

Chapter **1**

Introduction

November 2022

This chapter should be cited as

ERIA Study team (2022), 'Introduction', in Giulia Ajmone Marsan, Amelia Litania, Lina Maulidina Sabrina, and Allison Sanders (eds.), *Empowering Women Entrepreneurs in Eastern Indonesia*. ERIA Research Project Report FY2022 No. 14, Jakarta: ERIA, pp.1-7.

Chapter 1

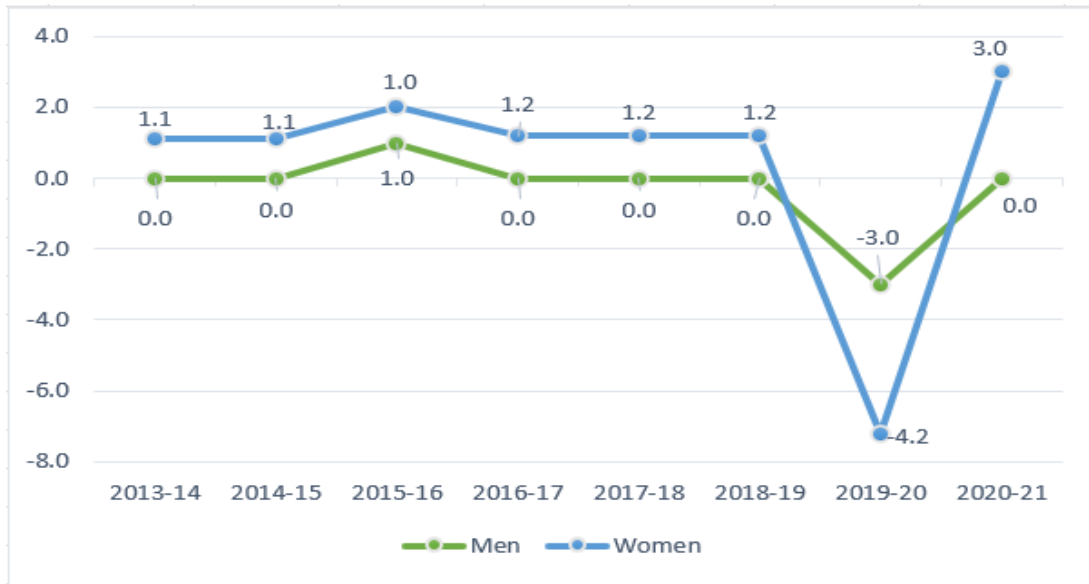
Introduction

The coronavirus (COVID-19) pandemic has created a profound shock worldwide that has affected men and women in different ways. Whilst impacts vary significantly across regions, countries, and geographies, certain trends are recurring. Emerging research and early evidence on the impact of COVID-19 suggest that women's lives and economic opportunities are being affected disproportionately and differently from men (Wenham, Smith, and Morgan, 2020; World Health Organization, 2020).

Globally, women tend to earn less, have fewer savings, and are more likely to hold less-secure jobs (UN Women, 2020a; Asia-Pacific Economic Cooperation, 2020; McKinsey, 2020). Women also generally experience more limited access to social protection, and thus, their capacity to absorb the economic downturns caused by the pandemic has greater consequences compared to men (UN Women, 2021). Moreover, because of their greater caretaking responsibilities (especially acute during lockdowns, school closures, and other types of restrictions), more women are prone to dropping out of the workforce and shouldering a greater burden of unpaid care (UN Women, 2020b; Ruddy, 2020; Nesbitt-Ahmed and Subrahmanian, 2020).

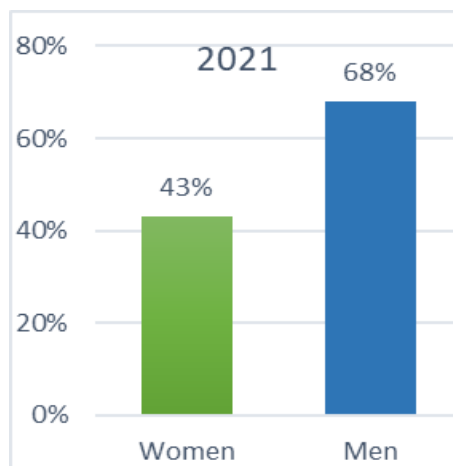
The first and foremost trend of COVID-19's impact is women's vulnerability in the labour market, where the economic shocks have left women more exposed and prone to being laid off. Between 2019 and 2020, women lost more than 54 million jobs globally (ILO, 2021a) – a 4.2% loss, whilst men's employment declined by 3% (Figure 1.1). In 2021, the International Labour Organization projected that only 43.2% of the world's working-age women were employed, in contrast to 68.6% of their male counterparts (Figure 1.2). This means that in 2021, women were still 25.4% less likely to be employed than men worldwide (ILO, 2021a; ILO, 2021b; World Economic Forum, 2021).

