

Impact of the COVID-19 pandemic on low- and middle-income segments in Indonesia

Agnes Salyanty, Rahmatika Febrianti, and Raunak Kapoor

With support from Alfa Pelupessy



If this lockdown situation continues for the next 1-2 months, I will have to pawn my motorcycle. My wife is still working, but her salary has been cut by 50%. I hope that the loan against my motorcycle will help us manage in the next two months.

A part-time tour guide in Labuan Bajo

The plight of our respondent above is no different from millions of Indonesians from the low- and middle-income (LMI) segments who find it hard to fend for their families during these difficult times. With little savings and an uncertain future, vulnerable people have to take desperate measures to stay afloat. This blog highlights the insights generated from a [study](#) conducted by MSC to understand economic and health impact of COVID-19 on low-middle income (LMI) Indonesians. This blog is the first of two blogs on this subject.

Key insights from our research



Knowledge, attitudes, and practices of the LMI segment on health-related aspects

The respondents lacked a complete understanding of COVID-19 symptoms

As the government echoes the “new normal” way of living, it is imperative to ensure that each individual is aware of the [correct health protocols](#) and obeys them willingly. Most of our respondents relied on social media (80%) and television (79%) as the primary channels of information on COVID-19. However, given the nature of social media, a lot of unverified information and rumors often go viral. This could contribute to misconceptions about preventive measures and curative healthcare. In our survey, less than half (45%) of the respondents were able to identify all the symptoms of COVID-19 correctly. However, most (81%) were able to identify how the virus spreads. Only 15% of the respondents in our survey were aware of the government’s COVID-19 helpline number and could recall it.

Almost half of the respondents considered COVID-19 infection highly fatal

In our survey, 45% of the respondents feel that COVID-19 is a highly fatal infection. Respondents felt that social distancing and washing hands frequently were the top two preventive measures they could take to prevent the spread of the virus. 50% of the respondents said that they cleaned their house thoroughly to keep their families safe, while 35% of the respondents reported taking herbal immunity-boosting drinks (turmeric, ginger, lemon grass and galangal) as a preventive measure for COVID-19. Almost half (45%) of the respondents said that they do not cover or only cover their mouths with cupped hands when they cough or sneeze. These coughing practices could potentially result in the rapid spread of the virus. Only 23% of the respondents said that they cough or sneeze on their elbow as has been recommended in all the public awareness campaigns.

Economic pressures have a significant impact on the behavior of the LMI segments

Half of the respondents said that they are going to work as usual while some (35%) reported trying to maintain physical distancing.



I do not think I can stay at home for a long time. This is my only job, so I will keep trying to earn money. I still go out and wait for incoming orders but now the orders are very limited. Still, at least I am trying.

— A motorcycle taxi driver in Bogor



The physical distancing policy strongly encourages people to stay home and keep at least 1 meter's distance. However, this extraordinary measure further manifests the gap between the rich and the poor, especially in urban areas. Slum housing is common in Jakarta. While high-rises and skyscrapers surround the city, many less fortunate households are cramped in substandard and overcrowded houses. Data suggests that 5.6 million housing units (with an area of 7.2 square meters or less) are overcrowded. This condition creates many health hazards, and, of course, people cannot maintain physical distance and hygiene easily.



I practice social distancing with a table that separates me from my customers

— A cashier in a small shop in Jakarta



The socioeconomic impact of COVID-19 on the LMI segment

Incomes have fallen drastically

61% of respondents reported that the COVID19 outbreak has affected their incomes. One-third of them said that they cannot go out to work, while 40% said that the demand for their goods and services have fallen drastically.



I am a single parent with a special-needs child. I work in a cleaning service. I also sell breakfast to office workers, from which I earn an additional income of USD 6 every day. Now I cannot sell breakfast anymore since everyone is working from home.

— A cleaning service in Central Jakarta



I stay in my room all day. I am too afraid to go out and survive on Indomie (instant noodles)

— A cake seller in Kendari



The increase in household expenditure and chores have worsened the situation

The pandemic has also resulted in a spike in the household expenditure, such as higher internet costs, electricity bills, groceries, and expenses on certain preventive health provisions. For example, respondents purchase more hand sanitizers and disinfectant liquid to maintain hygiene of the household.



