



# UPSKILLING ULTRA-MICRO ENTREPRENEURS

Volume 2 Amartha Grassroot Entrepreneurs Report Series









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**Sri Lestari, Tailor**  
Semarang, Central Java

# A Message From Our CEO

This year marks the 14th anniversary of Amarta's operations in Indonesia. Our journey began in a small village in Bogor, West Java, in 2010 with the mission to make financial services accessible to grassroots small and medium-sized businesses. In 2016, we introduced the microfinance marketplace concept through a peer-to-peer (P2P) lending model to help rural women micro-entrepreneurs access working capital loans. By 2024, we have disbursed over IDR 6 trillion to one million women micro-entrepreneurs in more than 35,000 villages across Java, Sulawesi, and Sumatra. Our platform has evolved from a microfinance marketplace to a comprehensive prosperity platform, providing one-stop financial services for everyone.

For over a decade, empowering Ultra MSMEs has been our core mission. Despite the challenges, including the COVID-19 pandemic, Amarta remains dedicated to supporting Ultra MSMEs. Their resilience is evident, as demonstrated by our 2023 findings where 61.56% of our borrowers reported an increase in annual income. Additionally, 67,272 borrowers advanced from Micro to Small Business levels. These achievements underscore the strength and resilience of Ultra MSMEs. Our Grassroot Entrepreneurs Report Series commemorates their legacy and contribution to Indonesia's economy.

Continuing our commitment to advancing the nation's economy through MSME empowerment, we are proud to present the 2nd volume of our publication. The first volume introduced the Amarta Prosperity Index, highlighting three key dimensions of Ultra MSME prosperity: Financial Inclusion, Advanced Financial Product Usage, and Digital Adoption. However, understanding these dimensions is just the beginning. To further refine our interventions and initiatives, we need to explore the underlying reasons, challenges, and varied needs of the Ultra MSME segment.

In this research, Amarta partnered with EY Parthenon, an independent management consulting agency, to analyze the different segments within Ultra MSMEs and their specific challenges and needs. We hope this report emphasizes the importance of tailored interventions to enhance the capacity of Ultra MSMEs. Moreover, it reaffirms Amarta's commitment to collaborate with relevant stakeholders to achieve greater financial and digital inclusion in Indonesia.

**Andi Taufan Garuda Putra**  
Founder & CEO Amarta

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## About Amartha

Amartha is one of the leading microfinance platforms on a mission to foster shared prosperity by building digital financial infrastructure for the grassroots economy. Founded in 2010, Amartha started as a Grameen microfinance institution that empowers women-led small and medium enterprises (SMEs) with access to working capital.

Now, Amartha is transforming as a technology-driven company that is building a microfinance ecosystem to connect grassroots communities with the rapidly expanding digital economy through lending, funding, and payment services. Amartha aims to elevate the base of the pyramid economy by enhancing the competitiveness of micro and small entrepreneurs. Notably, this approach will empower more females-owned MSMEs generating employment opportunities, and fostering more inclusive economic growth.

## The Grassroots Entrepreneurs Report

As a microfinance technology platform, Amarta operates in the ultra-micro and micro, small, and medium enterprises (MSMEs) segment. The focus extends especially in rural and peri-urban areas where the market is not yet well-served by formal financial service providers such as in banks and fintech companies. With millions of entrepreneurs, MSMEs play a vital role in Indonesia's national economy, creating jobs and driving economic growth for millions of Indonesian families.

As part of Amarta's commitment to the grassroots entrepreneurs' community and the national economy, Amarta consistently publishes independent research entitled "Amarta Grassroot Entrepreneur Research Series". Over the years, Amarta had collaborated with esteemed institutions, including Katadata Insight Center (KIC), the J-PAL Poverty Action Lab, the World Bank, and the United Nations (UN) Pulse Lab Jakarta. This latest publication, "Amarta Grassroot Entrepreneurs Report Volume 2", is a collaborative work with EY Parthenon Indonesia.

The primary objective of these studies is to improve the prosperity and well-being of Indonesia's MSMEs in rural villages and peri-urban areas, particularly those owned and operated by women. Therefore, the studies were designed to gather insights from the grassroots level on various aspects, aimed to develop innovative interventions in partnership with multiple stakeholders and provided recommendations to the public sector for better policy alignment and future development programs.

The Indonesia Grassroots Entrepreneurs Report will span at least three volumes. In this second volume, "Upskilling Ultra Micro Entrepreneurs", the study explores the ongoing challenges and opportunities faced by Indonesia's MSMEs, and eventually dive deeper into exploring their needs that will drive their growth. As Amarta is committed to the advancement of MSMEs, future publications will explore various intervention approaches and their impact on MSMEs.



## Preface

# Continuing Amartha Prosperity Index

The Indonesia Grassroot Entrepreneur Report Series is a series of independent research reports aimed at uncovering facts and information from the grassroots community of ultra micro and small business (Ultra-MSMEs) actors. These actors have not been optimally served (underserved) by financial services, digital services, or other infrastructure. Through this research, we have identified several issues, including inequality in welfare, gaps in women's participation and empowerment, and disparities in living standards.

Amartha currently aims to identify the diverse needs within various groups of Ultra-MSMEs and provide guidance on creating necessary intervention to address gaps in financial and digital literacy.

Our research objectives primarily focus on the following:

- Identifying and understanding **capital, earning, and learning** challenges faced by ultra-micro businesses across various economic scales and demographic areas to highlight potential opportunities.
- Identifying and understanding learning triggers to establish optimal approach, and collaborate with relevant partners to support grassroots entrepreneurs.
- Identifying and understanding the key knowledge and skills required to upskill grassroots entrepreneurs.

To achieve these objectives, 14 key topics were included in this volume to complement previous areas of exploration and provide better understanding of Ultra-MSMEs in relation to the three dimensions of Amartha Prosperity Index.

<b>Dimension</b>	 <p><b>Financial Inclusion</b></p> <p>Understanding Ultra-MSMEs' different motives in choosing each financial products and attitude towards loan applications</p>	 <p><b>Advanced Financial Product Usage</b></p> <p>Understanding Ultra-MSMEs' different experiences in obtaining and managing working capital, potentially in relation to their knowledge gap</p>	 <p><b>Digital Adoption</b></p> <p>Understanding Ultra-MSMEs' different experiences in digital products, as well as each confidence factors that may potentially be in relation to business sustainability and growth</p>
<b>Vol. 2 Key Topics Explored</b>	<p><b>Topics from Amarthya Grassroots Report Volume 1: Prosperity Index</b></p> <div> <ul style="list-style-type: none"> <li>Types of Financial Product</li> <li>Reasons for Adopting Various Financial Products</li> </ul> </div> <div> <ul style="list-style-type: none"> <li>Challenges in Accessing Financial Product</li> <li>Non-Cash Transaction</li> <li>Experience in Applying for a Loan</li> <li>Amount of Working Capital Loan Needed</li> <li>Source of Working Capital Loan</li> </ul> </div> <div> <ul style="list-style-type: none"> <li>Gadget Ownership and Status</li> <li>Internet Access and Cost</li> <li>Phone Credit</li> <li>Internet Usage Objective</li> <li>Blocker</li> <li>Reason for not Using Internet</li> <li>Social Media Usage and Intensity</li> <li>Digital Commerce (selling method: offline/offline/both)</li> <li>Obstacle to Go Online</li> <li>Non-Cash Transaction Behavior</li> </ul> </div> <p><b>Additional Topics Explored in Vol. 2</b></p> <div> <ul style="list-style-type: none"> <li>Financial adaptability</li> <li>Financial skill gaps</li> </ul> </div> <div> <ul style="list-style-type: none"> <li>Challenges Faced in Obtaining Capital</li> <li>Preferences of Loan Application</li> <li>Loan Proposed and Received</li> <li>Objective of Loans</li> <li>Source of Working Capital Loan Application</li> <li>Consideration of Loan Application</li> <li>Loan Quantity</li> <li>Loan Sentiment</li> <li>Supports Received</li> </ul> </div> <div> <ul style="list-style-type: none"> <li>Growth Strategies</li> <li>Avenue and Method Preferences</li> <li>Information Channels</li> <li>Digital Application Use and Impacts to Growth</li> </ul> </div>		

Table 3.1 Key Topics on Amarthya Grassroots Report Volume 2

# Macro View of Grassroot Entrepreneurs

In this study, we solely focus on the ultra-micro segment. Ultra-micro entrepreneurs are defined by three key aspects: annual sales, asset valuation, and the number of employees.

MSME Segmentation Matrix

<ul style="list-style-type: none"><li>Intermediate to expert digital knowledge</li><li>Intermediate to expert financial knowledge</li></ul>	Digitally & Financially Mature	<h3>Prospective individuals /group</h3> <ul style="list-style-type: none"><li>Businesses with low amount of asset that have better business planning and digital capability for admin requirements</li><li>Suited for micro-sized, collateral-free loans OR government-guaranteed loans</li></ul>	<h3>Established growth-focused group</h3> <ul style="list-style-type: none"><li>Businesses with the highest capabilities that are attractive for most sources of fund, likely will need to provide better offerings &amp; other value-added services to attract and retain customers</li><li>Suited for high value loans such working capital and investment financing through commercial banks</li></ul>		
<ul style="list-style-type: none"><li>None to basic digital knowledge</li><li>Intermediate to expert financial knowledge</li></ul>	Financially - inclined				
<ul style="list-style-type: none"><li>Intermediate to expert digital knowledge</li><li>None to basic financial knowledge</li></ul>	Digitally - inclined		<h3>Resilient long-running group</h3> <ul style="list-style-type: none"><li>Businesses that does not focus on growth, but owns larger amounts of assets which allows them to access more credit that is backed by collateral</li></ul>		
<ul style="list-style-type: none"><li>None to basic digital knowledge</li><li>None to basic financial knowledge</li></ul>	Not Mature		<h3>Subsistence group</h3> <ul style="list-style-type: none"><li>Businesses with low assets and lack of business plan which results in high risks</li><li>Suited for micro-sized lease financing</li></ul>	<ul style="list-style-type: none"><li>Suited for higher value working capital and investment, collateral-backed loans OR easy to access financing through fintech or multifinance</li></ul>	
Unidentified groups		Ultra Micro	Micro	Small	Medium
Businesses that are not registered by any platform or formal institution are considered Unidentified groups		<ul style="list-style-type: none"><li>&lt;IDR 250Mn ann. sales</li><li>&lt;IDR 250Mn asset</li><li>&lt;3 employees</li></ul>	<ul style="list-style-type: none"><li>IDR 0.25-1.5Bn ann. sales</li><li>IDR 0.25-1Bn asset</li><li>3-5 employees</li></ul>	<ul style="list-style-type: none"><li>IDR 1.5-10Bn ann. sales</li><li>IDR 1-3Bn asset</li><li>6-20 employees</li></ul>	<ul style="list-style-type: none"><li>IDR 10-50Bn ann. sales</li><li>IDR 3-10Bn asset</li><li>21-50 employees</li></ul>
<div>1. Agriculture, include livestock farming, fisheries, plantation</div> <div>2. Manufacture, include handicrafts and processed food</div>					

Source: AFPI, EY-Parthenon analysis

Graph 4.1 MSME Segmentation Matrix





# Research Design and Methodology

## About This Research

Amartha envisions shared prosperity among all Indonesian micro and small entrepreneurs, with a special focus on women. With this mission, Amarthas consistently promotes financial inclusion and financial literacy throughout its business activities. This research serves as a follow up to our previous publication, the Amarthas Prosperity Index, which aimed to explore the diversity of Ultra MSMEs segment and understand the deeper elements that empower Ultra MSMEs in Indonesia.

Based on the findings from preliminary studies, we discovered that Ultra-MSMEs have limited engagement with digital technologies, particularly in terms of hardware and infrastructure, internet access, and use of social media platforms. They primarily rely on traditional sales tactics emphasizing in-person transactions and the power of word-of-mouth marketing. Therefore, this publication focused on understanding the challenges faced by Ultra MSMEs in Indonesia.

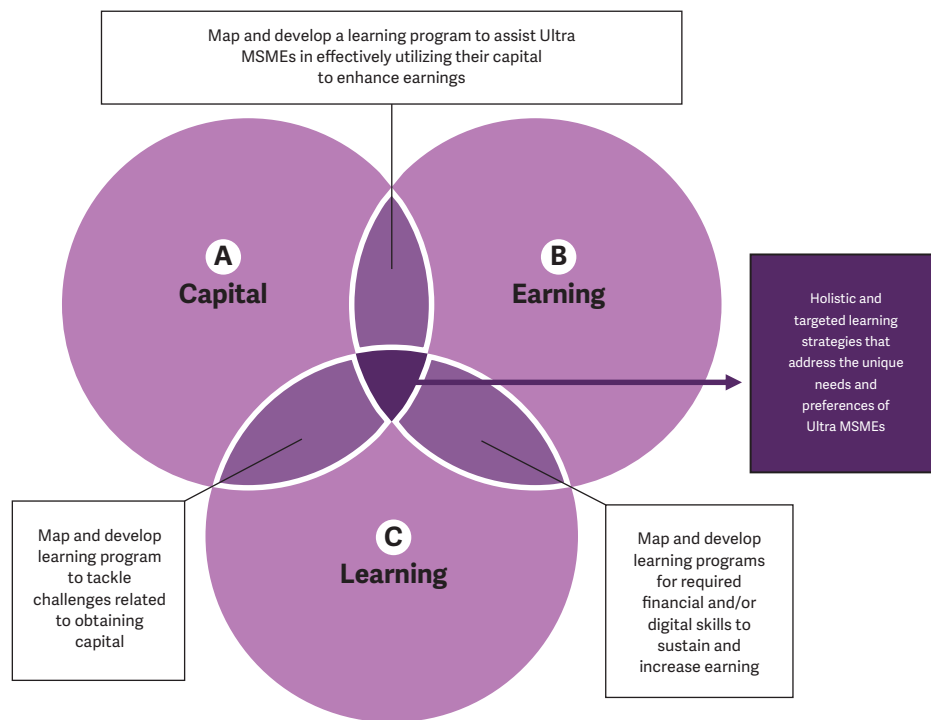
The details of this research insight are presented in accordance with the previous publications' framework, which is the three dimensions of Amarthas Prosperity Index: (1) Financial Inclusion, (2) Advanced Financial Product Usage, and (3) Digital Adoption. Each dimension covers several key topics that are relevant to the daily challenges encountered by Ultra-MSMEs.

Dimension			
	<b>Financial Inclusion</b> Understanding Ultra MSMEs' different motives in choosing each financial products , potentially in relation to their ' knowledge gap	<b>Advanced Financial Product Usage</b> Understanding Ultra MSMEs' different experiences in obtaining and managing working capital and attitude towards loan applications	<b>Digital Adoption</b> Understanding Ultra MSMEs' different experiences in digital products, as well as each confidence factors that may potentially be in relation to the sustainability and growth
Key Topics Explored	<b>Financial Products</b> Examination of the different types of products and reasons for adopting each products	<b>Working Capital</b> Challenges in accessing capital, as well as the different experiences in non cash transactions and supports	<b>Digital Inclusion</b> Experiences in the different avenue and method preferences in various digital products, including the different behaviors of adopting digital products
	<b>Knowledge</b> Experience in financial knowledge including financial skill gaps	<b>Loan Application</b> Different experiences in loan application including its challenges, objectives, considerations, and loan	<b>Confidence of Digital Skills/Knowledge</b> Challenges in online penetration of operations, reasons for not using digital products, intensity of using these products
		<b>Loan Sentiment</b> Examination of the utilization of loans for business growth and entrepreneurs' attitude towards borrowing loans	<b>Impacts to Growth</b> Potential digital application usage and its impact to growth, different growth strategies and business sustainability

Table 5.1.1 Dimension and Key Topics on Amarth Grassroots Report Volume 2

To thoroughly formulate potential interventions or actions to escalate the growth of Ultra MSMEs, this study employed the following three crucial aspects of growth as our framework: Capital, Earning, and Learning.

## Amartha Grassroots Report Volume 2 Framework



Graph 5.1.1 Amartha Grassroots Report Volume 2 Framework

To achieve our objectives within this framework, we discovered specific challenges, and effectively delivered programs or interventions, found relevant collaboration partners, and recommended or issued appropriate products and services per specific needs of Ultra-MSMEs. Therefore, to accurately identify parameters within the three key objectives, primary and secondary research had been conducted to uncover insights and validate assumptions.

### Data Collection Process

This research was formulated through a primary data collection method that ensured the quality and credibility of the data. The primary data collection consisted of both quantitative and qualitative approaches.

For the quantitative approach, we surveyed 478 Ultra-MSMEs from various regions, including Java, Sulawesi, and Sumatra Area, West Nusa Tenggara, East Kalimantan, Papua, and Maluku.



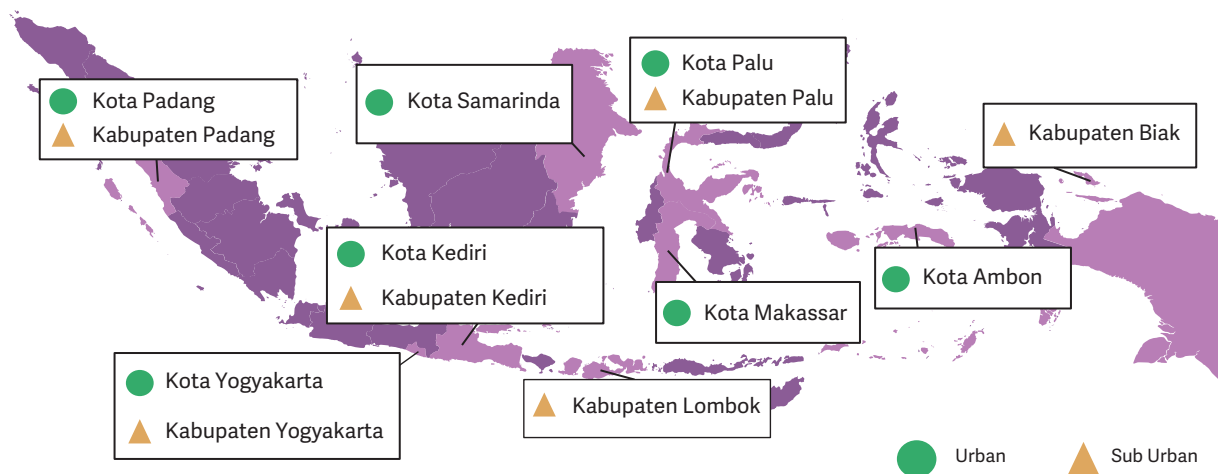
### Respondent Segmentation

	Type of Borrowers		Gender	
	Amartha Borrowers	Non Amarta Borrowers	Males	Females
<b>Java</b>	60	62	65	57
<b>Sulawesi</b>	69	51	44	76
<b>Sumatera</b>	30	30	26	34
<b>Nusa Tenggara</b>	31	30	31	30
<b>Kalimantan</b>	0	60	29	31
<b>Papua</b>	0	25	2	23
<b>Maluku</b>	0	30	11	19

Table 5.2.1 Respondent Segmentation

The distributions of respondents were spread equally between urban and rural areas in each respective location.

### Distribution of Respondent Areas



Graph 5.2.1 Distribution of Respondent Areas

For the qualitative approach, we engaged 72 Ultra MSME Owners to participate in a mini Focus Group Discussions (FGD), consisting of 3 participants in each group. The groups were categorized based on their financial challenges, loan usage and digital aptitude.

### Qualitative Approach Respondent Criteria

		Criteria 1	Criteria 2	Criteria 3	Criteria 4
Area	Wave 1	Makassar	Kediri	Makassar	Kediri
		Palu	Padang	Palu	Padang
	Wave 2	Ambon	Ambon	Ambon	Ambon
		Papua	Papua	Papua	Papua
		Lombok	Lombok	Lombok	Lombok
		Samarinda	Samarinda	Samarinda	Samarinda
Mandatory filters		Businesses will stay for >12 months			
		Actively looking for upskilling opportunity			
		Required aid			
		Received training vs. never received training			
Additional filters	Usership	Amartha User	Amartha User	Non Amartha User	Non Amartha User
	Issues Faced	Financial challenges	N/A	Financial challenges	N/A
	Store Ownership	Digital stores	Digital stores	Digital stores	Offline store only

Table 5.2.2 Qualitative Approach Respondent Criteria

The data collection process was conducted in October - November 2023, starting with the quantitative phase, followed by the qualitative phase. Respondents from the quantitative phase were filtered through usership, issues, and store ownership criteria, before being selected as mini FGD participants.

## Main Insights

# Capital, Earning, Learning

### Financial Inclusion

In this section, we delve into different motives in utilizing financial products, potentially in relation to entrepreneurs' knowledge gaps that may affect their overall financial inclusion. We divided financial inclusion into two major parts: Financial Product and Financial Knowledge. The Financial Product part examines the different types of products and reasons for adopting each product, while the Financial Knowledge part focuses on their past experiences in financial knowledge, including identifying financial skill gaps.



