

SEED 4 WOMEN PROGRAM

WOMEN SMALL BUSINESSES
ECONOMIC EMPOWERMENT
THROUGH DIGITAL FINANCIAL
INCLUSION INITIATIVE



Of the ~60 million businesses in Indonesia, 99% are Micro, Small, and Medium (MSME) businesses¹. Micro and Small (MSEs) businesses alone account for around 80% of employment nationwide, making an important contribution to the Indonesian economy. Based on Central Bank of Indonesia data in 2018, 37 million or 60% of MSEs are women-led small businesses. Reports show that there are significantly more women that use informal financial services (including money lenders, relatives, or other organizations) not regulated by Bank Indonesia or OJK (49%), compared to their male counterparts who often access formal services (29%), and that men use banking services 3% more on average than women. Women continue to be disproportionately affected by barriers to financial inclusion and access to financial services. This lack of inclusion and access inhibits participation in the economy and impedes them from improving their financial wellbeing and the wellbeing of their families and communities. We also know that financial inclusion is critical not only for individuals, but also for businesses to thrive. The usage of digital financial services (offered by formal financial institutions) by women small entrepreneurs is also still very low.

The Government of Indonesia recognizes the importance of understanding the gender dimensions of financial inclusion. The country's National Financial Inclusion Strategy aims to address gender gaps by developing programs and interventions that specifically target women within unbanked and underbanked segments. On June 9, 2020, the Government of Indonesia launched the National Women's Financial Inclusion Strategy (SNKI-P), aimed at promoting access

to finance for Indonesian women in a way that accommodates women's diverse needs, interests, and backgrounds. The SEED 4 Women II program will contribute to the SNKI-P objectives.

Program Period

December 2021 – November 2022.

Goal

The overall goal of the SEED 4 Women Program initiative is to encourage women-led small businesses' economic empowerment through financial inclusion. To achieve this goal, Mercy Corps Indonesia will support 750 women-led small businesses (20% of them are young women) over three years to improve their business practices, create 10% more jobs and increase profits by 15% through improved access to digital financial services and digital mentoring between 2021-2024. The theory of change hypothesizes that: IF women-led small businesses improve their business practices; and IF women-led small businesses improve their access to market and financial services; and IF women-led small businesses improve their access to digital mentoring, THEN women-led small businesses can develop profitable businesses, contributing to job creation and bettering their families' and communities' well-being.

Expected Results

Objective 1: The targeted women-led small business increase their business knowledge including; business and financial management which leads to improvement in saving behavior.

Objective 2: The targeted women-led small business actively use and benefit from digital financial services through an agent network.

¹OECD Studies on SMEs and Entrepreneurship, SME and Entrepreneurship Policy in Indonesia 2018

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Objective 3: The women-led small businesses actively participate and benefit from digital mentoring to improve their business.

Work Areas and Participants

750 women-led small businesses (20% of them are young women) in Malang Regency and Malang City.

Key Activities

First, Mercy Corps Indonesia learned that it is critical to ensure the knowledge and information delivered through the training are applicable and internalized by the women participants. Therefore a “behavioral insights” approach will be used for the training in the initiative. Knowledge alone does not change behavior; support is needed through “nudge tools” to change financial and business management habits and skills in daily life.



Secondly, it is important to plan for enough time for the women-led small business to adapt and deploy new knowledge and skills. Learning new subjects through offline and online training can be time consuming and challenging alongside running their businesses. Furthermore, digital financial services are relatively new to some of these women, so a mindful approach around establishing trust between the women and the branchless agents of financial service providers. It is not just about the human connection with the agents, but also the confidence in using the technology and financial tools. A baby step toward understanding and optimizing the digital technology in their hands is critical before the women-led small business will make decisions to use the technology for financial services for their businesses.

Thirdly, to ensure learnings are captured and the program adapts to the changing needs of the women, agents and local economy over time, as well as building an evidence base for future programs, Mercy Corps Indonesia will implement regular monitoring and evaluation of program activities and results.

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