

## ECONOMIC RESEARCH

### GRAB'S ROLE IN UNLOCKING INDONESIA'S INFORMAL ECONOMY IN 2018

- Research by CSIS and Tenggara Strategics found that Grab contributed an estimated Rp 48.9 trillion (approximately US\$3.44 billion) to Indonesia's economy in 2018.
- GrabBike and GrabCar driver-partners saw their monthly income increase by 113% and 114% respectively, to Rp 4 million and Rp 7 million on average, since joining the Grab platform.
- By offering income opportunities to an estimated 300,000 driver-partners and 40,000 Kudo individual agents who were previously unemployed, CSIS and Tenggara Strategics estimate Grab's economic input to be Rp 16.4 trillion (\$1.16 billion) in 2018.

JAKARTA, Indonesia, April 11, 2019 - Indonesia's informal sector, which comprises workers who are self-employed or running small businesses as well as those who are casually employed, is ripe for disruption. Technology can help democratize Indonesia's economy in ways not previously possible by making it easier for informal workers, who constitute more than half of the country's official workforce of 131 million, to participate in more productive economic opportunities. Through their digital platform, companies such as Grab have improved income opportunities for those who would normally operate in the informal sector, by increasing their productivity and efficiency thus bettering their economic livelihood. To measure Grab's economic contribution to the Indonesian workforce, CSIS and Tenggara Strategics conducted a survey across five cities in Indonesia – Jakarta, Bandung, Surabaya, Medan and Makassar, and for four services – GrabBike, GrabCar, GrabFood and Kudo. The cities were chosen because of the significant use of digital platforms by their residents.

The research found that Grab contributed an estimated Rp 48.9 trillion (approximately \$3.45 billion) to Indonesia's economy in 2018 via its different business verticals. The economic contribution figure is estimated from 3,418 respondents to a survey carried out from November to December of last year on their income derived through Grab's platform. GrabFood is the biggest contributor, followed by GrabBike and GrabCar. Kudo, meanwhile, has made a significant impact in Indonesia's second- and third-tier cities.

The CSIS and Tenggara Strategics survey was conducted via face-to-face interviews with registered partners who have been active in the past three months, based on Grab's database. The study uses a systematic random sampling method and call-back on 80% of the respondents for quality control. This research has a margin of error below 3.5% with a 95% confidence level.

"Income in the informal sector in Indonesia is low and even lower than the provincial minimum wage (UMP). One reason is the low demand for the informal sector. Technology utilization, such as Grab in this case, can help meet and create demand for these informal workers' goods and services. As a result, the income gained by these workers increases," said Yose Rizal Damuri, head of the CSIS's Department of Economics.

## Economic contribution finding

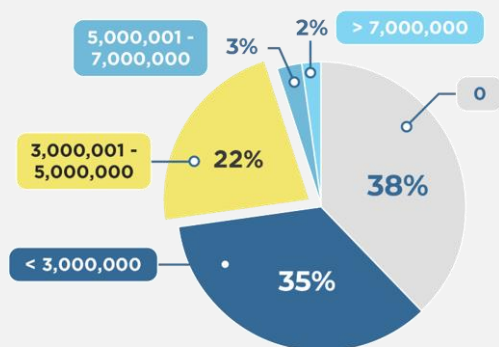
CSIS and Tenggara Strategics estimate that GrabFood, the largest contributor, contributed Rp 20.8 trillion (\$1.47 billion) out of Rp 48.9 trillion. Likewise, GrabBike and GrabCar contribute Rp 15.7 trillion (\$1.1 billion) and Rp 9.7 trillion (\$685 million) respectively. Kudo through its network of agents creates an economic contribution worth Rp 2.7 trillion (\$190 million).

## Income findings

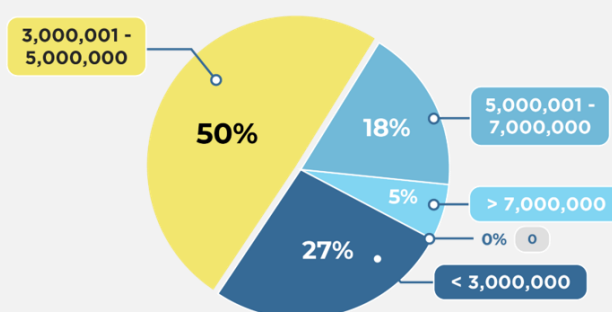
### Grabs technology boosts productivity and earnings

According to findings from the survey, GrabBike and GrabCar driver-partners in five cities saw their income increase by 113% and 114% respectively, to Rp 4 million and Rp 7 million per month on average, after partnering with Grab.