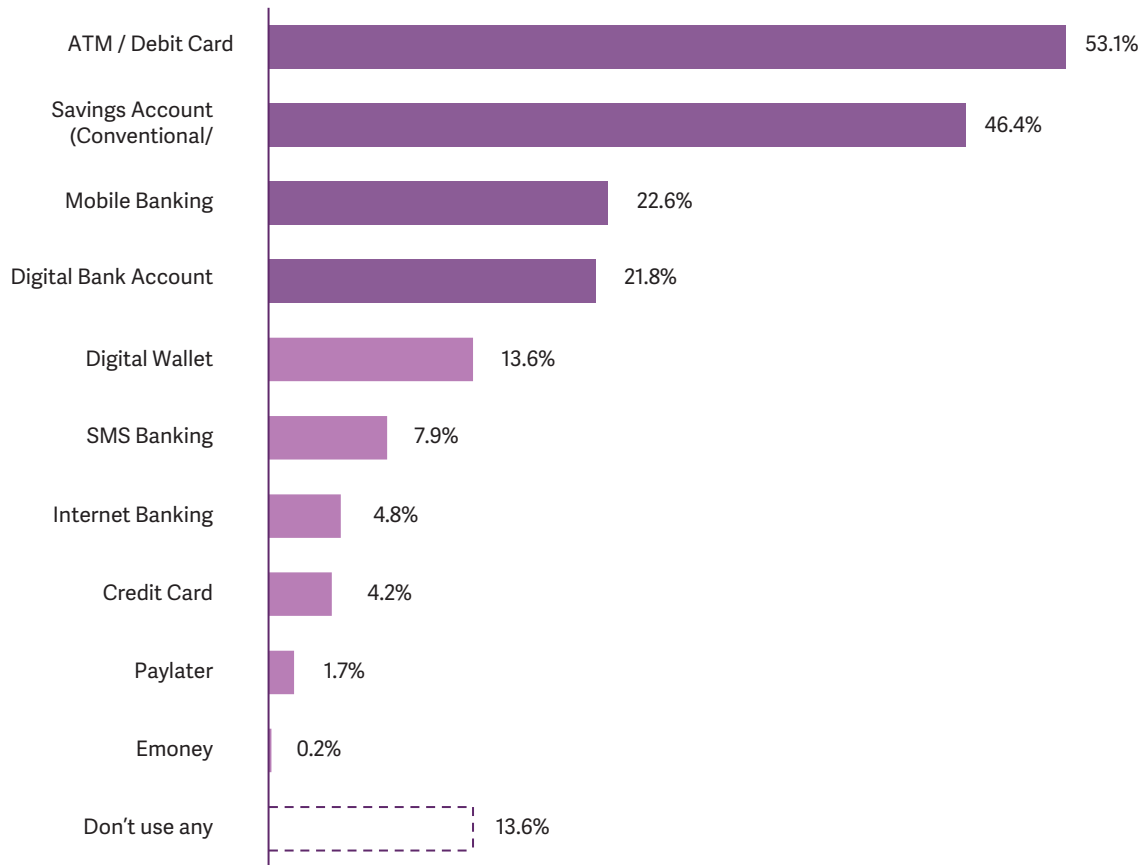
### Financial Product

In this section, we delve into different motives in utilizing financial products, potentially in relation to entrepreneurs' knowledge gaps that may affect their overall financial inclusion. We divided financial inclusion into two major parts: Financial Product and Financial Knowledge. The Financial Product part examines the different types of products and reasons for adopting each product, while the Financial Knowledge part focuses on their past experiences in financial knowledge, including identifying financial skill gaps.



### Financial Service Utilized by Ultra MSMEs

Base: All Respondents (n= 478)



Graph 6.1.1.1 Financial Service Utilized by Ultra-MSMEs

It was discovered that ATM / Debit Cards and Savings Accounts have an offline presence widely and are accessible to the local communities. Their availability can be attributed to the distribution of conventional banking channels in the respective research areas,(in urban or rural areas). In addition to that, the growing adoption of Mobile Banking and Digital Bank Accounts signifies an increase in digital literacy, resulting in a higher number of individuals utilizing digital tools. This trend can be attributed primarily to the simplicity of account creation and the enhanced access to extensive information.

On the other hand, E-money was the least explored service and was not considered a necessity by Ultra-MSMEs. In most areas, the 'cash is king' mindset was still highly prevalent, causing reluctance in trial and learning the e-money service. Their daily transactions with suppliers and customers are also conducted using hard cash, therefore, converting into e-money is perceived as a hassle. In conclusion, many Ultra-MSMEs choose not to use financial services due to their limited understanding, which impacts their view of these services as a non-essential part for their business.

## Ultra-MSMEs Reasons for Adopting Various Financial Products

Reasons for adopting various financial products	ATM / Debit Card	Savings Account	Digital Wallet	Mobile Banking	Digital Bank Account	Internet Banking	SMS Banking	Credit Card	E-Money	Paylater
Base of Respondents (n %)	61.5%	53.8%	26.2%	25.2%	15.7%	9.2%	5.6%	4.8%	1.9%	0.2%
Easy to use	70.1%	64.4%	80.6%	63.5%	83.1%	76.3%	56.5%	65.0%	100.0%	100.0%
Data security guaranteed	49.6%	55.4%	50.9%	41.3%	50.8%	63.2%	43.5%	70.0%	75.0%	100.0%
Easy registration process to open an account	29.5%	27.9%	44.4%	46.2%	52.3%	47.4%	39.1%	30.0%	37.5%	100.0%
Feeling safe upon using it	33.9%	45.5%	30.6%	27.9%	29.2%	39.5%	30.4%	50.0%	50.0%	100.0%
Saving time	26.0%	17.1%	42.6%	44.2%	66.2%	50.0%	39.1%	15.0%	25.0%	100.0%
No need to queue	19.7%	10.8%	30.6%	41.3%	40.0%	52.6%	34.8%	10.0%	25.0%	100.0%
Can do various kinds of transaction	16.9%	13.1%	26.9%	21.2%	29.2%	26.3%	13.0%	25.0%	12.5%	
Practical/can be done anywhere & anytime	11.0%	9.5%	18.5%	15.4%	32.3%	21.1%	13.0%	5.0%	50.0%	
Problems can be solved quickly	14.2%	14.4%	16.7%	14.4%	20.0%	13.2%		20.0%	25.0%	
Easier login/authentication process	4.3%	2.3%	8.3%	4.8%	10.8%	5.3%	4.3%	5.0%	25.0%	
Reducing direct transactions due to Covid 19 pandemic	3.9%	3.2%	3.7%	4.8%	6.2%	7.9%				100.0%
Better integration with other apps, devices, and website	2.0%	1.8%	2.8%	1.9%	7.7%	5.3%		5.0%	12.5%	
Lots of promotions/discounts	4.3%	5.0%	2.8%	9.6%	15.4%	5.3%	4.3%		25.0%	
Can buy goods with installment system	1.6%	1.8%	2.8%	3.8%	4.6%	2.6%			37.5%	
Can buy goods and pay later	1.6%	0.5%	3.7%	4.8%	6.2%	10.5%	8.7%			
No additional fee		0.5%								
Can control financial in and out	0.4%		0.9%			2.6%	4.3%			
BPJS Payment										

Table 6.1.1.1 Ultra-MSMEs Reasons for Adopting Various Financial Products

The survey aligned with our previous research, revealing a consistent insight: Individuals who have embraced internet banking, mobile banking services and digital wallets cited convenience as their primary reason for adopting them (i.e., they can perform several transactions easily at any given time). When this convenience alongside safety guarantee can be communicated effectively, as well as proper guidance on how to access and navigate the features of the applications can be explained clearly, there is an opportunity to encourage more people to adopt these digital banking products.

This is in line with our borrowers who relied on mobile banking for their daily transaction. Apart from using mobile banking they also used a QR code to make it easier for customers to buy their products. Mrs Lia, for instance, found that using mobile banking and QR Code was indispensable for her business to increase customers. The ease of use, time-saving benefits, and perceived safety contributed to her preference to use mobile banking and QR Code for daily transactions.

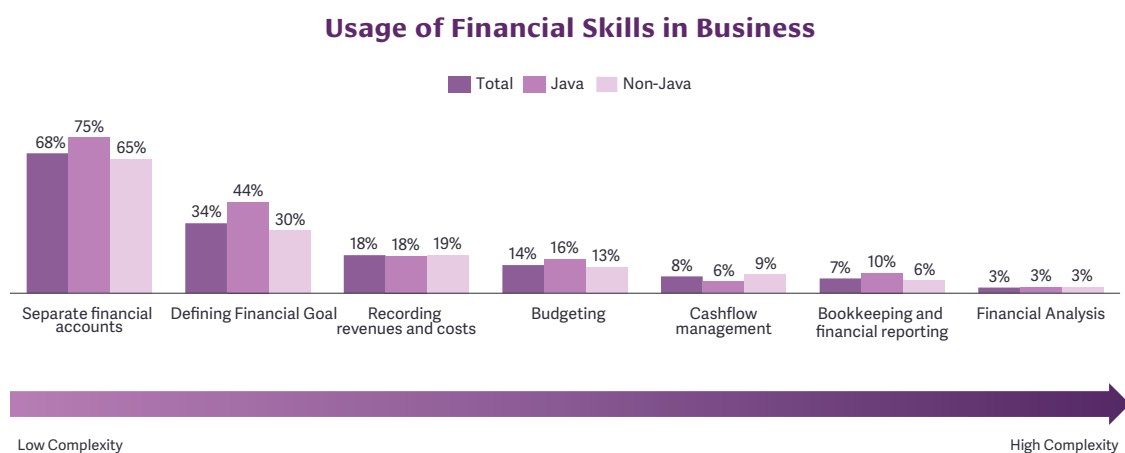


## Financial Knowledge

In any financial inclusion discourse, it cannot be denied that access to financial products and services are not only defining aspects. The knowledge on financial management, especially for Ultra-MSMEs, currently faces several challenges, especially in applying most of all financial skills into practice.

In this framework, we have defined several financial skills necessary for Ultra-MSMEs advancement and classified the complexity levels of each, from the least intricate to the most advanced: (1) Separating financial accounts, (2) Defining financial goals, (3) Recording revenues and costs, (4) Budgeting, (5) Cash flow management, (6) Bookkeeping and financial reporting, (7) Financial analysis.

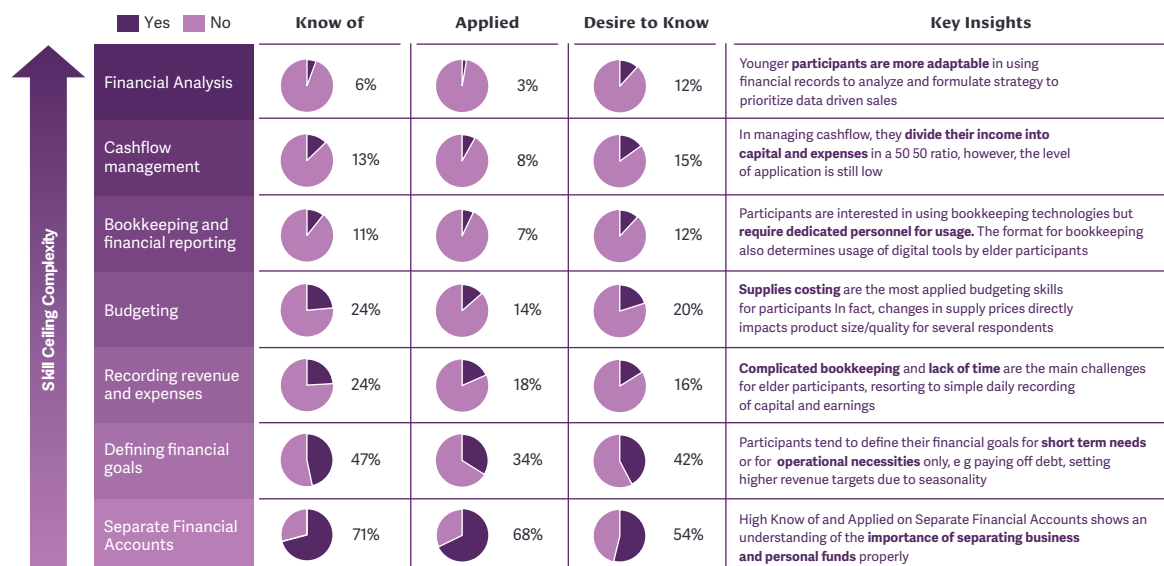
The survey data revealed that Ultra-MSMEs record low adoption rates in applying complex advanced financial skills in their business, such as financial analysis and cash flow management. The challenge lies in advanced financial skills, which can be used to assess the current condition of the company and plan its business growth, highlighting the necessity of an advanced financial skills program.



Graph 6.1.2.1 Usage of Financial Skills in Ultra MSMEs Business

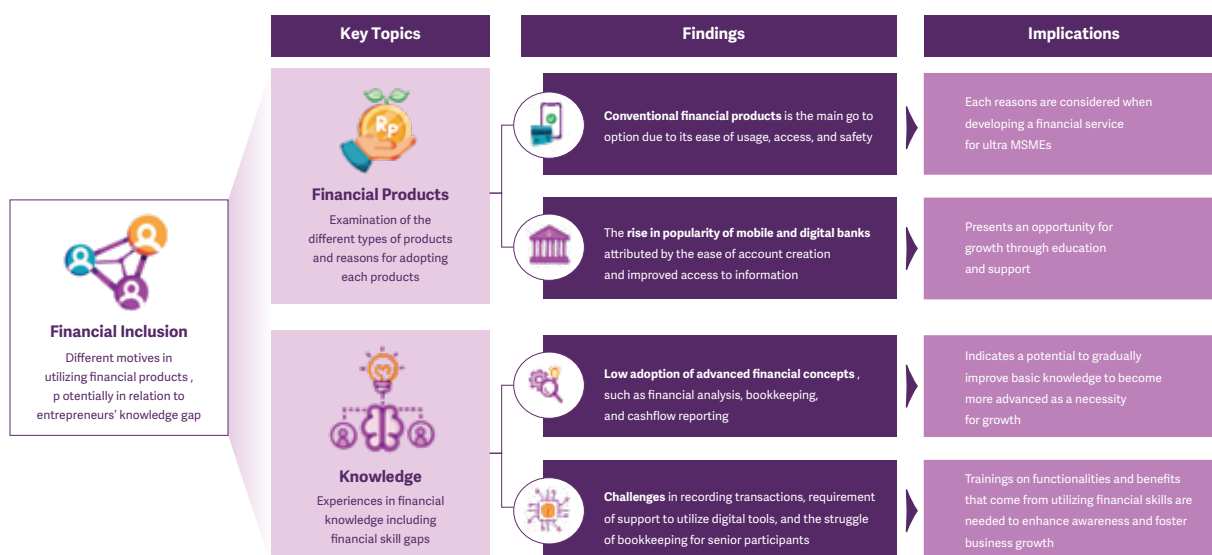
Overall, despite the low adoption of complex financial skills in their business, it is also discovered that Ultra MSMEs had a desire to improve their knowledge. This may indicate the need for further training as intervention programs, ideally covering the less complex skills first and gradually advancing to the more complex ones.

## Potential Financial Upskilling in Ultra-MSMEs



Graph 6.1.2.2 Potential Financial Upskilling in Ultra-MSMEs

## Summary Findings for Financial Inclusion



Graph 6.1.1 Summary Findings for Financial Inclusion

## Advanced Financial Product Usage

The dimension of advanced financial product usage assesses the challenges faced by Ultra-MSMEs in obtaining and managing working capital. Additionally, it examines the attitude and experience towards loan application and loan sentiment faced by different Ultra-MSMEs.

Based on the table presented below, a significant proportion of respondents (54% in total) express a fear of making mistakes, highlighting lack of confidence, skills, and knowledge that needs to be addressed to promote self-assurance and encourage confidence. Respondents share that certain types of transactions require assistance, as they lack awareness and familiarity with advanced financial products. They fail to fully comprehend how to effectively utilize these products, indicating a need for guidance and education.

On the other hand, technical difficulties such as connectivity issues and offline functionality, posed additional challenges. Digital financial products should address these issues to ensure better customer service and maintenance, especially in non-Java regions.

### Challenges in Using Financial Products

	All	Male	Female	Amartha	Non - Amartha	Java	Non-Java
<b>Base Respondents (n):</b>	<b>413</b>	<b>162</b>	<b>251</b>	<b>146</b>	<b>267</b>	<b>117</b>	<b>296</b>
Afraid to be wrong	54.00%	51.85%	55.38%	63.01%	49.1%	61.5%	51.0%
Can only do certain types of transactions	18.64%	20.99%	17.13%	12.33%	22.1%	16.2%	19.6%
Lack of confidence to use it	16.71%	16.05%	17.13%	18.49%	15.7%	16.2%	16.9%
Don't understand how to use it	9.69%	8.02%	10.76%	7.53%	10.9%	6.0%	11.1%
Need assistance upon doing it	8.96%	3.70%	12.35%	13.01%	6.7%	6.0%	10.1%
Worry of scam	0.97%		1.59%	2.05%	0.4%	2.6%	0.3%
No connection	0.73%	1.23%	0.40%		1.1%		1.0%
Complex administration	0.24%	0.62%			0.4%		
Worry to be hacked	0.24%	0.62%			0.4%		
If the product is offline	0.24%		0.40%	0.68%			
Difficult to find ATM	0.24%	0.62%			0.4%		
There is no problem					12.4%		

**Legend:** ■ Lacking Confident ■ Lacking Skills and Knowledge ■ Product Services

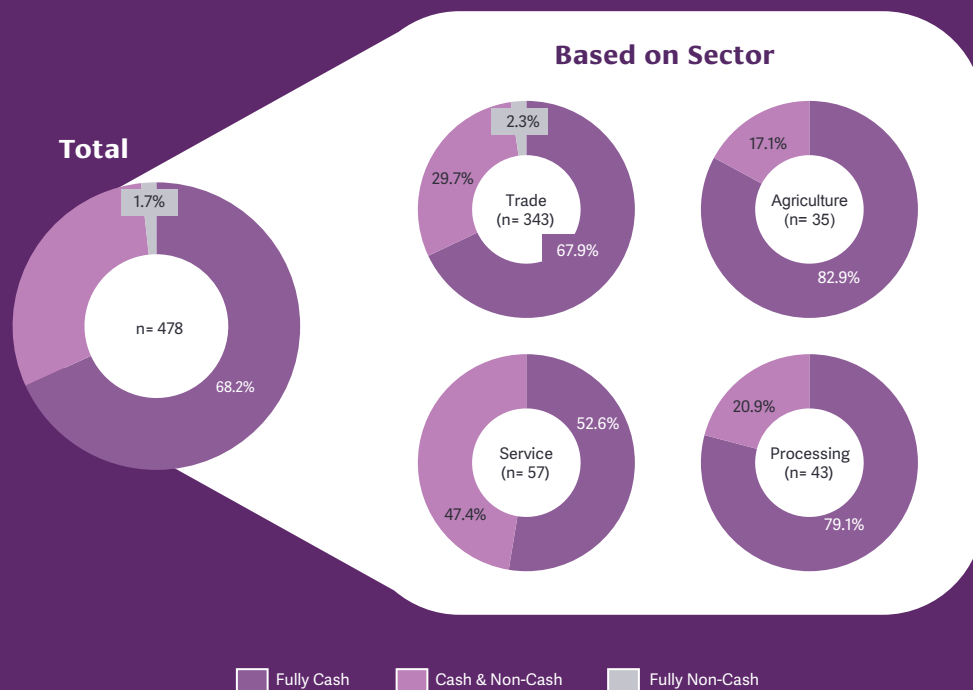
Table 6.2.1 Ultra-MSMEs Challenges in Using Financial Products

# Type of Transaction by Sector

The data below show that the majority of Ultra-MSMEs (68.2%) continued relying on cash transactions, followed by a combination of cash and non-cash transactions (30.1%), and fully non-cash transactions (1.7%). Cash transactions were still widely used by Ultra-MSMEs due to lack of digital infrastructure in some rural areas, lack of knowledge, as well as the cost of using digital payments (including the merchant discount rate and admin per transaction), all of which hinder the increase in digital utilization.

Based on the business sector, the trade sector likely had limited use of non-cash methods (only 2.3%) due to small transaction amounts and lack of access to or knowledge of digital payment systems. The service sector had limited digital payment usage due to potential technological barriers and a lack of awareness. On the other hand, all individuals in the agriculture sector still used cash transactions because farmers and livestock breeders often operated in rural areas where the infrastructure for non-cash transactions is limited. Lastly, the processing sector still widely used cash transactions due to the complexity of digital setup and traditional customers' reluctance to migrate to digital payments.

