LEVERAGING DIGITALIZATION TO COPE WITH COVID-19
AN INDONESIAN CASE STUDY ON WOMEN-OWNED MICRO AND SMALL BUSINESS

> 90% of the Indonesian work force are employed in micro and small businesses (MSBs)

MSBs contribute 58-61% of the GDP of Indonesia

Almost half of all MSBs are women-owned or position women as a key operating role

Overview of the COVID-19 impact on MSBs in Indonesia
(data: Statistics Indonesia)

Proportion of MSBs, by size and sex of the owner (percentage, n= 35,000 approx.)

30% Women-owned small business
70% Men-owned micro business

42% Women-owned micro business
58% Men-owned small business

Women-owned businesses are more likely to make use of the internet to sell products.

The COVID-19 crisis will continue pushing many business into digital realms, to expand access to a wider customer base.

Proportion of businesses that use the Internet to sell products, by business size and sex of business owner (percentage, n= 35,000 approx.)

Men-owned micro business
Women-owned micro business

61% Does not use the internet
48% Does not use the internet
46% Does not use the internet
32% Does not use the internet

39% Uses the internet
52% Uses the internet
54% Uses the internet
68% Uses the internet

Women-owned microbusinesses are likelier to diversify and move into different sectors, locations or products.

59% of microbusinesses that have diversified are women-owned.

52% of microbusinesses that are following health protocol are women-owned.
Digitalization alone is not enough to help MSBs survive the pandemic. Men MSB owners are more likely to apply a wider range of strategies to combat revenue loss, with greater access to finance and assets compared to women.

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Digital platform benefit to coping with COVID-19
(data: quantitative survey)

Digitalization has prompted business to go digital. Younger and women-owned business are using a wider array of digital solutions.

Younger business are more likely to use a variety of digital tools, beyond digital platforms.

Messing apps and social network systems are particularly popular among MSBs.

Proportion of MSBs using multiple digital platforms to operate, by age of the business (percentage, n=1,885)

<table>
<thead>
<tr>
<th>Age of Business</th>
<th>Up to 3 platforms</th>
<th>More than 3 platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>46</td>
<td>50</td>
</tr>
<tr>
<td>Between 1 year and 3 years</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>More than 3 year</td>
<td>22</td>
<td>18</td>
</tr>
</tbody>
</table>

Proportion of MSBs using at least one platform besides Gojek, by sex of the owner (percentage, n=1,800)

<table>
<thead>
<tr>
<th>Type of Platform</th>
<th>Women owned</th>
<th>Men owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other platforms</td>
<td>92</td>
<td>90</td>
</tr>
<tr>
<td>Only one digital platform</td>
<td>10</td>
<td>8</td>
</tr>
</tbody>
</table>

Proportion of MSBs using other digital tools for online business, by sex of the owner (percentage, n=1,632)

<table>
<thead>
<tr>
<th>Digital Tool</th>
<th>Women owned</th>
<th>Men owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social messaging app (Whatsapp)</td>
<td>71</td>
<td>68</td>
</tr>
<tr>
<td>Social network system (Instagram/Facebook/Twitter)</td>
<td>70</td>
<td>69</td>
</tr>
<tr>
<td>Other apps</td>
<td>52</td>
<td>58</td>
</tr>
<tr>
<td>E-commerce or website</td>
<td>21</td>
<td>20</td>
</tr>
</tbody>
</table>

What are the key coping strategies for MSBs to deal with the effects of COVID-19?

1. Digital platforms have been a useful coping strategy for more than 80% of MSBs that use them.
2. Digital solutions are enabling business owners to better balance home and work responsibilities at a time when domestic and care work are crucial. 82% of women noted that using digital solutions, to run their businesses helped them take care of their domestic and family responsibilities.
3. MSBs are making adjustments to deal with revenue drops, but women-owned MSBs have fewer options. Some of the most popular coping strategies include sourcing cheaper input products.
4. To cope with pay cuts, women and men are making sacrifices in their personal lives. Single mothers are making the largest efforts in cutting expenses. 26% women engaging in informal businesses chose not to see a doctor when in need.