Figure 1.1. Global Change in Employment (%)



Source: ILO calculations based on ILOSTAT, 2021 (accessed 18 February 2022).

Figure 1.2. Global Employment Rates



Source: Source: ILO modelled estimates, 2021 (accessed 18 February 2022).

Secondly, whilst the scale of the economic challenge is still unfolding, the self-employed and women entrepreneurs are amongst those who have been hit hard by the pandemic. The World Bank Enterprise Survey data (harmonised dashboard) shows that in 12 out of 18 countries, female-led businesses were more likely to close (at least temporarily) due to the COVID-19 outbreak than male-owned businesses (Hyland et al., 2021). Similarly, a global study involving 85 economies conducted by the International Trade Centre found that 64% of women-led enterprises self-reported that their businesses were adversely affected by the COVID-19 crisis compared with 52% of men-led firms (International Trade Centre, 2020). One of the underlying reasons is that compared with men entrepreneurs, women entrepreneurs

are often disadvantaged in specific factors or resources that are key for survival and recovery, including financing and access to technology, information, markets, and supply chains (Marsan and Sabrina, 2020a).

This situation is particularly true in developing countries and emerging economies because the vast majority of women workers make their living in the informal economy with many of them self-employed or working in micro, small, and medium-sized enterprises (MSMEs) (UN Women, 2020c; ILO, 2018).

In the following sections, the report will discuss how the pandemic has further affected women entrepreneurs on the regional and national scales. The explanation will serve as a bridge to the main objective of this report which aims to explore the state of women entrepreneurs in Eastern Indonesia, particularly in five provinces: North Sulawesi, Nusa Tenggara Timur (NTT), Nusa Tenggara Barat (NTB), Maluku, and Papua. The report will also present key national policy initiatives and the development of women entrepreneurs as well as key challenges and recommendations to empower women entrepreneurship in Eastern Indonesia.

1. The Impact of COVID-19 on Women Workers and MSMEs in the Association of Southeast Asian Nations

One common feature of COVID-19's impact on women's employment is that there are most likely cases of labour force exits amongst women in the Association of Southeast Asian Nations (ASEAN). The extent to which women were more affected by job losses than men in the region varied across sectors and countries. In Thailand, for instance, women accounted for approximately 60% of Q2 2020 job losses and around 90% of manufacturing job losses (ADB, 2021). In addition, the report shows that in ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam), women were likely to exit the labour force following job losses, whilst men were more likely to become unemployed. This means that in contrast to men, most women who had lost their jobs were not available to take up work or were not searching for work. For many women who re-entered the labour market in 2020, the survey also indicated that they worked in 'lower quality' jobs than they had prior to the crisis, and these jobs were often informal, own-account, or contributing to family work (ADB, 2021).

Whilst the labour market has captured how the crisis caused job losses for many ASEAN women workers, informal workers, particularly those in MSMEs, are also vulnerable to the impacts of the crisis. MSMEs are the backbone of ASEAN economies. They are essential drivers and contributors to the GDP of ASEAN economies, accounting for more than 90% of all business establishments (Marsan and Sabrina, 2020b) and generating between 51% and 97% of employment in the many ASEAN Member States. MSMEs' contribution to GDP is generally significant, at about 23%–58%, and their contribution to exports is in the range of 10%–30% (Taghizadeh-Hesary, Phoumin, and Rasoulinezhad, 2021). They also enable the greater integration of women and youth into the economy (ASEAN Secretariat, 2015).

The majority of MSMEs in ASEAN are women-led, with more than 60 million women across ASEAN operating their businesses (GEM, 2019). However, they have been severely hit by the

pandemic, and the subsequent economic crisis is jeopardising progress. Across the region, relatively more women-led MSMEs in ASEAN have temporarily closed business, suffered greater losses in sales and revenue, reduced their workforce, suspended monthly wage payments, and experienced a lack of funds than men-led MSMEs – although the actual conditions have differed by country (GEM, 2021).