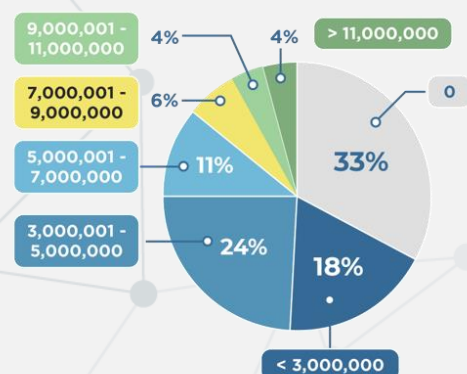
For GrabBike, 50% of driver-partners surveyed had income in the range of Rp 3–5 million. Prior to partnering with Grab, only 22% of the driver-partners had an income in this range. Furthermore, 18% of driver-partners surveyed said they had an income in the range of Rp 5–7 million. Based on these findings, CSIS and Tenggara Strategics conclude that the majority of GrabBike driver-partners have an income level 135% above that of the average self-employed and 208% above that of the casually employed worker, as recorded by Statistics Indonesia (BPS).



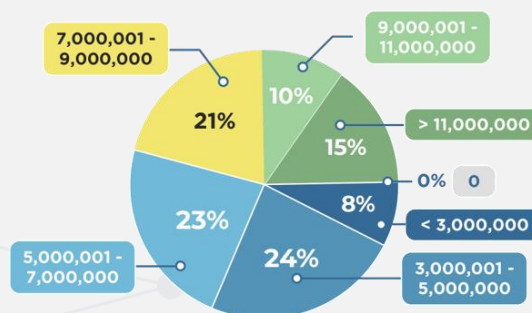
Before joining GrabBike, the majority of respondents' income (73%) was less than Rp 3 million.



After joining GrabBike, the majority of respondents' income (73%) is more than Rp 3 millions.



Before joining GrabCar, the majority of respondents (75%) had an income less than Rp 5 million.

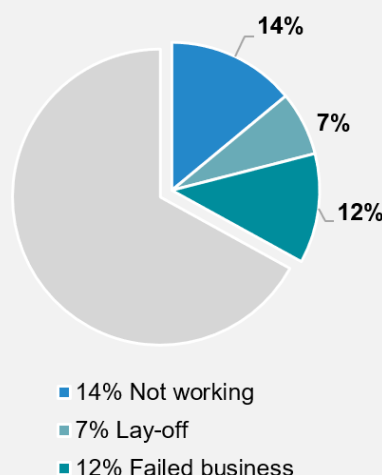
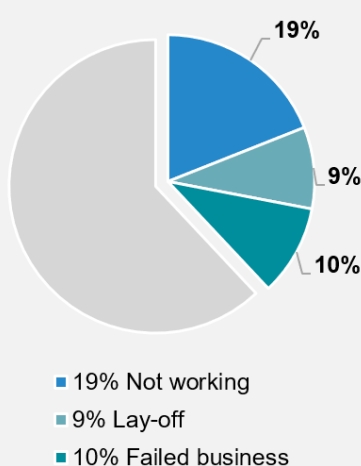


After joining GrabCar, the majority of respondents (68%) have an income more than Rp 5 million.

The survey also showed that the income of GrabCar driver-partners has exceeded the average earnings of self-employed workers and casually employed workers recorded by BPS. Before partnering with Grab, the majority of respondents (75%) had an income below Rp 5 million. But now, after partnering with Grab, 68% of respondents earn more than Rp 5 million. The increase was also found for income in these ranges: (1) 23% in the income range of Rp 5–7 million (previously 11%), (2) 21% in the income range of Rp 7–9 million (previously 6%); (3) 10% in the income range of Rp 9–11 million (previously 4%), (4) 15% earning more than Rp 11 million (previously 4%).

The reason for the boost in average income is because of an increase in productivity due to Grab's platform technology that pairs riders and driver-partners effectively and efficiently. The platform reduces the idle time of driver-partners and increases the number of rides a driver-partner can take on average.

#### GRABBIKE PROVIDES EMPLOYMENT OPPORTUNITY FOR PEOPLE WHO HAD NO WORK



## Social benefits findings

### Grab offers economic opportunities to the unemployed

Grab also presents an attractive job opportunity for those in the informal sector, the survey discovered, encouraging the unemployed to unlock their economic potential. To become a GrabBike or GrabCar driver has a low barrier of entry. This low barrier of entry coupled with the training assistance Grab provides makes it an attractive entry point for unemployed individuals.

