



Deni Mariyana, owner of Rumah Jahit Raysthavira (Raysthavira Sewing House) from Tuban, East Java displays her trophy and prize for Best Entrepreneur: Rezti Muthia/ Mercy Corps Indonesia

# PROMOTING ENTREPRENEURSHIP AND DIGITAL FINANCIAL SERVICES FOR RURAL YOUTH

## Final Report

SEPTEMBER 2018 – MARCH 2020

**Mercy Corps Indonesia**

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# Executive Summary

From 2020 to 2035, Indonesia will experience a rare phenomenon known as the Demographic Bonus, in which the proportion of Indonesia's population of productive age (15-64) is projected to be 64% of the total population of 297 million. This phenomenon represents a huge opportunity for young people to help drive economic growth and financial inclusion in Indonesia. On the other hand, it also represents a potential risk of an increased unemployment rate if enough employment opportunities are not created. Based on 2016 data from the Central Bureau of Statistics, self-identified entrepreneurs account for 3.1% of Indonesia's total population, which is still low compared to other countries such as Malaysia (5%), China (10%), Singapore (7%), and Japan (11%).

The goal of the Promoting Entrepreneurship and Digital Financial Services for Rural Youth Program is to increase capacities, connections, and opportunities for rural youth to grow their business or start a new business, which will, in turn, drive the development of the local economy. The program operates in two locations: the Malang and Tuban Regencies of Indonesia's East Java Province. The Mercy Corps' Indonesia team conducted research to assess constraints and opportunities faced by rural youth in securing suitable jobs and succeeding as young entrepreneurs, identify training needs for the development of relevant skills, map available jobs and business development service providers, and identify gaps in the ecosystem. The research provided Mercy Corps Indonesia with solid data for the program's intervention, which was implemented from May to November 2019.

The program targets two main groups: young entrepreneurs (referred to as existing entrepreneurs) and young job-seekers/workers who aspire to be entrepreneurs (referred to as aspiring entrepreneurs). Two sets of learning materials were developed, one for each group, which include entrepreneurship, business development, and financial modules. Through collaboration with a local financial institution and community-based organizations (CBOs), Mercy Corps Indonesia facilitated the delivery of training and mentoring to 1,901 program participants, including 1,401 rural youth. Other program activities included training of trainers, producing and disseminating digital training videos, financial products and services expos, a learning workshop, and an entrepreneurship award recognizing existing entrepreneurs with the best business growth, best sales, created most additional jobs, and aspiring entrepreneurs that started a business and created the most jobs..

The endline survey conducted at the close of the program concluded that Mercy Corps Indonesia was able to deliver knowledge and usage of digital financial services, a key part of the financial management module, to 1,401 rural youth, of which 51% were women. Overall, the rural youth exhibited good acceptance of the learning materials. The program interventions have resulted in 8% of the aspiring entrepreneurs developed a new business. As for the existing entrepreneurs, 53% of them diversified their business (which includes creating new variations of existing products, creating new products, developing new sources of income or production efficiency, or opening a new business location). And 23% of the existing entrepreneurs opened new businesses. Overall, 34% of youth participants diversified their business, 4% opened new businesses, and 19% both diversified their existing business and also opened new businesses (this 19% does not include participants that achieved only one of the two). In total, 57% of the youth participants exhibited business growth.

In terms of increased income within the existing entrepreneurs, 51% experienced an increase in income after receiving training and mentoring, with an average increase of 986,650 IDR (60% increase). For the aspiring entrepreneurs, 19% experienced an increase in income, with an average of 1,456,896 IDR (128%

increase). In total, 38% of youth participants experienced an increase in income after receiving training and mentoring, with an average of 1,092,364 IDR (75% increase).

One of the most important goals of the program was to increase local employment opportunities, which is a strong indicator of economic growth. Of the existing entrepreneurs, 15% of them contributed to the creation of 178 additional local jobs. These new employments include 103 permanent jobs and 132 non-permanent jobs. As for the aspiring entrepreneurs, 5% of them, contributed to the creation of 69 additional local jobs. These new employment opportunities include 54 permanent and 15 non-permanent jobs. Overall, 10% of the youth participants contributed to the creation of 247 new local jobs.

Throughout the program, Mercy Corps Indonesia continually adapted and refined its approach to achieve the highest potential impact possible. Mercy Corps Indonesia learned that identifying entrepreneurs aged 18-30 years old proved to be a significant challenge in Malang and Tuban, and that focusing more on engaging young job-seekers/workers instead could be more effective. Comprehension of the learning materials by facilitators was also a challenge and could be improved by creating a more rigorous and intensive training program such as a boot camp.

Challenges in financial management is one of the common issues faced by micro and small enterprises (MSEs) in Indonesia, including in East Java. Although several participants have stated how the introduction and usage of a digital financial management software such as Paper.id has greatly benefited their business, some participants also faced challenges, such as limited access to the internet and difficulty in using the platform because of its complexity. In the case of this program, not all participants have a continuously active mobile data plan. Therefore, demonstrating to entrepreneurs the benefits of using technology for their business management activities could influence them to invest in a data plan to support their business. On the technology side, the use of financial management technology has proven to bring a lot of benefits to program participants and could be even more beneficial for MSEs if we could introduce a simpler platform that could operate offline.

There is still a big gap in the availability of business advisory or development services for micro-enterprises in rural areas of Indonesia. Even with the abundance of information readily available online, most entrepreneurs still have difficulty comprehending the materials and technical terms or don't know how to access them in the first place. Beyond this, most facilitators and CBOs providing business advisory or development services to micro-enterprises are reliant on volunteerism and largely rely on other sources of income for their livelihoods. In the future, developing an approach in which facilitators or CBOs could provide services for micro-enterprises while also enabling them to have a sustainable livelihood, could potentially have a system-wide impact to reduce the gap between micro and small enterprises.

# Introduction

## Background

Indonesia's demographic data indicate that the number of young people in Indonesia (16-30 years, as defined by Indonesian law) is 61.8 million, or 24.5% of Indonesia's total population of 252 million (Indonesian Central Bureau of Statistics, 2014). From 2020 to 2035, Indonesia will experience a rare phenomenon known as the Demographic Bonus, in which the proportion of Indonesia's population of productive age (15-64) is projected to be 64% of the total population of 297 million. The current Central Bureau of Statistics (BPS) projection predicts that during this time the proportion of young people in Java, one of Indonesia's main islands, will grow to 57.94%. This represents a huge opportunity for young people to help drive economic and financial inclusion in Indonesia.

But challenges remain, such as migration from rural to urban areas that will continue to increase. Based on data from the National Development Agency (Bappenas), UNFPA, and BPS (2015), at the national level, urbanization is projected to reach 66.6% by 2035. In several provinces, especially Bali and in Java, the urbanization levels are already higher than for Indonesia as a whole. BPS data on entrepreneurs indicates that in 2016 entrepreneurs in Indonesia represented 3.1% of the total population, an increase from 1.67% in 2014. However, this ratio is still low compared to other Asian countries such as Malaysia (5%), China (10%), Singapore (7%), and Japan (11%).

With the coming demographic bonus, Mercy Corps Indonesia aims to create the necessary conditions for youth to participate in revitalizing the rural economy through entrepreneurship and innovation. The Promoting Entrepreneurship and Digital Financial Services for Rural Youth Program supported by ExxonMobil Foundation aims to accomplish the following:

- › 1,500 rural youth (at least 40% of whom are rural young women) in Malang, Tuban, or Bojonegoro Regencies will have knowledge and usage of digital financial services (DFS).
- › 40% of rural youth trained and mentored will have developed a new business, diversified their existing business, or obtained a better paying job.
- › 20% of rural youth trained and mentored will have increased their income.
- › 10% of youth entrepreneurs will have created one new local job.

To achieve the program's objectives, Mercy Corps Indonesia used a partnership model to implement training and mentoring to increase access to the products and services offered by formal financial institutions and other resource providers. Mercy Corps Indonesia also worked to link rural youth to private sector entities and CBOs that could enhance their market access. Mercy Corps Indonesia also identified effective delivery channels, which include direct training or mentoring and the use of digital platforms.

## Approach

Based on our experience in programs aimed at promoting entrepreneurship, improving digital financial and business services, and boosting the productivity and efficiency of rural businesses, we know that entrepreneurs succeed when they have access to a supportive ecosystem consisting of their community, business partners, advisors, and enabling government agencies. Mercy Corps Indonesia helps facilitate

linkages to this ecosystem through partnerships with local communities, organizations, and formal financial institutions. This partnership approach has consistently extended financial inclusion to previously underserved entrepreneurs and supported them to grow their businesses to be more successful.