Proportion of people that implemented personal coping strategies since the onset of COVID-19, by sex and marital status (percentage, n=1,685)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least one person in my household had to drop out of school due to financial constraints</td>
<td>2 (Single parent)</td>
<td>3 (Single parent)</td>
</tr>
<tr>
<td>Reduced expenses on communication (e.g. phone, internet, etc.)</td>
<td>10 (Single parent)</td>
<td>22 (Single parent)</td>
</tr>
<tr>
<td>Ate less or asked my family to eat less</td>
<td>29 (Married Women)</td>
<td>35 (Married Men)</td>
</tr>
<tr>
<td>Spent less money on food, clothes or leisure</td>
<td>36 (Single parent Woman)</td>
<td>49 (Married Woman)</td>
</tr>
<tr>
<td></td>
<td>78 (Single parent Woman)</td>
<td>68 (Married Woman)</td>
</tr>
<tr>
<td></td>
<td>3 (Single parent Man)</td>
<td>71 (Married Man)</td>
</tr>
</tbody>
</table>
HOW DOES DIGITALIZATION HELP MICRO & SMALL BUSINESSES TO COPE DURING THE PANDEMIC?

Digital platforms are helping MSBs cope with the pandemic. However, the extent to which digitalization could help depends on their business characteristics, complementary business strategies, and external factors.

The extent to which digital platforms can be helpful for business survival depends on the characteristic of their business.

Necessity Business Owner
"I need to make a living and starting a business is the most viable option.*

Growth-oriented Business Owner
"I see an opportunity and I am confident that I can grow my business.*

Policy makers often group micro and small businesses into one large category, but understanding their characteristics can help us better understand their distinct needs and design more effective services.

Women play an essential role in necessity businesses, including in those owned by men. Their ability to use digital platforms for business is affected by the division of their business and domestic responsibilities within their household.

Being on a digital platform helps when women and men MSB owners use complementary business strategies to ensure that they remain competitive in the platform.

Strategy #1: Signing up to the digital platform for the first time*

Strategy #2: Changing the scope of business to cater to customer preference in the area.

Strategy #3: Improving service for other users in the platform ecosystem to remain competitive in the platform.

Strategy #4: Using other digital applications to direct more customers to the platform.

*for new/first time user only. MSB owners consider signing up to be the easiest part of digitalization.

The extent to which digital platforms can be helpful for survival also depends on a number of external factors, which particularly affect women necessity business owners.

Smartphone Ownership
MSBs understand that speed of response is one of the requirements to be competitive on digital platforms, and not having a dedicated smartphone can put them at a disadvantage - which is a case for many women necessity business.

Technology Facilitator
Both women and men MSBs owners benefit from having younger generation guide them through the process of adopting digital platforms. Women in necessity businesses find that having technology facilitators, usually someone in the family, helps them manage the increased workload that comes with using digital platforms.

Business Location
Businesses do better on digital platforms if their location is quite close to the platform customer base, often in city centers, because it decreases delivery time and cost. We observe how location can be a disadvantage particularly among necessity MSBs owners living in peri-urban areas outside of Greater Jakarta.
CONCLUSION

It is critical to integrate a gender perspective into the National Economic Recovery Programme (PEN) in response to the COVID-19 pandemic. Women and men should equally benefit from new economic opportunities, and in turn bring added value and accelerate economic growth as Indonesia moves towards recovery in 2021.

Digitalization is helping MSBs survive and even expand in some cases.

Young businesses (those began during the past year) are the most likely to be informal but are also much more adaptive in leveraging digitalization and innovation.

Women entrepreneurs and women-owned MSBs are more likely to diversify their business operations and have been more nimble in shifting the scope of their business (especially informal businesses).

As a result, they are benefiting the most from using digital platforms to cope with the negative impact of the COVID-19 pandemic. Digital solutions are helping business owners balance home and work responsibilities.

However, digitalization is not helping all types of business equally: the sex of the owner, the status of the business as formal or informal, the age of the business and whether the business is growth-oriented or necessity-based, all play a role.

In the context of the COVID-19 pandemic, digital platforms are particularly useful as they facilitate the process of acquiring customers, managing orders and delivering food. Nevertheless, these do not automatically simplify the rest of the business process, which still requires extensive production activities.

Pre-existing gender inequalities and unequal access to enablers for starting and expanding businesses result in differentiated access to these platforms and to the potential benefits associated with their use.