

Result of Survey on Impact of COVID-19 on Youth Entrepreneurs in Indonesia



June 2020

Impact of COVID-19 on Youth Entrepreneurs

UNDP Indonesia through its Innovative Financing Lab held a survey with U-reports (facilitated by UNICEF) aimed to understand how the corona virus pandemic is impacting young entrepreneurs and how they are responding. Responded by 756 young entrepreneurs, the result presents major challenges they have to face in order to survive in uncertainty impacted by COVID-19.



What started as a medical and health crisis in early 2020 and only affected the Wuhan Province in China; the Corona Virus Disease 2019 (COVID-19) has now impacted social and economic life, changing the structure of global financial, political and economic institutions across the globe. In Indonesia, the government has implemented a large scale social restriction (PSBB) as part of efforts in tackling and curbing the spread of COVID-19. The quarantine, social distancing and other preventive measures taken by countries, disrupt business processes, supply chains, distribution, hence affecting economic growth.

As the machine of Indonesia's economic growth, small and medium enterprises (SMEs) contribute 58.92% of Indonesia's GDP and play a significant role in empowering Indonesia's communities. As SMEs continue to face challenges, we are seeing a slowdown in



economic growth and development outcomes in Indonesia. For many entrepreneurs, these are difficult times and yet despite the challenges numerous local impactful MSMEs are taking the initiative in the fight against COVID-19.

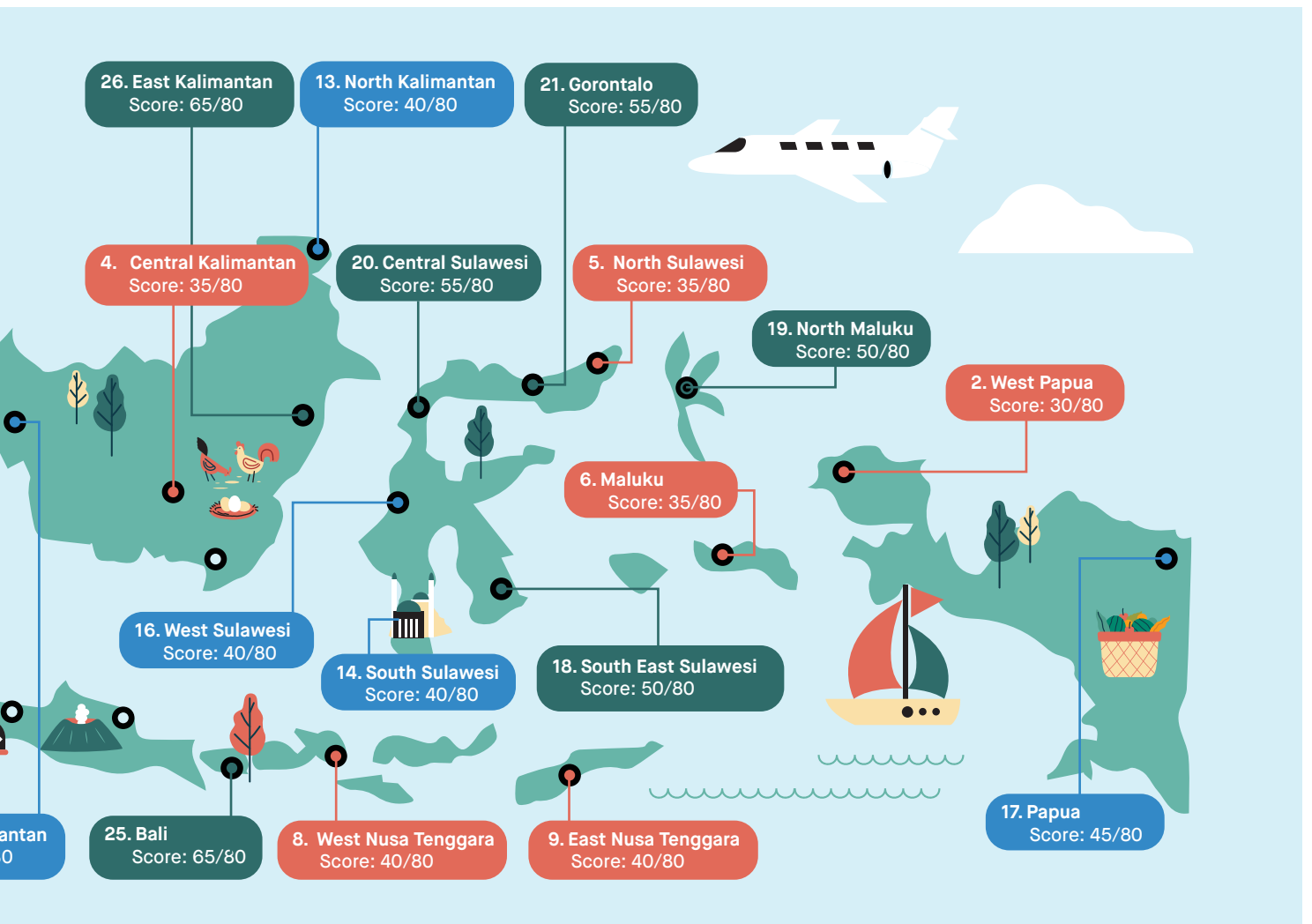
Co-created in 2017 by the United Nations Development Programme (UNDP) and the Citi Foundation, Youth Co: Lab aims to establish a common agenda for countries in the Asia Pacific region to empower and invest in youth to accelerate the implementation of SDGs through leadership, social innovation, and entrepreneurship that mainly consisted of SMEs.