The survey found that 38 percent and 33 percent of GrabBike and GrabCar driver-partners surveyed had no income or no job before partnering with Grab. By offering income opportunities to an estimated 300,000 driver-partners who were previously unemployed and encouraging them to join the informal workforce, CSIS and Tenggara Strategics estimate Grab's economic input to be Rp 15.4 trillion (US\$1.1 billion) in 2018. In total, combining this figure with the driver-partners who experienced an exponential boost in income after joining the platform means Grab's estimated economic input is Rp 26.3 trillion (US\$1.85

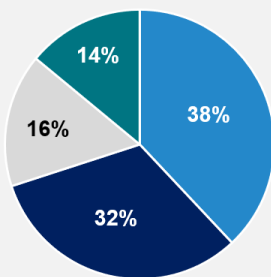
billion) for the year of 2018. Moreover, 25 percent and 33 percent chose to work with Grab to obtain additional income, besides income from their main job.

## Grab provides equal opportunities regardless of age, improves quality of life

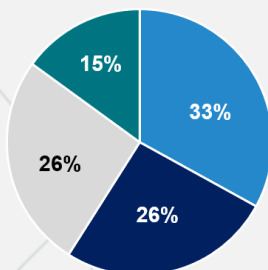
Improved quality of life for Grab's driver-partners is realized through equal opportunity in accessing technology and its benefits.

GrabBike and GrabCar have inclusively provided employment opportunities for middle-aged workers aged 40 years old and above old that is equal to employment opportunities for young workers aged less than 30 years old. In Indonesia, as in many countries, older workers face difficulties finding new jobs, especially in the formal sector, because of their lack of skills and lack of access for upskilling.

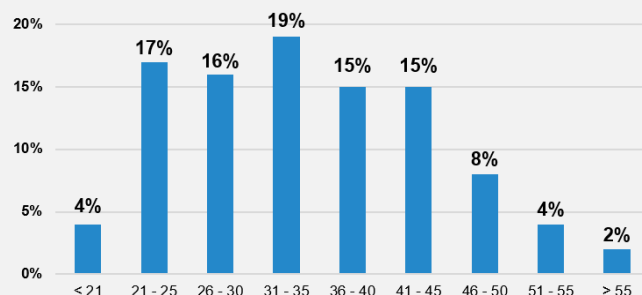
Improving quality of life is reflected by the four reasons why respondents partner with GrabBike and GrabCar. First, respondents see the flexible working hours as a plus point in partnership with Grab. Second, it is more time with family that would not have been attained without flexibility in work time. Third, it is the opportunity to gain extra income, and fourth is higher income.



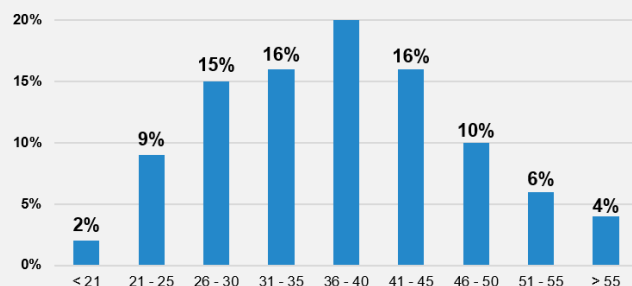
- 38% Did not have income
- 32% Worked in other professions
- 16% Owned Business
- 14% Worked as driver



- 33% Did not have income
- 26% Worked in other professions
- 26% Owned business
- 15% Worked as driver

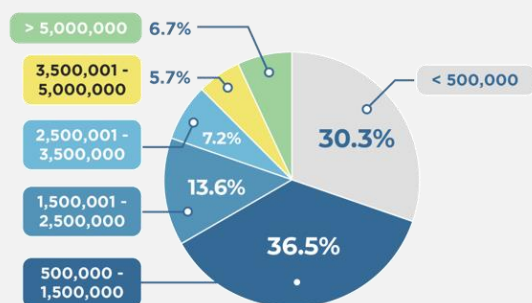


Not limited to young workers, GrabBike's technology benefits middle-aged and senior workers too.

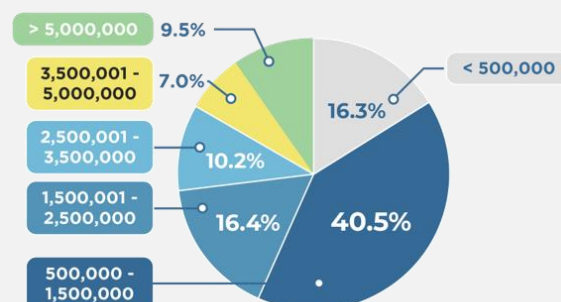


Not limited to young workers, GrabCar's technology benefits middle-aged and senior workers too.

## Merchants / Agent Findings



**33.2%** of GrabFood merchants had daily sales of **more than Rp 1.5 million** before partnering with GrabFood



After partnering with GrabFood, **43.2%** of GrabFood merchants have daily sales of **more than Rp 1.5 million**.