## Type of Transaction by Sector



Graph 6.2.1.1 Type of Transaction by Ultra-MSMEs Sector

## Loan Applications

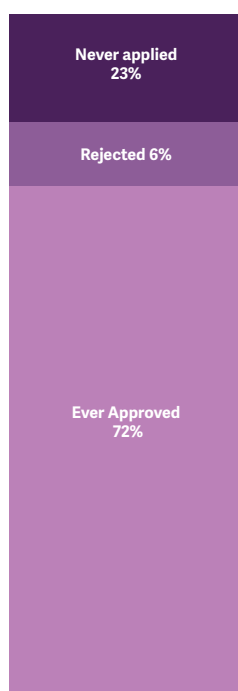
# Reason for Rejection and Not Applying for Loan

The data below show respondents loan application experience. Most respondents had successful loan applications experience (72%), but there were still 23% respondents who never applied on loan and 6% respondents got their applications rejected. Furthermore, the data show that one of the biggest reasons for application rejections is the applicants' business did not meet the requirements set by lenders, accounting for 44% of rejections, followed by no collateral (35.7%), and credit note issues (21.4%).

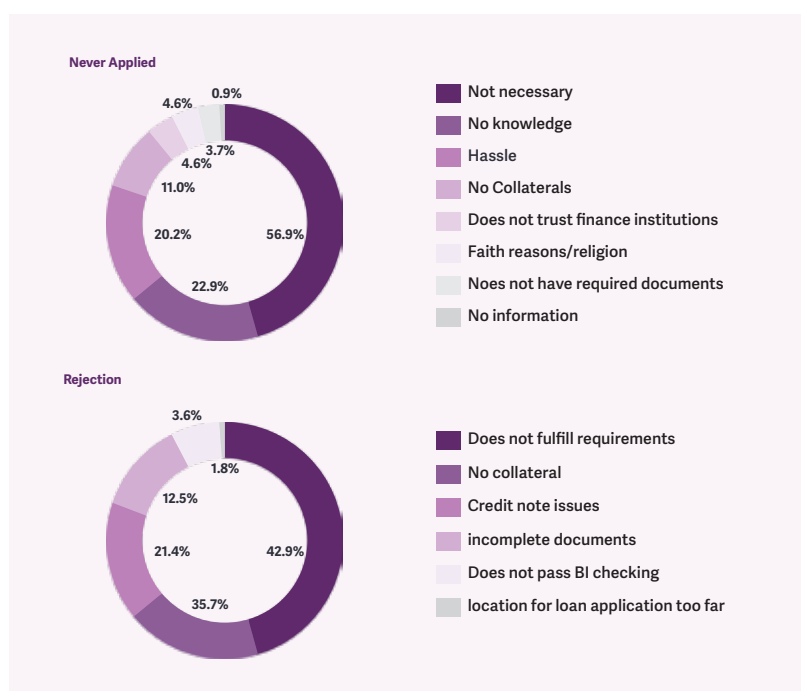
On the other hand, respondents who never applied for loans mostly perceived financial products as unnecessary for their business (56.9%). Their purposes for taking loans were limited to emergency fundings, indicating respondents' lack of knowledge about broader loans benefits. Thus, there was potential to initiate better socialization initiatives of the benefits and appropriate use of loans, such as for business expansion purposes. In addition, the hassle involved in loan applications could also be addressed through better training and a simplified application process.

### Loan Application Experience

Base: all respondents (N: 478)



### Reasons for Rejection and Not Applying for Loan



Graph 6.2.2.1 Ultra-MSMEs Loan Application Experience



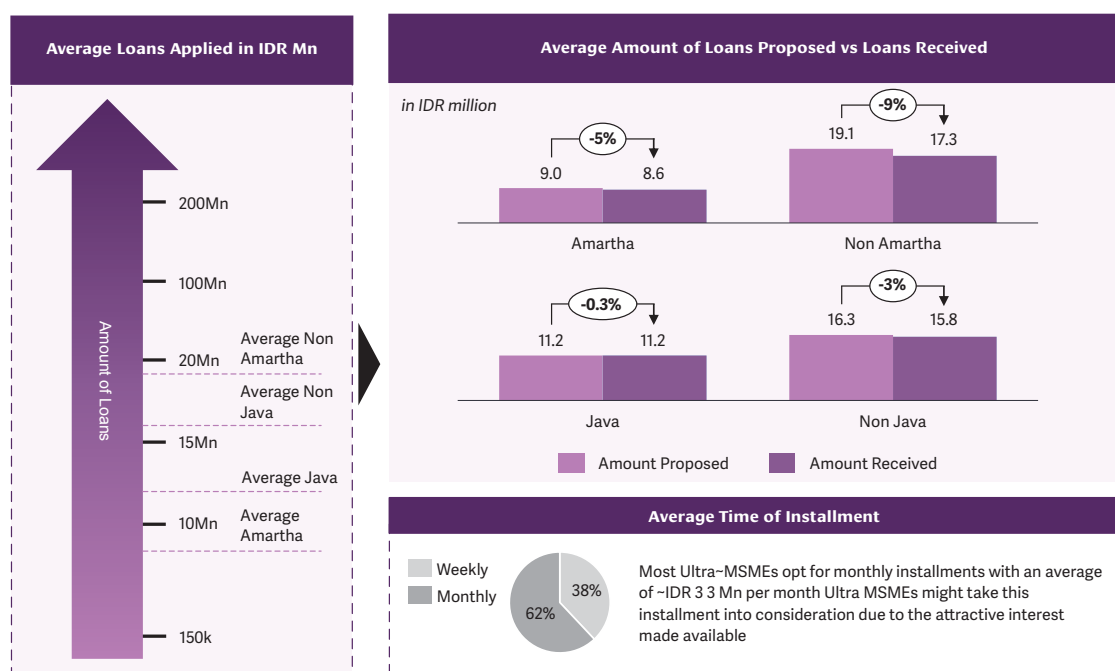
## Average Amount of Loans and Time of Installment

The data below highlight significant differences in loan borrowing patterns between Amarthas and non-Amartha borrowers. Amarthas borrowers tended to propose ~IDR 10Mn less than non-Amartha borrowers, indicating their readiness and better understanding in the process of taking loans. Apart from that, Amarthas borrowers also received a total loan closer to the loan they applied for (on average, down by 5%), while non-Amartha borrowers got a greater discrepancy in a total loan of averagely fell 9% from their initial loan application.

Furthermore, the data below also reveal that respondents in non-Java areas proposed more loans than in Java areas due to the limited availability of institutions offering low borrowing amounts in non-Java areas. In addition, borrowers in Java areas also received a total loan closely match to their initial application (on average, only down 0.3%), whereas borrowers in Non-Java areas got a total loan that, on average, fell 3% from their initial loan application.

In addition, the data show that most Ultra-MSMEs (62%) opt for monthly installments rather than weekly (38%) with an average of ~IDR 3.3Mn per month. Ultra-MSMEs might take this installment into consideration due to the attractive interest made available.

## Ultra-MSMEs Average Amount of Loans and Time of Installment



Graph 6.2.2.2 Ultra-MSMEs Average Amount of Loans and Time of Installment

## Loan-Seeking Behavior

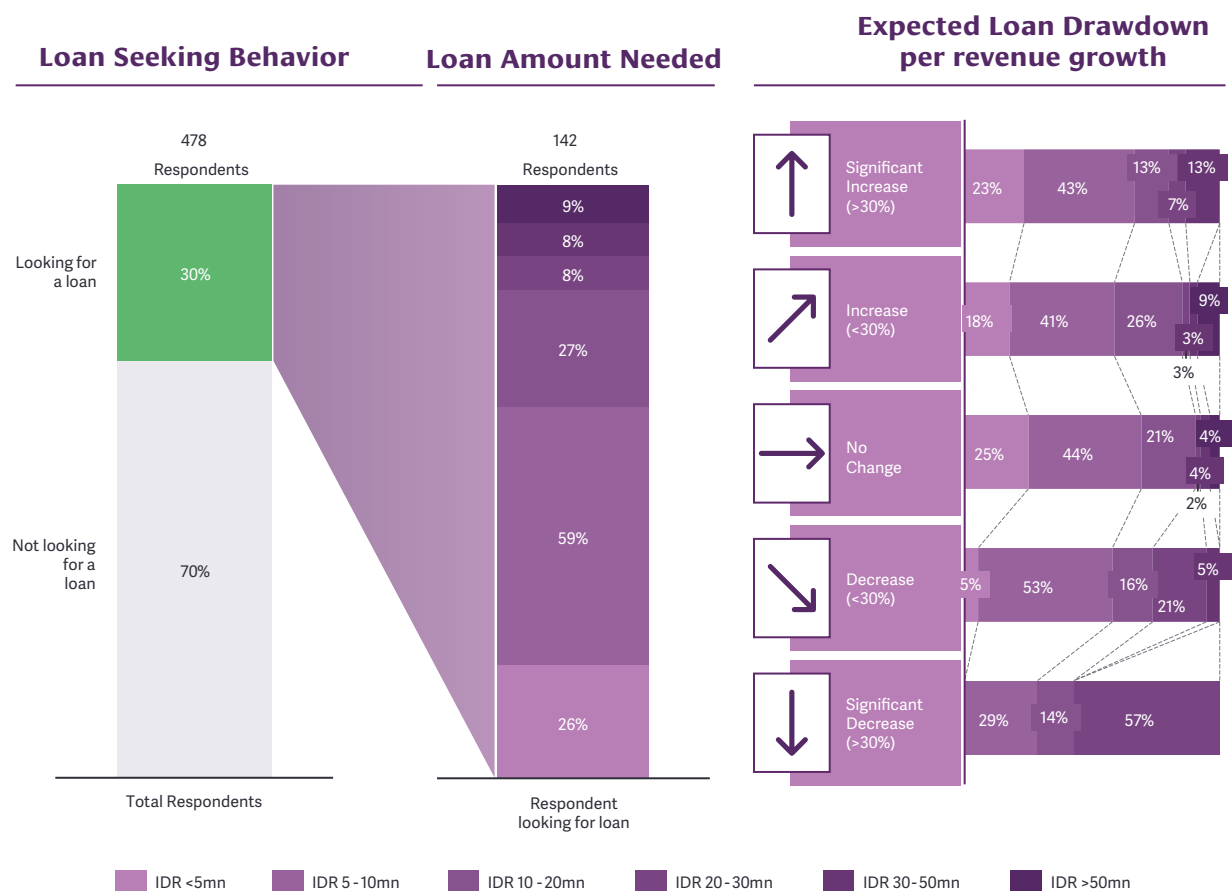
The data below show that most respondents (70%) were not actively seeking loan. This behavior can be attributed to several factors among Ultra-MSMEs behavior, including their preference to allocate their income towards capital, repay existing loans, and generate profits. In addition, most Ultra-MSMEs were not looking for loans due to negative sentiments in obtaining loans from platforms. This was influenced by fear of bad reputation should their business be unable to repay the loan.

Based on respondents who were looking for a loan, the majority (59%) required loan amounts ranging from 5-10mn, followed by 27% respondents with an amount of loans ranging from 10-20mn. Ultra-MSMEs who sought financial assistance tended to avoid larger loan amounts due to the existing loan commitments and apprehension about repayment failure.

While many considerations remain consistent, the degree of each revenue growth indicated diverse loan considerations. The data show that when businesses experienced significant revenue decreases, Ultra-MSMEs were likely to loan bigger amounts to cover losses and recover business conditions. However, not all Ultra-MSMEs prioritized saving profits for business investments; personal needs often took precedence. Only when attempting to expand or recover their business does obtaining a loan become their main concern.

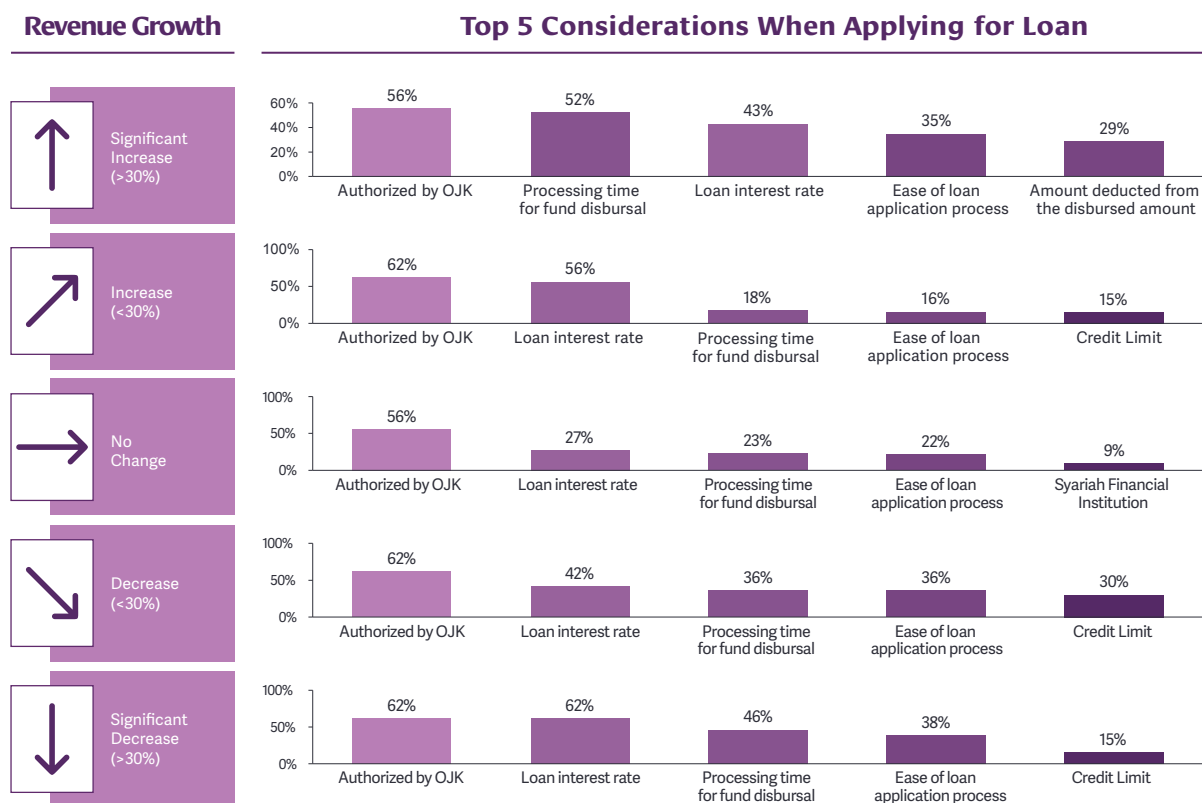
In addition, there are top 5 considerations when applying for loan, including OJK authorization, processing time for fund disbursal, loan interest rates, and ease of loan application process which are all important for loan application process. Despite relatively medium consideration towards providers authorized by OJK, there is still potential in improving awareness towards the formality and credibility of loan providers to Ultra-MSMEs. In addition, improving processing time of loan disbursals are more likely to be considered by businesses with significant increase in revenue growth. Loan interest rates, on the other hand, is a significant factor for businesses without significant revenue growth.

## Ultra-MSMEs Loan Seeking Behavior



Graph 6.2.2.3 Ultra-MSMEs Loan Seeking Behavior

## Ultra-MSMEs Top 5 Considerations for Applying Loan



Graph 6.2.2.4 Ultra-MSMEs Top 5 Considerations for Applying Loan

Based on the data provided, 43% of the Ultra-MSMEs who applied for loans of 5-10 million IDR had a significant increase in their growth revenue. One real-life example is Mrs Tya, an entrepreneur who operates a business pop-up store in West Sumatera. To kickstart her business, Mrs Tya needed to apply for a loan as capital because they lacked capital in the beginning. After they applied for a loan in Amarthia 3 years ago, they started to open the pop-up store and now after they received a loan the store is bigger than before and she added some services like a bank agent and mini gas station beside their pop-up store. This success story demonstrates how securing capital funding can lead to significant increases for the growth revenue.

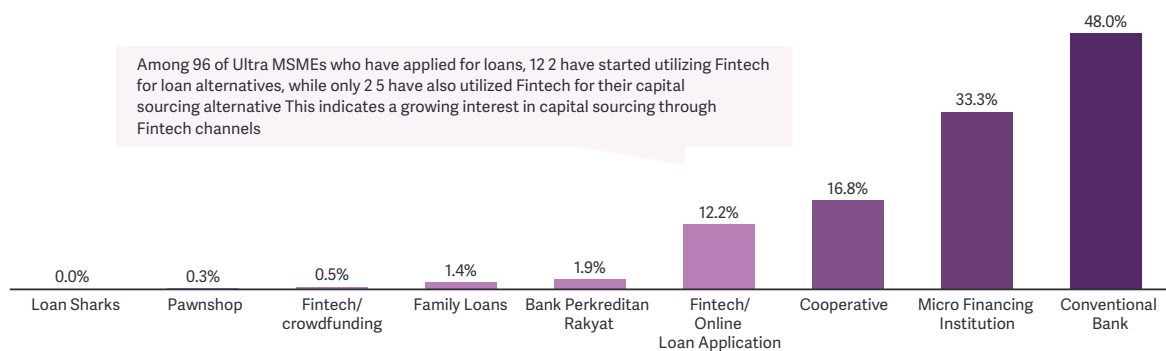
## Channels of Loan Application by Ultra-MSMEs

The data below show that although a variety of loans were accessible for MSMEs, and while conventional banks still provided the highest percentage of loans (48%), there was a growing interest in fintech/online loan applications (12.2%). This reliance on conventional banks was supported by 33.3% of preferred loans in Conventional Microfinance Institutions and 16.8% preferred loans through Cooperatives.

Fintech applications were observed to be an increasing choice of loan alternative, indicating the high awareness in digital loans from fintech. Among 96% of Ultra-MSMEs who have applied for loans, 12.2% started utilizing Fintech for loan alternatives, and only 2.5% utilized Fintech for their capital sourcing alternative. This indicates a growing interest in capital sourcing through Fintech channels.

## Channels of Loan Application by Ultra-MSMEs

Base: Respondents who applied for loan (n= 369)



Graph 6.2.2.4 Ultra-MSMEs Top 5 Considerations for Applying Loan



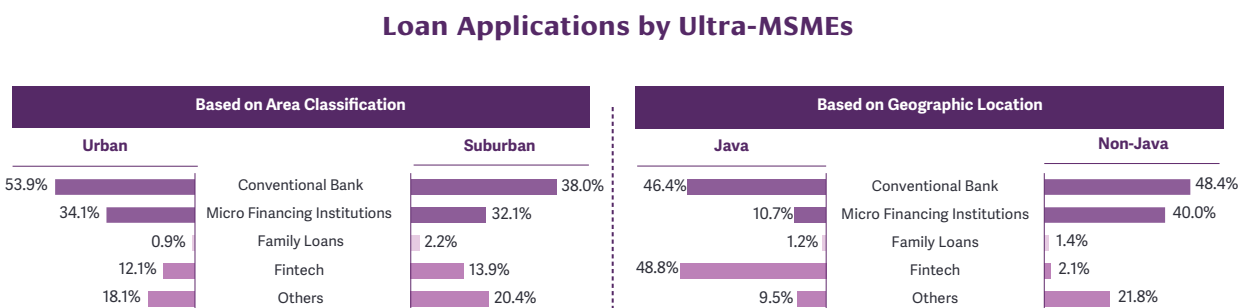
## Loan Applications by Ultra-MSMEs

### Based on Area Classification and Geographic Location

The data below show that based on area classification, conventional bank loans were still most preferred option in urban (53.9%), suburban (38%), Java (46.4%) and Non-Java (48.4%) areas. Potential reasons why conventional bank loans were preferred is due to (1) offline presence, (2) lower interest rates, (3) tighter procedures requiring various documents, (4) longer processing time compared to digital loans and perceived as more secure with less risk of personal data exposure for entrepreneurs.

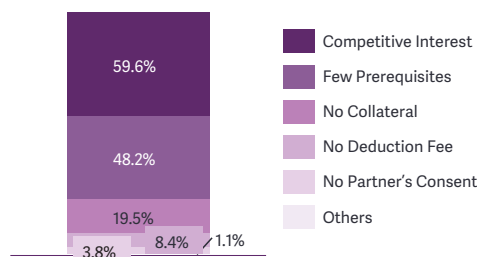
However, fintech was noticeably a growing choice among respondents, indicating the growing awareness of other types of financial services. This was due to its ease of requirements, typically only requiring an ID card for application but offered swift loan disbursement process. It provided support for entrepreneurs in urgent situations, and was perceived to provide more privacy as there were no home visits by loan officers during surveys. Despite these advantages, the higher interest rates associated with fintech loans posed challenges for Ultra-MSMEs in timely repayment.