Having field-tested and proven the efficacy of an increase in information accessibility, the program is also adopting the use of digital platforms. These platforms are used to disseminate learning materials to rural youth and help them in their effort to scale up their business or obtain better-paying jobs. Mercy Corps Indonesia will use YouTube, a platform popular among young people that carries a high potential of creating engagement among youth. In addition, using digital platforms will provide an opportunity for a more holistic intervention approach, enabling the program's participants to have continuous exposure to capacity building opportunities outside of the in-class and face-to-face training.

## Inception

### Research

Mercy Corps Indonesia conducted research to assess constraints and opportunities faced by rural youth in securing suitable jobs and succeeding as young entrepreneurs, identify training needs for the development of relevant skills, map available jobs and business development service providers, and identify gaps in the ecosystem. The research was conducted from November 2018 to January 2019 in Malang, Tuban, and Bojonegoro. The research used a mixed-method of a qualitative and quantitative approach using questionnaires, in-depth interviews (IDIs), focus group discussions (FGDs), and literature study as the research tools.<sup>1</sup> The questionnaire survey was conducted on a total of 786 rural youth respondents, 335 in Malang, 246 in Tuban, and 205 in Bojonegoro. 228 of the respondents were entrepreneurs, 289 were workers, and 269 were job-seekers. A total of 47 IDIs were conducted in the 3 locations with representatives from government bodies, associations, training centers, educational institutions, financial institutions, civil society organizations (CSOs), as well as with young entrepreneurs and job-seekers. Six FGDs were conducted, with two FGDs per location, one featuring young entrepreneurs and one featuring young job-seekers and workers. Each FGD had 10 respondents on average and a proportional male to female ratio.

Below are some of the key findings:

- › The youth gender distribution in Malang, Tuban, and Bojonegoro is relatively even with female to male ratios of 49:51, 49:51, and 50:50 respectively.
- › The highest level of education for the majority of young job-seekers, workers, and entrepreneurs in all three regencies is senior high school, in line with the national average.
- › Based on the sector of employment, most of the young workers in the three regencies work in education service; public administration, defense and social security; or agriculture, forestry, and fishing. While most of the young entrepreneurs' businesses is in wholesale, retail trade, car and motorcycle repair; processing industry; or accommodation and food and beverages (F&B).

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<sup>1</sup> The research was conducted towards young people aged 18 to 30 years old. 18 years was used instead of 16 as it is the adult age threshold based on Indonesian law.

- One aspect the research measured was behavior using the theory of planned behavior (TPB) approach developed by Ajzen (1991). TPB explains that human behavior is influenced by 3 types of beliefs: behavioral beliefs (attitude),<sup>2</sup> normative beliefs (subjective norm)<sup>3</sup>, and control beliefs (perceived behavioral control).<sup>4</sup> In the study only attitude and subjective norm measurements were used. Based on entrepreneurial behavior, the study found that Malang has the highest score for attitude towards entrepreneurship, meaning youth in Malang are more willing to become entrepreneurs compared to youth in the other two regencies. The study also found that Tuban has the highest score for subjective norm towards entrepreneurship, meaning an entrepreneurship profession is perceived to be more positive in Tuban than the other two regencies.

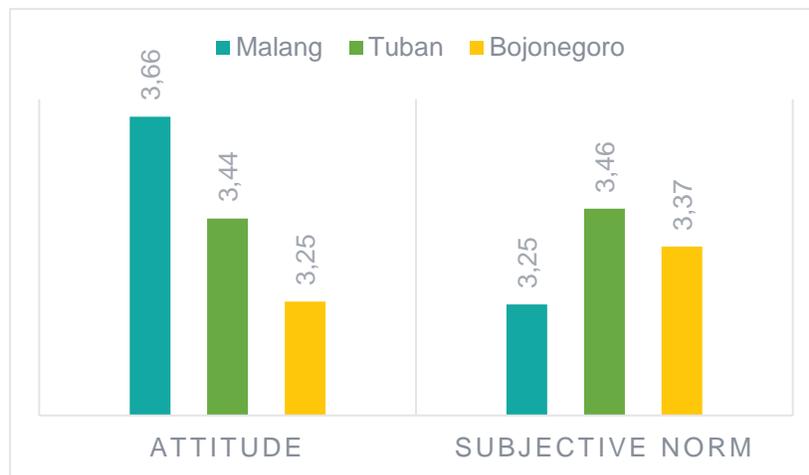


Figure 1. Entrepreneurial Behavior in Malang, Tuban, and Bojonegoro (Scale 0-5)

- The main constraints faced by the majority of young job-seekers and workers in the three regencies are developing work skills and employment opportunities.

Table 1. Rural Young Job-seekers'/ Workers' Needs

Regency	Training for Skilled Workers	Career Exhibition	Financial Capital Assistance	Market Assistance	Jobs Information	Promotion and Marketing
Malang	74%	18%	5%	1%	2%	0%
Tuban	73%	19%	0%	0%	5%	3%
Bojonegoro	58%	41%	0%	0%	1%	0%

<sup>2</sup> Attitude is an internal factor of someone who learns to receive positive or negative responses to stimulants. The response is determined by a person's belief based on the consequences of his actions. In entrepreneurship, if someone considers certain activities in business development beneficial to him, the person will give a positive response to certain activities and vice versa.

<sup>3</sup> Subjective Norm is an individual's perception or opinion of another individual that he considers important when fulfilling certain desired actions. Such opinions can change views and motivate individuals. In other words, Subjective Norm is social pressure that is considered important to shape certain behaviors. The opinion that many people consider is important can influence individuals in doing their business.

<sup>4</sup> Perceived behavioral control is the perception of ease or difficulty in performing certain behaviors. This reflects past experiences and anticipates future challenges. The function of perceived behavioral control is the belief in the existence of factors that can help or hinder an action.

- › The main constraints faced by the majority of young entrepreneurs in the three regencies are getting access to financial capital, access to a larger market, and a need for business and training assistance.

*Table 2. Rural Young Entrepreneurs' Needs*

Regency	Business and Training Assistance	Financial Capital Assistance	Human Capital Assistance	Market Network Assistance
Malang	23%	33%	18%	26%
Tuban	23%	36%	18%	23%
Bojonegoro	22%	46%	10%	22%

- › Young job-seekers and workers in the three regencies preferred to have an entrepreneurship program while the majority of young entrepreneurs stated they needed training on marketing and financial management.

*Table 3. Young Jobseekers'/ Workers' Training Needs*

Job-seekers/ Workers	Catering/ Food Processing	Clothing/ Fashion	Entrepreneurship Program	IT	Livestock / Agriculture	Sewing	Automotive	Other Trainings
Malang	12%	6%	50%	0%	24%	4%	4%	0%
Tuban	11%	11%	26%	0%	20%	8%	24%	0%
Bojonegoro	8%	4%	43%	1%	19%	4%	19%	1%

*Table 4. Young Entrepreneurs' Training Needs*

Entrepreneurs	Technical/ Industry Specific Training	Branding	Financial Management	Marketing	Production Management	Supply Chain management	Product Packaging
Malang	6%	7%	27%	38%	12%	4%	6%
Tuban	6%	11%	30%	37%	8%	4%	4%
Bojonegoro	11%	5%	52%	21%	8%	2%	0%

The research also identified five major gaps in employment and business development services for rural youth in the three regencies:

1. There are no contextually suitable financial products for youth clients because youth do not have any collateral which most financial institutions require to obtain a loan.
2. There is no strategic plan to raise youth entrepreneurship and financial literacy from the local government or service providers.
3. Poor governance within service providers' institutions limits their ability to access a larger youth market.
4. The absence of a knowledge-sharing mechanisms for service providers to gain more understanding of the youth market, and vice versa.

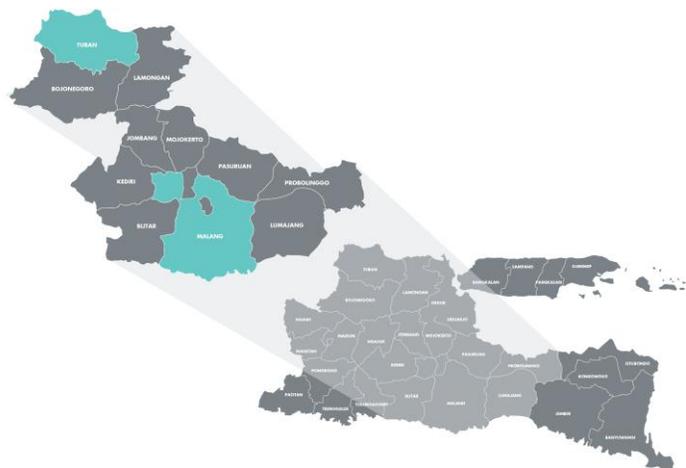
5. The absence of a tailored local engagement policy to improve local youth ownership.

