneurs	The ratio of female to male entrepreneurs is the most high	The ratio of female to male entrepreneurs is high	The ratio of female to male entrepreneurs is low

**Source:** Tambunan (2009a,b).

Therefore, MIEs and SEs are typically regarded as the ideal locations for women to become entrepreneurs in rural areas. Of course, the extent to which the traits mentioned above of these enterprises vary depending on the sort of economic activity or industry. For instance, MIEs and SEs in the food and beverage sectors require less capital and less trained workers to operate than sectors generating electronics or vehicle components. It is unsurprising that women entrepreneurs initiating MIEs or SEs only a few industries, including food and drink, handicrafts, footwear, and leather goods, are concentrated in nations that are developing.

However, as a way of surviving, many women in MIEs and SEs run their own enterprises; they are forced to do so since there are no alternative opportunities for them to obtain better occupations outside the home, or the ones that do exist are inadequate. This category of women entrepreneurs is referred to as need entrepreneurs in the 2007 study of the Global Entrepreneurship Monitor (GEM), which is based on a survey conducted in 41 countries, including emerging nations in Asia and Latin America. Women who run their own enterprises because there are opportunities in the market to increase their income are referred to as opportunity entrepreneurs. The paper demonstrates that the proportion of necessity to chance

entrepreneurship is substantially larger in low-income/poor nations than in nations with high incomes, as is widely predicted. The fraction of people who are motivated because they have no better options for employment is known as being economically necessary. The proportion of people who are driven to follow the opportunity is referred to as market/business opportunity-based. Utilizing a business opportunity or holding a job while looking for a better one are examples of it. Table 7 demonstrates that more men than women in Indonesia were early-stage entrepreneurs who were driven by necessity. The identical ratio was likewise shared by other polled ASEAN member states.

**Table 7: Necessity-motivated Entrepreneurship by Gender in Selected Southeast Asian Countries, 2015**

Member states	Female (% of total early-stage female entrepreneurial activities)	Male (% of total early-stage male entrepreneurial activities)
Philippines	60	85
Vietnam	70	71
Indonesia	76	81
Malaysia	80	86
Thailand	81	82

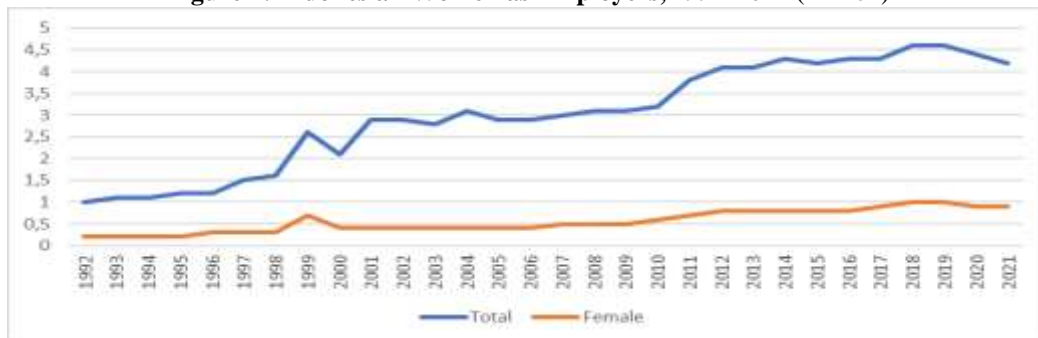
Source: GEM (2015).

Even while Indonesia's degree of female entrepreneurship development is still relatively low, particularly when compared to other developed nations, there remains room for improvement. According to data from the Ministry of Cooperative and SME, there was 1.65 percent of the nation's 253.61 million citizens who were entrepreneurs as of January 2015. This is the lowest percentage compared to other Asian and American nations. In addition, the available information suggested that Indonesian women's emergence as business owners or managers shared many characteristics with the trend in several other emerging nations despite the paucity of research and national data on the subject.