To conclude, data below show that most Ultra-MSMEs still chose conventional banks or micro financing institutions to apply for loans with a distinct trend on competitive interest for their loan of choice.



Graph 6.2.2.6 Loan Applications by Ultra-MSMEs Based on Area Classification and Geographic Location

### Reasons on Loan Choice



Graph 6.2.2.7 Reasons on Ultra-MSMEs Loan Choice

## Source of Working Capital Based on Geographic Location and Area Classification

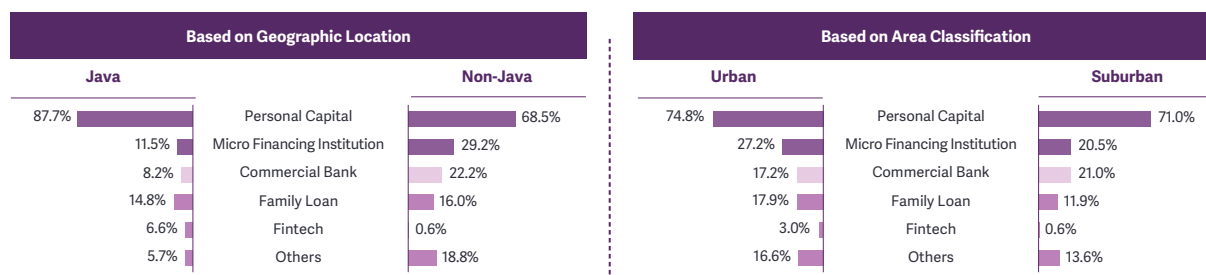
Based on geographic location, the data show outside of personal capital, Micro Financing Institutions were found to be the second most popular source among non-Java (29.2%) respondents, indicating a growing interest in the capital source and their success in socialization. On the other hand, Fintech had the lowest interest between the two regions (6.6% in Java and 0.6% in Non-Java), showing low awareness and interest to explore financial products.

In addition, commercial banks and other capital sources in non-Java show a competitive choice, indicating Ultra-MSMEs' conventional choice. Some remained reluctant to take in loans from Commercial Banks, and mostly still relying on family loans or loan sharks. Non-Java respondents were observed to be more explorative in their choice of capital source and opened to more advanced financial sources including micro financing institutions. However, infrastructure challenges in non-Java areas may be experienced with the lack of utilization in digital financial services through fintech, and their choices remaining conservative through conventional capital sources.

Based on area classification, awareness in more advanced capital sources through Micro Financing Institutions and Fintech was higher in urban areas than suburban areas (27.2% for Micro Financing Institutions and 3% for Fintech), indicating presence of a knowledge gap between the two areas. Fintech penetration in suburban areas was observed to be relatively low (only 0.6%), indicating infrastructure challenges likely acted as a barrier here. Commercial Banks were still highly preferable in suburban areas (21%) as compared to urban areas (17.2%), indicating their higher trust in commercial banks and potentially opening an opportunity to explore other types of capital sources.

To conclude, most Ultra-MSMEs exhibited a more conservative choice of work capital since personal capital was their most favored source while fintech lagged behind as the least favored source. fintech, and their choices remaining conservative through conventional capital sources.

## Source of Working Capital



Graph 6.2.2.8 Source of Working Capital Based on Geographic Location and Area Classification

## Source of Working Capital Based on Geographic Location

Capital Sources \ Area	Java	Non-Java
Personal Capital, Micro Financing Institutions	5.7%	15.4%
Personal Capital, Commercial Banks	7.4%	12.9%
Personal Capital, Other	3.3%	11.0%
Personal Capital, Family Loans	11.5%	9.8%
Family Loans, Commercial Banks		5.3%
Personal Capital, Family Loans, Others		1.7%
Personal Capital, Micro Financing Institutions, Others		1.4%
Family Loans, Micro Finance Institutions, Others		1.1%
Personal Capital, Commercial Banks, Others	0.8%	0.3%
Personal Capital, Fintechs	5.7%	
Personal Capital, Family Loan, Fintechs	2.5%	
Personal Capital, Commercial Bank, Fintechs	0.8%	

Table 6.2.2.1 Source of Working Capital Based on Geographic Location

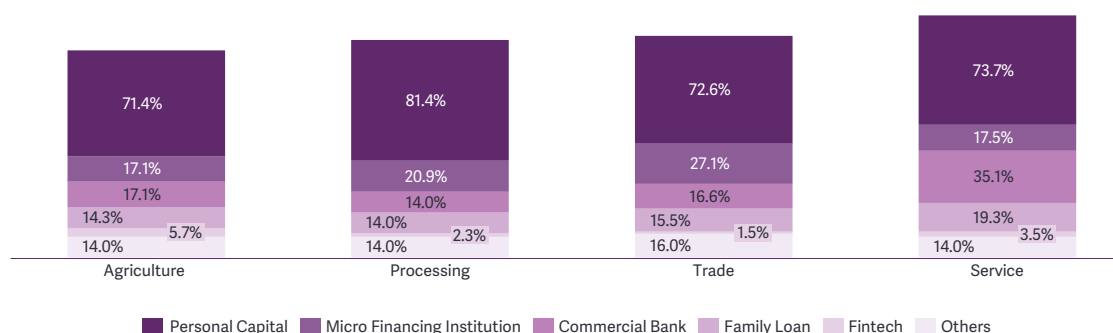
## Sources of Working Capital Based on Industry

The data below show personal capital as the most preferable source of working capital across various industry sectors. Among these, the processing industry led this capital source of choices among all. Other than personal capital, micro-financing institutions (PNM, BAV, Pawnshop, BMT, Amarthya) were the leading alternative sources after personal capital (17.1% in agriculture; 20.9% in processing; 27.1% in trade). However, the service industry deviated from this trend, which was preferring commercial banks as its alternative source of capital (35.1%). In addition, fintech has gained traction, particularly in agriculture (5.7%) and service industry (3.5%).

To conclude, Ultra-MSMEs across different industries predominantly relied on conventional ways of capital sourcing, while commercial banks emerged as a highly preferred second choice of capital source. The processing industry led each sector with ~14% of respondents preferring utilization of capital source through Personal Capital and Micro Financing Institutions. In addition, the data show some Ultra-MSMEs diversify their capital sources, mostly utilizing personal capital, family loans, and other types of capital sources (including people's credit banks and corporations).

### Sources of Working Capital Based on Industry

*The total response is observed to not be equal to 100%, indicating ultra-MSMEs' preference in more than one source of capital*



Graph 6.2.2.9 Source of Working Capital Based on Industry

### Ultra-MSMEs Average Amount of Loans and Time of Installment

Capital Sources	Industry Sector	Agriculture	Trade	Service	Processing
Personal Capital, Commercial Banks		11.4%	10.2%	21.1%	9.3%
Personal Capital, Micro Financing Institutions		8.6%	13.4%	12.3%	14.0%
Personal Capital, Family Loans		8.6%	10.5%	10.5%	9.3%
Personal Capital, Others		5.7%	9.3%	10.5%	7.0%
Personal Capital, Fintechs		5.7%	0.9%	1.8%	2.3%
Personal Capital, Family Loans, Fintechs		2.9%	0.3%		2.3%
Personal Capital, Commercial Banks, Others		2.9%	0.3%		
Personal Capital, Family Loans, Others			0.9%	3.5%	2.3%
Personal Capital, Micro Financing Institutions, Others			1.2%	1.8%	
Family Loans, Commercial Banks			3.5%	12.3%	
Personal Capital, Commercial Banks, Fintech				1.8%	

Table 6.2.2.2 Source of Working Capital Based on Industry

## Ultra-MSMEs' Loan Utilization

Apart from using loans for business purposes, Ultra-MSMEs were observed to have difficulty differentiating between loan usage for business purposes and those for personal/family needs. On average, 66% of Ultra-MSMEs took in loans for business expansion and growth while 38% loans used for both business and household for Ultra-MSMEs needs. This was due to some Ultra-MSMEs have no yet separated their financial objectives for business and household needs, indicating their priority to obtain loans for resources and lack of knowledge on financial management to be able to separate personal and business accounts.

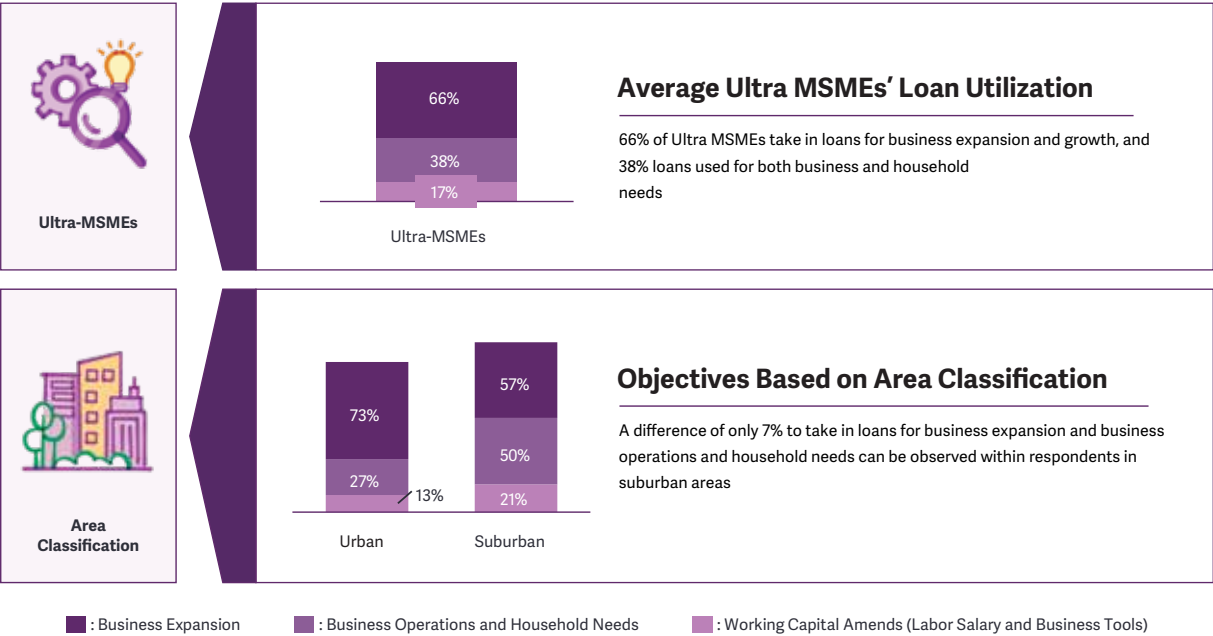
Loan applications for household needs, particularly for emergency capital for children, were common among respondents with personal financial responsibilities, such as family members or dependents. On the other hand, younger age groups tended to apply loans for business usage only.

Additionally, based on area classification, a difference of only 7% in loan applications for business expansion and business operations and household needs can be observed within respondents in suburban areas. This finding suggests the lack of significance for growth opportunities and a cautious approach to business expansion in these regions.

To conclude, Ultra-MSMEs across different industries predominantly relied on conventional ways of capital sourcing, while commercial banks emerged as a highly preferred second choice of capital source. The processing industry led each sector with ~14% of respondents preferring utilization of capital source through Personal Capital and Micro Financing Institutions. In addition, the data show some Ultra-MSMEs diversify their capital sources, mostly utilizing personal capital, family loans, and other types of capital sources (including people's credit banks and corporations).



### Ultra-MSMEs Loan Utilization



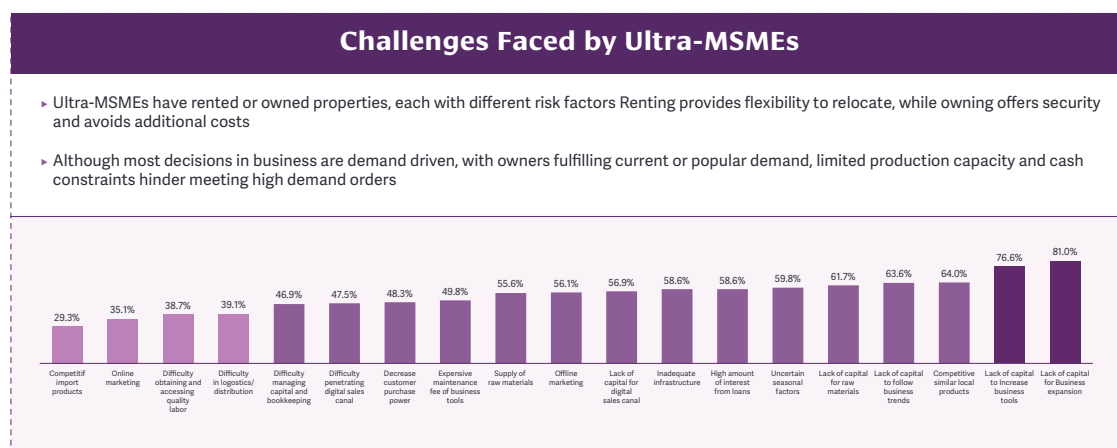
Graph 6.2.2.10 Ultra-MSMEs Loan Utilization

## Challenges Faced by Ultra-MSMEs

Despite the availability of various forms of assistance, Ultra-MSMEs faced critical challenges related to the lack of capital for business expansion (81%) and increasing business tools (76.6%) , indicating urgency and high demand on working capital for business expansion. In addition, notably 64% of respondents identified competitive local products as an obstacle/challenge followed by difficulties in obtaining capital to follow current trends. This may potentially indicate the knowledge gap on how Ultra-MSMEs grow their business.

The data also highlighted that Ultra-MSMEs have decided to rent or own properties, each with different risk factors. Renting provides flexibility to relocate, while owning offers security and avoids additional costs. Apart from that, although most decisions in business are demand-driven, owners who fulfils current or popular demand, limited production capacity and cash constraints hinder meeting high-demand orders.

## Challenges Faced by Ultra-MSMEs

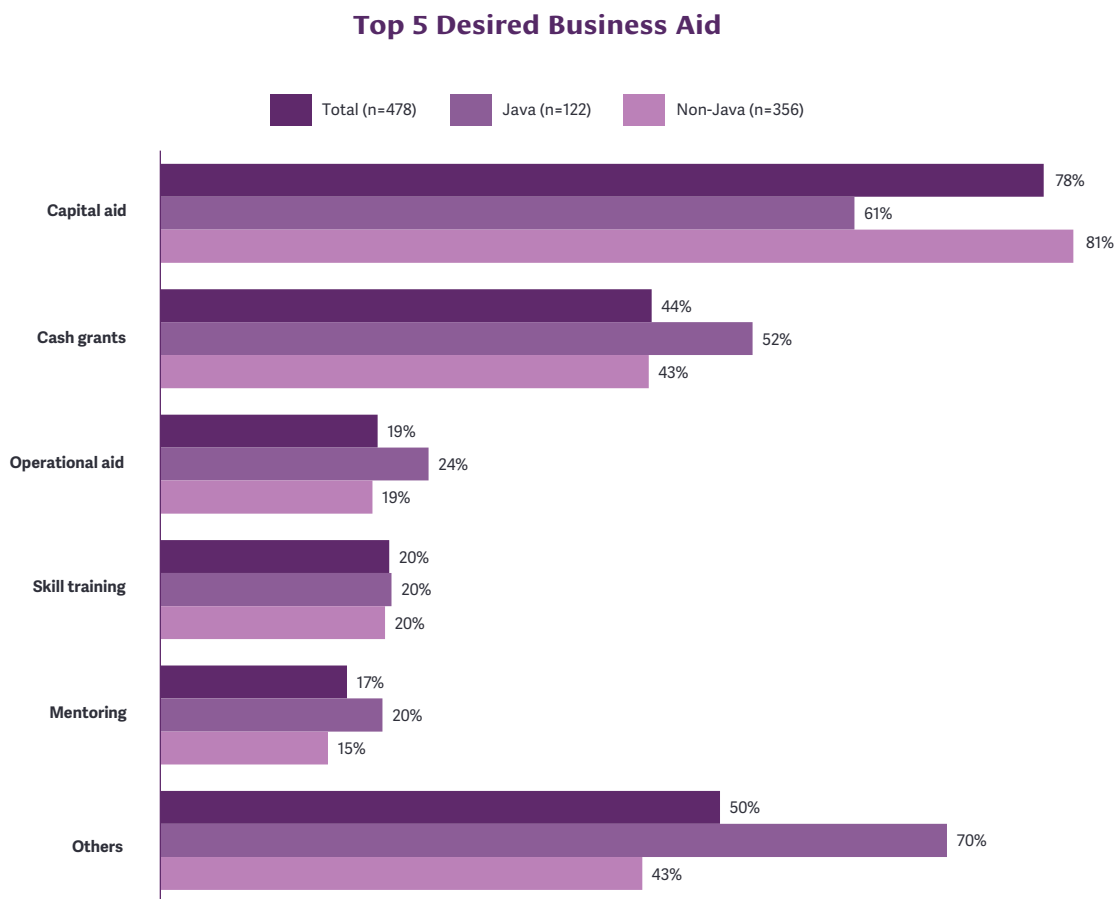


Graph 6.2.2.11 Challenges Faced by Ultra-MSMEs

## Top 5 Desired Business Aid

Among the available business aids, Ultra-MSME in Java and Non-Java areas expressed a strong preference for capital aid, while skills training and mentoring received less attention. Financial assistance was highly desired over skillset related training potentially due to the constant need for more practical business support, such as capitals, cash grants, and operational aid.

In addition, the data also show that some Ultra-MSMEs continued to utilize loans for personal purposes, which can be attributed to two factors. Firstly, improper targeting of capital, as they struggled to establish effective strategies. Secondly, inadequate utilization of capital, often mixing personal matters. Additionally, the availability of loan programs outside Java remained limited.



Graph 6.2.2.12 Top 5 Desired Business Aid by Ultra-MSMEs

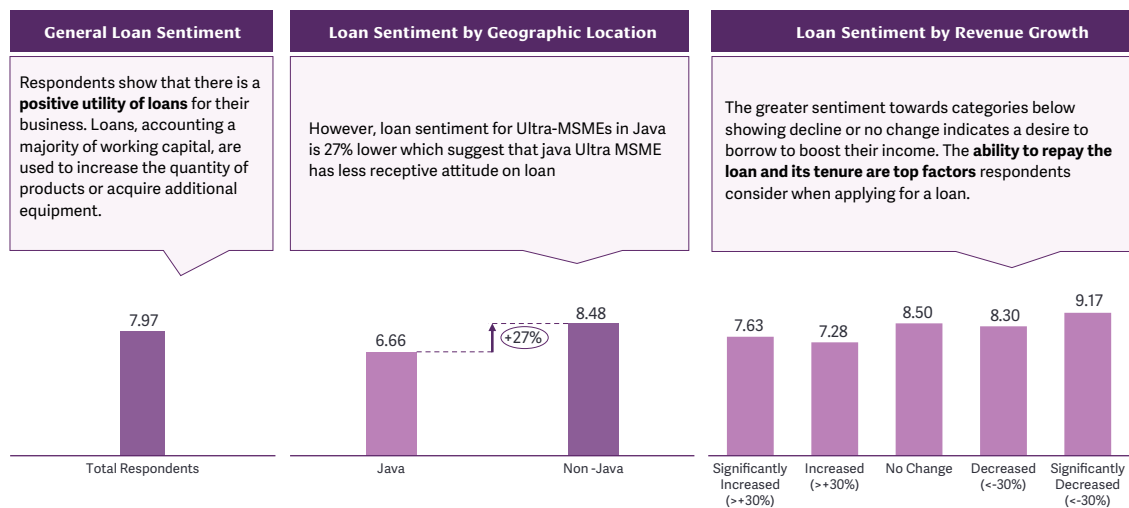
## Loan Sentiment

To better understand how Ultra-MSMEs view the utility of loans for their business growth, we assessed their attitudes toward borrowing and the perceived benefits derived from loans. This sentiment was measured from a scale of 1-10, where 1 indicates that loans contributed minimally to business growth, and 10 indicates that loans significantly enhanced business prospects.

Based on the data, loans were generally viewed as beneficial for business growth. Loans, accounting for the majority of working capital, are used to increase the number of products or acquire additional equipment. However, loan sentiment for Ultra-MSMEs in Java exhibited 27% lower which suggested that Ultra MSMEs in Java had a less receptive attitude toward loans and may indicate limited socialization on loans.

In addition, the greater sentiment towards categories below shows the decline or no change, indicating a desire to borrow funds to boost their income. Moreover, the ability to repay the loan and its tenure remain the top factors respondents consider when applying for a loan.