To address these gaps, the research results proposed the following recommendations:

1. Youth Focused Financial Product Development
2. Service Provider Management Training Program
3. Youth Entrepreneurs and Job-seekers Ecosystem Database Development
4. Entrepreneurship Training Module Development
5. Policy Liaison or Youth Endorsement Program
6. Business Helpline and Online Network Development

## Program Locations

As part of the design for the Promoting Entrepreneurship and Digital Financial Services for Rural Youth Program, two out of the three initially identified locations were selected for the program’s activities. To determine the program locations with the highest probability of success, Mercy Corps Indonesia conducted a services provider ecosystem mapping. This mapping concluded that:



*Image 1. Malang and Tuban Regency in East Java*

1. Malang and Tuban have more local champions and local mentors who are actively engaging with young entrepreneurs and job-seekers.
2. There is a higher commitment from CSO service providers in Malang and Tuban.
3. There is a more suitable cultural context in Tuban as youth tend to stay in the regency while youth in Bojonegoro tend to search for employment outside of the regency.

During the research, Mercy Corps Indonesia also found that Bojonegoro’s Regency Government was less cooperative, which was perceived during the research in the difficulty securing meetings and the reluctant attitude from government officials. It was also more difficult to obtain the research permits. Taking into account the challenging bureaucracy in Bojonegoro, the service providers ecosystem (see Table 5) and the fact that Bojonegoro has the lowest entrepreneurial behavior score for both attitude and subjective norm towards entrepreneurship (see Figure 1 in page 8), Mercy Corps Indonesia concluded that conducting the program in Malang and Tuban Regency had a higher potential for success.

Table 5. Service Providers Ecosystem

No.	Indicators	Malang Regency	Tuban Regency	Bojonegoro Regency
1	Local Champions	1. Lia (CMC Tigawarna) 2. Fiqih Ayu Kurniasani (Nasyiatul Aisyiyah) 3. Rofi (Oyisam Clothing)	1. Kemal (Posprit) 2. Susanto (Semen Indonesia, Sharia Economy Lecturer at STITMA)	
2	Local Mentors	1. Dias Satria (Universitas Brawijaya) 2. Sutiah (LPKP Jatim) 3. Zainul Abidin (CIS-SMESCO) 4. Akhmad Nasution (UMKM Jagoan)	1. Hadi Purwanto (J Club) 2. Kemal (Posprit) 3. Endang Trimeidiya (Bappeda) 4. Susanto (Semen Indonesia, Sharia Economy Lecturer at STITMA)	1. Eryul (Rumah Kreasi) 2. Nofi (Tongkat Peri Craft) 3. Didin (Dekopinda)
3	Service providers willing to cooperate	1. CIS-SMESCO 2. Nasyiatul Aisyiyah 3. CU Sawiran 4. UMKM Jagoan 5. Malang's Office of Youth and Sports 6. Pokdarwis Pujon	1. STITMA Tuban 2. J Club Tuban 3. Tuban Creative Hub 4. Tuban's Bappeda 5. Koalisi Perempuan Ronggolawe	1. Dekopinda 2. Rumah Kreasi
4	Program Sustainability (Government)	Anti-Poverty Program by the East Java Government and supported by the Malang Regency government.	MoU on poverty alleviation between Semen Indonesia and the regency's government.	Bojonegoro regency is focused on job creation for youth (local job placement and migrant placement).
5	Program Sustainability (Non-government)	There are active young entrepreneur mentors in the area, who are focused and dedicated solely to develop young entrepreneurs.	There are active young entrepreneurship mentors in the area, who are focused and dedicated solely to develop young entrepreneurs and are coordinated actively with the government.	Mentors in Bojonegoro are coming from older age groups (above 30) and each they are mostly SME businessmen or politicians.

## Program Interventions

The research provided Mercy Corps Indonesia with some good ideas for the program's intervention. However, due to considerations regarding the intervention's feasibility, complexity, sustainability, and potential for impact, not all of the recommendations previously described were pursued. Most of the recommendations stated would require more complex program interventions and would potentially require more time and resources to achieve desirable results. For a short-term program, these recommendations were less likely to exhibit the desired results by the end of the program.

Based on the Project Implementation Workshop held in January 2019, Mercy Corps Indonesia developed the following program interventions:

1. Deliver training and mentoring on entrepreneurship, with a particular focus on starting a business, marketing, and financial management to at least 1,500 rural youth, targeting entrepreneurs (hereafter will be referred as existing entrepreneurs) and job-seekers/workers who aspire to be entrepreneurs (hereafter will be referred as aspiring entrepreneurs).

2. Produce and disseminate digital training materials that are easily accessible by training recipients as well as a wider audience.
3. Facilitate linkages for youth entrepreneurs to formal financial institutions.
4. Facilitate market linkages and business licensing.
5. Present Entrepreneurship Awards for exceptional program participants to increase engagement and stimulate business growth.

## Implementation

### Learning Modules

The Promoting Entrepreneurship and Digital Financial Services for Rural Youth Program developed two sets of learning materials for the two main groups, young existing entrepreneurs and aspiring entrepreneurs. The results of the research were used as a reference for Mercy Corps Indonesia in designing the learning modules for the training and mentoring activities. The learning modules for aspiring entrepreneurs include materials on:

1. Business Motivation
2. Identifying Potential and Opportunities
3. Producing Business Ideas
4. Business Model Canvas
5. Conducting Market Research
6. Creating a Marketing Plan
7. Online Marketing Using Marketplace Platforms
8. Pricing

While the learning modules for existing entrepreneurs include:

1. Business Motivation
2. Business Model Canvas
3. Conducting Market Research
4. Creating a Marketing Plan
5. Online Marketing using Marketplace Platforms
6. Pricing
7. Financial Management using a Digital Platform

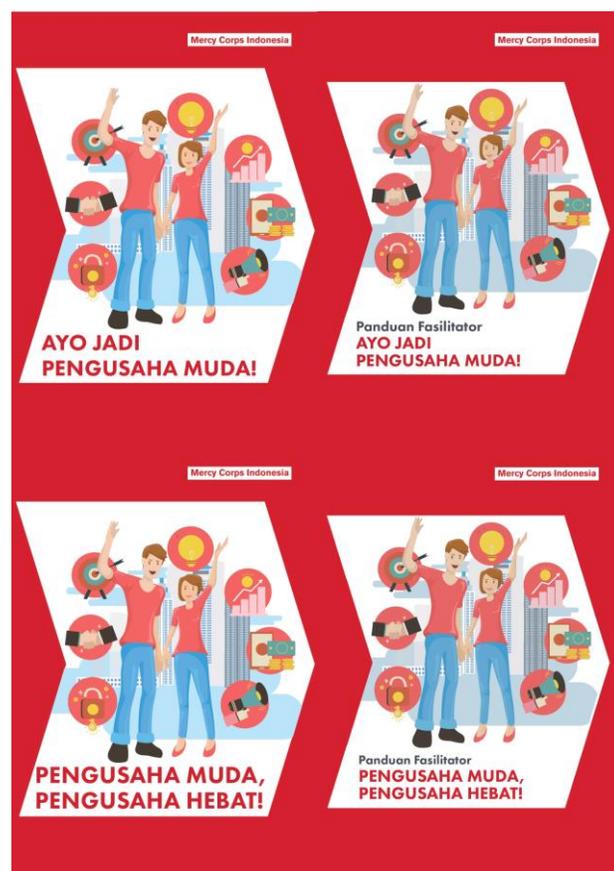


Image 2. Participants Handbook and Facilitator's Guide

# Key Partnership

To support the implementation of the program, Mercy Corps Indonesia collaborated with local and national partners. In Malang, the program partnered with Credit Union Sawiran (CU Sawiran) and Forum Komunikasi Karang Taruna Kabupaten Malang (FKKT Kabupaten Malang). CU Sawiran and FKKT served as the local implementing partners that provided teams of facilitators and delivered the training and mentoring directly to program participants. And in Tuban, Mercy Corps Indonesia partnered with Pos Privat Indonesia (Posprit) and Ranggalawe Creative Centre (RCC) as the local implementing partners. Mercy Corps Indonesia also partnered with Paper.id, a financial management software company, who designed the financial management module and delivered the training of trainers (ToT) to the program’s facilitators. Lastly, Mercy Corps Indonesia partnered with Google Indonesia through their Gapura Digital and WomenWill Program Office in Malang and Surabaya to deliver mentoring to the program participants.



### Credit Union Sawiran

CU Sawiran was established in 1989 in the Malang region. The cooperative has a large member base of more than 7,000 active members, a majority of which are MSE business owners from various sectors. For many years, the cooperative has actively provided non-financial and financial services to MSEs, as well as training and technical assistance through their training unit.

### Forum Komunikasi Karang Taruna Kabupaten Malang

FKKT Kabupaten Malang is an organization that coordinates youth activities at the regency level. The organization coordinates 378 village-level youth organizations in 33 sub-districts. Established under the Malang Regency’s Office of Social Services, the purpose of the organization is to strengthen social awareness as well as to promote entrepreneurship for youth.