Yet, Tambunan (2009, 2015) found that Indonesian women were much less inclined than men to own firms, particularly ones with big staff counts. The initiator of the Global Entrepreneurship Program Indonesia (GEPI), Shinta Widjaja Kamdani, also verified that there were far fewer women business owners in Indonesia than men. When GEPI was fully founded in 2011, the announcement from ANTARA News.com, which could be accessed online, was made. (<http://www.antaraneews.com/en/news/89197/gepi-hopes-number-of-indonesian-female-entrepreneurs-up>) demonstrated that, over the past ten years, there has been a disparity between male and female entrepreneurs of about 30%. The gap was slightly narrow in 2000 to 26%, but then it climbed once more to around 36% in 2002, 37% in 2004, 38% in 2006, and 32% in 2008, and slightly increased once more in 2010 to roughly 34%. Sadly, the GEPI does not have more recent information on this gap in knowledge.

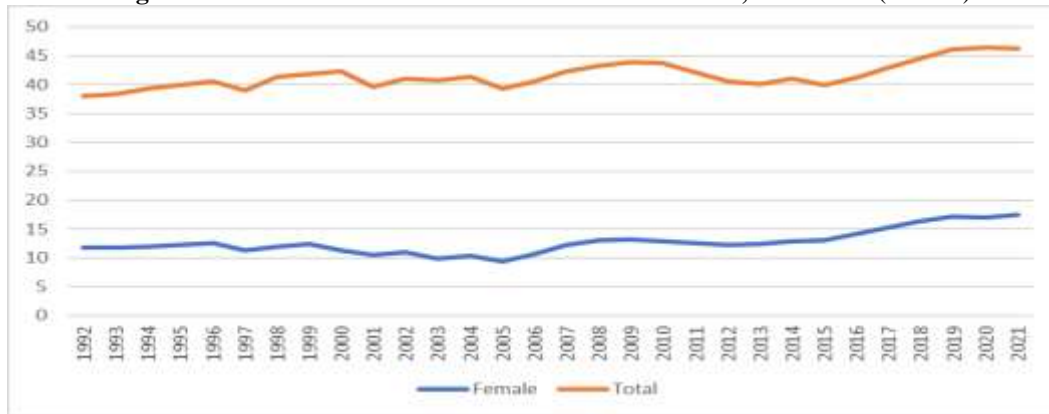
The ILO estimates also revealed that the proportion of female employers in Indonesia was extremely low, as evidenced by the reality that the number of female business owners with numerous workers or employees was quite low in comparison to those who worked on their own accounts. (Figures 7 and 8). With more women being found to be self-employed without paid staff, such as proprietors of curbside food stalls or tiny businesses with an average share of 30% per year, the number increased from an estimated 1.1 percent in 2001 to about 2 percent in 2020.

**Figure 7: Indonesian Women as Employers, 1992-2021 (million)**



Source: ILO (Key Indicators of the Labor Market: <http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm>).

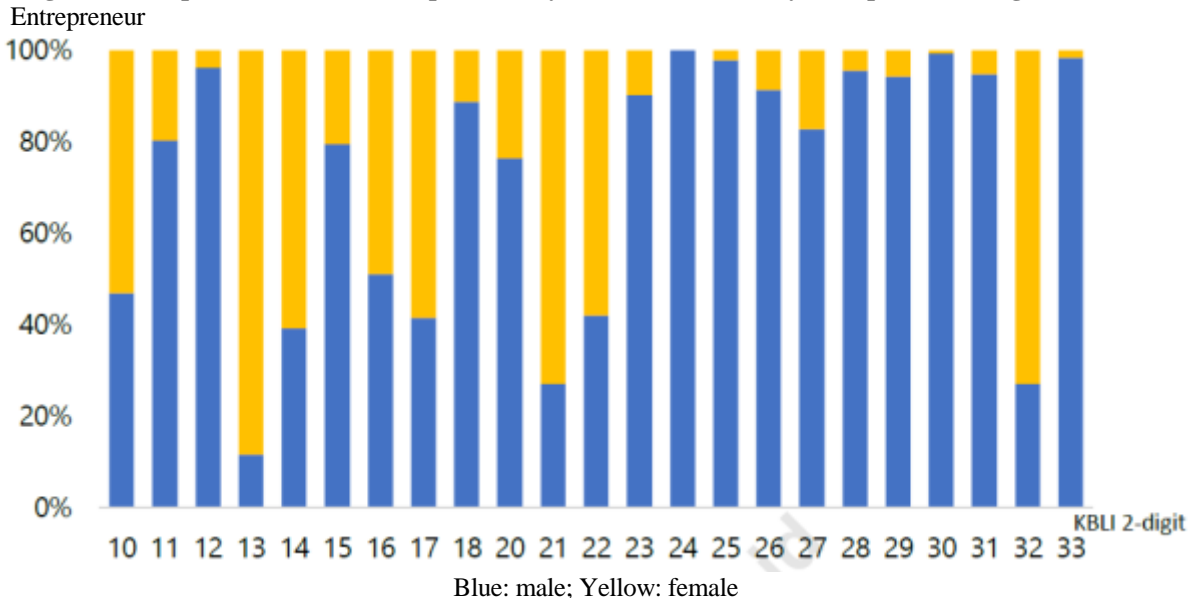
**Figure 8: Indonesian Women as Own-account Workers, 1992-2021 (million)**