Under Social Impact Investing window of UNDP Innovative Financing Lab, a survey of young entrepreneurs was held through U-reports, a platform facilitated by The United Nations International Children's Fund (UNICEF). The survey aimed to understand how the coronavirus

pandemic is impacting young entrepreneurs and how they are responding. The results present a troubling picture of how already vulnerable youth-led enterprises are struggling to survive in the face of an unprecedented economic shock.

The survey asked questions on business background, impact of COVID-19, solutions taken by the youth entrepreneurs, and on support from external such as government, private companies, or NGOs. Targeting youth from 16-30 years old, this survey received result from 756 respondents from across Indonesia.





Youth Employment and Entrepreneurship in Indonesia based on the Youth Development Index 2017.

Data on Demographic

- 756 Respondents
- 15 Questions
- 41% Men
- 59% Women
- 86% Under 25 y.o

West Java (174 Responses)

Ranked 31 in Youth Development Index in 2017, West Java youth entrepreneurs and youth employment rate at 25 out of 40 (National standard). This reflected that West Java youth entrepreneurs ecosystem actually are still lacking in youth entrepreneurship growth.

Central Java (93 Responses)

According to Youth Development Index, Central Java's score in youth entrepreneur's ecosystem and youth employment are still according to national standard. Regardless, Youth entrepreneurship (white collar) are still recorded at less than 0.3%.

East Java (92 Responses)

Despite East Java have its youth entrepreneur's ecosystem scored at national standard, Youth Development Index noted that East Java have not made improvement since the last time study on youth development index was conducted.

North Sumatera (53 Responses)

North Sumatera are known to have a lively entrepreneurship growth. However, the statement would be different for youth entrepreneurs. With most youth have stronger interest in becoming civil servant, North Sumatera scored at 35 out of 40 (National Standard)

South Sulawesi (52 Responses)

With Makassar known as one of the capitals of startup development in East Indonesia, South Sulawesi scored 40 out 40 for its youth entrepreneurship and job accessibility.

South Sumatera (35 Responses)

With its vibrant entrepreneurship ecosystem, South Sulawesi are well known are one of the most supportive ecosystems for youth entrepreneurship. Have strong network and strong supportive program for youth entrepreneurs, South Sulawesi scored 40 out 40 for its youth entrepreneurship and job accessibility. This is shown mainly due to an increase from 0,2% to 0,9% on sub-indicator of youth entrepreneurship

Reference:
 Index Pembangunan Pemuda Indonesia 2017.
 Jakarta: Kementerian Perencanaan Pembangunan Nasional (PPN)/ Badan Perencanaan Pembangunan Nasional (Bappenas), 2017.

According to indicator on Youth Entrepreneurship (White collar) and Employment

Expected score: 80 (Ideal score)

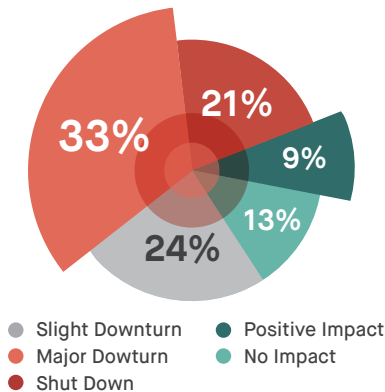
Business Sector

The survey includes analysis based on the sector of youth entrepreneurs. Most youth entrepreneurs are working in a sector other than mentioned. The sectors are beauty, printing, mini market. Other than that, most youth entrepreneurs are working in fashion, retail, and consumer service



1. What are the impacts given by COVID-19 to your business?

79% of youth entrepreneurs report that corona virus has negative impacted their business. Out of 79%, 21% report that their business completely stopped due to the corona virus.