### Pos Privat Indonesia

Posprit is a CBO that consists of 70% youth and provides technical guidance to the people of Tuban. Posprit has 30 active members and administrators who provide 20 free technical guidance on entrepreneurship and business development to the communities each month. The technical guidance is adapted to up to date issues that are currently being faced by the communities. Posprit members are also active in other CBOs such as J-Club, SSN, TDA, Muslim Business Forum, Unite Youth Community, etc. Currently, Posprit is focused on supporting digital marketing activities of several small business products in Tuban, such as creating websites, content, and business incubation.

## Ranggalawe Creative Centre

RCC is a CBO focused on culture and entrepreneurship for women, especially for cultural preservation such as batik, keris, cultural tourism, culinary, and art performances. RCC consists of 50 active members and administrators, almost 80% of whom are women. RCC is active with other local communities such as the Coffee Lovers Community, Tuban Culinary, Tuban's Shopee Dropshipper, etc. They also mentor the youth batik community in the Kerek area. Every month, RCC holds gatherings with youth in Tuban to promote local culture and help market Tuban's local batik. RCC was one of the local implementing partners to provide training and mentoring to rural youth in Tuban Regency, however, due to their inability to meet the program's target, Mercy Corps Indonesia later severed the partnership with RCC and collaborated directly with some of RCC's members (facilitators) that were still committed to the program.



## Paper.id



Paper.id is a software company whose mission is to help micro, small and medium enterprises (MSMEs) by providing electronic invoicing services integrated with accounting, payment, and inventory systems. The software also provides financial report features such as balance sheets, income statements, etc. These features allow business owners to view their financial statements easily and thoroughly. Paper.id has been used by thousands of business owners to send more than 30,000 invoices digitally.

## Google Indonesia's Gapura Digital and WomenWill

Gapura Digital and WomenWill are training programs run by Google Indonesia. They are aimed at boosting Indonesia's small and medium enterprises (SMEs) through digital channels. Launched in 2017, Gapura Digital is a continuation of the Gapura program which was launched earlier in 2014. Today, Gapura Digital and WomenWill provide free classes in 15 cities throughout Indonesia and cover a variety of topics such as: Success Stories and Tips for Women Entrepreneurs, Important Business Skills for Growing Your Business, Practicing Communication Skills, Developing the Fashion and Beauty Business, Content Marketing and Copywriting Strategies, Planning a Digital Marketing, How to Create a Website, Developing Food and Beverage Business, Developing Service Business, How to Manage Your Existence Online, Social Media for Your Business, and Tricks to Build a Brand Through Video. Mercy Corps Indonesia collaborated with Gapura Digital and WomenWill in Malang and Surabaya to deliver mentoring to the program's participants.



## Training of Trainers

To be able to effectively deliver the learning materials to the program participants, Mercy Corps Indonesia, together with Paper.id, delivered 4 ToT sessions in April and May 2019 to 26 facilitators in Malang and 22 facilitators in Tuban. Program partners from CU Sawiran, FKKT Kabupaten Malang, Posprit, and RCC provided facilitators from their respective organizations to attend the ToT. Of the 48 facilitators that took part in the ToT, 36 of them delivered training and mentoring to the program's participants.

To be a program facilitator, Mercy Corps Indonesia required the partners' representatives to complete the ToT, have basic familiarity with delivering presentations and confidence in speaking to a large group, and also expected facilitators to commit the time needed to implement the training and mentoring sessions. The ToT covered the following materials:

1. Basic Concepts of Adult Learning
2. Communication Techniques
3. How to Facilitate a Training
4. In-depth Understanding of Each Learning Modules
5. Facilitation Role Play of Each Learning Modules



*Image 3. ToT in Malang*

Each ToT was conducted over 2 days. Mercy Corps Indonesia's program team designed and delivered the ToT to the program's local implementing partners, with Paper.id designing and delivering the financial management module part of the training. The training used an interactive method which enabled the facilitators to share experiences and also created a lively and active atmosphere for the facilitators.

# Training and Mentoring

The aspiring entrepreneurs' group are job-seekers or workers that consists of 2% homemakers, 36% unemployed students, 31% unemployed, and 32% employed workers. The workers received an average income of 1,735,484 IDR per month,<sup>5</sup> lower than the provincial minimum wage of 1,768,777.08 IDR and the regencies' minimum wage of 2,532,234.77 IDR (Tuban) and 3.018.530,66 (Malang). In the training, the aspiring entrepreneurs' group learned about how to start a business by identifying their potential and opportunities around them, as well as training on producing ideas, business motivation, conducting market research, creating a marketing plan, online marketing, pricing, and more. One of the modules, business model canvas (BMC), is a visual representation of current or new business models, generally used by strategic managers. The BMC provides a holistic view of the business as a whole and is especially useful in running a comparative analysis on the impact an increase in investment may have on any of the contributing factors, such as product's value proposition, infrastructure, customers, or finances. BMC assists businesses in aligning their activities by illustrating potential trade-offs. These materials helped the participants learn how to develop a business model that suits the particular characteristics and challenges of their business sector.

Additionally, for the existing entrepreneurs, they also learned how to manage business finances using Paper.id. Using a platform such as Paper.id supported business owners' ability to accurately keep track of their business transactions, inventory, balance sheets, revenue and profitability, growth, and also conduct online payments by utilizing a user-friendly free financial software. This will also indirectly improve the businesses' accountability and creditworthiness, enabling them to access credit more easily. For both the existing and aspiring entrepreneurs' groups, the training was delivered in 1 day (approximately 4 to 6 hours).

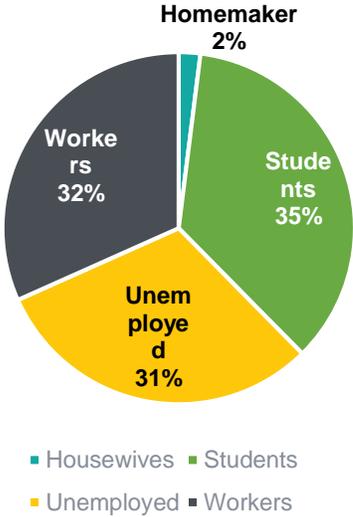


Figure 2. Aspiring Entrepreneurs Group

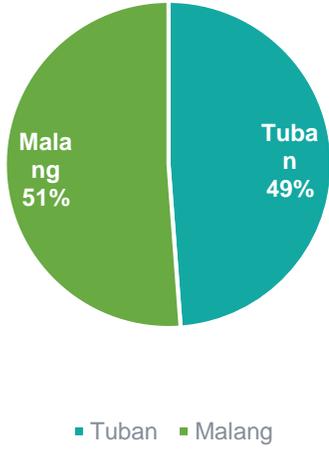


Figure 3. Participants Location

<sup>5</sup> Equals 112.88 USD, with an exchange rate of 1 USD = 15,375.05 IDR



*Image 4. Training Facilitated by RCC in Tuban*



*Image 5. Training Facilitated by FKKT in Malang*

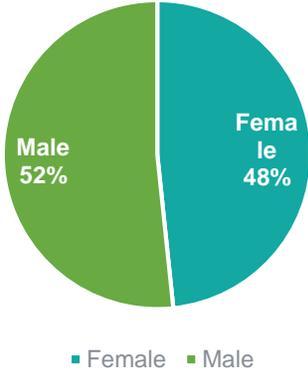
59 classes of the program's training were conducted from May to October 2019 and were delivered through partner organizations and facilitators to a total of 1901 program participants, 928 in Tuban and 973 in Malang. The training and mentoring sessions were delivered in small cafes and community halls spread throughout the regencies' sub-districts. Of all the program participants, 48% of them were women and 52% were men. 60% of participants were existing entrepreneurs and 40% were aspiring entrepreneurs. Of the

1901 participants, 1401 were youth (aged 18 to 30 years old), with the remaining 500 falling outside of the youth age range.

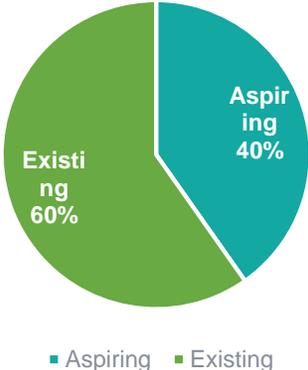
*Table 6. Number of Participants and Classes*

Activity	Participants	Classes
Training	1901	59
Mentoring 1 (Financial Management)	487	20
Mentoring 2 (Digital Marketing and Business Permits)	369	17
Mentoring 3 (Gapura Digital and or WomenWill)	213	9

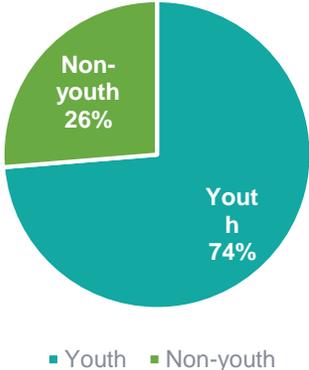
Of the non-youth group, a small number of participants were adolescent students that were interested in learning entrepreneurship. But the majority of non-youth participants were above 31 years old. Leading up to the training, invitations were shared via WhatsApp and social media to communities and organizations with connections to youth in each area. Interested participants were then required to register with the respective facilitator, which included filling in their birth date. In most cases, facilitators felt bad about denying participants outside of the age range and were reluctant to do so because sometimes they knew each other or had mutual acquaintances and denying participation could have had a negative impact on the facilitator’s relationship within the communities. In other cases, participants were found to lie about their age or register a family member that fit the age range and attend the training on their behalf. A complete sex and age disaggregated data (SADD) breakdown of the program’s participants can be seen in Table 7.