My household expenses have increased since all of us need to stay home. We now use more electricity, cooking gas, food, snacks for children, and phone data. We also have to stock hand soap, sanitizer, preventive medicines, herbal drinks, and multivitamins. Yet our source of income has depleted

— An innkeeper in Cianjur



Women shoulder a greater burden in this “new normal”

Our research finds that although most family members have been staying at home, women do most of the domestic chores (68%). In our research, 70% of respondents believed it is the mother’s job to ensure the family’s health, tend to the sick, arrange doctor appointments, and prepare home remedies and immunity-boosting drinks.



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My husband used to work at the postal office before being laid off for now. Every day, I go to work at 7 am and return home at 4 pm. Before going to my employer’s house, I need to prepare all of the cooking [before the pandemic, the husband used to buy his breakfast early morning at work]. I do not want my children to buy snacks from outside. Even though their dad is at home, I am still the one who has to help the children in doing their school tasks after returning home. The children said they would prefer to study the materials with me than my husband.

— A housecleaner in Bekasi

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The established societal norms on gender roles are also a significant consideration as Mrs. Indah, a masseuse, puts it:

“I have to do it because the health [of the family] must come from women.”

People’s behavior around digital payments has not necessarily changed

Only 14% of the respondents said their digital payments transactions have gone up. Such low levels of digital transactions persist despite recent moves from e-wallet providers, such as [GoPay, which waived top-up charges](#). The lack of a digital payment ecosystem for micropayments is one of the reasons for such a trend. Most digitally-enabled small merchants and banking agents continue to be dormant which provides limited options for cash-in or merchant payments. MSC’s analysis shows that around 60-75% of banking or non-bank agents continue to remain dormant due to weak business proposition and lack of support.

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Some people said that the COVID-19 could be transmitted on banknotes or other materials. Yet for now, all of our payments are based on cash. This is because the payment amount is not high. I always give my wife IDR 40,000 (~USD 2.67) a day, so that she can buy dishes from vegetable vendors. These vendors only take payments in cash. So, neither my family nor I feel the need to shift to digital payments.

— A security guard in Bekasi

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People from low-income segments also often do not know how to use mobile phones to make financial transactions. A [recent survey](#) by DNKI (the national financial inclusion council) suggests that 70% of people who own phones have limited or no capacity to conduct financial transactions using them. MSC's [research with PKH beneficiaries](#) also shows many struggling to remember their debit card PINs. They need assistance from agents to transact.



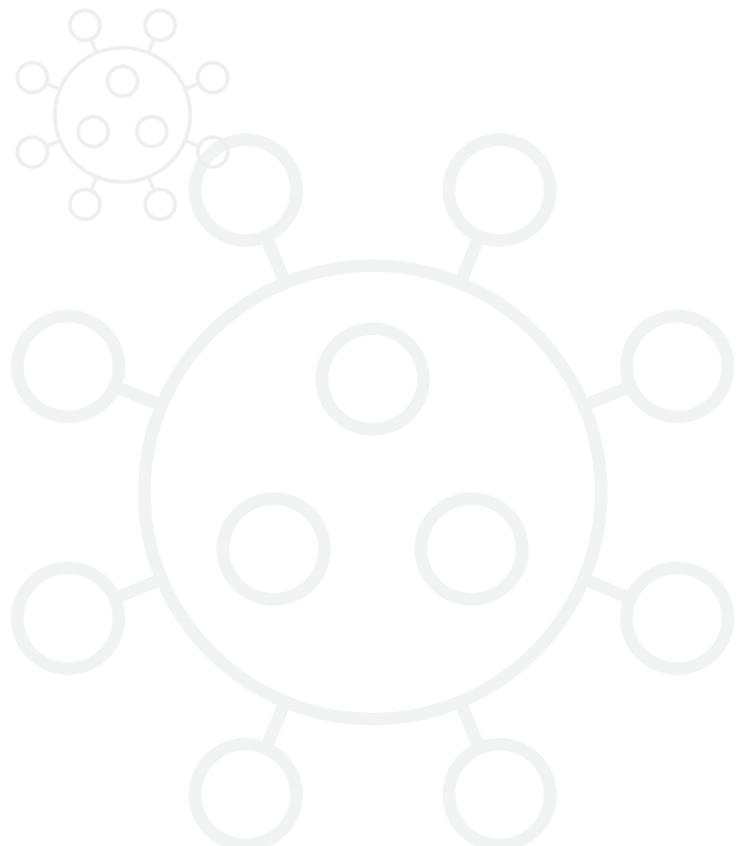
I do not use an e-wallet. I wash my money [notes] with water and air-dry them to prevent coronavirus.