### MSMEs Loan Sentiment



Graph 6.2.3.1 Ultra-MSMEs Loan Sentiment

## Perspective on Loan Benefits

The data below show a perceived gap between Java and non-Java respondents in terms of loan benefits. Java respondents indicated a tendency to be less agreeable or “neutral” when considering loan benefits in either improving business (23%), for the entrepreneur’s family (19%), or as a temporary solution (10%) compared to Non-Java area. There were 78% Non-Java respondents agreed on improving business, 84% agreed on benefits for entrepreneur’s family, and 64% agreed as temporary solution. Findings in the Java area possibly indicating the significance of increasing awareness of the benefits of loans.

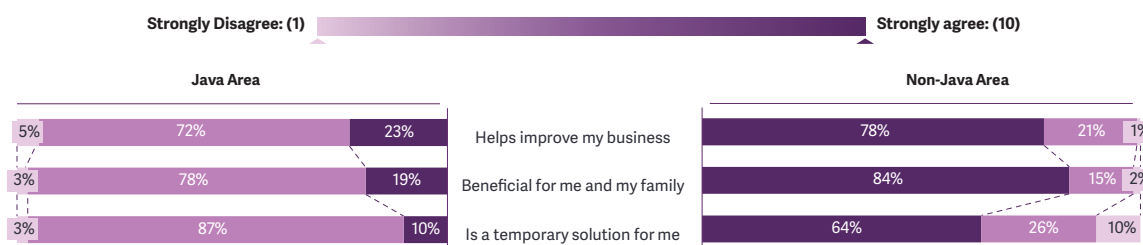
Furtherly, Ultra-MSMEs in Java are more used to accessing financial services due to the ease of access. Despite recognizing the usefulness and practicality of loans, respondents in Java described the loan application process as being lengthy and arduous, impacting how it was significantly time consuming for daily business. This resulted in a relatively less aggregable sentiment on the benefits of loan. However, studies also find that the rise of digital marketplaces had intensified competition for Ultra-MSMEs in Java due to higher logistical costs, increasing the need for direct financial boosts on their daily business operations.

In addition, data show Ultra-MSME respondents in the non-Java region had limited options for government support compared to their Java counterparts. However, exceptions apply through relief aids for disaster recovery in places like Palu, which further highlighted the importance of loans in sustaining daily lives and businesses.

## Perspective on Loan Benefits

There is a perceived gap between Java and non Java respondents in terms of loan benefits where **Java respondents indicated a tendency to be less agreeable in seeing loan benefits in either improving business, for the entrepreneur’s family, or as a temporary solution**

A deeper dive on respondents from Java shows **that this perception mainly focuses on the " area, possibly indicating the significance of increasing awareness of the benefits of loans**

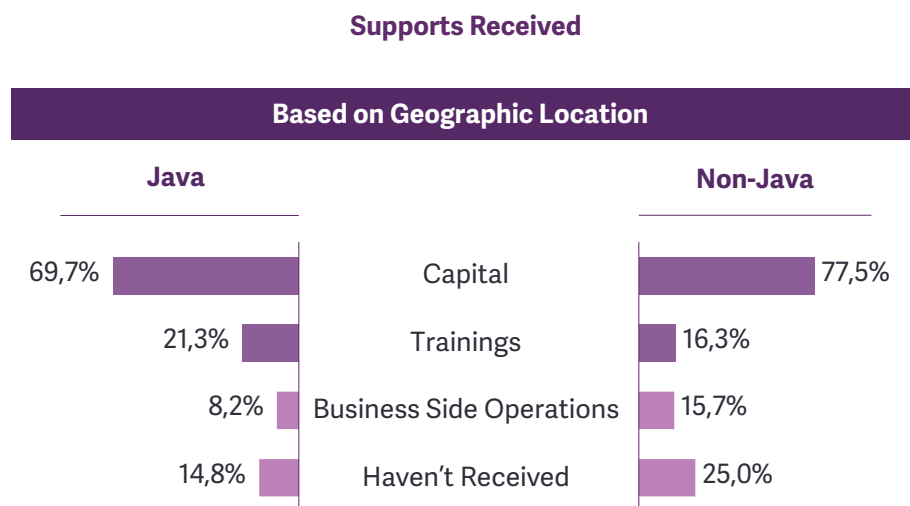


Graph 6.2.3.2 Ultra-MSMEs Perspective on Loan Benefits

## Supports Received

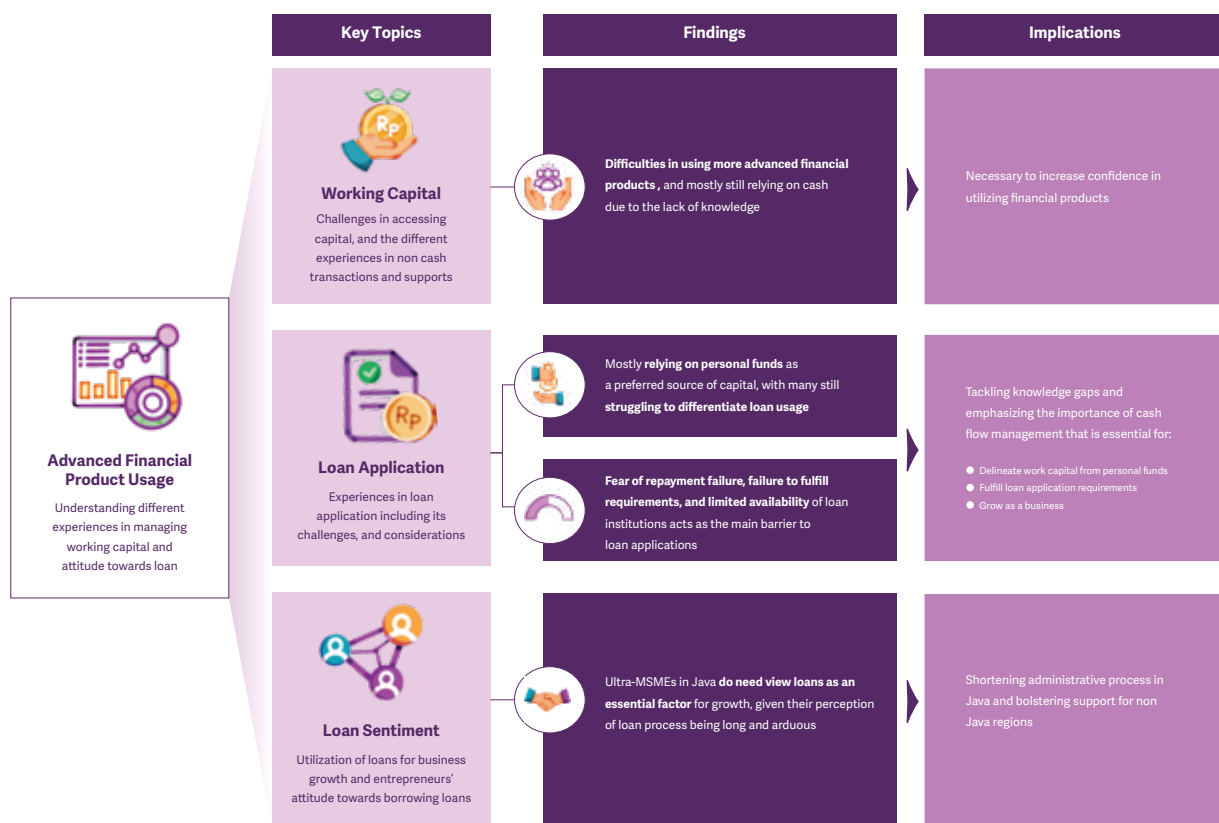
The data below show that based on geographic location, capital support remained to be the most received type of support between the two regions, both Java (69.7%) and non-Java (77.5%). Guidance in business-side operations was observed to be received more in the non-Java (15.7%) rather than Java area (8.2%), indicating more support and guidance needs to be provided in the Java area. Support in the form of training was found to be the second most received type of support in both regions (21.3% in Java and 16.3% in Non-Java area).

Furthermore, study additionally found that government support was experienced differently in each region. Respondents in the Sulawesi area received more support from non-Government organizations, while Palu continued receiving disaster relief support. Plus, respondents from the Sulawesi area also received support in the form of training during the post-covid era. Meanwhile Java respondents mostly received support in the form of funding, although there was a distinct resistance in applying for support with various documents and multiple steps needed to be able to apply for support.



Graph 6.2.3.3 Supports Received by Ultra-MSMEs

## Summary Findings of Advanced Financial Product Usage



Graph 6.2.3.4 Summary Findings of Advanced Financial Product Usage





## Digital Adoption

The digital adoption dimension assesses the challenges faced by different Ultra-MSMEs in terms of inclusion in digital products. It also considers their confidence in using digital skills and knowledge, and its potential relation to sustainability and growth.

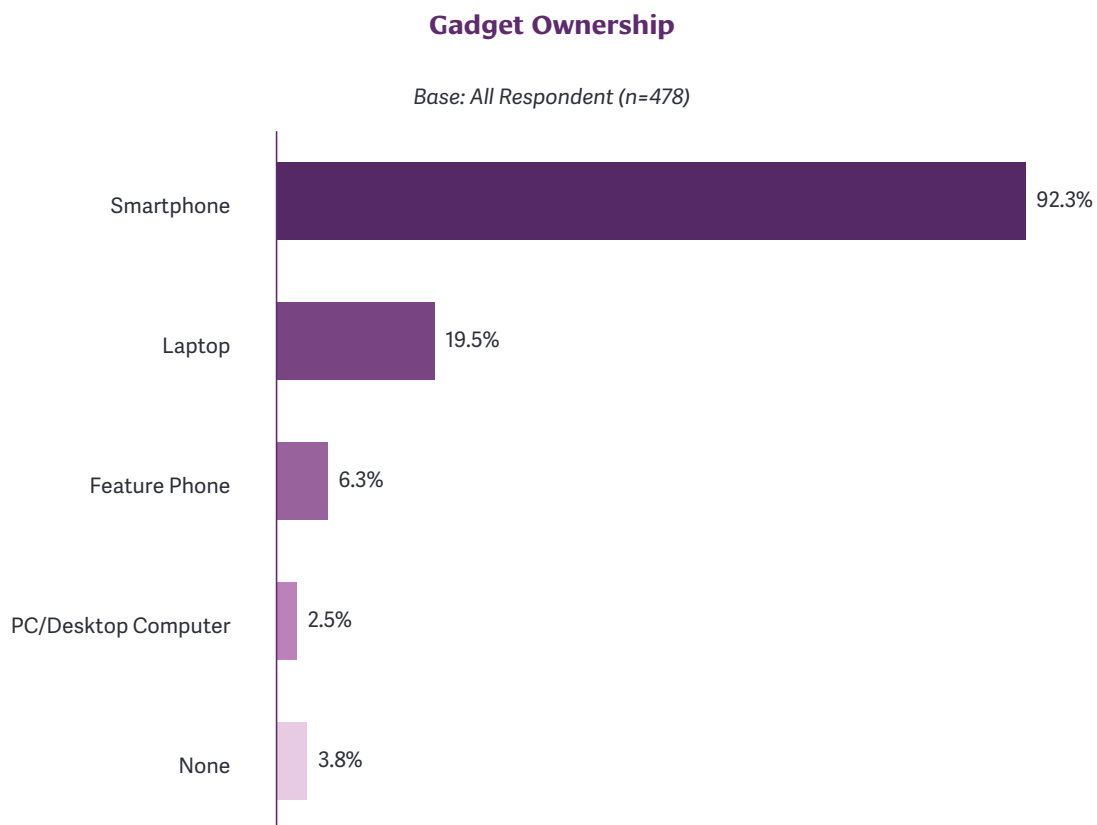
# Digital Inclusion

## Gadget Ownership

The sub dimensions of digital inclusion cover the ownership of gadgets, internet access and using behaviors, as well as digitization benefits and challenges to Ultra-MSMEs business process. It also covers different experiences in the different avenue and method preference from Ultra-MSMEs in various digital products, including the different behavior in adopting digital products.

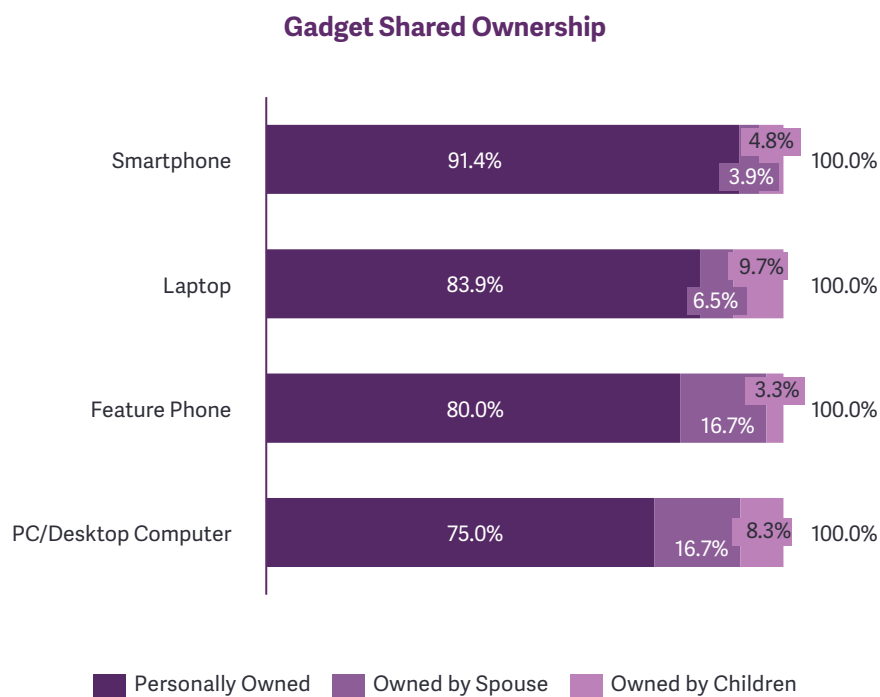
The ownership of digital devices and other gadgets among Ultra-MSMEs was dominated by smartphones, where 92.3% of the respondents owning one. This shows a promising opportunity as it reveals that most people, even in rural villages, could afford smartphones, an important tool for digital reach.

Laptop ownership was also growing among Ultra-MSMEs and their households with at least 19.5% of respondents owning at least one. These laptops were mostly shared with other family members in the household, such as the children for their schooling purposes.



Graph 6.3.1.1 Ultra-MSMEs Gadget Ownership

In terms of ownership status, most gadget devices were owned and used solely by the Ultra-MSMEs owners, instead of having them shared within the household. It indicates greater convenience in running the businesses. In the case of smartphone ownership, around 91.4% of all respondents were using it for their own personal use. However, several owners also hold shared ownership of their gadgets, including their laptop and personal computers.



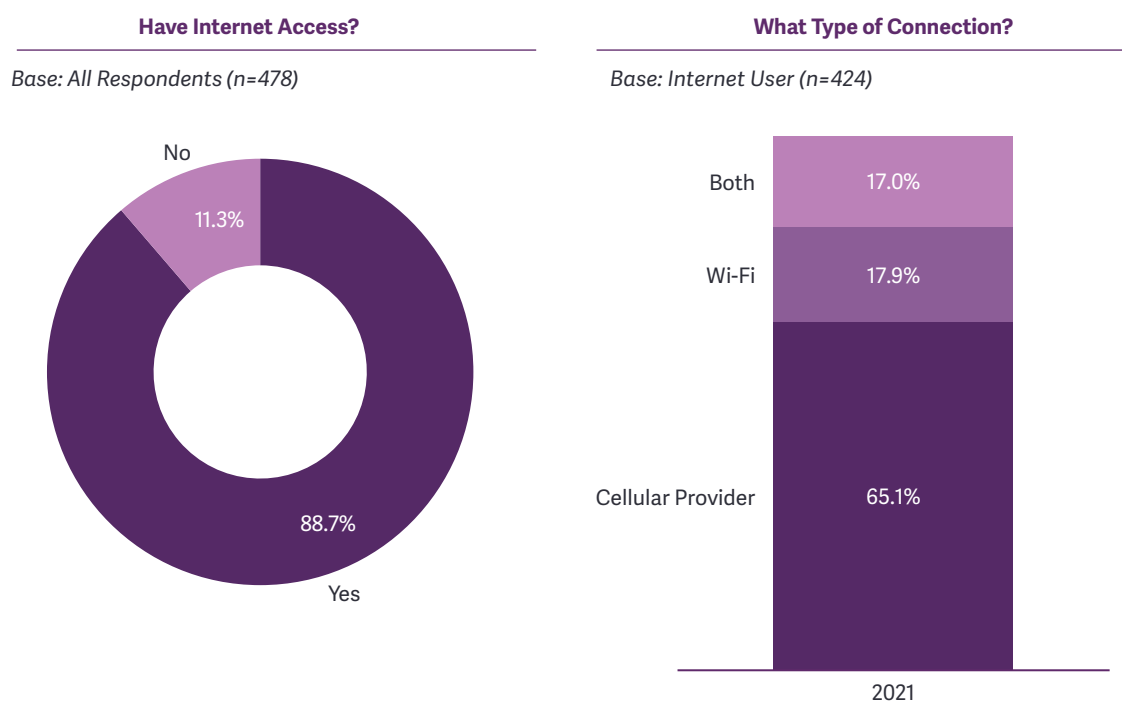
Graph 6.3.1.2 Ultra-MSMEs Gadget Shared Ownership

## Internet Access

The sub-dimension of internet access covers respondents' Internet access, its usage reasons and benefit to business processes, social media usage, data spending and phone credit per month, as well as barriers to accessing the Internet.

Findings from this study reveal that Ultra MSMEs had a high ownership of Internet access with 88.7% of respondents actively utilize the internet on a daily basis. This high ownership and consistent usage contributed to a majority of respondents relying on cellular providers for internet access. This is also due to the majority of respondents did not have feasible Wi-Fi access.

### Ultra-MSMEs Internet Access

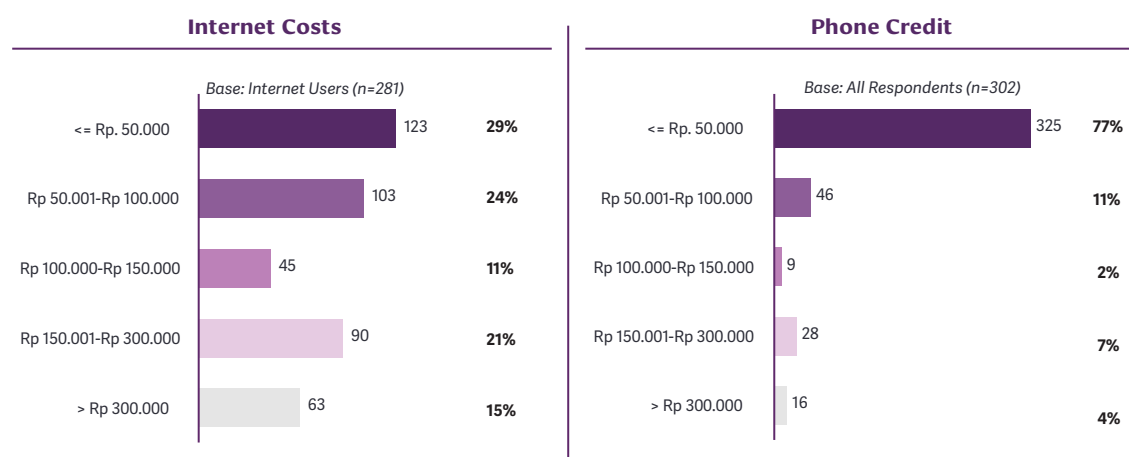


Graph 6.3.1.3 Ultra-MSMEs Internet Access

Among the surveyed Ultra-MSMEs owners, one out of two spent less than IDR100,000 per month on their internet access, while 15% of the respondents allocated more substantial funds, exceeding IDR300,000 per month for their internet connectivity.

On the other hand, the rise of online messaging applications has transformed communication habits. With the availability on voice and video calls over the internet access, traditional phone calls and texts (SMS) were substantially reduced. As a result, a significant majority of respondents (77%) spent less than IDR50,000 a month on these communication services.

### Ultra-MSMEs Internet Costs and Phone Credit



Graph 6.3.1.4 Ultra-MSMEs Internet Costs and Phone Credit

This study also explores internet usage and behavior. A significant majority of Ultra-MSMEs used the internet primarily for communication (88%), followed by social media usage (59%), online entertainments (33%), and looking for online communities (19%).