*Figure 4. Participants Sex Ratio*



*Figure 5. Entrepreneurs Ratio*



*Figure 6. Youth Ratio*

*Table 7. Participants SADD*

Age group	Total	Male	Female
0 - 5	0	0	0
6 - 9	0	0	0

10 - 14	8	5	3
15 - 19	317	136	181
20 - 24	688	304	384
25 - 34	609	372	237
35 - 49	259	152	107
50 and older	20	13	7
<b>Total</b>	<b>1901</b>	<b>982</b>	<b>919</b>

Additionally, the existing entrepreneurs and aspiring entrepreneurs that started a new business or produced a business idea received follow up mentoring on Financial Management, Digital Marketing, and Business Permits, as well as 2 or 3 modules from Gapura Digital and WomenWill based on the program participants' needs in each location. The local program partners facilitated the delivery of mentoring on Financial Management to 487 participants in 20 classes, and mentoring on Digital Marketing and Business Permits to 369 participants in 17 classes. The mentoring from Gapura Digital and WomenWill were delivered directly by Google Indonesia's trainers to 213 participants in 9 classes. The mentoring was delivered between June and November of 2019, with each mentoring session delivered in 1 day (approximately 4 hours). A gradual decline in the program's participants was expected as not all entrepreneurs shared the same level of commitment and not all aspiring entrepreneurs started a business during the training and mentoring period. To mitigate this, Mercy Corps Indonesia targeted a higher number of participants (the target was 1500) and developed practical learning materials to accelerate business growth and ensure the expected outcomes could be achieved.

## Digital Training

As part of the program's intervention design, Mercy Corps Indonesia determined that digital training materials would be greatly beneficial for program's participants that wished to revisit the training materials, and also be beneficial to a wider audience outside of the program's participants. Based on past program experiences, Mercy Corps Indonesia knew that ensuring participants' adoption of a new platform would be challenging. Therefore, to ensure optimal engagement was achieved, the program team developed the digital training materials in video format and uploaded them to Mercy Corps Indonesia's channel on [YouTube](#). This ensured that the digital training materials were available on a platform that is readily accessible on all smartphones<sup>6</sup> and is already widely used.<sup>7</sup> Adding to the fact that YouTube is owned by Google and there is currently no real competitor to their market dominance, it can be safely assumed that the platform will continue to exist long past the program has ended. Thus, the digital training materials will also continue to be available for as long as the platform exists. The baseline survey of the program's

<sup>6</sup> YouTube is factory pre-installed on all Android smartphones and a YouTube app is available to download on all smart operating system.

<sup>7</sup> 132 million people or 88% of all Indonesia internet users actively use YouTube and 47% access it every day. It's the most actively used social media platform in Indonesia. "Indonesia's Social Media Landscape: An Overview", 15 May 2019, Greenhouse: <https://greenhouse.co/blog/indonesias-social-media-landscape-an-overview/> (Accessed on 18 March 2020)

participants also showed that 96.1% of the participants owned a smartphone and 99% of them have access to the internet, though only 26.1% stated they have a mobile data plan that is always active.

Mercy Corps Indonesia developed the digital training materials from the entrepreneurship learning modules and split them into 9 separate videos based on the topic. The videos were produced in Malang and featured the program team as well as one of the facilitators from CU Sawiran. The videos were launched on January 29<sup>th</sup>, 2020 and have generated 1,017 views as of March 31<sup>st</sup>, 2020. A complete list of all the videos produced can be seen below:

*Table 8. Digital Training Modules*

No.	Title	Link	Views (as of 31 March 2020)
1	Producing Business Ideas	<a href="https://youtu.be/2sHu58JWQME">https://youtu.be/2sHu58JWQME</a>	405
2	The Characteristics that Drives Business Success	<a href="https://youtu.be/k8K538xa838">https://youtu.be/k8K538xa838</a>	68
3	Business Model Canvas	<a href="https://youtu.be/lFj1K4esfg8">https://youtu.be/lFj1K4esfg8</a>	90
4	Simple Market Research	<a href="https://youtu.be/lp_9VfJWwVY">https://youtu.be/lp_9VfJWwVY</a>	63
5	Pricing	<a href="https://youtu.be/JEqsymilwNA">https://youtu.be/JEqsymilwNA</a>	82
6	Creating a Marketing Plan	<a href="https://youtu.be/qFtkOLvcFlw">https://youtu.be/qFtkOLvcFlw</a>	139
7	Selling on the Marketplace	<a href="https://youtu.be/T5Np3Zj6_B4">https://youtu.be/T5Np3Zj6_B4</a>	55
8	Tips for Dealing with Business Problems	<a href="https://youtu.be/yQydYLs7Lfs">https://youtu.be/yQydYLs7Lfs</a>	46
9	The Easy Way to Do Business Bookkeeping	<a href="https://youtu.be/H9uFjZ8b5Cs">https://youtu.be/H9uFjZ8b5Cs</a>	70

## Financial Products and Services Expo

Based on the research Mercy Corps Indonesia conducted, the program found that gaining access to business capital is the biggest challenge commonly faced by young entrepreneurs. Mercy Corps Indonesia also found that youth knowledge about financial products and services for business development was very low. In an effort to address this knowledge gap, Mercy Corps Indonesia, in collaboration with the local governments of Tuban and Malang Regency, facilitated two Financial Products and Services Expos. The goal of this activity was to introduce entrepreneurs to various formal financial service providers operating in Malang and Tuban, facilitate socialization and promotion of various financial and funding products and services



*Image 6. Financial Products and Services Expo in Tuban*

(especially those related to business development for MSMEs), improve the knowledge of MSME actors about the benefits and ways of accessing financial services for business development, the right phase to obtain funding, factors affecting credit assessment, as well as the importance of business licensing and how to obtain it.

As part of the expos, Mercy Corps Indonesia also held a panel themed around “Smart Access to Financial Services for MSEs and the Importance of Business Licensing”. The conversation featured panelists from the Revolving Fund Management Agency of the Ministry of Cooperatives and SMEs (LPDB-KUMKM), a financial technology (FinTech) company (ALAMI in Malang and Amarta in Tuban), the local government, and Mercy Corps Indonesia. In total, fourteen financial institutions participated in the Malang expo held in November 2019. The expo had 161 attendees, while 55 people attended the panel. In Tuban, 10 financial institutions participated and 69 people attended the expo held in December 2019. The financial institutions were conventional and sharia commercial banks, rural banks, non-bank financial institutions, FinTech companies, as well as microfinance institutions (MFIs) cooperatives (the complete list of expo participants can be seen in Table 9).

During the expo, some entrepreneur attendees were seen visiting financial institutions’ booths and asking about available financial products. Most of these attendees were interested in micro-business credit (KUR). Some financial institutions, such as CU Sawiran and Jenius, took the initiative to promote their products to the attendees. However, one of the key constraints faced by young entrepreneurs in regards to their ability to access financing is that most of them don’t own assets (land or vehicles) that can be used as collateral. And on the other side, most of the participating financial institutions don’t offer lending products that do not require asset collateral. Of all the financial institutions that participated, ALAMI, Amarta, and CU Sawiran were the only ones that had lending products that did not require asset collateral.

Overall, most of the attendees were more interested in the panel and trying the portable mini studio box<sup>8</sup> Mercy Corps Indonesia displayed. At the end of the panel, Mercy Corps Indonesia gave away 2 portable mini studio boxes to attendees who could answer questions from the panelists.

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<sup>8</sup> A box, with one open end, made of diffusing material, to allow the photographing of a sample object with no shadows. It’s commonly used to take studio-like photographs of small products. It is also called a lightbox, light tent, or photo cube.