Source: ILO (Key Indicators of the Labor Market: <http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.html>).

In the sector of manufacturing, according to the gender of entrepreneurs, the majority are male entrepreneurs, namely 52.68 percent of all MIEs and SEs (say MSEs). Even the entire base metal industry is led by male entrepreneurs (Figure 9). This phenomenon shows that the characteristics of this industrial group are usually carried out by men or are types of work that require a lot of physical strength. There are several industry groups that tend to be run more by women entrepreneurs than men, namely the food industry group, the textile industry, the apparel industry, the paper and paper goods industry, the pharmaceutical industry, medicines and traditional medicines, the rubber industry, goods from rubber and plastics, as well as other processing industries. The proportion of single entrepreneurs (where the entrepreneur is the owner as well as the worker) in the manufacturing industry of the type female sex is 67.85 percent greater than that of male entrepreneurs. The nature of the MSE business, which is minimal in capital, traditional, and can be operated in makeshift locations, also allows women who act as housewives to become MSE entrepreneurs. Meanwhile, more industrial groups (above 75 percent) are managed by single female entrepreneurs, including the textile industry (KBLI 13), the paper and paper goods industry (KBLI 17), the pharmaceutical, medicinal and traditional medicine industry (KBLI 21), other processing industries (KBLI 32), and the food industry (KBLI 10).

**Figure 9: Composition of MSE Entrepreneurs by Gender and Industry Group (KBLI 2-digits), 2020 (%)**



Note: KBLI Code: 10 for food, 11 for drinks. 12: processing of tobacco, 13: clothing, 14: clothing, 15: footwear, leather items, and leather clothing 16: woven items made of rattan, bamboo, and similar materials, as well as wood, wood goods, and cork (excluding furniture), 17: Paper and paper products, 18: Recorded media printing and replication, 20: chemicals and products made of chemicals, 21: drugs, chemical pharmaceuticals, and traditional medicines, 22: rubber, rubber-related products, and plastics 25: Non-machined metal products and their equipment, 23: non-metallic materials, 24: basic metals 26: electrical,

optical, and computer products 27: electrical apparatus, 28: YTDL machinery and equipment (others not included), Vehicles, trailers, and semi-trailers, 29 30: alternative forms of transportation 31: furniture; 32: other processing; 33: machinery and equipment installation and repair

**Source:** cited from Figure 6 in BPS (2021; p.40).

Unfortunately, there have not been many studies done on the advancement of entrepreneurs by gender in Indonesia, particularly ones that concentrate on the major obstacles women face in starting their own enterprises and the main issues women-owned businesses face. Among the scant research given is from Tambunan (2016, 2018), who, based on his research, came to the conclusion that Indonesia's low proportion of female entrepreneurs could be attributed to a range of the following factors:

(1) Indonesian women were badly disadvantaged in the economy and society due to their poor level of education and lack of training options. Women who resided in rural areas or relatively underdeveloped provinces were particularly affected. Many rural women spoke just their local tongue and never read newspapers, which severely limited their ability to interact with people outside of their community. Many parents in rural regions still have the conventional belief that (further education) is only for men; thus, there were still many social, cultural, and religious taboos that hindered women who could and should be entering higher education from doing so. The majority of MIEs with extremely low incomes were operated by women who had only completed their primary education. By region, Java, the most populous island, and Sumatera, the second-most significant island in terms of economic activities and population density, were home to more higher-educated female entrepreneurs than the eastern, least developed portion of the nation;

