





PIP’s Ultra-Micro Loan Initiative

Women-led ultra-micro, micro, small, and medium-sized enterprises (MSMEs) are central to Indonesia’s economy, contributing 61% of GDP, with most women entrepreneurs operating ultra-micro businesses. Despite their importance, these businesses face a \$6 billion financing gap driven by collateral requirements and limited access to formal credit. The challenge is particularly acute outside Java, where access to government-subsidized ultra-micro (UMi) loans has historically been concentrated—70% of loans were disbursed on Java as of 2020—leaving poorer regions underserved.

In response, the Government Investment Unit (PIP) worked with ministries and financial institutions to expand access for women entrepreneurs beyond Java. Research revealed that many women in these regions are “entrepreneurs by necessity,” relying heavily on informal finance. This evidence informed program adjustments, including partnerships and pilots to tailor financial products and outreach, as well as a 2022 mandate requiring greater loan allocation outside Java. Early results are encouraging: by September 2023, over 597,000 women in underserved regions had accessed UMi financing, though further evaluation is needed to assess long-term impacts on resilience and business growth.

Quick facts

Barriers addressed

- 
Institutional Norms & Practices
Lack of strategic focus on women customers
- 
Entry & Capability Barriers
Low data footprint among women
- 
Product & Market Design
Inflexible product terms
- 
Digital & Physical Infrastructure
Distance from financial service points
Lack of diversity in distribution channels

Segment focus

1 2 3 4

Customer Journey Relevance



Geography

Indonesia

Key stakeholders involved

Pusat Investasi Pemerintah
Women's World Banking

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Key activities

PIP took the lead in shaping policy and operational responses, informing mandates, strengthening program design, and building momentum for expanding UMi loan distribution beyond Java. The main activities were:

- **Strengthening equitable loan distribution across geographies:** Introduced mandates requiring channel partners to allocate loan portfolios outside Java.
- **Profiling ultra-micro entrepreneurs:** Conducted research that segmented ultra-micro entrepreneurs into three categories ("entrepreneur by necessity," "stable entrepreneurs," and "growth-oriented entrepreneurs"). Insights highlighted the particular vulnerabilities of women outside Java and informed subsequent policy discussions.
- **Engaging policymakers and stakeholders:** Convened ministries and development actors in a national forum to share findings and explore pathways for expanding access for women ultra-micro entrepreneurs.
- **Integrating evidence into policy recommendations:** Women's World Banking, drawing on PIP data, developed policy brief for

Ministry of Finance recommending measures to address regional disparities and promote equitable distribution of UMi financing.

Outcomes/results

The pilot phase, launched in 2022 in partnership with BRI, aimed to test how tailored financial services and advisory support could expand loan access and promote savings among ultra-micro entrepreneurs. Drawing on earlier research that identified distinct customer segments, the pilot focused on the most vulnerable group—women entrepreneurs by necessity, who relied heavily on informal financing. The pilot provided important **operational insights** into how product design and advisory services could better meet the needs of underserved women, and **confirmed the viability of scaling** such approaches through PIP's broader loan distribution system.

In 2022, PIP mandated that its channel partners, including PT Pegadaian and PNM, allocate at least **40% of their UMi loan portfolios to customers outside Java**. This embedded geographic equity into the national program and marked the transition from pilot testing to large-scale policy implementation.

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By September 2023, more than **826,000 women entrepreneurs in underserved regions had accessed subsidized UMi loans**. This exceeded initial expectations and represented a meaningful correction to the long-standing concentration of subsidized loans on Java Island. The combination of pilot insights and national mandates not only delivered measurable outreach but also demonstrated that policy change can drive rapid gains in women's access to finance at scale.

Key enabling environment factors for the intervention

- **Robust engagement with government:** Deliberate engagement of the Ministries of Finance, of Cooperatives and SMEs, and of Social Affairs, as well as other government bodies ensured research insights were visible in policy debates and helped build momentum for equitable loan distribution.
- **Partnerships with financial institutions:** PIP's relationships with its channel partners, Pegadaian and PNM, translated policy concepts into operational tests and mandates for expanding loan portfolios beyond Java.

Key design elements and principles that led to successful outcomes

- **Deep market research on ultra-micro entrepreneurs:** Women's World Banking and PIP jointly studied the financial behavior, resilience, and constraints of ultra-micro entrepreneurs, segmenting them into distinct categories with specific vulnerabilities and design needs. The findings helped frame discussions on how national loan programs could better address women's needs in underserved regions.
- **Policy engagement:** Fora and discussions that engaged government actors enabled research visibility and uptake. Research findings and advisory work were also translated into a policy brief and informed PIP's operational mandates.

Potential for scale/replicability

The approach used in this project offers opportunities for replication within Indonesia and in other countries facing similar challenges. Its success was rooted in evidence-based research, strong government partnerships, and alignment with national policy priorities, making it adaptable to contexts where enabling conditions are present. By anchoring the initiative in a public program, it leveraged policy

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traction and institutional reach, while research-driven insights provided a practical framework for targeting underserved groups and informing resource allocation. Crucially, the translation of evidence into policy mandates illustrates a pathway for achieving system-level change, where data and advisory support can directly shape program design, distribution strategies, and government priorities in other markets.

Challenges encountered during the program

Several challenges complicated implementation and measurement, which highlight the limitations of relying on non-binding mandates and the persistence of regional disparities. Key challenges included:

- **Non-binding mandate at the outset:** The presidential directive to distribute UMi loans outside Java was initially non-binding, leading to inconsistent application until PIP formalized operational mandates in 2022 requiring channel partners to allocate 40% of their loan portfolios outside Java.
- **Persistent regional disparities:** Even with new policies in place, underserved areas outside Java continued to face limited access

to financial services, reflecting structural gaps that mandates alone could not fully resolve.

Recommendations from the research

The experience of expanding UMi loan access outside Java offers transferable lessons for others working to advance women's financial inclusion. These lessons highlight strategies that increase the likelihood of success and pitfalls to avoid.

- **Integrate multiple levers of change:** Combining applied research, advisory work with financial institutions, and structured policy dialogue is more effective than relying on one approach alone. A multi-pronged strategy builds a stronger evidence base and a more compelling case for reform.
- **Bring policymakers in early, not late:** Engaging ministries and regulators from the start of research creates ownership of findings and increases the chance that evidence will translate into concrete policy action.
- **Use joint platforms to build credibility:** Co-hosted events and shared dissemination spaces with government stakeholders lend legitimacy, create visibility, and help align actors around a common agenda.

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- **Recognize that change is collective:** No single organization can claim outcomes of this scale. Success requires government leadership, sustained advocacy, and alignment across ministries, regulators, and financial institutions. Building coalitions is as important as generating evidence.

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