Table 9. Financial Products and Services Expo Participants

Malang Expo Financial Institutions Participants		Type of Financial Institution	Tuban Expo Financial Institutions Participants		Type of Financial Institution
1	CU Sawiran	Cooperative (MFI)	1	Pegadaian Syariah	Non-bank Sharia Financial Institution
2	Koperasi Kanindo Syariah	Sharia Cooperative (MFI)	2	BPR Mentari Terang	Rural Bank
3	BPRS Bumi Rinjani	Sharia Rural Bank	3	Bank UMKM Jawa Timur	Rural Bank
4	BPR Nusumma	Rural Bank	4	Bank Jatim	Regional Development Bank
5	BPR Nusamba	Rural Bank	5	KJKS BMT BUS	Sharia Cooperative (MFI)
6	ALAMI	FinTech Company	6	BPR Angga Perkasa	Rural Bank
7	Bank Sinarmas	Commercial Bank	7	Bank Mandiri	Commercial Bank
8	Bank Bukopin	Commercial Bank	8	Jenius (Part of BTPN)	Commercial Bank
9	Bank BRI Syariah	Sharia Commercial Bank	9	Amartha	FinTech Company
10	Bank Mandiri Syariah	Sharia Commercial Bank	10	Bank Syariah Mandiri	Sharia Commercial Bank
11	LPDB-KUMKM <sup>9</sup>	Government Agency			
12	Bank UMKM Jatim	Rural Bank			
13	BNI	Commercial Bank			
14	BRI	Commercial Bank			

<sup>9</sup> LPDB-KUMKM is a government agency under the Ministry of Cooperatives and SMEs which was established with the purpose to channel revolving funds to help strengthen business capital to develop cooperatives, MSMEs, and other businesses with the purposes to reduce poverty and unemployment, and develop the national economy.

## Final Learning Workshop and Entrepreneurship Awards

At the end of the program's implementation phase, Mercy Corps Indonesia held a Final Learning Workshop and Entrepreneurship Awards as part of the program's exit strategy. The event was held in Surabaya on January 30<sup>th</sup>, 2020, with the goal of disseminating learning and program knowledge materials to stakeholders and market actors, encourage collaboration and synergy between stakeholders (including government, private sector, associations, and the communities) in building a supportive entrepreneurial ecosystem, encourage the formation of a cohesive entrepreneurship program with synergy between government agencies in each regency, and to recognize the exceptional program participants.

The event was opened by Purnomo Hadi, the Head of East Java's Office of Cooperatives and SMEs (Dinas Koperasi dan UKM), followed by opening remarks from Ade Soekadis, the Executive Director of Mercy Corps Indonesia, and featured a keynote speech by Hanung Harimba Rahman, the Deputy of Finance of the Ministry of Cooperatives and SMEs, in which he discussed Indonesia's entrepreneurship condition, the challenges, and future development plans. This was later followed by a presentation of the program's learning as well as a panel discussion themed "Creating Synergy in Building a Supportive Entrepreneurial Ecosystem" which featured panelists consisting of M. Hidayat, the Head of Malang's Regional Research and Development Agency (Balitbangda), Agus Wijaya, the Head of Tuban's Cooperative, Industry and Trade Office (Diskoperindag), Jeremy Limman, the CEO of Paper.id, Antonius Anggita Sarjita, the General Manager of CU Sawiran, and Imansyah Arraniry, the Program Manager from Mercy Corps Indonesia. Additionally, the event was attended by the Head of Malang's Office of Cooperatives and Micro Business (Dinas Koperasi dan Usaha Mikro), the Head of Tuban's Office of Tourism, Culture, Youth and Sports (Disparbudpora), a representative from Malang's Office of Social Services (Dinsos), and the Vice-Chancellor of Universitas PGRI Ronggolawe (Unirow) in Tuban.

The event closed with the announcement of the Entrepreneurship Awards winners, which consisted of awards from Paper.id and Mercy Corps Indonesia. Paper.id presented 8 smartphones to the winners of the following categories:



*Image 7. Final Learning Workshop Panel Discussion*



*Image 8. Awarding to One of the Young Entrepreneur Winner*

*Table 10. Paper.id Awards Winners*

No.	Category	Winners
1	Highest number of actions taken in Paper.id	Defa Azzahra (Malang), Anggik Mahendra (Tuban)
2	Highest quantity of products sold in Paper.id	M. Sulaiman (Malang), Halimatus Sa'diyah (Tuban)
3	Highest revenue recorded in Paper.id	Abdul Hamid (Malang), Dicky Kusumaningtyas (Tuban)
4	Highest number of modules utilized in Paper.id	Muhtar Anas (Malang), Pelangi Bidara Asma Hayu (Tuban)

In addition, Mercy Corps Indonesia also presented 6 laptops and 2 cash prizes (for Best New Entrepreneurs) to the exceptional program participants in Malang and Tuban. The winners are listed below:

*Table 11. Entrepreneurship Awards Winners*

No.	Category	Winners	Explanation
1	Best Business Growth	Adi Tunggal Permana (Malang), Ahmad Muhammad Sofwan (Tuban)	Entrepreneur with the highest percentage of business growth
2	Best Business Sales	Aan Irnawan (Malang), M. Sugeng Herianto (Tuban)	Entrepreneur with the highest quantity of sales
3	Best Entrepreneur	M. Sulaiman (Malang), Deni Mariyana (Tuban)	Entrepreneur that created the most additional job opportunities
4	Best New Entrepreneur	Aliyatul Mariyah (Malang), Silvia Wahyu (Tuban)	Aspiring entrepreneur that started a business and created the most job opportunities

## Evaluation

To measure the results of the program's interventions, Mercy Corps Indonesia conducted a baseline and endline survey. An endline survey is a research method that is conducted at the end of a period of activity or program aimed at measuring the benefits, impact, evaluation, and learning of the activities that have been carried out. For this reason, Mercy Corps Indonesia gathered information on benefits or impact to program participants who participated in the training and mentoring sessions that were carried out from May to October 2019 (the last mentoring was delivered on November 1<sup>st</sup>, 2019). The baseline data of each participant was collected when they attended the program's training, while the endline survey's data collection and analysis was conducted from November 2019 to January 2020. The main purpose of extracting this information was to uncover our achievement against the following outcomes of the program:

- › 1,500 rural youth (at least 40% of whom women) will have knowledge and usage of digital financial services.
- › 40% of rural youth trained and mentored will have developed a new business, diversified their existing business, or obtained a better paying job.
- › 20% of rural youth trained and mentored will have increased their income.
- › 10% of youth entrepreneurs will have created one new local job.

## Methodology

The endline survey data was collected from participants who had received the program's training and completed the baseline survey at the start of the training. Respondents consisted of two categories:

1. Aspiring entrepreneurs: rural youth aged 18 to 30 years old who at the start of the training did not own any businesses.
2. Entrepreneurs: rural youth aged 18 to 30 years old who at the start of the training already owned a business.

The endline survey was carried out using both quantitative and qualitative methods. This was intended to optimally explore the desired information while mutually supporting each other. The quantitative method was carried out using a questionnaire survey to select respondents from the baseline survey data. The survey was conducted using the proportionate stratified random sampling, with a confidence level of 95% and a margin of error of 5%. Based on statistical calculations, the minimum number of samples was 301 respondents. Mercy Corps Indonesia successfully surveyed 352 selected respondents who represented the population of youth program participants (1,401 participants). The qualitative survey was carried out using FGDs and IDIs to program partners, entrepreneur and aspiring entrepreneur participants, and government agencies involved in Malang and Tuban.

## Accomplishments against Expected Outcomes

Despite the best efforts from Mercy Corps Indonesia and its partners to garner 1,500 youth program participants, Mercy Corps Indonesia fell short of achieving this goal as it proved difficult to find young business owners aged 18 to 30 years old in Malang and Tuban. Even though Mercy Corps Indonesia was able to exceed the target and reach 1901 participants, 500 of them were not youth. Nevertheless, Mercy Corps Indonesia was able to directly empower 1,141 MSEs (existing entrepreneurs' group, almost all of which are micro-enterprises) and 760 individuals (the group of aspiring entrepreneurs consists of housewives, students, the unemployed, and low-income workers) who previously had limited or no access to any business development services. Mercy Corps Indonesia was able to achieve and exceed all the other expected outcomes of the program, which included a 51% female participation ratio, 57% of program participants developing new businesses and or diversifying their existing business, 38% of participants experiencing an increase of income, as well as 15% of the participants contributing to local jobs creation.

Table 12. Performance Benchmark and Indicators

Indicators	Target	Actual	Notes
Rural youth have knowledge and usage of digital financial services	1,500	1,401	The total program participants were 1,901, however, 500 were not youth
Percentage of women who have knowledge and usage of digital financial services	40%	51%	Of the young women reached, 21% are aged 18-19 years old; 54% are aged 20-24 years old; 25% are aged 25-30 years old.
Rural youth trained and mentored will have developed a new business, diversified their existing business, or obtained a better paying job.	40%	57%	Only diversified their business: 34%; Only opened a new business: 4%; Diversified their business and opened new businesses: 19%
Rural youth trained and mentored will have increased their income	20%	38%	Average increase of 75% which is 1,092,364 IDR
Rural youth entrepreneurs will have created one new local job	10%	10%	247 new local jobs created

### Knowledge and Usage of Digital Financial Services

Throughout the program’s implementation, Mercy Corps Indonesia was able to deliver training to 1901 participants (1401 of them youth) who in addition to the entrepreneurship learning modules, also received knowledge and usage of digital financial services, which was part of the financial management module. And of the 1401 youth participants, 51% were women, 805 were existing entrepreneurs and 596 were aspiring entrepreneurs (job-seeker/workers).

