

Grab Pioneers Digital Economy in Eastern Indonesia

- Grab contributes to job and business creation, with 50% of GrabKios being newly-established businesses
- Digital inclusion also takes a boost, with e-wallet ownership among Grab merchant partners being 87 percentage points higher than non-Grab partners
- Grab's positive impact spills over to larger community and economic activity, reflecting the power of digital platforms in enhancing regions' socio-economy aspects, including those in Eastern Indonesia

JAKARTA, 11th of November 2021 – As one of the leaders in Indonesia's tech ecosystem, Grab is expected to play a pivotal role not only in helping communities across Indonesia overcome the adverse impacts of the COVID-19 pandemic, but also in promoting the communities' economic development, especially the marginalized ones. While Grab's impact on the broader Indonesia economy has been documented by previous studies (Tenggara Strategics, 2018), there has been no study on Grab's impact on frontiers, outermost, and less-developed regions, despite the apparent need to investigate whether Grab's benefits have been shared equally across the regions. Against such a backdrop, LPEM UI has conducted research to study the impact of Grab on the less economically-developed regions such as Kupang and Jayapura. Such research is expected to inform relevant Grab stakeholders and policymakers in their efforts to formulate strategies and/or policies to maximize their impacts across Indonesia.

Vice Minister of Finance, Professor Suahasil Nazara acknowledged that the pandemic has significantly impacted society's use of technology. "The pandemic has massively accelerated the process of digital transformation, and the demand for access to the digital ecosystem has greatly heightened during the pandemic", said Professor Suahasil in his keynote speech. He added that Grab, as a digital platform, has helped boost usage of digital ecosystems in society, further highlighting its role in promoting digital literacy across the board. This is aligned with the government's effort to have a more digitized, financially-literate Indonesian society.

Professor Bambang P.S. Brodjonegoro, Ph.D, previous Head of National Research and Innovation Agency, also highlighted that Grab's digital platform could improve smaller cities' economies through creation of businesses and jobs in the digital platform. "Grab's effective expansion strategy has proven successful in penetrating regions outside of major cities," he said.

Dr. Chatib Basri, Ph.D, added that women stood to gain more from new employment opportunities. "Grab has helped women establish new businesses by promoting the convenience of digital platforms. This is important, because it could potentially have implications in reducing the gender wage gap", said Chatib.

Research results from LPEM UI support the above statements. **Research Team Supervisor Chaikal Nuryakin, Ph.D** said that field studies revealed Grab's positive impact on job and business creation, income, digital and financial inclusion, as well as improved life satisfaction. "Our results suggest that, during 2019-2021, Grab had created jobs for unemployed individuals in the Kupang and Jayapura districts via its merchants and drivers registering in the platform", said Chaikal. Results from the merchants analysis that had been conducted by the LPEM UI research team suggest that **up to 30% and 50% of Grab Food and GrabKios businesses are newly-established businesses. The former implies that Grab had contributed to hundreds of new food businesses until 2021.**

In regards to income, LPEM UI's study provides indications of income increases among Grab merchants and drivers. "Among the merchants, strongest income increases are observed among those without any businesses prior to joining Grab: their **total incomes nearly doubled after joining the platform**", observes Chaikal. He also highlighted that among the drivers, the results indicate that drivers' income had increased as well after joining Grab. Moreover, the study results also suggest that Grab has provided drivers with opportunities to earn additional income because of the time flexibility allowed by the platform.

In addition, the LPEM UI's research results suggest that financial and digital access are higher among Grab partners than non-partners. "Among Grab merchant partners, we find that e-wallet ownership rates are 87 percentage points higher than non-Grab merchants. **More than 50% of Grab partners** also reported Grab as the reason they **own financial and digital financial accounts**," Chaikal highlighted. He also emphasized that Grab driver partners are also at least twice more likely to be covered by insurance, to buy investment products, and to receive loans. "Our results further suggest that the majority of Grab partners also report higher satisfaction than non-partners, especially in terms of work time flexibility and job satisfaction", said Chaikal. The study also shows that Grab driver partners are nearly four times more likely to have participated in some type of training compared to their counterparts.

In general, the team's research results indicate that the above-mentioned Grab's impacts are further augmented by Grab's impacts on the partner and users' family members, non-partners, and society in general. In other words, the team finds indications that Grab also generates spillover effects on those outside of its ecosystem in Kupang and Jayapura. The research found that ever since Grab's entry, the luminosity of night lights in Kupang and Jayapura villages rose twice higher than the luminosity of villages in Indonesia where Grab was not present. Such a significant increase indicates an improvement in economic activity and general welfare.

Furthermore, the qualitative analysis conducted by the LPEM UI research team—both from FGD, and in-depth research—as well as complementary findings from survey analysis suggest that improving infrastructure—both physical and digital infrastructure—will further enlarge the digital economy size in the area. The size of the digital economy is not only important for Grab's business sustainability, but Grab Partners, Mitra family members, Grab service consumers, input suppliers, restaurant and stall workers, as well as the wider Kupang and Jayapura community will also stand to benefit from the increased digital economy size.

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