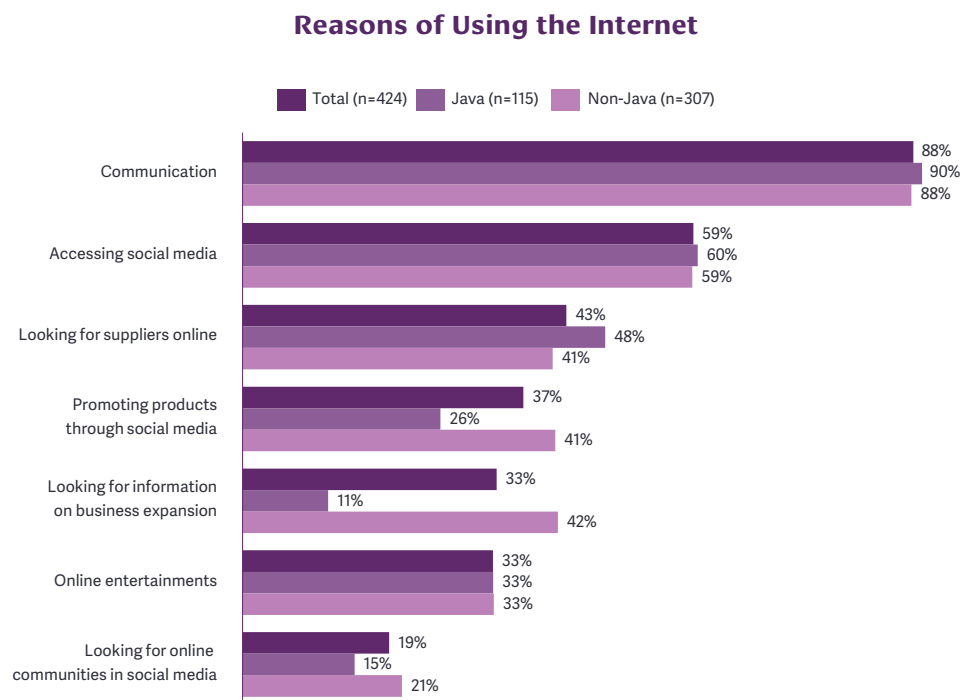
Interestingly, internet usage that directly correlated to business activities was still relatively low, these include: suppliers search (43%), business expansion (33%) and social media promotion (37%).

This finding potentially suggests a lack of knowledge or skills among Ultra-MSMEs when it comes to leveraging the internet for business purposes. Differences in market size and saturation between regions could also potentially indicate the need for Ultra-MSMEs to put in more effort in adapting to emerging market and promotional trends through social media and information gathering.

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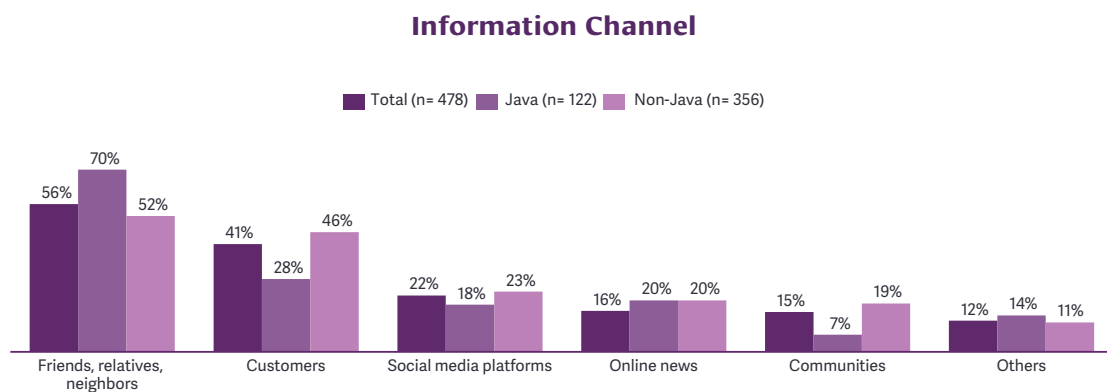


Graph 6.3.1.5 Ultra-MSMEs Reasons for Using the Internet

In examining the reason behind Ultra-MSME owners' choice regarding the utilization of the Internet for business purposes, this study also explores respondents' communication and information channel preferences. The study finds that Ultra-MSMEs relatively prefer conservative communication channels in which fostered closer interaction with customers and increased the likelihood of receiving valuable business feedback.

Specifically, respondents tended to seek information either through word-of-mouth interaction with friends, relatives, neighbors (56%), followed closely by the insights of their customers (41%), or coincidentally stumble upon relevant information while browsing through social media platforms (22%), instead of deliberate sources, such as traditional news media, communities, or forums. Such lack of proactivity in accessing information may be due to lack of know-how, where Ultra-MSMEs desired more insights on trending products, pop culture references for marketing opportunities, and hearsay on supply prices for product development/promotion.

Despite the progress made, there remains untapped potential for Ultra-MSMEs to fully embrace information usage, including audience targeting, thorough supplier and pricing research, and staying attuned to market trends, as there is an overall lack of research-backed decision making embedded within these Ultra-MSMEs.



Graph 6.3.1.6 Ultra-MSMEs Information Channel

Among non-internet users (11,3%), the primary reasons for not using the internet include difficulty in accessing the internet (31%), not needing internet access (22%), lacking a device (13%), and network problems (11%).

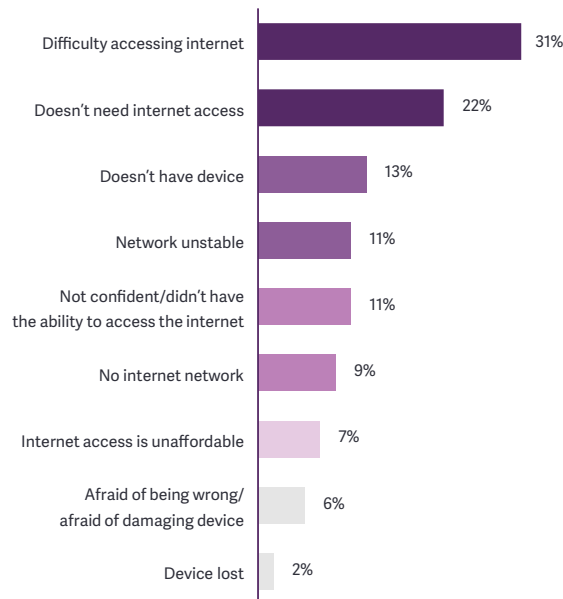
These findings also show how Ultra-MSMEs generally possessed a conservative approach toward the Internet, as it was not an integral part of their business operations. These respondents typically belonged to the agriculture or trade sector, with the local communities as their primary customers and the local suppliers as their main stakeholders.

Despite the high internet coverage of telecommunication providers in Indonesia, its quality remains an issue with “dead spots” and intermittent reception which are still a widespread occurrence, especially in the peri-urban, secondary, or third-tier cities.



## Reasons not accessing the Internet

Base: Respondents not accessing the Internet (n=54)

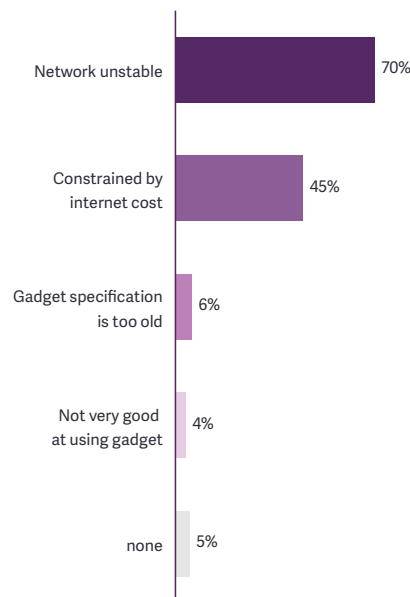


Graph 6.3.1.7 Ultra-MSMEs Reasons Not Accessing the Internet

Among Ultra MSMEs, those with internet access were most likely experiencing unstable networks (70%) due to poor infrastructure within their geographical locations. Interestingly, despite the relatively cheaper internet costs in Indonesia compared to other countries, many people (45%) still experienced constraints in accessing the internet due to its cost.

## Challenges when accessing the Internet

Base: Respondents accessing the Internet (n=424)



Graph 6.3.1.7 Ultra-MSMEs Reasons Not Accessing the Internet

## Social Media Usage

As an essential element in developing the Amarthya Prosperity Index, the sub-dimension of social media carries the most weight compared to the other sub-dimensions. This sub-dimension covers the utilization of social media by Ultra-MSMEs owners, including the breakdown of their usage of each different social media platform.

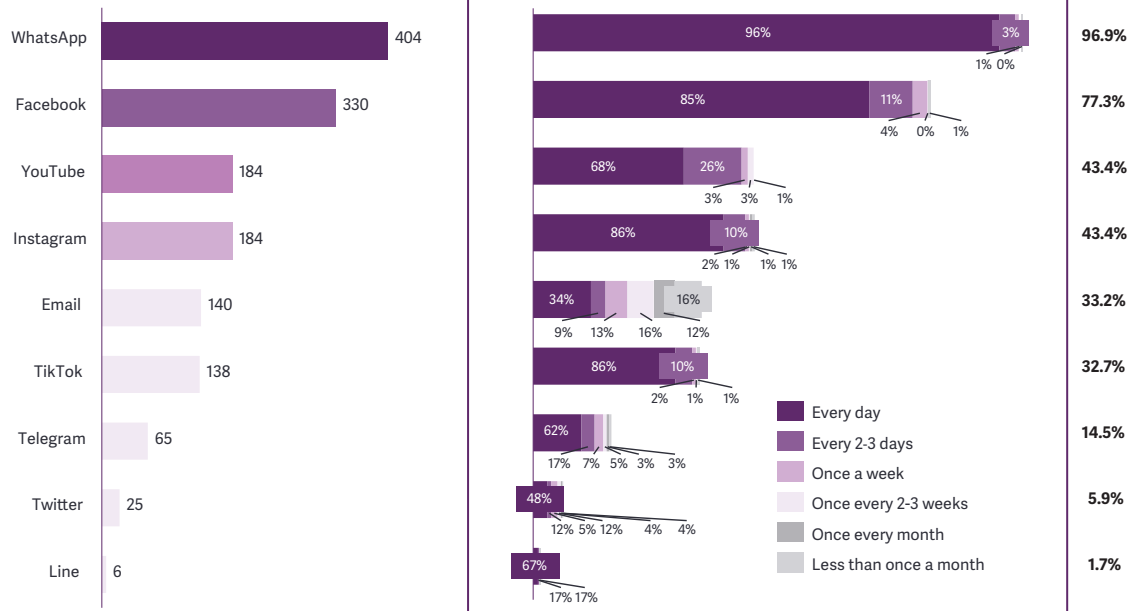
Among the surveyed Ultra-MSMEs owners, respondents tended to use social media that are widely used for communication purposes, with WhatsApp, Facebook, Instagram, and TikTok being popular choices for daily interaction. In addition, these social media and messaging applications also served as tools for Ultra-MSMEs to share product information and initiate sales.

Based on the survey results, WhatsApp was the most widely used messaging application among Ultra-MSMEs owners with 96.9% of the respondents relying on it. This is due to WhatsApp's practicality and efficiency in bridging communications and its feature to create groups where people can discuss common issues. In addition, the features of WhatsApp, such as forwarding pictures, files, and contacts within the app, were considered ideal for supporting the daily activities of the respondents, especially those for business purposes.

As a conclusion, Whatsapp was the most popular platform for promoting business, with many of our participants utilizing it to sell their products. One of the examples was Mrs Suryani who sells traditional cookies in West Sumatera. She used Whatsapp to receive the order from her contacts. Based on her experience, Whatsapp was effective to boost her business' sales alongside offline methods. Mrs Suryani posted the products on her Whatsapp story and broadcasted them through her group and all contacts. After posting the products she would receive the order and deliver it or customers will pick it up.

## Social Media Usage

Base: Respondents not accessing the Internet (n=424)



Graph 6.3.1.9. Ultra-MSMEs Social Media Usage

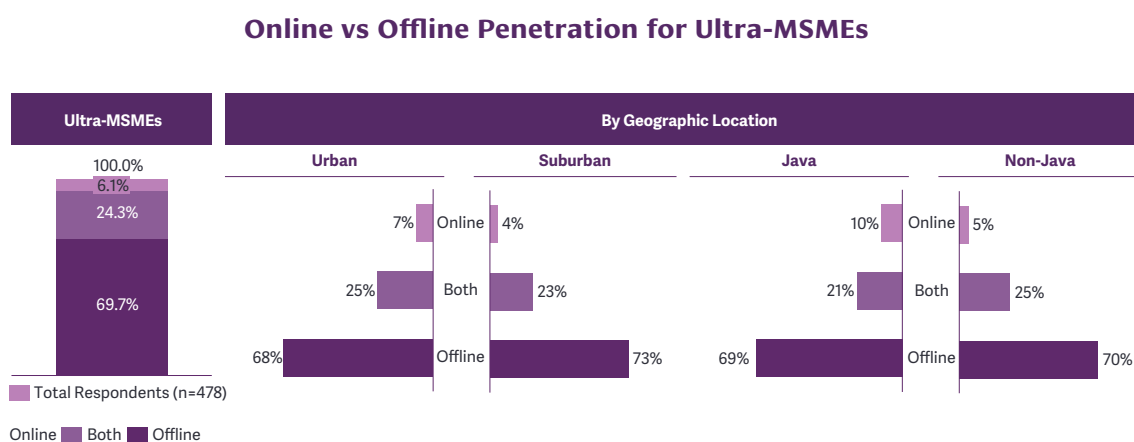
## Online vs Offline Penetration for Ultra-MSMEs

This study, as indicated by the table below, compares the digital behavior of MSME owners who sell their products online with those who continue to sell offline. The data show that across all geographic locations, the majority (69.7%) of the Ultra-MSMEs owners still fully marketed their products offline, followed by 24.3% engaging in both online and offline sales, and only 6.1% of owners operating fully online.

The online population within the Urban regions, however, remained the highest in Java due to its higher level of urbanization, development, and robust internet accessibility. It indicates their strong reliance on the services made available to conduct and manage business operations in the region.

However, Ultra-MSMEs preferred to face internal challenges when it came to transitioning their business to online setting, including limited time availability, existing commitments, and a lack of self-confidence in technology. This is due to lack of support from existing platforms for highly customized products as they require time-consuming manual input of each product. In addition, the pressure to compete in price wars often made Ultra-MSMEs feel compelled to participate in discount programs despite having limited resources.

Study also finds that maintaining an online presence and investing efforts in digital platforms may not necessarily provided significant profits for specific businesses, such as Warungs and Wholesale Drink sellers.



Graph 6.3.1.10 Online vs Offline Penetration for Ultra-MSMEs

# Confidence of Digital Skills/Knowledge

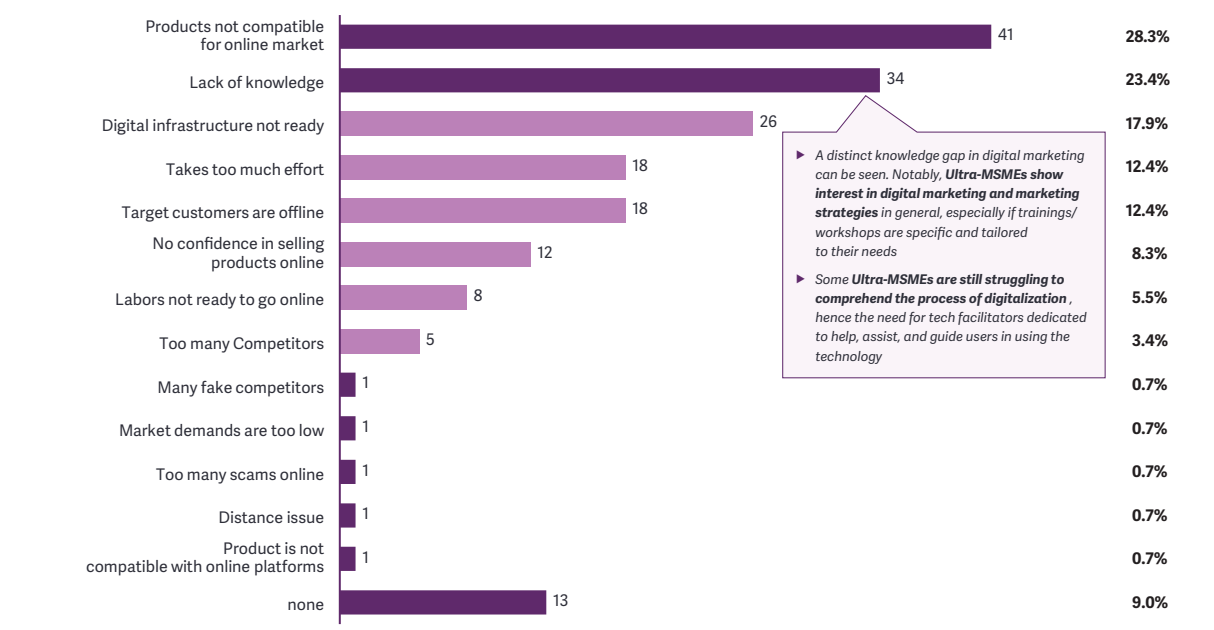
## Obstacles to Conduct Online Sales

Based on the data below, the finding concludes that the main reason Ultra-MSMEs were still mainly relying on daily trade or offline sales in their businesses is due to its incompatible product for the online market (28.3%), lack of knowledge on how to conduct online sales (23.4%), and challenges in digital infrastructure (17.9%).

This data show a distinct knowledge gap in digital marketing when lots of Ultra-MSMEs showed interest in digital marketing and marketing strategies in general, especially if training/workshops are specific and tailored to their needs. In fact, some Ultra-MSMEs were still facing struggles in comprehending the process of digitization, hence the need for tech facilitators dedicated to help, assist, and guide users in using the technology. In addition to the lack of online knowledge, the study also covers the fact that the current market also predominantly consists of offline and local customers. This can potentially pose a challenge when entering online marketplaces, which are online and are from diverse regions.

## Obstacles to Conduct Online Sales

Base: Respondents selling online or through hybrid means (n=145)



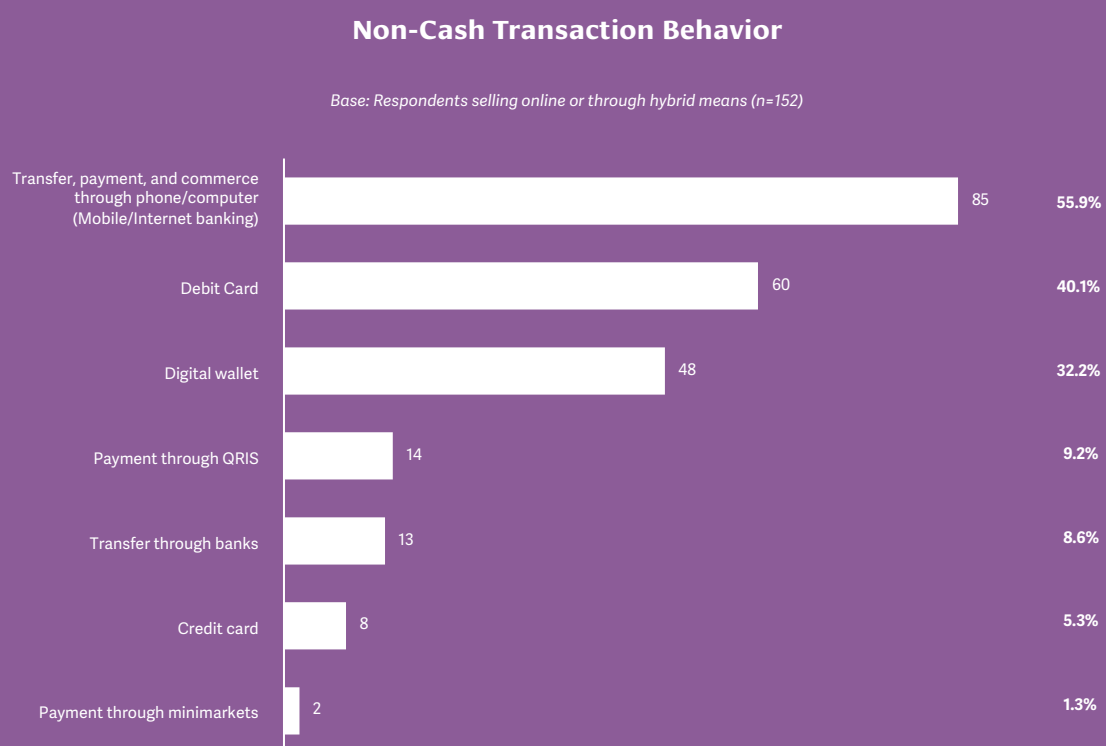
Graph 6.3.2.1 Ultra-MSMEs Obstacles to Conduct Online Sales

## Non-Cash Transaction Behavior

In terms of non-cash transaction behavior among the respondents, the study finds that conventional non-cash payments, such as mobile/internet banking (55.9%) and debit card (40.1%) were more widely adopted by Ultra-MSMEs owners due to its practical usage and familiarity from personal use.

Following that, digital wallets also had potential advantage for adoption due to its practical usage with 32.2% respondents actively using them. Digital wallets shared similar qualities with other non-cash transaction options which require additional processes (e.g. registering for QRIS accounts, setting up business credit, etc.). However, despite its high adoption, Ultra-MSMEs were likely to be less familiar to digital wallets, due to its relative recency. This poses a potential challenge to overcome the skill barrier in adopting the non-cash transaction platform.