A survey conducted by ADB (2020) shows that amongst 3,831 MSME respondents from Indonesia, the Lao PDR, the Philippines, and Thailand, a relatively higher share of women-led MSMEs temporarily closed business after the outbreak. Meanwhile, 51.9% of women-led MSMEs against 47.2% of men-led MSMEs in Indonesia closed their businesses after the pandemic hit; 66.9% against 56.3% in the Lao PDR; 71.5% against 69.3% in the Philippines; and 45.4% against 37.7% in Thailand (ADB, 2020). Furthermore, more women-led MSMEs suffered major drops in sales and revenue than men-led MSMEs. For example, in Indonesia, women-led MSMEs with no sales increased from 39.7% in March 2020 to 50.6% in April 2020, whilst men-led MSMEs increased from 34.7% to 48.8%. Similarly, women-led MSMEs in Indonesia reporting no revenue increased from 36.5% in March 2020 to 51.3% in April 2020, whilst men-led MSMEs increased from 35.8% to 47.7% (ADB, 2020).

As ASEAN (including Indonesia) is trying to accelerate the inclusive post-pandemic economic recovery in the region, catalysing women MSMEs and supporting them in the economic recovery process will be one of the key elements of recovery. Whilst ASEAN countries are taking measures in enhancing greater entrepreneurship activity amongst women in the region, it is important to note that many of the initiatives are being coordinated by non-government actors with female-lead entrepreneurs who constantly build a gender-sensitive entrepreneurship ecosystem in the region. For instance, the Go Digital ASEAN initiative by the Asian Foundation brings private sector, community, and MSMEs working towards digital inclusiveness for enterprises and women-led MSMEs in ASEAN (Box 1).

Box 1. Go Digital ASEAN – The Asian Foundation

The Go Digital ASEAN initiative, developed and implemented by the Asian Foundation with support from Google.org, Google’s philanthropic arm, is designed to:

- equip micro and small enterprises and underemployed youth, particularly those in rural and isolated areas, with crucial digital skills and tools;
- expand economic opportunity across the ASEAN Member States; and
- minimise the negative impacts of the COVID-19 crisis.

The project was approved by the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) in November 2019 and was launched in June 2020 (as a collaboration between the ACCMSME and the Asia Foundation). The project will reach up to 200,000 underserved people and rural micro-enterprises across the region, including 60% women, with the goal to broaden participation in the digital economy and create a more inclusive ASEAN region. The Asia Foundation’s local country offices lead a community

network of trainers and volunteers to help integrate MSME owners and underemployed youth workers into the digital economy.

The programme works with governments, local partners, and youth volunteers across the 10 ASEAN countries. New technologies are creating pivotal shifts in the way people live, work, and interact, and governments want to ensure their countries are not left behind. In response, Go Digital ASEAN supports the digital talent entrepreneurship objectives of the ASEAN Digital Integration Framework, set out by the ASEAN Coordinating Committee on MSMEs. The activities also contribute to the ASEAN Strategic Action Plan for SME Development (2016–2025). So far, Go Digital ASEAN has trained more than 3,000 local volunteer trainers using a ‘training of trainers’ approach. Training is customised to local needs, conditions, and contexts. The courses focus on creating online professional profiles to maximise employment opportunities, increasing the market reach of MSMEs through social media, and supporting the digitisation of agri-tourism enterprises. Amidst the COVID-19 crisis, this initiative will be a mechanism for helping MSMEs to learn about programmes or assistance that can help them continue to operate during the COVID-19 crisis. Go Digital has targeted numerous beneficiaries:

Go Digital ASEAN – Targeted Beneficiaries by Country

No.	Country	Number of Targeted Beneficiaries
1	Brunei Darussalam	4,000
2	Cambodia	15,000
3	Indonesia	20,000
4	Lao PDR	8,000
5	Malaysia	15,000
6	Myanmar	8,000
7	Philippines	25,000
8	Singapore	100
9	Thailand	40,000
10	Viet Nam	65,000

Source: Author’s online research; www.asean.org ; www.asiafoundation.org (accessed 1 March 2022).

2. The Impact of COVID-19 on Women Workers and MSMEs in Indonesia

Indonesia is the largest archipelago country in the world and a diverse nation with longstanding challenges in economic development and the gender gap between rural and urban areas and the west and east of the country. As the population of a productive age (15–

64 years old) grew, Indonesia benefited from a bonus demography with a slightly larger proportion of males (136,661) than females (133,542) in 2020 (BPS, 2020). However, compared to its Asian neighbouring countries, Indonesia's female labour force participation (FLFP) in the economy has been constantly low and stagnant since even before the pandemic, with around 50% FLFP compared with around 60% of FLFP in Singapore and Thailand in 2018 (Prospera, 2021). The gender gap in labour force participation has continued during COVID-19, with the share of Indonesian women in the population aged 18–40 only accounting for 56% of labour participation compared to 88% for their male counterparts in 2020 (Prospera, 2021).