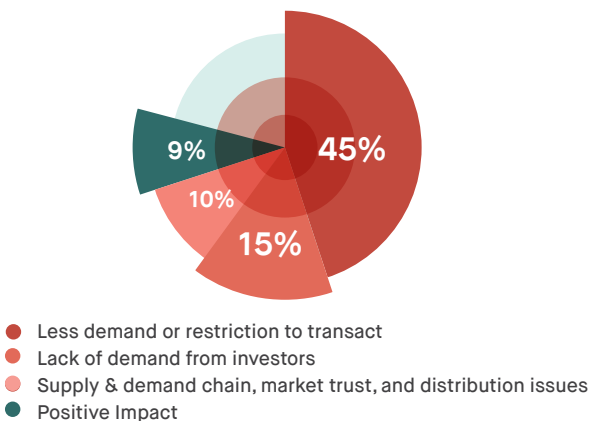
"Fam Lintau, a sustainable agro-Edu tourism-based social enterprise, has experienced negative impact due to COVID-19, including decreased demand, failed to launch a new store, and cancelled events. Due this pandemic, Fam Lintau try to adapt product innovation, maximize online promotion, and held virtual events (gardening workshops, webinars, online sharing, etc.), and create fundraising by collaborating with local community to provide food assistance for local people. It is true that a pandemic has limited our space, but we can choose to remain silent or keep moving."

Atikah Risyad
CEO Fam Lintau



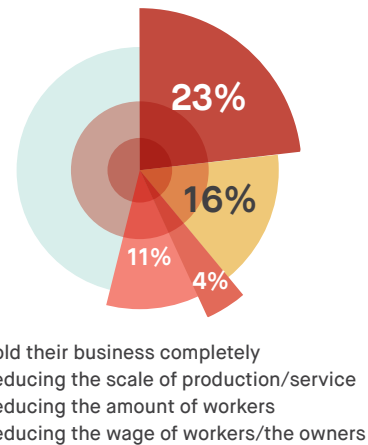
2. What are the negative impacts COVID-19 given to your business?

Out of 79% youth entrepreneurs that report negative impact of COVID 19 on their business, 45% of them report that this happen due to less demand or restriction to transact due to their social distancing, 15% report that it is due to lack of demand from investors, and less than 10% report that they have issues with supply & demand chain, market trust, and distribution issues. Regardless, 9% of youth entrepreneurs report positive impact from COVID 19, especially from health sector. Youth entrepreneurs report positive impact on increasing financial turnover.



3. What are the steps or initiatives you have taken to address impacts from COVID-19?

In response to the negative impact of COVID-19 to their enterprises, there are several responses taken by youth entrepreneurs. From 756 respondents, we receive report that 23% of youth entrepreneurs must hold their business activities completely and 16% reduce their scale of production/services. The other solutions taken are reducing the amount of workers (4%), reduce wage of workers/the owners, or use their personal money to sustain the business (11%)



"During the Covid-19 pandemic, Kepul experienced a reduction in waste sales transactions, this is likely to be experienced by all startups in Indonesia, but we are still looking for loopholes in how businesses in Kepul continue to run, even though it is very difficult. During this pandemic, Kepul made several programs by collaborating with local people, with a program of purchasing groceries with garbage because every trash they sell on the Kepul will be exchanged for groceries. Another program is to donate waste where donations will be given to medical staff."

Abdul Latif
CEO Kepul



4. How is your financial turnover during COVID-19?

58% of youth entrepreneurs report decrease in their financial turnover up to 81%, while 36% report decrease in financial turnover up to 40%. Despite this number, 6% of youth entrepreneurs claim that they see an increase or no impact at all on their financial turnover



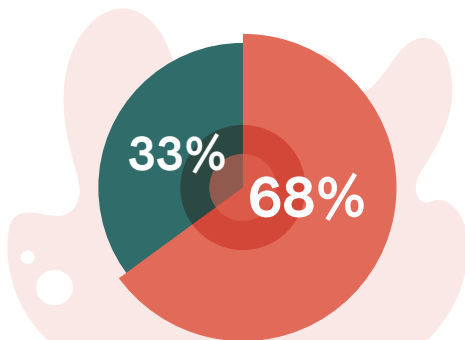
“When we traced to the problems that occurred due to COVID-19 and the government policy to impose social distancing restriction, we experienced difficulties in finding raw materials and production operating hours. Therefore, we overcome the production program at home of each of our field workers (we also provide additional incentives for our workers who can produce according to standards and also the one who exceed the production volume target that we set). We also provide Moringa seeds for them so that they can plant in their yards or empty land near their homes. We hope this can benefits not only for our business sustainability but also helping the local people to pass the hard times.”