In addition to that, QRIS-based payments (9.2%) are gaining popularity, followed by conventional bank transfers (8.6%), credit cards (5.3%), and payment through minimarkets (1.3%). The multi-channel payment point system via mini-markets enabled cashless transaction, benefiting for lower-income populations who did not have access to mobile or internet banking.



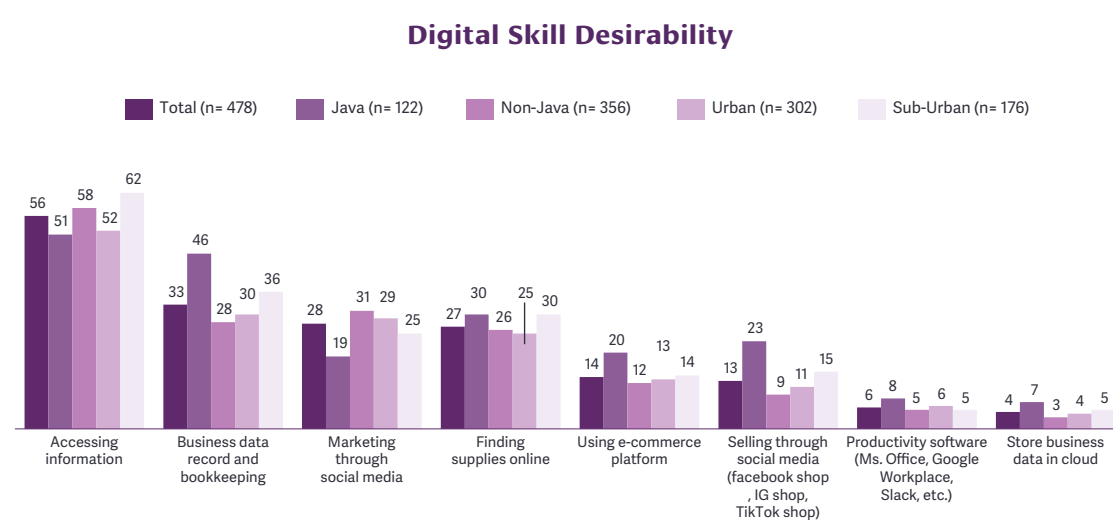
Graph 6.3.2.2 Ultra-MSMEs Non-Cash Transaction Behavior

## Digital Skill Desirability

This study finds that Ultra-MSMEs showed a strong desire for digital skills regarding information access and gathering first over management and marketing tools and platforms. Therefore, there was significant potential in upskilling general digital skills to Ultra-MSMEs as they tended to prioritize their efforts on information gathering and accessing over bookkeeping and social media-related skills.

Study shows that Ultra-MSMEs respondents in Java had relatively more access to digital infrastructure, indicating a higher likelihood to favor more niche digital skills such as business data recording and bookkeeping for online suppliers. Conversely, those outside of the region were more receptive to information gathering and social media marketing skills. These digital skills may expand another target market beyond existing network of customers and potentially lead to more increased sales as Ultra-MSMEs currently rely on personal networks.

This digital upskilling can be organized into short-term and long-term upskill sessions. Short-term sessions focused on practical digital upskilling, such as accessing information, business data recording and bookkeeping, marketing, and finding online supplies. These skills had high desirability, and straightforward application, and are relatively fundamental for digital literacy. Other digital upskilling opportunities that could be explored, include e-commerce and social media sales as it requires more understanding of digital features and configuration. On the other hand, long-term sessions may focus on digital upskilling for productivity software, such as Microsoft Office and cloud storage due to its complexity and requiring more familiarity with computing skills.



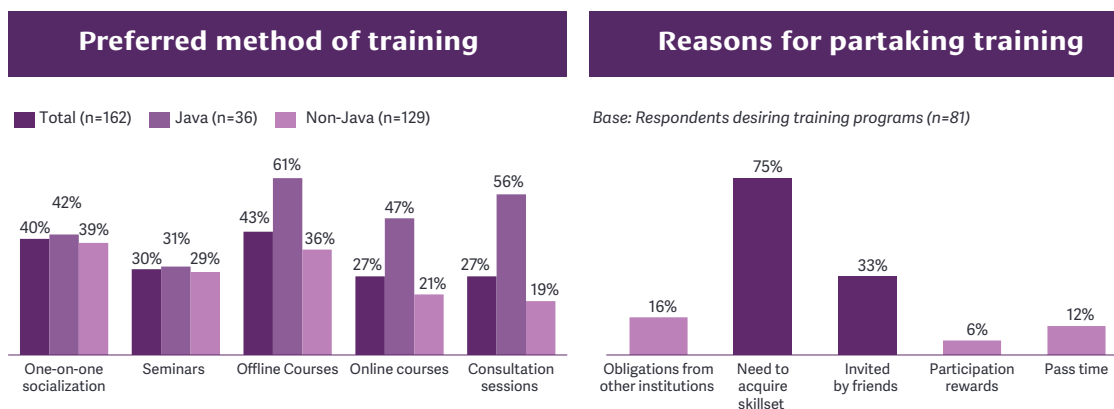
Graph 6.3.2.3 Ultra-MSMEs Digital Skill Desirability



In terms of a preferred method of training, a substantial number of Ultra-MSMEs express a preference for conventional approaches in their training. They preferred offline courses and direct communication through consultation due to face-to-face interaction with trainees and the opportunity for hands-on practice during training.

When it comes to reasons for participating in training, significant numbers of Ultra-MSMEs respondents (75%) mentioned that they need to acquire a skill set that is being offered in specialized training and workshops. Therefore respondents preferred facilitators who were dedicated to helping, assisting, and guiding them to operate technology due to their desire on tech proficiency. Additionally some respondents mention being invited by friends (33%) as a motivating factor. This is why Ultra-MSMEs also indicated putting further importance on communication-heavy training, as consultation sessions and by social influence through friends to partake in training, possibly indicating the importance of word-of-mouth referrals.

### Ultra-MSMEs Preferred Method of Training and Reasons for Partaking Training



Graph 6.3.2.4 Ultra-MSMEs Preferred Method of Training and Reasons for Partaking Training



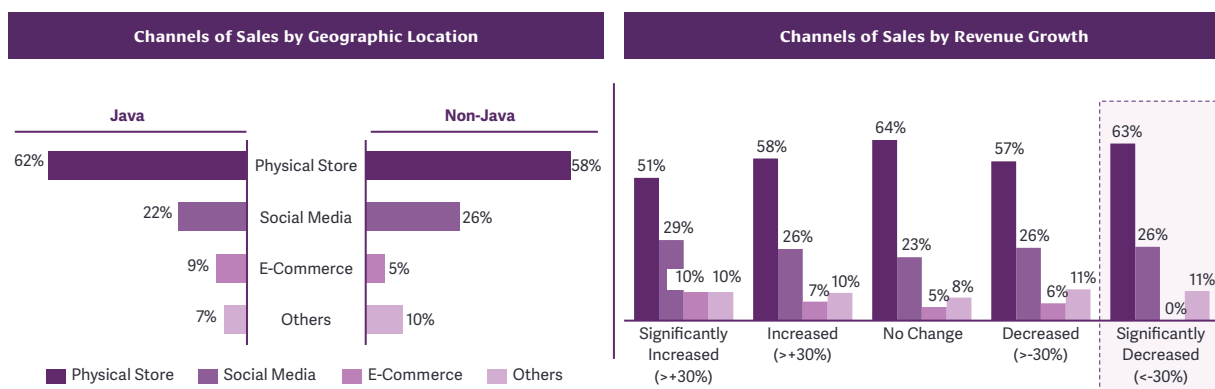
# Impacts to Growth

## Channels of Sales

Based on the table below, many Ultra-MSMEs still focused on physical stores, although non-Java MSMEs had a higher digital sales channel utilization. There were slight differences in online points of sales between Ultra-MSMEs in Java and those outside the regions. While Java-based Ultra-MSME preferred to utilize e-commerce platforms, their counterparts outside the regions were more likely to utilize social media platforms.

This is potentially because Ultra-MSMEs outside of Java are more likely to use social media reach to tap into more significant markets, while those in Java focus on establishing their business presence through e-commerce. The data suggests a notable advantage for Ultra-MSMEs operating online, as evidenced by their greater revenue growth compared to those exclusively relying on physical stores.

## Channels of Sales



Graph 6.3.3.1 Ultra-MSMEs Channels of Sales

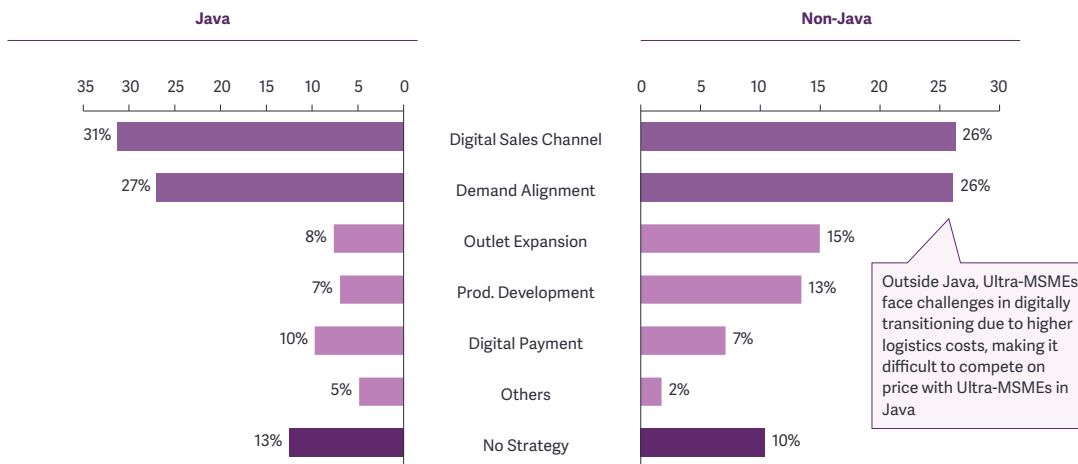
### **Growth Strategies and Their Implementation**

There are five general themes of growth strategies done by Ultra-MSMEs, including expansion from offline to online avenues, adjusting production to market demand, expansion of new outlets/distribution hubs, development of variation to product and service, and increasing the types of online transaction tools.

The data below show that a slightly higher percentage of Ultra-MSMEs had transitioned digitally in Java (31% vs. 26%), which may suggest higher levels of digital literacy and advanced infrastructure in Java. On other hand, both areas responded to market demand (26-27%) by observing the surroundings, engaging in word-of-mouth interactions, visiting competitors for insights and differentiation opportunities, and exploring social media for trends and marketing strategies. This indicates a greater need to respond to the market and easier adjustment to demand.

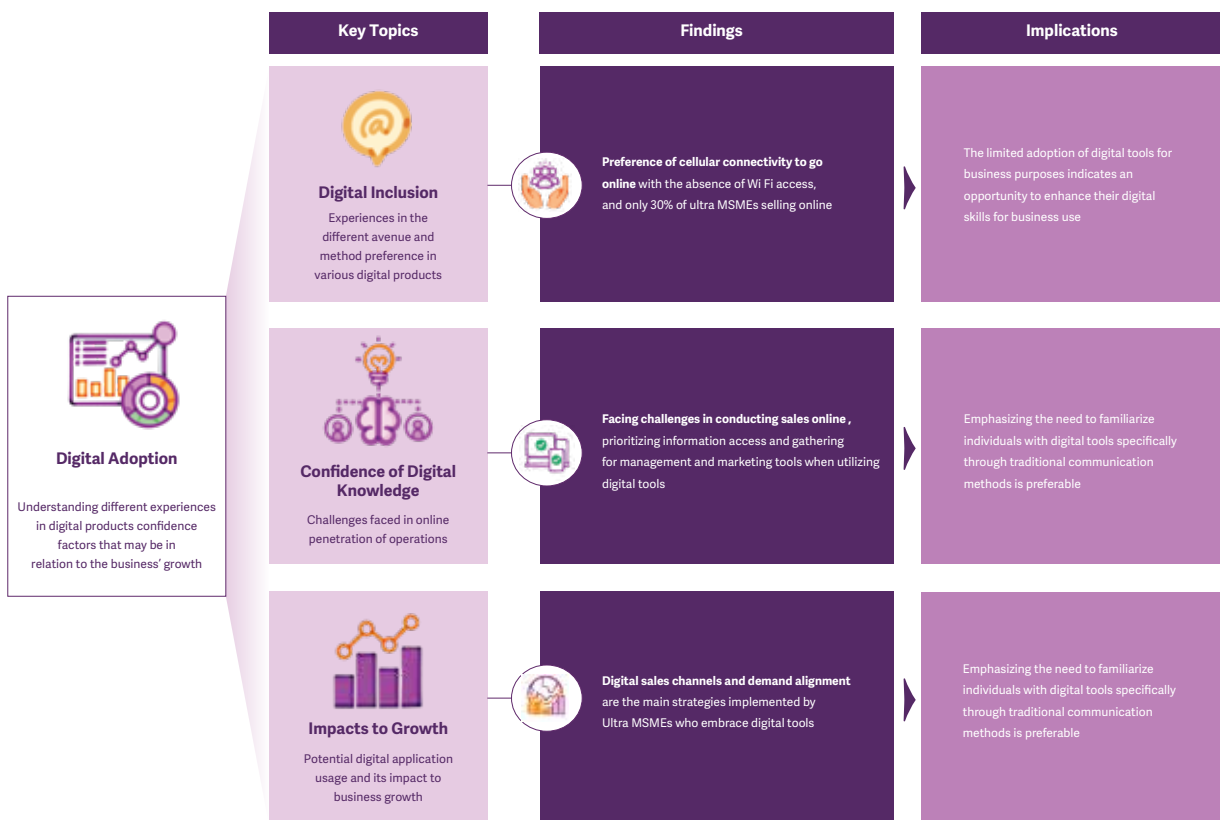
In addition, while most Ultra-MSMEs had incorporated a growth strategy, 10-13% of them is reported lacking a defined approach for growth strategy, highlighting the need for intervention programs.

## Growth Strategy by Geographic Location



Graph 6.3.3.2 Ultra-MSMEs Growth Strategy by Geographic Location

## Summary of Digital Adoption



Graph 6.3.3.3 Summary of Digital Adoption

## How to Empower Grassroot Entrepreneurs

# Recognizing that there are different segments of them, and each segment needs different interventions

### Up-Scaling Ultra-MSMEs through Capital, Learning, and Earning Empowerment Approach

Upon discovering the living context and behavior of Ultra MSMEs, it can be inferred that, if Ultra-MSMEs want to overcome challenges and seize opportunities, they must acquire important knowledge and face learning hurdles. Achieving these goals requires the development of a strategy that emphasizes capital (such as, but not limited to: providing financial support), earnings (encouraging growth and innovation), and learning (teaching essential skills that may benefit their

#### Ultra-MSMEs Perspectives and Key Challenges Theme




Perspectives	 <b>Capital</b> Explores underlying challenges of obtaining working capital, including the different preferences in utilizing financial products	 <b>Earning</b> Explores underlying challenges of business development process in gaining revenue	 <b>Learning</b> Explores underlying challenges that Ultra-MSMEs face while lacking financial and digital knowledge
Key Challenges Theme	<b>Difficulties Securing Capital</b> Lack in access, knowledge, and awareness to explore more advanced financial products	<b>Limited Online Sales Utilization</b> Underutilized online platforms for selling products or services	<b>Limited Financial Utilization and Business Innovation</b> Financial skills are underutilized or not fully utilized by individuals or businesses
	<b>Underexplored Capital Sources</b> Lack of utilization of financial products apart from conventional ways of capital sourcing (i.e. Conventional Banks, Family Loans)	<b>Suboptimal Strategy Formulation</b> Weakness in ability to create efficient planning and decision making slows down growth	<b>Limited Digitalization Efforts</b> Digital skills are not fully utilized or are underutilized by individuals or businesses

Table 7.1.1 Ultra-MSMEs Perspectives and Key Challenges Theme

Still adhering to the previous Grassroot Research's framework, we further deep dive into the challenges faced by Ultra-MSMEs based on the three dimensions of our prosperity index: financial inclusion, advanced financial product usage, and digital adoption.

Within the the context of financial inclusion dimension, Ultra-MSMEs encountered difficulties in understanding financial products and/or services that extend beyond their familiarity. Besides, generally they were also wary of digital product security. As Ultra MSMEs were mostly doing manual work for both their business and household chores, this limits their capability in absorbing digital and financial knowledge, hindering them to fully maximize the potential of using proper financial skills.

Moving to the advanced financial product usage dimension, it has been discovered that a notable deficiency in financial management becomes apparent. Ultra-MSMEs faced difficulties in differentiating between loans used for business purpose and those for personal needs, which eventually impacting their ability to make on-time repayment. Most individuals exhibited a lack of confidence and possess limited knowledge when it comes to using new financial products. Also, there were different views on loans, especially between Java and Non-Java Ultra MSMEs. In general, loans were considered helpful for business expansion. However, Ultra-MSMEs in Java did not regard them as vital for growth and individuals outside of Java often get less assistance in obtaining loans and/or the knowledge related to it.

Lastly, within the digital adoption dimension, it is evident that many Ultra MSMEs were already familiar with adopting various digital services for communication and recreational purposes; but not yet utilizing such services to upgrade their business. This was due to several reasons; one of the most prevalent was the lack of knowledge towards e-commerce applications usage. Other dominant reasons in non-Java Ultra MSMEs were their infrastructure limitations, which cause them significant cost in packaging and logistics.

Taking all the aforementioned challenges into consideration, all of them were grouped into the three main key challenge themes; capital, earning, and learning.

### Ultra-MSMEs Perspectives and Key Challenges Theme




Dimension	Key Findings	Challenges	Key Challenges Theme					
			Capital		Earning		Learning	
			Difficulties in Securing Capital	Underequipped Capital Sources	Limited Online Sales Utilization	Suboptimal Strategy Formulation	Limited Financial Utilization & Innovation	Limited Digitalization Efforts
 <b>Financial Inclusion</b>	► Easy application, usage, access, and safety guaranteed are the primary factors driving the adoption of financial products	► They face difficulties in understanding financial products/services outside their comfort zone, and are still wary of digital product security	✓	✓			✓	
	► The application of financial skills is primarily limited to basic skills	► The limited digital and financial knowledge, as well as engaging in household chores, hinder the implementation of advanced financial skills	✓				✓	
 <b>Advanced Financial Product Usage</b>	► Difficulties in effectively using new financial products	► Most individuals exhibit a lack of confidence and limited knowledge when it comes to using new financial products	✓				✓	
	► They depend on personal funds and struggling to distinguish between business and personal/family loans	► Usually, loans are considered helpful for business expansion. However, Ultra-MSMEs in Java do not regard them as vital for growth and individuals outside of Java often get less assistance	✓	✓			✓	
	► They often face difficulties in differentiating between loans used for business purposes and those used for personal or family needs	► Lack of proper financial management in these businesses lower the ability to repay the loan and make loan expensive	✓				✓	
 <b>Digital Adoption</b>	► They still have low level of digital platform utilization for online marketing and business development	► There are still Ultra-MSMEs that are not yet using online platforms optimally				✓	✓	
	► Some businesses still rely on offline methods instead of fully embracing digital platforms	► Barriers to selling online including product compatibility, digital infrastructure limitations, and a lack of online commerce knowledge			✓	✓		✓
	► The level of strategy formulation is still relatively low	► Lack of clear vision and solely focus on what sells, rarely develop their business model			✓			

Table 71.2 Ultra-MSMEs Key Challenges Theme

## Understanding the Diversity of Ultra MSMEs

Upon learning the various challenges faced by Ultra MSMEs and its implications, it was also discovered that not all challenges affect each individual within the same group. Despite being its own segment, Ultra MSMEs were also diverse; hence indicating the need of understanding the diversity within this segment becomes crucial.

Based on our previous learnings on existing programs and interventions directed towards Ultra MSMEs, it can be inferred that no one-size-fits-all approach delivered maximum impact. Therefore, understanding that there are different segments within the Ultra MSMEs will be beneficial for choosing the appropriate approach for upskilling them.

As per our research findings, we discovered that there are two main dimensions that become the foundation of our segmentation process; the first is 'innovation level' and the second is 'loan level'. In this context, innovation level refers to Ultra MSMEs financial skill, digital skill & access, and their drive to grow. On the other hand, loan level refers to the financial resources that ultra-MSMEs have been able to secure for their business development efforts.