(2) heavy household chores. Women have more children overall, especially in rural areas, and they are more expected to fulfill their traditional roles as caregivers and homemakers than people in urban areas, particularly in big cities. Women entrepreneurs in Indonesia and other economically developing nations in the AP region must deal with gender-specific challenges like parental responsibilities, according to a 2013 study on accessibility to trade and the growth of women's MSMEs in the Asia-Pacific region (APEC), cited by Federica Gentile from UBI Business. (<http://www.ubibusiness.com/topics/business-environment/indonesian-women-entrepreneurs-a-catalyst-for-growth-/#.VIOW1FXotjo>);

(3) Legal, customary, cultural, or religious restrictions may exist that limit the scope of what women can do in terms of starting their own enterprises. Islamic-based values have a greater impact on women's daily lives, particularly in rural areas where Muslims make up the large majority of the population and where conditions are more remote from major cities like Jakarta. Due to this, rural women's conduct or attitudes were less receptive to the culture of "doing modern business" than those of men or metropolitan women. In such a culture, women were only permitted to perform their primary responsibilities as the partners and homemakers of their husbands. They were not permitted to create their own enterprises, work occupations requiring interaction with males, manage a business that employed men, or even leave the house alone. Marital status had a significant impact on the jobs that women chose. In Indonesia, for example, older and married women are more likely to be involved in unofficial businesses like trade or other endeavors that allow them to combine family duties and paid work. However, young single women who left rural areas are more likely to be found working as wage workers in businesses engaged in services and trade, and

(4) limited availability of loans from banks or other reputable lenders. Indeed, this is a major worry for Indonesian women's company entrepreneurs. Women in rural areas or outside of big metropolitan areas like Jakarta and Surabaya are shown to have greater difficulties with this. Due to ownership restrictions, women are unable to own property and, as a result, cannot provide the type of collateral that is typically needed to get bank loans. In Indonesia, Men are still seen as the owners or inheritors of family assets, including land, businesses, and homes, since they are still seen as the family's head. The majority of Indonesian women company owners operate with a high degree of financial independence. Few women, especially in rural regions, used bank credits.

All of these limitations result in the exclusion of women from entrepreneurial activities, which many women frequently see as the first step toward independence, self-esteem, and the freedom to make their own decisions. Even when they run their own companies, women frequently defer to their husbands or other family members when making important business choices. As their companies expand, many also give these other family members more authority. Such restrictions on women's daily lives are evident in rural Indonesian society, particularly in rural areas where Islamic standards are strongly held, and they are somewhat remote from major towns. In such a culture, women must completely uphold their fundamental obligations as the partners and housewives of their husbands. Because of this, rural women's conduct or attitudes are less receptive to the culture of "doing modern business" than men (or metropolitan women). However, such discrimination is not systematically defined by religion per se. All major religions flexibly interpret the roles of women in society. (Jütting and Morrison, 2005).

#### IV. CONCLUSION

Many factors cause poverty directly and indirectly. However, from an economic approach, the two most important factors are the absence of job opportunities and business opportunities. Here is the importance of entrepreneurship. They, as entrepreneurs, drive the wheels of the economy through creativity and innovation, which in turn create job opportunities, increased income, and further economic growth. Government officials are also aware that entrepreneurship is one of the crucial inputs in a production function, no longer just labor and capital, as in the classical production function model. And specifically, to accelerate poverty reduction, women's entrepreneurship is also very important, especially in rural areas, which are usually centers of poverty.

It can be said that the Indonesian government has been quite successful in reducing the poverty rate since the early 1970s until now. However, what really needs to be considered is whether those who manage to get out of the poverty line actually move away from the prevailing poverty line or are just right above it. Those who are just above the poverty line, say because their wages have increased slightly or there is an opportunity for a minimum-paid job, are very vulnerable to the slightest shock, for example, due to rising food prices due to the prolonged hot summer. They could soon fall back into poverty.

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