Indra Hari -
CEO Huma Bahijau



5. Do you have any acknowledgment regarding available support from the government, NGO, or private sector for young entrepreneurs impacted by COVID-19?

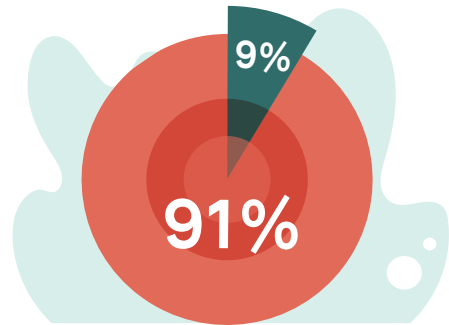
68% of youth entrepreneurs report that they do not have any acknowledgment regarding government support for youth entrepreneurs to survive during this pandemic. Regardless, 32% percent of youth entrepreneurs acknowledge that government have provided assistance to SMEs, such as tax deduction, immediate cash assistance, online capacity training, pre-employment card, rapid test, electricity support and daily necessities known as sembako.



- Not have any acknowledgment regarding government support
- Acknowledge government supports

6. Have you received specific support for your business from external stakeholders on youth entrepreneurship ecosystem?

Despite their acknowledgement over government support or other external supports, only 9% of youth entrepreneurs receive support on their enterprise. 91% of youth report that they have not receive any support from government or other external parties.



- Have not receive any support
- Receive support

7. Are you well connected in youth entrepreneurs networks in addressing the impact of COVID-19?

Responding to this condition, 84% of youth entrepreneurs start to develop their own kind support from youth entrepreneurship network. The initiative taken from the youth entrepreneurship network are partnership between supplier and distributor to solve the issues on supply & demand chain, online exposures, funding support, and co-leading charity work.



Policy Recommendation from Youth Entrepreneurs

Survey respondents were asked what measures they think government should implement to support youth entrepreneurs to respond to the challenges during COVID-19 pandemic.

The responses are:



Funding

Targeted funding to support recovery/rebuilding process of their business.



Promotion & Network

Support in Promoting local business through online business network (e-commerce, online youth entrepreneurship network).



Market Control

Reporters seek for the government to ensure stability of market price while accelerating the launch on stimulus package for SMEs (including taxes relaxation for SMEs).



Handbook for New Normal

Reporters seek the support on toolkit or handbook for business implementation during new normal.

Youth Co:Lab Cohorts Response for COVID-19

Youth Co:Lab Cohorts also share several initiative to mitigate the socio-economic impact of COVID-19.



Berdaya Krui must hold their business in resort and surfing classes. Hence, they received less volunteers willing to advocate for their work. In responding to this, Berdaya Krui switch their business model as tourism consultant and add initiative to reduce hunger issues around their area by opening crowdfunding mechanism for their charity work (Krui, Lampung).



Kepul is a waste management company that digitizes waste collection and recycle processes in Medan. During COVID-19, Kepul realizes that there are groups of people that lost their jobs and have limited access to daily necessities. In order to address this challenge, Kepul transform their business model to be a bank for plastic waste where people who can't access daily necessities could exchange plastic waste in order to access daily basic needs (*sembako*). (Medan, North Sumatera)



Suri The Goods took the initiative to add another product in responding to market need during the pandemic. Known as a skincare brand, Suri The Goods add organic hand sanitizer as one of their product. The result from the selling of hand sanitizer support Suri to sustain its local beneficiaries. (Solok, West Sumatera).



Huma Bahijau engage the local community, especially home makers and farmers, in the cultivation and distribution of moringa oleifera and moringa leaves, local plant known for its benefits in responding to this pandemic. Huma Bahijau develop Moringa leaves garden which their product transformed into healthy moringa tea believed to be a herbal plant to increase body endurance. The income from this production support Huma Bahijau to sustain their business. (Palangkaraya, Central Kalimantan).



Tinung Rambu empower women in Sumba area to create a fashionable mask that re-use the traditional fabric that was designated to be fashion products of Tinung Rambu. The result of this selling will be used to support women in Sumba who struggles to have their daily necessities (Sumba, East Nusa Tenggara).