## Grab boosts sales of MSME's by giving them an online presence.

As food delivery becomes more commonplace in Indonesia, the GrabFood platform has been instrumental in helping food merchants gain visibility among consumers and increase their business by giving them another distribution channel.

GrabFood increased the sales of its merchant partners in five cities, mostly micro, small and medium enterprises (MSMEs) by 25 percent on average after partnering. The merchant partners' sales increased to Rp 1.85 million/day from Rp 1.4 million/day before partnering. The survey also shows 52 percent merchant partners with daily sales of less than Rp 500,000/day now enjoy an increase in sales to more than Rp 500,000/day.

In addition to that, GrabFood also helped MSMEs gain additional sales worth Rp 11 million/month without incurring additional investment, such as for expansion of business area.

## Grab plugs the digital gap while providing income opportunities for its agent network

Another area where Grab is having a significant impact is on that of its agent network. Indonesia's fast growing e-commerce sector had reached US\$7.06 billion in 2017 and is expected to grow by 47 percent to US\$10.4 billion in 2019. However, this was bogged down by the country's limited internet infrastructure. With 54.7 percent internet penetration in 2017 (Statista, 2017), only a small part of the population, mostly in big cities, can participate in e-commerce.

With Grab's purchase of Kudo (Kios Untuk Dagang Online) last year, the company managed to expand instantaneously to hundreds of towns and cities throughout the archipelago, connecting those who previously not connected to the world wide web to participate in internet-based e-commerce transactions, especially in second- and third-tier cities. The agent network consists of individual agents, as well as those with a store (warung or kios).



The survey found that 31 percent of Kudo individual-agents who previously had no income, now earn Rp 2 million/month or more. This shows that Kudo also helps to create employment opportunity. The survey also shows that 30 percent of Kudo agents had an income of Rp 2 - Rp 4 million/month, compared to 16.6 percent of its agents that are in the same income-group range before partnering with Kudo. Moreover, 13 percent of Kudo agents now earn more than Rp 6 million/month by using Kudo application.

For Kudo's store-agents, the partnership with Kudo have increased their sales. As much as 50 percent of Kudo store agents that previously sold less than Rp 1 million/week, now have increased their sales to more than Rp 1 million/week. After partnering with Kudo, data shows that 26 percent of Kudo's store agents sell Rp 1 - Rp 2 million/week and 20 percent of Kudo's store agents sell above Rp 5 million/week. Moreover, 13 percent Kudo's agents have 22 percent additional sales or Rp 2.1 million/month without incurring any additional capital expenditure.

## CONCLUSION

Overall, the presence of Grab within Indonesia has contributed a significant amount to the Indonesian economy and improved the partners' standard of living. Grabbike and GrabCar affords opportunities for driver-partners to work at their own pace, working around their family's schedule and other responsibilities, while Kudo and GrabFood helps digitalize and expand their partners' sales. Not only does it offer MSMEs an opportunity to expand their distribution and sales area but Grab also allows other micro-entrepreneurs to build their skills and experience toward expanding their business.

"Grab's economic contribution reflects the potential of the digital economy, specifically in improving the economic condition and the quality of life of economic actors at micro level. The economic potential benefits not only MSMEs, but also individual workers in the informal sector. If managed well, the digital economy can become one of the cornerstones of Indonesia's economy and social welfare in the future." noted Lionel Priyadi, senior economist at Tenggara Strategics.

Economy-wise, Grab creates a large contribution of nearly Rp 49 trillion to the country's gross domestic product (GDP) that otherwise would not exist. This is a major achievement for a technological innovation.

It should be noted that this survey does not take into account the various economic externalities of Grab's open platform philosophy that can help raise the income and opportunities of its partner's stakeholders i.e. Tokopedia, HOOQ and OVO, each of which have their own contributions to the economy. Looking at the bigger picture, Grab's ecosystem concept creates more opportunities than a single entity by itself. In the future, CSIS-Tenggara Strategics research team is hoping to calculate and explore the digital economy processes in Indonesia.

## Appendix:

Empowering the informal sector is a challenge for the Indonesian economy. According to the national labor force survey (SAKERNAS) from Statistics Indonesia (BPS), the informal sector employs 70.5 million out of 131 million workforces. Of the total informal workforce, 23.6 million work on their own account; 19.5 million are entrepreneurs assisted by temporary or unpaid contributing family workers; 27.4 million are informal workers. Out of 27.4 million, 15 million are unpaid contributing family workers, and the rest are paid-casual employees. In 2018, paid casual workers received monthly wage Rp 1.3 million on average. Meanwhile, own-account workers earn on average Rp 1.7 million per month.