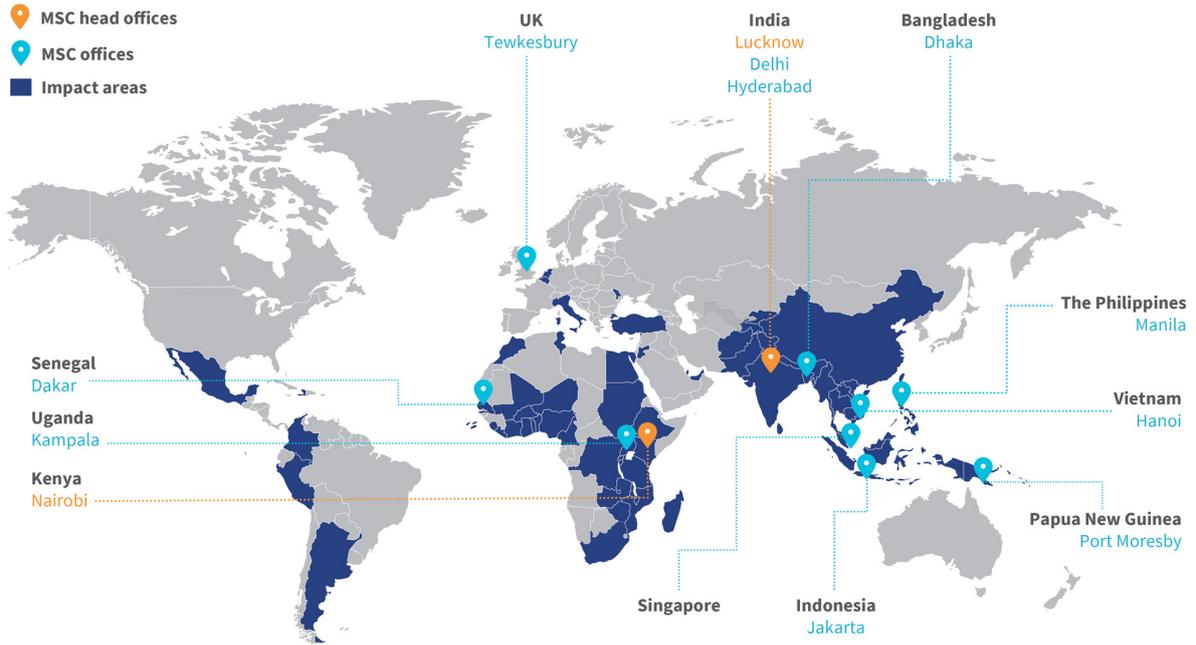
— A masseuse in Bekasi



While COVID-19 in itself presents a unique set of problems, the virus has also challenged policy makers' ability to handle an economic/health crisis in general. The second blog in this series highlights key policy recommendations to improve the socioeconomic and health outcomes for LMI segments as the pandemic further evolves in the country.

The respondents of the study had a household income range from USD 100 to 500 and mostly included profiles, such as security guards, domestic helps, gig-economy workers, and street hawkers. MSC interviewed 80 respondents over the phone in April, 2020. The enumerators asked a combination of quantitative and qualitative questions as part of the survey process. MSC will continue to study the impact of COVID-19 on the LMI segments as the pandemic unfolds in Indonesia. The next round of surveys on this subject were scheduled for July and the findings were slated for August, 2020.





Asia head office

28/35, Ground Floor, Princeton Business Park, 16 Ashok Marg,
Lucknow, Uttar Pradesh, India 226001

Tel : +91-522-228-8783 | Fax : +91-522-406-3773

Email : manoj@microsave.net

Africa head office

Shelter Afrique House, Mamlaka Road, P.O. Box 76436,
Yaya 00508, Nairobi, Kenya

Tel : +25-420-272-4801 | Fax : +25-420-272-0133

Email : anup@microsave.net

www.microsave.net