Profile of Innovative Financing Lab



UNDP Indonesia has made innovative finance a central part of its work on the SDGs with the objective to leverage new resources flows for sustainable development. It has established an Innovative Financing Lab (IFLab) that operates as collaborative space for Government, the private sector, financial institutions, investors, entrepreneurs, religious organizations, civil society, other UN agencies and other interested stakeholders to work together and develop solutions for financing the SDGs. The IFLab vision is to be a leading innovative finance platform under UNDP Indonesia CO that cooperates closely with the government and

all stakeholders (international and national) to achieve the SDGs and provide knowledge and expertise to showcase best practices globally. The Lab was inaugurated on 26 September 2018 in presence of many representatives from the Government, businesses, religious organizations and the international community.

Based in Jakarta but global in ambition to offer services to partners, the Lab aims to innovate on means to unlock and leverage new finance to help close the SDGs financing gap through designing and testing new innovative financing instruments, helping to enhance investments for higher SDGs-returns, and contributing to a stronger enabling environment for SDG-friendly finance. The Lab focuses on three different but interrelated workstreams, namely Islamic and Blended Finance, Green and Sustainable Finance, and Social Impact Investments.

The offered services include mapping and analyzing, co-designing and testing new financing solutions and aligning existing investment with the SDGs, measuring progress and evaluating impact, fostering social enterprises to deliver on SDGs, creating a platform for sharing of best practices, and promoting a vibrant ecosystem for financing SDGs.

Several milestones of the Lab including cooperation with the Government on the issuance of Green Sukuk (Islamic Bond), combining Zakat and CSR funds to give energy access to rural communities in partnership with BAZNAS and Bank Jambi. The Lab also provide support to youth entrepreneurs through Youth Co:Lab, launch Impact Aim Venture Accelerator programme, and support the establishment of Social Impact Fund with ANGIN and Canada, as well as launching of several crowdfunding campaigns.

Profile of Youth Co:Lab Indonesia



Project Co-Leads



Citi Foundation



Youth Co: Lab is a region led initiative that aims to empower youth through innovation, entrepreneurship, and leadership skills. Co-lead by Citi Foundation and UNDP, this initiative has been implemented in more than 20 countries including Indonesia

Innovative Financing Lab under UNDP Indonesia created Youth Entrepreneurship Initiative, a platform for youth to be empowered economically through entrepreneurship activities that focused on SDGs and social impacts. Youth Entrepreneurship Initiative itself consist of 3 main activities which are Ideathon Indonesia and its Lab, Youth Co:Lab, and National Dialogue where each of them committed to pillars of awareness, action, and advocacy.

Under Impact Investing Window, this initiative tends to invest in the skills and capacity for young people to prepare them for the challenges in the disruptive era, the Youth Entrepreneurship Initiative will provide numbers of platform for youth to be empowered economically through entrepreneurship activities focused on

SDGs and social impacts. The initiative itself allows youth to discover more about social entrepreneurship and startup, to know the basics in creating socially impactful enterprise, and to provide further assistance for pre-seed and seed socially impactful enterprise led by youth

Have been held twice within one year of Youth Co:Lab, this initiative have successfully incubate 30 enterprises out of 400 applicants coming all across Indonesia. Incubated for one-two weeks with the help of 23 facilitators coming from Facebook, PLUS, Forgood Communication, Kopernik, Ministry of Tourism and Creative Economy, and The Local Enablers, the enterprises have reached more than 3000 beneficiaries through their social enterprises that is spreaded from Sumatera to Papua.

Profile of U-Reports



U-Report is a social messaging tool and data collection system developed by UNICEF to improve citizen engagement, inform leaders, and foster positive change. The program sends SMS/ short message in social media (Facebook, whatsapp, line) polls and alerts to its participants, collecting real-time responses, and subsequently publishes gathered data. U-Report was first launched in Uganda by UNICEF Global Innovation Lab. Since then U-Report has been adopted by 60 countries with 8 million users in the world. U-Report Indonesia has been in the development stage since 2014.

On 4 December 2015, UNICEF officially launched U-Report Indonesia: A new innovative platform that gives young people the opportunity to talk about issues that affect their lives and create positive change. In the same year, UNICEF used U-Report to conduct a survey of violence against children. The participants expressed their views on the responsibility of the government to tackle violence, about community awareness and about the role of young people in overcoming problems that affect thousands of children and adolescents throughout Indonesia. This answer was used as input by the government in developing the National Strategy on Violence against Children 2015-2019.

U-Report aims to empower young people to share opinions on issues that are important to them, strengthen voices for advocacy at the local, national and global levels, and influence young people to make positive behavioral changes.

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