Ultra MSME Segmentation Matrix

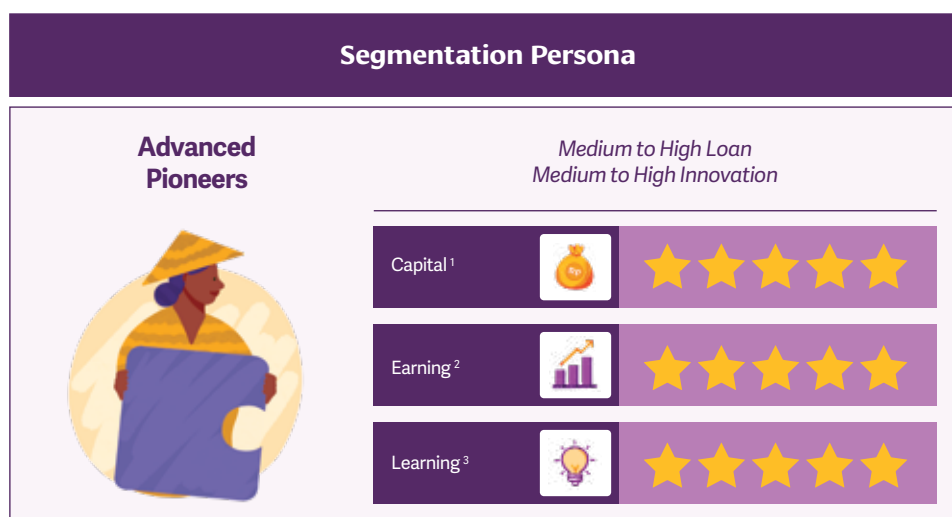
Innovation Level	<div>Mature and want to scale up</div> <div>Ultra MSMEs that are successful on a smaller scale and are ready to expand</div>	<div>②</div> <div>Emerging Innovators:</div> <ul style="list-style-type: none"><li>● Despite displaying ambition and growth potential, their businesses are hindered by a lack of access to capital, requiring additional loans or support to fully realize their potential</li></ul>	<div>①</div> <div>Advanced Pioneers:</div> <ul style="list-style-type: none"><li>● Their high financial literacy shows their capacity for strategic decision making and a high understanding of the loan landscape</li><li>● Leverage digital tools to expand markets, seek suppliers, and facilitate business operations.</li><li>● Ultra MSMEs are primarily focused on maintaining their growth or expanding their business</li></ul>	
	<div>Ambitious to Grow</div> <div>Has willingness to invest time, effort, and resources to grow</div>			
	<div>Aspire to Grow</div> <div>Possesses desire and to scale and expand their scale of business operations</div>	<div>③</div> <div>Emerging Challengers:</div> <ul style="list-style-type: none"><li>● Most businesses are at an early stage development</li><li>● Others are typically those with a mindset of surviving on a day today basis</li><li>● They are constrained by low financial knowledge, limited use of digital tools, and a lack of business growth strategies</li></ul>	<div>④</div> <div>Novice Risky Borrowers:</div> <ul style="list-style-type: none"><li>● Reflect a low level of financial management, their limited financial and digital knowledge, combined with high level of loan, exposes them to a higher risk and potential mismanagement of funds</li></ul>	
	<div>Strive to survive</div> <div>Low financial knowledge, limited utilization of digital tools, and lack business growth strategies</div>			
	Loan Level		Low	Middle
		<11Mn	11Mn<x<80Mn	High >80Mn

Graph 7.2.1 Ultra-MSME Segmentation Matrix



## Advanced Pioneers

Advanced pioneers are Ultra MSMEs who have high innovation level and middle to high loan level. They are commonly known for their savvy financial acumen and digital skills, typically adept at obtaining loans to nurture growth initiatives, and would benefit from strategic business guidance to attain business sustainability.



Graph 7.2.1.1 Advanced Pioneers Segmentation Persona

Description	
<b>Middle to High Loan</b> <ul style="list-style-type: none"> <li>Exhibit a clear purpose for borrowed loans , primarily for the business</li> <li>Utilize funds not only as a working capital, but also to grow</li> </ul>	<b>High Willingness to Grow</b> <ul style="list-style-type: none"> <li>Showed initiatives of expanding their outlets and outreach</li> <li>Added product variety to adapt to market demands</li> </ul>
<b>High Financial Literacy</b> <ul style="list-style-type: none"> <li>Manage cashflow and implement bookkeeping records</li> <li>Conduct financial analyses and budgeting for both operations and growth</li> </ul>	<b>High Digital Literacy</b> <ul style="list-style-type: none"> <li>Effectively promote products online to complement sales conducted offline</li> <li>Gather data on suppliers and potential expansion opportunities</li> </ul>
Key Analysis	
<ul style="list-style-type: none"> <li>This persona indicates clear and proper allocation of funds into their business</li> <li>The implementation of financial and digital skills suggests strong ambition to solidify their internal operations to make room for growth</li> <li>They are commonly seen in the Trade 4 and Processing 5 sectors , where higher available capital is needed with the availability of support of digital tools</li> <li>Further guidance in strategy is needed to complement their existing skillset and knowhow to maintain sustainabilityof growth in the long run</li> </ul>	

Table 7.2.1.1 Advanced Pioneers Description and Key Analysis

## Emerging Innovators

Emerging innovators are Ultra MSMEs who have high innovation level and low loan level. They are ambitious entrepreneurs with innovative ideas but needing additional loan support to unlock their full potential, where advanced financial and digital literacy guidance can be proactively harnessed.



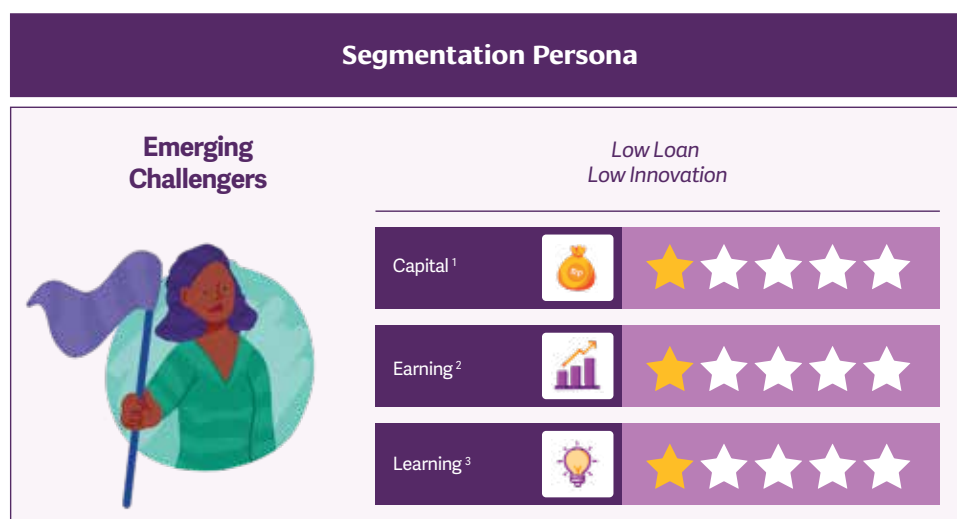
Graph 7.2.2.1 Emerging Innovators Segmentation Persona

Description	
<b>Low Loan</b> <ul style="list-style-type: none"> <li>• Possess <b>limited financial resources</b></li> <li>• Embody a <b>cautious approach</b> when taking in loans for their business</li> </ul>	<b>High Willingness to Grow</b> <ul style="list-style-type: none"> <li>• Displayed a <b>proactive approach and resilience towards growth</b></li> <li>• Likely to seize opportunities to <b>scale up their business operations</b></li> </ul>
<b>High Financial Literacy</b> <ul style="list-style-type: none"> <li>• <b>Manage cashflow</b> and implement bookkeeping records</li> <li>• <b>Conduct financial analyses and budgeting</b> for operations</li> </ul>	<b>High Digital Literacy</b> <ul style="list-style-type: none"> <li>• Are not only on social media, but are more likely to <b>promote products online</b></li> </ul>
Key Analysis	
<ul style="list-style-type: none"> <li>• This persona makes <b>well informed decisions</b> about their finances with their high financial and digital literacy, including <b>borrowing minimum loans to reduce risk</b></li> <li>• These may indicate a preference for <b>sustainable growth instead of rapid expansion</b></li> <li>• They are <b>commonly seen in the Service<sup>4</sup> sector</b>, as they are typically <b>proficient in their operations</b>, but may need <b>exposure more to funding options</b></li> <li>• They are likely ready for the next stage of growth, potentially <b>requiring additional assistance to align their funding strategies with their ambitions</b></li> </ul>	

Table 7.2.2.1 Emerging Innovators Description and Key Analysis

## Emerging Challengers

Emerging challengers are Ultra MSMEs who have low innovation level and low-middle loan level. They often operate with a day-to-day survival mindset and face challenges with limited digital infrastructure and financial literacy - in need of foundational training across financial and digital aspects to foster growth.



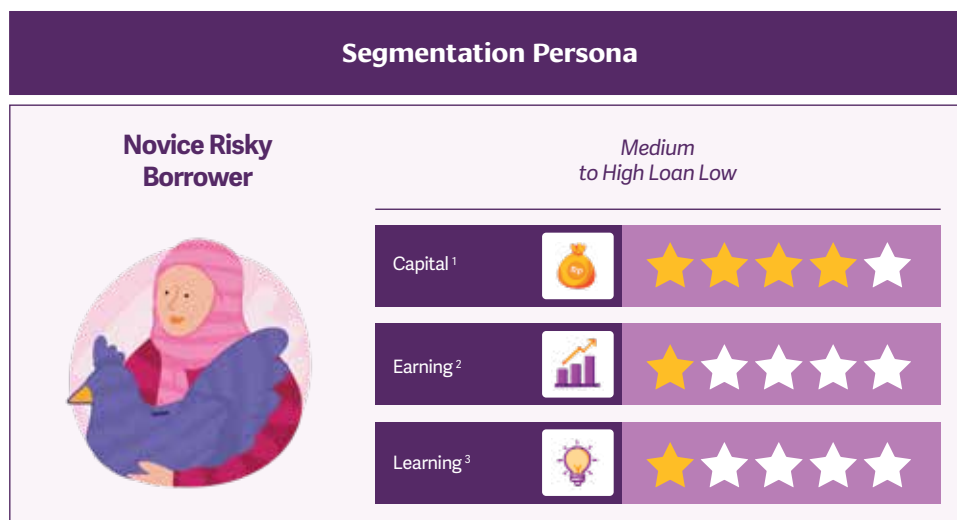
Graph 7.2.3.1 Emerging Challengers Segmentation Persona

Description	
<b>Low to Middle Loan</b> <ul style="list-style-type: none"> <li>Borrow funds that are necessary for them typically either to <b>get started</b> or <b>operate daily</b></li> <li><b>Embody a cautious approach</b> given their day to day survival mindset</li> </ul>	<b>High Willingness to Grow</b> <ul style="list-style-type: none"> <li><b>Showed potential of competing in the market</b> acquiring sufficiently loans to operate and allocating them into proper use</li> </ul>
<b>Low Financial Literacy</b> <ul style="list-style-type: none"> <li><b>Separate business from personal funds</b> and <b>track daily transactions and expenses</b></li> <li>Have financial goals <b>defined</b> for the <b>business's existing needs</b></li> </ul>	<b>Low Digital Literacy</b> <ul style="list-style-type: none"> <li><b>Have an online presence</b>, namely for <b>social media, communication, and community</b> purposes</li> <li><b>Lack resources</b> for digital marketing and data gathering</li> </ul>
Key Analysis	
<ul style="list-style-type: none"> <li>This persona is considered <b>emerging</b> as they are <b>either new or in a survival, day to day mindset</b> and are typically conservative in borrowing loans</li> <li><b>Limited skills and resources</b> may translate to low financial literacy and digital infrastructure, implying for room to grow internally and externally</li> <li>They are <b>commonly seen in Agriculture<sup>4</sup></b> as financial skills and digital infrastructure, as well as knowledge on loans, are scarce given their remote locations</li> <li>Emerging Challengers therefore <b>need support in their fundamentals to operate</b></li> </ul>	

Table 7.2.3.1 Emerging Challengers Description and Key Analysis

## Novice Risky Borrowers

Novice risky borrowers are Ultra MSMEs who have low innovation level and middle-high loan level. They are commonly characterized with limited financial and digital skills whose high loan levels potentially expose them to greater risks and mismanagement of funds, making it necessary for them to learn proper capital allocation.



Graph 7.2.4.1 Novice Risky Borrowers Segmentation Persona

Description	
<b>Middle to High Loan</b> <ul style="list-style-type: none"> <li>Exhibit <b>limited or no fit purpose</b> for borrowed loans, especially given their low literacy</li> <li>Potentially conduct loans blindly <b>without the mindset for growth</b></li> </ul>	<b>Low Willingness to Grow</b> <ul style="list-style-type: none"> <li>Shown <b>no record of aiming to develop their business</b> despite acquiring substantial capital from loans,</li> <li><b>Kept the business as is</b> despite changes in market demands</li> </ul>
<b>Low Financial Literacy</b> <ul style="list-style-type: none"> <li><b>Separate business from personal funds and track daily transactions and expenses</b></li> <li><b>Personify business on a day to day basis</b> without analyses and budgeting</li> </ul>	<b>Low Digital Literacy</b> <ul style="list-style-type: none"> <li>Their online presence is primarily limited to <b>social media, communication, and entertainment purposes</b>.</li> <li><b>Lack promotions, digital marketing, and data research</b> from online sources</li> </ul>
Key Analysis	
<ul style="list-style-type: none"> <li>They are <b>risky</b> as <b>lack proper utilization of loans</b>, suggesting <b>consumptive use</b></li> <li>Such poor use may potentially be <b>due to low financial and digital literacy</b>, implying <b>lack of profitability and/or survivalist mentality</b> rather than growth</li> <li>Although there is no specific sector dominated by this persona, outliers can be seen in players who <b>borrow substantial amounts of loan in highly saturated regions</b></li> <li>Interventions tailored to <b>educate financial and digital skills aimed to improve operations and allocate the overflow of capital</b> is necessary for business survival</li> </ul>	


Table 7.2.4.1 Novice Risky Borrowers Description and Key Analysis

## Segment-based Intervention Approach

After understanding the unique characteristics of each segment of Ultra MSMEs, we conducted a macro level analysis to all respondents, and discovered that Ultra-MSMEs in all regions generally fall into the emerging Challengers and Emerging Innovators categories, except for Papua and Maluku.

### Segmentation Distribution Ultra-MSMEs

**Disclaimer:** Respondents in Papua and Maluku may slightly differ from those in other regions due to the limited number of respondents, which were solely gathered from Biak and Ambon. Additionally, they have also benefited from certain government initiatives.



	All	Java	Sulawesi	Sumatera	Nusa Tenggara	Kalimantan	Papua	Maluku
Number of Respondent	478	122	120	60	61	60	25	30
Advanced Pioneers	15%	18%	17%	19%	6%	6%	① 33%	40%
Emerging Innovators	33%	② 33%	30%	32%	31%	45%	24%	13%
Emerging Challengers	40%	38%	37%	37%	③ 54%	45%	23%	20%
Novice Risky Borrowers	11%	12%	15%	12%	9%	4%	④ 20%	27%

Table 7.3.1 Ultra-MSMEs Segmentation Distribution per Area

The presence of a medium level of Novice Risky Borrowers in each region indicates that there were still Ultra-MSMEs that grapple with limited understanding of financial, digital, and strategic implementation, yet borrow a significant amount. Therefore, there is a need for an improvement in loan assessment quality and monitoring.

We also discovered other notable findings:

- The substantial government interventions in Papua and Maluku have led to a larger concentration of Ultra-MSMEs in the advanced pioneer's segment.
- Regions, such as Java, Sulawesi, Sumatera, Nusa Tenggara, and Kalimantan, were classified as emerging innovators due to their good access to capital and digital infrastructure in urban areas.
- Regions, such as Nusa Tenggara and Kalimantan, made noteworthy contributions to the emerging challenger segment, facing challenges in price competition.
- Novice Risky Borrowers were mainly found in Papua and Maluku, facing challenges in accessing low amount loans and dealing with significant logistics and raw material expenses in those regions.

Therefore, it can be inferred that each category within the Ultra-MSME segmentation could then potentially be intervened uniquely and prioritized based on Amarta's business preferences.

## Potential Interventions Based on Ultra-MSMEs Segmentation















Segmentation	Key Considerations	Intervention Themes	Potential Interventions
 <p>Advanced Pioneers</p>	<p>Advanced Ultra MSMEs should focus on sustaining their business and further differentiating themselves from competition given their proficiency in implementing both financial and digital skills</p> <p><i>This segment may be the easiest to engage with, but it requires higher loan amount</i></p>	<p>Strategic Earnings</p>	<div>  <p>Interactive learning sessions and personal discussions focusing on developing entrepreneurial skills</p> </div> <div>  <p>Learning sessions tailored to data and analytics skills, enabling more informed and strategic decision making</p> </div> <div>  <p>Offering expert guidance and support to enhance their business capability, ensuring business growth</p> </div>
 <p>Emerging Innovators</p>	<p>Emerging Innovators exhibit a cautious approach by minimizing their risks in loan taking, while having potential to move to the next level of loan borrowing with their strategic approach to finance and digital savvy skills</p> <p><i>This suggests a potential segment of focus for Amarth</i></p>	<p>Business Expansion</p>	<div>  <p>Mentoring sessions to enhance financial skills and readiness, providing knowledge and confidence to secure and manage larger funds beneficial for business growth</p> </div> <div>  <p>Advanced training focused on the latest digital tools, enhancing digital proficiency and readiness for a successful business expansion</p> </div> <div>  <p>Delivering mentorship and tools to enhance market reach e.g., how to effectively utilize online platform, branding and marketing assistance and business matching</p> </div>
 <p>Emerging Challengers</p>	<p>Due to low digital and financial literacy, there is still a lack of strategic implementation for growth and loans. Therefore, fundamental training on digital and financial skills is required to establish a strong foundation</p> <p><i>This suggests a potential segment of focus for Amarth</i></p>	<p>Financial and Digital Fundamental</p>	<div>  <p>Enhancing their financial knowledge foundation through upskilling in basic finance to help them become more proficient in its implementation.</p> </div> <div>  <p>Upskilling their digital technology applications that can help them in business operations, effectively fostering efficiency and facilitating growth</p> </div>
 <p>Novice Risky Borrowers</p>	<p>Novice Risky Borrower Ultra-MSMEs should focus on improving both their financial and digital skills given high capital from loans that may not necessarily be allocated properly for business growth</p> <p><i>This suggests a potential segment of focus for Amarth</i></p>	<p>Financial and Digital Literacy</p>	<div>  <p>Engaging personalized consultation sessions designed to enhance their understanding of financial management to guide them in managing funds to propel business growth and sustainability</p> </div> <div>  <p>Tailored facilitation sessions that explore innovative ways to sell products and widen market reach through sales channel diversification</p> </div>

Table 7.3.2 Potential Interventions Based on Ultra-MSMEs Segmentation

# CLOSING REMARKS

This research delivered two major outcomes. The first one is a presentation of an improved understanding of the different challenges that Indonesia's ultra-micro and small business sector faces. Secondly, the report highlights the distinctiveness of each challenge in order to better personalize interventions by multiple stakeholders.

Throughout our journey of empowering ultra-micro and small businesses in Indonesia, we have recognized that this segment exhibits varying levels of readiness. Consequently, empowerment interventions need to be tailored to their specific contexts and needs. These interventions are crucial, not only to mitigate economic shocks that threaten their stability but also to enhance their business capabilities in the long run.

This research has uncovered crucial insights into the distinct characteristics and empowerment needs of Indonesia's Ultra-MSMEs. One significant discovery in this area is the identification of the two most promising segments: emerging innovators and emerging challengers groups of entrepreneurs. The emerging innovators, who make up 33% of ultra-micro enterprises, are the group most open to increasing business capacity through easier access to funding. While also requiring capital access, 40% of emerging challenger entrepreneurs demand a distinct need for financial management training.

Given the variety of requirements and obstacles that Indonesia's ultra MSMEs encounter, it is clear that a segregated strategy will not be sufficient to spur their growth and contribution to the country's economy.

To unlock their full potential, fostering collaboration between stakeholders is paramount. Together, lawmakers, business leaders, financial institutions, training providers, and support groups can build an ecosystem that is all-encompassing and caters to the particular requirements of Ultra-MSMEs. This collaborative effort may include initiatives such as streamlining regulations and access to capital, skill development to promote learning, and support networks to increase earning power.

At the end of the day, Amarta believes that by fostering a collaborative environment, we can empower Indonesia's Ultra-MSMEs segment to thrive, ultimately contributing to a more robust and inclusive national economy. This collective effort represents a significant opportunity to unlock the true potential of Indonesia's entrepreneurial spirit.

**Aria Widyanto**

Chief Risk and Sustainability Officer





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