Amongst the working sectors, MSMEs are also considered the backbone of the Indonesian economy. According to the Indonesian Ministry of Cooperatives and Small and Medium Enterprises, approximately 99% of businesses in Indonesia are categorised as micro, small, and medium enterprises. Under the Indonesian legal framework No. 20/2008, an MSME is classified as an enterprise activity that has annual sales up to IDR 300 million and a net asset value equal to approximately Rp50 million (Ministry of Cooperatives and SMEs, 2008). MSMEs' economic activity contributes around 60% to Indonesia's total GDP, with a total of more than 50 million units across Indonesia (Coordinating Ministry of Economic Affairs, 2021). Moreover, nearly half of MSMEs in Indonesia are led by women (International Finance Corporation, 2016). This evidence shows that women-led MSMEs have become a vital pillar for supporting economic development in Indonesia.

The vast majority of these Indonesian women are facing unprecedented challenges brought by the COVID-19 crisis. Overall, the MSMEs owned by females suffered greater drops in revenue (80%) compared to male-owned MSMEs (73%) (UNDP and Faculty of Business, Universitas Indonesia, 2020). It is also worth noting that with challenges such as the urban–rural divide in access to opportunity, women-led MSMEs in Indonesian villages have been even less resilient during the COVID-19 pandemic. In 2020, 43.36% of the population in Indonesia were residing in rural areas, with many underdeveloped villages concentrated in the eastern part of the country (Sulawesi, Nusa Tenggara, Maluku, and Papua) (Statistics Indonesia, 2019).

3. The Digital Economy and Women-led MSMEs

The COVID-19 pandemic has accelerated the shift towards digitalisation and the adoption of new technologies, which require MSMEs to be equipped with the ability to learn new skills continuously and to collaborate with a broad range of stakeholders. Across ASEAN, women are increasingly taking advantage of internet access and going digital to leverage their micro-businesses using technology and start-up-driven innovation (Marsan, Sabrina, and Ooi, 2021).

In Indonesia, a survey of the impact of COVID-19 on businesses, carried out by Statistics Indonesia, shows that women-owned businesses are more likely to make use of the internet to sell products. An estimated 54% of women-owned microbusinesses now use the internet to sell products, compared to 39% of men-owned microbusinesses. The divide is similar for

small businesses: 68% of those owned by women use the internet, compared with 52% of those owned by men (BPS, 2020). It is expected that the COVID-19 crisis will continue pushing many businesses into digital realms in order to expand access to a wider customer base.

The adoption of technology and digitalisation will be crucial to creating an enabling environment for women-led MSMEs and enterprises to thrive whilst at the same time offering more flexibility for women who continue to bear care responsibilities at home. In many developing countries, where women in rural areas generally have limited access to the global market, it is important to take into account the gender digital divide and ways to promote meaningful digital access to create more opportunities for women entrepreneurs (Sey, 2021; Marsan and Sey, 2021). The initiative described below gives further information on how women-led MSME programmes continue to be integrated into the domestic and rural areas of targeted countries.

Box 2. Go Digital ASEAN – Focus on Indonesia

The Go Digital ASEAN Indonesia programme was introduced and launched to the public online on 27 October 2020. Pusat Pengembangan Sumberdaya Wanita (or the Center for Women’s Resource Development; PPSW) is the implementing partner of the project in Indonesia. The PPSW’s mission is to empower women, especially those in the lowest socioeconomic strata in communities that are concentrated in urban slums, and rural areas. They use the focus issues faced by the community, such as economic, health, and education issues as an entry point in community organising, especially in women’s groups. Through the Go Digital ASEAN programme, the PPSW will extend their community work by introducing digital literacy to help communities get better at accessing the digital economy.

For Indonesia, the programme targets 20,000 MSME actors and young job seekers to be trained in digital literacy. Of these, 60% are women and as much as 10% or 2,000 people are from the disability group. The rest are young job seekers. The programme recipients are spread across 820 villages and 8 provinces. The programme recruited and trained 45 mentors and 820 village volunteers to provide training and personal or one-on-one mentoring for each of the programme’s beneficiaries in the villages.

Sources:

The Asia Foundation. Go Digital ASEAN. <https://asiafoundation.org/publication/go-digital-asean/> (accessed 20 February 2022).

Sea-vet.net. 2020. Go Digital ASEAN: Digital Skills to Address the Economic Impact of Covid-19. <https://sea-vet.net/initiatives/724-go-digital-asean-digital-skills-to-address-the-economic-impact-of-covid-19> (accessed 20 February 2022).

Tekdeeps. 2020. Go Digital ASEAN, 20,000 MSMEs Ready to Enter the Digital Ecosystem. <https://tekdeeps.com/go-digital-asean-20000-msmes-ready-to-enter-the-digital-ecosystem/> (accessed 20 February 2022).