Despite intensive efforts from the program partners to garner youth participation, there were a lot of MSE entrepreneurs above 30 years old in both locations that were very interested in participating in the program’s training and mentoring. The facilitators’ reluctance to deny their participation as previously mentioned is one of the main contributing factors to the large number of non-youth participants. However, considering the potentially adverse effects on the facilitators’ relationships within the communities if they were to deny participation, the program team determined it was necessary to allow non-youths’ participation to maintain engagement and cohesiveness between Mercy Corps Indonesia, local partners, and the communities.

Mercy Corps Indonesia measured the absorption of the training knowledge using the Likert scale. Based on the table below, participants in Malang and Tuban exhibited a good acceptance of the learning materials, and especially stated their confidence in applying success driving characters in their businesses, developing current or new

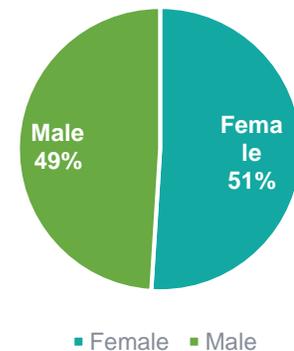


Figure 7. Target Participants Sex Ratio

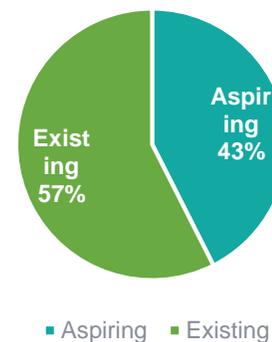


Figure 8. Youth Participants Category

businesses, pricing, and developing marketing strategies. On the other hand, financial management and the use of Paper.id seems to be the area in which participants struggled the most.

*Table 13. Knowledge Materials Absorption*

No.	Learning Materials	Very Not Confident	Not Confident	Neutral	Confident	Very Confident
1	Apply success driving characters into business activities	0%	3%	16%	65%	16%
2	Develop current business or new business	0%	3%	12%	63%	22%
3	Apply business analysis using BMC	1%	13%	40%	39%	7%
4	Conduct simple market survey	1%	2%	23%	62%	13%
5	Selling products on an online marketplace or other digital marketing channels	1%	23%	27%	38%	11%
6	Take product photos using a mini studio	1%	15%	26%	46%	12%
7	Set the right selling price	0%	2%	17%	63%	18%
8	Develop effective marketing strategy	0%	3%	15%	67%	16%
9	Apply business financial bookkeeping using digital application (Paper.id)	2%	21%	50%	26%	1%
10	Send digital invoice using Paper.id	2%	26%	50%	21%	1%
<b>Average</b>		<b>1%</b>	<b>11%</b>	<b>27%</b>	<b>49%</b>	<b>12%</b>

In line with the previous statement in which participants struggled with using Paper.id, the usage of digital financial services, which was measured based on Paper.id, also showed that there were challenges in boosting the participants' adoption and usage. Paper.id not only features options for invoicing, bookkeeping, inventory keeping, and financial report generation, but also provides a free payment gateway for online transactions. Additionally, users of Paper.id can access business financing from Paper.id's partners (which includes peer-to-peer lending platforms such as Investree, ALAMI, and others) and build a credit score by integrating their business' financial records in Paper.id. However, most program participants were not able to take advantage of these features, as shown in the table below.

*Table 14. Usage of DFS*

No.	Usage of Digital Financial Services	Percentage
1	Received learning materials about DFS but didn't install the application	37%
2	Received learning materials about DFS, installed, but didn't use the application	46%
3	Received learning material about DFS, installed, and used the application	17%

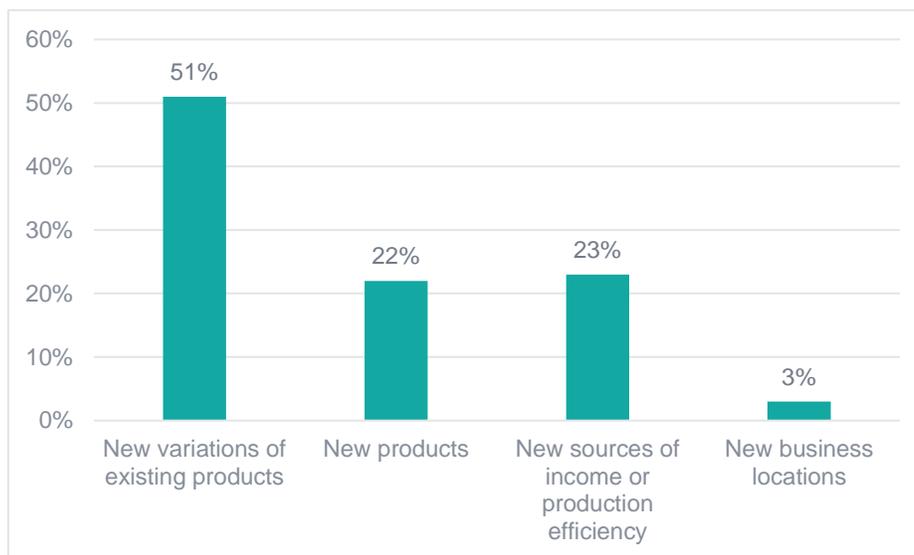
## Business Growth

Based on the endline survey, Mercy Corps Indonesia found that 46 young aspiring entrepreneurs (8%) developed a new business during the program's implementation. A majority of the new businesses were in the trade/retail sector, where the participants became resellers and dropshippers.<sup>10</sup> According to respondents, dropshipping is easier to do because it doesn't require a lot of capital and can be managed from home. Information on which sectors the new businesses fall into is available in the table below.

*Table 15. Aspiring Entrepreneurs New Business Sectors*

No.	New Business Sector	Malang	Tuban
1	Food and Beverages (packaged)	29%	
2	Trading/ Retail	43%	100%
3	Agriculture	14%	
4	Livestock	14%	

For the young existing entrepreneurs, 427 (53%) of them diversified their business. Business diversification here is defined as creating new variations of existing products, creating new products, developing new sources of income or production efficiency, or opening a new business location (branch/store), the details of which can be seen in Figure 9 below. 185 (23%) of the existing entrepreneurs opened new businesses, with most of the new business falling in the packaged food and beverages and trading/retail sector.



*Figure 9. Existing Entrepreneurs' Business Diversification*

<sup>10</sup> Dropshipping is a retail fulfillment method where a store doesn't keep the products it sells in stock. Instead, when a store sells a product using the dropshipping model, it purchases the item from a third party and has it shipped directly to the customer. As a result, the seller doesn't have to handle the product directly.

*Table 16. Existing Entrepreneurs New Business Sectors*

No.	New Business Sector	Malang	Tuban
1	Services	5%	23%
2	Handicrafts	11%	0%
3	Food and Beverages (non-packaged)	37%	4%
4	Food and Beverages (packaged)	21%	35%
5	Trading/ Retail	26%	31%
6	Agriculture	0%	4%
7	Livestock	0%	4%

Overall, 34% of youth participants only diversified their business, 4% only opened new businesses, and 19% both diversified their business and opened new businesses. In total, 57% of the youth participants exhibited business growth. As Mercy Corps Indonesia opted to focus on building entrepreneurship, the program's intervention didn't include the development of working skills and therefore did not assess whether or not participants were able to obtain a better paying job.

*Table 17. Youth Participants Business Growth*

No.	Business Development	Percentage
1	Only diversified their business	34%
2	Only opened a new business	4%
3	Diversified their business and opened new businesses	19%
<b>Total</b>		<b>57%</b>

### Increased Income

Of the young existing entrepreneurs, 51% experienced an increase in income, with an average of 986,650 IDR (60% increase), after receiving training and mentoring. In the young aspiring entrepreneur population, 18% experienced an increase in income, with an average of 1,456,896 IDR (128% increase). In total, 38% of the youth participants experienced an increase in income after receiving training and mentoring, with an average of 1,092,364 IDR (75% increase). Of the 38% of participants with increased income, most of them experienced an increase of up to 25%, followed by 26-50%, 76-100%, 51-75%, and more than 100% respectively (Figure 13).

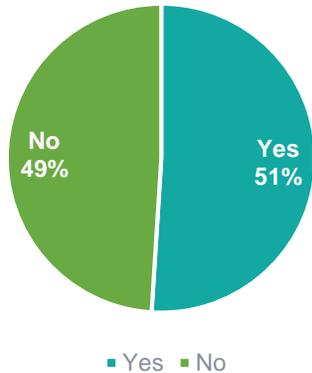


Figure 10. Young Existing Entrepreneurs Who Experience Increased Income

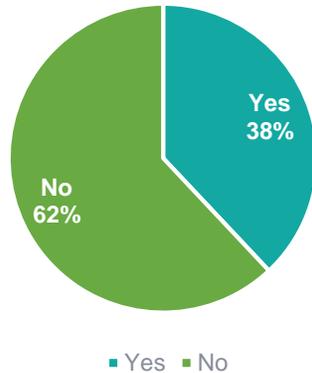


Figure 11. Total Youth Participants Who Experience Increased Income

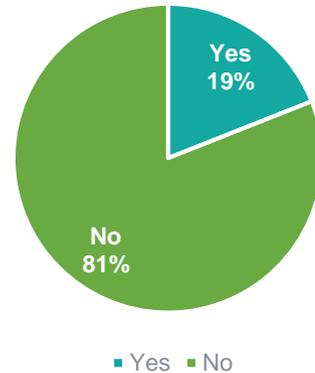


Figure 12. Young Aspiring Entrepreneurs Who Experience Increased Income

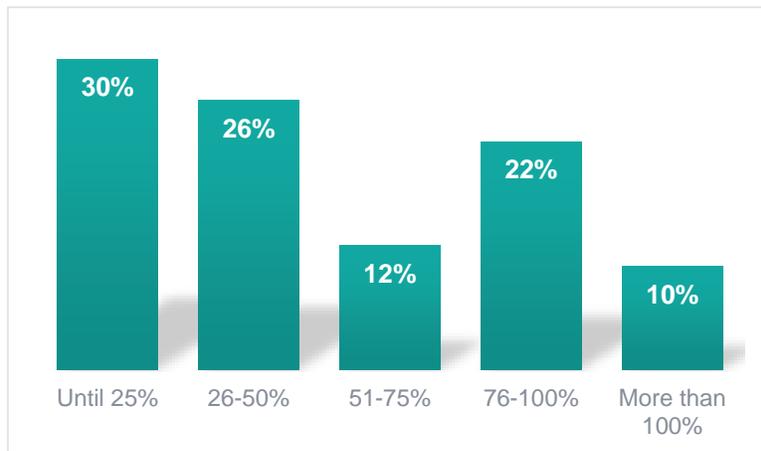


Figure 13. Percentage of Income Increase

### Jobs Creation

One of the most important goals of the program was to increase local employment opportunities, which is a strong indicator of economic growth. An increasing need for entrepreneurs to employ more workers indicates an increase of business size and revenue, and will not only benefit the entrepreneurs themselves, but also the local economy. The employment opportunities generated by the program are calculated based on the

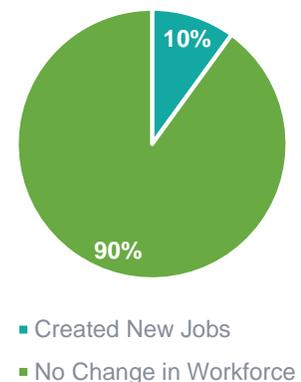


Figure 14. Youth Participants Job Creation

additional permanent<sup>11</sup> and non-permanent<sup>12</sup> jobs the youth participants created during the program’s implementation. Of the young existing entrepreneurs, 120 (15%) contributed to the creation of 178 additional local jobs. These new employments included 103 permanent jobs and 75 non-permanent jobs.

*Table 18. Additional Jobs Created*

No.	Employment Type	Jobs Created
1	Permanent	157
2	Non-permanent	90
<b>Total</b>		<b>247</b>

As for the young aspiring entrepreneurs, 27 (5%) contributed to the creation of 69 additional local jobs. These new employments included 54 permanent jobs and 15 non-permanent jobs. Overall, 10% of the youth participants contributed to the creation of 247 new local jobs.

## Lessons Learned

Even with its shortcomings, the overall success the program was able to achieve should be largely attributed to effective collaboration between Mercy Corps Indonesia, its partners, the local and national government bodies, and the local communities. Throughout the program, Mercy Corps Indonesia continually adapted and refined its approach to achieve the highest potential for impact as possible. As learning is a continuous and iterative process, Mercy Corps Indonesia has identified the following lessons learned from the implementation of the Promoting Entrepreneurship and Digital Financial Services for Rural Youth Program:

- › Garnering entrepreneurs aged 18-30 years old has proven to be a significant challenge in Malang and Tuban Regency, even for local partners with a strong presence in the locality. Adding more local partners with a rooted presence in more areas of each regency could reduce the time and effort needed by program teams to target and engage more potential program participants. Focusing more on engaging young job-seekers/workers could also be more strategic as finding young entrepreneurs has proved to be challenging.
- › Some local facilitators faced difficulty in completely understanding the entrepreneurship learning materials. A low comprehension from the facilitators could potentially have an adverse impact on the delivery of the learning materials. Therefore, to improve the overall quality of the delivery, the ToT for facilitators could be improved by creating a more rigorous and intensive training program such as a boot camp to ensure optimal absorption of the materials and provide adequate practice time.
- › Challenges in financial management are one of the common issues faced by MSEs in Indonesia, including in East Java. Mercy Corps Indonesia opted to introduce technology as the catalyst to practically improve the financial management capabilities of businesses without over-emphasizing technical accounting knowledge, which has proven to be a challenge in past programs. While

<sup>11</sup> A permanent worker is defined as someone who works continuously and receives a fixed base salary periodically, regardless of whether or not there are production/ business activities for a certain period. For example: permanent employees with a fixed base salary.

<sup>12</sup> A non-permanent worker is defined as someone who works within a certain period/ season or receives an income based on the completion of specific tasks/ deliverables which could fluctuate based on the specific needs of the business at any given time. For example: seasonal agriculture labor, part-time employee, and freelancer.

several participants have stated that the introduction and usage of Paper.id greatly benefited their businesses, some participants raised challenges, such as limited access to the internet (Paper.id requires them to be online to use it) and difficulty in using the platform because of its complexity. In the case of this program, most of the areas have internet connectivity infrastructure, however, not all participants have a continuously active mobile data plan. Demonstrating to entrepreneurs the benefits of using technology for their business management activities could influence them to invest in a data plan to support their business.<sup>13</sup> On the technology side, the use of financial management technology has proven to bring a lot of benefits to program participants and could be improved even more for MSEs by introducing a simpler and offline enabled platform.

- › Digital marketing, and specifically marketing through an online marketplace, has proven to be very beneficial for MSEs with suitable products. Optimal utilization of product photo-taking, copywriting, keywords, and other techniques are crucial for MSEs to be competitive and have access to larger national and even international markets. Future programs engaging in business development and or entrepreneurship building in Indonesia are recommended to include materials and online marketing (marketing through social media, selling through an online marketplace, using keywords and copywriting to optimize sales, and developing targeted online advertisements). Mercy Corps Indonesia also learned that the use of a mini studio box proved to practically improve a business's digital marketing results as potential customers rely heavily on the visual representation of the product. A mini studio box should be provided in each training and mentoring activity and in strategic locations that would enable program participants to easily access and take advantage of them.
  
- › There is still a big gap in the availability of business advisory or development services for micro-enterprises in rural areas. Even with the abundance of materials readily available online, most entrepreneurs still have difficulty accessing knowledge materials, which can be caused by the difficulty to comprehend the materials and technical terms or by the lack of information they have on where and how to access these materials. On the other hand, most facilitators and CBOs providing business advisory or development services to micro-enterprises are based on a volunteerism approach and rely on other sources of income for their livelihoods. In the future, developing an approach in which facilitators and CBOs could provide business advisory or development services for micro-enterprises, while also enabling them to have a sustainable livelihood could potentially have a system-wide impact on reducing the gap between micro and small enterprises.

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<sup>13</sup> The cost of mobile data plans in Indonesia is around 3.67 USD for 5 GB of data at 5.1 Mbps per month. This amount is considered affordable for business owners and would not contribute much to their operational costs. However not all business owners recognize the benefit and may feel they don't need a continuous data plan.

## **CONTACT**

ADE SOEKADIS

Executive Director | Mercy Corps Indonesia

[asoekadis@id.mercycorps.org](mailto:asoekadis@id.mercycorps.org)

### **About Mercy Corps Indonesia**

Mercy Corps Indonesia is part of the global Mercy Corps family, an international non-profit organization founded in 1979 that empowers people to survive through crisis, build better lives and transform their communities for good. Mercy Corps has been in Indonesia since 1999.

Through the establishment of the local foundation Yayasan Mercy Corps Indonesia (YMCI) in 2012, we continue to provide communities across Indonesia with the tools and support they need to transform their own lives.

Our goal is to empower people to build healthy, productive and resilient communities

**Mercy Corps Indonesia**

AD Premier, 3rd Floor  
JI. TB. Simatupang No.  
5 Ragunan, Pasar Minggu,  
Jakarta Selatan  
DKI Jakarta 12550  
[mercycorps.or.id](http://mercycorps.or.id)